National Grid Electricity Transmission plc
Annual Report and Accounts 2023/24

Company number 2366977

Contents

Overview

About National Grid Electricity Transmission plc

National Grid Electricity Transmission plc (National Grid Electricity Transmission, NGET, the Company) is a subsidiary of National Grid plc (National Grid, the Group), based in the United Kingdom (UK). We own and operate the regulated high voltage electricity transmission network in England and Wales. We do not own the Scottish networks. We play a vital role in connecting millions of people safely, reliably and efficiently to the energy they use. See page 2 for further details.

The governance of National Grid Electricity Transmission is the responsibility of its Board of Directors. Strategic direction is determined by our ultimate parent company, National Grid plc. Our Directors are listed on page 39.

More information on the management structure of National Grid can be found in the National Grid plc Annual Report and Accounts 2023/24 and on National Grid's website at www.nationalgrid.com.

The International Financial Reporting Standard (IFRS) as adopted by the UK make reporting some of the performance measures that we use as a regulated business more complex due to differences in standards used in their preparation. We provide additional information about both our assets and liabilities that do not form part of our audited accounts, to provide our investors with a fair, balanced and understandable view of our business.

Financial highlights

	2023/24 £m	2022/23 £m	Percentage change
Revenue	**2,735**	1,987	**37.6 %**
Operating profit before exceptional items	**1,651**	983	**68.0 %**
Exceptional items[1]	**(3)**	26	**(111.5)%**
Operating profit	**1,648**	1,009	**63.3 %**
Profit before tax	**1,406**	691	**103.5 %**
Cash generated from operations	**2,165**	1,407	**53.9 %**
Regulated assets[2]	**18,462**	17,072	**8.1 %**

1 Relates to £3m of restructuring costs. Prior year includes a settlement gain of £35 million relating to a defined benefit pension plan,and restructuring costs of £9 million. For further detail refer to note 5 of the consolidated financial statements.

2 The value ascribed to the capital employed in the NGET business for regulatory purposes. See page 30 for further details.

	2023/24 £m	2022/23 £m
Return on equity [1]	**8.0%**	7.5%

1 See page 30 for further details, and page 115 for definition and basis of calculation.

Non-financial highlights

	2023/24	2022/23
Number of employees[1]	**5,328**	3,940
Network reliability[2]	**99.999998%**	99.999997%

1 Increase/decrease driven primarily by workforce expansion required to deliver the Accelerated Strategic Transmission Investments (ASTI) programme of work.

2 See pages 8 - 10 for further details on KPIs

What we do – Electricity

The electricity industry connects energy generation to homes and businesses through the transmission and distribution networks. Electricity retailers pay to use transmission networks to buy electricity from generators and sell it to consumers.

NGET owns and operates the high-voltage electricity transmission network in England and Wales and plays the crucial role of ensuring its safe, reliable and efficient operation and maintenance. We connect to industrial properties and distribution networks that deliver the electricity on to homes and commercial properties. We also facilitate the connection of generation assets directly to the transmission system.

The other sectors of the UK electricity industry are detailed below.

Generation

Generation is the production of electricity from fossil fuels, nuclear power stations and renewable sources such as wind and solar. We and the rest of the National Grid Group do not own or operate any electricity generation facilities.

The UK is moving away from a historical reliance on large thermal power generation and there is now a greater diversity of supply and higher flexibility of demand than ever before. The electricity transmission network has a pivotal role to play in enabling the evolving future energy mix for the long-term benefit of consumers.

Interconnectors

Transmission grids are often interconnected so that energy can flow from one country or region to another. This helps to provide a safe, secure, reliable and affordable energy supply for consumers. Interconnectors also allow power suppliers to sell their energy to customers in other countries.

Great Britain (GB) is linked via interconnectors with Ireland, Northern Ireland, France, Belgium, Norway, Denmark and the Netherlands. The National Grid Group is continuing to develop additional interconnector projects, which will include multi-purpose interconnectors.

National Grid, through separate companies held outside of National Grid Electricity Transmission, sells capacity on its UK interconnectors through auctions.

Distribution

Distribution systems carry lower voltages than transmission systems over networks of overhead lines, underground cables and substations. They take over the role of transporting electricity from the transmission network, and deliver it to consumers at a voltage they can use.

National Grid, through separate companies held outside of National Grid Electricity Transmission, owns and operates the electricity distribution networks for the East and West Midlands, the South West and South Wales. The combined network of Electricity Distribution (ED) makes it the largest electricity distribution network operator (DNO) group in the UK.

Supply

The supply of electricity involves the buying of electricity and selling it on to customers. It also involves customer services, billing and the collection of customer accounts. NGET does not sell electricity to consumers.

Balancing the network

The National Grid Group manages these activities through a separate company. The Electricity System Operator (ESO) is a separate legal entity governed by its own Board of Directors.

In October 2023, the Energy Act 2023 was passed, legislating for a Future System Operator (FSO) to be created. In January 2024, the ESO announced the new name for this entity as the National Energy System Operator (NESO). NESO will be founded on the current activities and capabilities of the ESO but will also take on new roles with a whole system perspective across energy vectors. All parties are working towards a launch date in the second half of 2024. In the meantime, ESO will retain its name until the transition

What we do – Regulation

Our business operates as a regulated monopoly. We are regulated by the Office of Gas and Electricity Markets (Ofgem). The regulator has established a price control regime to ensure our interests are aligned with those of wider stakeholders.

The purpose of the regulatory regime

Ofgem's regulatory regime for the energy industry is RIIO, which stands for Revenue = Incentives + Innovation + Outputs. It is designed to encourage regulated energy companies to invest in efficiency and innovation, creating value that is shared through the regulatory mechanisms between the company and consumers. We are now in the second RIIO price control, known as RIIO-T2, which runs until the end of FY26.

How we manage our regulated assets

Our license, established under the Electricity Act 1989, as amended (the Act), requires NGET to develop, maintain and operate an economic and efficient energy network. It also gives us statutory powers, including the right to bury our wires or cables under public highways and the authority to make compulsory purchases of land in the conduct of our business.

Ofgem has a statutory duty under the Act to protect the interests of consumers. Price controls in the regulatory framework limit the amount of revenue NGET can earn. In setting price controls, Ofgem must also have regard to ensuring that license holders are able to finance their obligations under the Act. Licensees and other affected parties can appeal license modifications which have errors, including in respect of the financial feasibility of license requirements.

The price control includes financial incentives designed to encourage NGET to:

- efficiently deliver outputs that customers and stakeholders require through investment and maintenance of the network, including a reliable supply of electricity, new connections and increases to network capacity; and
- innovate in order to continuously improve the service we give our customers, stakeholders and communities.

RIIO-T2 Price Control

The building blocks of the RIIO-T2 price control are broadly similar to the historical price controls set by Ofgem for the high voltage electricity transmission network. RIIO-T2 covers the five-year period from 1 April 2021 to 31 March 2026.

Key parameters RIIO-T2

	NGET
Allowed return on equity[1]	4.25% (real terms, relative to CPIH), at 55% gearing (which is broadly equivalent to 4.55% at 60% gearing)
Allowed debt funding	Calculated and updated each year using an extending 'trombone-like' trailing average of iBoxx Utilities 10+ year index (increases from 10 years for 2021/22 to 14 years for 2025/26), plus 25 bps additional borrowing costs.
Depreciation of Regulatory Asset Value (RAV)	No change in policy: straight line depreciation over 45 years for post-2021 RAV additions, with pre-2021 RAV additions as per RIIO T1.
Notional Gearing	55%
Split between fast/slow money	Fast: Baseline 22%; Uncertainty mechanisms 15% Slow: Baseline 78%, Uncertainty mechanisms 85%
Sharing factor	33%
Core baseline totex in 2018/19 prices (cumulative for the 5 years of RIIO-T2)	£5.8 billion

1 The cost of equity in RIIO-T2 is subject to annual adjustments that are calculated using the Capital Asset Pricing Model, through indexation of the 'risk-free rate' parameter. The 4.25% figure shown is Ofgem's estimates of the average allowed Return on Equity over the five years of RIIO-T2, as given in the RIIO-T2 Price Control Financial Model published in November 2021.

Revenue under the RIIO-T2 price control

Under RIIO-T2, the outputs we deliver are clearly articulated and are integrally linked to the calculation of our allowed revenue, although some outputs and deliverables have only a reputational impact or are linked to legislation. We do not earn allowances if we do not deliver the associated output. These outputs reflect what our stakeholders have told us they want us to deliver and were determined through an extensive consultation process, which gave stakeholders a greater opportunity to influence the decisions.

There are three main output categories for transmission under the current RIIO-T2 price controls:

- **Meeting the needs of consumers and network users -** using outputs and a range of incentives to improve service quality and to encourage the efficient operation of the transmission network. This includes incentives aimed at encouraging us to provide fast access to high quality connections and high network reliability.
- **Maintaining a safe and resilient network -** funding to replace ageing assets whilst ensuring costs to consumers are kept as low as possible. This includes funding for cyber resilience projects and IT investment. Uncertainty mechanisms are used to fund further upgrades during RIIO-T2 where greater certainty around the scope of work is required.
- **Supporting delivery of an environmentally sustainable network -** funding or uncertainty mechanisms to facilitate the connection of low carbon generation and by setting outputs and incentives to further reduce the harmful impact that the transmission network and related business activities can have on the environment.

Within each of these output categories there are a number of primary and secondary deliverables. The nature and number of these deliverables varies according to the output category, with some being linked directly to our allowed revenue, some linked to legislation, and others having only a reputational impact.

Totex

Ofgem, using information we have submitted, along with independent assessments, determines the efficient level of expected costs necessary for these deliverables to be achieved. Under RIIO-T2 this is known as 'totex', which is a component of total allowable expenditure and is broadly the sum of what was defined in previous price controls as operating expenditure (opex) and capital expenditure (capex).

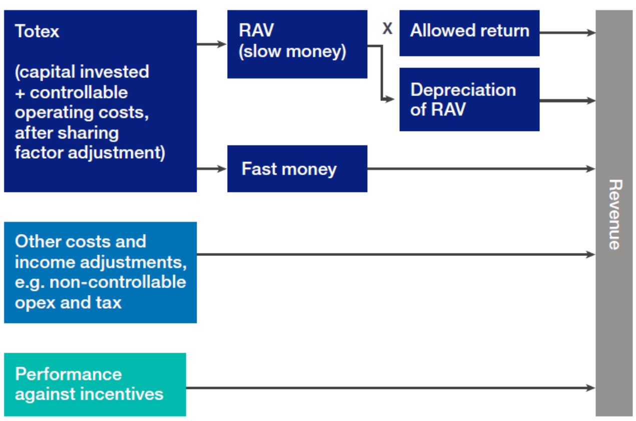
A number of assumptions are necessary in setting the outputs, such as certain prices or the volumes of work required. Consequently, the uncertainty mechanisms within the RIIO-T2 framework can result in adjustments to totex allowances if actual volumes differ from the assumptions. These mechanisms protect us and our customers from windfall gains and losses.

Where we under-spend or over-spend against the allowed totex there is a "sharing" factor. This means we share the under- or over-spend with consumers through an adjustment to allowed revenues in future years. This sharing factor provides an incentive for us to provide the outputs efficiently, as we are able to keep a portion of savings we make, with the remainder benefiting consumers. Likewise, it provides a level of protection for us if delivery of the agreed outputs requires us to spend more than allowances.

Allowed revenue to fund totex costs is split between ‘fast’ and ‘slow’ money using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex we are able to recover in the year of expenditure. Slow money is added to our Regulatory Asset Value (RAV) – effectively the regulatory I Owe You which is subsequently depreciated.

In addition to fast money, each year NGET recovers regulatory depreciation, i.e. a portion of the RAV, and a return on the outstanding RAV balance. The RAV is indexed to inflation using the Consumer Prices Index including Owner Occupiers' Housing Costs (CPIH). For RIIO-T2, regulatory depreciation for new additions to the RAV uses a straight-line depreciation methodology over 45 years. We are also allowed to collect additional revenues related to non-controllable costs and incentives. In addition to totex sharing, incentive mechanisms can increase or decrease our allowed revenue to reflect our performance against various other measures related to our outputs.

Simplified illustration of RIIO regulatory building blocks:



Reopeners

Under RIIO-T2, there are several specific areas where we can submit further claims for new allowances within the period over and above our baseline funding. These are known as reopeners. These give NGET the opportunity to request funding when there is more certainty about project details.

We have submitted nearly £3.5bn of reopener funding requests in 2023/24, including Eastern Green Link 1 & 2, Yorkshire GREEN and cyber. We expect to submit further funding reopeners over the remainder of RIIO-T2.

Accelerated Strategic Transmission Investment (ASTI)

The British Energy Security Strategy set out the Government's ambition to connect up to 50GW of offshore generation to the electricity network by 2030. The ESO's Holistic Network Design (HND) and Network Options Assessment (NOA) refresh set out the required offshore and onshore network reinforcements required to enable up to 50GW of offshore wind generation to be brought onshore and connected to the network.

Ofgem established the ASTI funding mechanism in 2022, enabling an accelerated decision-making and project implementation process and streamlining the regulatory approval and funding process. Ofgem subsequently awarded delivery of 17 ASTI projects to NGET.

National Grid established a new business unit, Strategic Infrastructure (SI) to deliver this work. SI operates under the NGET license. This work represents the largest transmission growth the UK has seen in 50 years. It will help deliver Net Zero, lower consumer bills and underpin the UK’s energy security by boosting home-grown renewable energy generation.

The following table details the ASTI projects and target delivery dates. We are looking to accelerate delivery wherever possible in order to meet the UK Government's ambition to connect 50GW of offshore wind generation to the electricity network by 2030.

	Project name
Offshore mature schemes Offshore Mid-stage schemes	Eastern Link 1 (Torness to Haw thorn Pit)
	Eastern Link 2 (Peterhead to Drax)
	Eastern Link 3 (Peterhead to South Humber)
	Eastern Link 4 (Westfield/Fife to South Humber)
	SEA Link, South & East Anglia Link
Onshore Mature schemes Onshore Mid-stage schemes	Yorkshire GREEN
	Bramford to Twinstead
	North East Anglia GREEN
	South East Anglia GREEN
	North Humber to High Marnham
	Grimsby to Walpole
	Chesterfield to Ratcliffe-on-Soar
Upgrades to existing NGET assets	Brinsworth to Chesterfield
	Hackney, Tottenham & Waltham
	Tilbury to Grain
	Pentir to Trawsfynydd
	North Wales

Independent Stakeholder Group (ISG)

The Independent Stakeholder Group (ISG), formerly the Independent User Group (IUG), was formed in June 2018 as part of the Ofgem RIIO-T2 Enhance engagement business planning process. After submitting the business plan in 2019, NGET maintained the ISG in an enduring capacity. Its role became to provide a stakeholder lens on business strategy, performance, and to monitor delivery and transparency of the business plan commitments over the RIIO-T2 period.

The ISG has influenced a more systematic and strategic approach to stakeholder engagement, improving transparency and decision-making. In the upcoming RIIO-T3 period, the ISG will provide challenge and scrutiny on the development and ongoing delivery of business plans, as well as ensuring wider stakeholder engagement.

Our purpose, vision, values and strategy

We work within the purpose, vision, strategy, values and priorities of National Grid to ensure we are well positioned to respond to changes in the operating environment.

Our purpose

Having a clear sense of what we stand for as a company and what it is that binds us all together is vitally important. This is what we call our purpose. In simple terms it is what drives our desire to serve our customers and makes us proud about the work we do.

Our purpose remains to **Bring Energy to Life,** providing the heat, light and power people and businesses rely on and supporting local communities to prosper.

Our vision

Our vision is to **Be at the heart of a clean, fair and affordable energy future.**

National Grid stands for more than profit. The company is committed to making a positive contribution to society, whether that's helping the young people of today to become the energy problem-solvers of tomorrow, supporting customers to use energy more efficiently, or tackling climate change by targeting Net Zero for our own emissions by 2050.

Creating a clean, fair and affordable energy future is what society demands and what we demand of ourselves.

- **Clean:** because we have a critical role to play in tackling climate change, leading the way to Net Zero.
- **Fair:** because we want to enable the energy transition for all, making sure that no-one gets left behind.
- **Affordable:** because everyone should be able to pay for all their essential energy needs.

By 2030, we plan to achieve the UK Government's target to have 50GW of offshore wind power generation connected to our network. By 2040, our objective is that the network will have up to 320GW of generation connected - three times higher than today - and by 2050 the UK will achieve a fully decarbonised energy future supporting up to three times the total demand and twice today's peak level of demand.

Our values

Every day we **Do the right thing, Find a better way** and **Make it happen.**

These values guide our actions and behaviours as a responsible business and help us create a culture where colleagues become less cautious and take greater ownership. At National Grid Electricity Transmission, we expect our leaders to be role-models and engage all colleagues to demonstrate our values:

Do the right thing - we create purpose and belonging; we keep each other safe and put our customers first.

Find a better way - we work together to drive innovation and find solutions for our customers.

Make it happen - we take bold steps and calculated risks to drive action, performance and results.

Our strategy

Our strategy is to build, own and operate large-scale, long-life energy assets that deliver fair returns and high societal value.

As we set out to achieve our ambitious objectives, we need to guide our plans and decision-making to define the direction for how we will transform our business and what we need to do. This will be delivered by our four strategic priorities:

1) Enable the energy transition for all

Fully decarbonising the electricity grid through modernisation, increased flexibility and by connecting renewables quickly and efficiently.

2) Deliver for customers efficiently

Providing safe, reliable and affordable energy for consumers around the clock, ensuring operational excellence and fiscal discipline in everything we do, building productive partnerships with regulators and policymakers, and unlocking real value for consumers and the communities they live and work in.

3) Grow organisational capability

Anticipating and adapting to changes in the energy sector in faster and smarter ways, remaining at the cutting edge of engineering and asset management, and innovating more sustainable energy solutions.

4) Empower colleagues for great performance

Building diverse and inclusive teams that reflect the communities the Company serves, attracting the best talent, prioritising learning and developing the skills needed now and in the future to accelerate the energy transition.

Our Delivery Priorities

Each year, we set out our key strategic, operational and financial commitments for the year ahead in a Performance Contract aligned to our Strategic priorities. This is an agreement with the National Grid group of what we will deliver in the year ahead and is underpinned by targets set out in Key Performance Indicators (KPIs) and Critical Outcomes, or milestones. It provides us with the internal clarity and sense of what we want to achieve in the year ahead. Our 2023/24 priorities and how we performed against those priorities are set out below.

Strategic Priority	2023/24 Priorities	2023/24 Achievements
Enable the energy transition for all	• Design future network blueprints and site strategies to 2035+. • Define the supply chain strategy required to deliver for 2035. • Mobilise to replace the national control system and build new resilient control centre. • Determine a new approach for system access. • Set out & progress the technical design standard for intelligent network of the future. • Move Net Zero construction from concept to delivery. • Scale up innovation through Deeside.	We have: • Identified early procurement opportunities for RIIO-T3s. • Erected all 116 T-pylons on the Hinkley project, the first new pylon design in nearly 100 years and a third shorter than our traditional steel lattice pylons. • Completed all tunnelling (32.5km) on the London Power Tunnels 2 (LPT2) project to re-wire London. • Completed construction of an SF_6-free substation as we work to reduce our emissions. • Completed Visual Improvement Projects (VIPs) in Dorset and Peak East and commenced work on the Snowdonia VIP, moving overhead line underground to enhance these areas of natural beauty
Deliver for our customers efficiently	• Clean-up the inherited pipeline of customer connections. • Crack the future connection product; whilst improving our customer service and efficiency. • Set an asset management strategy fit for our business strategy. • Recover T2 asset health and keep delivering capital plan. • Set a clear path to operational excellence and demonstrate progress on frontier efficiency. • Transform Safety, Risk and Compliance processes to ensure learning, continuous improvement and embed behavioural safety.	We have: • Connected over 3GW to the network including Dogger Bank, the world's largest offshore wind farm (1200MW), the Viking Link interconnector (1500MW) between the Revsing substation in Denmark and Bicker Fen in Lincolnshire, and Larks Green, the UK's first transmission-connected solar farm. • Delivered 99.999998% network reliability with just 4.3MWh of energy not supplied against 209,710,000MWh of energy provided. • Achieved Cyber Assurance Framework (CAF) Basic compliance to protect our network from rogue actors. • Secured two-step offer and queue management reforms to accelerate the connections process. • Successfully trialled innovative online repair of SF6 leaks, providing an interim solution prior to long-term remediation of leaks and reduce harmful emissions.
Grow our organisational capability	• Define roles and responsibilities of industry for many years to come and set out our financial future (across RIIO-T3, FSO, Electricity Transmission Network Planning Review (ENTPR), Centralised Strategic Network Plan (CSNP), competition, and complex offshore decisions). • Shape & influence critical industry reform to underpin delivery. • Establish rigour of Return on Equity (RoE) management and our performance narrative. • Clean up our data management, and launch intuitive digital products. • Develop an intuitive, integrated business management system. • Set up an entirely new Business Unit.	We have: • Established a new business unit to focus on delivering the ASTI portfolio. • Driven the connections reform agenda with Ofgem, the ESO and other stakeholders across the industry including accelerating battery storage offers (accounting for 90% of the projects expected to be needed between now and 2035); queue management reforms (so non-viable and stalled projects can be removed from the pipeline), the Connections Actions Plan, and further queue management reforms. • Worked with the ESO and Ofgem to ensure the regulatory framework and procedures are fit for for purpose for the future. • Compiled a fully costed first draft of our RIIO-T3 plan. • Progressed delivery of a new Electricity Transmission Control Centre to bring security, cyber and transmission network control together in a bespoke facility ready for the low-carbon energy future, with construction to commence during summer 2024.
Empower our people for great performance	• Define how to create the workforce of the future (including a diverse workforce, with shorter time to competency). • Upskill today's workforce and leadership: launch leadership upskilling programmes; focus on deepening succession and accelerating talent development. • Increase gender diversity in our field force and control room, increase the ethnic diversity of our leadership and continue our focus on being a truly inclusive workplace. • Get on the path to feeling like an intuitive place to work.	We have: • Recruited over 570 new colleagues in the direct ET business ready for the increased workload in the coming years as we connect renewable energy and increase network capacity. • Rolled out the Safe Choices behavioural safety programme to take the next step in our safety maturity. • Increased our workforce diversity to 37.3% (up from 29.9% at the end of FY23). • Agreed our strategy to ensure our workforce is ready for the future changes in the industry out to 2030 and beyond.

Business Review

Highlights

In 2023/24, NGET continued its strong financial and operational performance, while maintaining its focus on safety and delivering for customers. As the backbone of the UK's energy system, our network delivered one of the safest and most reliable electricity systems in the world.

Over the last year, there has been an increased focus from UK government, the regulator and industry on the role of networks in the energy transition. Against that backdrop, we have worked closely with our external stakeholders to promote policies and frameworks which accelerate the delivery of infrastructure. We have invested[1] over £1.9 billion, up from £1.3 billion in 2022/2023, as part of both the expected circa £11 billion capital investment over the RIIO-T2 regulatory period (2021-26) and achieved an Operating profit of nearly £100m over target. We have exceeded our Efficiencies target by more than £6m, delivering over £17 million of efficiency savings in 2023/24, leveraging opportunities provided by the acquisition of the UK ED business.

Enable the energy transition for all

In 2023/24, the business achieved several milestones. We connected over 3 GW of energy to the network, including the first 1.2 GW phase of Dogger Bank, the world's largest offshore wind farm, and the UK's first transmission-connected solar farm, Larks Green. We also reached significant milestones on our major in-flight projects, notably the installation of overhead lines on all 116 T-pylons as part of the Hinkley Connection Project, and the final tunnelling breakthrough on our £1 billion London Power Tunnels 2 project.

In December 2022, Ofgem, under the ASTI framework, asked UK ET to deliver 17 major infrastructure projects, the first part of The Great Grid Upgrade. This is the largest overhaul of the grid in generations and will help reduce the UK's reliance on fossil fuels by connecting 50 GW of offshore wind by 2030. We have made good progress since establishing the Strategic Infrastructure business unit in April 2023. We have received development consent on our Yorkshire GREEN project and also expect to receive final funding approval from Ofgem in summer 2024 for the first of our major infrastructure projects to connect green energy, Eastern Green Link (EGL) 1 and 2. These joint construction projects with Scottish Power Energy Networks and Scottish and Southern Electricity Networks are due to commence construction in 2024/25.

Alongside connecting green energy to the network, we remain committed to reducing our SF6 emissions by 50% by 2030 from a 2018/19 baseline. Whilst we missed our 2023/24 target of keeping emissions below 9,688kg (compared to a 9,108kg target) we completed our new SF6-free substation in Littlebrook using GE's g3 technology, and have collaborated closely with suppliers and universities, successfully trialling innovative leak repair technology, enabling us to avoid outages and keep electricity flowing whilst we work. Increased availability of SF6-free technology will be critical to reducing future emissions and meeting this target.

Deliver for our customers efficiently

We are proud to have maintained our record for world-class reliability. This is founded on prudent long-term asset management and planning and careful short-term operational and resilience decision-making. We provided around 209 TWh service to consumers, failing to supply just over 4 MWh, which was due to factors outside our control. This was despite 13 named storms. This equates to 99.999998% reliability.

With a rapidly growing pipeline of customers looking to connect to the transmission network, our extensive engagement with Ofgem, the Department for Energy Security & Net Zero (DESNZ) and the ESO has helped drive progress on connections reform in support of the Connections Action Plan published as part of a package of Grid reforms in the UK Government's Autumn Statement. New queue management arrangements will ensure projects meet contractual milestones or face being removed to make way for connection-ready projects. Our collaborative work with distribution networks and others has released 30 GW of additional capacity, accelerated 10 GW of Battery Energy Storage Systems connections and removed 3 GW from the connections pipeline through reforms such as the TEC amnesty.

Grow our organisational capability

We continue to collaborate more closely with our supply chain so that we can deliver our ASTI and other major projects at pace. We have established two new long-term contracting models to deliver the upgrades and new infrastructure required for the transition to renewable energy. The HVDC framework will secure our offshore supply chain, whilst the Great Grid Partnership is establishing long-term collaborative relationships with, and across, our onshore supply chain partners. Both models provide our partners with the confidence they need to invest in building the delivery capability and capacity we will need in the future.

Empower colleagues for great performance

NGET's combined (employee and contractor) Lost Time Injury Frequency Rate (LTIFR) was 0.14 in 2023/24, comprising 0.07 for employees and 0.2 for contractors. The majority (73%) of our incidents were from our contractors, reflecting that we deliver our capital construction works through contractors, not our direct labour force. We are working with our contractors to drive through the required improvements in their performance. Behavioural safety is key to making the next step in our safety maturity and we have developed and are rolling out our behavioural safety programme, Safe Choices for All.

Looking ahead

The UK transmission network is growing at a rate not seen for generations. The year ahead marks a crucial phase as we prepare our final submission to Ofgem for the next price control, RIIO-T3, which will be in place from 2026 to 2031. We will be working closely with Ofgem, DESNZ, ESO and others to agree a clear vision of the UK's future energy needs and the timing of network reinforcement activities, which will define when customers can connect. This will be critical to ensuring we build a future-ready transmission network that will serve society, protect the environment, and underpin economic growth for decades to come.

[1] Capital investment comprises capital expenditure in critical energy infrastructure and net movements in capital expenditure related prepayments to secure delivery of future capital investment projects

Progress against objectives – key performance indicators

Strategic Priority	KPI	Figures
Deliver for customers efficiently	**Lost Time Injury Frequency Rate (LTIFR)** We want all our staff and contractors to go home safely at the end of each day. This KPI measures injuries resulting in members of our directly employed workforce or contractors taking time off work per 100,000 hours worked. Our target is world-class safety performance, which is generally considered to be an LTIFR of 0.1. The LTIFR of our directly employed workforce has increased to 0.07 (2022/23: 0.02). Although performance remains world-class, we continue to work with our directly-employed workforce and contractors to reduce LTIFR by driving through required improvements. Behavioural safety is the key to making the next step in our safety maturity. To support a safer working environment, we have developed and are rolling out our behavioural safety programme, Safe Choices for All.	**2023/24:** 0.14 (target 0.10) **2022/23:** 0.12 (target 0.10)
	Serious Injury or Fatality Frequency Rate (SIFFR) This KPI measures incidents that result in serious injuries or fatalities. Following 6 Serious Injuries in the year (no fatalities), we have seen a decline in overall performance due to a spike in incidents on overhead line work. We are continuing to work with the contractor to drive through the required improvements in their performance. Our Safe Choices behavioural safety programme will be a focus in FY25 to take the next step in our safety maturity.	**2023/24:** 0.053 (target 0.048) **2022/23:** 0.040 (target 0.048)
	Quality of Connections Customers rate their satisfaction (out of 10) with the experience we provide across the end-to-end customer journey under our Quality of Connections (customer satisfaction) framework. Understanding customer sentiment, overall and at specific points, ensures we can target need and set up for success now and into the future. Although there has been an improvement year-on-year, we have fallen below target with low scores driven by the roll-out of the 2-step offer process. In recognition of the impact of the 2-step offer process and queue management reforms, we reduced our target compared to 2022/23. However, we have seen good progress on reforms and expect this to underpin a future improvement in scores.	**2023/24:** 7.23 (target 7.7) **2022/23:** 7.2 (target 8.0)
	Delivery of funded asset interventions Asset health makes up approximately half of NGET's RIIO-T2 baseline capex allowances. Refurbishing, reconditioning and replacing existing assets is critical to maintaining a reliable network. We outperformed our 2023/24 Asset Interventions target and our 2022/23 performance. We reduced our target during the course of the year following the reclassification of some Asset interventions as Network boundary increase works. Additionally, we achieved Cyber Assurance Framework (CAF) Basic compliance.	**2023/24:** 1,213 (target 1,207) **2022/23:** 1,120 (target 1,421)
	SF_6 This measure tracks SF_6 leakage through a proxy of top-ups of SF_6. We exceeded our SF_6 emissions 2023/24 target by 540kg, due to resource and outage constraints. Our target is based on a science-based trajectory to enable us to reduce our SF6 emissions by 50% by 2030. Whilst we missed our target, we have made progress such as commissioning an SF6 substation at Littlebrook and successfully trialled an online repair solution so that we can keep electricity whilst still reducing emissions.	**2023/24:** 9,703kg (target 9,108kg) **2022/23**: 9,462kg (target 9,759kg)
	Network reliability (Energy not supplied incentive) Stable and secure supply of energy is at the heart of our existence. The RIIO-T2 agreement includes an incentive mechanism that rewards or penalises NGET for Energy not supplied (ENS). The NGET license has a starting reward position of £1.019m. NGET is penalised for every instance of customer disconnection based on duration and amount of load through to a potential loss of £31.331m. There were no incentivised ENS incidents and only 4.3MWh non-incentivised ENS in year. This equates to 99.999998% reliability.	**2023/24:** 0MWh (target <103 MWh) **2022/23:** 5.2MWh (target <103MWh)

Strategic Priority	KPI	Figures
Deliver for customers efficiently	**Return on Equity** Our shareholders expect a certain return on their investment, as they have a choice where to invest and expect compensation for the risks associated with our business. If the regulatory assumptions are outperformed, new benchmarks are set for cost and performance, allowing Ofgem to set more aggressive targets in the future. Over the course of RIIO-T2, NGET is targeting a return of 100bps outperformance against the regulatory price control.	**2023/24:** 8.02% (target 8.00%) **2022/23:** 7.53% (target 7.35%)
	Underlying operating profit This non-IFRS KPI, which differs to statutory operating profit through the exclusion of timing, exceptional and corporate centre costs, drives cost savings and maximising returns from unlicensed revenue and incentives. We outperformed our 2023/24 targets and our 2022/23 performance despite cost challenges driven by high inflation.	**2023/24:** £1,314m (target £1,218m) **2022/23:** £1,107m (target £1,019m)
	Controllable costs This KPI covers spend that NGET can limit and is not subject to a regulatory true-up.	**2023/24:** £286m (target £288m) **2022/23:** £272m (target £262m)
	Synergies Relating to TOTEX savings associated with integration and sharing best practise between NGET and NGED.	**2023/24**: £7.3m (target £4m) **2022/23:** £3.2m (target £2.6m)
	Evolution This measure refers to efficiency savings relating to OPEX savings associated with improving organisational efficiency.	**2023/24**: £17m (target £14m) **2022/23:** £8m (target £8m)
	Overdue Corporate Audit actions This KPI tracks recommended improvements identified by Corporate Audit that have not been completed within the agreed timeframe.	**2023/24:** 0 (target 0) **2022/23:** 0 (target 0)
Enable the energy transition for all	**Network boundary increase** To sustain a robust energy network ready for the renewable energy revolution, NGET needs to increase the network boundary capacity to avoid overloading transmission equipment and ensure stable supply of electricity to consumers.	**2023/24:** 768MW (target 768MW) **2022/23:** 4,114MW (target 4,488MW)
	Customer capacity connected (Generation) Connecting generators of electricity is central to ensuring reliability, reducing carbon emissions and delivering energy security. We have set up a supply chain task force to ensure we continue to have the capacity required to deliver planned connections over the remainder of RIIO-T2.	**2023/24:** 3,440MW (target 3,220MW) **2022/23:** 150MW (target 250MW)
	Customer capacity connected (Demand) Large businesses with high energy needs, such as electrified railway, need to be connected directly to the transmission network.	**2023/24:** 760MVA (target 760MVA) **2022/23:** 284MVA (target 656MVA)
Grow our Organisational Capability	**Employee enablement** This KPI is measured annually in the Grid:Voice survey. Empowered staff with the right tools and training to succeed in roles that make good use of their skills and abilities are more productive and reduces staff turnover.	**2023/24:** 72% (target 72%) **2022/23:** 70% (target 65%)

Strategic Priority	KPI	Figures
Empower our People for Great Performance	**Gender diversity of NGET headcount** Our ambition is to be amongst the most inclusive, diverse and equitable companies in business. This KPI measures the gender split within the NGET employee population.	**2023/24:** 19.4% (target: 16.7%) **2022/23:** 16.7% (target: N/A)
	Ethnic diversity of NGET headcount Our ambition is to be amongst the most inclusive, diverse and equitable companies in business. This KPI measures the percentage of NGET employees from different ethnic backgrounds.	**2023/24**: 17.7% (target 15.2%) **2022/23:** 15.5% (target N/A)
	Safe to Say This KPI measures whether employees feel safe to raise ideas, questions, concerns or mistakes without being punished or humiliated for speaking up.	**2023/24:** 79% (target 79%) **2022/23:** 79% (target 71%)
	Delivers Results The "Delivers Results" measures responses from our annual Grid: Voice survey, including "Decisions are made at the right level", "I have the tools to do my job" and "National Grid adapts quickly to changing customer needs"	**2023/24:** 60% (target 54%) **2022/23:** 58% (target N/A)

Strategic Report

Our Network Strategy to 2035

We are transitioning to a net zero power system

The next decade will be make or break in terms of delivering the UK's decarbonisation commitments: by 2035 the UK is to be fully powered by green electricity, and on the pathway to net zero by 2050.

With the three elements of the energy trilemma (energy security, sustainability and affordability) now converging, we need to accelerate towards a low-carbon society. We need to transition away from fossil fuels to a secure, sustainable, and affordable energy supply in the near and long-term.

The incoming Labour government's manifesto pledges the creation of Great British Energy to support investment in renewable energy, and to work with the private sector to double onshore wind, triple solar power, and quadruple offshore wind by 2030, alongside their view of a need for hydrogen, carbon capture usage and storage (CCUS), energy storage and demand electrification. There remain areas of significant uncertainty in terms of scale, pace and geographical location. There are still a range of possible pathways for how net zero will be delivered across the whole energy system.

The power sector has made significant progress in decarbonising the UK to-date. On 5 April 2024, we achieved a new low carbon intensity record of 21g/kWH thanks to high levels of wind and solar generation. Looking forward, the scale and pace required for 2035 poses a fundamentally different challenge, and our transmission network will be at the heart of the transformation.

The change in the external context is huge. Our customer base is already changing across both generation and demand and will continue to do so. They have different needs around time to get connected, and around network availability. That will look different for different customers – some may want extremely high levels of availability, and some may want less, but they will expect the network to be available when they need it to be.

Customers will continue to expect the network to be reliable and resilient, but as the environment changes around us, that means predicting and responding faster to system events, and to extreme climate and cyber threats. The electrification of heat and transport, and a generally greater reliance on electricity as an energy source across society, will also only heighten those expectations.

Affordability will continue to be a top priority for consumers. We must get renewable generation connected to the network quickly to ensure there is access to the cleanest and lowest cost energy sources on the system. As the economics of demand decarbonisation continue to swing, our network must also allow consumers to electrify the transport and heat in their homes or businesses when it suits them.

The works required to replace, reinforce, and grow our network are of a scale and pace we have not seen since the network was first built. But safety and sustainability will remain front and centre of our operations. Alongside our stakeholders, we will continue to hold ourselves to the highest standards in these areas.

In summary, the core elements of what our stakeholders will expect of our network are the same as today: reliability and resilience, availability, affordability, safety and sustainability. But what this means in practice, and the context we will be operating in, will be completely different. We will need to fundamentally change how we design, plan, build and operate our network.

Planning for the future

Anticipatory investment in network infrastructure, in advance of confirmed demand, are currently limited by the regulatory regime. We are currently regulated to deliver infrastructure 'just in time'. To deliver the energy transition, we need to plan the network differently. we will take a more strategic, programmatic approach, and find a reasonable balance between today's economic outcomes that are more certain and the longer-term facilitation of net zero.

To guide this different approach, we have laid out a set of three strategic planning principles:

- **Enabling investments** – we will move away from the current focus on "no regret" investments. We will instead plan and build a network platform today that is ready for future requirements, making sure we are not the blocker to the energy transition.
- **Do it once, do it right for the future** – we will plan the scope and timing of network investments to address multiple drivers at once. We will coordinate delivery to reduce system access requirements, increase efficiency and minimise disruption to communities.
- **Whole system network planning** – we will work with other utilities, across vectors, and with stakeholders at all levels to ensure planning and delivery of our future network is coordinated and optimised for UK plc.

Designing for the future

We will design tomorrow's network today, prioritising future customer and societal requirements over backwards compatibility.

Our design principles will stretch our thinking and force us to prioritise future requirements over backward compatibility. They will interact and reinforce each other, and we will need to consider them in the round, rather than prioritising any one over another. They will help define the technical capability of our investments; the specific solutions that we use to deliver them may evolve over time as technology advances, but the principles themselves will hold true.

For the sake of total clarity, safety by design will be a constant. This is intentionally not a design principle itself, as it is a fundamental and non-negotiable expectation that each design principle will reinforce, and never detract from.

Our design principles will be as follows:

Optionality and flexibility of connection – we will design our network with more optionality - using a set of standardised set of connection points to allow different customers to 'plug and play' into the network.

Maximising availability, minimising downtime – we will design out downtime of the network, to maximise network availability for our customers and minimise costs for consumers.

Sustainable construction and operations – we will build our network to be ‘sustainable by design’, leaving a positive legacy for the environment and communities.

Real-time intelligent and adaptive control – we will design a 'digitally native’ network, able to predict, respond and adapt at scale and pace.

Now is the time for action, or we will miss the opportunity to deliver a generational shift in the UK’s energy system. We have developed our vision and network strategy, as well as the planning and design principles that we will follow to deliver this vision. The work to turn this into a reality, and changing how we work to do that, has started.

Our commitment to being a responsible business

Responsible Business underpins our core purpose, to Bring Energy to Life, and aligns to our Group vision to be at the heart of a clean, fair and affordable energy future. We continue to make progress against our Responsible Business Charter commitments, both across the National Grid Group and specifically within NGET.

Responsibility at National Grid

NGET has a pivotal role in delivering the UK's ambitions by developing, maintaining and protecting our network to provide low carbon electricity to homes and businesses, safely, reliably and affordably, now and in the future. Through our Responsible Business commitments, we are investing in our assets, environment, colleagues and communities in the right way, generating social and economic value to leave a positive legacy.

In September 2023, National Grid refreshed its Group Responsible Business Charter (RBC) to reflect the changes in our business and the external environment. Sustainability is integral to our business and embedded in our strategic priorities, with Responsible Business principles intrinsic across our core values; 'doing the right thing', 'finding a better way' and 'making it happen'.

In response to stakeholder engagement, the RBC has been simplified around three core pillars: our environment, our customers and communities, and our people. These are underpinned by our Responsible Business fundamentals which include governance and activities that are essential to day-to-day business, such as network reliability, health and safety, cyber security and compliance and ethics.

These commitments are built into our business plans and progress against each commitment is regularly reviewed.

The Group Responsible Business Report (RBR) for 2023/24 was published on 31 May 2024 and is guided by internationally recognised reporting standards from the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). The RBR contains information relating to our material focus areas and provides detail on our management approach, performance and the commitments set out in the RBC. Certain metrics are subject to independent external assurance.

Our environment

NGET plays a dual role in the transition to a low-carbon economy and in achieving Net Zero. We are supporting long-term, national decarbonisation goals, while continuing to manage our own environmental performance responsibly.

The RBC sets out ambitious climate-related commitments, the most significant of which is to achieve Net Zero by 2050. In June 2022, alongside the RBR, Group published our Climate Transition Plan (CTP). A refreshed CTP was published on 31 May 2024. In 2021/22, NGET's Net Zero targets were validated by the Science Based Targets Institute in line with limiting greenhouse gas emissions (GHG) to a 1.5˚C warming scenario.

Fully aligned to the RBC, NGET's 2021-2026 Environmental Action Plan (EAP), published in April 2021 and refreshed in May 2024, articulates in more detail how we are operating in an environmentally sustainable way over the RIIO-T2 regulatory period. In September 2023, our second Annual Environmental Report provided a progress update on how we are achieving our environmental commitments as set out in the EAP. Following publication, we consulted with our stakeholders and have incorporated suggested amendments to our approach in our latest review of the EAP, which will be reflected in our next report.

Investing in the decarbonisation of the future of energy

We are responsible for building the electricity network that will support a Net Zero economy by 2050. We recognise that we need to work with government and our regulator to advocate for action and broader influence to ensure the continued development of policies and regulation that support enabling the energy transition for all.

A key dependency of us achieving our Scope 1 and 2 emissions reduction target is the rate of decarbonisation of the electricity sector in the UK, with supporting policies and the development of associated regulatory allowances and planning systems required to support the delivery of our targets.

Our business is embarking on significant transformation to ensure we are at the heart of the energy transition, accelerating the pace and scale of capital investment delivery. We are connecting increasing volumes of low carbon generation customers to the network and adapting our network and operations. This year, we connected Dogger Bank, the world's largest offshore wind, a major milestone in the development of the offshore wind industry and the transition to a cleaner, more secure energy system.

We also announced the acceleration of the connection of up to 8GW of UK clean energy projects as part of ongoing work with industry partners, Government and Ofgem. These new connections are equivalent to the capacity of six Hinkley Point C nuclear power stations.

In addition to our existing portfolio of capital works, the ASTI framework is a vital part of achieving the government's ambition of connecting 50GW of offshore wind by 2030. In April 2023, we launched The Great Grid Upgrade campaign to increase public awareness of the need for the largest overhaul of the UK electricity grid in generations. This overhaul will support delivery of the UK Government's plan to boost homegrown power, helping to deliver Net Zero, lower consumer bills and energy security.

Our transition to Net Zero

Our business generates GHG emissions across Scopes 1, 2 and 3. This refers to:

- Scope 1 - Emissions from sources that a company owns or controls directly)
- Scope 2 - Emissions a company causes indirectly and come from the energy it purchases from others)
- Scope 3 - Emissions not covered in scope 1 or 2 but are created by a company's value chain).

Scope 1 and 2 emissions

Our scope 1 and 2 emissions totalled 248,513 tonnes CO2e (excluding emissions from electricity line losses, which NGET has little or no control over). This represents a 16.6% reduction from our 2018/19 baseline. This is under our annual reduction target of 20.4%.

NGET's biggest contributor to climate change under our direct control is leakage of sulphur hexafluoride (SF_6), a very potent greenhouse gas used as an insulating gas in high-voltage equipment. We are committed to reducing Scope 1 SF_6 emissions from our operations by 50% by 2030 and we will no longer install SF_6 where there is a commercial, technical and time viable alternative.

This was a challenging year in pursuit of our target to reduce SF_6 emissions. Whilst a number of the top 20 leaking assets were repaired, system access constraints prevented the repairs from being completed until the second half of the year and therefore the full benefit was not reflected in the full-year emissions. Additionally, we saw an overall increase in SF6 leakage across the network which also reduced the overall impact of the repairs undertaken.

With 2023/24 repairs continuing to benefit overall emissions reduction, and a number of SF_6 abatement work already planned for next year, we expect FY25 to demonstrate a significant improvement and realign us to our Science Based Target pathway. We do, however, recognise the tension between managing our own emissions and maintaining the pace of delivery, connecting customers to clean energy to enable decarbonisation of the wider economy. Our investment and operational decisions are therefore informed by the net impact and seek to deliver greatest reduction in emissions overall.

Case studies: SF_6

During the year, we fixed one of the worst leaking SF_6 assets on the electricity transmission network, at our Sellindge substation in Kent, where previous efforts to fix the issue had been unsuccessful. The switchgear is obsolete, with limited support from the original equipment manufacturers. Sellindge is also a critical site that connects the UK-France interconnector to the wider UK transmission network making outage availability limited. Finding a solution that could be applied while the equipment remained in service, at 400,000 volts, was a critical consideration throughout the development of the repair. However, a new solution was found, using a company called Mastergrid. The repairs will continue to be monitored along with the planning of future repairs using this solution across the transmission network.

We also completed construction and energised our new substation in Littlebrook, Dartford, using GE Grid Solutions' innovative g³ gas, meaning the newly installed gas-insulated busbar equipment is SF_6-free. A total of 5.6 tonnes of SF_6 gas has been saved, forming part of our ambition to reduce its SF_6 emissions by 50% by 2030.

The remaining source of scope 1 emissions (2%) are from operational transport, which decreased by 7% from 2022/2023. We have a National Grid Group-wide commitment to move to a 100% electric fleet by 2030 for our light-duty vehicles, and an associated EAP commitment to replace 60% of our commercial fleet by 2026. At the end of 2023/2024, NGET had replaced 25% of the fleet, just below our target of 27%.

We have experienced some challenges relating to vehicle batteries that require manufacturer recall but will be purchasing 160 vehicles with improved range from a different manufacturer in 2024/2025. We remain confident in achieving the 60% target by 2026.

The majority of our Scope 2 emissions are due to energy losses on our network. Electricity network losses occur when transferring energy across our transmission and distribution systems. They are a measure of the difference between the amount of electrical energy entering and leaving a network and occur for several reasons, predominantly due to the energy used by network equipment (e.g. transformers, overhead lines and cables), when transporting energy for consumption.

Energy losses from overhead Transmission lines can increase as the distance to move energy between supply (generation) and demand (customer use) increases. The trajectory to 2030 is not expected to be linear as emissions from line losses are subject to annual volatility. This year we saw a 5.5% reduction in UK Electricity Transmission emissions from 2022/2023.

NGET's Scope 2 emissions otherwise relate to electricity usage at operational and office sites. These have increased by 20.4% from 2022/2023, partly due to improvements made in data classification in NGET's substation estate. As part of a substation energy efficiency programme, 100 energy audits were completed in 2023/24, identifying measures that will realise further reductions of electricity use towards the start of RIIO-T3. These opportunities include upgrading lighting and controls, heating systems, and renewable energy options. From October 2023, we are also now procuring 100% renewable energy for our metred estate.

On our commitment to phase down the use of diesel generators, we now have three pilot projects for diesel-free construction. Within the operational sphere, Hydrotreated Vegetable Oil (HVO) can now be used in current diesel generators that predate 1990. We are looking at sites where diesel generators are used as the main source of fuel and moving to cleaner sources.

Scope 3 emissions

Our Scope 3 target covers emissions across our entire value chain with a commitment to reduce absolute Scope 3 GHG emissions (excluding sold electricity) by 37.5% by 2033/2034 (from a 2018/2019 baseline). Across the Group, Scope 3 GHG emissions decreased by 1.7% year-on-year. Against our SBTi approved target (which excludes sold electricity) our Scope 3 GHG emissions have increased by 0.8% since 2018/19. This was principally driven by emissions linked to our higher annual spend in relation to purchased goods and services (including capital investment) within our supply chain. The bulk of these emissions come from resource-intensive activities associated with constructing new energy infrastructure. Longer term, we expect a decline in the carbon intensity of materials and sectors and anticipate a reduction in our supply chain emissions. We aim to accelerate this by actively encouraging our suppliers to establish action plans and adopt science based decarbonisation targets of their own.

This year we carried out a technical consultation on our approach to carbon neutral construction in RIIO-T2 and beyond, including how we plan to offset our residual emissions. There was broad agreement amongst this community that we should continue to prioritise the reduction of emissions in construction across our capital programme. Our proposed approach to offsetting residual emissions was well received. There was consensus to prioritise investment in UK projects that deliver wider benefits, particularly in the community at a local or regional level.

With an endorsement of our approach following this consultation, the team have started to plan how NGET will offset its residual emissions in the final year of this regulatory period. We are also working with ConstructZero and the Construction Leadership Council's initiative with UK Government to further our approach on carbon reduction.

Case study: low carbon construction

We are always looking for more sustainable ways of working and in April 2023, the world's largest ever pour of sustainable, cement-free concrete (736m3) was used to fill the base of a 55m-deep tunnel drive shaft at National Grid's Hurst Substation in South London, with a saving of 82 tonnes for carbon.

National Grid group has set a target of reducing air travel by 50% to contribute to reducing our Scope 3 emissions. We also engage with our supply chain to support a reduction in emissions from goods and services, with the current goal to have 75% with active carbon reduction targets by 2030.

Caring for the natural environment

Due to the size and nature of our land portfolio, we can have a significant impact on the natural environment at our sites. NGET has committed to improve the environmental value of our non-operational land by at least 10% by 2026, and we have a five-year delivery strategy to reach this.

Environmental value is a measure of the condition of, and ecosystem services that flow from, our natural assets. It is a representation of the benefits and services that nature provides to society and businesses, such as climate adaptation, pollution control, improved air quality, pollination and recreational use of land. To date, we have improved this environmental value by 7.8%, on track against our commitment having achieved a 3.21% uplift this year.

Building on land management agreements we put in place last year, we have agreed new 10-year Enhanced Partnership Agreements with partners at Stoke Bardolph, Nursling, Wymondley, Birkenhead and Abam. We also uplifted agreements from previous sites: Ninfield, Skelton Grange Environmental Education Centres (EEC) and Bishops Wood EEC. The partnerships will deliver ecological improvements through activities such as increased pollination, pond management, habitat conditions enhancement, and increased volunteering opportunities.

Case study: Enhanced Partnership Agreements

At Birkenhead substation, we have joined forces in a 10-year partnership agreement with Prenton Rugby Club to manage c.5 hectares of our non-operational land in a bid to not only restore the natural beauty of Prenton Claypit, but also provide a better access and an educational nature trail for the wider community. Over the course of the agreement, Prenton Rugby Club will be introducing an enhanced habitat management plan to manage and enhance the Priority Habitats present, working with Wirral Wildlife Trust to benefit the local community. The new Agreement will bring joy and educational opportunity to both residents and local schools/groups, as a result of the commitment by Prenton Rugby Club to introduce a community engagement programme. This will facilitate environmental education and wellbeing events utilising our land.

We also have a commitment to achieve at least 10% biodiversity net gain (BNG) when constructing our assets. This means leaving the environment in a better state than we found it and making sure these improvements are secured and managed for at least 30 years. From February 2024, 10% BNG became a mandatory requirement in England for all new planning applications subject to planning under the Towns and Country Planning Act (TCPA). We have been applying the BNG tools and approach on a voluntary basis in the delivery of our Net Gain commitments, so already have a good understanding of what is required, and where our challenges, risks and opportunities may be.

We have met this design challenge on all projects sanctioned in the year and achieved 15% BNG or greater in six schemes. In the T2 period, this is equivalent to 19 schemes.

Case study: Habitat improvement plans

In one cable replacement scheme, we engaged with Sheffield City Council (SCC) to identify the best opportunities for us to support habitat improvement plans in the area. SCC were developing a Species recovery bid '#Species Stacking the Shire Brook Valley' with a range of partners which would improve habitats and natural ecosystems in Shire Brook Valley Nature Reserve and neighbouring sites, covering over 400 acres, providing a wide range of other benefits including flood risk reduction, and climate resilience and access to nature for all ages.Our contribution to this project will facilitate delivery of habitat improvements and lasting community benefit far in excess of our 10% Net Gain commitment, and is a great example of how working in collaboration with key partners can ensure the best outcome for Nature and biodiversity

Via the Kunming-Montreal Global Biodiversity Framework (GBF) adopted in Dec 2022 at COP15, new requirements for businesses were agreed, requiring transnational business to monitor, assess and disclose their risks and dependencies on biodiversity across operations, supply chain and portfolios and take action to progressively reduce negative impacts.

This year, we launched an Innovation call via the Engineering Innovation Centre (EIC) for innovators to develop a methodology and tools for National Grid, SSEN and SPEN to better understand the Nature-based risks and dependencies within our supply chains – focussing primarily on the upstream biodiversity and nature impacts of the products that we procure as a sector to enable delivery of our Net Zero commitments. Work is now underway with the winning bidder Accenture, to better understand and disclosed our biodiversity impacts, and prioritise our areas of focus and opportunity.

Using resources responsibly

We are prioritising ways to improve our recycling rates, reduce our avoidable waste and ensure as much of our waste is diverted from landfill as possible. This is essential to preserving the Earth's natural resources.

In 2024 we had zero waste going to landfill from our construction projects. We've committed to generating less waste and recycling more of the waste we do produce. To enable colleagues to recycle and share resources from projects more easily, we relaunched our NGET Resource Marketplace Community so that any items that could be reused could be advertised through the portal and redistributed to alternative projects or sites.

NGET uses an environmental management system to both understand and manage our environmental responsibilities. For several years, NGET has been part of an externally certified ISO14001 environmental management system. More recently, NGET has developed and implemented an Integrated Management System to ensure it works efficiently, in accordance with good practice, satisfying the requirements and expectations of its stakeholders and customers and improving the overall management of NGET. This includes the ISO14001 environmental management system, the ISO9001 quality management system, and ISO45001 occupational safety and health management system. In September 2023 we successfully received certification of all three ISO certificates we hold with no major non-conformance raised.

Our customers and communities

Every day, millions of people trust us to keep their energy flowing as we build the energy networks of the future. 2023/24 was one of our most reliable on record. In ET we achieved reliability of 99.999998%.

In delivering our ambitions to decarbonise the energy system, we must upgrade the electricity network at a pace and scale not seen for generations. We are investing in essential infrastructure and growing our networks to connect new renewable energy sources and clean technologies that will help decarbonise the economies in which we operate and support the clean energy transition.

The intensifying scale and pace of our capital works, not only necessitates a fundamental shift in the way we think, plan and deliver infrastructure but also requires us to build a coalition of trust within the communities we work. Our ambition is to support economic growth and maximise the positive social value we deliver in those areas touched by our construction and operations, ensuring that no-one is left behind.

Public safety, network reliability and resilience, remain at the core of our work to enable a fair and affordable transition for our communities and customers. During the year, there were two incidents resulting in injuries to members of the public requiring hospital treatment. The first incident took place in May 2023, when a golf club member tripped over hidden tyre tracks on a course after an overhaul line refurbishment project, injuring their knee. The second incident occurred in July 2023, involving a collision between a cyclist and a National Grid vehicle.

Engaging with our communities

Government guidance is expected to set clear parameters for the delivery of community benefit for new infrastructure projects, including a recommended level of investment per project which will be supported by the regulator. However this could be delayed or revised following the General Election.

As we await the publication of this guidance, we have been working to understand local context and aspirations for our ASTI regions to identify a replicable set of project / regional socio-economic headlines, a menu of initiatives to enhance these socio-economic outcomes and a menu of community benefit options.

We have also been undertaking extensive stakeholder engagement to inform our business plan for RIIO-T3. This includes engagement with combined authorities to identify whole system opportunities, such as New Talent and Transferable Skills, as part of our Regional Strategies.

Supporting an affordable energy transition

The technological and environmental benefits of the clean energy transition should benefit everyone, and we will play our role in ensuring that no-one is left behind. A fully decarbonised transportation infrastructure, for example, should be accessible to everyone across the communities we serve.

In November 2022, National Grid pledged £50 million in the UK to provide assistance to some of the hardest-hit households. To help manage the unexpected increasing energy costs, this year we delivered £19.7 million from our Energy Support Fund in the UK. Our partners include: Fuel Bank Foundation, Citizens Advice, Affordable Warmth Solutions, National Energy Action, and National Energy Foundation. This support fund is helping to provide emergency financial relief to households that are using pre-payment energy meters, funding energy-efficiency measures to help lower bills over the longer term and providing advisory services for households that need help with energy bills, debts and more.

Accelerating social mobility in the communities we serve

We are supporting opportunity and growth in our communities, working closely with the National Grid Social Impact programme, Grid for Good, to achieve social mobility for disconnected young people in the communities we serve.
In 2020, we made a 10-year commitment to develop skills for the future for 45,000 people in our communities, with a Group target to upskill 4,976 people in 2023/24. As of 31 March 2024, 6,012 people have been meaningfully upskilled in the UK. Through our skills and employability programmes, we have positively impacted the lives of 30,730 people across the group.

Engaging directly in our communities through volunteering

Through volunteering, our colleagues will help equip future generations with the skills needed to help deliver the energy transition. National Grid colleagues across NGET have volunteered 5,669 hours this year, against a target of 4,732 in support of a variety of initiatives focused on STEM education, employability and the environment. We are continuing to grow our volunteering capability and programmes as we work to meet our 2030 commitment.

Over the last year we have formed a new partnership with STEM Learning to pilot an ENTHUSE programme in the Midlands. This is supported by our STEM Ambassador community which we have grown from 3 to 53 over the last year to support all our STEM outreach activity.

Inspiring future generations to engage with STEM and consider a STEM career is a priority for us. A decline in students aspiring to pursue science beyond GCSE could lead to a future shortfall of skilled workers across the industry and so we believe it is vital for employers to invest in young people's STEM education.

We are growing our resources to be part of this solution and our efforts to inspire the younger generation have resulted in extremely positive feedback over the last year:

"The sessions were amazing. The children (and teachers) thoroughly enjoyed listening to the talks. Once again, thank you so much. What a fantastic resource"

"Children came back to school buzzing, particularly about the engineers from National Grid - they were amazed by the facts given."

We are also leaving a positive legacy through our major projects:

Case study: community benefit for our major projects

In London, our London Power Tunnels (LPT2) Connectr programme is working with secondary schools to address social mobility by promoting green skills and career opportunities in the energy industry, leaving a positive legacy in areas impacted by the construction project. In March 2024, we reached our project target of 100,000 students. We will continue to build on this success, focusing on even deeper engagement over the coming years to inspire the next generation The £1.3m invested in the scheme by National Grid to date is estimated to contribute to a £4.1m economic output by helping to reduce the likelihood of participants falling out of education, employment, or training between the ages of 16-18.

Our Hinkley Connection Project (HCP) is working with children from disadvantaged backgrounds. In 2023/ 24 we supported 329 local schools with 79,523 young people benefiting, including 21,207 with special education needs or from challenging backgrounds. In 2023/24 HCP were shortlisted for the British Diversity Awards 2023 in the Community Project of the Year.

We also support communities affected by our infrastructure projects via our Community Grant Programme (CGP), providing grants for local projects that bring social, economic or environmental benefits. The total value of CGP grants awarded in 2023/24 is £705,739, supporting 51 community organisations.

Acting on feedback we receive from our customers on the service we provide

We measure customer and stakeholder satisfaction, while also maintaining engagement with these important groups. Our score for 2023/24 was 7.2, reflecting a year of challenging and encouraging developments in the connections landscape. Significant volumes of customers applying to connect have impacted connection dates. We have also seen the start of significant reform, supporting short term initiatives to accelerate grid connections - whilst working closely with industry partners to shape an improved connections process and deliver ready to connect projects. The target was changed in 2023/24 due to known customer dissatisfaction and the need to connections reform.

Our people

Our people are our most valuable asset and we are committed to "Building tomorrow's workforce today". The safety and wellbeing of our people remains a top priority. In the past year, we have continued our commitment to fostering a diverse, equitable and inclusive workforce and culture where every colleague feels valued, respected and where they belong and are empowered to contribute their best.

Creating an inclusive culture

We aim to be recognised as an employer that values diversity. Our Group-wide Diversity, Equity and Inclusion (DEI) commitments provide the framework required for us to achieve our aspiration, which is 'to one day be among the most diverse, equitable, and inclusive companies of the 21st century'.

Enhancing DEI in operational and field locations remains a priority and a challenge. We continue to provide diversity and inclusion training to colleagues to raise awareness, promote understanding and cultivate a culture of respect and inclusion.

Inclusiveness (measured through our Safe to Say Index) remained steady and at target with an overall score of 79%.

In March this year we launched our self-identification campaign with the aim of encouraging colleagues to share personal information to improve our knowledge of the current workforce supporting us to take action in areas that need it the most.

Invest in our people and building the skills needed to deliver the clean energy future

Our strategic workforce plans are providing clarity on the capacity, skills and capabilities we need to deliver on the energy transition. We aim to attract and retain the best people and are leveraging our employer brand, to be recognized as an employer of choice.

We are broadening the approach to our talent pipeline, targeting people with different experiences and implementing a targeted recruitment campaign to reach passive candidates.

We are accelerating the development of our colleagues showing high potential, by putting them through our internal development programs, and identifying mentors and coaches.

We have transformed and modernized our Technical Training function and our global operating model means we are leveraging internal and external best practices and working on accelerating time to competence for critical roles.

Our internships are available to a range of students, including Mechanical, Electrical, Civil and Chemical Engineering, and cover several business areas, including Technical & Engineering, Business Support, and Non-Technical and Commercial. All of our Apprenticeship Programmes include a blend of academic study, on the job learning, and professional training at our centre in Eakring, Nottinghamshire. We also offer an 18-month graduate programme with three development pathways for our Commercial, IT & Digital or Engineering Graduates, which includes support towards professional registration with a relevant institution.

Reflecting the communities we serve

Our diversity of colleagues across NGET is improving.

Ethnicity demographic as at 31 March 2024 - NGET

'Minority' refers to racial/ethnic heritage declarations as recorded in our system.

White	2,268
Minority	511
Prefer Not To Say/No Declaration	109
Total	**2,888**
White (%)	78.6 %
Minority (%)	17.7 %
Prefer Not To Say/No Declaration (%)	3.7 %

The % of Minority has increased by 2.7 percentage points (17.7% compared to 15% last year).

Gender demographic as at 31 March 2024 - NGET

	Male	Female	Total	Male	Female
Our Board	5	4	9	55.6%	44.4%
Whole Company	2,328	560	2,888	80.6%	19.4%

The % of Female population has increased by 3.4 percentage points (19.4% compared to 16% last year).

The tables above only provide data for Direct business employees only and not all employees of NGET.

Leading the industry on colleague health and wellbeing

Wellbeing goes hand-in-hand with diversity and inclusion and we are proud to have created a work environment where whatever your background you have the ability and encouragement to thrive. Our Health & Wellbeing Team have recruited a new Wellbeing Engagement Specialist and there has been a focus on proactive work streams promoting and raising awareness on wellbeing and mental health and associated support and resources available throughout the business. This is alongside streamlining our routine health surveillance and safety critical workers health checks.

Our focus with our supply chain has centred around management of mental health and organisational arrangements to support workers. This is in response to the high suicide rates within the construction sector as a whole and we are working on a more formal approach to managing mental health on our construction projects over the next two years.

Ensuring all colleagues receive fair and equitable pay

We believe that everyone should be appropriately rewarded for their time and effort. We are accredited by the Living Wage Foundation, a commitment which extends to our contractors and the work they do on our behalf. We also go above the Living Wage requirements and voluntarily pay our trainees the Living Wage. We undertake a Living Wage review each year to ensure continued alignment and increase individual salaries as required and also promote the commitment to our suppliers.

Our policy also ensures that individuals identifying as having a disability receive fair consideration for all vacancies, with reasonable accommodations and additional resources provided whenever feasible. We are dedicated to equal opportunities in recruitment, training, promotion and career development for all our colleagues, including those with disabilities.

We review gender and ethnicity pay gaps annually and these are reported one year in arrears. With sustained focus over many years, our UK base gender pay gap continues to be minimal and we have also shown progress with pay and incentives gaps for ethnically diverse employees. We aim to continue to make progress within our operational teams where women are still a significant minority. Female representation in the NGET business has increased on prior year and our incentive pay gap remains in favour of women as it did in 2021 and 2022 respectively.

We will continually strive to ensure fair pay across all our employees, focusing our efforts on ensuring that we develop a diverse workforce and further drive down our pay gaps. A full breakdown of our latest UK Gender Pay Gap data is available on our website.

Responsible Business fundamentals

Colleague and contractor safety and wellbeing

We have a fundamental duty of care to ensure our employees and contractors are kept safe and that their health and wellbeing is not impacted by their work. Any safety, health or wellbeing incident is one too many, and we continue to work diligently to improve our performance through effective policies, standards, procedures and training. Amongst our directly employed colleagues this is reflected in a Lost Time Injury Frequency Rate (LTIFR) of well below 0.1, which we consider to be world class. A persistent injury rate amongst our contractors has resulted in us exceeding that 0.1 target overall. Action taken with the contractor community to identify common factors and root causes and increase sharing of lessons learned is improving safety performance.

We are committed to building a high performance safety culture aiming to elevate awareness, empower individuals and build on our existing values and behaviours. We are currently rolling out our new Safe Choices behaviour programme to enable better decisions and more constructive challenge, we are improving our data capture and analysis with the purchase of a new incident management system, and we continue to focus on risk elimination around our six fatal risks - electricity, stored energy, people/plant interface, work at height, occupational driving and lifting operations.

Our safety performance is measured through a combination of leading and lagging indicators and Lost Time Injury Frequency Rate (LTIFR) is one of the core KPIs of the business (refer to 'Progress against objectives'). We take a proactive, risk-based approach to managing health and wellbeing and have documented standards relating to Occupational Health and Safety, Process Safety and Wellbeing and Health. Incidents are reported to the highest level via the Group Incident Review Panel, and the Safety, Health & Sustainability Committee of the Board undertakes regular deep dives on safety-related topics.

As a result, we have increased the scope, remit and engagement of our Contractor Safety Forum and work on behavioural safety has focused on the severity of incidents.

A Group-wide stand up for safety campaign has been undertaken to align everyone behind our new company-wide ‘safe to’ principles and the behaviours we want to see in colleagues’ everyday actions, which is a core element of our new safety strategy. We will continue our focus on safety in 2023/24 to ensure we keep our colleagues and contractors safe at work.

Cyber security and data protection

We are focusing on security and risks, both cyber and physical, ensuring they are appropriately monitored. We prioritise cyber security and data protection by implementing solutions which aim to protect our digital systems, manage vulnerabilities and focus on compliance with regulatory requirements. We report on cyber security as an operational risk, which is increasing due to heightened threats from global political conflicts.

We deploy data protection controls to comply with applicable data privacy laws and standards. We implement measures such as strong passwords, regular software updates and providing employee training on cyber security best practices. We have plans in place for containing cyber-attacks or data breaches and notifying affected parties.

Cyber Assessment Framework (CAF)

In May 2018, the UK government introduced into UK law the Network and information Systems Regulations (NIS), setting out the need for organisations to take 'appropriate and proportionate' steps to raise their Cyber Maturity to manage their risks. Ofgem regulates the Energy sector’s progress for cyber maturity, utilising a framework established by the National Cyber Security Centre (part of GCHQ): the Cyber Assessment Framework (CAF).

The first target for the sector was to achieve a 'basic' profile on the CAF framework by December 23, protecting our network from rogue actors. We achieved basic profile compliance last year and attested to Ofgem to that effect in January.

Last year, Ofgem published the next stage of maturity, known as the 'Enhanced Profile', designed to enable organisations to withstand more sophisticated attacks, with a target for the sector to achieve this by Dec 2027. In October 2023, we submitted plans to achieve this target and will make every endeavour to set a leading example in the sector.

Partnership with our supply chain

We aim to build partnerships with suppliers who set clear ambitions related to the environment, workforce, customers and communities. We are fair to our suppliers and committed to paying them promptly.

We have aligned our Global Supplier Code of Conduct to our RBC pillars and require suppliers to share our commitment to respecting, protecting and promoting human rights. We expect our suppliers to comply with all applicable local, national and international laws or regulations including the UK Bribery Act 2010. We also require them to adhere to the Principles of the United Nations Global Compact, the International Labour Organisation minimum standards, the Ethical Trading Initiative Base Code and the requirements of the Living Wage Foundation.

Stakeholder engagement

Our economic contribution to society comes primarily through the delivery of safe and reliable energy but also through our role as an employer, a tax contributor, a business partner and community supporter. We help regional government formulate and manage their energy policies and commitments. Our approach to regulatory consultation is to seek a framework that puts consumers at the centre of our price control, while enabling secure, reliable energy supply and the clean energy transition, each of which are key in protecting future economic growth, safety and wellbeing in society.

We prioritise our responsibilities to our different but interrelated stakeholder groups and wider society. We have extensive and detailed processes to ensure we understand the interests of our stakeholders and reflect them in the decisions we make. Stakeholder engagement plays an important role in how our Board ensures responsibility in governance. This includes listening to our stakeholders’ views, inviting external guests to meetings, and using independent research to bring the voice of the customer and other stakeholders into the boardroom.

Ethical business conduct

Adopting the right approach to governance and the highest ethical standards is critical to the success of our business.

We regard the potential for bribery and corruption as a significant risk to the business and have established policies and governance that set and monitor our approach to preventing financial crimes, fraud, bribery and corruption, including our Code of Ethics (covering anti-bribery and anti-corruption). We have a Company-wide framework of controls designed to prevent and detect bribery.

In March 2024, we refreshed our Code of Ethics alongside a new ‘Speak up’ policy. The Code applies to everyone at National Grid, from the Board and the Group Executive to all colleagues across the organisation, including those of our subsidiaries. It sets out the expected standards and behaviours to help us ensure everything we do, every day, aligns with our values: Doing the right thing, Finding a better way and Making it happen.

Linked to the Code is our ‘Speak up’ policy which sets out in simple terms how our employees can report an ethical concern and the process for investigation. We have a confidential internal helpline, and an external ‘Speak-Up’ helpline that is available at all times in all the regions where we operate. We publicise the contact information to our colleagues and on our external website so concerns can be reported anonymously. Our policies make it clear that we will support and protect whistleblowers and any form of retaliation will not be tolerated.

A breach of the Code of Ethics can have different outcomes depending on the severity and detrimental impact to people and our organisation and may result in disciplinary actions up to and including dismissal, in line with our disciplinary procedures.

We have a communication and training programme which aims to promote a strong ethical culture and is backed by e-learning for colleagues to understand and apply the Code, including our zero-tolerance stance on fraud, bribery and corruption of any kind. We regularly monitor completion of this training against a 95% target.

We also have an Anti-Financial Crimes policy which applies to all employees and those working on our behalf. It sets out our zero-tolerance approach to bribery, fraud, money laundering, tax evasion and other corrupt business practices. To ensure compliance with the UK Bribery Act 2010 and other relevant legislation, we operate an anti-financial crime risk assessment process across the Company and ensure adequate procedures are in place to address them.

Any cases alleging bribery are referred immediately to the relevant Ethics and Compliance Committees (ECC) so the members can satisfy themselves that cases are managed effectively, including ensuring any lessons learnt are communicated across the business. We investigate all allegations of ethical misconduct thoroughly and take corrective action and share learnings. We also record trends and metrics relating to such allegations.

We are required to consider specific risks and maintain a compliance framework, setting out the controls we have in place to detect and prevent bribery. We then self-assess the effectiveness of controls and provide evidence that supports reported compliance. Each year, all function heads are asked to certify the compliance in their area, and to provide details of any exceptions.

Case study: UK ET employment tribunal

In August 2023, a discrimination case resulted in an employment tribunal. This related to the sexual harassment of a former employee. There is no place for sexual harassment or any form of misconduct or discrimination in our business. It should never have happened, and we have apologised unreservedly.

Following these events, we have taken a number of steps – including an organisation-wide safety campaign, enhanced safeguarding training and a full review and strengthening of our internal investigations process – to seek to ensure that people know how to report anything that makes them feel uncomfortable or unsafe, that all grievances are handled appropriately, and to reiterate the standard of behaviour we expect at all times from all our employees.

Human rights

Respect for human rights is incorporated into our employment practices and our values, which are integral to our Code of Ethics. This is vital in maintaining our reputation as a company that our stakeholders want to do business with, and that our employees want to work for.

In 2023, we introduced a separate Human Rights Policy to hold ourselves accountable to respect the rights of our workforce, our value chain and those impacted by our operations while providing a safe, secure and inclusive work environment. We also publish an annual Modern Slavery Statement, outlining our approach to mitigating the risk of modern slavery in our business and supply chains.

Internal control and risk management

The National Grid Electricity Transmission Board is committed to protecting and enhancing our reputation and assets, while safeguarding the interests of our stakeholders. It has overall responsibility for the Company's system of risk management and internal control.

Managing our risks

National Grid Electricity Transmission is exposed to a variety of uncertainties that could have a material adverse effect on its financial condition, its operational results, its reputation, and its value.

The National Grid Electricity Transmission Board oversees the Company's risk management and internal control systems. As part of the role, the Board sets and monitors the level of risk the Company is prepared to seek or accept in pursuing our strategic objective - our risk appetite. This is set in the context of the National Grid Group risk appetite. The Board assesses the Company's Principal Risks (PRs) and monitors the risk management process through risk review sessions at least twice a year.

Risk management process

Risk strategy, policy and processes are set at Group level with the business responsible for implementation. Our Enterprise Risk Management (ERM) process provides a framework to identify, assess, prioritise, manage, monitor and report risks. The established risk governance structure including the Group Executive Ethics, Risk and Compliance Committee (Group ERC), along with equivalent committees in the business units, provides enhanced oversight and governance of risk from top-down and bottom up across the Group.

Our risk profile, which is presented to National Grid Electricity Transmission Board biannually, contains the principal risks that the NGET Executive considers to be the main uncertainties currently facing the Company as we endeavour to achieve our strategic objectives. These top risks are agreed through implementation of our top-down/bottom-up risk management process. The risks are reported and debated with the National Grid Electricity Transmission Ethics, Risk, and Compliance Committee on a bi-monthly basis.

The NGET risk profile informs our Group Principal Risk profile which is assessed annually to establish the impact on the Company's ability to continue operating and to meet its liabilities over a specified assessment period. We test the impact of these risks on a reasonable worst-case basis, alone and in clusters, over a five-year assessment period. This work informs our viability statement. The five-year period was carefully considered in light of the of the nature of our businesses, our business planning cycles, and risk profile.

The Board, Executive Committee and other leadership teams discuss the results of the annual principal risk testing at the end of the year.

Emerging risks

Emerging risks (ERs) are less defined than Group Principal Risks (GPRs) and typically do not pose an immediate threat. They are future focused, with greater uncertainty and are more difficult to quantify; however, they could threaten the future achievement of our strategy. Utilising future scenarios, horizon scanning and emerging risk assessments, we identify ERs that could potentially threaten the achievement of our strategic objectives in the future. Our ongoing ER process includes the identification, assessment, response, and reporting of ERs.

Assessment includes the potential impact and velocity (time to impact) and our response is to then either watch, monitor or manage the risk that are reported to the Board and Company PRs using our emerging risk radar.

The NGET risk profile continues to be managed by drawing upon the most significant risks across our business profile. This year we established new principal risks:

- the risk of sustaining operation of the network due to the failure of the network control system
- the risk that we are unable to deliver our major capital project programme within the required timeframes

The NGET risks are currently discussed monthly at the National Grid Electricity Transmission Ethics, Risk and Compliance Committee level including the Key Risk Indicators (KRIs), developed to help alignment to the risk appetite framework in the business and enhance the monitoring and mitigation of risks.

The NGET risk profile is presented in the following 'Principal Risks and Uncertainties' section.

Our principal risks and uncertainties

Accepting that it is not possible to identify, anticipate or eliminate every risk that may arise and that risk is an inherent part of doing business, our risk management process aims to provide reasonable assurance that we understand, monitor and manage the main uncertainties that we face in delivering our objectives. This aim includes consideration of inherent risks, which exist because of the nature of day-to-day operations in our industry, and financial risks, which exist because of our financing activities. Our most important risks and a summary of management and mitigation actions are provided in the table below.

<table>
<tr><td colspan="2">Operational Risks

Operational risks relate to the losses resulting from inadequate or failed internal processes, people and systems, or due to external events. These risks normally fall within our low-risk appetite level as there is no strategic benefit from accepting the risk, as it will not be in line with our vision and values.

Our operational principal risks have a low inherent likelihood of occurring. However, should an event occur, without effective prevention or mitigation controls, it would be likely to have a high level of impact. The risk owners, executive leaders, and their teams develop and monitor actions to control the risks. Operational risks are managed through policy, standards, procedure-based controls, active prevention and monitoring. The operational risks link to our strategic priority to ‘Deliver efficiently for our customers’. Principal risk assessment includes reasonable worst-case scenario testing i.e. electricity transmission asset failure, loss of licence to operate, cyber security attack – and the financial and reputational impact should a single risk or multiple risks materialise.</td></tr>
<tr><td>Risks</td><td>Action taken by management</td></tr>
<tr><td>Delayed recovery from significant events due to lack of Business Continuity preparedness: The risk that we fail to respond effectively to a major event</td><td>We continue to be committed to increasing our level of business resilience through the identification of risks, testing, and learning from incidents. We are prepared for initial response and recovery from network incidents through our framework for the management of, and recovery from, incidents, with our work planning and asset investment processes enabling full recovery.</td></tr>
<tr><td>Public safety due to asset failure impacting a public area.: The risk of catastrophic asset failure on the electricity transmission system leading to a significant public safety event.

Risk Trend: Neutral</td><td>We continue to focus on risk mitigation actions to reduce the risk of catastrophic asset failure or, in the event of this, to limit its impact. We incorporated monitoring action status into various business processes and senior leadership including:
Implementing asset management and data management standards with supporting guidelines to provide clarity around what is expected, with a strong focus on what we need in place to keep us safe, secure and legally compliant;
Where asset failures occur, performing a full investigation to ensure causes are understood, and, if not an isolated incident, appropriate management actions are implemented on the rest of the network;
Developing a rigorous and consistent framework of risk management across our high-hazard asset portfolio, with safety-critical assets clearly identified on the asset register.
Established capability frameworks to make sure our workforce has the appropriate skills and expertise to meet the performance requirements</td></tr>
<tr><td>Failure to predict, protect and recover from a cyber attack.: The risk that we are unable to operate the network, bear damage to assets, loss of confidentiality, integrity and/or availability of system,

Risk Trend: Increasing due to geopolitical uncertainty, potential threats from AI and the technology landscape.</td><td>We continue to commit significant resources and financial investment to maintain the integrity and security of our systems and our data by continually investing in strategies that are commensurate with the changing nature of the security landscape. This includes:
Collaborative working with UK Government agencies including the National Cyber Security Centre (NCSC), the Department for Energy Security and Net Zero (DESNZ) and the Centre for Protection of National Infrastructure (CPNI) on key cyber risks.
Development of an enhanced critical national infrastructure security strategy.
Our involvement in the development of Cyberspace Security Frameworks
Awareness and training and control self-assessments; and Cyber response incident procedures and contingency planning.</td></tr>
</table>

Asset failure leading to a serious loss of supply: The risk that an asset or assets fail on the electricity transmission system and we sustain serious loss of supply or a higher number of smaller losses of supply than currently experienced Risk Trend: Neutral	We continue to apply a holistic approach encompassing preventative and mitigating actions including pre-emptive measures to maintain network reliability such as: • Flood contingency plans for substations. • System operator supply and demand forecasting. Should energy flow disruptions occur: • Business continuity and emergency plans are in place and practised, including Electrical System Restart testing; and critical spares are maintained to ensure we can quickly and effectively respond to a variety of incidents - storms, physical and cyber-related attacks, environmental incidents and asset failures.
Data: The risk that we do not manage our data effectively. Risk Trend: Neutral	We continue to progress and improve our data management processes including: • Implementation of our data and other related business management standards. • Privacy impact assessments carried out across business areas affected by General Data Protection Regulation (GDPR). • Access controls for our data and systems are underpinned by robust licence control, multi-factor user authentication and NG Data Business Management Standards.
Failure to protect our employees or contractors from physical or mental harm: The risk that NGET employees and/or contractors sustain an injury, fatality and/or ill health whilst conducting work place activities. Risk Trend: Neutral	We are committed to ensuring a safe working environment for all our employees and partners when delivering our objectives. Our preventative and detective controls focus on the following areas: • Leadership – Director level safety visits. • Planning & Risk Assessing Work – A well established management. framework of safety procedures and standards for NGET and contractor based work. • Behavioural Safety – Company wide programme to further develop the Company's safety maturity. • Competency and Training – Induction and ongoing training authorisation processes. • Increased safety engagement with our contractors, focusing on working collaboratively to improve our collective safety performance.
Major Project Delivery: The risk that we are unable to deliver on our major capital project programme within the required timeframes Risk Trend: Increasing primarily due to supply chain challenges and resource availability.	To manage the risk of delivering our major* projects within the required timeframes, we are focusing controls in the following areas: • Organisational Structure • Cost, schedule and risk management • Contract Management • Senior Leadership oversight *Major projects defined as £300m or of strategic importance
Failure to sustain operation of the network due to failure of our integrated Energy Management System (iEMS): The risk that we are not able to sustain operation of the transmission network in England and Wales, Risk Trend: Neutral	Ensuring the safe and reliable operation of the network is fundamental to the NGET business and its stakeholders. The replacement of the current ageing network control system will ensure continued reliable operation of the network in to the future. In conjunction with the Electricity System Operator (ESO) we are working to replace the current system with two stand alone systems.

Strategic and regulatory risks

Strategic risk is the risk of failing to achieve the Company's overall strategic business plans and objectives, as well as failing to have the 'right' strategic plan. We intentionally accept some risk so we can generate the desired returns from our strategy. Management of strategic risks focuses on reducing the probability that the inherent risk would materialise, while improving the Company's ability to effectively respond to the risk should it occur. The risk owners, executive leaders, and their teams develop and monitor actions to control the risks. These risks link to our strategic priorities of "Enable the energy transition for all" and "Deliver efficiently for customers". The political climate and policy decisions of our regulators were key considerations in assessing our risks. The climate change adaptation risk is a strategic and regulatory risk but also an operational risk, i.e. the impact of rising temperatures and widening temperature ranges on the performance and operation of our networks.

Risks	Action taken by management
Business Model Legitimacy: The risk that NGET's business model is fundamentally undermined, because of technological, customer or strategic regulatory or industry framework changes. Risk Trend: Neutral	With a changing industry due to the drive to achieve Net Zero, we continue to engage and consult with various external stakeholders and industry groups to ensure we understand the impacts to our business. We continue to provide high levels of reliability across our network and are progressing a portfolio of innovation projects with a good reach across different industry groups.
Business Transformation: The risk that we fail to deliver fully on our T2 commitments, meet government targets and set ourselves up for T3, because we fail to transform the business effectively. Risk Trend: Neutral	We have a clear set of priorities and defined transformation outcomes. Our Transformation scorecard with clear KPIs tracks progress. Key controls identified to manage the risk are being put in place, the control areas are: • Transformation Plan • Value Levers • Performance Reporting • Digitally Enabling the Business • Building Capability
Climate Change Adaptation: The risk we fail to identify and/or deliver upon the actions necessary to meet our climate change targets and enable the wider energy transition because of poor management of threats and opportunities associated with mitigating climate change, leading to legal risks of greenwashing or reputational impacts of not meeting our climate change targets. These include reducing absolute Scope 1 and Scope 2 GHG emissions from their 2018/19 baselines, and, in the longer term, reaching net zero by 2050 and playing our part in supporting economy-wide decarbonisation of the U.K.. Risk Trend: Neutral	The impact that climate change may have on our assets is assessed and reported on a yearly basis through our Climate Change Adaptation Impact Strategy. We continue to engage with external stakeholders and groups to ensure the potential impacts of climate change are understood. Our Climate Change Adaptation Plan supports the delivery of short- and long-term requirements to fulfil our Climate Change Adaptation Strategy.
Failure to deliver net zero 2035 commitments: The risk that NGET does not provide availability to the planned HV network to enable the UK's decarbonisation commitments (50GW of offshore wind by 2030, 70GW of solar by 2035, and 24GW of nuclear generation by 2050). Risk Trend: Neutral	Enabling the energy transition is core to our strategic priorities and embedded in our processes and investment decision making. Our regional strategies and systems access strategies help to surface and manage any potential risks. A new National Grid business unit, Strategic Infrastructure, operating under the same NGET licence as ET, has been formed. This new business unit is responsible for delivery of 17 major infrastructure projects in the UK, as well as other strategic projects that will help deliver our Net Zero ambitions and help the UK government meet its targets. Internally our environmental plan will enable us to meet our Net Zero commitments.
Failure to Deliver: The risk that we fail to deliver our RIIO-T2 regulatory outputs Risk Trend: Neutral	To manage the risk of delivering our regulatory commitments, we are working to ensure we: • Have an effective resourcing strategy. • Monitor legislation & Government for any planned new, or changes to, legislation that may affect us under the new Labour government. • Plan system access and outage availability. • Have a detailed plan of the volumes we are expecting to deliver during the current regulatory period. • Have an awareness programme to help our employees understand the current regulatory deal and the consequences of our choices and deliverables. • Ensure data and processes are in place and available to enable timely and accurate regulatory reporting.

Failure to Perform: The risk that we fail to deliver our regulatory outcomes in line with our business plan Risk Trend: Neutral	To manage the risk of failing to deliver outcomes in line with our business plan, we are working to ensure we: • Have an effective resourcing strategy. • Successfully win work to deliver through re-opener opportunities where possible. • Ensure availability of the equipment needed to deliver work. • Effectively manage lead times through engagement with suppliers. • Monitor planned and expected costs. • Ensure data and processes are in place and available to enable timely and accurate regulatory reporting.
Political and Societal Expectations: The risk that we do not deliver what society and political stakeholders want us to deliver. Risk Trend: Increasing due to expectations to deliver net zero whilst still meeting competing demands of our customers and stakeholders.	Processes and resources are in place to review, monitor and influence perceptions of our business and our reputation including by: • Enhancing and consolidating our digital roadmap and social channels. • Developing an internal forum to increase management of stakeholder and media reputational issues. • Delivering on our commitment to be a responsible business • Implementing campaigns to recruit for the future e.g. 'The Job That Can't Wait' • Promoting partnerships and discussions of decarbonisation across the jurisdictions where we operate.

People

It is through the high-quality work of our employees that we will achieve our vision, respond to the changing needs of our stakeholders and create a competitive advantage. Building and fostering an engaged and talented team that has the knowledge, training, skills and experience to deliver our strategic objectives is vital to our success. We must attract, integrate and retain the talent we need at all levels of the business. These risks link to our strategic priority to "Empower colleagues for great performance".

Risks	**Action taken by management**
Failure to deliver strategic operations due to a lack of competence, retention and capability: The risk that we cannot operate the system effectively or provide sufficient support services to maintain NGET operations and strategic priorities Risk Trend: Neutral	We are involved in a number of initiatives to help secure the future engineering talent we require, including industrial placements and internships, advanced and higher apprenticeships. We are focused on ensuring we have high levels of diversity in these future talent pools. Our entry-level talent development schemes (graduate training and apprenticeships) are a potential source of competitive advantage in the marketplace. We also continue to develop the rigour of our succession planning and development planning process, particularly at senior levels. We are now applying it deeper into the organisation as well as giving continued attention to the diversity of both our management and field force.

Our internal control processes

We have a number of processes to support our internal control environment. These processes are managed by dedicated specialist teams, including risk management, ethics and compliance management, corporate audit and internal controls, and safety, environment and health. Oversight of these activities is provided through regular review and reporting to the Board and appropriate Board committees as outlined in the Corporate Governance section on pages 33 to 37.

Monitoring internal control is conducted through established boards and committees at different levels of the National Grid plc organisation. Deficiencies are reported and corrected at the appropriate entity-level. The most significant risk and internal controls issues are monitored at the Group Executive and National Grid plc Board level. The Company's Audit Committee is responsible for keeping under review and reporting to the Board on effectiveness of reporting, internal control policies, Bribery Act legislation, appropriateness of financial disclosures and procedures for risk and compliance management, business conduct and internal audit.

Reviewing the effectiveness of our internal control and risk management

The Board continually monitors and assesses the effectiveness of our internal control systems and risk management processes covering all material systems, including financial, operational and compliance controls, to make sure they remain robust. In this review, the Board considers the effectiveness of areas such as the control environment, risk management and internal control activities, including those described below.

Fostering a culture of integrity is an important element of our risk management and internal controls system. National Grid's values: 'do the right thing', 'find a better way' and 'make it happen' provide a framework for reporting business conduct issues, educating employees and promoting a culture of integrity at all levels of the business. We have policies and procedures in place to communicate behaviour expected from employees and third parties, and to prevent and investigate fraud and bribery and other business conduct issues. We monitor and address business conduct issues through several means, including a bi-annual review by the Audit Committee.

Overall compliance strategy, policy and frameworks are set at the National Grid plc Group-level with implementation owned by National Grid Electricity Transmission. The business is responsible for identifying compliance issues, continuous monitoring, and developing actions to improve compliance performance. We monitor and address compliance issues, through several means including reviews, leadership meetings and a bi-annual review by the Audit Committee.

A feature of our internal controls system is our three lines of defence model. This model is a way of explaining the relationship between functions and how responsibilities for risk and controls are allocated and monitored. Each business function owns and is responsible for managing its own particular risk and controls (the first line of defence). Central management teams (the second line of defence) act as an advisory function on implementing the principal risk assessments and actions taken to mitigate and manage those risks. Our internal audit function then audits selected controls to provide independent assessments of the effectiveness of our risk management and internal control systems (the third line of defence).

The Certificate of Assurance (CoA) from the National Grid plc CEO to the Board provides overall assurance around the effectiveness of our risk management and internal controls systems. The CoA process operates via a cascade system and takes place annually in support of the Company's full year results. The Audit Committee considers the CoA and provides a recommendation to the Board in support of its review.

NGET's Internal Management System was audited by the external 3rd party certification body Lloyd's Register Quality Assurance Inc. (LRQA) in September 2023. The Management Systems were approved for re-certification, and an extension to scope to include Asset Operations for our ISO 45001 Occupational Health and Safety Management System was agreed.

Internal control over financial reporting

Periodic Sarbanes-Oxley (SOX) reports regarding Management's opinion on the effectiveness of internal control over financial reporting are received by the Board. Reports conclude on the Group's compliance with the requirements of s404 of the Sarbanes-Oxley Act, and are received directly from the Group Controls Team; and through the Executive and Audit Committees. This is to satisfy the reporting requirements for National Grid plc.

We have specific internal mechanisms that govern the financial reporting process and the preparation of the Annual Report and Accounts. Our financial controls guidance sets out the fundamentals of internal control over financial reporting, which are applied across the Company. Our financial processes include a range of system, transactional and management oversight controls. In addition, our businesses prepare detailed monthly management reports that include analysis of their results, along with comparisons to relevant budgets, forecasts and prior year results. These are presented to, and reviewed by, senior management within our Finance function.

These reviews are supplemented by monthly business reviews attended by the Group CEO and CFO, during which financial & non-financial metrics are considered via analysis of performance contract scorecards. Deep dives on particular topics are driven by identified risks and opportunities.

Viability statement

The Board's consideration of the longer-term viability of the Company is an extension of our business planning process. This process includes financial forecasting, a robust risk management assessment and regular budget reviews. Our business strategy aims to enhance our long-term prospects by making sure our operations and finances are sustainable.

National Grid Electricity Transmission plc (NGET) is a wholly owned subsidiary of National Grid plc which performed a group wide business plan that was reviewed and approved by the National Grid plc Board and which included detail of the NGET operating segment. Details of the National Grid viability statements can be found in the National Grid plc Annual Report and Accounts 2023/24 on page 31, which details the worst case scenarios considered.

The assessment of the potential impact of our principal risks on the longer-term viability of the Company tests the significant solvency and liquidity risks involved in delivering our business objectives and priorities. After careful consideration of the risk landscape and other considerations including: our long-term business model, high-quality, long-term assets and stable regulatory arrangements; the Board's stewardship responsibilities; and the Company's ability to model a range of severe but plausible reasonable worst-case scenarios, the Board concluded that it remains appropriate to consider a five-year timeframe over which we should assess the long-term viability of the Company.

The business plan considers the significant solvency and liquidity risks involved in delivering our business model in light of our strategic priorities. We have set out the details of the principal risks facing our Company on page 21, described in relation to our ability to deliver our strategic objectives. We identify our principal risks through a robust assessment that includes a continuous cycle of bottom up reporting and review, and top down feedback.

The business model calls for significant capital investment to maintain and expand our network infrastructure. To deliver this, our business plan highlights that we will need to access capital markets to raise additional funds from time to time. We have a long and successful history in this regard. Although finance ability is formally assessed at a group level, the board considers key funding from operations / net debt metrics used by lenders in assessing a company's credit worthiness.

The NGET plc Board review and approve the annual certificates in respect of compliance with certain licence conditions (including Financial Ring-fencing, and Availability of Resources). The Electricity Transmission Financial Ring-fencing certificate was approved by the Board in July 2023, and the Availability of Resources certificate was issued in July 2023.

In assessing the impact of the principal risks on the Company, the NGET plc Board has considered the fact that we operate in stable markets and the robust financial position of the Company, including the ability to raise capital, suspend or reduce the payment of dividends and seek financial support from National Grid plc. It has also considered Ofgem's legal duty to have regard to the need to fund licensed NGET activities.

Each Director was satisfied that they had sufficient information to judge the viability of the Company. Based on the assessment described above and on page 39, the Directors have a reasonable expectation that the Company will be able to continue operating and meet its liabilities over the period to July 2028.

Financial review

Operating profit increased by £639 million in comparison to the prior year to £1,648 million, driven by the impact of a £748 million revenue increase to £2,735 million, partially offset by increased operating costs and a less favourable exceptional result.

New accounting standards

The Group adopted the following amendments to accounting standards, which have had no material impact on the Group's results or financial statement disclosures:

- IFRS 17 'Insurance Contracts';
- amendments to IAS 1 and IFRS Practice Statement 2 – 'Making Materiality Judgements'.
- amendments to IAS 12 'International Tax Reform - Pillar Two Model Rules'; and
- amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Use of adjusted profit measures

In considering the financial performance of our businesses and segments, we analyse each of our primary financial measures of operating profit, profit before tax, and profit for the year attributable to equity shareholders into two components.

The first of these components is referred to as an adjusted profit measure. Adjusted results exclude significant exceptional items, and financial derivative remeasurements, as defined in our accounting policies. These items are reported collectively as the second component of the financial measures. Note 5 of the financial statements explains in detail the items which are excluded from our adjusted profit measures.

Adjusted profit measures have limitations in their usefulness compared with total profit measures as they exclude important elements of our financial performance. However, we believe that using adjusted profit to monitor financial performance aids the comparability of our reported financial performance from year to year. We exclude items from adjusted profit because, if included, these items could distort understanding of our performance for the year.

The presentation of these two components of financial performance is additional to, and not a substitute for, the comparable total profit measures presented.

Management uses adjusted profit measures, exclusive of timing differences, as the basis for internal monitoring of financial performance. These measures are also used by National Grid in communicating financial performance to its investors in certain external presentations and announcements of financial results.

Internal financial reports, budgets and forecasts are primarily prepared on the basis of adjusted profit measures, although planned exceptional items, such as significant restructuring, are also reflected in budgets and forecasts. We separately monitor and disclose the excluded items as a component of our overall financial performance.

Reconciliations of adjusted profit measures

Reconciliation of adjusted operating profit to total operating profit

There are exceptional items included within operating profit for the year ended 31 March 2024 and 31 March 2023, relating to a restructuring programme that commenced in FY20/21 across the National Grid Group of companies, and in the prior year including changes to pension settlement gains on a scheme disposal.

	Years ended 31 March	
	2024	2023
	£m	£m
Adjusted operating profit	**1,651**	983
Exceptional items[1]	**(3)**	26
Total operating profit	**1,648**	1,009

1 Additional detail is provided in Note 5 of the financial statements.

Reconciliation of adjusted operating profit to adjusted earnings and earnings

	Years ended 31 March	
	2024	2023
	£m	£m
Adjusted operating profit	**1,651**	983
Adjusted net finance costs	**(261)**	(402)
Adjusted profit before tax	**1,390**	581
Adjusted taxation	**(360)**	(137)
Adjusted earnings	**1,030**	444
Exceptional items after tax	**12**	87
Profit for the year	**1,042**	531

Reconciliation of adjusted profit excluding timing differences to total operating profit

Adjusted profit excluding timing differences is presented below. Timing differences relate to the over or under collection of revenue in year, this is explained in detail on page 30.

	Years ended 31 March	
	2024	2023
	£m	£m
Adjusted operating profit excluding timing differences	**1,288**	1,095
Timing differences[1]	**363**	(112)
Adjusted operating profit	**1,651**	983
Exceptional items[2]	**(3)**	26
Total operating profit	**1,648**	1,009

1 In year over-recovery of £363 million compared with an under-recovery in the prior year of £112 million.

2 Details of exceptional items can be found in Note 5 of the financial statements.

Consolidated income statement

	Years ended 31 March	
	2024	2023
	£m	£m
Revenue	**2,735**	1,987
Operating costs	**(1,084)**	(1,004)
Adjusted operating profit	**1,651**	983
Exceptional items	**(3)**	26
Total operating profit	**1,648**	1,009
Finance income	**90**	47
Finance costs:		
Before exceptional items and remeasurements	**(351)**	(449)
Exceptional items and remeasurements	**19**	84
Profit before tax	**1,406**	691
Taxation:		
Before exceptional items and remeasurements	**(360)**	(137)
Exceptional items and remeasurements	**(4)**	(23)
Profit after tax	**1,042**	531

Revenue

Revenue for the year ended 31 March 2024 increased by £748 million to £2,735 million. This movement primarily reflects positive timing variances of £475m (refer to page 30), inflationary uplifts of £110m, and the impact on prior revenues of the return of £147m of liquidated damages relating to the Western Link HVDC line via price control mechanisms.

Operating costs

Operating costs for the year ended 31 March 2024 of £1,084 million were £80 million higher than the prior year, mainly driven by £35m increased depreciation, amortisation and impairment driven by to a higher asset base, increased payroll and pension costs due to wage inflation of 9.5%, inflation associated with procurement of goods and services, and increased asset health and maintenance workloads, partially offset by restructuring synergies and efficiencies.

Adjusted operating profit

Adjusted operating profit increased by £668 million to £1,651 million, the net impact of the movements in revenue and operating costs described above.

Exceptional operating items

Exceptional operating costs of £3 million in the year ended 31 March 2024 related to completed restructuring programmes. Classification as such is in line with policy and ensures that the costs are treated in a consistent manner with similar costs incurred previously. In the prior year the equivalent restructuring costs were £9 million, while £35 million of gains on settlement of a defined benefit pension obligation were recorded.

Net finance costs

For the year ended 31 March 2024, net finance costs before exceptional items and remeasurements decreased by £141 million to £261 million. This is primarily an impact of reduced accretion on inflation linked liabilities.

Remeasurements

Remeasurements decreased by £65 million to a £19 million gain for the year ended 31 March 2024. Remeasurement represent net gains on derivative financial instruments.

Taxation

Taxation was £204 million higher than the prior year. This is driven by increased profit before exceptional items and remeasurements.

Consolidated statement of financial position

	Year ended 31 March	
	2024	2023
	£m	£m
Non-current assets	**17,530**	16,232
Current assets	**1,316**	1,649
Total assets	**18,846**	17,881
Current liabilities	**(1,638)**	(1,024)
Non-current liabilities	**(12,051)**	(12,404)
Total liabilities	**(13,689)**	(13,428)
Net assets	**5,157**	4,453

Non-current assets

Non-current assets increased by £1,298 million to £17,530 million as at 31 March 2024. This was principally due to an increase of £1,124 million in property, plant and equipment (PPE). The most significant individual projects within tangible capital expenditure of £1,606m remained Hinkley Seabank and London Power Tunnels 2.

Non-current prepayments increased by £215 million from £55m to £270m, driven by capacity reservation agreement (CRA) downpayments to suppliers on ASTI projects. The prior year has been restated to align capital expenditure prepayments to the operating cycles of the underlying assets to which they relate (see Note 14).

Current assets

Current assets decreased by £334 million to £1,316 million at 31 March 2024, driven primarily by a decrease of £460 million in financial assets and other investments, which comprise of an overnight facility loan with National Grid plc in addition to collateral pledged against derivative holdings partially offset by increase in Trade receivables.

Trade and other receivables have increased by £123 million to £358 million at 31 March 2024 primarily as a result of increased amounts due from fellow subsidiaries.

Current liabilities

Current liabilities increased by £614 million to £1,638 million at 31 March 2024, driven by an increase of £171 million in Trade and other payables due to an increase in purchase ledger and operating cost accruals, and an increase of £441 million in derivatives and short-term borrowings.

Non-current liabilities

Non-current liabilities decreased by £353 million to £12,051 million at 31 March 2024, principally driven by a decrease of £520 million in borrowings due after more than twelve months, partially offset by an increase in the net deferred tax liability of £174 million driven by accelerated capital allowances movements in the year.

Provisions

Total provisions increased by £7 million, driven by a change to the discount rate applied to long-term cashflow projections.

Net pensions asset

A summary of the movements of the IAS 19 accounting net pension asset is shown below:

Net scheme asset	£m
As at 1 April 2023	473
Current service cost	(12)
Past service cost - redundancies	(3)
Net interest credit	27
Administration costs and other	(4)
Actuarial gains/(losses)	
Remeasurement losses of pension assets and post-retirement benefit obligations	(88)
Employer contributions	27
Other movements	2
As at 31 March 2024	**422**

The principal movement during the year was net actuarial losses of £88 million, comprising return on plan assets of £175 million less than interest, partially offset by net actuarial gains on plan obligations of £87 million. Employer contributions totalled £27 million. The overall movement in the net asset was a decrease of £51 million to show a net closing pension asset of £422 million.

Further information on our pensions benefit obligations can be found in note 20 of the consolidated financial statements.

Off balance sheet items

There were no significant off balance sheet items other than the contractual obligations shown in note 27 (b) to the consolidated financial statements, and the commitments and contingencies discussed in note 25.

Cash flow statement

Cash inflows and outflows are presented to allow users to understand how they relate to the day-to-day operations of the business (operating activities); the money that has been spent or earned on assets in the year, including acquisitions of physical assets or other businesses (investing activities); and the cash raised from debt or share issues and other loan borrowings or repayments (financing activities).

Reconciliation of cash flow to net debt

	2024	2023
	£m	£m
Cash generated from operations	**2,165**	1,407
Net capital expenditure[1]	**(1,638)**	(1,169)
Business net cash inflow from continuing operations	**527**	238
Net interest paid	**(233)**	(175)
Tax paid	**(153)**	(48)
Net disposals/(acquisition) of short term financial investments	**460**	(390)
Net (repayments) / proceeds from long-term borrowings	**(273)**	647
Net movements in short term borrowings and derivatives	**(24)**	17
Dividends paid to shareholders	**(300)**	(300)
Increase/(decrease) in cash and cash equivalents	**4**	(11)
Increase/(decrease) in financial investments	**(460)**	390
Decrease /(increase) in borrowings and related derivatives	**290**	(666)
Other net cash flows from investing and financing transactions	**6**	—
Net interest paid on the components of net debt	**233**	176
Changes in fair value of financial assets and liabilities and exchange movements	**45**	147
Net interest charge on the components of net debt	**(401)**	(541)
Other non-cash movements	**(30)**	(1)
Net debt increase	**(313)**	**(506)**
Opening net debt	**(9,090)**	(8,584)
Closing net debt	**(9,403)**	(9,090)

[1] Cash flows for capital expenditure prepayments are included within net capital expenditure.

For the year ended 31 March 2024 cash generated from operations increased by £758 million to £2,165 million. The increase was driven primarily by increased operating profit.

Net capital cash expenditure

Net capital cash investment increased by £469 million to £1,638 million in the year to date 31 March 2024, in line with the increase in fixed asset additions, and driven by the continued ramp up in NGET's capital expenditure programme.

Dividends paid

Dividends of £300 million were declared and paid in July 2023 in respect of the year ending 31 March 2023. No interim dividends have been paid. It was agreed at the 19 July 2024 board meeting that no final dividend would be paid in respect of the year ended 31 March 2024.

Other

Other non-cash movements relates to changes in fair values of financial assets and liabilities, interest accretions, accruals and foreign exchange movements arising on net debt held in currencies other than sterling.

Regulated financial performance

Timing and Regulated Revenue Adjustments

Our allowed revenues are set in accordance with our regulatory price control. We calculate the tariffs we charge our customers based on the estimated volume of energy we expect will be delivered during the coming period. The actual volumes delivered will differ from this estimate. Therefore, our total actual revenue will be different from our total allowed revenue. These differences are commonly referred to as timing differences.

If we collect more than the allowed level of revenue, the balance must be returned to customers in subsequent periods, and if we collect less than the allowed level of revenue we may recover the balance from customers in subsequent periods.

The amounts calculated as timing differences are estimates and subject to change until the variables that determine allowed revenue are finalised. Our operating profit for the year includes £202m in collections of prior year under-recoveries, and £161m of over-recoveries that will be returned to customers in subsequent years. (2022/23: £100 million collections of prior year under-recoveries, and £212 million of in year under-recoveries to be collected in future periods). Opening balances include true ups and adjustments for the time value of money.

In addition to the timing adjustments described above, as part of the RIIO price controls, outperformance against allowances as a result of the totex incentive mechanism, together with changes in output-related allowances included in the original price control, will almost always be adjusted in future revenue recoveries, typically starting in two years' time. We are also recovering revenues in relation to certain costs incurred (for example pension contributions made) in prior years.

Our current IFRS revenues and earnings will therefore include these amounts that will need to be repaid or recovered in future periods. Such adjustments will form an important part of the continuing difference between reported IFRS results and underlying economic performance based on our regulatory obligations.

Return on Equity

Return on Equity for the year, normalised for a long-run CPIH inflation rate of 2%, was 8.0% (2023: 7.5%).

RoE performance above base return has been driven by the delivery of capital projects in RIIO-T2.

The principal components of the differences are shown in the table below:

Year ended 31 March	**2024**	2023
Base return[1]	**7.0 %**	6.3 %
Totex incentive mechanism	**1.1 %**	1.1 %
Other revenue incentives	**(0.1)%**	0.1 %
Return including in year incentive performance	**8.0 %**	7.5 %
Pre-determined additional allowances and other income	**0.0 %**	0.0 %
Return on Equity	**8.0 %**	7.5 %

[1] Normalised for a long-run CPIH inflation rate of 2%

Totex incentives contributed 110 basis points, largely reflecting the delivery of capital projects including Protection and Control work, Harker Super Grid Transformer replacement and generation connections.

We aim to deliver the outputs and essential maintenance required by the RIIO framework in a sustainable and efficient way to deliver best value for consumers and shareholders.

We continued to deliver good performance on reliability and continue to work to identify opportunities for future outperformance.

Regulated Financial Position

In the year, RAV grew by 8%, up on last year's growth rate due to ongoing investment coupled with RAV indexation (3.8% in 2023/24 versus 8.9% in 2022/23).

£m	**2024**	2023
Opening Regulated Asset Value (RAV)[1]	**17,150**	15,471
Asset additions (slow money) (actual)	**1,660**	1,180
Performance RAV or assets created	**68**	68
Inflation adjustment (actual CPIH)	**658**	1,373
Depreciation and amortisation	**(1,074)**	(1,020)
Closing RAV	**18,462**	17,072

£m	**2024**	2023
Opening balance of other regulated liabilities[2]	**(159)**	(229)
Movement	**(363)**	69
Closing balance	**(522)**	(160)
Closing Regulated Financial Position	**17,940**	16,912

[1] The FY24 opening balance has been restated by £78 million in order to align to regulatory returns.

[2] The FY24 opening balance has been restated by £1 million in order to align to regulatory returns.

The Strategic Report was approved by the NGET plc Board of Directors on **19 July 2024** and signed on its behalf by:

DocuSigned by:

Alice Delahunty

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Alice Delahunty

Director

Our stakeholders

Effective engagement with our stakeholders is key to successful achievement of our strategy in the long term.

Section 172(1) Statement

The Board ensures that the Directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.This is with regard to all its stakeholders and to the matters set out in the section 172(1) (a)-(f) of the Companies Act 2006 in the decisions taken during the year ended 31 March 2024. Examples of how Directors have had regard to these matters during the year are set out from page 33, which together with this page forms our section 172(1) statement.

As the Board of Directors, we prioritise our responsibilities for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our shareholders, stakeholders and wider society are met. We actively seek to understand the interests of our stakeholders and reflect these in the decisions that we make. We recognise that in balancing those different perspectives, it isn't always possible to achieve each stakeholder's preferred outcome and consideration of each stakeholder group depends on the matter at hand as well as the combined effect of these factors taken together. The Board strives to balance the different priorities and interests of our stakeholders in a way which is compatible with the long-term sustainable success of the business and which maintains a high standard of business conduct aligned to our values and purpose.

How our Board keeps up to date with stakeholder interests

Most engagement with key stakeholders is carried out at business level by management teams and takes place at business level and the Directors engage directly with stakeholders where possible. Active reporting mechanisms are in place to collate feedback and developments from this engagement and enable a flow of this information to the Board and Board Committees, to inform decision making. An overview of business-level engagement and outcomes is reported to the Board or appropriate Board Committee on a regular basis.

- **Reporting and monitoring:** Our Company-wide engagement collates information on stakeholder interests that informs business-level decisions, with an overview of developments being reported on a regular basis to the Board or its Committees.
- **Direct engagement:** In other instances, one or more members of the Board may be involved directly in the engagement. In each case, it is important for all members of the Board to gain sufficient understanding of the issues relating to every stakeholder, so their views are taken into account in Board discussions.

Details on this are set out below:

Section 172	**Overview**
The likely consequence of any decision in the long term	The Board receives an annual update on the Company's forward business plan and how this aligns to the National Grid Group's purpose, vision, strategy and values. During the year, the forward business plan was enhanced to track and facilitate analysis of where the Board spends their time. This also allows a strong focus on key strategic priorities of a long-term nature. During the year, the Board considered its strategic priorities in detail at the Strategy Day held in June 2023. The Board's forward business plan has been altered to embed regular updates on key strategic initiatives, with an equal split of time being dedicated to the new Strategic Infrastructure business unit alongside the Electricity Transmission updates. Following the UK Government's decision to ask the Company to deliver 17 major new projects to connect low-carbon power to the network, the Board has considered updates on these projects that are a vital part of achieving the Government's ambition of connecting 50 GW of offshore wind by 2030. The Board continued to provide input on the set up of the new Business Unit, Strategic Infrastructure (SI) and the Board's agenda has been altered to embed regular updates and topics specific to the SI project. The Board will continue to oversee SI's work under the Company's licence.
Interests of our colleagues	The Directors place great importance on the wellbeing of the Company's employees and the wider National Grid Group workforce providing support to the Company's business and operations. The Board considers wellbeing to be critical to the long-term success of the business. During the year the Board has received regular, detailed updates on the levels of employee engagement and satisfaction which is embedded as a standing item as part of the safety, health and environment updates. The Board has noted the increase to the LTIFR in the year and we are working with our contractors on improvement plans. The Board has also approved a behavioural safety programme to support a safer working environment. The Board has monitored its workforce engagement activities during the reporting period and is committed to continually develop its consideration of the interests of the Company's employees. The annual Grid:Voice engagement survey provides insights into what is important to our colleagues and how they are feeling about the Company's strategy and leadership. The results of this survey were provided to the Board and discussed in depth. The plans to progress any areas of improvement were also identified. Further details can be found under 'Workforce Engagement' within the Corporate Governance Statement on page 37.
Fostering business relationships with suppliers, customers, regulators and others	The Board is fully committed to effective stakeholder engagement and regularly reviews the relationships the business maintains with all of its stakeholders, including suppliers, customers and others. During the year a supply chain deep dive was performed during a Board strategy day. The Board receives regular updates on our Customer Satisfaction scores and key business areas such as Customer Connections. Further, updates are received on the interactions between our Directors and key stakeholders, including Government, Ofgem, the HSE, customers and suppliers. The Independent User Group continues to provide oversight of the Company's activities from the perspective of our stakeholders and the Chair of the Board maintains open and regular dialogue with the IUG Chair. Further details of the IUG activities can be found on page 37.
Communities, government and environment	The Board is focused on the wider social context within which the business operates, including those issues related to climate change. The Board is committed to reducing the Company's environmental impact and achieving Net Zero. To support this work, the Board receives regular updates on environmental performance. This includes behavioural safety and updates on working with our environmental partners on playing our part to tackling the nature crisis and progress towards becoming a "nature positive" company. Further details on our commitment to being a responsible business can be found on page 13. The Executive Directors and other members of senior leadership have met directly with members of the UK government as part of the Company's ESG outreach to highlight our continuing efforts towards a clean energy transition. The Board has also received focused sessions on major projects such as the delivery of Ofgem's revised regulatory framework, Accelerating Strategic Onshore Transmission Investment (ASTI). This has included consideration of our impact on the environment, government and local communities impacted by these projects.
Maintaining a reputation for high standards of business conduct	The Board is committed to the National Grid values of 'do the right thing', 'find a better way' and 'make it happen', providing a framework for reporting business conduct matters, educating employees and promoting a culture of integrity at all levels of the business. Further details can be found on page 5. Through its Audit Committee, the Board monitors and addresses the Company's business conduct and has oversight of the compliance strategy, policy and frameworks set out at National Grid Group level and implemented by the Company's Electricity Transmission business. The Board has also established a Business Separation Compliance Committee which is responsible for overseeing the duties and task of the Compliance Officer and compliance with our licence conditions for business separation. Further details can be found on page 38
The need to act fairly as between members	The Company's ultimate shareholder is National Grid plc. The Board has developed a robust corporate governance framework which allows the Directors to understand the views of the shareholder and to report constructively to it. Further details can be found in the Corporate Governance Statement where we explain the role of our Chair and the annual activities of our SIDs.

Further details on how the Board has given this consideration to the issues, factors and stakeholders relevant in complying with section 172 can be found within the Corporate Governance Statement, and in particular, on page 37 where we explain our approach to 'Stakeholder Relationships and Engagement'.

Corporate Governance

Corporate Governance Statement

National Grid Electricity Transmission plc (the Company) aims to achieve high standards of leadership and governance. At National Grid plc level, the Company's ultimate shareholder, its board considers that it complied in full with the provisions of the UK Corporate Governance Code 2018 (the Code) during the year being reported on. The Company's Board applied the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles) for the year ended 31 March 2024. The Wates Principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to continue to improve the standards of corporate governance. They also support directors to meet the requirements of section 172 Companies Act 2006.

The Corporate Governance Statement sets out the principal areas of the Company's governance together with an explanation of areas where it considers it has operated consistently with the Wates Principles. For ease of reference, this is explained under the Wates Principles headings.

1. Purpose and Leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

Our purpose is to Bring Energy to Life. As described on page 5, we work within the purpose, vision, values and strategy set by the National Grid Group to ensure we are well positioned to respond to changes in the operating environment. The Board is responsible for oversight of the Company's strategy and has considered its development during the reporting period.

The Board is collectively responsible for its governance and its effective oversight of the Company and its business and compliance with its obligations under the Electricity Transmission Licence. To facilitate this, a comprehensive governance framework has been established. This governance framework forms part of the wider National Grid plc governance framework and is aligned, as required and is applicable, to the Company. The framework is described in further detail below.

2. Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient time to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

Balance and Diversity

The Board has continued to strengthen and develop both its composition and governance framework, implementing, as applicable, many of the best practice governance principles in operation at the National Grid plc level. At the year end, the Board consisted of four executive directors, two National Grid Group-appointed Non-executive directors, two Sufficiently Independent Directors (SIDs) and one Non-executive Director, who between them provide a broad and diverse range of experience and technical skills from both within and external to the organisation, from the energy sector, other regulated industries and external bodies. Full details of the Directors who were in office during the year and up to the date of signing the financial statements can be found in the Directors' Report on page 39

This depth and breadth of experience, together with the independence brought by the SIDs, enables the Board to work as a team to engage in constructive and challenging discussions, considering the perspectives and interests not only of the Company's shareholder but the wider range of stakeholders applicable to the Company.

The National Grid Group promotes diversity, equity and inclusion (DEI). DEI is a vital part of the Group's efforts in building the talent and capabilities we need for the future to deliver on our purpose and strategic priorities. Our vision is to build and develop an inclusive culture and diverse workforce that is fully representative of the communities we serve. Further details of the Group policy can be found publicly in the National Grid plc Annual Report & Accounts (page 89). At the year end, the Board consisted of four female Directors and five male Directors.

Chair

Alice Delahunty, President of Electricity Transmission, continued to Chair the Board during the year. Alice has been a member of the Board since December 2020 and is a member of the Group Executive Committee. The Board has previously considered whether to separate the roles of Chair and President as per the Wates Principles' guidance, however, it determined that through her participation at a National Grid Group level as well as her role as President of Electricity Transmission and as Chair of the Company's Board, she is well placed to identify and facilitate understanding of the views of its ultimate shareholder. The Board believes this is a valuable part of the overall corporate governance framework and is appropriate for a subsidiary company part of a larger group.

Sufficiently Independent Directors

The appointment of two SIDs in April 2014 has provided the Board with independent challenge and contribution to the decision-making process. The SIDs bring to the Board a wealth of experience and knowledge in the utility sector, government and regulatory organisations and other business and organisations outside of the energy sector.

Cathryn Ross was appointed to the Board as a SID with effect from 21 June 2019. Jeremy Long was appointed to the Board as a SID on 17 March 2022. Cathryn and Jeremy fulfil the independence requirements of a SID set out in the Company's licence.

The SIDs' input and involvement in developing the governance framework is demonstrated through their leadership of two committees of the Board: the Audit Committee and Business Separation Compliance Committee. Within the boardroom, the constructive independent challenge and input brought by the SIDs support the Board in considering the wider range of stakeholders in the business.

Outside of the boardroom, as Chair of the Audit Committee, Jeremy Long holds an annual meeting with the Chair of the National Grid plc Audit & Risk Committee creating a formal information flow between the independent directors of the two committees.

The SIDs attend site and operational visits as well as briefing sessions on key strategic matters outside of the Board meeting calendar, enabling them to strengthen their knowledge and understanding of the business. These activities also provide the opportunity to create further strong links between the business and the boardroom.

Non-executive Director

Phil Sheppard was appointed as a Non-executive Director of the Board on 1 August 2021. Phil brings a wealth of experience from the energy sector and in relation to his engineering expertise. Phil is a former employee of the National Grid Group and therefore is not deemed to be independent for the purposes of Condition B22 of the Company's Transmission licence.

Executive Directors

For the reporting period, the executive director membership of the Board consisted of four members of the Electricity Transmission Executive Team: Alice Delahunty, Chris Bennett, Sandip Thakrar and Carl Trowell. Carl Trowell was appointed on 29 May 2023 following the establishment of the Strategic Infrastructure business unit. Sandip Thakrar was appointed on 17 November 2023 following his appointment as Chief Financial Officer for Electricity Transmission.

All Board appointments are made in consultation with its shareholder and in accordance with National Grid’s Procedure for the Appointment of Directors to Subsidiary Companies.

Group-appointed non-executive Directors

Justine Campbell, Group General Counsel & Company Secretary continued during the year as one of the Group-appointed non-executive members of the Board since her appointment in February 2023 alongside Alexandra Lewis, bringing a Group perspective to the Boardroom. Alexandra Lewis is the Group Treasurer and Director of Pensions and has continued as a member of the Board since her appointment in April 2018.

Director induction and development

Director briefings on the statutory duties and responsibilities of directors have been presented during the reporting period; training has been made available to new directors and reference material has been placed in the online document library.

Continuing director training and development is delivered both within and outside of the boardroom. This is key to enabling Board effectiveness individually and as a whole. Sandip Thakrar and Carl Trowell received new director training in 2023.

Within the boardroom, the Board receive updates and presentations on current operational matters and specific initiatives within the business and wider National Grid Group. These presentations also provide an opportunity to benefit from the input of other Board members on matters within their area of the business.

3. Director Responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision-making and independent challenge.

The Board maintains a schedule of matters specifically reserved for its consideration and decision. This is aligned, as appropriate, to that of the National Grid plc Board with additional responsibilities as required by licence obligations. The matters reserved cover matters categorised as: Strategy, Management and Finance, Director and Employee Issues, Corporate Governance, Financial and Regulatory Reporting and Shareholders and includes oversight of the relationship with the regulatory bodies, including Ofgem, Department for Energy Security and Net Zero (DESNZ) and the Health and Safety Executive. This is reviewed annually.

To support the Board, there is an established framework of Committees, to which the Board delegates defined duties under Terms of Reference and within a framework of Delegations of Authority (DoA). Further detail on the work of the Committees can be found below.

The Board’s accountability for financial business reporting and risk management and internal control is undertaken within the wider Group governance framework and processes. As a regulated entity, the Board has responsibility for annual regulatory financial reporting requirements which it applies the same rigorous governance processes as that of the statutory accounts, and it involves the work of the Audit Committee. Reporting on the regulatory regime is overseen by the Board, and further detail can be found on pages 3 to 4.

Regular Board meetings are generally scheduled and communicated approximately twelve to 18 months in advance providing all Directors with sufficient notice to attend meetings. Where possible, Directors who were unable to attend a meeting provided comments to the Chair or Company Secretary in advance of the meeting. The matters to be considered throughout the annual board meeting schedule fulfil the Board’s responsibilities in line with its statutory duties, licence obligations, its matters reserved for the Board and its authority under the Group DoA from National Grid plc. The Board’s supervision of the Company’s operations is fulfilled through standing agenda items on safety matters, business overviews from the transmission owner, SI owner and financial performance. The Board’s consideration of health and safety matters covers all parts of the operational business and considers the health and safety of the workforce and members of the public. In addition to this the Board receives a suite of management reports, in line with Group reporting, providing updates on different aspects of the business.

To enable the Board to be effective and efficient within the boardroom a number of procedures have been established: papers supporting each agenda item are distributed in advance, typically a week before the meeting; training and briefings on specific matters are scheduled outside of Board meetings; and the Chair holds a short meeting with the SIDs and Company Secretary before each meeting to share feedback and discuss the dynamics of the meeting, creating a culture of continuous improvement for the operation of future Board meetings.

Six regular Board meetings were scheduled during the year. In addition, in June 2023 the Board held a Strategy Day, allowing

Directors to focus on internal and external factors which influence the strategy, including building new network capacity to meet the UK Government's Net Zero targets, the new SI business unit, customer connections, attracting and developing the workforce, the Company's supply chain, network reliability and the importance of the Company's role in the wider energy industry. The Board also visited an operational site, the Highbury substation, part of the London Power Tunnels network.

Committees

The Board has established a number of committees and sub-committees which assist in its activities and operate within agreed Terms of Reference and a framework of DoA. The Committees of the Board are listed below:

- Electricity Transmission Executive Committee
- Business Separation Compliance Committee
- Finance Committee
- Audit Committee

The Company does not have a Nomination Committee or Remuneration Committee as these functions are provided by National Grid plc – see the Annual Report and Accounts of National Grid plc for further information about these committees – pages 88 to 89 for the work of the People & Governance Committee (which covers the responsibilities of a typical Nomination Committee) and pages 98 to 114 for the work of the Remuneration Committee.

Safety, Health and environmental (SHE) matters are a top priority for the Board. The Board does not have a specific Board sub-committee for SHE matters. Instead, it delegates the day-to-day management of safety matters to the safety committee within the Electricity Transmission and Strategic Infrastructure businesses. The work of this committee is supported, and forms part of, the Group wide safety governance framework, which ensures there is strong interaction with the UK SHE Committee and Group SHE Committee. In turn, the UK SHE Committee provides regular reports to the Board, whilst ensuring a consistent delivery of safety through its interactions with the Group Executive Committee.

Electricity Transmission and Strategic Infrastructure Executive Committees

These Committees direct the affairs of the Electricity Transmission and Strategic Infrastructure businesses on behalf of the Board. This performs an assurance role within the context of the overall RIIO networks governance framework and oversees the performance of sub-committees reporting to them. The Committees' remit extends to approving the strategies and business objectives for managing the RIIO contract and for approving opportunities to deliver value within that contract in accordance with Delegations of Authority limits.

The ET Executive Committee comprises the senior management of the ET business and is chaired by Alice Delahunty, President, Electricity Transmission. The SI Executive Committee comprises the senior management of the SI business and is chaired by Carl Trowell, President, Strategic Infrastructure.

Business Separation Compliance Committee

The Business Separation Compliance Committee of the Board is responsible for overseeing the duties and tasks of the Business Separation Compliance Officer and for overseeing compliance with the business separation licence conditions. Membership of the Committee is by appointment of the Board and comprises all directors of the licensee. For the reporting period, the Committee was chaired by Cathryn Ross, SID, providing independent leadership of the Committee and is supported by the Company Secretary.

The Business Separation Compliance Officer/Compliance Officer are in attendance and present reports on their duties, activities and compliance with the licence obligations.

Two Committee meetings were held during the year, with additional separate meetings taking place between the Chair of the Committee and the Business Separation Compliance Officer/Compliance Officer. Following the meetings, the Chair provided updates to the Board on matters considered at the meetings. Please refer to the separate sections on Business separation and the Company's Compliance Statement for further information.

Finance Committee

The Finance Committee of the Board is responsible for setting policy and grants authority for financing decisions, credit exposure, hedging and foreign exchange transactions, guarantees and indemnities, all subject to the risk appetite of the Board. It also approves other treasury, taxation, insurance and pension funding matters, as well as having responsibility for the governance of the Company's pension schemes and the Company's insurance strategies, and if appropriate, recommends these to the Board.

Membership of the Committee comprises the Chief Financial Officer of National Grid plc and the Group Treasurer, a Director of the Board. The Committee interfaces with the Finance Committee of National Grid plc and the Board. During the year, the Finance Committee met twice.

Each Board meeting considers a separate agenda item on the work of the Finance Committee. Financial reporting on the financing activities, taxation, insurance and financial costs and liabilities of the pension schemes is provided through the regular financial management reports discussed at each Board meeting.

Audit Committee

The Audit Committee's role is monitor and review the Company's financial reporting and internal controls, assess their effectiveness, together with reviewing the Company's risk management processes. It also reviews the external audit plan and reviews the external auditors' findings.

Membership of this Committee is comprised of three Board directors: the two SIDs and a Group-appointed Non-executive director, Alexandra Lewis. During the year, the Committee continued to be chaired by Jeremy Long, SID, providing independent leadership. Relevant financial experience is provided by all Committee members.

In addition to the members of the Committee, individuals such as representatives of the external auditors, the ET Chief

Financial Officer (CFO), Head of Internal Audit, Chief Compliance Officer, UK Chief Risk Officer, other representatives of the finance function may be invited to attend by the Committee and normally attend each meeting. Other Directors, representatives of the business and external advisers may be invited to attend as and when considered appropriate by the Committee and in respect of items that are relevant to them.

The Audit Committee provides the assurance required by the Board on matters within its authority. The Chair provides a report on the meeting to the following Board meeting, and where applicable makes recommendations to the Board. The Board considers these recommendations and, if required, seeks further assurance and details to be brought to the Board.

As noted above, to strengthen the governance links to National Grid, the Chair holds an annual meeting with the Chair of the National Grid plc Audit Committee.

The preparation and management of the Audit Committee's annual meeting schedule follows the same governance processes as those for the Board. Technical briefings and meetings with the ET CFO and members of the financial function are held before meetings, as required, to provide further details on matters to be discussed during the meetings.

Areas of focus

The Audit Committee meetings considered a programme of matters comprising those which were aligned to that of the National Grid plc Audit & Risk Committee and specific matters as they related to the Company, as a listed and regulated entity and as defined in the Terms of Reference for the Committee. Examples of key areas of focus included:

- Statutory and regulatory accounting statements;
- Going concern statements;
- Fair, balanced and understandable statements;
- Financial reporting;
- Internal controls and processes;
- Regulatory accounting;
- Risk management processes;
- Compliance matters, including compliance with licence obligations;
- Internal (corporate) audit plan; and
- Business conduct, including whistleblowing.

Significant issues

The most significant issues the Audit Committee considered during the year were matters relating to internal controls and processes and judgements made in the preparation of the year-end financial statements.

Looking forward, the Committee will continue to focus on the effectiveness of the internal control environment, including SOX controls within the newer SI Business Unit in particular.

External audit

The Audit Committee is responsible for overseeing relations with the external auditors, as part of the Group wide external audit arrangements. Each Committee meeting is preceded by a meeting between the SIDs and the external auditor, without management present, to allow independent discussions on any matters the auditors would like to bring to the attention of the Committee.

The Committee regularly reviews the audit plan and findings in respect of the audit of the statutory accounts. The Committee also engages on auditor recommendations for improvements around internal controls. Through regular management reporting on internal controls, the Committee is able to monitor progress of the actions being taken.

Internal (corporate) audit

The Company does not have a separate internal audit function. This function is provided by National Grid's Corporate Audit function, which provides independent and Executive Committees on whether the existing control and governance frameworks are operating effectively in order to meet National Grid's strategic objectives. Assurance work is conducted and managed in accordance with the IIA international standards for the Professional Practice of Internal Auditing and Code of Ethics.

Inputs to the audit plan include principal risks, risk registers, corporate priorities, and external research of emerging risks and trends. Discussions are held with senior management to make sure the plan aligns with the Committee and Company's view of risk. The audit plan is considered and approved by the Committee annually and progress against the plan is monitored throughout the year.

The Committee received regular controls updates from the Corporate Audit team. Management actions on audit findings have continued to be a focus at Executive meetings resulting in greater visibility of audit findings, increased ownership of actions and a reduction in the overall number of findings as a result.

Auditor's independence and objectivity

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements. Following consideration of the auditor's independence from NGET, their objectivity, the audit quality and the auditor's performance, the Committee was satisfied with the effectiveness, independence and objectivity of Deloitte. The audit report presents the results of Deloitte's own independence assessment on page 42.

A resolution to re-appoint Deloitte and giving authority to the Directors to determine their remuneration will be submitted to shareholders at the 2024 AGM.

4. Opportunity and Risk.

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

Risk Management is fundamental to delivering the long-term success of the Company and for that reason a separate section of the Annual Report and Accounts has been dedicated to describing our internal controls and risk management process on page 25.

5. Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Executive remuneration is controlled by the ultimate parent company, National Grid plc. Further information on this is available within the Remuneration Report of National Grid plc's Annual Report and Accounts on pages 98 to 114.

6. Stakeholder Relationships and Engagement.

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Board's focus on stakeholder engagement has continued during the reporting period, including reviewing and mapping out key stakeholder groups and discussing the Board's current level of engagement and incorporation of its views into decision-making. During the year, the Board took the opportunity to review stakeholder engagement, and has discussed its duty under section 172 of the Companies Act 2006.

Engaging with stakeholders to deliver long-term success is a key area of focus for the Board. Senior Executives within the business have regular interactions with Ofgem, DESNZ and the Health and Safety Executive. The Company also organises stakeholder forums and consultations with stakeholders, including members of the public, our suppliers and customer around specific projects. We work with other networks and organisations outside of the energy industry to identify good practice. The Board considers the interests of these various stakeholder groups through reports and presentations at Board meetings, allowing Directors to reflect their interests in the decision-making process. More information on the Group's stakeholder engagement initiatives is available on page 42 of the National Grid plc Annual Report.

RIIO-T2 Stakeholder Engagement

Our original RIIO-T2 business plans were developed following our largest ever engagement exercise to date, with customers, industry stakeholders, businesses and household bill payers across the country. As part of the process, the Independent User Group (IUG) was established to provide challenge on our business plan process. The IUG represents a cross-section of the energy industry and represents the interests of consumers, environmental and public interest groups, as well as large-scale and small-scale customers and distribution networks. The Board has committed to the continued operation of the IUG. The Board continues to receive updates on the IUG's findings and the Chair of the IUG attends Board meetings on invitation to better understand the IUG's views and to allow for effective two-way engagement.

Stakeholder Advisory Group

In 2012, Ofgem introduced a funding framework for mitigating the visual impact of existing infrastructure in designated landscapes. National Grid's Visual Impact Provision (VIP) projects range from overhead line removal and replacement to smaller landscape improvement projects and are led by the VIP Stakeholder Advisory Group (SAG). This group is comprised of senior representatives from national organisations dedicated to conserving and enhancing the landscape throughout England and Wales. Ofgem remain committed to the benefits being delivered and have agreed to continue the funding into RIIO-T2. In March 2023 the Chair of the SAG attended the Board meeting, the Board discussed the learnings from the current VIP approach, and how the work completed on the VIP projects assisted with the creation of new wildlife habitats from disturbance through clear research and following advice from SAG. The Board supported the proposal to continue the current approach to VIP, including ensuring the role of the VIP SAG continues. The Board further supported the principles of the VIP projects to be extended for all future major projects to include conservation bodies given the strong stakeholder relationships already formed which have proven successful in delivering significant benefits to the environment and communities. National Grid and Ofgem's nine-year investment in VIP has resulted in shared learning, increasing mutual trust and professional respect across the SAG. To aid the continuation of building these vitally important relationships the Board nominated a Board member to champion and guide the future approach. The continued collaboration of the Company and SAG will provide a strong basis for sustainable success in the future and presents an opportunity that aligns to our values and commitments as a responsible business.

Workforce Engagement

The Board believes it is important that the Company builds on the extensive range of workforce engagement activities that are already in place and continues to consider workforce views in relevant decision-making processes. The Board will continue to review and adapt its approach during the 2024/25 financial year, considering new ways to engage with the workforce effectively.

Engagement with our people takes many forms, including employee engagement sessions, reviewing and implementing actions from the employee survey results, meetings with Trade Union representatives, leadership off-sites and site visits by Directors. The results of the annual employee survey are reported in depth to the Board, providing insight into how our employees are feeling about the business and its direction. The Board recognises the need to set the tone from the top. Action plans are developed to progress any areas of improvements that are identified. During the year, Directors have held a series of workforce engagement events, including town halls, smaller engagement events and leadership briefings. More information on the Group's workforce engagement activities can be found within the National Grid plc Annual Report on pages 42-43.

Eligible employees can participate in the company's performance though employee share schemes.

Business separation

Business Separation Compliance Committee

The Board's Business Separation Compliance Committee is responsible for overseeing the duties and tasks of the Compliance Officer and for overseeing compliance with the licence conditions for business separation between the Company and National Grid's competitive businesses operating or bidding for activities in carbon capture and storage, interconnectors or offshore transmission. Membership of the Committee is by Board appointment and comprises all Directors of the Company. The Compliance Officer attends this Committee which is chaired by Cathryn Ross (Independent Director). Two meetings took place during the last financial year.

Special Condition 9.18 (Business separation requirements and compliance obligations) of our electricity transmission licence requires the Company to maintain business separation sufficient to ensure that no commercial advantage is given to any of the National Grid competitive businesses operating or bidding for activities in carbon capture and storage, interconnectors or offshore transmission. This Condition also requires NGET, in carrying out its licensed activities, to have in place and maintain systems of control and governance arrangements to ensure the Company complies with several licence conditions covering the prohibition of cross subsidies, Financial Ringfencing, prohibited activities and business conduct.

Our policy in respect of compliance with Special Condition 9.18 is set out in the Company's Compliance Statement. We have taken the following specific actions to comply with the requirements of Special Condition 9.18:

- Appointed a Compliance Officer and a Single Appointed Director who report on compliance to the Compliance Committee and the Company's Board of Directors.
- Put in place specific legal, managerial and functional architecture to ensure separation.
- Established specific policies and procedures to ensure that the Company does not give any unfair commercial advantage to any of its affiliates and that confidential information is kept confidential and secure.
- Implemented specific restrictions on premises, use of systems and transfer of employees between the Company and the competitive businesses.
- Established and maintained a Code of Ethical Business Conduct to ensure employees are aware of their obligations to protect confidential information relating to the Company.

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Company for the year ended 31 March 2024. In accordance with the requirements of the Companies Act 2006 the following sections describe the matters that are required for inclusion in the Directors' Report and were approved by the Board. Further details of matters required to be included in the Directors' Report are incorporated by reference into this report, as detailed below.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Chris Bennett	
Justine Campbell***	Resigned 30 June 2024
Alice Delahunty	
Alexandra Lewis ***	
Jeremy Long *	
Jeremy Mavor	Appointed 01 July 2024
Cathryn Ross *	
Phil Sheppard **	
Sandip Thakrar	Appointed 17 November 2023
Carl Trowell	Appointed 29 May 2023

* Sufficiently Independent Director

** Non-executive Director

*** Group-appointed non-executive director

The Company has arranged, in accordance with the Companies Act 2006 and the Articles, qualifying third party indemnities against financial exposure that Directors may incur in the course of their professional duties. Equivalent qualifying third party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board during the year ended 31 March 2024. Alongside these indemnities, the Company places Directors' and Officers' liability insurance cover for each Director.

Wates Principles

The Directors chose to apply the Wates Corporate Governance Principles for 2023/24. Further details are on pages 33 to 37.

Principal activities and business review

A full description of the Company's principal activities, business, key performance indicators and principal risks and uncertainties is contained in the Strategic Report on pages 11 to 12 which is incorporated by reference into this report. Our engagement with suppliers, customers and other key stakeholders is disclosed in the Corporate Governance Report.

Material interests in shares

National Grid Electricity Transmission plc is a wholly owned subsidiary undertaking of National Grid Holdings Limited. The ultimate parent company of National Grid Electricity Transmission plc is National Grid plc.

Dividends

A decision not to pay a final dividend was ratified after the year end on 19 July 2024 (2022/23: £300 million final dividend).

Share capital

Share capital remains unchanged. See note 22 to the consolidated financial statement for further details.

Research and development

Expenditure on research and development was £14 million during the year (2022/23: £7 million).

Financial instruments

Details on the use of financial instruments and financial risk management are included in note 12 to the consolidated financial statements.

Future developments

Details of future developments are noted in the Strategic Report.

Employee involvement

Details of how the Company involves its employees are contained on pages 16 to 17, which is incorporated by reference into this report.

Diversity

Details of how the Company approaches diversity can be found on page 10 which is incorporated by reference into this report.

Audit information

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Annual General Meeting

Notice of the Company's Annual General Meeting for 2024 will be issued separately to the shareholder.

Going concern

Having made enquiries and reviewed management's assessment of the going concern assumption, as detailed within Note 1(a) of the financial statements, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. More detail on our financial risks, including liquidity and solvency, is provided in note 27 to the consolidated financial statements. The Company expects to need to utilise borrowings from other group entities within the going concern assessment period and has therefore been provided with a Letter of Support from National Grid Holdings One plc. See note 1 to the accounts for further details. Although not assessed over the same period, the viability of National Grid Electricity Transmission plc has been assessed on page 26.

By order of the Board

DocuSigned by:
Alice Delahunty
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Alice Delahunty
Director

19 July 2024

National Grid Electricity Transmission plc
1-3 Strand, London WC2N 5EH
Registered in England and WalesNumber 2366977

Introduction to the financial statements

Throughout these financial statements, we have provided explanations of the disclosures and why they are important to the understanding of our financial performance and position.

Notes

Notes to the financial statements provide additional information required by statute, accounting standards or other regulations to assist in a more detailed understanding of the primary financial statements. In many notes, we have included an accounting policy that describes how the transactions or balance in that note have been measured, recognised and disclosed. The basis of preparation section provides details of accounting policies that apply to transactions and balances in general.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, including the NGET consolidated financial statements and the Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the consolidated financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the UK. The financial statements also comply with IFRS as issued by the IASB. In addition, the Directors have elected to prepare the Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company on a consolidated and individual basis, and to enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this Report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Each of the Directors, whose names and functions are listed on pages 39 confirms that:

- to the best of their knowledge, the Group financial statements and the Parent Company financial statements, which have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the UK and UK GAAP FRS 101 respectively, give a true and fair view of the assets, liabilities, financial position and profit of the Company on a consolidated and individual basis;
- to the best of their knowledge, the Strategic Report contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- they consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Responsibilities Statement was approved by the Board and signed on its behalf.

Directors' Report

The Directors' Report on page 39, prepared in accordance with the requirements of the Companies Act 2006 and the UK Listing Authority's Listing Rules, and Disclosure Guidance and Transparency Rules, was approved by the Board and signed on its behalf.

Strategic Report

The Strategic Report, comprising pages 11-30, was approved by the Board and signed on its behalf.

By order of the Board

DocuSigned by:
Alice Delahunty
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Alice Delahunty

Director

19 July 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of National Grid Electricity Transmission plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position and parent company balance sheet;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the material accounting policy information;
- the related notes 1 to 31 to the consolidated financial statements; and
- the related notes 1 to 19 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 4(e) to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was treasury derivative transactions.
Materiality	The materiality that we used for the group financial statements was £40m which was determined on the basis of 5% of three-year average adjusted profit before tax (profit before tax excluding the impact of reported exceptional items and remeasurements).
Scoping	We focused our Group audit scope on the Parent Company which accounts for all of the Group's revenue, profit before tax and net assets.
Significant changes in our approach	There has been no significant change in our approach for the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing the financing facilities including the nature of facilities, repayment terms and covenants including Group loan facility disclosed in note 1(a);
- enquiring of management regarding the assumptions used in the going concern models;
- assessing the assumptions used in the forecasts;
- assessing management's identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment;
- assessing the historical accuracy of forecasts prepared by management;
- evaluating whether the Group's disclosures in respect of going concern within the financial statements, meet the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

5.1. Treasury derivative transactions

Key audit matter description	**Level 3 derivative financial assets and liabilities. Refer to note 27 to the consolidated financial statements.** The group holds Level 3 derivatives which are inflation linked swaps where the inflation curve is illiquid. The derivatives are valued using in-house valuation models and external valuations are obtained to support each reported fair value. There is a risk that the valuation methodology is not appropriate or that the significant assumptions or underlying data, including the methodology and inputs used, are inappropriate or lack sufficient basis or support. There is a heightened risk in relation to these derivatives as the valuation is more subjective due to the use of complex valuation models and/or unobservable inputs such as forward CPI assumptions. Due to the judgemental nature of this assessment, there is a much higher risk involved in determining an accurate valuation. The value of Level 3 derivative financial liabilities and assets (being those where unobservable inputs are significant to the measurement) was £102 million (2023: £122 million) and £39m (2023: £22m) respectively. Note 27(f) also includes sensitivity analysis associated with this estimate.
How the scope of our audit responded to the key audit matter	We have tested the relevant controls over the valuation of derivative financial instruments, including management review controls where on an annual basis an independent valuation of the entire population of Level 3 derivative valuations is compared to counterparty valuations. To address the complexities associated with auditing such instruments, the engagement team involved valuation specialists with quantitative and modelling expertise to assist in performing our audit procedures.
Key observations	We conclude that the valuation of the level 3 derivatives is appropriate.

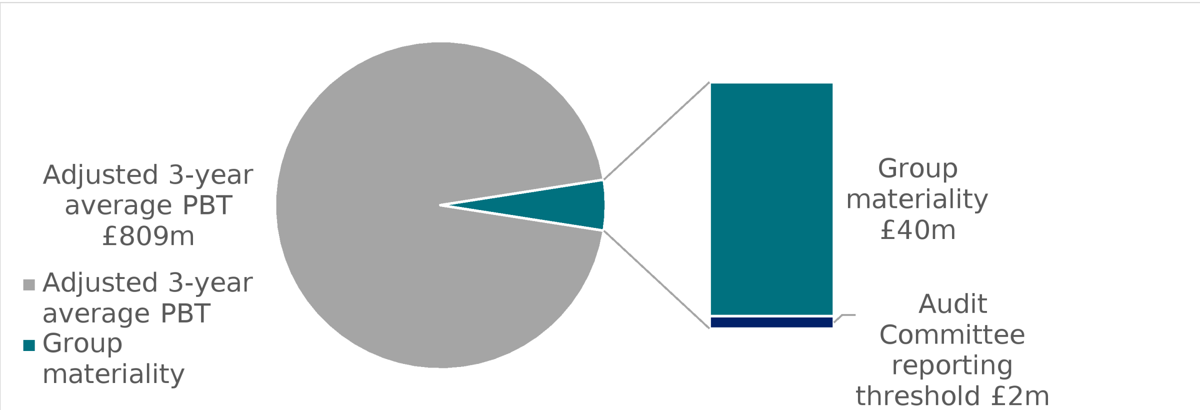
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£40m (2022: £39m)	£40m (2022: £39m)
Basis for determining materiality	Our determined materiality represents 5% (2023: 5%) of adjusted profit before tax on a three-year average basis. Adjusted profit before tax is profit before tax, certain exceptional items and remeasurements as disclosed in the note 5 in the notes to the consolidated financial statements.	Materiality was determined on the same basis as the group materiality, being 5% of adjusted profit before tax, which is profit before tax, certain exceptional items and remeasurements as disclosed in the note 5 in the notes to the consolidated financial statements. The parent company financial statements are derived by deconsolidating from the group financial statements the 100% holding in National Grid Electricity Group Trustee Limited, which is a pension nominee company and has no transactional activity.
Rationale for the benchmark applied	We assessed which line items we understand to be the most important to investors and analysts by reviewing analyst reports and National Grid Electricity Transmission plc's communications to shareholders and lenders, as well as the communications of peer companies. This assessment resulted in us considering the adjusted profit before tax to be an important benchmark of the performance of the Group. Profit before tax is the benchmark ordinarily considered when auditing listed entities. Whilst it provides comparability against other companies across all sectors, it has limitations when auditing companies whose earnings are impacted by items which can be volatile from one period to the next, and therefore may not be representative of the volume of transactions and the overall size of the business in a given year, or where the impact of volatility may result in the recognition of material income or charges in a particular year. Therefore we have used an average of three years' profit before tax as the benchmark. We consider it appropriate to adjust the profit before tax for items which management have defined as exceptional items as these items are volatile and not reflective of the underlying performance of the Group. Whilst not an IFRS measure, adjusted profit is one of the key metrics communicated by management in National Grid plc's results announcements. It excludes some of the volatility arising from changes in fair values of financial assets and liabilities as well as exceptional items. It was also the key measure applied in the prior year.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2023: 70%) of group materiality	70% (2023: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Our cumulative experience from prior year audits; • The level of corrected and uncorrected misstatements identified; • Our risk assessment, including our understanding of the entity and its environment; • Our assessment of the Group's overall control environment.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.0m (2023: £2.0m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. We focused our Group audit scope on the parent company, as the single subsidiary, National Grid Electricity Group Trustee Limited has no transactional activity. Full scope audit procedures therefore provided coverage of 100% of the Group profit before tax and net assets.

We used data analytics tools and specialists to help inform our understanding of the business, identify key risk areas and evaluate the level of audit coverage required.

Audit work to address the identified risks of material misstatement was performed directly by the audit engagement team and no component auditors were engaged.

7.2. Our consideration of the control environment

Our audit approach was generally to place reliance on management's relevant controls over all business cycles affecting in scope financial statement line items.

Having evaluated the control environment, we did not place reliance on the operating effectiveness of controls when testing payroll or VAT, and instead adopted a fully substantive audit approach.

The Group's financial systems environment relies on a high number of applications. In the current year, we scoped eleven IT systems as relevant to the audit. These systems are all directly or indirectly related to the entity's financial reporting process.

We relied on the General IT Controls (GITCs) associated with these systems, where the GITCs were appropriately designed and implemented, and these were operating effectively. To assess the operating effectiveness of GITCs our IT audit specialists performed testing on access security, change management, data centre operations and network operations.

7.3. Our consideration of climate-related risks

Climate Change impacts National Grid Electricity Transmission plc's business in a number of ways as set out in the Net Zero section in the strategic report on page 13 of the Annual Report. It represents a key strategic consideration of management.

As a part of our audit procedures we have reviewed management's climate change risk assessment and evaluated the completeness of identified risks and the impact on the financial statements, including key developments post COP26, and have read the disclosures in the strategic report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We also considered the impact of climate change in our own risk assessment procedures. For National Grid Electricity Transmission plc, we have not identified any key audit risks as a result of climate change.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Audit and Risk Committee of National Grid plc on 24 March 2024;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT and treasury specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence, as set out by the energy regulator Ofgem, and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Shareholders at the Annual General Meeting on 31 July 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 31 March 2018 to 31 March 2024.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Kate Hadley
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Kate Hadley FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
19th July 2024

Consolidated income statement

for the years ended 31 March

	Note	2024 £m	2024 £m	2023 £m	2023 £m
Revenue	3		**2,735**		1,987
Operating costs	4		**(1,084)**		(1,004)
Operating profit					
Before exceptional items	2 (b)	**1,651**		983	
Exceptional items	5	**(3)**		26	
Operating Profit	2 (b)		**1,648**		1,009
Finance income	6		**90**		47
Finance costs					
Before exceptional items and remeasurements	6	**(351)**		(449)	
Remeasurements	5	**19**		84	
Finance costs	6		**(332)**		(365)
Profit before tax					
Before exceptional items and remeasurements		**1,390**		581	
Exceptional items and remeasurements	5	**16**		110	
Total profit before tax			**1,406**		691
Tax					
Before exceptional items and remeasurements	7	**(360)**		(137)	
Exceptional items and remeasurements	5	**(4)**		(23)	
Tax	7		**(364)**		(160)
Profit after tax/Profit for the year attributable to owners of the parent					
Before exceptional items and remeasurements		**1,030**		444	
Exceptional items and remeasurements	5	**12**		87	
Profit for the year			**1,042**		531

Consolidated statement of comprehensive income

for the years ended 31 March

	Notes	2024 £m	2023 £m
Profit for the year		**1,042**	531
Other comprehensive income/(loss):			
Items that will never be reclassified to profit or loss			
Remeasurement losses on net pension asset	20	**(88)**	(277)
Net (losses)/gains in respect of cash flow hedging of capital expenditure	23	**(26)**	4
Tax on items that will never be reclassified to profit or loss	7	**22**	69
Total items that will never be reclassified to profit or loss		**(92)**	(204)
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss			
Net gains/(losses) in respect of cash flow hedges and cost of hedging	23	**53**	61
Tax on items that may be reclassified subsequently to profit or loss	7, 23	**(4)**	(16)
Total items that may be reclassified subsequently to profit or loss		**49**	45
Other comprehensive loss for the year, net of tax		**(43)**	(159)
Total comprehensive income for the year		**999**	372

Consolidated statement of financial position

as at 31 March

	Notes	**2024** **£m**	2023 £m
Non-current assets			
Intangible assets	9	**242**	210
Property, plant and equipment	10	**16,436**	15,312
Prepayments[1]	14	**270**	55
Other Non-Current Assets	14	**2**	—
Pensions asset	20	**453**	505
Derivative financial assets	12	**127**	150
Total non-current assets		**17,530**	16,232
Current assets			
Inventories	13	**39**	39
Trade and other receivables[1]	14	**358**	234
Financial assets and other investments	11	**913**	1,373
Derivative financial assets	12	**2**	3
Cash and cash equivalents	15	**4**	—
Total current assets		**1,316**	1,649
Total assets		**18,846**	17,881
Current liabilities			
Borrowings	16	**(718)**	(380)
Derivative financial liabilities	12	**(115)**	(12)
Trade and other payables	17	**(783)**	(612)
Contract liabilities	18	**(14)**	(12)
Provisions	21	**(8)**	(8)
Total current liabilities		**(1,638)**	(1,024)
Non-current liabilities			
Borrowings	16	**(9,147)**	(9,667)
Derivative financial liabilities	12	**(469)**	(557)
Other non-current liabilities	19	**(54)**	(55)
Deferred tax liabilities	7	**(1,778)**	(1,604)
Pensions benefit obligations	20	**(31)**	(32)
Provisions	21	**(67)**	(60)
Contract liabilities	18	**(505)**	(429)
Total non-current liabilities		**(12,051)**	(12,404)
Total liabilities		**(13,689)**	(13,428)
Net assets		**5,157**	4,453
Equity			
Share capital	22	**44**	44
Retained earnings		**5,075**	4,393
Other reserves	23	**38**	16
Total equity		**5,157**	4,453

1. In the year, we have revised our policy in relation to the classification of capital expenditure prepayments between current and non-current in order to align these to the operating cycles of the underlying assets to which they relate. Accordingly, comparative amounts have been re-presented (see note 14).

The consolidated financial statements set out on pages 50 to 101 were approved by the Board of Directors and authorised for issue on 19 July 2024. They were signed on its behalf by:

DocuSigned by:
Sandip Thakrar

Sandip Thakrar Director

DocuSigned by:
Alice Delahunty

Alice Delahunty Director

National Grid Electricity Transmission plc
Registered number: 2366977

Consolidated statement of changes in equity

	Note	**Called up share capital** £m	**Retained earnings** £m	Other equity reserves[1] £m	Total equity £m
At 1 April 2022		44	4,365	(33)	4,376
Profit for the year		—	531	—	531
Total other comprehensive income/(loss) for the year		—	(208)	49	(159)
Total comprehensive income for the year		—	323	49	372
Equity dividends	8	—	(300)	—	(300)
Share-based payments		—	5	—	5
At 31 March 2023		44	4,393	16	4,453
Profit for the year		—	1,042	—	1,042
Total other comprehensive income/(loss) for the year		—	(66)	23	(43)
Total comprehensive income for the year		**—**	**976**	**23**	**999**
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	(1)	(1)
Equity dividends	8	—	(300)	—	(300)
Share-based payments		—	6	—	6
At 31 March 2024		**44**	**5,075**	**38**	**5,157**

1 Analysis of other equity reserves is provided within note 23.

Consolidated cash flow statement

for the years ended 31 March

	Notes	**2024 £m**	2023 £m
Cash flows from operating activities			
Operating profit	2 (b)	**1,648**	1,009
Adjustments for:			
Exceptional items	5	**3**	(26)
Depreciation, amortisation & impairment		**525**	490
Share-based payment charge		**6**	5
Changes in working capital		**(4)**	11
Changes in pension obligations		**(10)**	(65)
Changes in provisions		**(3)**	(5)
(Gain)/Loss on disposal of property, plant and equipment		**—**	(3)
Cash flow from exceptional items		**—**	(9)
Cash generated from operations		**2,165**	1,407
Tax paid	7	**(153)**	(48)
Net cash inflow from operating activities		**2,012**	1,359
Cash flows from investing activities			
Purchases of intangible assets		**(80)**	(49)
Purchases of property, plant and equipment		**(1,567)**	(1,129)
Disposals of property, plant and equipment		**9**	9
Interest received		**63**	23
Decrease/(Increase) in short-term financial investments		**460**	(390)
Net cash flow used in investing activities		**(1,115)**	(1,536)
Cash flows from financing activities			
Proceeds from loans received		**—**	875
Repayment of loans		**(254)**	(220)
Payments of lease liabilities		**(19)**	(8)
Net movements in short-term borrowings		**(17)**	19
Cash inflows on derivatives		**—**	1
Cash outflows on derivatives		**(7)**	(3)
Interest paid		**(296)**	(198)
Dividends paid to shareholders		**(300)**	(300)
Net cash flow (used)/generated in financing activities		**(893)**	166
Net increase / (decrease) in cash and cash equivalents	24 (a)	**4**	(11)
Cash and cash equivalents at the start of the year		**—**	11
Net cash and cash equivalents at the end of the year	15	**4**	—

Notes to the consolidated financial statements - analysis of items in the primary statements

1. Basis of preparation and recent accounting developments

Accounting policies describe our approach to recognising and measuring transactions and balances in the year. The accounting policies applicable across the financial statements are shown below, whereas accounting policies that are specific to a component of the financial statements have been incorporated into the relevant note.

This section also shows areas of judgement and key sources of estimation uncertainty in these financial statements. In addition, we have summarised new International Accounting Standards Board (IASB), amendments and interpretations and whether these are effective for this year end or in later years, explaining how significant changes are expected to affect our reported results.

National Grid Electricity Transmission's principal activities involve the transmission of electricity in Great Britain. The Company is a public limited liability company limited by shares, incorporated and domiciled in England and Wales, with its registered office at 1-3 Strand, London WC2N 5EH.

These consolidated financial statements were approved for issue by the Board of Directors on 19 July 2024.

These consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations as issued by the IASB and IFRS as adopted by the UK. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for the period ended 31 March 2024 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

The consolidated financial statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities, the revaluation of derivative financial instruments and certain commodity contracts, share-based payments and certain financial assets and liabilities measured at fair value.

These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company.

The notes to the financial statements have been prepared on a continuing basis unless otherwise stated.

Our income statement and segmental analysis separately identify financial results before and after exceptional items and remeasurements. This is consistent with the way that financial performance is measured by management and reported to the Board and Executive Committee, and assists users of the financial statements to understand the results. The inclusion of total profit for the period before exceptional items and remeasurements forms part of the incentive target set annually for remunerating certain Executive Directors and accordingly we believe it is important for users of the financial statements to understand how this compares to our results on a statutory basis and period on period.

a) Going concern

The Directors considered it appropriate to prepare the financial statements on a going concern basis, having considered the Company's cash flow forecasts with respect to business planning and treasury management activities. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed.The Directors have assessed the principal risks, including by modelling both a base case and a reasonable worst-case scenario. The main cash flow impacts identified in the reasonable worst-case scenario are:

- adverse impacts of inflation impacting the revenue we can collect;
- adverse impact in volumes reducing collectible revenue; and
- controllable cost risks as a result of an unprecedented increase in electricity prices and inflation.

As part of their analysis the Board also considered the following potential levers at their discretion to improve the position identified by the reasonable worst-case scenario in the event that the debt capital markets are not accessible:

- changes in the phasing of the capital programme with elements of non-essential works and programmes delayed; and
- a number of further reductions in operating expenditure across the Group primarily related to workforce cost options.

As part of their analysis the Board gave consideration to the financing available to the Company, including the ongoing support of the National Grid group. Under base case cashflow forecasts as of the date of these financial statements, the Company is anticipated to require the use of its Intra Group loan facility within the going concern period. A Letter of Support has therefore been obtained from National Grid Holdings One plc committing to ensure that National Grid Electricity Transmission is at all times in a position to meet its liabilities for the foreseeable future and in any event for a period of not less than twelve months from the date of approval of these financial statements, provided that the company remains within the National Grid group. Based on the strategic importance of National Grid Electricity Transmission to group strategy and the Board's visibility over group financial resources, the Board consider it appropriate to place reliance on the Letter of Support provided, and to determine that the Company has adequate resources to meet its liabilities as they fall due for the 12 months following the approval of these financial statements.

1. Basis of preparation and recent accounting developments (continued)

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. A subsidiary is defined as an entity controlled by the Company. Control is achieved where the Company has the power to affect the returns of an entity to which it is exposed or to which it has rights.

Where necessary, adjustments are made to bring the accounting policies used in the individual financial statements of the Company and its subsidiaries into line with those used by the Company in its consolidated financial statements under IFRS. Inter-company transactions are eliminated.

Both the Group and Company financial statements have been prepared in accordance with the accounting policies set out in the below section of this note 1.

c) Foreign currencies

Transactions in currencies other than the functional currency of the Company or subsidiary concerned are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value.

Gains and losses arising on the retranslation of monetary assets and liabilities are included in the income statement, except where the application of hedge accounting requires inclusion in other comprehensive income - note 23.

d) Areas of judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimations is contained in the notes to the financial statements, and the key areas are summarised below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follows:

- application and categorisation of asset useful economic lives (UELs) as detailed in notes 9 and 10.

Key sources of estimation uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- the valuation of liabilities for pensions and other post-retirement benefits – note 20; and
- valuation of financial instruments - note 27.

In order to illustrate the impact that changes in assumptions for the valuation of pension assets and liabilities and financial instruments could have on our results and financial position, we have included sensitivity analysis in note 28.

e) Accounting policy choices

IFRS provides certain options available within accounting standards. Choices we have made, and continue to make, include the following:

- Presentational formats: we use the nature of expense method for our income statement and aggregate our statement of financial position to net assets and total equity. In the income statement, we present subtotals of total operating profit, finance income and costs profit before tax, total tax and profit after tax, together with additional subtotals excluding exceptional items and remeasurements. Exceptional items and remeasurements are presented separately on the face of the income statement.
- Financial instruments: we normally opt to apply hedge accounting in most circumstances where this is permitted.

1. Basis of preparation and recent accounting developments (continued)

f) New IFRS accounting standards effective for the year ended 31 March 2024

The Group has this year adopted the following new standards and amendments to standards, which have had no material impact on the Group's results or financial statement disclosure:

- IFRS 17 'Insurance Contracts';
- amendments to IAS 1 and IFRS Practice Statement 2 – 'Making Materiality Judgements'.
- amendments to IAS 12 'International Tax Reform - Pillar Two Model Rules'; and
- amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

In May 2021, the IASB issued amendments to IAS 12 'Income Taxes' in order to narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. Following the amendments, the Group recognised separate deferred tax assets in relation to its lease liabilities and decommissioning obligations, and deferred tax obligations in relation to its right of use assets. As the balances qualify for offset, there is no impact on the consolidated statement of financial position and the opening retained earnings as at 1 April 2023.

g) New IFRS accounting standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK:

- amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture';
- amendments to IAS 1 'Classification of Liabilities as Current or Non-current;
- amendments to IAS 1 'Non-current Liabilities with Covenants;
- amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements';
- amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'; and
- amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates'.
- IFRS 18 'Presentation and Disclosure in Financial Statements'

Effective dates will be subject to the UK endorsement process.

The Group is currently assessing the impact of the above standards, but they are not expected to have a material impact.

The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective

2. Segmental analysis

This note sets out the financial performance for the year split into the different parts of the business (operating segments). The performance of these operating segments is monitored and managed on a day-to-day basis.

Revenue and the results of the business are analysed by operating segment, based on the information the Board of Directors uses internally for the purposes of evaluating the performance of each operating segment and determining resource allocation between them. The Board of Directors is National Grid Electricity Transmission plc's chief operating decision-making body (as defined by IFRS 8 'Operating Segments') and assesses the profitability of operations principally on the basis of operating profit before exceptional items and remeasurements (see note 5). The main activity for the operating segment is electricity transmission.Other activities not included within the above segment relate to other commercial operations and corporate activities. There have been no changes to our reporting structure for the year ended 31 March 2024.

All of the Group's sales and operations take place within the UK, and are generated from Electricity Transmission activity.

(a) Revenue

Analysis of revenue by major customer, greater than 10% revenue contribution:

Since the legal separation of the Electricity System Operator (ESO) in 2019, the principle revenues for NGET, being Transmission Network Use of System (TNUoS) charges and post vesting connection charges, have all been invoiced to and collected from that company. Amounts are invoiced and settled equally each month of the financial year. The ESO acts as agent for the collection of such charges for all GB Transmission Owners.

No other single customer contributed 10% or more to the Group's revenue in either 2024 or 2023.

(b) Operating profit

A reconciliation of the operating segment's measure of profit to profit before tax is provided below. Further details of the exceptional items and remeasurements are provided in note 5.

	Before exceptional items and remeasurements		After exceptional items and remeasurements	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Operating profit - Electricity Transmission segment	**1,651**	983	**1,648**	1,009
Reconciliation to profit before tax:				
Finance income	**90**	47	**90**	47
Finance costs	**(351)**	(449)	**(332)**	(365)
Profit before tax	**1,390**	581	**1,406**	691

(c) Capital expenditure and depreciation

	Net book value of property, plant and equipment and intangible assets		Capital expenditure[1]		Depreciation, impairment and amortisation	
	2024	2023	**2024**	2023	**2024**	**2023**
	£m	£m	**£m**	£m	**£m**	£m
Electricity Transmission segment	**16,678**	15,522	**1,685**	1,303	**525**	490
By asset type						
Property, plant and equipment	**16,436**	15,312	**1,606**	1,250	**485**	452
Intangible assets	**242**	210	**79**	53	**40**	37
Total	**16,678**	15,522	**1,685**	1,303	**525**	489

[1] Represents additions to property, plant and equipment and non-current intangibles.

3. Revenue

Revenue of £2,735m (2023: £1,987m) arose in the course of the ordinary activities, principally comprising transmission services.

Transmission services fall within the scope of IFRS 15, 'Revenue from Contracts with Customers'. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties and valued added tax. The Group recognises revenue when it transfers control over a product or service to a customer. It excludes value added (sales) tax & intragroup sales.

Revenue in respect of regulated activities is determined by regulatory agreements that set the price to be charged for services in a given period based on pre-determined allowed revenues. Variances in service usage can result in actual revenue collected exceeding (over-recoveries) or falling short (under-recoveries) of allowed revenues. Where regulatory agreements allow the recovery of under-recoveries or require the return of over-recoveries, the allowed revenue for future periods is typically adjusted. In these instances, no assets or liabilities are recognised for under- or over-recoveries respectively, because the adjustment relates to future services that have not yet been delivered.

The UK Electricity Transmission segment principally generates revenue by providing electricity transmission services.

Our business operates as a monopoly regulated by Ofgem, which has established price control mechanisms that set the amount of annual allowed returns our business can earn. We work with our regulators to obtain robust regulatory agreements that balance the risks we face with the opportunity to deliver reasonable returns for our investors. Our regulated business earns revenue for the transmission services it has provided during the year.

The transmission of high-voltage electricity encompasses the following principal services:

• the supply of high-voltage electricity – revenue is recognised based on usage. Our performance obligation is satisfied over time as our customers make use of our network. We bill monthly in arrears and our payment terms are up to 60 days. Price is determined prior to our financial year end with reference to the regulated allowed returns and estimated annual volumes; and

• construction work (principally for connections) – revenue is recognised over time, as we provide access to our network. Customers can either pay over the useful life of the connection or upfront. Where the customer pays upfront, revenues are deferred as a contract liability and released over the life of the asset.

For other construction where there is no consideration for any future services, for example diversions, revenues are recognised as the construction work is completed.

Contract liabilities of £519 million are recorded on the balance sheet (see note 18). These relate to revenue to be recognised in future periods. Of this balance, £517 million relates to contributions in aid of construction for which revenue will be recognised over the weighted average remaining life of the assets, being 40 years. The remaining balance relates to application fees.

Future revenues in relation to unfulfilled performance obligations not yet received in cash amount to £1.9 billion (2023: £1.9 billion) relating to connection contracts which will be recognised as revenue over a weighted average of 24 years.

The amount of revenue recognised for the year ended 31 March 2024 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to the changes in the estimate of the stage of completion, is £nil (2023: £nil).

Total revenue is generated from operations based in the UK.

4. Operating costs

Below we have presented separately certain items included in our operating costs. These include a breakdown of payroll costs (including disclosure of amounts paid to key management personnel) and fees paid to our auditors.

	Before exceptional items and remeasurements		Exceptional items and remeasurements		After exceptional items and remeasurements	
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
Depreciation, impairment and amortisation	**525**	490	**—**	—	**525**	490
Payroll costs	**185**	149	**—**	(35)	**185**	114
Rates and property taxes	**98**	125	**—**	—	**98**	125
Other	**276**	240	**3**	9	**279**	249
	1,084	1,004	**3**	(26)	**1,087**	978
Operating costs include:						
Research and development expenditure					**14**	7
Inventory consumed					**8**	5

(a) Payroll costs

	2024	2023
	£m	£m
Wages and salaries	**275**	212
Social security costs	**37**	30
Defined contribution scheme costs	**35**	23
Defined benefit pension costs	**11**	(20)
Charges from other group defined benefit schemes	**—**	5
Share-based payments	**6**	5
	364	255
Less: payroll costs capitalised	**(179)**	(141)
Total payroll costs expensed	**185**	114

Table presents the payroll costs of both the NGET Group and the parent company on a standalone basis.

(b) Number of employees, including Directors

	31 March 2024 Number	31 March 2023 Number	**Monthly average 2024 Number**	Monthly average 2023 Number
Electricity Transmission	**5,328**	3,940	**4,553**	3,733

The vast majority of employees are either directly or indirectly employed in the transmission of electricity.

(c) Key management compensation

	2024	2023
	£m	£m
Salaries and short-term employee benefits	**2**	1
Share-based payments	**2**	—
	4	1

Key management comprises the Board of Directors of the Company together with the Executive Directors of National Grid plc who have managerial responsibility for National Grid Electricity Transmission plc.

4. Operating costs (continued)

(d) Directors' emoluments

The aggregate amount of emoluments paid (excluding social security, pensions and share-based payments) to Directors of the Company in respect of qualifying services for 2024 was £3,342,744 (2023: £1,307,778).

During 2024 five Directors including the highest paid Director exercised share options (2023: seven Directors).

A number of the current Directors are also Directors and employees of National Grid plc or a subsidiary undertaking of that company and are paid by these companies.

As at 31 March 2024, retirement benefits were accruing to one Director (2023: one Director), under a defined benefit scheme.

The aggregate emoluments for the highest paid Director (excluding social security, pensions and share-based payments) were £889,390 for 2024 (2023: £358,063); and total accrued annual pension at 31 March 2024 for the highest paid Director was nil (2023: nil).

The aggregate amount of loss of office payments to Directors for 2024 was £nil (2023: £nil).

The Sufficiently Independent Directors each receive a director fee of £40,000 (2023: £40,000) per annum.

(e) Auditor's remuneration

	2024	2023
	£m	£m
Audit services		
Audit of the Company’s individual and consolidated financial statements	**0.4**	0.4
Other services supplied		
Fees payable to the Company's auditors for audit related assurance services[1]	**1.2**	1.6

1 Other services supplied represent fees payables for audit services which are required to be carried out by auditors in relation to the Group’s reporting requirements to National Grid plc. In particular, this includes fees for reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley), and assurance fees in relation to regulatory returns. Prior year included fees for reports in relation to the Euro Medium Term Note (EMTN) funding programme, and assurance fees in relation to grant claims.

5. Exceptional items and remeasurements

To monitor our financial performance, we use a profit measure that excludes certain income and expenses. We call that measure 'adjusted profit'. Adjusted profit (which excludes exceptional items and remeasurements as defined below) is used by management to monitor financial performance as it is considered that it aids the comparability of our reported financial performance from year to year. We exclude items from adjusted profit because, if included, these items could distort understanding of our performance for the year and the comparability between periods. This note analyses these items, which are included in our results for the year but are excluded from adjusted profit.

Exceptional items and remeasurements

	2024	2023
	£m	£m
(Income) / expense included within operating profit:		
Exceptional items:		
Profit on disposal of Gas pension scheme	**—**	(35)
Cost efficiency and restructuring programmes	**3**	9
	3	(26)
Included within finance income and costs:		
Remeasurements:		
Net gains on derivative financial instruments	**(19)**	(84)
Total included within profit before tax	**(16)**	(110)
Included within tax		
Tax charge on exceptional items and remeasurements	**4**	23
Total exceptional items and remeasurements after tax	**(12)**	(87)
Analysis of total exceptional items and remeasurements after tax:		
Total exceptional items after tax	**1**	(19)
Total remeasurements after tax	**(13)**	(68)
Total exceptional items and remeasurements after tax	**(12)**	(87)

Exceptional items

Management uses an exceptional items framework that has been discussed and approved by the National Grid Electricity Transmission Audit & Risk Committee. This follows a three-step process which considers the nature of the event, the financial materiality involved and any particular facts and circumstances. In considering the nature of the event, management focuses on whether the event is within the Group's control and how frequently such an event typically occurs. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, the precedent for similar items, the number of periods over which costs will be spread or gains earned, and the commercial context for the particular transaction. The exceptional items framework was last updated in March 2022.

Items of income or expense that are considered by management for designation as exceptional items include such items as significant restructuring, write-downs or impairments of non-current assets, significant changes in environmental provisions, integration of acquired businesses, gains or losses on disposals of businesses or investments and significant debt redemption costs as a consequence of transactions such as significant disposals or issues of equity, and the related tax as well as deferred tax arising on changes to corporation tax rates.

Costs arising from restructuring programmes include redundancy costs. Redundancy costs are charged to the income statement in the year in which a commitment is made to incur the costs and the main features of the restructuring plan have been announced to affected employees.

Further details of exceptional items specific to 2024 and 2023:

New operating model implementation costs

A further £3 million was incurred in the year ended 31 March 2024 in relation to the design and implementation of our new operating model and the major cost efficiency programmes announced in November 2021. The costs recognised relate to integration costs and redundancy provisions.We have concluded that the costs should be classified as exceptional in line with our exceptional items policy, in order to ensure that the costs are treated in a consistent manner with similar costs incurred previously. We consider that the project is now completed.

Gain on disposal of Pension Scheme

As part of the disposal of Gas Transmission business from the National Grid group, a number of defined benefit members were moved between Group pension schemes, and given the option of transferring their accumulated benefits with them. This resulted in a transfer of pension assets and liabilities between the schemes in the year ended 31 March 2023, the value of each being determined by actuarial calculations.

Remeasurements

Remeasurements comprise unrealised gains or losses recorded in the income statement arising from changes in the fair value of certain of our financial assets and liabilities accounted for at fair value through profit and loss (FVTPL). Consistent with prior periods, these assets and liabilities comprise derivative financial instruments. These fair values increase or decrease because of changes in foreign exchange or other financial indices over which we have no control.

Net gains/(losses) arising on derivative financial instruments are reported in the consolidated income statement in relation to our debt financing. These exclude gains and losses for which hedge accounting has been effective, and have been recognised directly in other comprehensive income or are offset by adjustments to the carrying value of debt (see notes 12 and 27).

Once the fair value movements are realised (for example, when the derivative matures), the previously recognised fair value movements are then reversed through remeasurements and recognised within earnings before exceptional items and remeasurements. These assets and liabilities include financing derivatives to the extent that hedge accounting is not available or is not fully effective.

6. Finance income and costs

This note details the interest income generated by our financial assets and interest expense incurred on our financial liabilities, primarily our financing portfolio (including our derivative financial instruments). It also includes the net interest on our pensions and other post-retirement assets. In reporting business performance, we adjust net financing costs to exclude any net gains or losses on financial instruments included in remeasurements (see note 5).

Finance income and costs remeasurements include certain unrealised gains and losses on certain assets and liabilities now treated at fair value through profit and loss (FVTPL). The interest income and interest expense on these items are included in finance income and finance costs before remeasurements, respectively.

	2024	2023
	£m	£m
Finance income		
Interest income on financial instruments:		
Bank deposits and other financial assets	**59**	24
Net interest on pension asset	**27**	17
Other Income	**4**	—
	90	41
Finance costs		
Interest expense on financial liabilities held at amortised cost:		
Bank loans and overdrafts	**(65)**	(133)
Other borrowings	**(347)**	(422)
Lease liability interest	**(2)**	(1)
Interest on derivatives	**(50)**	(9)
Unwinding of discount on provisions	**(2)**	(2)
Less: interest capitalised[1]	**117**	118
	(349)	(449)
Discount rate changes - Finance (Cost) / Income		
Change in discount rate on environmental provision	**(2)**	6
	(2)	6
Remeasurements - Finance costs		
Net gains on derivative financial instruments [2]		
Derivatives designated as hedges	**6**	3
Derivatives not designated as hedges or ineligible for hedge accounting	**13**	81
	19	84
Total remeasurements - Finance income and costs	**17**	90
Finance income	**90**	47
Finance costs[3]	**(332)**	(365)
Net finance costs	**(242)**	(318)

1 Interest on funding attributable to assets in the course of construction in the current year was capitalised at a rate of 5.2 % (2023: 5.5%). Capitalised interest qualifies for a current year tax deduction with tax relief claimed of £29 million (2023: £22 million).

2 Includes a net foreign exchange gain on financing activities of £108 million (2023: £18 million loss) offset by foreign exchange gains and losses on derivative financial instruments measured at fair value.

3 Finance costs include principle accretion on inflation linked liabilities of £158 million (2023: £358 million).

7. Tax

This note gives further details of the total tax charge and tax liabilities, including current and deferred tax. Current tax charge is the tax payable on this year's taxable profits. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences in accounting and tax bases.

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax. Cash taxes are paid via another group company.

Current tax assets and liabilities are measured at the amounts expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

The calculation of the Company's total tax charge involves a degree of estimation and judgement. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Judgements are made for each position having regard to particular circumstances and advice obtained.

Deferred tax is provided for using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor taxable profit or loss.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and joint arrangements except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle their current tax assets and liabilities on a net basis.

The current and deferred tax charge includes £4 million (2023: £23 million) that relates to exceptional items and/or remeasurements.

Tax charged to the income statement.

	2024	2023
	£m	£m
Tax before exceptional items and remeasurements	**(360)**	(137)
Tax on total exceptional items and remeasurements (note 5)	**(4)**	(23)
Total tax charge	**(364)**	(160)

Tax as a percentage of profit before tax

	2024	2023
Before exceptional items and remeasurements	**25.9%**	23.8%
After exceptional items and remeasurements	**25.9%**	23.2%

7. Tax (continued)

The tax charge for the year can be analysed as follows:

	2024 £m	2023 £m
Current tax		
Corporation tax at 25% (2023: 19%)	**172**	61
Corporation tax adjustment in respect of prior years	**1**	9
Total current tax	**173**	70
Deferred tax		
Deferred tax	**191**	96
Deferred tax adjustment in respect of prior years	**—**	(6)
Total deferred tax	**191**	90
Total tax charge	**364**	160

Tax charged/(credited) to equity and other comprehensive income

	2024 £m	2023 £m
Current tax		
Share-based payments	**(1)**	(1)
Deferred tax		
Cash flow hedges	**4**	16
Share-based payments	**1**	1
Remeasurements of net retirement benefit obligations	**(22)**	(69)
	(18)	(53)
Analysed as:		
Total tax recognised in the statement of other comprehensive income	**(18)**	(53)
Total tax relating to share-based payments recognised directly in equity	**—**	—
	(18)	(53)

The tax charge for the year after exceptional items and remeasurements is higher than (2023: higher than) the standard rate of corporation tax in the UK of 25% (2023: 19%):

	Before exceptional items and remeasurements 2024 £m	**After exceptional items and remeasurements 2024 £m**	Before exceptional items and remeasurements 2023 £m	After exceptional items and remeasurements 2023 £m
Profit before tax				
Before exceptional items and remeasurements	**1,390**	**1,390**	581	581
Exceptional items and remeasurements (note 5)	**—**	**16**	—	110
Profit before tax after exceptional items and remeasurements	**1,390**	**1,406**	581	691
Profit before tax multiplied by UK corporation				
Tax rate of 25% (2023: 19%)	**348**	**352**	110	131
Effect of:				
Adjustments in respect of prior years	**1**	**1**	3	3
Expenses not deductible for tax purposes	**11**	**11**	7	7
Non taxable income	**—**	**—**	(1)	(2)
Deferred tax impact of change in UK tax rate	**—**	**—**	20	22
Total tax charge	**360**	**364**	138	160
Effective tax rate	**25.9%**	**25.9%**	23.8%	23.2%

7. Tax (continued)

Factors that may affect future tax charges

The main UK corporation tax rate is 25% with effect from 1 April 2023. Deferred tax balances as at 31 March 2024 have been calculated at 25%.

The legislation implementing the Organisation for Economic Co-operation and Development's (OECD) proposals for a global minimum corporation tax rate (Pillar Two) was enacted into UK law on 11 July 2023. The legislation includes an income inclusion rule and a domestic minimum tax, which together are designed to ensure a minimum effective tax rate of 15% in each country in which the National Grid group operates. Similar legislation is being enacted by other governments around the world. The legislation is effective for National Grid from 1 April 2024 and therefore the rules do not impact the Group's consolidated financial statements for year ended 31 March 2024. The Group has applied the mandatory exception in the UK to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar Two income taxes in accordance with the amendments to IAS 12 published by the IASB on 23 May 2023. The Group does not expect there to be a material impact on our future tax charges.

Tax included within the statement of financial position

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the current and prior reporting periods:

Deferred tax liabilities/(assets)

	Accelerated tax depreciation	Share- based payments	Pensions	Financial instruments	Other net temporary differences	Total
	£m	£m	£m	£m	£m	£m
Deferred tax assets at 01 April 2022	—	(8)	—	(11)	(2)	(21)
Deferred tax liabilities at 01 April 2022	1,430	—	158	—	—	1,588
At 1 April 2022	1,430	(8)	158	(11)	(2)	1,567
Charged to income statement	57	—	31	—	2	90
Charged/(credited) to other comprehensive income	—	1	(70)	16	—	(53)
At 31 March 2023	1,487	(7)	119	5	—	1,604
Deferred tax assets at 31 March 2023	—	(7)	—	—	—	(7)
Deferred tax liabilities at 31 March 2023	1,487	—	119	5	—	1,611
At 1 April 2023	1,487	(7)	119	5	—	1,604
Charged to income statement	182	—	9	—	1	192
Charged/(credited) to other comprehensive income	(1)	1	(22)	4	—	(18)
At 31 March 2024	1,668	(6)	106	9	1	1,778
Deferred tax assets at 31 March 2024	—	(6)	—	—	—	(6)
Deferred tax liabilities at 31 March 2024	1,668	—	106	9	1	1,784
At 31 March 2024	1,668	(6)	106	9	1	1,778

The deferred tax balances (after offset) for statement of financial position purposes consist solely of deferred tax liabilities of £1,778 million (2023: £1,604 million).

8. Dividends

Dividends represents the return of profits to shareholders. Dividends are paid as an amount per ordinary share held. We retain part of the profits generated in the year to meet future growth plans and meet our gearing target, and pay out the remainder in accordance with our dividend policy.

Interim dividends are recognised when they become payable to the Company's shareholders. Final dividends are recognised when they are approved by shareholders.

The following table shows the dividends paid to the equity shareholder:

	2024		2023	
	pence (per ordinary share)	**£m**	pence (per ordinary share)	£m
Ordinary dividends				
Final dividend paid in respect of the prior year	68.61	300	68.61	300

The Directors are proposing no final dividend for the year ended 31 March 2024. This was declared after the year end during the 19 July 2024 board meeting.

9. Intangible assets

Intangible assets relate to software and software under construction, which is written down (amortised) over the period we expect to receive a benefit from the asset.

Identifiable intangible assets are recorded at cost less accumulated amortisation and any provision for impairment. Intangible assets are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired.

Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and are disclosed separately. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

Internally generated intangible assets, such as software, are recognised only if: an asset is created that can be identified; it is probable that the asset created will generate future economic benefits; and that the development cost of the asset can be measured reliably. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred.

Cloud computing arrangements are reviewed to determine who has control of the software intangible asset. Control is considered to exist where the Company has the right to take possession of the software and run it on its own or a third party's computer infrastructure or if the Company has exclusive rights to use the software such that the supplier is unable to make the software available to other customers.

Costs relating to configuring or customising the software in a cloud computing arrangement are assessed to determine if there is a separate intangible asset over which the Company has control. If an asset is identified, it is capitalised and amortised over the useful economic life of the asset. To the extent that no separate intangible asset is identified, the costs are either expensed when incurred or recognised as a prepayment and spread over the term of the arrangement if the costs are concluded to not be distinct.

Intangible assets under development are not amortised. Other non-current intangible assets are amortised on a straight-line basis over their estimated useful economic lives. The amortisation period for software is up to ten years.

9. Intangible assets (continued)

	Software	Assets in the course of construction	Total
	£m	£m	£m
Cost at 1 April 2022	347	81	428
Additions	—	54	54
Disposals	(5)	—	(5)
Reclassifications[1]	61	(66)	(5)
Cost at 31 March 2023	403	69	472
Additions	1	78	79
Reclassifications	61	(68)	(7)
Cost at 31 March 2024	465	79	544
Accumulated amortisation at 1 April 2022	(217)	—	(217)
Amortisation charge for the year	(37)	—	(37)
Disposals	4	—	4
Reclassifications[1]	(12)	—	(12)
Accumulated amortisation at 31 March 2023	(262)	—	(262)
Amortisation charge for the year	(40)	—	(40)
Accumulated amortisation at 31 March 2024	(302)	—	(302)
Net book value at 31 March 2024	**163**	**79**	**242**
Net book value at 31 March 2023	**141**	**69**	**210**

1 The amounts include adjustments to reflect reclassifications between cost and accumulated depreciation, and between Intangible Assets and Property, Plant and Equipment (Note 10) identified during the implementation of the Group's new SAP S4 Hana General Ledger system in the UK

10. Property, plant and equipment

The following note shows the physical assets controlled by us. The cost of these assets primarily represents the amount initially paid for them. A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (useful economic life) and charging the cost of the asset to the income statement equally over this period.

We operate an energy networks business and therefore have a significant physical asset base. We continue to invest in our networks to maintain reliability, create new customer connections and ensure our networks are flexible and resilient. Our business plan envisages these additional investments will be funded through a mixture of cash generated from operations and the issue of new debt.

Property, plant and equipment is recorded at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price of the asset, construction costs, any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment, the cost of any associated asset retirement obligations as well as any other costs associated with getting them ready for operation.

Property, plant and equipment includes assets in which the Group’s interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction except maintenance costs which are expensed.

No depreciation is provided on freehold land or assets in the course of construction. Other items of property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. The assessments of estimated useful economic lives and residual values of assets are performed annually. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are, in general, as shown in the table below:

	Years
Freehold and Leasehold buildings	Up to 50
Plant and Machinery	
- Electricity Transmission plant	15 to 100
Motor vehicles and office equipment	Up to 10

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the income statement.

Items within property, plant and equipment are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired.Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and if immaterial are included within depreciation charge for the year. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

10. Property, plant and equipment (continued)

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 April 2022	1,159	17,590	2,225	113	21,087
Additions	1	3	1,240	7	1,251
Disposals	(1)	(25)	(4)	(5)	(35)
Reclassifications[1]	132	713	(957)	13	(99)
Impact of change in discount rate on decommissioning provision (Note 21)	—	(9)	—	—	(9)
Cost at 31 March 2023	1,291	18,272	2,504	128	22,195
Additions	10	4	1,572	20	1,606
Disposals	(3)	(29)	(13)	(7)	(52)
Reclassifications	65	799	(893)	36	7
Impact of change in discount rate on decommissioning provision (Note 21)	—	4	—	—	4
Cost at 31 March 2024	1,363	19,050	3,170	177	23,760
Accumulated depreciation at 1 April 2022	(160)	(6,279)	(65)	(70)	(6,574)
Depreciation charge for the year	(23)	(408)	—	(17)	(448)
Disposals	1	21	2	4	28
Reclassifications[1]	(2)	121	4	(8)	115
Impairment	—	(4)	—	—	(4)
Accumulated depreciation at 31 March 2023	(184)	(6,549)	(59)	(91)	(6,883)
Depreciation charge for the year	(24)	(429)	—	(25)	(478)
Disposals	—	30	9	6	45
Reclassifications	(1)	11	(12)	1	(1)
Impairment	—	(4)	(3)	—	(7)
Accumulated depreciation at 31 March 2024	(209)	(6,941)	(65)	(109)	(7,324)
Net book value at 31 March 2024	**1,154**	**12,109**	**3,105**	**68**	**16,436**
Net book value at 31 March 2023	**1,107**	**11,723**	**2,445**	**37**	**15,312**

1 The amounts include adjustments to reflect reclassifications between cost and accumulated depreciation, and between Intangible Assets (Note 9) and Property, Plant and Equipment identified during the implementation of the Group's new SAP S4 Hana General Ledger system in the UK

Right-of-use assets

National Grid Electricity Transmission leases various properties, land, equipment and cars. New lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term. The lease payments include fixed payments, any variable lease payments dependent on an index or a rate, and any break fees or renewal option costs that we are reasonably certain to incur. The discount rate applied is the rate implicit in the lease or, if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), National Grid Electricity Transmission continues to recognise a lease expense on a straight-line basis.

The table below shows the movements in the net book value of right-of-use assets included within property, plant and equipment at 31 March 2024 and 31 March 2023, split by category. The associated lease liabilities are disclosed in note 16.

10. Property, plant and equipment (continued)

	Land and Buildings £m	Motor vehicles and office equipment £m	Total £m
Net book value at 1 April 2022	55	8	63
Additions	3	7	10
Depreciation charge for the year ended 31 March 2023	(7)	(6)	(13)
Net book value at 31 March 2023	51	9	60
Additions	6	20	26
Disposals	(4)	(1)	(5)
Depreciation charge for the year ended 31 March 2024	(6)	(9)	(15)
Net book value at 31 March 2024	**47**	**19**	**66**

The following balances have been included in the income statement in respect of right-of-use assets:

	2024 £m	2023 £m
Included within net finance income and costs:		
Interest expense on lease liabilities	(2)	(1)

National Grid Electricity Transmission receives financial contributions from customers towards the cost of construction of certain assets. Liabilities in relation to such contributions received in advance for the construction of property, plant and equipment are presented in the table below. These liabilities are reported in Note 18.

	2024 £m	2023 £m
Contributions to cost of property, plant and equipment included within:		
Contract liabilities - current	14	12
Contract liabilities - non-current	505	429

11. Financial and other investments

The Financial and other investments balance of £913 million primarily comprises of an overnight facility loan with National Grid Plc, in addition to collateral receivable, representing cash pledged against derivative holdings and other borrowings; it also includes current loans to fellow group undertakings and restricted cash balances in relation to Network Innovation Competition (NIC) projects.

The classification for each investment is dependent on its contractual cash flows and the business model it is held under.

Debt instruments that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is to collect contractual cash flows, are held at amortised cost. This category includes all investments held in the current and prior year.

Financial investments at amortised cost are initially recognised on trade date at fair value less transaction costs and expected losses. Interest income is recognised using the effective interest method. Interest income, together with gains and losses when the loans and receivables are derecognised or impaired, is recognised in the income statement. In the current year, the transaction value equals fair value.

	2024	2023
	£m	£m
Current		
Financial assets at amortised cost	889	1,350
Restricted cash	24	23
	913	1,373
Financial assets at amortised cost comprise the following:		
Loans and receivables - amounts due from ultimate parent	531	882
Collateral[1]	358	468
NIC restricted cash deposits	24	23
	913	1,373

1 Refers to collateral placed with counterparties with whom we have entered into a credit support annex to the ISDA (International Swaps and Derivatives Association) Master Agreement.

The carrying value of current financial assets at amortised cost approximates their fair values, primarily due to short-dated maturities. The exposure to credit risk at the reporting date is the fair value of the financial investments. For further information on our credit risk, refer to note 27(a).

For the purposes of impairment assessment, collateral receivable and other financial assets at amortised cost are investment grade. All financial assets held at fair value through other comprehensive income or amortised cost are therefore considered to have low credit risk and have an immaterial impairment loss allowance equal to 12-month expected credit losses.

In determining the expected credit losses for these assets some or all of the following information has been considered: credit ratings, the financial position of counterparties, the future prospects of the relevant industries and general economic forecasts.

No fair value through other comprehensive income or amortised cost financial assets have had modified cash flows during the period. There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for these financial assets. There were no significant movements in the gross carrying value of financial assets during the year that contribute to changes in the loss allowance. No collateral is held in respect of any of the financial investments in the above table. No balances are more than 30 days past due, and no balances were written off during the year.

12. Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rates, foreign exchange rates, credit spreads, equity or other indices. Derivatives are transacted in accordance with the National Grid plc Board approved policies, these policies have been deemed applicable at NGET by their respective board of directors. Derivatives are transacted by NGET generally to manage our exposure to fluctuations in interest rates and foreign exchange rates. Specifically we use these derivatives to manage our financing portfolio, and contractual operational cash flows.

Derivatives are initially recognised at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair values are recorded in the period they arise, in either the income statement or other comprehensive income as required by IFRS 9. Where the gains or losses recorded in the income statement arise from changes in the fair value of derivatives to the extent that hedge accounting is not applied or is not fully effective, these are recorded as remeasurements, detailed in note 5 and 6. Where the fair value of a derivative is positive it is carried as a derivative asset, and where negative as a derivative liability.

12. Derivative financial instruments (continued)

We calculate the fair value of derivative financial instruments by taking the present value of future cash flows, primarily incorporating market observable inputs. The various inputs include foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate and inflation curves, and for those positions that are not fully cash collateralised the credit quality of the counterparties.

Further information on how derivatives are valued and used for risk management purposes is presented in note 27.

The fair values of derivative financial instruments by type are as follows:

	2024			2023		
	Asset	**Liabilities**	**Total**	Asset	Liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Interest rate swaps	**41**	**(98)**	**(57)**	49	(98)	(49)
Cross-currency interest rate swaps	**49**	**(358)**	**(309)**	79	(347)	(268)
Foreign exchange forward contracts[1]	**—**	**(26)**	**(26)**	3	(2)	1
Inflation linked swaps	**39**	**(102)**	**(63)**	22	(122)	(100)
	129	**(584)**	**(455)**	153	(569)	(416)

1 Included within the foreign exchange forward contracts balance is £26 million of derivative liabilities (2023: £1 million of derivative assets) in relation to capital expenditure.

The maturity profile of derivative financial instruments is as follows:

	2024			**2023**		
	Assets	Liabilities	**Total**	Assets	Liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Current						
Less than 1 year	**2**	**(115)**	**(113)**	3	(12)	(9)
	2	**(115)**	**(113)**	3	(12)	(9)
Non-current						
In 1 - 2 years	**—**	**(3)**	**(3)**	13	(44)	(31)
In 2 - 3 years	**13**	**(13)**	**—**	—	—	—
In 3 - 4 years	**11**	**(14)**	**(3)**	16	(9)	7
In 4 - 5 years	**5**	**(19)**	**(14)**	14	(5)	9
More than 5 years	**98**	**(420)**	**(322)**	107	(499)	(392)
	127	**(469)**	**(342)**	150	(557)	(407)
	129	**(584)**	**(455)**	153	(569)	(416)

The notional contract amounts of derivative financial instruments by type are as follows:

	2024	2023
	£m	£m
Interest rate swaps	**(1,564)**	(1,727)
Cross-currency interest rate swaps	**(3,588)**	(3,588)
Foreign exchange forward contracts	**(1,816)**	(148)
Inflation linked swaps	**(2,366)**	(2,387)
	(9,334)	(7,850)

13. Inventories

Inventories represent assets that we intend to use in order to generate revenue in the short-term by using it to fulfil a service to a customer or to maintain our network (spares & consumables).

Inventories are stated at the lower of weighted average cost and net realisable value.

Where applicable, cost comprises direct materials and direct labour costs as well as those overheads that have been incurred in bringing the inventories to their present location and condition.

	2024	2023
	£m	£m
Raw materials, spares and consumables	**31**	31
Work in progress	**8**	8
	39	39

The closing balance includes a £1 million provision for obsolescence against raw materials, spares and consumables at 31 March 2024 (2023: £1 million).

14. Trade and other receivables

Trade and other receivables are amounts which are due from our customers for services we have provided.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

Trade receivables and amounts owed by fellow subsidiary undertakings are non-interest-bearing. Trade receivables generally have a 30 to 90 days term. Due to their short maturities, the fair value of trade and other receivables approximates their carrying value. All other receivables are recorded at amortised cost. The provision as at 31 March 2024 was £1m (2023: £2m).

	2024	2023
	£m	£m
Current		
Trade receivables	**21**	36
Amounts owed by fellow subsidiary undertakings	**168**	76
Social Security and other taxes	**74**	50
Accrued income	**35**	29
Prepayments	**33**	36
Other receivables	**27**	7
	358	234

	2024	2023
Non-Current	**£m**	£m
Prepayments[1]	**270**	55
Lease receivables	**2**	—
	272	55

1. Included within non-current prepayments are capital expenditure prepayments made to suppliers to secure production capacity for certain of our capital projects. In the year, we have also revised our policy in relation to the classification of capital expenditure prepayments between current and non-current in order to align these to the operating cycles of the underlying assets to which they relate. Accordingly, prior year non-current prepayments have increased by £37 million to reflect this change, with a corresponding reduction in current receivables. The associated cash flows for capital expenditure prepayments are included within purchases of property, plant and equipment within the consolidated cash flow statement.

Provision for impairment of receivables

A provision for credit losses is recognised at an amount equal to the expected credit losses that will arise over the lifetime of the trade receivables and accrued income.

A provision matrix is not used to assess expected loss rates as an assessment is performed on individual debtors and the provision is not material. There are no retail customers (see note 2 explaining that most revenues are invoiced and cash received monthly from NGESO Ltd). For further information on our wholesales and retail credit risk, refer to note 27(a).

	2024	2023
	£m	£m
At 1 April	**2**	1
(Release)/Charge for the year	**(1)**	1
At 31 March	**1**	2

15. Cash and cash equivalents

Cash and cash equivalents include cash balances, together with short-term investments with an original maturity of less than three months that are readily convertible to cash.

Net cash and cash equivalents reflected in the cash flow statement are net of bank overdrafts, which are reported in borrowings. The carrying amounts of cash and cash equivalents and bank overdrafts approximate their fair values.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

Net cash and cash equivalents held in currencies other than sterling have been converted into sterling at year-end exchange rates. For further information on currency exposures, refer to note 27(c).

	2024 £m	2023 £m
Cash at bank and short-term deposits	**4**	—

16. Borrowings

We borrow money primarily in the form of bonds, borrowings from fellow subsidiaries and bank loans. These are for a fixed term and may have fixed or floating interest rates or are linked to the retail price index (RPI). We use derivatives to manage risks associated with interest rates and foreign exchange.

As we continue to invest in our networks, the value of debt is expected to increase over time. To maintain a strong balance sheet and to allow us to access capital markets at commercially acceptable interest rates, we balance the amount of debt we issue with the value of our assets, and take account of certain other metrics such as retained cash flow/net debt (RCF), regulatory gearing and interest cover.

Borrowings, which include interest-bearing and inflation-linked debt, overdrafts and collateral payable, are initially recorded at fair value which normally reflect the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost; any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

Further information on how we manage the rates and currency risk of our borrowings portfolio is presented in note 27. Information on our net debt is presented in note 24.

	2024 £m	2023 £m
Current		
Bank loans and overdrafts	**118**	155
Bonds	**583**	211
Lease liabilities	**17**	14
	718	380
Non-current		
Bank loans	**1,336**	1,381
Bonds	**7,757**	8,239
Lease liabilities	**54**	47
	9,147	9,667
Total borrowings	**9,865**	10,047

16. Borrowings (continued)

Total borrowings are repayable as follows:

	2024 £m	2023 £m
Less than 1 year	**718**	380
In 1 - 2 years	**14**	530
In 2 - 3 years	**926**	—
In 3 - 4 years	**396**	915
In 4 - 5 years	**484**	397
More than 5 years:		
by instalments	**736**	781
other than by instalments	**6,591**	7,044
	9,865	10,047

The fair value of borrowings at 31 March 2024 was £9,102 million (2023: £9,195 million). Where market values were available, fair value of borrowings (Level1) was £4,819 million (2023: £6,406 million). Where market values are not available, fair value of borrowings (Level 2) was £4,283 million (2023: £2,789 million), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio as at 31 March 2024 was £10,199 million (2023: £10,385 million).

Collateral is placed with or received from any counterparty where we have entered into a credit support annex to the ISDA Master Agreement once the current mark-to-market valuation of the trades between the parties exceeds an agreed threshold. Included in current bank loans is £27 million (2023: £40 million) in respect of cash received under collateral agreements refer to Note 11.

At 31 March 2024, we had committed credit facilities of £965 million (2023: £1,645 million) of which £965 million was undrawn (2023: £1,645 million undrawn). All of the facilities at 31 March 2024 and at 31 March 2023 are available for liquidity purposes.

None of the Group's borrowings are secured by charges over assets of the Group.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method.

	2024 £m	2023 £m
Gross lease liabilities are repayable as follows:		
Less than 1 year	**17**	14
1 to 5 years	**33**	27
More than 5 years	**59**	50
	109	91
Less: finance charges allocated to future periods	**(38)**	(30)
	71	61
The present value of lease liabilities are as follows:		
Less than 1 year	**17**	14
1 to 5 years	**31**	24
More than 5 years	**23**	23
	71	61

17. Trade and other payables

Trade and other payables include amounts owed to suppliers, tax authorities and other parties which are due to be settled within 12 months. The total also includes deferred amounts, some of which represents monies received from customers but for which we have not yet delivered the associated service. These amounts are recognised as revenue when the service is provided.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

	2024 £m	2023 £m
Trade payables	**660**	517
Amounts owed to fellow subsidiaries of National Grid plc	**37**	40
Deferred income	**28**	30
Other payables	**58**	25
	783	612

Due to their short maturities, the fair value of trade payables approximates their carrying value.

18. Contract liabilities

Contract liabilities primarily relate to the advance consideration received from customers for construction contracts, mainly in relation to connections, for which revenue is recognised over the life of the asset.

	2024 £m	2023 £m
Current	**14**	12
Non-current	**505**	429
	519	441

Significant changes in the contract liabilities balances during the year are as follows:

	2024 £m	2023 £m
As at 1 April	441	435
Revenue recognised that was included in the contract liability balance at the beginning of the period	(13)	(15)
Increase due to cash received, excluding amounts recognised as revenue during the period	91	21
At 31 March	**519**	441

19. Other non-current liabilities

Other non-current liabilities include deferred income which will not be recognised as income until after 31 March 2025. It also includes payables that are not due until after that date.

Non-current liabilities are initially recognised at fair value and subsequently measured at amortised cost. There is no material difference between the fair value and the carrying value of other payables.

	2024 £m	2023 £m
Deferred income	**1**	1
Other payables	**53**	54
	54	55

20. Pensions and other post-retirement benefits

All of our employees are eligible to participate in a pension scheme. We have defined benefit ('DB') and defined contribution ('DC') pension plans in the UK. The fair value of associated plan assets and present value of DB obligations are updated annually in accordance with IAS 19 'Employee Benefits'. Below we provide a more detailed analysis of the amounts recorded in the primary financial statements and the actuarial assumptions used to value the DB obligations.

Defined contribution plans

Employees of National Grid's UK businesses are eligible to join the National Grid UK Retirement Plan (NGUKRP), a section of a Master Trust arrangement managed by Legal & General. National Grid pays contributions into the NGUKRP to provide DC benefits on behalf of its employees, generally providing a double match of member contributions up to a maximum Company contribution of 12% of salary.

Investment risks are borne by the member and there is no legal or constructive obligation on National Grid to pay additional contributions in the instance that investment performance is poor. Payments to this DC plan are charged as an expense as they fall due.

Defined benefit plan

National Grid Electricity Transmission plc is the principal employer of the National Grid Electricity Group of the Electricity Supply Pension Scheme (NGEG of ESPS), a defined benefit pension plan which is now closed to new members, except in very rare circumstances. The plan is managed by a Trustee company with a board consisting of company- and member-appointed directors and holds its assets in separate Trustee administered funds. The net defined pension asset is reflected within the Company's statement of financial position. The Company also has certain unfunded supplementary pension obligations.

National Grid Electricity System Operator Ltd ('the ESO') is expected to transfer out of the Group, with business separation expected to take place in the summer of 2024. As a result, the ESO's share of pension assets and liabilities is expected to transfer to a separate pension arrangement in 2025.

The pension plan is subject to independent actuarial funding valuations every three years. Following consultation and agreement with the Company, the qualified actuary certifies the employers' contributions, which, together with the specified contributions payable by the employees and proceeds from the plans' assets, are expected to be sufficient to fund the benefits payable. The latest full actuarial valuation for NGEG of ESPS was carried out at 31 March 2022 and disclosed a funding shortfall of £60 million which was funded by a deficit payment in September 2022, with no further deficit payments scheduled. Normal contributions are expected to be £18 million in the year to 31 March 2025. The Company funds the cost of future benefit accrual in NGEG of ESPS (over and above member contributions) with the aggregate level of ongoing contributions over the year to 31 March 2024 being £27 million (2023: £30 million). This includes the costs of plan administration and Pension Protection Fund ('PPF') levies for the plan up until 30 June 2023, however from this date onwards these costs were funded directly by pension scheme assets.

The Company has also established contingent security provided to NGEG of ESPS in the form of surety bonds, letters of credit or cash payments which are implemented if certain trigger events occur in respect of National Grid Electricity Transmission plc. The security, which is currently capped at £180 million, would become payable to the plan on certain company-related events, such as loss of licence or insolvency.

Actuarial assumptions

On retirement, members of DB plans receive benefits whose value is dependent on factors such as salary and length of pensionable service. The Company's obligation in respect of NGEG of ESPS is calculated by projecting the estimated amount of future benefit payments that employees have earned for their pensionable service in the current and prior periods. These future benefit payments are discounted to determine the present value of the liabilities.

Advice is taken from independent actuaries relating to the appropriateness of the key assumptions applied, including life expectancy, expected salary and pension increases, and inflation. Comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the consolidated income statement, the consolidated statement of other comprehensive income and the net liability recognised in the consolidated statement of financial position. The sensitivities to significant risks are disclosed in note 28. Remeasurements of pension assets and post-retirement benefit obligations are recognised in full in the period in which they occur in the consolidated statement of other comprehensive income.

The Company has applied the following financial assumptions in assessing DB liabilities:

	2024	2023
	%	%
Discount rate - past service	**4.89**	4.80
Discount rate - future service	**4.92**	4.80
Rate of increase in RPI - past service	**3.01**	3.15
Rate of increase in RPI - future service	**2.91**	3.05
Salary increases	**3.10**	3.15

20. Pensions and other post-retirement benefits (continued)

Single equivalent financial assumptions are shown above for presentational purposes, although full yield curves have been used in our calculations. The discount rate is determined by reference to high-quality UK corporate bonds at the reporting date. In addition to the general salary increases shown above, there are also allowances for a promotional scale to apply. The rates of increases stated are not indicative of historical increases awarded or a guarantee of future increase, but merely an appropriate assumption used in assessing DB liabilities. The NGEG of ESPS provides for pension increases that are generally linked to Retail Price Index (RPI), subject to relevant caps and floors.

The table below sets out the projected life expectancies adopted for the UK pension arrangements:

	2024	2023
	Years	Years
Assumed life expectations for a retiree age 65:		
Males	**22.3**	22.9
Females	**24.3**	24.4
In 20 years:		
Males	**23.2**	23.9
Females	**25.5**	25.8

The weighted average duration of the DB obligation for NGEG of ESPS is 13 years.

As at the reporting date, the present value of the funded obligations split according to member status, was approximately 19% active members (2023: 18%); 7% deferred members (2023: 8%); 74% pensioner members (2023: 74%);

For sensitivity analysis see note 28.

Amounts recognised in the consolidated statement of financial position

	2024	2023
	£m	£m
Present value of funded obligations	**(2,004)**	(2,095)
Fair value of scheme assets	**2,457**	2,600
	453	505
Present value of unfunded obligations	**(31)**	(32)
Net defined benefit asset	**422**	473
Represented by:		
Asset	**453**	505
Liability	**(31)**	(32)
	422	473

The recognition of the pension asset in the NGEG of ESPS reflects legal and actuarial advice that we have taken regarding recognition of surpluses under IFRIC 14. The Company has an unconditional right to a refund in the event of a winding up.

20. Pensions and other post-retirement benefits (continued)

Amounts recognised in the consolidated income statement and the consolidated statement of other comprehensive income.

The expense or income arising from pension arrangements recognised in the income statements is shown below:

	2024 £m	2023 £m
Included within operating costs		
Administration costs	**4**	3
Included within payroll costs		
Defined benefit scheme costs:		
Current service cost	**12**	17
Past service cost - redundancies	**3**	3
Gains on settlement	**—**	(35)
	15	(15)
Amounts charged to fellow National Grid group undertakings	**(4)**	(5)
Total amount included within payroll costs	**11**	(20)
Included within finance income and costs		
Net interest income	**(27)**	(17)
Total included in the consolidated income statement	**(12)**	(34)
Remeasurement losses of pension assets and obligations	**88**	277
Total included in the consolidated statement of other comprehensive income	**88**	277

Reconciliation of the net defined benefit asset

	2024 £m	2023 £m
Opening defined benefit asset	**473**	633
Income recognised in the income statement	**12**	34
Amounts charged to National Grid group undertakings	**(4)**	(5)
Remeasurement effects recognised in the statement of other comprehensive income	**(88)**	(277)
Employer contributions	**27**	87
Other movements	**2**	1
Closing net defined benefit asset[1]	**422**	473

[1] £17 million of the net pension asset relates to National Grid ESO and will be transferred on the sale of that business by the Group.

20. Pensions and other post-retirement benefits (continued)

Changes in the present value of defined benefit obligations (including unfunded obligations).

The table below shows the movement in defined benefit obligations over the year.

	2024 £m	2023 £m
Opening defined benefit obligations	**(2,127)**	(2,797)
Current service cost	**(12)**	(17)
Interest cost	**(105)**	(65)
Actuarial gains/(losses) - experience	**4**	(45)
Actuarial gains - demographic assumptions	**44**	23
Actuarial gains - financial assumptions	**39**	701
Past service cost - redundancies	**(3)**	(3)
Liabilities extinguished on settlements	**—**	(64)
Benefits paid	**125**	140
Closing defined benefit obligations	**(2,035)**	(2,127)

The table below shows the movement in defined benefit assets over the year

Changes in the fair value of scheme assets	2024 £m	2023 £m
Opening fair value of scheme assets	**2,600**	3,430
Interest income	**132**	82
Return on assets less than interest	**(169)**	(948)
Change in longevity swap value	**(6)**	(8)
Administration costs	**(4)**	(3)
Employer contributions	**27**	87
Assets distributed on settlements	**—**	99
Benefits paid	**(123)**	(139)
Closing fair value of scheme assets	**2,457**	2,600
Actual return on scheme assets	**(43)**	(874)
Expected contributions to scheme in the following year	**18**	21

Asset allocations

The allocation of assets by asset class is set out below. Within these asset allocations there is significant diversification across regions, asset managers, currencies and bond categories.

	2024			2023[1]		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Corporate bonds	**204**	**—**	**204**	198	—	198
Government securities and liability driven investments[2]	**—**	**2,023**	**2,023**	135	1,945	2,080
Property	**—**	**54**	**54**	23	79	102
Diversified alternatives	**—**	**264**	**264**	—	300	300
Longevity swap	**—**	**(94)**	**(94)**	—	(88)	(88)
Cash and cash equivalents	**2**	**—**	**2**	2	—	2
Other (including net current assets and liabilities)	**—**	**4**	**4**	5	1	6
	206	**2,251**	**2,457**	363	2,237	2,600

1 Comparative amounts have been represented to reflect the reclassification of assets associated with liability driven investment strategies as unquoted following an internal asset categorisation review.

2 Included within government securities and liability driven investments above is £135 million (2023: £380 million) of repurchase agreements. These are used to increase the market exposure of the liability-matching portfolios.

20. Pensions and other post-retirement benefits (continued)

Main defined benefit risks

The Company underwrites the financial and demographic risks associated with the plan. Although the Trustee has sole responsibility for setting investment strategies and managing risks, the Company closely works with and supports the Trustee, to assist in mitigating the risks associated with the plan and to ensure that the plan is funded to meet its obligations.

The most significant risks associated with the DB plan are:

- Investment risk – The plan invests in a variety of asset classes, with actual returns likely to differ from the underlying discount rate adopted, impacting on the funding position of the plan through the net balance sheet asset or liability. The plan seeks to balance the level of investment return required with the risk that it can afford to take, to design the most appropriate investment portfolio.
- Changes in bond yields – Liabilities will fluctuate as yields change. Volatility of the net balance sheet asset or liability is controlled through a liability-matching strategy. The investment strategy allows for the use of synthetic as well as physical assets to be used to hedge interest rate risk.
- Inflation risk – Changes in inflation will affect current and future pensions but are partially mitigated through investing in inflation matching assets and hedging instruments. The investment strategies allow for the use of synthetic as well as physical assets to be used to hedge inflation risk.
- Member longevity – Improvements in life expectancy will lead to pension payments being paid for longer than expected and benefits ultimately being more expensive. This risk has been partly mitigated by the plan's decision to enter a longevity insurance contract (longevity swap).
- Counterparty risk – This is managed by having a diverse range of counterparties and through having a strong collateralisation process (including for the longevity swap held by the plan). Measurement and management of counterparty risk is delegated to the relevant investment managers.
- Default risk - Debt investments are predominantly made in regulated markets in assets considered to be of investment grade. Where investments are made either in non-investment grade assets or outside of regulated markets, investment levels are kept to prudent levels and subject to agreed control ranges, to control the risk.
- Liquidity risk - The pension plan holds sufficient cash to meet benefit requirements, with other investments being held in liquid or realisable assets to meet unexpected cash flow requirements. These could include collateral calls relating to the plan’s liability-matching assets which could result from extreme market movements. Should the plan not have sufficient liquidity to meet cash flow requirements, they could be forced to take sub-optimal investment decisions such as selling assets at a reduced price. The plan does not borrow money, or act as guarantor, to provide liquidity to other parties (unless it is temporary).
- Currency risk – Fluctuations in the value of foreign denominated assets due to exposure to currency exchange rates are managed through currency hedging overlay and currency hedging carried out by some of the investment managers.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited versus NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK, although it is subject to possible appeal in 2024. The Company has performed an initial review of past significant changes made to NGEG of ESPS. Based on this initial review, there is no financial impact from the ruling of the case, although the Company will monitor the impact of future developments.

Investment strategies

The Trustees, after taking advice from professional investment advisors and in consultation with the Company, set their key principles, including expected returns, risk and liquidity requirements. They formulate an investment strategy to manage risk through diversification, taking into account expected contributions, maturity of the pension liabilities, and the strength of the covenant. These strategies allocate investments between return-seeking assets such as diversified alternatives and property, and liability-matching assets such as government securities and corporate bonds which are intended to protect the funding position.

The approximate investment allocations of our plan at 31 March 2024 and 31 March 2023 are as follows:

	2024	2023
	%	%
Return - seeking assets	**13**	16
Liability - matching assets	**87**	84
	100	100

The Trustees generally delegate responsibility for the selection of specific bonds, securities and other investments to appointed investment managers, who are selected based on the required skills, expertise in those markets, process and financial security to manage the investments. Their performance is regularly reviewed against measurable objectives, consistent with the pension plan’s long-term objectives and accepted risk levels.

20. Pensions and other post-retirement benefits (continued)

The pension plan has a Responsible Investment (RI) Policy, which takes into account Environmental, Social and Governance (ESG) factors and incorporates the six UN-backed Principles for Responsible Investment (UNPRI). While the Trustee board understands its fiduciary responsibility to maximise return on investments based on an appropriate level of risk, it also recognises that ESG factors can be material to financial outcomes and can have a potential impact on the quality and sustainability of long-term investment returns. The Company's DC pension arrangement, the NGUKRP, embeds ESG factors in the investment options offered to members. As well as offering a range of self-select ethical funds, it directly incorporates its Climate Impact Pledge into the default investment option, which acts to align the fund to a carbon net zero future.

21. Provisions

We make provisions when an obligation exists, resulting from a past event and it is probable that cash will be paid to settle it, but the exact amount of cash required can only be estimated.

The main estimates relate to environmental remediation for various sites we own, decommissioning costs relating to certain transmission assets and other provisions including restructuring plans. The evaluation of the likelihood of the contingent events has required best judgement by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, the likelihood could alter.

Provisions are recognised where a legal or constructive obligation exists at the reporting date, as a result of a past event, where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable.

Provision is made for decommissioning and environmental costs, based on future estimated expenditures, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Where a decommissioning provision relates to an asset measured using the cost model (which applies to all our assets), any subsequent change in the provision (arising from revised estimates,discount rates or changes in the expected timing of expenditures) is recognised as an adjustment to the cost of the asset. Where the decrease in the liability exceeds the carrying amount of the asset, the excess is recognised in the income statement. Where the adjustment results in an addition to the cost of the asset, we consider whether this is an indication of whether the carrying amount of the asset is fully recoverable.

Changes in the environmental provision arising from revised estimates, discount rates or changes in the expected timing of expenditure are recognised in the income statement.

The unwinding of the discount is included within the income statement as finance costs.

	Decommissioning	Environmental	Restructuring	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2022	31	45	2	10	88
Additions	—	—	—	2	2
Unused amounts reversed	—	(5)	(1)	—	(6)
Unwinding of discount	—	2	—	—	2
Utilised	—	(2)	(1)	—	(3)
Adjustment for Change in Discount Rate	(9)	(6)	—	—	(15)
At 31 March 2023	22	34	—	12	68
Additions	—	—	—	1	1
Unwinding of discount	—	2	—	—	2
Utilised	—	(2)	—	—	(2)
Adjustment for change in discount rate	4	2	—	—	6
At 31 March 2024	**26**	**36**	**—**	**13**	**75**

	2024	2023
	£m	£m
Current	**(8)**	(8)
Non-current	**(67)**	(60)
	(75)	(68)

21. Provisions (continued)

Restructuring provision

In 2023, we utilised the remaining provision in respect of design and implementation activities in respect of our new operating model and cost efficiency programme,

Environmental provision

The environmental provision represents the estimated restoration and remediation costs relating to a number of sites owned and managed by the Group.

The remediation expenditure relates to electricity transmission sites. Cash flows are expected to be incurred until 2070, with £18.9 million expected to be incurred in the next 10 years. A number of estimation uncertainties affect the calculation of the provision, including the impact of regulation, the accuracy of site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and changes in the real discount rate. This provision incorporates our best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision. The undiscounted amount is the best estimate of the liability, having regard to these uncertainties. The undiscounted cashflow projection at 31st March 2024 was £42.4 million (2023: £43.6 million). The provision has been booked based on a 1.0% real discount rate (2023: 1.5%).

Decommissioning provision

The decommissioning provision represents a present value of £26 million (2023: £22 million) of expenditure relating to asset retirement obligations estimated to be incurred in 2059 (discounted at a real rate of 1.0%). This relates to our share of the decommissioning of the Western Link HVDC cable laid on the seabed owned by the Crown estate.

Other provisions

Included within other provisions at 31st March 2024 are the following amounts:

- £5 million (2023: £4 million) in relation to software licence claims
- £3 million (2023: £3 million) in relation to employer liability claims. In accordance with insurance industry practice, the estimate of employer liability claims is based on experience from previous years and there is therefore no identifiable payment date.

22. Share capital

Ordinary share capital represents the total number of shares issued.

Share capital is accounted for as an equity instrument. An equity instrument is any contract that includes a residual interest in the consolidated assets of the Company after deducting all its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

	Number of shares 2024 millions	Number of shares 2023 millions	**2024 £m**	2023 £m
At 31 March 2023 and 2024 - ordinary shares of 10p each				
Allotted, called-up and fully paid	**437**	437	**44**	44

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

23. Other equity reserves

Other equity reserves are different categories of equity as required by accounting standards and represent the impact of a number of our historical transactions.

Other equity reserves comprise the cash flow hedge reserve and the cost of hedging reserve. The cash flow hedge represents the Group's cash flow hedging activities (see note 27).

As the amounts included in other equity reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

23. Other equity reserves (continued)

	Cost of hedging £m	Cash flow hedge £m	Total £m
At 1 April 2023	(17)	33	16
Net gains/(losses) taken to equity	16	(31)	(15)
Net gains/(losses) in respect of cash flow hedging of capital expenditure	—	(26)	(26)
Transferred to profit or loss	(1)	69	68
Cash flow hedges transferred to the statement of financial position, net of tax	—	(1)	(1)
Tax	(4)	—	(4)
At 31 March 2024	**(6)**	**44**	**38**

24. Net debt

Net debt represents the amount of borrowings and overdrafts less cash, current financial investments and related derivative financial instruments.

Funding and liquidity risk management is carried out by the National Grid plc treasury function under policies and guidelines approved by the Finance Committee of the National Grid plc Board. These policies have been deemed applicable at NGET companies by their respective boards of directors. The Finance Committee is responsible for the regular review and monitoring of treasury activity and for the approval of specific transactions, the authority for which fall outside the delegation of authority to management.

The primary objective of the treasury function is to manage our funding and liquidity requirements. A further important objective is to manage the associated financial risks, in the form of interest rate risk and foreign exchange risk, to within pre-authorised parameters. Details of the main risks arising from our activities can be found in the risk factors discussion in note 27 to the consolidated financial statements.

Investment of surplus funds, usually in short-term fixed deposits is subject to our counterparty risk management policy.

Composition of net debt

Net debt is summarised as follows:

	2024 £m	2023 £m
Cash, cash equivalents and financial investments	**917**	1,373
Borrowings and bank overdrafts	**(9,865)**	(10,047)
Derivatives	**(455)**	(416)
	(9,403)	(9,090)

24. Net debt (continued)

Analysis of changes in net debt

	Borrowings £m	Financing Derivatives Used To Hedge Debt £m	Total Liabilities From Financing Activities £m	Cash and Cash Equivalent £m	Financial Investments £m	Other Financing Derivatives £m	Total Debt £m
At 1 April 2022	**(9,185)**	**(392)**	**(9,577)**	**13**	**982**	**(2)**	**(8,584)**
Net decrease in cash and cash equivalents	—	—	**—**	(13)	—	—	**(13)**
Included within financing cash flows:							
Proceeds received from loans	(875)	—	**(875)**	—	—	—	**(875)**
Repayment of loans	220	—	**220**	—	—	—	**220**
Payments of lease liabilities	8	—	**8**	—	—	—	**8**
Net movements in short-term borrowings	(19)	—	**(19)**	—	—	—	**(19)**
Cash inflows on derivatives	—	(1)	**(1)**	—	—	—	**(1)**
Cash outflows on derivatives	—	3	**3**	—	—	—	**3**
Interest paid	185	13	**198**	—	—	—	**198**
Included within investing cash flows:							
Net movements in short-term financial investments	—	—	**—**	—	390	—	**390**
Interest received	—	—	**—**	—	(23)	—	**(23)**
Fair value gains and losses	194	(31)	**163**	—	—	3	**166**
Foreign exchange movements	(18)	—	**(18)**	—	—	—	**(18)**
Interest income/(charges)	(556)	(9)	**(565)**	—	24	—	**(541)**
Other non-cash movements	(1)	—	**(1)**	—	—	—	**(1)**
At 1 April 2023	**(10,047)**	**(417)**	**(10,464)**	**—**	**1,373**	**1**	**(9,090)**
Net increase in cash and cash equivalents			**—**	4			**4**
Included within financing cash flows:							
Proceeds received from loans	—	—	**—**	—	—	—	**—**
Repayment of loans	254	—	**254**	—	—	—	**254**
Payments of lease liabilities	19	—	**19**	—	—	—	**19**
Net movements in short-term borrowings	17	—	**17**	—	—	—	**17**
Cash outflows on derivatives	—	7	**7**	—	—	—	**7**
Interest paid	227	69	**296**	—	—	—	**296**
Included within investing cash flows:							
Net movements in short-term financial investments	—	—	**—**	—	(460)	—	**(460)**
Derivative cashflows included in capital expenditure	—	—	**—**	—	—	(1)	**(1)**
Interest received	—	—	**—**	—	(63)	—	**(63)**
Fair value gains and losses	1	(39)	**(38)**	—	—	(25)	**(63)**
Foreign exchange movements	108	—	**108**	—	—	—	**108**
Interest income/(charges)	(414)	(49)	**(463)**	—	63	(1)	**(401)**
Other non-cash movements	(30)	—	**(30)**	—	—	—	**(30)**
At 31 March 2024	**(9,865)**	**(429)**	**(10,294)**	**4**	**913**	**(26)**	**(9,403)**
Non-current assets	**—**	**127**	**127**	**—**	**24**	**—**	**151**
Current assets	**—**	**2**	**2**	**4**	**889**	**—**	**895**
Current liabilities	**(718)**	**(112)**	**(830)**	**—**	**—**	**(3)**	**(833)**
Non-current liabilities	**(9,147)**	**(446)**	**(9,593)**	**—**	**—**	**(23)**	**(9,616)**
Total	**(9,865)**	**(429)**	**(10,294)**	**4**	**913**	**(26)**	**(9,403)**

25. Commitments and contingencies

Commitments are those amounts that we are contractually required to pay in the future as long as the other party meets its obligations. These commitments primarily relate to operating lease rentals, energy purchase agreements and contracts for the purchase of assets which, in many cases, extend over a long period of time. We also disclose any contingencies, which include guarantees that companies have given, where we pledge assets against current obligations that will remain for a specific period.

Future capital expenditure	2024 £m	2023 £m
Contracted for but not provided	**1,629**	1,265

Other commitments, contingencies and guarantees

Guarantees of certain obligations of Eastern Green Link Joint Operations amount to £2,645m (2023: nil). These have various expiry dates. Guarantees in respect of a former associate amount to £13 million (2023: £13 million). These are open ended.

Other commitments, contingencies and guarantees in the normal course of business and entered into on normal commercial terms amounted to £7 million (2023: £7 million). There is an additional £17 million contingency for the portion of decommissioning costs of Western Link HVDC not recognised in the provision (see note 21).

Security arrangements in favour of NGEG Trustees are disclosed separately in note 20.

Through the ordinary course of our operations, we are party to various litigation, claims and investigations. We continue to engage with Ofgem in relation to its investigation into maintenance of the Harker electrical substation in Cumbria and as such, it is not possible to reliably estimate the amounts involved at this time. We do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on our reported results of operations or financial position for 2023/24.

26. Related party transactions

A related party is a company or individual who also has an interest in us, for example a company that provides a service to us with a director who holds a controlling stake in that company and who is also a Director of National Grid Electricity Transmission plc. The related parties identified include fellow subsidiaries, joint ventures, associated undertakings, investments and key management personnel.

The following significant transactions with related parties were in the normal course of business. Amounts receivable from and payable to related parties are due on normal commercial terms:

	2024 £m	2023 £m
Income:		
Goods and services supplied[1]	**2,677**	1,904
	2,677	1,904
Expenditure:		
Services received[2]	**25**	27
Corporate services received	**25**	25
	50	52
Outstanding balances at 31 March in respect of income, expenditure and settlement of corporation tax:		
Amounts receivable[3]	**168**	76
Amounts payable[4]	**(37)**	(40)
Borrowings to ultimate parent (amounts due within one year)	**531**	882

1 Includes TNUoS charges and post vesting connection charges invoiced to and collected from National Grid Electricity System Operator Ltd of £2,570m (2023: £1,852m), £63m billed under Transitional Service Arrangement agreements with National Gas Transmission Plc (2023: £7m), £41m billed to other National Grid group companies for corporate shared services (2023: £40m) and £3 million in respect of joint ventures (2023: £5 million).

2 Includes £Nil in respect of joint ventures (2023: £Nil million).

3 Includes £Nil in respect of joint ventures (2023: £Nil million).

4 Includes £Nil million in respect of joint ventures (2023: £Nil million).

Amounts receivable from or payable to related parties in respect of income and expenditure are ordinarily settled one month in arrears. Advances to and borrowings from fellow subsidiary undertakings are repayable on demand and bear interest at commercial rates.

Details of key management compensation are provided in note 4(c) and information relating to pension fund arrangements is disclosed in note 20.

27. Financial risk management

Our activities expose us to a variety of financial risks including credit risk, liquidity risk, capital risk, currency risk, interest rate risk and inflation risk. Our risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential volatility of financial performance from these risks. We use financial instruments, including derivative financial instruments, to manage these risks.

Risk management related to financing activities is carried out by the National Grid plc central treasury department under policies approved by the Finance Committee of the National Grid plc Board. These policies have been deemed applicable at NGET companies by their respective board of directors. The objective of the treasury department is to manage funding and liquidity requirements, including managing associated financial risks, to within acceptable boundaries. The Finance Committee provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Details of key activities in the current year are set out in the Finance Committee report on page 97 of National Grid plc Annual Report and Accounts.

We have exposure to the following risks, which are described in more detail below:

- credit risk;
- liquidity risk;
- currency risk;
- interest rate risk; and
- capital risk.

Where appropriate, derivatives and other financial instruments used for hedging currency and interest rate risk exposures are formally designated as fair value or cash flow hedges as defined in IFRS 9. Hedge accounting allows the timing of the profit or loss impact of qualifying hedging instruments to be recognised in the same reporting period as the corresponding impact of hedged exposures. To qualify for hedge accounting, documentation is prepared specifying the risk management objective and strategy, the component transactions and methodology used for effectiveness measurement.

Hedge accounting relationships are designated in line with risk management activities further described below. Categories designated at NGET are:

- currency risk arising from our forecasted foreign currency transactions (capital expenditure) is designated in cash flow hedges;
- currency and interest rate risk arising from borrowings are designated in cash flow or fair value hedges.

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Hedge ineffectiveness can nonetheless arise from inherent differences between derivatives and non-derivative instruments and other market factors including credit, correlations, supply and demand, and market volatilities. Ineffectiveness is recognised in the remeasurements component of finance income and costs (see note 6). Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting.

Certain hedging instrument components are treated separately as costs of hedging with the gains and losses deferred in a component of other equity reserves, and released systematically into profit or loss to correspond with the timing and impact of hedged exposures, or released in full to finance costs upon an early discontinuation of a hedging relationship.

Refer to sections (c) currency risk and (d) interest rate risk below for further details about hedge accounting.

(a) Credit risk

We are exposed to the risk of loss resulting from counterparties' default on their commitments including failure to pay or make a delivery on a contract. This risk is inherent in our commercial business activities. Exposure arises from derivative financial instruments, deposits with banks and financial institutions, trade receivables and committed transactions with customers.

Treasury credit risk

Counterparty risk arises from the investment of surplus funds and from the use of derivative financial instruments.

The maximum limit applies to all transactions, including long-term transactions. The long-term limit applies to transactions which mature in more than 12 months' time.

27. Financial risk management (continued)

As at 31 March 2024 and 2023, we had a number of exposures to individual counterparties. In accordance with our treasury policies, counterparty credit exposure utilisations are monitored daily against the counterparty credit limits. Counterparty credit ratings and market conditions are reviewed continually with limits being revised and utilisation adjusted, if appropriate. Management does not expect any significant losses from non-performance by these counterparties. Further information on financial investments subject to impairment provisioning is included in note 11.

Offsetting financial assets and liabilities

The following tables set out financial assets and liabilities which are subject to offset and to enforceable master netting arrangements or similar agreements. The tables show the amounts which are offset and reported net in the statement of financial position. Amounts which cannot be offset under IFRS, but which could be settled net under terms of master netting agreements if certain conditions arise, and with collateral received or pledged, are shown to present NGET's net exposure.

Financial assets and liabilities on different transactions would only be reported net in the balance sheet if the transactions were with the same counterparty, a currently enforceable legal right of offset exists and the cash flows were intended to be settled on a net basis.

Amounts which do not meet the criteria for offsetting on the statement of financial position, but could be settled net in certain circumstances, principally relate to derivative transactions under ISDA agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

NGET has no offsetting arrangements in relation to bank account balances and bank overdrafts as at March 2024 (nil as at March 2023).

The gross amounts offset for trade payables and receivables, which are subject to general terms and conditions, are insignificant.

Related amounts available to be offset but not offset in statement of financial position

			Related amounts available to be offset but not offset in statement of financial position			
	Gross carrying amounts	Gross amounts offset	Net amount presented in statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
As at 31 March 2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Assets						
Derivative financial instruments	**129**	**—**	**129**	**(99)**	**(23)**	**7**
	129	**—**	**129**	**(99)**	**(23)**	**7**
Liabilities						
Derivative financial instruments	**(584)**	**—**	**(584)**	**99**	**351**	**(134)**
	(584)	**—**	**(584)**	**99**	**351**	**(134)**
Total	**(455)**	**—**	**(455)**	**—**	**328**	**(127)**

27. Financial risk management (continued)

			Related amounts available to be offset but not offset in statement of financial position			
	Gross carrying amounts	Gross amounts offset	Net amount presented in statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
As at 31 March 2023	£m	£m	£m	£m	£m	£m
Assets						
Derivative financial instruments	153	—	153	(94)	(40)	19
	153	—	153	(94)	(40)	19
Liabilities						
Derivative financial instruments	(569)	—	(569)	94	460	(15)
	(569)	—	(569)	94	460	(15)
Total	(416)	—	(416)	—	420	4

(b) Liquidity risk

Our policy is to determine our liquidity requirements by the use of both short-term and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding requirements for at least a 24-month period and maintain adequate liquidity for a continuous 12-month period.

We believe our contractual obligations, including those shown in commitments and contingencies in note 25, can be met from existing cash and investments, operating cash flows and other financings that we reasonably expect to be able to secure in the future, together with the use of committed facilities if required.

Our debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, restrictions on disposal and financial covenants such as restrictions on the level of subsidiary indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of our debt and may restrict our ability to draw upon our facilities or access the capital markets.

The following is a payment profile of our financial liabilities and derivatives:

	Due within 1 year	**Due between 1 and 2 years**	**Due between 2 and 3 years**	**Due 3 years and beyond**	**Total**
At 31 March 2024	**£m**	**£m**	**£m**	**£m**	**£m**
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	**(624)**	**—**	**(925)**	**(8,580)**	**(10,129)**
Interest payments on borrowings[1]	**(223)**	**(215)**	**(215)**	**(2,215)**	**(2,868)**
Lease liabilities	**(17)**	**(15)**	**(11)**	**(66)**	**(109)**
Other non-interest bearing liabilities	**(755)**	**(53)**	**—**	**—**	**(808)**
Derivative financial liabilities					
Derivative contracts - receipts[2]	**946**	**1,324**	**698**	**1,702**	**4,670**
Derivative contracts - payments[2]	**(1,140)**	**(1,603)**	**(773)**	**(2,181)**	**(5,697)**
Derivative financial assets					
Derivative contracts - receipts[2]	**242**	**44**	**501**	**321**	**1,108**
Derivative contracts - payments[2]	**(215)**	**(32)**	**(479)**	**(251)**	**(977)**
Total at 31 March 2024	**(1,786)**	**(550)**	**(1,204)**	**(11,270)**	**(14,810)**

1 The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.

2 The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received (paid) exceeds the amount to be paid (received), the net amount is presented within derivative receipts (payments).

27. Financial risk management (continued)

At 31 March 2023	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	(268)	(531)	—	(9,500)	(10,299)
Interest payments on borrowings[1]	(225)	(223)	(216)	(2,474)	(3,138)
Lease liabilities	(14)	(10)	(8)	(59)	(91)
Other non-interest bearing liabilities	(590)	(54)	—	—	(644)
Derivative financial liabilities					
Derivative contracts - receipts[2]	102	352	187	2,039	2,680
Derivative contracts - payments[2]	(166)	(477)	(295)	(2,660)	(3,598)
Derivative financial assets					
Derivative contracts - receipts[2]	107	554	288	893	1,842
Derivative contracts - payments[2]	(103)	(529)	(255)	(840)	(1,727)
Total at 31 March 2023	(1,157)	(918)	(299)	(12,601)	(14,975)

1 The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.

2 The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received (paid) exceeds the amount to be paid (received), the net amount is presented within derivative receipts (payments).

(c) Currency risk

We are exposed to foreign exchange risk arising from non-sterling future commercial transactions and non-sterling recognised assets and liabilities. Currency risk arises from funding activities and capital investment. This risk is managed using financial instruments including derivatives as approved by policy, typically cross-currency interest rate swaps, foreign exchange swaps and forwards.

Funding activities - Our policy is to borrow in the most advantageous market available. Foreign currency funding gives rise to risk of volatility in the amount of functional currency cash to be repaid. This risk is reduced by swapping principal and interest back into the functional currency of the issuer. All foreign currency debt and transactions are hedged except where they provide a natural offset to assets elsewhere in the Group.

Capital investment - Capital projects often incur costs in a foreign currency, most often Euro transactions done by the UK business. Our policy for managing foreign exchange transaction risk is to hedge contractually committed foreign currency cash flows over a prescribed minimum size, typically by buying Euro forwards to hedge future expenditure. For hedges of forecast cash flows our policy is to hedge a proportion of highly probable cash flows.

As at 31 March 2024 and 2023, derivative financial instruments were used to manage foreign currency risk as follows:

	2024				
	Sterling £m	**Euro £m**	**Dollar £m**	**Other £m**	**Total £m**
Cash and cash equivalents	**4**	**—**	**—**	**—**	**4**
Financial investments	**913**	**—**	**—**	**—**	**913**
Borrowings	**(6,692)**	**(1,777)**	**(68)**	**(1,328)**	**(9,865)**
Pre-derivative position	**(5,775)**	**(1,777)**	**(68)**	**(1,328)**	**(8,948)**
Derivative effect	**(5,378)**	**3,257**	**81**	**1,585**	**(455)**
Net debt position	**(11,153)**	**1,480**	**13**	**257**	**(9,403)**

27. Financial risk management (continued)

	2023				
	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Cash and cash equivalents	—	—	—	—	—
Financial investments	1,373	—	—	—	1,373
Borrowings	(6,773)	(1,805)	(69)	(1,400)	(10,047)
Pre-derivative position	(5,400)	(1,805)	(69)	(1,400)	(8,674)
Derivative effect	(3,741)	1,849	76	1,400	(416)
Net debt position	(9,141)	44	7	—	(9,090)

The exposure to euros largely relates to hedges for our future non-sterling capital expenditure.

Hedge accounting for currency risk

Where available, derivatives transacted for hedging are designated for hedge accounting. Economic offset is qualitatively determined because the critical terms (currency and volume) of the hedging instrument match the hedged exposure. If a forecast transaction was no longer expected to occur, the cumulative gain or loss previously reported in equity would be transferred to the income statement. This has not occurred in the current or comparative years.

Cash flow hedging of currency risk of capital expenditure is designated as either hedging the exposure to movements in the spot or forward translation risk. Gains and losses on hedging instruments arising from forward points and foreign currency basis spreads are excluded from designation and are recognised immediately in profit or loss, along with any hedge ineffectiveness. Where a non-financial asset or a non-financial liability results from a forecast transaction or firm commitment being hedged, the amounts deferred in reserves are released directly to the initial measurement of that asset or liability. Hedges of foreign currency funding are designated as cash flow hedges or fair value hedges of forward exchange risk (hedging both currency and interest rate risk together, where applicable). Hedge accounting for funding is described further in the interest rate risk section below.

(d) Interest rate risk

National Grid Electricity Transmission plc's interest rate risk arises from our long-term borrowings. Our interest rate risk management policy is to seek to minimise total financing costs (being interest costs and changes in the market value of debt). Hedging instruments principally consist of interest rate and cross-currency swaps that are used to translate foreign currency debt into functional currency and to adjust the proportion of fixed-rate and floating-rate in the borrowings portfolio to within a range set by the Finance Committee of the National Grid plc Board. The benchmark interest rates hedged are currently based on Overnight index Average (SONIA) for GBP.

We also consider inflation risk and hold some inflation-linked borrowings. We believe that these provide a partial economic offset to the inflation risk associated with our UK inflation linked revenues.

The table in note 16 (Borrowings) sets out the carrying amount, by contractual maturity, of borrowings that are exposed to interest rate risk before taking into account interest rate swaps.

As at 31 March 2024 and 2023, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	2024			
	Fixed rate £m	**Floating rate £m**	**RPI £m**	**Total £m**
Cash and cash equivalents	**—**	**4**	**—**	**4**
Financial investments	**—**	**913**	**—**	**913**
Borrowings	**(6,358)**	**(333)**	**(3,174)**	**(9,865)**
Pre-derivative position	**(6,358)**	**584**	**(3,174)**	**(8,948)**
Derivative effect	**1,280**	**(1,673)**	**(62)**	**(455)**
Net debt position	**(5,078)**	**(1,089)**	**(3,236)**	**(9,403)**

27. Financial risk management (continued)

	2023			
	Fixed rate £m	Floating rate £m	RPI £m	Total £m
Cash and cash equivalents	—	—	—	—
Financial investments	—	1,373	—	1,373
Borrowings	(6,603)	(370)	(3,074)	(10,047)
Pre-derivative position	(6,603)	1,003	(3,074)	(8,674)
Derivative effect	1,455	(1,771)	(100)	(416)
Net debt	(5,148)	(768)	(3,174)	(9,090)

Hedge accounting for interest rate risk

Borrowings paying variable or floating rates expose National Grid Electricity Transmission to cash flow interest rate risk, partially offset by cash held at variable rates. Where a hedging instrument results in paying a fixed rate, it is designated as a cash flow hedge because it has reduced the cash flow volatility of the hedged borrowing. Changes in the fair value of the derivative are initially recognised in other comprehensive income as gains or losses in the cash flow hedge reserve, with any ineffective portion recognised immediately in the income statement.

Borrowings paying fixed rates expose National Grid Electricity Transmission to fair value interest rate risk. Where the hedging instrument pays a floating rate, it is designated as a fair value hedge because it has reduced the fair value volatility of the borrowing. Changes in the fair value of the derivative and changes in the fair value of the hedged item in relation to the risk being hedged are both adjusted on the balance sheet and offset in the income statement to the extent the fair value hedge is effective, with the residual difference remaining as ineffectiveness.

Both types of hedges are designated as hedging the currency and interest rate risk arising from changes in forward points. Amounts accumulated in the cash flow hedge reserve (cash flow hedges only) and the deferred cost of hedging reserve (both cash flow and fair value hedges) are reclassified from reserves to the income statement on a systematic basis as hedged interest expense is recognised. Adjustments made to the carrying value of hedged items in fair value hedges are similarly released to the income statement to match the timing of the hedged interest expense.

When hedge accounting is discontinued, any remaining cumulative hedge accounting balances continue to be released to the income statement to match the impact of outstanding hedged items. Any remaining amounts deferred in the cost of hedging reserve are released immediately to the income statement as finance costs.

27. Financial risk management (continued)

(e) Hedge accounting

In accordance with the requirements of IFRS 9, certain additional information about hedge accounting is disaggregated by risk type and hedge designation type in the tables below:

Year ended 31 March 2024	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency risk £m
Consolidated statement of comprehensive income			
Net gains/(losses) in respect of:			
Cash flow hedges	—	(31)	(26)
Cost of hedging	4	12	—
Transferred to profit or loss in respect of:			
Cash flow hedges	—	69	—
Cost of hedging	—	(1)	—
Consolidated statement of changes in equity			
Other equity reserves - cost of hedging balances	(4)	(2)	—
Consolidated statement of financial position			
Derivatives - carrying value of hedging instruments[1]			
Assets - current	—	—	—
Assets - non-current	20	44	—
Liabilities - current	(78)	(29)	(3)
Liabilities - non-current	(290)	(50)	(23)
Profiles of the significant timing, price and rate information of hedging instruments			
Maturity range	Jan 2025 - Sep 2044	Jan 2025 - Nov 2040	Apr 2024 - Feb 2030
Spot FX range			
GBP USD	n/a	1.30	1.25 - 1.27
GBP EUR	1.11 - 1.24	1.10 - 1.19	1.11 - 1.18
Interest rate range			
GBP	SONIA +96bps / +374 bps	1.33% - 5.09%	n/a

1 The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

27. Financial risk management (continued)

Year ended 31 March 2023	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency risk £m
Consolidated statement of comprehensive income			
Net gains/(losses) in respect of:			
Cash flow hedges	—	87	4
Cost of hedging	4	(1)	—
Transferred to profit or loss in respect of:			
Cash flow hedges	—	(28)	—
Cost of hedging	—	—	—
Consolidated statement of changes in equity			
Other equity reserves - cost of hedging balances	(9)	(13)	—
Consolidated statement of financial position			
Derivatives - carrying value of hedging instruments[1]			
Assets - current	—	—	2
Assets - non-current	25	71	1
Liabilities - current	(1)	(10)	—
Liabilities - non-current	(331)	(77)	—
Profiles of the significant timing, price and rate information of hedging instruments			
Maturity range	Feb 2024 - Sep 2044	Jan 2025 - Nov 2040	Apr 2023 - May 2029
Spot FX range			
GBP USD	n/a	1.3	1.20 - 1.31
GBP EUR	1.11 - 1.20	1.10 - 1.24	1.11 - 1.20
Interest rate range			
GBP	SONIA +96bps/ +374bps	1.33% - 5.09%	n/a

1 The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

The following tables show the effects of hedge accounting on financial position and year-to-date performance for each type of hedge. These tables also present notional values of hedging instruments (and equal hedged exposures) impacted by IFRS 9 Interest Rate Benchmark Reform amendments in the prior year.

(i) Fair value hedges of foreign currency and interest rate risk on recognised borrowings:

As at 31 March 2024		Balance of fair value hedge adjustments in borrowings		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument nominal £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Foreign currency and interest rate risk on borrowings	(1,846)	451	(28)	53	(42)	11

1 The carrying value of the hedged borrowings is £1,375 million, of which £23 million is current and £1,352 million is non-current.

27. Financial risk management (continued)

As at 31 March 2023		Balance of fair value hedge adjustments in borrowings		Change in value used for calculating ineffectiveness		
	Hedging instrument nominal 2	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(1,907)	444	(23)	213	(189)	24

[1] The carrying value of the hedged borrowings was £1,371 million, all of which is non-current.

(ii) Cash flow hedges of foreign currency and interest rate risk:

As at 31 March 2024		Balance in cash flow hedge reserve		Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(2,504)	80	—	25	(31)	(6)
Foreign currency risk on forecasted cash flows	(1,805)	(24)	—	26	(26)	—

As at 31 March 2023		Balance in cash flow hedge reserve		Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings[1]	(2,504)	42	—	(46)	43	(3)
Foreign currency risk on forecasted cash flows	(66)	2	—	(3)	3	—

[1] Included within the hedging instrument notional balance is £nil (2023: £100million) impacted by Interest Rate Benchmark Reform amendments.

(f) Fair value analysis

Included in the statement of financial position are financial instruments which have been measured at fair value. These fair values can be categorised into hierarchy levels that are representative of the inputs used in measuring the fair value. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

	2024				2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Assets								
Derivative financial instruments	**—**	**90**	**39**	**129**	—	131	22	153
	—	**90**	**39**	**129**	—	131	22	153
Liabilities								
Derivative financial instruments	**—**	**(482)**	**(102)**	**(584)**	—	(447)	(122)	(569)
	—	**(482)**	**(102)**	**(584)**	—	(447)	(122)	(569)
	—	**(392)**	**(63)**	**(455)**	—	(316)	(100)	(416)

Level 1: Financial instruments with quoted prices for identical instruments in active markets.

27. Financial risk management (continued)

Level 2: Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are based directly or indirectly on observable market data.

Level 3: Financial instruments valued using valuation techniques where one or more significant inputs are based on unobservable market data.

Our Level 2 derivative financial instruments include cross-currency, interest rate and foreign exchange derivatives. We value these derivatives by discounting all future cash flows by externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties. These derivatives can be priced using liquidly traded interest rate curves and foreign exchange rates, therefore we classify our vanilla trades as Level 2 under the IFRS 13 framework.

Our level 3 derivative financial instruments include inflation linked swaps where the inflation curve is illiquid. In valuing these instruments we use in-house valuation models and obtain external valuations to support each reported fair value.

While there have been significant movements in market indices, all of our financial instruments are traded in markets that continue to be active and therefore, we are satisfied that there has been no significant impact on the fair values of our financial instruments measured at fair value, and that any impact is reflected in the fair values in the table above.

The changes in value of our level 3 derivative financial instruments are as follows:

	Derivative financial instruments	
	2024	**2023**
	£m	£m
At 1 April	**(100)**	(187)
Net gain/(loss) for the year	**37**	87
At 31 March	**(63)**	**(100)**

1 Gain of £37 million (2023: £87 million gain) is attributable to Level 3 derivative financial liabilities held at the end of the reporting period and that has been recognised in finance costs in the income statement.

The impacts on a post-tax basis of reasonably possible changes in significant level 3 assumptions are as follows:

	Derivative financial instruments	
	2024	2023
	£m	£m
+20 basis points change in LPI (Limited Price Inflation) market curve[1]	**(41)**	(53)
-20 basis points change in LPI market curve[1]	**41**	51
+20 basis points increase between Retail Price Index & Consumer Price Index[1]	30	43
-20 basis points decrease between Retail Price Index & Consumer Price Index[1]	(27)	(38)

1 A reasonably possible change in assumption of other level 3 derivative financial instruments is unlikely to result in a material change in fair values.

The impacts disclosed above were considered on a contract by contract basis with the most significant unobservable inputs identified.

(g) Capital Risk Management

The capital structure of the Group consists of shareholders' equity, as disclosed in the consolidated statement of changes in equity, and net debt (note 24). National Grid's objectives when managing capital are: to safeguard our ability to continue as a going concern; to remain within regulatory constraints of our regulated operating companies; and to maintain an efficient mix of debt and equity funding thus achieving an optimal capital structure and cost of capital. We regularly review and manage the capital structure as appropriate in order to achieve these objectives.

Maintaining appropriate credit ratings for our regulated company is an important aspect of our capital risk management strategy and balance sheet efficiency. We monitor our balance sheet efficiency by regulatory asset value (RAV) gearing calculated as net debt expressed as a percentage of RAV, which indicates the level of debt employed to fund our regulated business. It is compared with the level of RAV gearing indicated by Ofgem as being appropriate for our business, at around 55%. The RAV gearing ratio at 31 March 2024 was 51% (2023: 53%).

27. Financial risk management (continued)

The Company is subject to certain restrictions on the payment of dividends by administrative order, contract and/or licence. The types of restrictions that a company may have that would prevent a dividend being declared or paid unless they are met include:

- liquidity risk;
- the subsidiary must have at least two recognised rating agency credit ratings of at least investment grade;
- dividends must be limited to cumulative retained earnings, including pre-acquisition retained earnings;
- the securities of National Grid Electricity Transmission plc must maintain an investment grade credit rating and if that rating is the lowest investment grade bond rating it cannot have a negative watch/review for downgrade notice by a credit rating agency;
- the subsidiary must not carry on any activities other than those permitted by the licences;
- the subsidiary must not create any cross-default obligations or give or receive any intra-group cross-subsidies; and
- the percentage of equity compared with total capital of the subsidiary must remain above certain levels.

These restrictions are subject to the normal licence review process.

As most of our business is regulated, at 31 March 2024 the majority of our net assets are subject to some of the restrictions noted above. These restrictions are not considered to be significantly onerous, nor do we currently expect they will prevent the planned payment of dividends in future in line with our dividend policy.

All the above requirements are monitored on a regular basis in order to ensure compliance. The Company has complied with all externally imposed capital requirements to which it is subject.

28. Sensitivities

In order to give a clearer picture of the impact on our results or financial position of potential changes in significant estimates and assumptions, the following sensitivities are presented. These sensitivities are based on assumptions and conditions prevailing at the year-end and should be used with caution. The effects provided are not necessarily indicative of the actual effects that would be experienced because our actual exposures are constantly changing.

The sensitivities in the tables below show the potential impact in the income statement (and consequential impact on net assets) for a reasonably possible range of different variables each of which have been considered in isolation (i.e. with all other variables remaining constant). There are a number of these sensitivities which are mutually exclusive and therefore if one were to happen, another would not, meaning a total showing how sensitive our results are to these external factors is not meaningful.

The sensitivities included in the tables below broadly have an equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated.

(a) Sensitivities on areas of judgement and key sources of estimation uncertainty

The table below sets out the sensitivity analysis for each of the areas of estimation uncertainty. These estimates are those that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next year.

	2024			2023		
	Assumptions used	**Income statement £m**	**Net assets £m**	Assumptions used	Income statement £m	Net assets £m
Pensions obligations benefit (pre-tax)[1]						
Discount rate change[2]	**1.0%**	**4**	**233**	1.0%	3	273
RPI rate change[3]	**1.0%**	**1**	**173**	1.0%	2	192
Long-term rate of increase in salaries change	**1.0%**	**1**	**23**	1.0%	—	22
Change of one year to life expectancy at age 65	**One Year**	**—**	**63**	One Year	—	77

1 The changes shown are a change in the annual pension or other post-retirement benefit service charge and change in the defined benefit obligations.
2 A change in the discount rate is likely to occur as a result of changes in bond yields and as such would be expected to be offset to a significant degree by a change in the value of the bond assets held by the plans. Any such offset is not reflected in this table.
3 The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant increases in salary assumptions.

28. Sensitivities (continued)

Pensions and post retirement benefits assumptions

Sensitivities have been prepared to show how the defined benefit obligations and annual service costs could potentially be impacted by changes in the relevant actuarial assumption that were reasonably possible as at 31 March 2024. In preparing sensitivities the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary is recognised.

(b) Sensitivities on financial instruments

We are further required to show additional sensitivity analysis under IFRS 7 and these are shown separately in the subsequent table due to the additional assumptions that are made in order to produce meaningful sensitivity disclosures.

Our net debt as presented in note 24 financial instruments is sensitive to changes in market variables, being UK interest rates and the UK RPI. These impact the valuation of our borrowings, deposits and derivative financial instruments. The analysis illustrates the sensitivity of our financial instruments to reasonably possible changes in these market variables.

The following main assumptions were made in calculating the sensitivity analysis:

- the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio, and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2024 and 2023 respectively;
- the statement of financial position sensitivity to interest rates relates to items presented at their fair values: derivative financial instruments and our investments measured at fair value through profit and loss (FVTPL) and fair value through other comprehensive income. Further debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- changes in the carrying value of derivatives from movements in interest rates of designated cash flow hedges are assumed to be recorded fully within equity.

	2024			2023		
	Assumptions Used	**Income statement £m**	**Other equity reserves £m**	Assumptions Used[2]	Income statement £m	Other equity reserves £m
Financial risk (post-tax)						
UK inflation change[1]	**1 %**	**24**	**—**	1 %	23	—
UK Interest rate changes of 1%	**1 %**	**9**	**96**	1 %	6	118

1 Excludes sensitivities to LPI curve. Further details on sensitivities are provided in note 27.

Additional sensitivities in respect to our derivative fair values are as follows:

	2024		2023	
	Income statement	**Net assets**	**Income statement**	**Net assets**
Assets and liabilities carried at fair value (post-tax):	**£m**	**£m**	£m	£m
10% fair value change in derivative financial instruments[1]	**(34)**	**(34)**	(34)	(34)

1 The effect of a 10% change in fair value assumes no hedge accounting.

29. Ultimate parent company

This note shows the immediate and ultimate parent companies for these consolidated financial statements.

National Grid Electricity Transmission plc's immediate parent company is National Grid Holdings Limited. The ultimate parent company, and controlling party, is National Grid plc. Both companies are incorporated in Great Britain and are registered in England and Wales. National Grid plc consolidates the financial statements of National Grid Electricity Transmission plc. Copies of the consolidated financial statements of National Grid plc may be obtained from the Company Secretary, 1-3 Strand, London WC2N 5EH, or on our company website, http://investors.nationalgrid.com.

30. Subsidiary undertakings, joint ventures and associates

While we present consolidated results in these financial statements as if we were one company, our structure is such that there are a number of subsidiaries and joint ventures that contribute to the overall result.

Subsidiary undertakings

The list below contains the subsidiary included within the National Grid Electricity Transmission plc Group.

	Principal activity	Holding
National Grid Electricity Group Trustee Limited	Pension nominee company	100 %
1 - 3 Strand, London, WC2N 5EH		

The Company's subsidiary is incorporated in England and Wales and shares the same address as the parent company. The subsidiary's share capital is made up only of ordinary shares, and the effective percentage holding represents both the Group's voting rights and equity holding. The subsidiary is consolidated in the Group's financial statements.

Joint ventures

The list below contains all joint ventures included within the National Grid Electricity Transmission plc Group. All joint ventures are included in the Group's Financial Statements using the equity method of accounting.

	Principal activity	Holding
NGC Employee Shares Trustee Limited	Trustee of the NGC profit sharing scheme and NGC Employee Trust	50 %
1 - 3 Strand, London, WC2N 5EH		

Joint operations

A list of the Group's incorporated joint operations as at 31 March 2024 is given below. All joint operations are included in the Group's financial statements under IFRS 11 Joint arrangements.

	Principal activity	Holding
NGET/SPT Upgrades Limited	Construction services England-Scotland interconnector	50 %
1 - 3 Strand, London, WC2N 5EH		
Eastern Green Link 1 Limited	Construction services England-Scotland interconnector	50 %
1 - 3 Strand, London, WC2N 5EH		
Eastern Green Link 2 Limited	Construction services England-Scotland interconnector	50 %
No. 1 Forbury Place 43 Forbury Road Reading RG1 3JH		

Other equity investments

The list below contains all other equity investments included within the National Grid Electricity Transmission plc Group.

	Principal activity	Holding
Joint Radio Company Limited (incorporated in England and Wales)	Consultancy services	25 %
Friars House, Manor House Drive, Coventry, CV1 2TE		

31. Events after the reporting period

There were no events after the reporting period.

Company balance sheet

as at 31 March

	Notes	2024 £m	2023 £m
Fixed assets			
Intangible assets	5	**242**	210
Tangible assets	6	**16,436**	15,312
		16,678	15,522
Current assets			
Cash and cash equivalents		**4**	—
Stocks	7	**39**	39
Debtors (amounts falling due within one year)	8	**357**	234
Debtors (amounts falling due after more than one year)	8	**272**	55
Derivative financial instruments (amounts falling due within one year)	9	**2**	3
Derivative financial instruments (amounts falling due after more than one year)	9	**127**	150
Financial assets and other investments	10	**913**	1,373
Net pension asset	15	**422**	473
Total current assets		**2,136**	2,327
Borrowing	13	**(718)**	(380)
Derivative financial instruments	9	**(115)**	(12)
Other creditors	11	**(797)**	(624)
Creditors (amounts falling due within one year)	11	**(1,630)**	(1,016)
Net current assets		**506**	1,311
Total assets less current liabilities		**17,184**	16,833
Creditors (amounts falling due after more than one year)	12	**(10,174)**	(10,708)
Provisions for liabilities	14	**(1,853)**	(1,672)
Net assets		**5,157**	4,453
Capital and reserves			
Share capital	16	**44**	44
Other equity reserve	17	**38**	16
Profit and loss account		**5,075**	4,393
Total shareholders' equity		**5,157**	4,453

1. In the year, we have revised our policy in relation to the classification of capital expenditure prepayments between current and non-current in order to align these to the operating cycles of the underlying assets to which they relate. Accordingly, comparative amounts have been re-presented (see note 8).

The Company's profit after tax for the year was £1,042 million (2023: £531 million profit). The financial statements on pages 102 to 113 were approved by the Board of Directors on 19 July 2024 and were signed on its behalf by:

DocuSigned by:
Sandip Thakrar
48DFF56157E2440...
Sandip Thakrar Director

DocuSigned by:
Alice Delahunty
19AE9630455A4DD...
Alice Delahunty Director

National Grid Electricity Transmission plc

Registered number: 2366977

Company statement of changes in equity

for the years ended 31 March

	Called up share capital £m	Other equity reserves £m	Profit and loss account £m	Total equity £m
1 April 2022	44	(33)	4,365	4,376
Profit for the year	—	—	531	531
Total other comprehensive income for the year[1]	—	49	(208)	(159)
Total comprehensive income/(loss) for the year	—	49	323	372
Equity dividends	—	—	(300)	(300)
Share-based payments	—	—	5	5
Tax on share-based payments	—	—	—	—
As at 31 March 2023	44	16	4,393	4,453
Profit for the year	—	—	1,042	1,042
Total other comprehensive income for the year[1]	—	23	(66)	(43)
Total comprehensive income for the year	—	23	976	999
Equity dividends	—	—	(300)	(300)
Share-based payments	—	—	6	6
Cash flow hedges transferred to the statement of financial position, net of tax	—	(1)	—	(1)
31 March 2024	**44**	**38**	**5,075**	**5,157**

[1] Components of other comprehensive income are presented in the consolidated Statement of Other Comprehensive Income

The Company has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006.

For further details of dividends paid and payable to shareholders, refer to note 8 in the consolidated financial statements.

Notes to the Company financial statements

1. Company accounting policies

We are required to include the stand-alone balance sheet of our parent Company, National Grid Electricity Transmission plc, under the Companies Act 2006. The following disclosures provide additional information to users of these financial statements.

Basis of preparation of individual financial statements under FRS 101

National Grid Electricity Transmission plc's principal activities involve the transmission of electricity in Great Britain. The Company is a public limited company incorporated and domiciled in England, with its registered office at 1-3 Strand, London, WC2N 5EH.

The company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements. Accordingly, the company has elected to apply FRS 101 Reduced Disclosure Framework. The recognition and measurements requirements of UK adopted IFRS have therefore been applied within these financial statements, with amendments where necessary in order to comply with the Companies Act 2006.

Where required, equivalent disclosures are given in the Group financial statements of National Grid Plc, which are available to the public and can be obtained as set out in note 29 of the consolidated financial statements.

The individual financial statements of the Company have been prepared on a historical cost basis, except for the revaluation of financial instruments and pension assets and liabilities, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The comparative financial information has also been prepared on this basis.

The individual financial statements have been prepared on a going concern basis following the assessment made by the Directors as set out on page 39.

As described further in note 1 to the consolidated financial statements, the Directors have concluded that the Company will have adequate resources to continue in operation for at least 12 months from the signing date of these financial statements. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account or statement of comprehensive income.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements of the Company in accordance with FRS 101:

- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management; and
- the effects of new but not yet effective IFRS standards.

As the consolidated financial statements of the Company are available from the registered office, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 in respect of certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'. The Company's accounting policies are the same as the Group's accounting policies under IFRS, namely IAS 32 'Financial Instruments: Presentation', IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'. The Company applies these policies only in respect of the financial instruments that it has, namely investments, derivative financial instruments, debtors, cash at bank and in hand, borrowings and creditors. The policies are set out in notes 11, 12, 14, 15, 16 and 17 to the consolidated financial statements. The Company is taking the exemption for financial instruments disclosures, because IFRS 7 disclosures are given in notes 27 and 28 to the consolidated financial statements.

The areas of judgement or key sources of estimation uncertainty that are considered to have a significant effect on the amounts recognised in the financial statements are shown in the consolidated financial statements on page 56.

The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board.

2. Auditor's remuneration

Auditor's remuneration in respect of the Company is set out below:

	2024	2023
	£m	£m
Audit services		
Audit of the Company's individual and consolidated financial statements	**0.4**	0.4
Other services supplied		
Fees payable to the Company's auditors for audit related assurance services[1]	**1.2**	1.6

1 Other services supplied represent fees payables for audit services which are required to be carried out by auditors in relation to the Group's reporting requirements to NG plc. In particular, this includes fees for reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley), and assurance fees in relation to regulatory returns.

3. Number of employees, including Directors

	2024	2023
	Monthly Average	Monthly average
	number	number
Electricity Transmission	**4,553**	3,733

4. Key management compensation and Directors' emoluments

Key management comprises the Board of Directors of the Company together with those Executive Directors of National Grid plc who have managerial responsibility for National Grid Electricity Transmission plc. Details of key management personnel compensation are provided in note 4(c) to the consolidated financial statements.

Details of Directors' emoluments are provided in note 4(d) to the consolidated financial statements.

5. Intangible assets

	Software	Assets under construction	Total
	£m	£m	£m
Cost at 1 April 2023	403	69	472
Additions	1	78	79
Disposals	—	—	—
Reclassifications[1]	61	(68)	(7)
Cost at 31 March 2024	465	79	544
Accumulated amortisation at 1 April 2023	(262)	—	(262)
Amortisation charge for the year	(40)	—	(40)
Accumulated amortisation at 31 March 2024	(302)	—	(302)
Net book value at 31 March 2024	**163**	**79**	**242**
Net book value at 31 March 2023	141	69	210

1 The amounts include adjustments to reflect reclassifications between cost and accumulated depreciation, and between Intangible Assets and Property, Plant and Equipment (Note 6) identified during the implementation of the Group's new SAP S4 Hana General Ledger system in the UK

6. Property, plant and equipment

	Land and buildings	Plant and machinery	Assets in the course of construction	Motor vehicles and office equipment	Total
	£m	£m	£m	£m	£m
Cost at 1 April 2023	1,291	18,272	2,504	128	22,195
Additions	10	4	1,572	20	1,606
Disposals	(3)	(29)	(13)	(7)	(52)
Reclassifications between categories	65	799	(893)	36	7
Impact of change in discount rate on decommissioning provision (Note 14)	—	4	—	—	4
Cost at 31 March 2024	1,363	19,050	3,170	177	23,760
Accumulated depreciation and impairment at 1 April 2023	(184)	(6,549)	(59)	(91)	(6,883)
Depreciation charge for the year	(24)	(429)	—	(25)	(478)
Disposals	—	30	9	6	45
Reclassifications between categories	(1)	11	(12)	1	(1)
Impairment	—	(4)	(3)	—	(7)
Accumulated depreciation and impairment at 31 March 2024	(209)	(6,941)	(65)	(109)	(7,324)
Net book value at 31 March 2024	**1,154**	**12,109**	**3,105**	**68**	**16,436**
Net book value at 31 March 2023	1,107	11,723	2,445	37	15,312

Included within creditors (amounts falling due within one year) and creditors (amounts falling due after more than one year) are contributions to the cost of tangible fixed assets amounting to £14 million (2023: £12 million) and £505 million (2023: £429 million) respectively.

Right-of-use assets

National Grid Electricity Transmission leases various properties, equipment and cars. With effect from 1 April 2019, new lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term, plus any other costs. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), National Grid Electricity Transmission continues to recognise a lease expense on a straight-line basis.

Cash outflows for leases in the year ended 31 March 2024 were £19m (2023: £8m).

The table below shows the movements in the net book value of right-of-use assets included within property, plant and equipment at 31 March 2024 and 31 March 2023, split by category.

	Land and Buildings	Motor vehicles and office equipment	Total
	£m	£m	£m
Net book value at 1 April 2022	55	8	63
Additions	3	7	10
Depreciation charge for the year ended 31 March 2023	(7)	(6)	(13)
Net book value at 31 March 2023	51	9	60
Additions	6	20	26
Disposals	(4)	(1)	(5)
Depreciation charge for the year ended 31 March 2024	(6)	(9)	(15)
Net book value at 31 March 2024	**47**	**19**	**66**

6. Property, plant and equipment (continued)

The following balances have been included in the income statement for the year ended 31 March 2023 in respect of right-of-use assets:

	Total £m
Included within net finance income and costs:	
Interest expense on lease liabilities	(2)

The associated lease liabilities are disclosed in note 13.

7. Stocks

	2024 £m	2023 £m
Raw materials, spares and consumables	**31**	31
Work in progress	**8**	8
	39	39

Raw materials are stated after provisions for obsolescence of £1 million (2023: £1 million).

8. Debtors

	2024 £m	2023 £m
Amounts falling due within one year:		
Trade debtors	**20**	36
Amounts owed by fellow subsidiary undertakings[1]	**168**	76
Other taxation and social security	**74**	50
Other debtors	**27**	7
Accrued income	**35**	29
Prepayments	**33**	36
	357	234
Amounts falling due after one year:		
Lease receivables	**2**	—
Prepayments[2]	**270**	55
	272	55
Total debtors	**629**	289

1. Amounts owed by fellow subsidiary undertakings are non-interest bearing and settled within 90 days or less.
2. Included within non-current prepayments are capital expenditure prepayments made to suppliers to secure production capacity for certain of our capital projects. In the year, we have also revised our policy in relation to the classification of capital expenditure prepayments between current and non-current in order to align these to the operating cycles of the underlying assets to which they relate. Accordingly, prior year non-current prepayments have increased by £37 million to reflect this change, with a corresponding reduction in current receivables. The associated cash flows for capital expenditure prepayments are included within purchases of property, plant and equipment within the consolidated cash flow statement.

Debtors are stated after provisions for impairment of £1 million (2023: £2 million).

9. Derivative financial instruments

The fair values of derivative financial instruments are:

	2024			2023		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	**2**	**(115)**	**(113)**	3	(12)	(9)
Amounts falling due after more than one year	**127**	**(469)**	**(342)**	150	(557)	(407)
	129	**(584)**	**(455)**	153	(569)	(416)

9. Derivative financial instruments (continued)

Further information relating to the recognition and measurement of derivative financial instruments is included in note 12 of the consolidated financial statements.

For each class of derivative the notional contract amounts[1] are as follows:

	2024 £m	2023 £m
Interest rate swaps	**(1,564)**	(1,727)
Cross-currency interest rate swaps	**(3,588)**	(3,588)
Foreign exchange forward currency	**(1,816)**	(148)
Inflation linked swaps	**(2,366)**	(2,387)
	(9,334)	(7,850)

1 The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the balance sheet date.

10. Financial assets and other investments

	2024 £m	2023 £m
Loans and receivables - amounts due from the ultimate parent[1]	**531**	882
Loans and receivables - restricted cash balances[2]	**358**	468
Loans and receivables - NIC restricted cash deposits	**24**	23
	913	1,373

1 Refers to overnight facility loan to National Grid Plc.

2 Refers to collateral placed with counterparties with whom we have entered into a credit support annex to the ISDA Master Agreement.

The names of the subsidiary undertakings are included in note 30 to the consolidated financial statements.

11. Creditors (amounts falling due within one year)

	2024 £m	2023 £m
Derivative financial instruments (note 9)	**115**	12
Borrowings (note 13)	**718**	380
Trade creditors	**597**	458
Amounts owed to fellow subsidiary undertakings[1]	**37**	40
Other creditors[2]	**54**	17
Accruals and deferred income[1]	**109**	109
	1,630	1,016

1 Amounts owed to fellow subsidiary undertakings are non-interest bearing and settled within 90 days or less.

2 Comparatives restated to more appropriately reflect classification of liabilities between Other Creditors and Accruals and Deferred Income.

12. Creditors (amounts falling due after more than one year)

	2024 £m	2023 £m
Derivative financial instruments (note 9)	**469**	557
Borrowings (note 13)	**9,147**	9,667
Other creditors	**53**	55
Accruals and deferred income	**505**	429
	10,174	10,708

13. Borrowings

The following table analyses the company's total borrowings:

	2024 £m	2023 £m
Bank loans and overdrafts	**118**	155
Bonds	**583**	211
Lease liabilities	**17**	14
Current	**718**	380
Bank loans	**1,336**	1,381
Bonds	**7,757**	8,239
Lease liabilities	**54**	47
Non-Current	**9,147**	9,667
Total borrowings	**9,865**	10,047
Less than 1 year	**718**	380
In 1 - 2 years	**14**	530
In 2 - 3 years	**926**	—
In 3 - 4 years	**396**	915
In 4 - 5 years	**484**	397
More than 5 years by instalments	**736**	781
More than 5 years, other than by instalments	**6,591**	7,044
	9,865	10,047

The notional amount outstanding of the Company's debt portfolio at 31 March 2024 was £10,199m (2023: £10,386m).

None of the Company's borrowings are secured by charges over assets of the Company.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method.

	2024 £m	2023 £m
Gross lease liabilities are repayable as follows:		
Less than 1 year	**17**	14
1 to 5 years	**33**	27
More than 5 years	**59**	50
	109	91
Less: finance charges allocated to future periods	**(38)**	(30)
	71	61
The present value of lease liabilities are as follows:		
Less than 1 year	**17**	14
1 to 5 years	**31**	24
More than 5 years	**23**	23
	71	61

14. Provisions for liabilities

	Decommissioning	Environmental	Deferred taxation	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2023	22	34	1,604	12	1,672
Charged to profit and loss	—	—	192	1	193
Transferred to reserves	—	—	(18)	—	(18)
Utilised	—	(2)	—	—	(2)
Unwinding of discount	—	2	—	—	2
Adjustment for change in discount rate	4	2	—	—	6
At 31 March 2024	**26**	**36**	**1,778**	**13**	**1,852**

Details of the environmental provision and other provisions are shown in note 21 to the consolidated financial statements. Further details on deferred tax including a table showing the movement by each type of temporary difference are shown in note 7 to the consolidated financial statements.

Deferred tax

Deferred tax provided in the financial statements comprises:

	2024	2023
	£m	£m
Accelerated capital allowances	**1,668**	1,487
Other timing differences	**4**	(2)
Pensions liability (note 15)	**106**	119
	1,778	1,604

15. Pensions

National Grid Electricity Transmission plc's employees are members of either the National Grid Electricity Group of the Electricity Supply Pension Scheme (NGEG of ESPS), which is a defined benefit pension plan, or of a defined contribution plan.

Further details of the NGEG of ESPS and the actuarial assumptions used to value the associated assets and pension obligations are provided in note 20 to the consolidated financial statements.

Amounts recognised in the Company balance sheet

	2024	2023
	£m	£m
Present value of funded obligations	**(2,004)**	(2,095)
Fair value of scheme assets	**2,457**	2,600
	453	505
Present value of unfunded obligations	**(31)**	(32)
Net defined benefit pension asset	**422**	473
Related deferred tax liability	**(106)**	(119)
Net pension asset	**316**	354
Changes in the present value of defined benefit obligations (including unfunded obligations)		
Opening defined benefit obligations	**(2,127)**	(2,797)
Current service cost	**(12)**	(17)
Interest cost	**(105)**	(65)
Actuarial gains / (losses) - experience	**4**	(45)
Actuarial gains - demographic assumptions	**44**	23
Actuarial gains - financial assumptions	**39**	701
Past service cost - redundancies	**(3)**	(3)
Liabilities extinguished on settlements	—	(64)
Benefits paid	**125**	140
Closing defined benefit obligations	**(2,035)**	(2,127)
Changes in the fair value of scheme assets		
Opening fair value of scheme assets	**2,600**	3,430
Interest income	**132**	82
Return on assets less than assumed	**(169)**	(948)
Change in longevity swap value	**(6)**	(8)
Administration costs	**(4)**	(3)
Employer contributions	**27**	87
Assets distributed on settlements	**—**	99
Benefits paid	**(123)**	(139)
Closing fair value of scheme assets	**2,457**	2,600

16. Share capital

	Number of shares 2024 millions	Number of shares 2023 millions	**2024 £m**	2023 £m
At 31 March 2023 and 2024 - ordinary shares of 10p each				
Allotted, called-up and fully paid	**437**	437	**44**	44

National Grid Electricity Transmission plc's immediate parent company is National Grid Holdings Limited. See note 29 of the consolidated accounts for further details.

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

17. Other equity reserves

Other equity reserves comprise the cash flow hedge reserve and the cost of hedging reserve. The cash flow hedge reserve will amortise as the committed future cash flows from borrowings are paid or capitalised in fixed assets (as described in note 27 to the consolidated accounts). As the amounts included in other equity reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

	Cost of hedging £m	Cash flow hedge £m	Total £m
At 1 April 2023	(17)	33	16
Net gains/(losses) taken to equity	16	(31)	(15)
Net gains/(losses) in respect of cash flow hedging of capital expenditure	—	(26)	(26)
Transferred to/(from) profit or loss	(1)	69	68
Cash flow hedges transferred to the statement of financial position, net of tax	—	(1)	(1)
Tax	(4)	—	(4)
At 31 March 2024	**(6)**	**44**	**38**

18. Commitments and contingencies

(a) Future capital expenditure

	2024 £m	2023 £m
Contracted for but not provided	**1,629**	1,265

(b) Other commitments, contingencies and guarantees

Guarantees in respect of a former associate amounting to £13 million (2023: £13 million). These are open ended.

Other commitments, contingencies and guarantees in the normal course of business and entered into on normal commercial terms amounted to £7 million (2023: £7 million). There is an additional £17 million contingency for the portion of decommissioning costs of Western Link HVDC not recognised in the provision (See note 21 of the consolidated financial statements).

Through the ordinary course of our operations, we are party to various litigation, claims and investigations. We continue to engage with Ofgem in relation to its investigation into maintenance of the Harker electrical substation in Cumbria and as such, the outcome is uncertain. We do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on our reported results of operations or financial position for 2023/24.

The company had no other off balance sheet commitments.

19. Related party transactions

The following transactions are with joint ventures and associates of the ultimate parent company, and are in the normal course of business. Other related party transactions with wholly owned members of the National Grid Group are not disclosed, in accordance with the exemptions available under FRS 101.

	2024	2023
	£m	£m
Goods and services supplied	**66**	11
Services received	**2**	—
Amounts receivable at 31 March	**8**	—
Amounts payable at 31 March	**1**	—

Amounts payable or receivable are ordinarily settled one month in arrears. £ nil (2023: £nil) has been provided at 31 March 2024 and £nil (2023: £nil) expense has been recognised during the year in respect of bad or doubtful debts from the above related party transactions.

Glossary and definitions

References to the 'Company', 'we', 'our' and 'us' IFRS refer to National Grid Electricity Transmission plc International Financial Reporting Standard. itself or to National Grid Electricity Transmission plc and its subsidiaries collectively, depending KPI on context.

ASTI

Accelerated Strategic Transmission Investment

CDP

Carbon Disclosure Project

CoA

Certificate of Assurance

CPIH

The UK Consumer Prices Index including Owner Occupiers' Housing Costs, as published by the Office for National Statistics.

DEI

Diversity, Equity and Inclusion

Delivery Body

Under the Energy Act 2013, and secondary legislation which came into force in August 2014, National Grid Electricity Transmission's system operator function became the EMR Delivery Body. In this role National Grid Electricity Transmission provides independent evidence and analysis to the UK Government to inform its decisions on the key rules and parameters to achieve the Government’s policy objectives under EMR. National Grid Electricity Transmission also administers the capacity mechanism, including running the annual capacity auctions, manages the allocation of contracts for difference to low carbon generators and reports to the Government annually on performance against the Government’s delivery plan.

DESNZ

Department for Energy Security and Net Zero

Diversity

Unless otherwise stated, when we use the term diversity in relation to our workforce, we are referring to the following characteristics - gender, disability, sexuality, and ethnic and racial background

DLR

Dynamic Line Rating

DNO

Distribution Network Operator

EAP

Environment Action Plan

ED

Electricity Distribution

ER

Emerging Risk

ERM

Enterprise Risk Management

ESO

Electricity System Operator

EU

European Union

FRS

Financial Reporting Standard

FSO

Future System Operator

GAAP

Generally accepted accounting principles

GHG

Greenhouse gas

GPR

Group Principal Risk

GRI

Global Reporting Institute

GW

Gigawatt, 10^9 watts

GWh

Gigawatt hours

HSE

Health and Safety Executive

IAS

International Accounting Standard

IASB

International Accounting Standards Board

IFRIC

The International Financial Reporting Interpretations Committee, which provides guidance on how to apply accounting standards.

IFRS

International Financial Reporting Standard.

IUG

Independent User Group

KPI

Key Performance Indicator.

KRI

Key Risk Indicator

Lost time injury (LTI)

A work-related injury which causes a person to be away from work for at least one normal shift after the shift on which the injury occurs, because the person is unfit to perform his or her duties.

LTIFR

Lost time injury frequency rate

National Grid

National Grid plc, the ultimate parent company of National Grid Electricity Transmission plc and its controlling party.

NESO

National Energy System Operator, the new independent company responsible for planning Britain's electricity and gas networks and operating the electricity system after separation from National Grid.

Ofgem

The Office of Gas and Electricity Markets

PC26

Regulatory period due to commence in 2026.

PR

Principal Risk

RBC

Responsible Business Charter

RBR

Responsible Business Report

Regulatory asset value (RAV)

The value ascribed by Ofgem to the capital employed in the licensed business. It is an estimate of the initial market value of the regulated asset base at privatisation, plus subsequent allowed additions at historic costs, less the deduction of annual regulatory depreciation. Deductions are also made to reflect the value realised from the disposal of certain assets that formed part of the regulatory asset base. It is also indexed to the CPIH to allow for effects to inflation.

Regulated controllable operating costs

Total operating costs under IFRS less depreciation plus / minus certain regulatory costs where, under our regulatory agreements, mechanisms are in place to recover such costs in current or future periods.

RIIO

Revenue = Incentives + Innovation + Outputs, the regulatory framework for energy networks issued by Ofgem which started on 1 April 2021.

RoE

A performance metric measuring returns from the investment of shareholders' funds.

Regulated return on equity is a measure of how a business is performing operationally against the assumptions used by Ofgem. These returns are calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure of 55% gearing, at the assumed cost of debt, and that inflation is equal to a long-run assumption of 2% CPIH under RIIO-2.

RPI
UK Retail Price Index

SASB

Sustainability Accounting Standards Board

SF6

Sulphur hexafluoride

SI

Strategic Investment

SOx

Sarbanes Oxley Act

tonnes CO2 equivalent

Measure of greenhouse gas emissions in relation to the impact of carbon dioxide

TW

Terawatt, 10^{12} watts

TWh

Terawatt hours