

National Grid Electricity Transmission

2024 RIIO-T3 Business Plan

Investor Relations | December 2024



“This plan represents the most significant step forward in the electricity network that we’ve seen in a generation. Through it we will nearly double the amount of energy that can be transported around the country, support the electrification of the industries of today and tomorrow; create new jobs; and support inward investment for the UK.

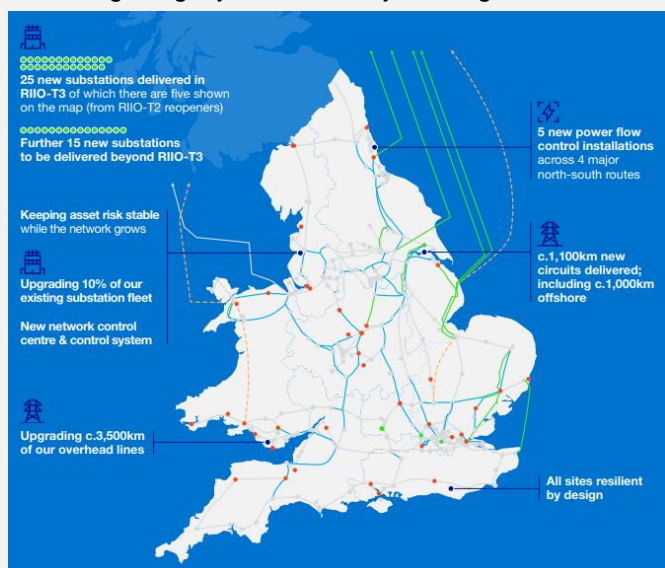
It is an ambitious plan, set to future proof the network with strategic capacity and flexibility for the longer term. We’ve laid the foundations for its delivery through the steps we’ve already taken to progress the Accelerated Strategic Transmission Investment (ASTI) projects, secure the supply chain, and fund the wider Group. We have done this whilst keeping a relentless focus on consumer bills and affordability.

It is now critical that Ofgem plays its part in developing an investable framework that will allow us to deliver at the unprecedented scale and pace that is needed to meet the UK’s ambitious climate goals.”

John Pettigrew, CEO of National Grid plc

Our RIIO-T3 Plan for England and Wales

- Near doubling the power that can flow across the country
- Leaving a legacy of community and regional benefits



Key elements of business plan

	Investment request
RIIO-T3 step change in workload	Up to £35bn

- Requested ROE of 6.31% (CPIH real at 60% gearing), translates to ROE of 5.83% at 55% gearing
- Baseline investment: c.£11bn to maintain and upgrade existing networks; and first three ASTI projects
- Pipeline investment: c.£24bn, including c.£15bn to increase network capacity (mostly 14 ASTI projects); and additional potential projects that may be triggered by UK government’s clean power plan
- Develop and deliver 17 ASTI projects, and the upgrade of c.3,500km of our existing overhead lines, nearly doubling the amount of power we can transfer around the country
- To provide capacity for 35GW¹ of new generation and storage and support 19GVA¹ of demand customers to connect
- Target to maintain 99.9999% network reliability
- 50% reduction in our emissions and biodiversity net gain equivalent to more than 8,000 acres of land

Evolving societal needs

- This plan is based on NESO’s 2024 Future Energy Scenario ‘Holistic Transition’, in line with Ofgem’s guidance and can be adapted to meet the UK government’s clean power plan.
- Whilst the specific investments required will be clarified through NESO’s connection reform process in 2025, the RIIO-T3 plan further underpins and is consistent with our expected £60 billion investment across the group for the five years to March 2029.

RIIO-T3 Timeline



1. Active Power measured in Giga Watts; Apparent Power measured in Giga Volt Amperes

Financial Summary

RIIO-T3	National Grid Electricity Transmission (NGET) proposed assumptions	How this aligns to SSMD broad framework
Asset lives	40 years straight line for new additions Acceleration of the RAV differential over 10 years from the start of RIIO-T3	Ofgem's Sector Specific Methodology Decision (SSMD) allows for adjusting cash levers where there is new evidence or to solve for financeability challenges. We present evidence based on economic principle and to support financeability
Capitalisation rate	Natural rate for baseline and pipeline spend, +6% fast money for UMs	
Index linked debt (ILD) assumption	ILD assumption of 20%	SSMD included a 30% assumption but recognised company-specific debt structure would be reviewed
Dividend yield	3%	3%
Gearing	55%	55%
Cost of equity (real CPIH stripped at 55% gearing)	5.83% (6.31% at 60% gearing)	6.31% at 60% gearing is within the Ofgem SSMD range of 4.57-6.35% and supported by our parameter evidence
Return on debt	RAV weighted trailing average mechanism with 25bps of additional borrowing costs and nominal allowance on fixed rate debt. 3.32%	3.13%
WACC (CPIH stripped at 55% gearing)	Semi nominal 5.36%	Semi nominal 4.78% (mid-point of Ofgem's range)

The economic context is different to when RIIO-2 was set

The macro environment has moved to a 'higher for longer' versus 'lower for longer' interest rate environment.

The scale of investment (up to £35bn) is unprecedented. The investment required for the 17 ASTI projects alone is significantly more than our RIIO-T2 allowances.

There is fierce international competition for capital to deliver net zero and other global infrastructure, with governments and regulators taking action to get ahead.

Our forward risk profile is increasing with the scale of investment, new technology and supply chain and labour constraints.

Customer impact

Decarbonising our power system will bring more clean energy to consumers and reduce the UK's dependence on fossil fuels, which are subject to global price volatility, leading to more stable bills and keeping bills lower in the longer term.

The new infrastructure we are building will also move this clean power across the country, and reduce the costs to consumers of constraining renewables, realising billions of pounds of consumer value.

We expect our element of consumer bills to rise during the period from c.£23 in 2026, to c.£44 in 2031. We also expect that c.£12bn of additional constraint costs on the system can be avoided over the RIIO-T3 period, equating to c.£40 on average per year per consumer.

Important notice

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's (the Company) financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'aims', 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward looking statements. 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Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control, predict or estimate precisely, such as changes in laws or regulations and decisions by governmental bodies or regulators, including those relating to current and upcoming price controls in the UK and rate cases in the US, as well as the future of system operation in the UK; the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption, the inability to carry out critical non-network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities; reliability of and access to IT systems, including or due to the failure of or unauthorised access to or deliberate breaches of National Grid's systems and supporting technology; failure to adequately forecast and respond to disruptions in energy supply; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, as well as against targets and standards designed to support its role in the energy transition; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. 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For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 226 to 231 of National Grid's most recent Annual Report and Accounts as updated by the principal risks and uncertainties statement in its most recent half year results statement. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document.

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