Electricity Transmission

Our Performance 2023/24

nationalgrid

Alice Delahunty welcome message - Executive summary

Welcome to this, the third annual performance report for the RIIO-T2 price control period which began in April 2021 and runs through to March 2026. At the end of the third year of the RIIO-T2 price control period, we have performed solidly for our customers – and ultimately for end consumers – by delivering safe, efficient, and reliable transmission services. This has been a year when the scale of change required to decarbonise the electricity system has become apparent, as exemplified by the size of the connections pipeline and efforts from all sides to reform the system, the growing pressures in global supply chains and the challenges of planning and executing our work on an increasingly more complex power system. We are delivering our work in this changing context, adapting our ways of working to respond to the changing environment as we look ahead to RIIO-T3. In this report, we will focus on what we have delivered in the third year of this price control and look forward to the rest of RIIO-T2 and beyond.

We stand at a critical point in the UK's energy transition. All three points of the energy trilemma – security of supply, affordability, and decarbonisation – remain in sharp and unrelenting focus. As the backbone of the UK's energy system, we play a crucial role in facilitating and driving forward the transition to a clean, fair and affordable energy future. I know our work will be pivotal to the sector and making this future a reality.

We remain committed to delivering against the Government's Net Zero target by 2050. We have continued to play a central role in the decarbonisation agenda, making investments that support the connection of new generation technologies, responding to changing patterns of demand and making good progress towards Net Zero. Over the last year, we have launched our 'Great Grid Upgrade' which is the largest overhaul of the electricity grid in generations. It will help the UK switch to clean energy and make sure our electricity network is fit for the future, carrying more clean, secure energy from where it's generated to where it's needed.

Alongside this, we have launched the Great Grid Upgrade Partnership, creating partnerships with our supply chain to deliver this overhaul of the grid. This approach aims to deliver integrated planning and working between projects, enabling the supply chain to combine capacity, capability, knowledge and experience to accelerate delivery and achieve cost efficiencies – in turn delivering value for money for consumers and working with local communities to leave a positive legacy. The Partnership will also create new capacity in the supply chain, because of the investments our partners can make as a result of us making longer-term commitments.

In addition, we are pleased to have agreed a regulatory funding framework to enable the timely delivery of the 17 major new projects which will connect low carbon power to our network under the Accelerated Strategic Transmission Investment (ASTI) framework. These projects, which are a vital part of achieving the new Government's ambitions of decarbonising the electricity sector, need to be progressed at pace. Delivery of these projects will help cut emissions and deliver Net Zero, as well as lowering consumer bills, and will increase the UK's energy security by boosting homegrown renewable energy generation. Over the last year, we have made good progress with these ASTI projects, submitting Project Assessments for three of them (Eastern Green Links 1 & 2 and Yorkshire Green) to agree funding. We have also submitted several Early Construction Funding (ECF) applications and are progressing a number of Technical Assessments to share our options assessment process with Ofgem.

We are connecting more customers to our network than assumed at the time of the RIIO-T2 baseline plan, with a forecast 100% increase over the RIIO-T2 period in the number of generation connections - connecting an extra 2.2GW to the transmission network - and a 60% increase in the number of demand connections - connecting an extra 1.63GVA. For example, we have connected the first phase of the Dogger Bank offshore wind farm to our electricity transmission network, following work to reinforce our Creyke Beck 400kV substation in Yorkshire. This was a major milestone in the development of the offshore wind industry and the transition to a cleaner, more secure energy system. We've also energised our Littlebrook substation in Kent after replacing the old infrastructure, including the use of SF_6-free gas insulated connections which has dramatically reduced the amount of SF_6 at the site. The new substation will enable 2GW of low carbon and renewable energy to power around 1.5 million homes and is a big step forward in achieving our commitment to reduce our SF_6 emissions by 50% by 2030 and delivering our long-term Net Zero targets.

In terms of RIIO-T2 financial performance, changes to our RIIO-T2 Outputs are triggering corresponding changes to baseline allowances. We are reporting an allowance increase of £2.1bn since baseline allowances were set, excluding agreed funding for the first of the ASTI projects. This increase is due to mechanisms within the price control such as re-opener submissions made to date, uncertainty mechanism adjustments to reflect changing outputs within the load-related portfolio and some future end of price control adjustments expected.

When 'adjusted' allowances are compared to our forecast spend over the RIIO-T2 period, we are reporting an underspend of £0.2bn (before the operation of the Totex Incentive Mechanism, which would return 67% of this to consumers). The waterfall diagram included in the overview of year three and forecast RIIO-T2 performance section of this report illustrates that, at the highest level, the RIIO-T2 framework is correctly adjusting allowances in line with changing Outputs and Price Control Deliverables.

I am proud to report that our Electricity Transmission business has continued to perform well for our customers and ultimately for end consumers by delivering safe, efficient, and reliable transmission services in 2023/24. Our performance in the areas that matter to you includes:

- Safety – Safety remains our number one priority but unfortunately our overall Injury Frequency Rate (IFR) of 0.14 is above the level we strive to achieve. Therefore, as we look forward to our growing workload, we have increased the scope, remit and engagement in our Contractor Safety Forum, and will continue our Behavioural Safety programme assisting leaders and teams with the tools and techniques for coaching for safety. The reduction of all incidents, especially those with potential to harm, remains a key driver in National Grid Electricity Transmission (NGET).
- Reliability - We are committed to delivering a reliable network, which our stakeholders consistently tell us is critical for them. We have maintained our record of strong performance, exceeding our reliability target for another year with 0MWh of incentivised 'Energy Not Supplied' in 2023/24 against an incentive neutral point of 147MWh. This equates to an average network reliability of 99.999998%. We have continued to invest in the network for the benefit of future consumers and customers, managing network risk and maintaining longer-term system reliability.
- Customer Connections – During 2023/24, 1,375 connection offers were made. This is the most we have ever made in a year, representing a 112% increase in offers sent to customers compared to last year. However, of these, three offers were made outside the expected timescales which will result in a financial penalty of £0.2m.
- Quality of Connections – This incentive covers the customer experience throughout the connections journey. Performance for 2023/24 was slightly below target (7.7) with a score of 7.2. We have worked hard in this area; however, this score reflects a year of both challenging and encouraging developments in the connections landscape. We have continued to see increasing numbers of connection applications, driving an increased volume of required enabling works, in turn pushing out connection dates which has impacted customer satisfaction. National Electricity System Operator (NESO) data indicate that up to two-thirds of these projects will not connect, meaning other viable projects are unnecessarily delayed. These frustrations underpin what our customers have been feeding back through our surveys when scoring us unfavourably.
- Environment – We are incentivised to further reduce our carbon emissions, improve the natural environment and reduce our resource use to meet our business targets for net zero. The Environmental Scorecard measures our efforts against these criteria, and we are very pleased to report that we have outperformed on all elements of the scorecard this year. We continue to look to further reduce our environmental impact.
- SO:TO Optimisation – this incentive is designed to encourage collaboration with the NESO to identify and provide additional solutions beyond business-as-usual activities to help reduce constraint costs for consumers. In 2023/24, we delivered 25 enhanced services solutions successfully which have resulted in over £41.7m 'actual' constraints savings. Our performance in 2023/24 results in an ODI reward payment of £5.9m. This reward exceeds the £5.0m reward cap that existed in FY22 and FY23 when the incentive was trialled and reflects changes to the incentive calculation for FY24-FY26 that Ofgem introduced in January 2024.

In the coming year, we will be working closely with stakeholders as we refine our business plans for the next regulatory price control period starting in April 2026, so we can deliver investments that are important to you and help drive towards a clean, fair, and affordable energy future.

I hope you find this report informative and welcome your feedback on how we can improve our reporting in the future.

Alice Delahunty
President National Grid Electricity Transmission

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Performance infographic

How have we performed compared to the primary outputs of the RIIO-T2 framework? This infographic shows our headline performance in areas that you told us are important to you:

- meeting the needs of consumers and network users.
- maintain a safe and reliable network.
- deliver an environmentally sustainable network.

We have had a good year as we transform our business to help support the drive toward Net Zero whilst minimising the impact on consumers' bills.

Safety

Met all legal and health and safety requirements.

Injury frequency rate 0.14 per million hours worked is a reduction on previous year. Actions being taken to further reduce to below 0.1.

Environmental

SF_6 leakage below allowed level in 2023/24 and ahead of 2026 target of 33% reduction.

Business carbon footprint 17% lower than baseline position.

Network Availability

Network Access Policy (NAP) in place delivering efficiencies in system outage planning. Third KPI report published Aug 2024.

Customer Satisfaction

Measured in "Quality of Connections" survey and scored 7.2/10 versus a target of 7.7, the same score as last year.

Plans are in place to close the gap to target, and actions are ongoing to improve all customers' journeys from pre-application through to commissioning their assets.

Our costs contribute £24.50 or 1.9% of average domestic customer bill

5 year spend - £7.6bn

5 year allowances - £7.8bn

Reliability

A single incentivised Energy Not Supplied event in 2023/24 - 99.999998% system reliability.

This equates to 0MWh lost against a neutral point for this incentive of 147MWh of Energy Not Supplied.

Generation and Demand

We connected 3GW of Generation in 2023/24 and our current forecast for the RIIO-T2 period indicates a connection volume of 16.5GW compared to a baseline of 13.5GW.

We delivered two demand connections in 2023/2024, connecting 500MVA to the network. Our current forecast for the RIIO-T2 period shows that we will exceed our baseline of 2,680MVA by 2,296MVA.

Customer Connections

Met all customer requirements to connect to the transmission network during 2023/2024.

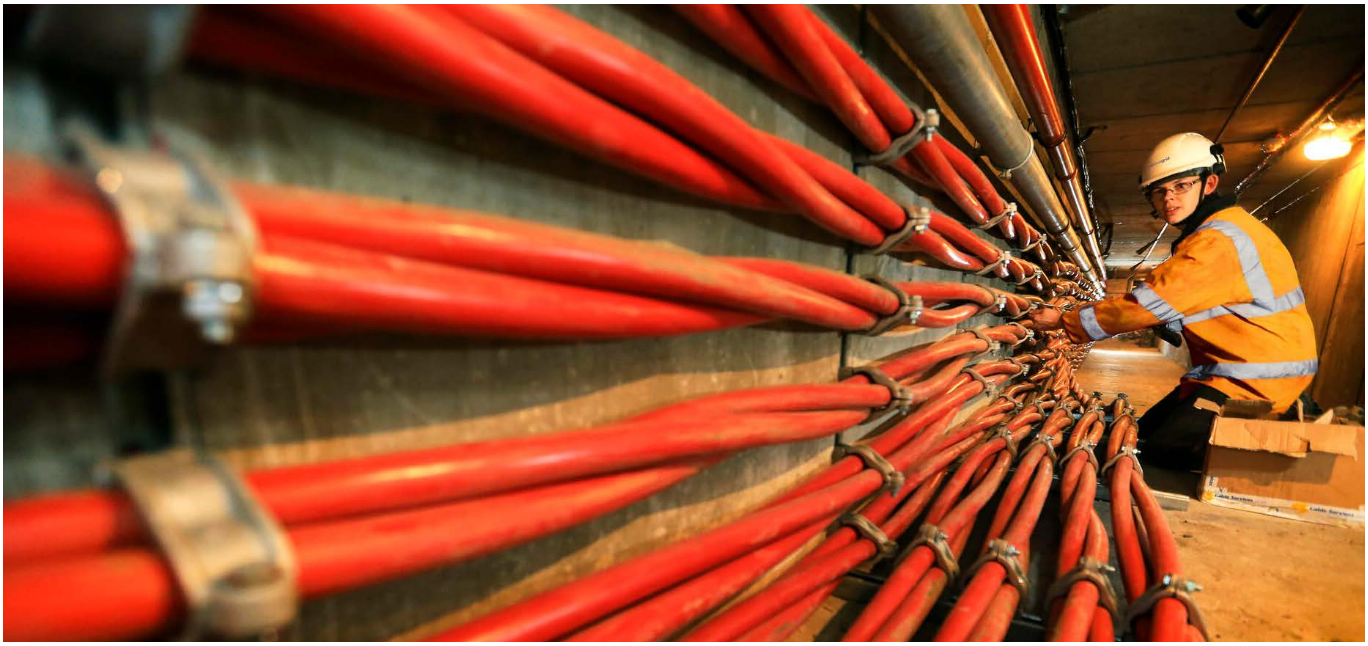
Highest ever number of customer offer requests made in 2023/2024 (1,375 in total) with all but three sent within the required timescales. This led to a £20k penalty in the incentive.

An overview of year three and forecast RIIO-T2 performance.

Five-year expenditure is broadly in line with adjusted allowances.

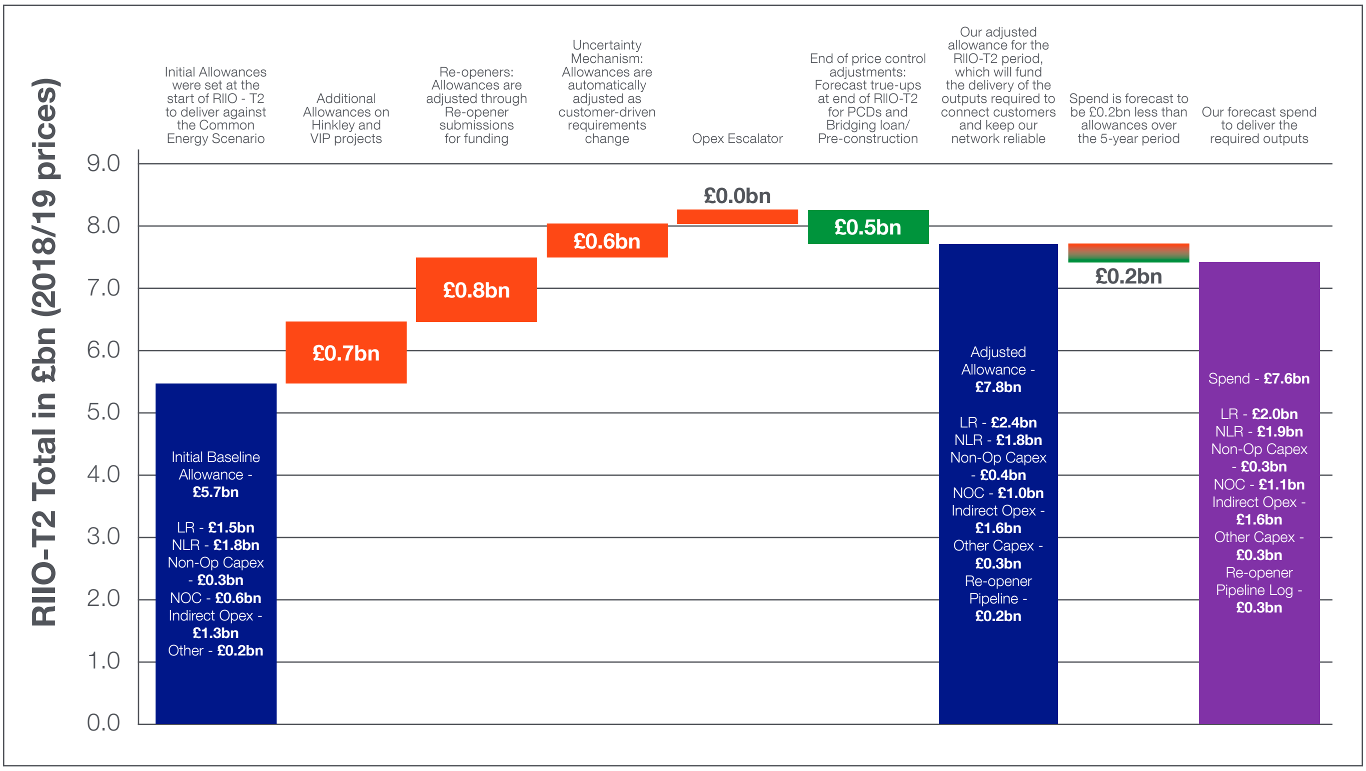
The Regulatory Reporting Pack RRP is a large report supported by a significant number of data tables that we share with Ofgem each July detailing the work we have done and the costs we have incurred. The Cost & Volume tables show forecast expenditure of £7.6bn against Final Determination Allowances of £5.7bn – a difference of £1.9bn. Since Final Determination, there have been updates to allowances to reflect our latest view of movements including re-openers submitted, the operation of uncertainty mechanisms and anticipated end of price control adjustments via Price Control Deliverable (PCD) mechanisms. These updates add a further £2.1bn of allowances over the price control period, bringing forecast expenditure to £0.2bn less than 'adjusted' allowances for the 5-year price control period and is shown split across the different reporting categories in the table below.

	Final Determinations	Adjustments to Allowances	Adjusted Allowances	Forecast Spend	Regulatory Performance
Load Related	1.5	1.0	**2.4**	2.0	**0.4**
Asset Replacement	1.8	0.0	**1.8**	1.9	**-0.1**
Non Operational Capex	0.3	0.1	**0.4**	0.3	**0.1**
Network Operating Costs	0.6	0.3	**1.0**	1.1	**-0.1**
Indirect Costs	1.3	0.3	**1.6**	1.6	**0.0**
Other Costs	0.2	0.2	**0.3**	0.3	**0.0**
Re-opener Pipeline Log	0.0	0.2	**0.2**	0.3	**-0.1**
National Grid Total (£bn)	**5.7**	**2.1**	**7.8**	**7.6**	**0.2**



The following graphic shows the five-year forecast and demonstrates how the price control mechanisms operate to adjust allowances from Final Determinations as requirements change. The graphic also demonstrates the corresponding impact on the overall difference between spend and allowance.

NB Please remember that this waterfall excludes spend and agreed funding for ASTI projects.



The overall performance that will be reported in the Regulatory Financial Performance Report (RFPR) will show forecast costs as £1.2bn below allowances (a reduction in underspend compared to the last year's view which reported forecast costs to be £1.3bn below allowances). The two reports have a different scope when reporting performance but are based on the same underlying data. The table below outlines the additional elements which are included in RFPR to drive the £1.2bn difference in reported performance to RRP.

£bn 2018/19 prices	National Grid Total	Load Related	Asset Replacement	Non Operational Capex	Network Operating Costs	Indirect Costs	Other Costs	Re-opener Pipeline Log
Spend vs Final Destinations	**-1.9**	**-0.5**	**-0.1**	**-0.1**	**-0.4**	**-0.3**	**-0.2**	**-0.3**
Adjusted allowances	**2.1**	1.0	0.0	0.1	0.3	0.3	0.2	0.2
Regulatory underspend	**0.2**	**0.4**	**-0.1**	**0.1**	**-0.1**	**0.0**	**0.0**	**-0.1**
Phasing of allowances	**0.3**	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Edge Effects	**0.5**	0.0	0.4	0.0	0.0	0.0	0.1	0.0
Adjusted spend vs allowances	**1.0**	**0.7**	**0.3**	**0.1**	**-0.1**	**0.0**	**0.0**	**-0.1**
Ongoing efficiency ambition	**0.1**	0.1						
Other	**0.1**	0.1						
National Grid underspend against allowances	**1.2**	**1.2**						

The categories of adjustment embedded into the RFPR position are:

- Adjustments to reflect timing of spend (phasing allowances and edge effects in the table above) of £0.8bn which is further explained below.
- Ongoing efficiency ambition not embedded at project level of £0.1bn.
- Other adjustments totalling £0.1bn. This is a mix of output delivery incentive (ODI) performance, the effect of profits for the unlicensed work that we carry out for the benefit of our customers, and the expected adjustments to be made at the end of this price control period.

Adjustments to reflect timing of spend: when considering our performance against allowances, we have adjusted allowances to match the phasing of output delivery. This is in line with the reversal of enduring value adjustments we made during the RIIO-T1 period, with allowances adjusted from the RIIO-T1 period falling into two categories:

- **Phasing of allowances:** allowances relating to load-related projects initiated in RIIO-T1 but completing in the first two years of RIIO-T2 (known as RIIO-T1+2) have been re-profiled for financial reporting purposes to recognise the performance when the output is delivered. This has resulted in an additional £0.3bn of allowance being recognised in the RIIO-T2 period.
- **Edge Effects:** this refers to the impact on performance of projects crossing price control periods and shows an apparent over- or under-spend in one price control period which is offset in the other price control period. The impact of edge effects has been exacerbated in the early part of RIIO-T2 due to the challenges imposed by Covid-19 at the end of the RIIO-T1 period, which delayed some interventions into RIIO-T2. NGET plans to undertake these replacements during the RIIO-T2 period in addition to delivering the commitments made as part of the RIIO-T2 contract. Financial reporting has re-profiled allowances to reflect this revised position, with additional allowances of £0.5bn being delayed from RIIO-T1 and recognised financially in the RIIO-T2 period even though they are not RIIO-T2 allowances and do not therefore feed into the RRP24 regulatory reporting tables.

Our ongoing efficiency ambition: NGET has stated its ambition to continue to seek additional efficiency through improving and innovating its approach to operating, maintaining, replacing and extending its transmission network. As reported in previous RRP submissions, there are a number of initiatives being developed to improve our overall efficiency. Some of these have been implemented in the first three years of RIIO-T2 and some are not yet factored into our project-level forecasts and so cannot be included in the RRP Cost & Volume tables as currently formulated. At the start of the RIIO-T2 period, our ambition was to achieve £500m of efficiencies. As of this year's annual reporting, we have embedded £401m of efficiencies across our activities. The remaining £99m of ambition remains included at a high level in our financial forecasts and is included in the Price Control Financial Model to ensure the forecast benefit is passed to consumers in a timely manner.

Load-Related 5-year view
The Load-Related plan, that is the work to connect customers to the network and make wider network reinforcements, is forecast to deliver the outputs required to meet customer needs for £2.02bn of direct capital expenditure, £418m less than adjusted allowances of £2.44bn. The adjusted allowance position represents an increase of £986m from Final Determinations, predominantly driven by:

- Increase to allowances of £1.2bn, resulting from the application of volume drivers for generation, demand and wider works reflecting the increased need for investment in response to changing customer needs.
- Decrease to allowances of £311m reflecting anticipated future adjustments for bridging allowances provided for the delivery of outputs beyond the second year of RIIO-T3 and adjustments relating to pre-construction funding through the Price Control Deliverable mechanism.

In the Load-Related portfolio, we have analysed the differences between spend and allowance in order to categorise it as either:

- Efficiency or inefficiency - includes projects with specific examples where costs increased or decreased as a direct result of our action.
- External factors outside of our control - will include projects where changes have resulted due to changing customer or NESO requirements.
- Assumptions made within the price control settlement that have varied against the actual position - will include cost changes resulting from changes in scope that has not been subject to a change in customer or NESO requirements, or where the allowance mechanism has changed.

Based on the above methodology, the £407m difference[1] between cost and allowances has been allocated in the following manner (where a positive number is an underspend).

Investment Category	Efficiency	External Factors	Change in Assumptions	Total
Demand	5.3	34.2	19.0	**58.4**
Generation	0.0	-48.4	47.3	**1.1**
General Wider Works	0.0	52.0	3.0	**55.0**
Wider Works	5.7	231.2	12.8	**249.6**
Pre-Construction	59.8	1.0	3.1	**63.9**
LOTI	0.0	-1.8	0.0	**-1.8**
HINK-SEAB	0.0	-17.3	0.0	**-17.3**
Sub-total	**70.8**	**250.7**	**85.2**	**406.7**
Investment Avoided/ Deferred via Technical Limits	6.2			
Total	**77.0**	**250.7**	**85.2**	

Load-Related 2023/24 Performance

In 2023/24, direct capital expenditure on the Load-Related portfolio was £351m which is £175m less than adjusted allowances of £526m. In addition to the performance factors over the 5-year period, for 2023/24 there is an additional factor for volume-driven (uncertainty mechanism) projects which is the result of misalignment between the generic phasing of allowances compared to a project-specific view of spend across the RIIO-T2 period. This affects some projects with shorter or longer lead times than the assumed 4-year period allowances are profiled over. Based on our plan, we estimate that lead-time-related phasing issues have contributed £104m to the apparent difference between spend and allowance in 2023/24.

Asset Health 5-year view

The 2023/24 asset health related plan, which is our work to replace or refurbish existing equipment on the transmission network, shows a forecast spend of direct capex £1.9bn over the RIIO-T2 period, which is £81m more than adjusted allowances of £1.8bn. The allowance adjustments reflect reductions for work not now forecast to be completed, balanced with additional allowances agreed through re-openers.

The net £81m overspend has been predominantly driven by:

- Spend on delivery of outputs outside the RIIO-T2 submission. These are not RIIO-T2 regulatory outputs and have no baseline allowances and therefore appear as overspend.
- LPT2 is the only ‘ring-fenced Network Asset Risk Metric (NARM)’ project and is showing a £36m increase in spend compared

[1] We have not categorised the allowance for North Wessex VIP for which the project relating to the £11.5m baseline allowance appears as a re-opener on the VIP table.

with allowances in RIIO-T2 due to timing changes (‘Edge Effects’) and bringing decommissioning works for the Hurst to Crayford circuits into RIIO-T2.

- There is also a £20m overspend associated with the NARM category of assets, largely due to delays to major site-based schemes for circuit breakers (covered by the NARM framework). This is broadly balanced by an underspend in the remaining four NARM categories which have seen a reduction in spend due to delivery challenges.

The above overspends are offset by underspends on our RIIO-T2 mechanistic PCD categories, specifically Protection & Control and Overhead Line Conductor. For the Asset Health portfolio, we have also assessed the differences between spend and allowance. Based on splitting the differences in cost and allowance by the column headings in the table below, the £81m forecast overspend vs allowances has been allocated in the following manner:

Asset Health	Efficiency / Inefficiency	External Factors	Change in Assumptions	Total
Baseline (substation cable, condition monitoring, tower painting, spares, tunnels, through wall bushings)	-£8m	£0m	£-16m	-£24m
NARM (Transformers, Reactors, Switchgear, Overhead line fittings and Cable replacements)	£3m	£8m	-£31m	-£20m
London Power Tunnels	£0m	£0m	-£36m	-£36m
Price Control Deliverables (Bay assets, Instrument Transformers, Overhead line conductors Protection & Control, SF_6 Interventions	£131m	£46m	£18m	£195m
Use it or lose it (UIOLI)	-£1m	£0m	£0m	-£1m
Re-Opener	£-22m	£0m	£0m	-£22m
Costs Outside Submission (completion of interventions from RIIO-T1)	£0m	£0m	-£174m	-£174m
Total	**£104m**	**54m**	**-£239m**	**-£81m**

Asset Health 2023/24 Performance

In 2023/24, direct capex expenditure on the Asset Health Related portfolio was £326m which is £104m less than adjusted allowances of £430m. This difference between spend and allowance is predominantly driven by the following:

- The misalignment of and incomplete allowance adjustments within year.
- Difficulties with contractor availability which started in FY22 and have continued.
- Equipment supply delays, due to increasing lead-times in a globally constrained market.
- The evolving nature of customer projects impacting on system access for asset health interventions.
- Some planned asset health replacement activities being superseded by load-related investments and therefore removed from the asset health plan.

Non-operational Capex 5-year and 2023/24 view.

Our Non-Operational capex is spend on IT, Property and Fleet. The expectation is that total Non-Operational Capex in the RIIO-T2 period will be £74m less than total allowances of £393m (including re-opener allowances).

IT investment for the SCADA programme (how our network control systems are being replaced) forms the majority of this reported underspend. At the time of table population, however, a re-baselining of the SCADA programme was underway to capture an updated delivery profile; updating for these changes increases the forecast

RIIO-T2 period spend to £372m which is £21m lower than the post-reopener allowances.

Our Non-Operational capex spend on IT, Property and Fleet in 2023/24 was £74m which is £21m lower than adjusted allowances of £95m. This reflects lower IT expenditure, which has largely been driven by re-phasing into future years. The remaining variance is made up of Property investment being lower than allowances, offset by higher vehicle purchases and EV charging investment.

Network Operating and Indirect Costs 5-year and 2023/24 view.

Network Operating Costs (NOC) are the total spend on faults, inspections, repairs and maintenance, vegetation management and legal and safety. It is forecast to be £737m, which is £81m higher than the adjusted allowance position of £656m for the RIIO-T2 period. The main drivers for this difference between spend and allowance is £46m overspend on legal and safety (predominantly flood defence work) and a £44m overspend on own-use electricity at substations.

In 2023/24, the total spend was £147m which was £15m more than allowances; this is mainly due to an increase in own-use electricity costs at substations (£7.6m) along with an overspend of £11.4m within the 'Repairs' category, mainly due to a single major repair. This overspend is partially offset by an underspend on Inspections.

Visual Amenity

For the visual amenity projects, our forecast is to spend £313m during RIIO-T2, a £6m underspend compared to adjusted allowances of £319m. This underspend is driven by a re-profiling of spend within the Eryri (Snowdonia) project; actual spend is not aligned with the assumed profile at the time of determination as delays were experienced in the launch shaft design which moved the Tunnel Boring Machine launch date back to April 2025.

Return on regulated equity (RoRE)

The Return on Regulatory Equity (RoRE) figure is a key measure by which Ofgem compares operational and financing performance across Network Operators. This encompasses the costs and allowances associated with a regulated business, including totex, financing, tax, incentive performance and company-funded innovation costs. A key concept in the RoRE calculation is enduring value.

RoRE aims to show the full value earned by the regulated company during the price control period. This is based on the enduring value, being the true value of the regulated business over the course of the price control. The enduring value of the business factors in the financial impact of any decisions or future events which have yet to be reflected in Revenue and RAV but are known at the time of estimation. Where possible forecasting is utilised to give a view of the true value of the regulated business, however, it does not accommodate all required adjustments. Therefore, several adjustments have been applied since the completion of last year's report. These adjustments rephase allowances in line with spend to ensure performance is recognised when outputs are delivered. The enduring value adjustments impact on the network's return and RAV and ultimately RoRE. Please note that the biggest factor in the in-year RoRE value is the large decrease in financing, from 6.2% last year to 3.9% this year, due to the reduction of inflationary pressures.

RoRE for 2023/24 and the RIIO-T2 period comprise the following components:

	2023/24	RIIO-T2 average
Allowed Return	4.9%	4.8%
Totex performance	1.0%	1.2%
Business plan incentive	(0.2%)	(0.2%)
Non-totex incentives and innovation	0.1%	0.0%
RoRE – operational performance	**5.7%**	**5.9%**
Financing	3.9%	2.5%
Tax	0.1%	0%
RoRE including financing	**9.8%**	**8.4%**

Impact on consumer bills

Our revenues are recovered through the NESO charging our customers for the services we provide. Network costs for both transmission and distribution are reported to make up around 20% of the domestic electricity bill. Of this total bill, £24.50 is attributable to National Grid's Transmission Owner costs which equates to 1.9% of the average annual domestic electricity bill. This is slightly higher than last year; however, our latest position shows that the bill impact is forecast to reduce over the remaining years in RIIO-T2.

Ofgem's RIIO-T2 framework ensures that two-thirds of any efficiency savings that we have delivered are passed onto customers resulting in lower network charges, and therefore lower electricity bills for the end consumer. In addition, consumers are benefiting from the wider value that investment in our network supports in terms of facilitating an energy sector which is less reliant on imported fossil fuels, which will in turn lead to lower and less volatile end-consumer prices.

Looking forward

We have made a draft RIIO-T3 submission to Ofgem at the same time as our RRP submission; this sets out our longer-term roadmap and strategy to ensure alignment with the UK's 2050 Net Zero targets. We will continue to develop our plans ready for our final submission in December 2024, and are actively working with Government and the NESO to understand what the new ambition for decarbonising the power sector by 2030 means for our RIIO-T3 plan.

There are also many important funding decisions for Ofgem over the next 12 months associated with the re-opener process, including medium-sized investment projects and some large onshore transmission investment (LOTI) projects that deliver new outputs for our customers and stakeholders (which are being progressed through an amended LOTI process referred to as 'LOTI-lite') alongside investments through the ASTI framework. We look forward to working with Ofgem in relation to these projects which support the UK's ambition to reach Net Zero.

We continue to evolve and develop our relationship with the Independent Stakeholder Group (ISG), expanding their remit as we recognise the level of benefit that has been realised through this relationship enabling the ISG to continue to challenge from NGET's existing and future stakeholder constituencies. The ISG has influenced a more systematic and strategic approach to stakeholder engagement, improving transparency and decision-making. These factors have, in turn, played an important role in ensuring we deliver our commitments within the RIIO-T2 price control, driving benefits for consumers and wider stakeholders. 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.

The Independent Stakeholder Group

During the course of the year NGET has shared with the ISG the central role they have been playing in the decarbonisation agenda, making investments that support the connection of new generation technologies, responding to changing patterns of demand and making progress towards Net Zero. We have noted the launch of 'Great Grid Upgrade', aimed at both ensuring a switch to clean energy and ensuring that NGET's electricity network is fit for the future, carrying more clean, secure energy from where it's generated to where it's needed. All against the backdrop of a change in government and ongoing socio-economic challenges.

Against this background, the ISG has continued to work with NGET throughout the year to hold them to account on their RIIO-T2 commitments. We have had the opportunity to review their performance scorecard at each ISG meeting and this culminated in a deep-dive in September 2024.

On Asset Health, NGET shared the challenges they had encountered since Final Determination (FD) and how this has impacted their ability to fully meet the volume targets set in the FD for the Price Control Deliverables (PCD) and Network Asset Risk Metric. Although they are currently forecasting to deliver 81% of the RIIO-T2 baseline volumes established, they have also undertaken additional work, necessary to enhance the resilience of the network, which is forecasted to bring them up to the equivalent of 96% of the RIIO-T2 volumes. Nevertheless, from the perspective of system reliability and resilience, this is of great importance to consumers and stakeholders, and we are pleased to see NGET focus on outcomes over and above regulatory compliance. We do, of course, expect to see how NGET will seek to deliver the full RIIO-T2 baseline volumes in due course.

The ISG remains interested in identifiable trends with regard to performance, noting for example, the difficulties in detecting year-on-year improvement in network availability, where performance sits around 99%, and also the areas where there is clear year-on-year ramp up, for example, on investment delivery. We noted positive trends in workforce metrics, employee engagement and leadership.

Safety, however, has remained a key issue during the course of the year with NGET's Lost Time Injury Frequency Rate (LTIFR) of 0.14 being above the level they set themselves to achieve. This is an area of focus for the ISG especially given the expectation to deliver, at pace, the infrastructure required to meet the Government's Net Zero target by 2050. Safety cannot be compromised for pace, and we are reassured that NGET takes its responsibility very seriously. NGET has shared with us the steps they are taking to improve performance in this area, and we will continue to monitor progress.

Throughout the year, the ISG has regularly noted and discussed with NGET the challenges with connections, in the light of the significant increase in applications to connect to the network and the ongoing connections reform process, and any impacts on connection dates being offered to customers and to customer service generally.

On the Environment, the ISG is pleased to see that NGET is exceeding their targets on overall environmental impacts and that they will continue to focus on reducing SF_6 emissions, in order to ensure delivery of RIIO-T2 commitments.

We are pleased to see that NGET are on track to meet their societal commitments but note the need for a continued focus on diversity. However, over and above the delivery of RIIO-T2 commitments, the ISG supports the wider, positive initiatives being delivered by NGET, for example, Grid for Good and Prompt Payment commitments.

Aside from monitoring progress on NGET's RIIO-T2 commitments, this year also saw us formally transitioning into the role of challenging NGET's RIIO-T3 business plan, making sure that it reflects what stakeholders and consumers need from the network, now and into the future. The early decision NGET took to make the group's role an enduring one, subsequent to RIIO-T2 business plan submission, has helped to make the transition into RIIO-T3 business planning, a seamless one and we are pleased that NGET's leadership remains committed to the process.

To effectively deliver our role, we have recruited to not only refresh the membership of the Group, thereby ensuring a good representative balance of NGET's stakeholders, but to also ensure we had the necessary expertise to robustly challenge NGET on delivering value for the consumer. I once again welcome all the new members who have joined us this year and remain extremely grateful for the contributions of all the members.

NGET has also continued to support, respect and commit to the Group's independence, which is so critical to our role. We find NGET to be responsive to the ISG and open and transparent in the sharing of information which is of good quality and is timely and relevant. We will continue to deliver our remit to challenge NGET on behalf of stakeholders and consumers.

Our output commitments

When we built our RIIO-T2 business plan, all of the work we wanted to deliver needed to meet the needs of end consumers and our stakeholders. The following section shows how we are meeting these outputs in the works that we are carrying out.

Asset health including price control deliverables and NARM

Focusing on the PCD and NARM volumes, FD included 6,463 interventions over the RIIO-T2 period. Under these categories, we are now forecasting to deliver 5,213 interventions. If we include the number of asset interventions associated with 'Costs outside submission'. The total volume of work delivered then becomes 6,178, which is approximately 96% of the volumes set out in FD.

Including the volume of work associated with 'Costs outside submission', we have steadily increased the total volume of asset health interventions delivered since FY22, and are forecasting to continue to do so for the remainder of the RIIO-T2 period.

The steady increase in total asset health volumes is due to a number of initiatives which have been and are continuing to be implemented, including 'campaign style' outages (to complete various work types all at the same time) and the adoption of new procurement strategies.

Building for the future

We are constructing the energy system of the future; in 2023/24 we added 1300MW of boundary capacity with 18GW of network improvements in total by the end of this price control period.

We connected 3000MW of Generation in 2023/24 and our current forecast for the full RIIO-T2 period indicates a higher than planned connection volume at 16.3GW compared to our baseline of 13.5GW.

We delivered two demand connections in 2023/24, connecting 500MVA of demand to the network. Our current forecast for the full 5-year RIIO-T2 period shows that we will exceed our baseline by 2,296MVA, delivering 4,976MVA of additional demand capacity by the end of March 2026.

Keeping our network safe and secure

We plan to complete the agreed number of sites for flooding resilience and physical security. These actions to improve our sites' security against attack and help to keep the network safe. The construction plan to improve flood defences at vulnerable sites will also keep the electricity flowing to homes and businesses even if there are 1 in a 100-year flooding events.

Whilst we cannot give specific details of our cyber delivery plans, we have regular dialogue with the Ofgem Cyber Team on delivery progress and are required to submit confidential annual reporting. We also have regular engagement sessions with National Cyber Security Council (NCSC) and the department for Department for Energy Security and Net Zero (DESNZ).

Re-openers mean more certainty on cost and output.

There are a number of areas where outputs and funding did not get resolved in the RIIO-T2 price control review and re-openers are therefore required during the current price control period. When the need and costs of delivering these previously uncertain outputs became clearer, we took the opportunity to revisit these areas. We have made a number of re-opener submission during RIIO-T2 which have adjusted allowances. By waiting for certainty of need, scope, outputs and costs, we have ensured that we are delivering the right works for end consumers that delivers the outputs you have told us are important to you.

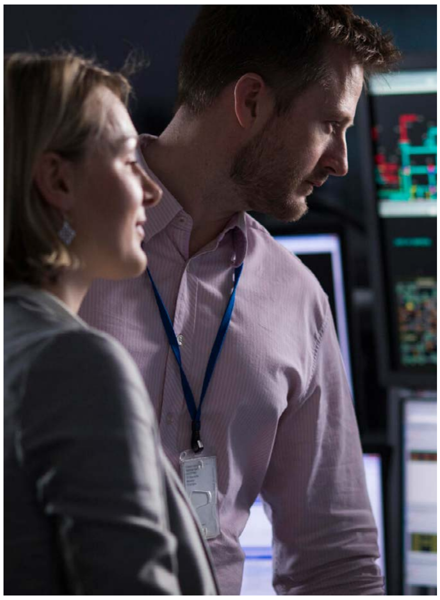
Incentive performance

The first I in RIIO is for Incentives. This part of the framework rewards or penalises us in areas that you, our stakeholders, have told us that matter to you. In the following section, we write about what the incentive is, what is being measured, how we performed in the second year, and some information about future years' forecasts.

Safety – This continues to be our number one priority but unfortunately our overall Injury Frequency Rate (IFR) of 0.14 is not at the level we strive for. We hold ourselves to the very highest standards for safety, proactively considering it in everything we do. Amongst our directly employed colleagues, this is reflected in a Lost Time Injury Frequency Rate (LTIFR) of 0.07 which is below our target of 0.1, which we consider to be world-class. A persistent injury rate amongst our contractors has resulted in us exceeding that level overall. Action taken with the contractor community has helped in identifying common factors in recent incidents and, with the implementation of improvement plans, it is envisaged the contractor LTIFR will reduce. As we look forward to our growing workbook, we have increased the scope, remit and engagement in our Contractor Safety Forum, embarked on a focus on the severity of incidents and will continue our Behavioural Safety programme assisting leaders and teams with the tools and techniques for coaching for safety. The reduction of all incidents, especially those with potential to harm, remains a key driver in Electricity Transmission.

Reliability – We are committed to delivering a reliable network, which our stakeholders consistently tell us is critical for them. We have maintained our record of strong performance, exceeding our reliability target for another year with 0MWh of incentivised 'Energy Not Supplied' in 2023/24 against an incentive neutral point of 147MWh. This equates to an average network reliability of 99.999998%. We have continued to invest in the network for the benefit of future consumers and customers, managing network risk and maintaining longer-term system reliability.

Customer Connections – during 2023/24, 1,375 connection offers were made. This is the most we have ever made in a year, representing a 112% increase in offers sent to customers compared to last year. However, of these, three offers were made outside the expected



timescales which will result in a financial penalty of £0.02m.

It is noteworthy that the total generation capacity including interconnectors contracted in England & Wales now exceeds 400GW (a significant increase over the prior year) as applications for new connections show no sign of reducing. Against this background, the industry has now embarked on a series of reforms to reduce the connections queue and ensure customers most ready to connect are able to do so. We continue

to support this process to ensure it is effective and connects not just customers that are ready, but also considers the right mix of technologies and their location.

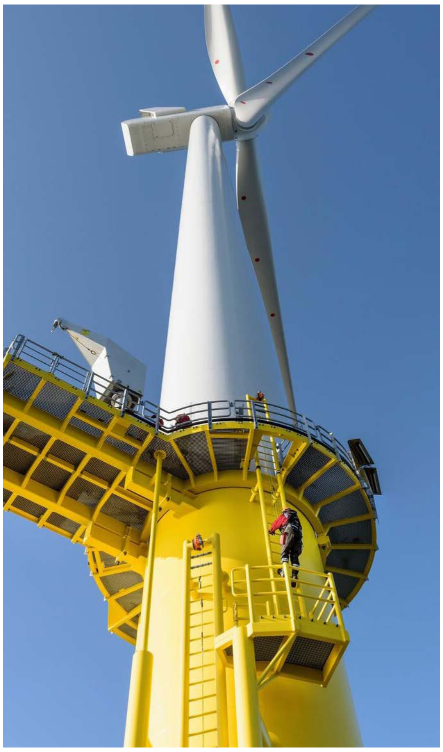
Quality of Connections – this new incentive for RIIO-T2 covers the customer experience throughout the connections journey. Performance for 2023/24 was slightly below target (7.7) with a score of 7.2. We have worked hard in this area; however, this score reflects a year of both challenging and encouraging developments in the connections landscape. We have continued to see increasing numbers of connection applications (as explained above, far in excess of what will be required to meet the UK's decarbonisation objectives), driving an increased volume of required enabling works, in turn pushing out connection dates which has impacted customer satisfaction. NESO figures indicate that up to two-thirds of these projects will not connect, meaning other viable projects are unnecessarily delayed. These frustrations underpin what our customers have been feeding back through our surveys when scoring us unfavourably.

SO:TO Optimisation – this incentive is designed to encourage collaboration with the NESO to identify and provide additional solutions beyond business-as-usual activities to help reduce constraint costs for consumers. In 2023/24, we delivered 25 enhanced services solutions successfully which have resulted in over £41.7m ‘actual’ constraints savings. Our performance in 2023/24 results in an ODI reward payment of £5.9m. This reward exceeds the £5.0m reward cap that existed in FY22 and FY23 when the incentive was trialled and reflects changes to the incentive calculation for FY24-FY26 that Ofgem introduced in January 2024.

Environment – The Environmental Scorecard is designed to encourage us to further reduce our carbon emissions, improve the natural environment and reduce our resource use for the benefit of current and

future consumers. We are financially incentivised against six elements of our Environmental Action Plan. We are very pleased to report that we have outperformed on all elements of the scorecard this year. We continue to look at ways to further reduce our environmental impact and our aim is to exceed our 10% environmental enhancement target by the end of the RIIO-T2 period. A particular improvement from previous years was the enhancement of our non-operational land where we put in place new partnerships building on the land management agreements established last year. These partnerships will deliver ecological improvements through activities such as increased pollination, pond management, habitat conditions enhancement, and increased volunteering opportunities. We continue to look at ways to further reduce our environmental impact and are on track to exceed our 10% environmental enhancement target by the end of the RIIO-T2 period.

Insulation and Interruption Gas (IIG) emissions – Sulphur hexafluoride (SF_6) is a potent Greenhouse Gas (GHG) with a global warming potential approximately 23,000 times that of carbon dioxide. It is a key contributor towards Group GHG emissions so minimising leakage is integral to meeting our emissions target. We are pleased to report that our IIG emissions continue to be below the incentive target emissions level. We remain on track to achieve the Science Based Target (SBT) 33% reduction in annual emissions by 2026 in line with our Responsible Business Charter. We continue to identify the highest leaking assets to prioritise both repair and replacement activities. This targeted plan consistently contributes to the significant improvements we have seen in overall leakage rates over the last few years.



Innovation summary

Our innovation strategy focuses on the challenges we face and what we need to do to achieve our objectives. We believe that collaboration is the way to achieve this and our partnership framework with six UK universities is helping us with this. We also promote our engineering challenges through 'calls for innovation' which has led to creating new partnerships to deal with specific issues. An example of this was in finding innovative and cost-effective solutions to maintain and extend the useful life of our concrete structures.

In RIIO-T2, there are two innovation stimuli that encourage us to do more than business as usual when it comes to finding a better, cheaper, smarter or more agile way of doing things.

The first way that we are funded is via the Network Innovation Allowance (NIA). This is an allowance to network licensees to fund research, development and demonstration trials that meet six specific eligibility requirements. Each must:

1. Facilitate energy system transition and/or benefit consumers in vulnerable situations.
2. Have the potential to deliver a net benefit to consumers.
3. Involve research, development or demonstration.
4. Develop new learning.
5. Be innovative.
6. Not lead to unnecessary duplication.

There's no maximum or minimum spend criteria for projects, and each should carry a risk profile. Network licensees need to demonstrate why they cannot fund such a project as part of their business-as-usual activities. During RIIO-T2, we'll receive £49.3m of NIA funding – a 35% increase over the first RIIO regulatory period. This funding covers 90% of the cost of our projects; the remaining 10% comes from NGET. In 2023/24 we spent just under £9.7m, more than we spent across the first two years combined. This shows our increased focus on finding more quality innovation projects to take forward. 27 new projects have been registered this year, bringing the total number of NIA projects delivered to date in RIIO-T2 to 67.

Currently around half of the innovation ideas that are brought forward are approved to be registered as NIA projects, with an almost 50/50 split between internal and external ideas.

Over the past year, we've continued to evolve our innovation portfolio, making sure we maintain a sharp focus on how specific projects will help achieve net zero emissions. The focus on net zero has prompted us to challenge ourselves whether we're being sufficiently ambitious or planning for 25 years from now. As an example, one of our NIA projects is examining how we could reduce carbon emissions from our construction activities by exploring low-carbon alternative materials.

For larger schemes, the second type of innovation funding is the Strategic

Innovation Funding (SIF) framework, with £450m available for GB networks over the five-year regulatory period. We have secured funding for six projects already in this price control that are at the early phases of their lifecycle. We have stopped two as non-viable for delivering the initially expected benefits and spent over £500k continuing the development of a third. The remaining three are new projects in the Discovery stage of development as they secured funding in April 2023. As we move through RIIO-T2 so do our SIF projects, with two moving from the Discovery to Alpha phases. Overall, we spent £1.44m in working on these five projects.

Below are the details of some projects that started in RIIO-T1 and received funding via the Network Innovation Competition (the precursor to SIF) framework:

The Deeside NIC project

In 2015, we secured £12m in funding through Ofgem's annual Electricity Network Innovation Competition (NIC), to create the Off-grid Substation Environment for the Acceleration of Innovative Technologies (OSEAIT) project. We combined this with an additional £14m of National Grid investment to convert a decommissioned substation into a unique research and innovation facility – the Deeside Centre for Innovation (DCI). The first of its kind in Europe, DCI will help us optimise investments in a controlled off-grid environment, 24 hours, seven days a week. It aims to deliver benefits to consumers by accelerating the deployment of innovative technologies that may be able to reduce both the carbon footprint and cost of present and future energy networks.

At its core are substation, cables and overhead line test areas designed to facilitate live trials at existing distribution and transmission voltages. This will enable us and all GB network licensees to test assets associated with electricity networks, and trial new technologies and methods to address climate change and maintain security of supply. While operational, the centre will also collect valuable data by monitoring performance of assets on site.

The project is progressing to finalise the high voltage construction works by the end of 2025. Some mechanical or non-HV electrical innovation projects have commenced at Deeside, which has enabled work to take place that could drive consumer benefits.

The RICA NIC project

The Retrofit Insulated Cross Arms (RICA) NIC project is a 5-year project that started in December 2020 and is to be finished in March 2026. The project aims to develop a novel method of uprating Overhead Lines (OHLs), accelerating the low carbon energy transition by allowing quicker removal of network constraints, resulting in earlier connection of renewable generation. RICA also provides the potential for cost savings and better visual amenity compared with conventional investment options.

We continue to progress the project and the forecast spend is within the project budget. During the past year, we built a test tower at our Deeside Centre for Innovation, where the RICA prototype will be subject to environmental and electrical testing and monitoring in a controlled environment. We also developed an initial draft specification for prototype RICAs. Full-sized prototypes are now being manufactured with a delivery in August 2024. We'll install these at our Eakring training facility, so we can demonstrate installation and maintenance procedures for training and development.

All contracts relating to RICA have now been finalised and signed by all parties and the project is being delivered. We have identified opportunities to accelerate works to recover some of the programme delays encountered during contract negotiation to ensure the project is completed by March 2026.

You can read more about these projects and our other innovation initiatives, including relaunching our strategy and our annual **Innovation Report for 2024** at the dedicated pages on our website **www.nationalgrid.com/electricity-transmission/innovation**

Who we are and what we do

National Grid Electricity Transmission plc (National Grid Electricity Transmission, NGET) is a subsidiary of National Grid plc (National Grid). We own and maintain the regulated electricity transmission network in England and Wales. We do not own the Scottish networks. Our network comprises over 7,000 kilometres of overhead line and more than 300 substations. We play a vital role in connecting millions of people safely, reliably and efficiently to the energy they use. Every time a phone is plugged in, or a switch is turned on, we've played a part, connecting you to the electricity you need.

We take electricity generated from windfarms and other power sources and transport it through our network of pylons, overhead lines, cables, and substations. It then goes on to separate lower voltage local distribution networks, which connect directly to homes and businesses.

We're investing for the future, connecting more and more low carbon electricity to our network - it's a crucial role and pivotal in turning the UK's Net Zero ambitions into reality.

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. We have evolved our strategy in order to better reflect our purpose and in response to our business environment. The evolved strategy reflects a belief that we have a responsibility to ensure that the energy future we help to shape is one where everyone shares its benefits. We will continue to connect people to the energy they need for the lives they lead, safely, reliably and securely.

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. **Our purpose is to bring energy to life**, providing the heat, light and power people and businesses rely on and supporting local communities to prosper.

Our vision

National Grid stands for more than profit. Our vision is to be at the heart of a **clean, fair and affordable** energy future. This vision describes 'what' we want to achieve in the long term.

We have a responsibility to demonstrate our contribution to society more broadly, whether that's helping the young people of today to become the energy problem-solvers of tomorrow, supporting our customers to use energy more efficiently, or tackling climate change by targeting net zero for our own emissions by 2050.

Our values

Our values underpin everything we do. They are '**how**' we are going to achieve our vision. They help shape our spirit, attitude and what guides us. They inform our decisions, how we show up and the way we treat each other. They shape our company and how our customers and communities experience us.

We expect our leaders to be role-models and engage all colleagues to demonstrate our values : **Doing the right thing** means we act safely, inclusively and with integrity, we support and care for each other, and ensure it is safe for colleagues to speak up. **Finding a better way** is all about working as a team to find solutions, embracing learning and new ideas. **Making it happen** means being bold and acting with passion and purpose, taking ownership to deliver for customers and focusing on progress over perfection.

Our strategy

National Grid's strategy is to build and own large-scale, long-life energy assets primarily in networks and renewables that deliver fair returns and high societal value. This strategy sets the bounds of NGET's business and will ensure it is set up to play a leading role in the energy future. It will be delivered through four priorities.

1) Enable the energy transition for all. Our ambition is to be a leading voice in shaping those new policies.

2) Build the networks of the future now. Our ambition is to scale a once-in-a-generation increase in capacity in our electric networks, deliver our commitments to our stakeholders and be seen as a world leader in energy infrastructure construction. We will improve network reliability and resilience to meet future needs.

3) Deliver for customers. Our ambition is to achieve a customer-centric mindset. In UK Electricity Transmission, the quality of our connections will be viewed as excellent.

4) Operate safely and efficiently. Our ambition is to be a top performer for safety. We want every colleague to go home safely to their families every day and no one to experience a life-changing injury. For efficiency, we want to be ahead of our peers in the energy industry.

5) Build tomorrow's workforce today. Our ambition is to be seen as the place to work if you want to develop your career and positively impact the energy transition. Existing colleagues will be equipped with the capabilities needed for the future and new colleagues will want to join our diverse, inclusive and highly motivated team.

The RIIO framework

RIIO price controls

The building blocks of the RIIO price control are broadly similar to the price controls historically used in the UK. There are, however, some significant differences in the mechanics of the calculations.

Under RIIO, the outputs we deliver are explicitly articulated and our allowed revenues are linked to their delivery, although some outputs and deliverables have only a reputational impact or are linked to legislation. 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.

RIIO-T2 built on the learning of RIIO-T1

The RIIO-T2 price control started on 1 April 2021 and builds on the framework established for RIIO-T1. For example, it introduces a range of new mechanisms to facilitate the transition to net zero, continues support for innovation, incentivises us to deliver outputs and service quality with ambitious targets aligned to our customer and stakeholders' requirements and increases the opportunity to secure new funding within the price control period.

The Independent Stakeholder Group (ISG) includes 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. It was established in July 2018 to ensure stakeholders are at the heart of our decision-making processes and our plan is fully reflective of customers', consumers' and other stakeholders' requirements. The ISG has an enduring role in RIIO-T2 with three key focus areas:

- scrutinise and challenge the periodic Business Plans.
- monitor, interrogate and help the business to enhance transparency of performance against commitments; and
- act as a 'critical friend' for strategy, culture and processes in key areas such as stakeholder engagement, innovation, customers, consumers and responsible business.

Our plans are scrutinised.

Using information we have submitted, along with independent assessments including for RIIO-T2 an independent user group report, Ofgem determines the efficient level of expected costs necessary for these deliverables to be achieved. Under RIIO 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 allowances for the outputs that we will deliver, including the volumes of work that will be needed and the price of the various external inputs required to achieve them. Consequently, there are a number of uncertainty mechanisms within the RIIO framework designed to protect consumers and network companies by avoiding the need to set allowances when future needs and costs are uncertain.

Risks and benefits shared with customers.

Where we under- or over-spend the agreed allowance, there is a 'sharing' factor. This means we share the under- or over-spend with customers 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 benefitting our customers. Likewise, it provides a level of protection for us if we need to spend more than allowances. Alongside this, there are several specific areas where companies can submit further claims for new allowances within the period, for instance to enable Net Zero.

Allowed revenue to fund totex costs is split between RIIO 'fast' and 'slow' money categories 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 IOU.

In addition to fast money, each year we are allowed to recover regulatory depreciation, i.e. a portion of the RAV, and a return on the outstanding RAV balance. The RAV is also indexed to a measure of inflation, using CPIH in RIIO-T2. For RIIO-T2, regulatory depreciation for ET continues on 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, RIIO incentive mechanisms can increase or decrease our allowed revenue to reflect our performance against various other measures related to our outputs. For example, in RIIO-T2 there are rewards and penalties for performance against incentives. These incentive payments are a function of allowed revenue and could result in potential upsides for electricity transmission (ET) of over £34 million and downsides in the region of £52 million, therefore incentivising us to deliver the agreed outputs.

How to contact us and other useful links

If you have questions or opinions on this performance summary, please get in touch with us:

by emailing us at **nick.sanderson@nationalgrid.com** or **leigh.lipton@nationalgrid.com**

To find out more about customer bills and the impact of network costs, visit **Costs in your energy bill | Ofgem**

For information on our Innovation activities, visit **Innovation | National Grid ET**

To find out more about our electricity business and the market we operate in, visit **How we work in Electricity Transmission | National Grid ET**

For further information on our financial performance, visit our dedicated website at **Welcome to National Grid Investors | National Grid Group**

For more information about our environmental commitments and net zero please visit, **Our environmental future | National Grid ET**

Legal disclaimer

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 plc's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as '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. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for as full an understanding of the results and state of affairs of National Grid plc and its subsidiaries, including the principal risks and uncertainties facing National Grid plc, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Risk factors' in National Grid plc's latest Annual Report and Accounts. Copies of the most recent Annual Report and Accounts are available online at **https://www.nationalgrid.com/document/146731/download** or from Capita Registrars. Except as may be required by law or regulation, National Grid plc undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document. The content of any website references herein does not form part of this document.

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