

NGET and NGGT:

RIIO-2 draft business plans

Investor Relations | Oct 2019



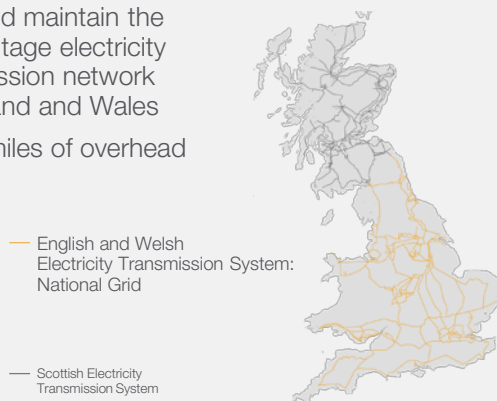
“National Grid has invested £15.5bn of totex during RIIO-1 and generated almost £640 million of savings for customers, demonstrating the benefit of a regulatory framework that incentivises both efficient delivery and innovation.

This update on our draft RIIO-2 plans, which start in April 2021, covers an important period when we expect rapid change in our energy systems to reduce carbon emissions significantly and to deliver long-lasting benefits for consumers and society, whilst maintaining reliable and resilient networks.”

Nicola Shaw Executive Director, UK

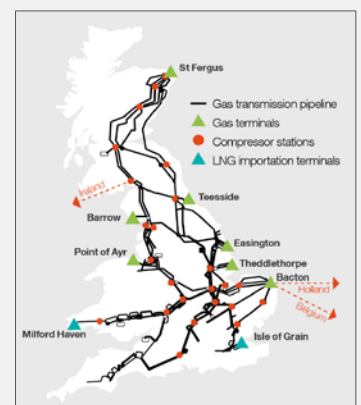
National Grid Electricity Transmission (NGET)

- Own and maintain the high-voltage electricity transmission network in England and Wales
- 4,481 miles of overhead lines



National Grid Gas Transmission (NGGT)

- Own and operate the high-pressure gas transmission network in Great Britain
- 4,760 miles of high pressure pipe



How NGET is delivering in RIIO-1

- Achieved world-class safety performance
- 2018/19 network reliability of 99.99999%, consistent with the best performing organisations worldwide
- Achieved our highest ever customer satisfaction scores
- Protecting 90 sites from environmental factors, cyber and physical threats
- Improved environmental performance, lowering green house gas emissions that we control by 12%
- Invested £9.5bn whilst maintaining our contribution to the average annual household bill below £25 per annum

How NGGT is delivering in RIIO-1

- Achieved world-class safety performance
- 2018/19 network reliability of 99.9896%, consistent with the best performing organisations worldwide
- Improved customer and stakeholder satisfaction
- Upgraded physical security of our assets and improved our data centres to protect against external threats
- Reduced our environmental impact, including an all-time low rate of Nitrogen Oxide emissions
- Invested £6bn whilst maintaining our contribution to the average annual household bill below £10 per annum

RIIO-2 Timeline



How we are engaging with our stakeholders

In July we submitted our draft business plans to Ofgem's challenge group and the independent stakeholder user groups as well as sharing our plans with our wider stakeholders for their feedback. This October business plan submission to Ofgem's challenge group and the independent stakeholder user groups includes some small changes to reflect stakeholder feedback from July, strengthened justification proposals and the inclusion of our net zero plans. We will continue to update our plans to fully reflect stakeholder feedback received since July, before submitting our formal business plan to Ofgem on 9 December.

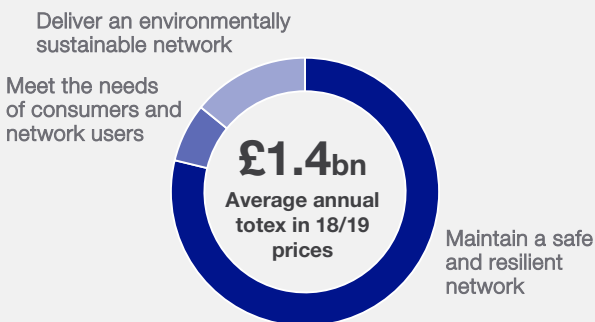
Changes to our draft NGET business plan

- We have reduced our baseline average annual totex by £40m to £1.4bn, reflecting further refinement of our plans and including additional efficiencies
- Included a proposal for net zero uncertainty mechanisms and proposed an anticipatory investment process

Changes to our draft NGGT business plan

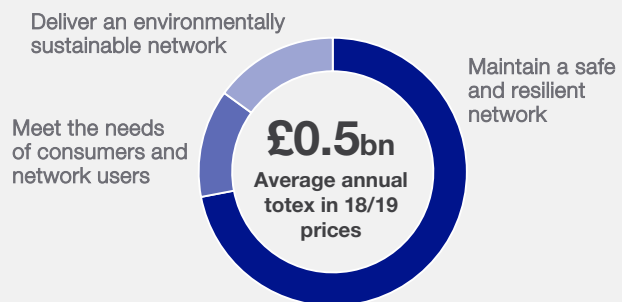
- We have reduced our baseline average annual totex by £80m to £0.5bn, reflecting further refinement of our plans and the identification of additional efficiencies
- Completing additional work to ensure the network capability and stakeholder need underpins our plan
- Included a proposal for a net zero uncertainty mechanism

Summary of NGET's October business plan



- Connect 15.3GW of customer capacity, providing the UK with clean power and flexible storage
- Developing innovative whole system solutions in partnership with other stakeholders
- Invest to maintain network reliability and availability
- Increase the resilience of the network to environmental factors and to physical and cyber attacks
- Household bill expected to reduce slightly in real terms

Summary of NGGT's October business plan



- Increase asset health spend to maintain the current level of network reliability and availability
- Increase the resilience of the network to environmental factors and to physical and cyber attacks
- Replace 2 compressor units, and work on solutions for five additional units using uncertainty mechanisms
- Identified a programme of work needed to test and prove hydrogen conversion options
- Household bill expected to reduce slightly in real terms

Our proposed financial package

Cost of equity	Cost of debt	Rate of Return	Assumed equity capitalisation
6.5%	2.81%	4.29%	40.0%

Note: CPI stripped, RIIO-2 average

- 100% transition to CPI
- NGET 45 year straight line depreciation for new assets
- NGGT 25 year sum of digits depreciation for new assets

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 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. 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, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Risk factors' section on pages 212 to 215 of National Grid's most recent Annual Report and Accounts for the year ended 31 March 2019. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Link Asset Services. Except as may be required by law or regulation, National Grid 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 do not form part of this document.

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