“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

### 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

<table>
<thead>
<tr>
<th>CY2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector specific decision</td>
<td>Formal business plan submission to Ofgem</td>
<td>Draft determination</td>
</tr>
<tr>
<td>First draft business plans submitted for stakeholders</td>
<td>Independent stakeholder group report to Ofgem</td>
<td>Final determination</td>
</tr>
<tr>
<td>Second draft business plans submitted to Ofgem challenge group and stakeholder user groups</td>
<td></td>
<td>RIIOT2 starts</td>
</tr>
</tbody>
</table>
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

Summary of NGET’s October business plan

Deliver an environmentally sustainable network
Meet the needs of consumers and network users

£1.4bn
Average annual totex in 18/19
prices

Maintain a safe and resilient network

Summary of NGGT’s October business plan

Deliver an environmentally sustainable network
Meet the needs of consumers and network users

£0.5bn
Average annual totex in 18/19

Maintain a safe and resilient network

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

Our proposed financial package

<table>
<thead>
<tr>
<th></th>
<th>Cost of equity</th>
<th>Cost of debt</th>
<th>Rate of Return</th>
<th>Assumed equity capitalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.5%</td>
<td>2.81%</td>
<td>4.29%</td>
<td>40.0%</td>
</tr>
</tbody>
</table>

Note: CPI stripped, RIIO-2 average

Further information

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