“Our commitment to customers for RIIO-ED2:

A transformed energy network to drive net zero by as early as 2028\(^1\) across our region. This is what WPD’s highly ambitious Business Plan for 2023-2028 (RIIO-ED2) will deliver. It has been co-created with more than 25,000 stakeholders and future customers and has received significant levels of acceptability from wider consumers”

Phil Swift WPD President

Highlights from our business plan

Investment of £6.7bn during 2023-2028 with embedded efficiency savings of £723m
- A 27% increase on annual average expenditure in RIIO-ED1
- Capex of £6.1bn across the regulatory period
- The average customers’ bill to remain broadly flat in real terms
- 96% of customers found the plan fully acceptable

Large expenditure in network resiliency, customer service support and new infrastructure
- The business and its regions to be net zero by as early as 2028\(^1\), the fastest commitment in the UK
- To be ready for an additional 1.5m EV’s and 600,000 heat pumps, by providing timely, affordable low carbon technology connections, a 279% increase in our EV commitment compared to RIIO-ED1
- 1.2m vulnerable customers to be offered a smart energy advice plan every two years
- The average customer power cut will only last 22 minutes by end of RIIO-ED2, every two years
- A target of 93% for customer satisfaction

Our commitment to ‘net zero’ is underpinned by our four core pillars
- **Sustainability** – leading the drive to net zero as early as possible
- **Connectability** – enabling customers to connect when they want to
- **Vulnerability** – first class customer support where everyone benefits
- **Affordability** – maintaining excellent customer service, safety and network performance and transforming the energy grid, while keeping bills broadly flat

RIIO-ED2 Timeline

<table>
<thead>
<tr>
<th>FY21/22</th>
<th>FY22/23</th>
<th>FY23/24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal business plan submission to Ofgem</td>
<td>Draft determination</td>
<td>RIIO-ED2 starts</td>
</tr>
<tr>
<td>Independent stakeholder user group reports to Ofgem</td>
<td>Open hearings</td>
<td></td>
</tr>
<tr>
<td>Independent challenge group reports to Ofgem</td>
<td>Statutory licence consultation</td>
<td></td>
</tr>
</tbody>
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1. Excluding network losses
National Grid – Western Power Distribution

- Responsible for distributing electricity to 8m customers
- Operating a network of assets across the Midlands, South West and Wales, serving homes and businesses

Further highlights of WPD’s final RIIO-ED2 business plan

- Embedded efficiency savings of £723m
- Additional savings of £95m through innovation and digitalisation
- Maximising efficiency of the existing network, will save money for customers by avoiding £94m in conventional reinforcement
- A new same day connections response for low carbon technologies to enable a significant increase in renewable generation
- Increase the resilience of the network to environmental factors and to cyber and physical attacks
- £1m ‘Community Matters’ Support Fund plus £540k to install solar PV at 45 schools per year funded by shareholders

Changes to our draft business plan

- Our plan is now based on expenditure to achieve WPD’s Best View, which represents the most realistic uptake of low carbon technologies and demand growth
- Clearer quantification of efficiencies
- Six final Consumer Value Propositions
- An updated expenditure total and financing parameters including cost of equity: 4.96%

How WPD is delivering in RIIO-ED1

- The top performing DNO for overall customer satisfaction since 2015, with an average score of 90%
- Helped 92,000 fuel poor customers save more than £37m on their energy bills since 2015
- Delivered a 38% reduction in power cuts and a 48% reduction in power cut duration since 2015
- Reduced our business carbon footprint by 36% since 2015
- Over and above our plan, we spearhead the UK’s largest rollout of flexibility services and are increasing available network capacity for demand growth by 709MW

WPD’s RIIO-ED2 baseline totex

- Non Load Network Investment and Reinforcement: 42%
- IT & Telecoms: 13%
- Network Operating Costs: 17%
- Engineering Management: 19%

Our proposed financial package

<table>
<thead>
<tr>
<th>Cost of equity</th>
<th>Cost of debt</th>
<th>Cost of Capital</th>
<th>Gearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.96%</td>
<td>2.22%</td>
<td>3.31%</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

Note: CPIH-real, RIIO-2 average

- Assumed dividend yield: 5%
- Totex capitalisation rate: 75%
- 45-year straight line depreciation for new assets

Important notice

This document contains certain statements that are neither reported financial results nor other historical information. Those 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 ‘Internal control and risk factors’ section on pages 236 to 239 of National Grid’s most recent Annual Report and Accounts for the year ended 31 March 2021, as updated by National Grid’s unaudited half-year financial information for the six months ended 30 September 2021, published on 18 November 2021. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Equiniti Limited. 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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