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This document also references climate-related targets and climate-related risks which differ from conventional financial risks in that they are complex, novel and tend to involve projection over long term scenarios which are subject to significant uncertainty and change. These forward-looking statements are not guarantees of National Grid’s future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements or targets. 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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 225 to 228 of National Grid’s most recent Annual Report and Accounts. 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 presentation.
John Pettigrew
Chief Executive, National Grid
Transforming our UK business

Since acquisition

- New leadership team
- RIIO-ED2 price control agreed
  - Targeting 100-125bps operational outperformance
- Rolled out new branding
- Integrated corporate and back-office functions
- £100m of synergies identified across the Group

Continued top quartile performance across all key metrics
A compelling strategic rationale

- Increased electricity exposure
- Enhanced long-term growth
- Delivery of net zero
- Geographic and regulatory diversity
Electrification: driving investment and growth

UK electricity demand to 2050

Distribution networks are changing

- Smarter, multidirectional and flexible
- Growing to accommodate electrification
- >30% increase in annual investment from ED1 to ED2
- Long-term sustainable waves of growth

1. Sources: Climate Change Committee, The Sixth Carbon Budget Electricity Generation (p38, Fig A3.4.a); FES – Future Energy Scenarios 2022, Data Workbook (tab ED1); S&P Global Insights - European Electricity Long-Term Forecast March 2023; Wood Mackenzie Europe Power Service, Great Britain Long Term Power Outlook Base Case, May 2023.

2. Nominal capital expenditure level
Enhancing our role in the energy transition

- UK’s largest energy networks company
- Whole system approach
  - Building resilient, flexible systems
  - Optimising transmission and distribution investment

£100m synergies over 3 years
- ~75% in UK, helping to underpin UK outperformance targets
- ~25% in US, supporting achieved returns
Maintaining diversity

- A balanced and diversified portfolio
  - Attractive growth and yield
  - Mix of real and nominal regulation within stable jurisdictions
- 70% of Group’s assets focused on electricity
- Asset base balanced across UK and US
- Progressive dividend delivered over past 20 years
- Total shareholder return higher than FTSE 100 over the past decade

Geographic and regulatory diversity
Asset base post strategic repositioning

<table>
<thead>
<tr>
<th>Energy split</th>
<th>Geographical split</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>UK regulated ~50%</td>
</tr>
<tr>
<td>~70%</td>
<td>US regulated ~40%</td>
</tr>
<tr>
<td>Gas</td>
<td>NGV and Other ~10%</td>
</tr>
<tr>
<td>~30%</td>
<td></td>
</tr>
</tbody>
</table>

1. Calculated as the proportion of actual FY23 asset base post completion of the acquisition of Western Power Distribution, and the sale of the Rhode Island business and majority stake in UK Gas Transmission and Metering
Cordi O’Hara
President, National Grid
Electricity Distribution
National Grid Electricity Distribution

Key messages

• Strong track record of performance

• Targeting outperformance of 100-125bps in RIIO-ED2

• Long-term waves of investment for decades to come
Agenda

Plenary
• Business overview
• The RIIO-ED2 price control
• Our priorities and financial outlook

Q&A
Coffee break

Breakouts
• The Future Electricity System
• Innovating for Growth
• Transforming our Region

Networking
A high-performing business
RIIO-ED1 highlights

**Safety**
- FY23 Lost Time Injury Frequency Rate of **0.076**

**Industry leading customer satisfaction**
- FY23 customer satisfaction score of **8.99** out of **10**

**World class safety and strong reliability performance**
- Network reliability of **99.995%**
- Average outage once every **2.5 years** for **28 minutes**

**Environment**
- Reduced carbon footprint **>40%** since start of ED1

**Financial performance**
- Excellent ROE outperformance throughout ED1
National Grid Electricity Distribution
The UK’s largest electricity distribution network operator (DNO)

~25m customers
~8m meter connections

55,500 km² service area
~225,000 km of overhead lines and underground cables

6,700 employees
~70% field

£10.8bn RAV
at 31 March 2023

East Midlands
Meters: 2.7m
Area: 16,000km²

West Midlands
Meters: 2.5m
Area: 13,300km²

South Wales
Meters: 1.1m
Area: 11,800km²

South West
Meters: 1.6m
Area: 14,400km²

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- Providing essential power to homes and businesses
- Working with governments and communities to understand and deliver their energy priorities
Delivering for our customers

Demand for greater electrification

Increased investment

- Connect low carbon technologies
- Asset health maintenance
- Network reinforcement
- Enabling the digital grid

Twice as many EV connections in the past 2 years than in all previous years combined

Customers could add more than a second home’s worth of demand through electric heating and EVs

Our work on asset health will see us replace 3,000km of cable in ED2

Our online EV portal enables customers to get a connection offer in 2 seconds

Electricity Distribution
April 2023 – March 2028

• **Baseline allowance** for ED2
  – >30% increase in annual totex compared to ED1

• **Targeting ROE outperformance of 100-125bps**
  – Partly underpinned by synergy benefits

• **Focus on totex efficiency**
  – Also supports affordability for customers

• **Scale and scope** of ED2 markedly different to ED1
  – Increase in size and volume of capital projects
  – Supply chain efficiency
  – Comprehensive asset management capabilities required
Incentives

**Distribution System Operator (DSO)**

- National Grid has a deep history of complex system operation
- Already underway developing
  - New DSO and governance
  - Connections reform
  - Expanded local flexibility markets

**Vulnerable Customers – leaving no one behind**

- Ensuring a fair transition
- >£15m of bill savings for 24,000 customers last year
- Smart energy action plans
Waves of investment

- Decarbonisation driving current and long-term investment
- Electricity demand forecast to double by 2050
- Increased flows on our networks driven by
  - Electrification of transport
  - Growth in domestic housing
  - Decarbonisation of heat

Sustained growth through the 2030s and beyond
Summary

Uniquely positioned as the largest electricity distribution business in the UK

Strong foundations and set up well to deliver ED2

- Strong ED1 performance to build on
- Opportunity in ED2 to outperform
  - New incentives
  - Totex outperformance
  - Long-term growth

Targeting 100-125bps ROE outperformance across ED2
RIIO-ED1 vs ED2

Totex allowances
- Baseline allowance for ED2: £8bn nominal\(^1\)
  - >30% nominal increase vs ED1 annual spend

Incentives
- Extends customer and reliability incentives from ED1
- New Distribution System Operator and Customer Vulnerability incentives

Financial framework
- Allowed equity return: \(\sim 5.3\%\) indexed to risk free rates
- Debt mechanism tracks prevailing interest rates

Uncertainty Mechanisms
- Flex revenue for external factors and outputs delivered

1. Baseline allowance for RIIO-ED2 is £5.9bn in 2020/21 prices
Totex efficiency
• A sharper focus on efficient delivery

Updated real returns
• Move from RPI to CPIH inflation increases cash return
• ROE adjusted annually for risk free rate
  – 1% movement in gilt rate is \(~20\text{bps}\) on ROE

Uncertainty Mechanisms
• 38 Uncertainty Mechanisms
  – >50% automatic
  – Includes revenue indexation for equipment and labour
  – 16 reopeners, including cyber, primary reinforcement and connections
• Forecast to represent <5% of totex
RIIO-ED2 investment

Historic totex
- Capex: 85%
- Opex: 15%
- £1.5bn FY23 totex

Capital expenditure in ED2
- £7.5bn\(^1\) Green capex aligned to EU Taxonomy
- >30%↑ vs ED1
- 95% agreed within baseline funding

Capital Investment ED1 vs ED2 (£bn)

1. Nominal capital expenditure, including capex funded by contributions and uncertainty mechanisms
**RIIO-ED2 investment**

**Capital expenditure FY2023-28**

- **IT, digital & cyber**: £0.8bn
- **Asset health & maintenance**: £3.6bn
- **Network reinforcement**: £1.0bn
- **New connections**: £2.1bn

**Forecast capex**: £7.5bn

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**New load and connections**
- Representing **10%** annual growth from FY23 levels
  - **75%** demand connections: electric vehicle charging, heat pumps
  - **25%** generation: solar and battery storage

**Network reinforcement**
- **>100%** increase compared to ED1
  - Projected total electricity demand increasing by **10%** across our network

**Asset health and maintenance**
- **15%** increase vs ED1
  - To maintain world class reliability and enable climate resilience

**IT, digital and cyber**
- **>100%** increase vs ED1

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1. Nominal capital expenditure, including capex funded by contributions and uncertainty mechanisms
UK Electricity Distribution RAV (€bn)

Estimated RAV growth

~10%
FY22-26

UK Electricity Distribution RAV growth

• At top end of 8-10% group asset growth CAGR over FY22-26¹ ²

1. Compound annual growth rate as part of Group 5 year financial outlook
2. Forward years based on long run CPIH inflation assumptions
Delivering ROE outperformance

- Growth plans vital to network reliability and energy transition
- ~£100 of annual household bills
  - Holding bills flat through cost efficiencies
- Strong efficiency track record through ED1
  - Focused on delivering for our customers

Targeted ROE outperformance

100 - 125bps in RIIO-ED2

Split of energy bill

Gas transmission & distribution

Electricity Transmission

Electricity Distribution

~£100

Other charges, fees, taxes

Typical household bill

£2,074

1. Ofgem energy price cap from 1 July 2023, for households without a pre-payment meter
2. In real terms
Our plan to deliver

- Targeted programme of efficiency work – rolled out and scaled up during ED2
- Capitalising on common operations structure and systems across our regions
- Data driven approach provides visibility to unit costs

Minimising Spend
Removing unnecessary spend on labour, materials and unwieldy processes

Performance Strategy
A new drumbeat on performance execution

Work scheduling
Changes to our contracts model – how we triage, organise and schedule work, and embed new technology

Expect totex efficiency to deliver 70% of operational outperformance
Driving synergies

Targeting £100m synergies over 3 years

- 1/3 from UK Electricity Distribution
- 2/3 from across the Group

**Procurement savings**
- Using broader scale of National Grid
- Saved £4m p.a. in recent High Voltage cable tender

**Asset management and maintenance**
- More condition rather than time-based maintenance
- Reduce opex whilst maintaining reliability

**Reviewing property strategy**
- Leverage shared sites and personnel
- Consolidating offices and depots through ‘Future of Work’ programme
Driving incentive performance

- Top performing network for reliability incentives
  - Targeted investment to reduce minutes lost further
- Aiming to achieve highest levels of customer satisfaction
  - At least 9.3 out of 10
  - Digital developments to better inform customers
  - Reforming connections approach
  - New customer excellence team
- New DSO and Customer Vulnerability incentives
- Further outperformance opportunity on financing
  - In addition to 100-125bps operational outperformance

Expect incentive performance to deliver 30% of 100-125bp operational performance target
• ED2 framework – better revenue adjustments for external uncertainties
• Decarbonisation driving >30% increase in annual investment in ED2
• ROE of at least 8.3% across ED2
  – ~5.3% base return
  – 2.0% assumed long-run CPIH inflation
  – 100-125bps operational outperformance target
• Attractive mix of yield and growth
  – Good visibility of waves of investment over the next decade and beyond