

National Grid's Investment Proposition

As one of the **world's largest public utilities** focused on the **transmission and distribution of electricity and gas**, we play a vital role in **connecting people to energy they use**, and are positioned to be at the **heart of the energy transition**.

FY23 Investor Relations (September 2023 update)

5-year outlook FY22-26

Capital investment



c.£29bn
of which is **Green Capex**¹,
aligned to EU taxonomy

c.£9bn UK Electricity Transmission	
c.£6bn UK Electricity Distribution	
c.£12bn New York Regulated	c.£9bn New England Regulated
c.£3-4bn NG Ventures	

Group asset growth **8-10% CAGR**²

Underlying EPS **6-8% CAGR**²

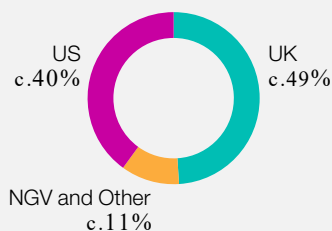
Credit metrics Credit metrics maintained within current rating thresholds
Net debt to RAV in low 70% range

Dividend Aim to grow annual dividend per share in line with UK CPIH

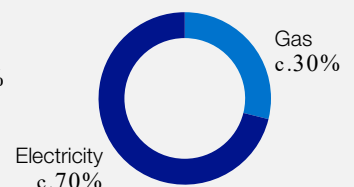
Geographic and regulatory diversity

Asset base post strategic repositioning³

Geographical split



Energy split



1. Aligned to EU Taxonomy, directly invested into the decarbonisation of energy networks.
2. Compound annual growth rate FY2022-26 from FY21 baseline. Forward years based on assumed USD FX rate of 1.2; long run CPIH and RPI inflation assumptions and scrip uptake of 25%. Reflects sale of Rhode Island and 60% stake in UK Gas Transmission & Metering (UK GT&M).
3. Calculated as proportion of actual FY23 asset base post completion of acquisition of Western Power Distribution, and sale of Rhode Island business and majority stake in UK Gas Transmission and Metering.

FY23 Highlights

Group financial summary full year ended 31 March 2023

Underlying results

Operating profit	Underlying EPS	Dividend growth	Capital investment
£4,582m ↑10%	69.7p ↑7%	55.44p ↑8.77%	£7,740m ↑8%
FY22: £4,171m	FY22: 65.3p	FY22: 50.97p	FY22: £7,188m

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m), timing and the contribution from UK Gas Transmission and Metering.

Capital investment includes investment in NECO, JVs and NG Partners Investments (excluding equity contributions to St William property JV).

Operating profit and capital investment calculated at constant currency.

- **Record capital investment** with £7.7bn invested in clean, smart energy infrastructure and maintaining world class reliability across our networks. Green capex of £5.6bn, 75% of total capital expenditure, aligned to EU Taxonomy.
- **Good financial results** reflecting a full year of earnings from UK Electricity Distribution; good operational performance across our US regulated businesses; and higher contribution from National Grid Ventures.
- **Successful completion of strategic pivot.** WPD, acquired in June 2021, rebranded as National Grid UK Electricity Distribution. Rhode Island business sale completed in May 2022. Sale of 60% stake in UK Gas Transmission and Metering completed in January 2023, with sale agreed for further 20% announced in July 2023.
- **Supporting our Customers and Communities** with £65m Energy Support Fund, and early return of £100m of interconnector revenues, in addition to £200m previously announced.

Financial performance

Underlying Segmental Summary – FY23

UK Electricity Transmission

Operating profit

£1,107m ↓4%

FY22: £1,152m

UK Electricity Distribution

Operating profit

£1,230m ↑39%

FY22: £887m

FY23 includes a full twelve months contribution

UK Gas Transmission

Operating profit

£702m ↓4%

FY22: £734m

60% stake
sale completed January 2023

40% stake
now reported as Held for Sale

New York

Operating profit

£874m ↑12%

FY22: £783m

New England

Operating profit

£819m ↓17%

FY22: £982m

FY23 includes 2 months contribution from Rhode Island business

NGV and Other

Operating profit

£521m ↑66%

FY22: £313m

JVs post tax share

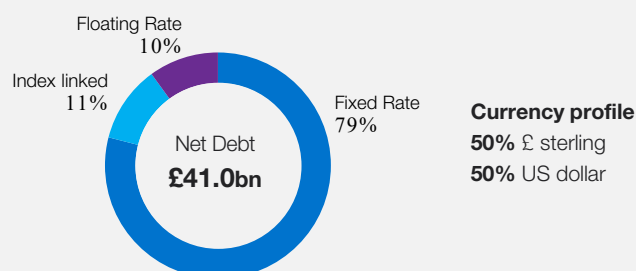
£190m ↑25%

FY22: £152m

Note: Underlying results from continuing operations excluding exceptional items, major storms (when greater than \$100m), remeasurements and timing. Operating profit presented at constant currency.

Balance Sheet

Net debt profile as of 31 March 2023:



Note: Net debt includes 100% of hybrid debt, borrowings, associated derivatives and cash and current financial investments. Interest rate profile and currency profile are post derivatives. Currency profile reflects ultimate liability, not currency of issue.

	FY23	Rating thresholds
Moody's RCF / Adjusted Debt	9.3%	>7.0%
Moody's FFO Interest Cover	3.8x	N/A

Following the completion of all three transactions, for the remainder of our five year financial frame we expect regulatory gearing to remain in the low 70% range. We remain committed to a strong, overall investment grade credit rating. Combined with the benefit of our hybrid debt, we expect gearing levels, and the other standard metrics we monitor, to sit within our current BBB+/Baa1 corporate rating band.

Regulatory Overview

UK:

Electricity Transmission

Targeting 100 basis points of operational outperformance per year on average across RIIO-T2

RIIO-T2
(2021-26)

Allowed return on equity	5.01%¹
Gearing	55%
Capex	c.£9bn
Sharing Factor (Totex)	33%

UK:

Electricity Distribution

Targeting 100-125 basis points of operational outperformance per year on average across RIIO-ED2

RIIO-ED2
(2023-28)

Allowed return on equity	5.23%
Gearing	60%
Core baseline Totex (20/21 prices)	£5.9bn
Sharing Factor (Totex)	50%

US: New York

Rate agreements for KEDNY-KEDLI² and NIMO approved in 2021 and 2022 respectively

KEDNY- KEDLI (2020-23³)

Allowed return on equity	8.8%
Equity to Debt	48:52
Capex	c.\$3.3bn

NIMO Gas & Electric Joint Proposal (2021-24)

Allowed return on equity	9.0%
Equity to Debt	48:52
Capex	c.\$3.3bn

US: New England

Rate agreements for Massachusetts Gas and Electric include a Performance Based Rate Mechanism

Mass Gas (2021-26)

Allowed return on equity	9.7%
Equity to Debt	53:47
Capex	c.\$1.3bn

Mass Electric (2019-24)

Allowed return on equity	9.6%
Equity to Debt	53:47
Capex	c.\$1.5bn

1. Allowed ROE FY24 which is updated each year with changes to the risk-free rate

2. KEDNY-KEDLI rate filing made in April 2023

3. Backdated to 2020 and includes 1 year extension to 2024

The Energy Transition Company

As one of the world's largest publicly listed utilities, we are facing some of the biggest energy challenges in history and have an important role to play in delivering the clean energy transition. To help us overcome these challenges and facilitate a positive energy transition we are driving industry-leading innovation.

01 Deliver for our customers efficiently

Delivering against our responsible business commitments, **we are working to support a clean, fair and affordable energy future where nobody is left behind.**

We are providing financial and practical assistance to our customers and communities:

- We have implemented more than **\$2.3bn** in energy efficiency measures across New York and Massachusetts over the last 4 years
- In the UK we are returning **£300m** from our interconnector business to customers early
- **£400m cost efficiency programme over 3 years** continues to benefit consumers today and long into the future

CASE STUDY

£65 million energy support fund

In November 2022, we pledged £50 million in the UK and \$17 million in the US to provide assistance to some of the hardest-hit households this winter and next.

In the UK, we have now allocated nearly £24 million of our energy support fund to help 30,000 households through the energy crisis.

In the US we have launched our customer assistance programme, contributing \$6 million so far, to help support vulnerable households.

In addition, we donated \$1 million to assist Buffalo customers and communities after the Winter Storm Elliot event in December.

02 Enabling the energy transition for all

We have revised our near-term emissions targets, aligning the Group to a 1.5C degrees pathway, verified by SBTi. We remain committed to delivering net-zero by 2050.

**Scope 1 & 2
by 60%* by 2030**

**Scope 3
by 37.5%* by 2034**

**Scope 1, 2 & 3
to NET ZERO by 2050**

* From a 2018/19 baseline

We have reduced our Scope 1 & 2 emissions by almost 70% to date through investment, technology development and repurposing our energy market focus.

Over the next 5 years we're committed to investing:

£29bn
of green capex²
in decarbonisation of energy systems.

03 Grow our organisational capability

Following our business re-structuring activity, with a stronger focus on electricity in the UK, we believe our investment will be at the heart of the energy transition and provides greater certainty of medium-term growth.

04 Empower our people for great performance

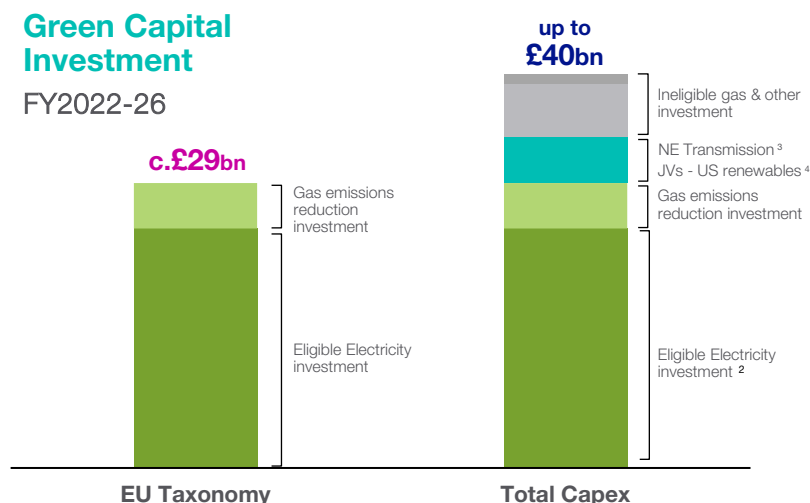
We are building diverse and inclusive teams that reflect the communities we serve, attracting the best talent and recognising great achievements.

We are helping create thousands of green jobs alongside development opportunities for young and underrepresented people, developing the right skills now and in the future to accelerate the energy transition.

We are supporting women return to careers through our STEM Returners partnership. These professionals are often subjected to barriers and unconscious bias when returning to a STEM career after a period of absence.

Green Capital Investment

FY2022-26



1. Our baseline is the aggregate amount of all Scope 1 and 2 greenhouse gas emissions for our business in the relevant base year.

2. Capital expenditure considered to be aligned with the principles of the EU Taxonomy Legislation at the date of reporting and includes most electricity investment, including connecting clean sources of generation such as renewables and nuclear, as well as investment which reduces emissions in our gas networks.

3. Estimated investment in New England transmission excluded as it does not meet the EU Taxonomy criterion of over 67% of newly enabled generation capacity being below the 100 gCO₂e/kWh threshold over a rolling five year period, on the basis that there have been no new connections to the New England transmission network within the past five years.

4. Estimated investment in US onshore and offshore renewables joint ventures. EU Taxonomy excludes investment in joint ventures.

ESG and Responsible Business Charter

Our refreshed [Responsible Business Charter](#), continues to articulate what ‘responsibility’ means for us. Following extensive stakeholder engagement, in July 2023 we updated our Charter to focus on 3 core pillars; Our Environment, Our Customers and Communities, and Our People. These pillars are underpinned by our Responsible Business fundamentals, and previous pillars of Economy and Governance are now embedded within these new focused areas.

Performance Highlights 22/23

Our Environment

- Building on our role as a Principal Partner of COP26, we participated in COP27 in November 2022
- Clean Energy Vision for our US networks launched
- Good progress on our Viking Link interconnector to Denmark - 75% cable laid
- Maintained our CDP Climate Change ‘A list’ rating for the 7th consecutive year

Our Communities & Communities

- Reliability of over 99.99% across our networks
- £65m energy support fund for families most in need of support across US and UK
- We have announced the early return of £100m of interconnector revenues, in addition to £200m previously announced

Our People

- ‘Stand Up For Safety’ campaign launched as a core element of our new safety strategy
- We are a Living Wage Foundation employer in the UK and in the US all colleagues are paid above the statutory minimum
- Diversity, equality and inclusion remains top of our priorities, as demonstrated by our updated executive remuneration policy which increases focus on ESG

For additional detail on our 2022/23 ESG performance please refer to our [Responsible Business Report](#).

Our 'Grid Guide to' ESG Investor Series

A National Grid investor series containing a selection of podcasts and virtual sessions on relevant Environmental, Social and Governance topics and themes. You can browse our latest content by visiting our dedicated [Environmental, Social and Governance webpage](#).



Grid Guide to... Enabling EVs and modernising our networks in Massachusetts

March 2023: Our New England business President, Steven Woerner is joined by his colleagues, Jake Navarro – Director of Clean Transportation and Bill Jones – Director of Grid Modernisation to discuss our recently approved funding for electric vehicle infrastructure and network modernisation. Listen now to find out more details, including what this means for the state's climate ambitions, our customers and communities.

[Listen to podcast](#)

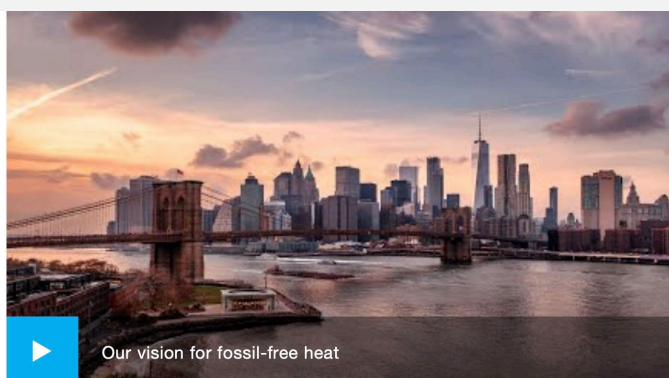
Our Clean Energy Vision

National Grid's vision is to fully eliminate fossil fuels from our US energy networks, enabling the customers and communities we serve to meet their heating needs without using fossil fuels by 2050, if not sooner. Please visit: www.nationalgrid.com/us/fossilfree

Video: Our vision for fossil-free heat

Our vision for fossil-free heat addresses climate change while ensuring affordable, reliable service to all our customers. Watch this video to learn more about how we plan to make our vision of a clean energy future a reality.

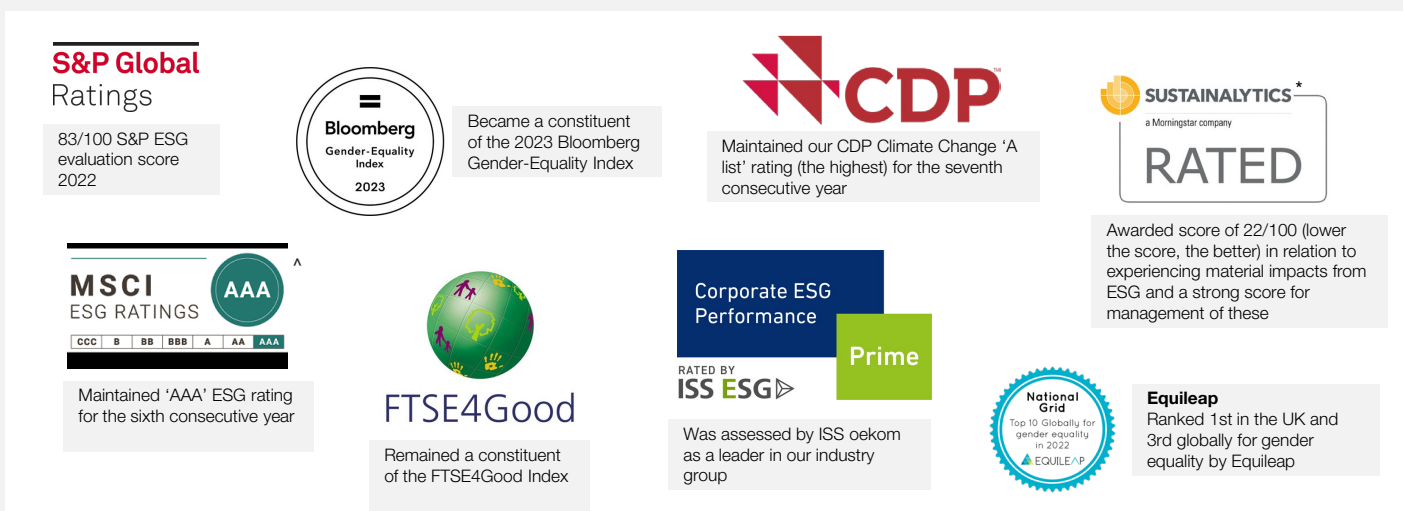
[Watch the video](#)



[Our vision for fossil-free heat](#)

Awards and recognition

To be held account against our environmental, societal and governance business commitments, National Grid is proud to share reporting data and have its sustainable efforts analysed.



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