Additional Information

UK regulation

Regulators

Our licences to participate in transmission, distribution and interconnection activities are established under the Electricity Act 1989. These require us to develop, maintain and operate economic and efficient networks and to facilitate competition in the supply of electricity in GB. They also give us statutory powers, including the right to bury our pipes or cables under public highways and the ability to use compulsory powers to purchase land so we can conduct our business.

Our licensed activities are regulated by Ofgem, which has a statutory duty under the Electricity Act 1989 to protect the interests of consumers. To protect consumers from the ability of companies to set unduly high prices, Ofgem has established price controls that limit the amount of revenue such regulated businesses can earn. In setting price controls, Ofgem must have regard to the need to secure that licence holders are able to finance their obligations under the Electricity Act 1989. This should give us a level of revenue for the duration of the price control that is sufficient to meet our statutory duties and licence obligations with a reasonable return on our investments. Licensees and other affected parties can appeal price controls or within period licence modifications which have errors, including in respect of financeability.

Each of our UK ET, UK ED and ESO businesses operate under three separate price controls, which cover our roles as Transmission Operator (TO), System Operator (SO) and distribution activities in electricity. UK ET fulfils the TO function for electricity, the ESO fulfils the SO function for electricity and UK ED fulfils electricity distribution activities.

The transmission and distribution businesses follow the RIIO (revenue = incentives + innovation + outputs) framework established by Ofgem. There are multiple price controls under this framework, including:

- RIIO-T1 (electricity transmission, April 2013 – March 2021);
- RIIO-T2 (electricity transmission, April 2021 – March 2026);
- RIIO-ED1 (electricity distribution, April 2015 – March 2023); and
- RIIO-ED2 (electricity distribution, April 2023 – March 2028).

Distribution network operators (DNOs) in the UK are natural monopolies and, to ensure value for money for consumers, UK ED is regulated by Ofgem. The operations are regulated under the distribution licence which sets the requirements that UK ED needs to deliver for its customers. In addition to the base level of revenue which the DNOs are allowed to earn, there are incentives to innovate and deliver various outputs relating to customer service, network performance, the environment, connections and efficiency. The achievement or not of targets in relation to these activities can result in rewards or penalties.

Since 1 April 2019, the ESO has been a legally separate business within the Group. This means it operates under its own licence and has a separate set of regulatory arrangements, along with strict ringfences for information.

In addition to these three regulated network price controls, there is also a tariff cap and floor price control applied to regulation of our electricity interconnector interests.

RIIO price controls

Under RIIO, the outputs we deliver are explicitly articulated and our allowed revenues are linked to their delivery, although some outputs and deliverables have only a reputational impact or are linked to legislation. These outputs reflect what our stakeholders have told us they want us to deliver and were determined through an extensive consultation process, which gave stakeholders a greater opportunity to influence the decisions.

Using information we have submitted and, along with independent assessments, Ofgem determines the efficient level of expected costs necessary for these deliverables to be achieved. Under RIIO, this is known as 'totex', which is a component of total allowable expenditure and is broadly the sum of what was defined in previous price controls as operating expenditure (opex) and capital expenditure (capex).

A number of assumptions are necessary in setting allowances for the outputs that we will deliver, including the volumes of work that will be needed and the price of the various external inputs required to achieve them. Consequently, there are a number of uncertainty mechanisms within the RIIO framework designed to protect consumers and network companies by avoiding the need to set allowances when future needs and costs are uncertain.

Where we under- or over-spend the allowed totex for reasons that are not covered by uncertainty mechanisms, there is a 'sharing' factor. This means we share the under- or over-spend with customers through an adjustment to allowed revenues in future years. This sharing factor provides an incentive for us to provide the outputs efficiently, as we are able to keep a portion of savings we make, with the remainder benefitting our customers. Likewise, it provides a level of protection for us if we need to spend more than allowances. Alongside this, there are several specific areas where companies can submit further claims for new allowances within the period, for instance to enable net zero.

Allowed revenue to fund totex costs is split between RIIO 'fast' and 'slow' money categories using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex we are able to recover in the year of expenditure. Slow money is added to our RAV – effectively the regulatory IOU.

For more details on the sharing factors under RIIO for our transmission businesses, please see the tables on page 221.

Regulation of UK ED: The RIIO-ED2 price control

RIIO-ED2, covering the period 1 April 2023 – 31 March 2028, is the second price control to be set under the RIIO model. It builds on from the framework established in the first price control, RIIO-ED1, that ran for 8 years from 1 April 2015 – 31 March 2023.

Our RIIO-ED2 business plan was co-created with our stakeholders, through our largest ever stakeholder consultation process with the broadest range of representatives. In order to enable us to actively drive the nation's move to decarbonisation, our RIIO-ED2 business plan has been designed to achieve four crucial outcomes for our customers:

Affordability: We aim to continue to deliver high standards of safety, reliability and customer service that customers have come to expect from us, while keeping our portion of the below affordable.

Sustainability: We will support the UK's ambitions to achieve net zero carbon emissions by 2050, driving crucial changes in energy usage and customer green behaviour. We will set the benchmark by achieving net zero in our own operations by 2043 (excluding Scope 3 emissions) and we will work towards ensuring the network is ready to enable local authorities to achieve similar ambitions in their regions.

Connectability: We will strive to ensure that a lack of network capacity is not a barrier for our customers. We will ensure that the network can cater for the increasing demand of low carbon technologies and renewable energy over the next five years.

Vulnerability: We will aim to deliver a first class programme of inclusive support. This will include offering smart energy action plans for vulnerable customers each year, ensuring no one is left behind in a smart future. We will also strive to more than double our ground breaking fuel poverty support to deliver over £60 million of savings for 113,000 fuel poor customers over the course of RIIO-ED2.

Regulation of UK ET: The RIIO-T2 price control

The RIIO-T2 price control started on 1 April 2021 and builds on the framework established for RIIO-T1. For example, it introduced a range of new mechanisms to facilitate the transition to net zero, continues support for innovation, incentivises us to deliver outputs and service quality with ambitious targets aligned to our customers' and stakeholders' requirements and increases the opportunity to secure new funding within the price control period.

The Independent User Group (IUG) includes a cross-section of the energy industry and represents the interests of consumers, environmental and public interest groups, as well as large-scale and small-scale customers. It was established in July 2018 to ensure stakeholders are at the heart of our decision-making processes and our plan is fully reflective of customers', consumers' and other stakeholders' requirements.

The IUG has an enduring role in RIIO-T2 with three key focus areas:

- scrutinise and challenge the periodic business plans;
- monitor, interrogate and help the business to enhance transparency of performance against commitments; and
- act as a 'critical friend' for strategy, culture and processes in key areas such as stakeholder engagement, innovation, customers, consumers and responsible businesses.

Competition in onshore transmission

In March 2022, Ofgem published its decision to proceed with the implementation of an early competition model and stated that the ESO was a suitable party to become the procurement body. This decision coincided with the development of the Energy Act 2023, which sets out the legislative framework which enables early competition and facilitates the award of competitively awarded transmission licences. The government has announced that the first eligible projects for competition should be identified in summer 2024, with the launch of the competition in the same year. ESO is now in the process of developing the detailed tender process and commercial model, establishing project identification processes, and working with Ofgem to establish the frameworks required to underpin early competition.

We support onshore competition where it can deliver benefits to consumers, in particular noting that many projects for delivery before 2035 will need to be exempt from competition if the government is to achieve power sector decarbonisation and net zero. The wider landscape has shifted significantly since competition in onshore networks was first considered, and continues to do so, with aspects around more centralised network planning and market arrangements still evolving.

Key parameters from Ofgem's RIIO-ED2 determination for UK ED and RIIO-T2 determination for UK ET

	UK ED	UK ET
Allowed Return on Equity (RoE)[1]	5.28 – 5.59% (real, relative to CPIH) at 60% gearing	4.25 – 5.20% (real, relative to CPIH) at 55% gearing (4.52 – 5.59% at 60% gearing)
Allowed debt funding	Calculated and updated each year using 17-year trailing average of iBoxx Utilities 10+ year index, plus 25bps additional cost of borrowing, 55bps calibration adjustments, plus 6bps infrequent issuer premium for West Midlands, South Wales and South West	Calculated and updated each year using an extending 'trombone-like' trailing average of iBoxx Utilities 10+ year index (increases from 10 years for 2021/22 to 14 years for 2025/26), plus 25bps additional borrowing costs
Depreciation of RAV	Straight-line 45-year depreciation	No change in policy: straight-line over 45 years for post-2021 RAV additions, with pre-2021 RAV additions as per RIIO-T1
Notional gearing	60%	55%
Split between fast/slow money	Capitalisation rate 1 slow money 77% – 79% Capitalisation rate 2 slow money 85%	Fast: RIIO-T2 baseline 22%; RIIO-T2 uncertainty mechanisms 15% Slow: RIIO-T2 baseline 78%; TO uncertainty mechanisms 85%
Sharing factor	50%	33%
Core baseline totex (cumulative for the five years of RIIO-ED2 and of RIIO-T2)	£5.9 billion in 2020/21 prices	£5.8 billion

1. The cost of equity in RIIO-ED2 is subject to annual adjustments that are calculated using the Capital Asset Pricing Model, through indexation of the 'risk-free rate' parameter. The range shown above is Ofgem's estimate of the allowed RoE over the five years of RIIO-ED2, as updated in the RIIO-ED2 Price Control Financial Model published in December 2023.The cost of equity in RIIO-T2 is subject to annual adjustments that are calculated using the Capital Asset Pricing Model, through indexation of the 'risk-free rate' parameter. The range shown above is Ofgem's estimate of the allowed RoE over the five years of RIIO-T2, as updated in the RIIO-T2 Price Control Financial Model published in January 2024.

Regulation of the ESO: RIIO-2 price controls

A primary goal of ESO legal separation in April 2019 was to increase transparency of our activities and help minimise any perceived conflicts of interest with the ESO as part of the Group. More recently, the UK government has committed to the creation of a Future System Operator as part of the Energy Act 2023, which will be at the heart of GB's energy system and the delivery of net zero. This new organisation will be known as NESO, and current planning assumptions are for the NESO to be separated from the Group in the second half of calendar year 2024.

Due to its unique role within industry, the ESO has a bespoke regulatory framework, with the five-year RIIO-2 period being split into a number of smaller business plan periods. ESO's second business plan, based on stakeholder feedback, and setting out the ESO's mission, ambitions and planned activities was approved in March 2023. This second ESO business plan period runs between 1 April 2023 and 31 March 2025. The ESO's funding uses a pass-through mechanism (where all efficiently incurred costs can be recovered through regulated revenues), and the ESO has the flexibility to deviate from its published plans, delivering additional activities where there is an opportunity to benefit consumers. The RIIO-2 regulatory framework includes a return on RAV but also provides additional non-RAV funding for roles and risks that are not linked to an asset base. There is no totex incentive mechanism for the ESO in RIIO-2, which means that the ESO has greater flexibility to adjust spending in order to deliver its ambitious business plan and maximise consumer benefit.

ESO performance continues to be assessed via an evaluative incentive approach and the value has been set for the business plan 2 period as a total maximum reward of £30 million and maximum penalty of £12 million for the two-year period. As part of this incentive scheme, a Performance Panel of industry stakeholders scores the ESO on its performance, informing the reward or penalty awarded by Ofgem at the end of the two-year business plan 2 period.

Interconnectors regulation

Interconnectors primarily derive their revenues from sales of capacity to users who wish to move power between market areas with different prices.

Under UK legislation, interconnection businesses must be separate from the transmission businesses.

There is a range of different regulatory models available for interconnector projects. These involve various levels of regulatory intervention, ranging from fully merchant (where the project is fully reliant on sales of interconnector capacity) to cap and floor.

The cap and floor regime is now the regulated route for interconnector investment in GB and may be sought by project developers who do not qualify for, or do not wish to apply for, exemptions from UK and European legislation which would facilitate a merchant development.

Offshore Hybrid Assets (OHA) combine interconnection with offshore wind. Ofgem has established a pilot scheme and is developing the regulatory regime for these assets.

US regulation

Regulators

In the US, public utilities' retail transactions are regulated by state utility commissions which serve as economic regulators, approving cost recovery and authorised rates of return. The state commissions establish the retail rates to recover the cost of transmission and distribution services within their jurisdictions. They also serve the public interest by making sure utilities provide safe and reliable services at just and reasonable prices. The commissions establish service standards and approve public utility mergers and acquisitions. State commissions are also asked to approve a variety of programmes and costs related to state energy and climate goals.

At the federal level, FERC regulates wholesale transactions for utilities, such as interstate transmission and wholesale electricity sales, including rates for these services. FERC also regulates public utility holding companies and centralised service companies, including those of our US businesses.

Regulatory process

The US regulatory regime is premised on allowing the utility the opportunity to recover its cost of service and earn a reasonable return on its investments as determined by each commission. Utilities submit formal rate filings (rate cases) to the relevant state regulator when additional revenues are necessary to provide safe, reliable service to customers. Additionally, utilities can be compelled to file a rate case, either due to complaints filed with the commission or at the commission's own discretion.

The rate case is sometimes negotiated with parties representing customers and other interests. The utility is required to prove that the requested rate change is just and reasonable, and the requested rate plan can span multiple years. In the states where we operate, it can typically take 9 – 13 months for the commission to render a final decision, although, in some instances, rules allow for longer negotiation periods which may extend the length of the rate case proceeding. Unlike the state processes, FERC, as the federal regulator, has no specified timeline for adjudicating a rate case; typically it makes a final decision retroactively when the case is completed.

Gas and electricity rates are established from a revenue requirement, or cost of service, equal to the utility's total cost of providing distribution or delivery services to its customers, as approved by the commission in the rate case. This revenue requirement includes operating expenses, depreciation, taxes, and a fair and reasonable return on shareholder capital invested in certain components of the utility's regulated asset base or 'rate base'.

The final revenue requirement and rates for service are approved in the rate case decision. The revenue requirement is derived from a comprehensive study of the utility's total costs during a representative 12-month period, referred to as a test year. Each commission has its own rules and standards for adjustments to the test year. These may include forecast capital investments and operating costs.

Our rate plans

Each operating company has a set of rates for service. We have three electric distribution operating companies: (1) Niagara Mohawk Power Corporation, with operations in upstate New York; (2) Massachusetts Electric Company; and (3) Nantucket Electric Company, the latter two having operations in Massachusetts.

We also have four gas distribution operating companies: (1) Niagara Mohawk Power Corporation, with operations in upstate New York; (2) Brooklyn Union Gas Company, with operations in downstate New York; (3) KeySpan Gas East Corporation, with operations in downstate New York; and (4) Boston Gas Company, with operations in Massachusetts.

Our distribution operating companies have revenue decoupling mechanisms that delink their revenues from the quantity of energy delivered and billed to customers. These mechanisms remove the natural disincentive utility companies have for promoting and encouraging customer participation in energy-efficiency programmes that lower energy end-use and distribution volumes.

We bill our customers for their use of electricity and gas services. Customer bills typically cover the cost of the commodity (electricity or gas delivered) and charges covering our delivery service. Our customers are allowed to select an unregulated competitive supplier for the commodity component of electricity and gas utility services.

A substantial proportion of our costs, in particular electricity and gas commodity purchases, are pass-through costs, fully recoverable from our customers. We recover pass-through costs through making separate charges to customers, designed to recover those costs with no profit. We adjust the charges from time to time, often annually to make sure that any over- or under-recovery of these costs is returned to, or recovered from, our customers. Our rate plans are designed to a specific allowed RoE, by reference to an allowed operating expense level and rate base. Some rate plans include earnings-sharing mechanisms that allow us to retain a proportion of the earnings above our allowed RoE, achieved through improving efficiency, with the balance benefitting customers. In addition, our performance under certain rate plans is subject to service performance targets. We may be subject to monetary penalties in cases where we do not meet those targets.

Our FERC-regulated transmission companies use formula rates (instead of periodic stated rate cases) to set rates annually that recover their cost of service. Through the use of annual true-ups, formula rates recover our actual costs incurred and the allowed RoE based on the actual transmission rate base each year. We must make annual formula rate filings documenting the revenue requirement that customers can review and challenge.

Revenue for our wholesale transmission businesses in New England and New York is collected from wholesale transmission customers. These are typically other utilities and include our own New England electricity distribution businesses. With the exception of upstate New York, which continues to combine retail transmission and distribution rates to end-use customers, these wholesale transmission costs are generally incurred by distribution utilities on behalf of their customers. They are fully recovered as a pass-through from end-use customers, as approved by each state commission.

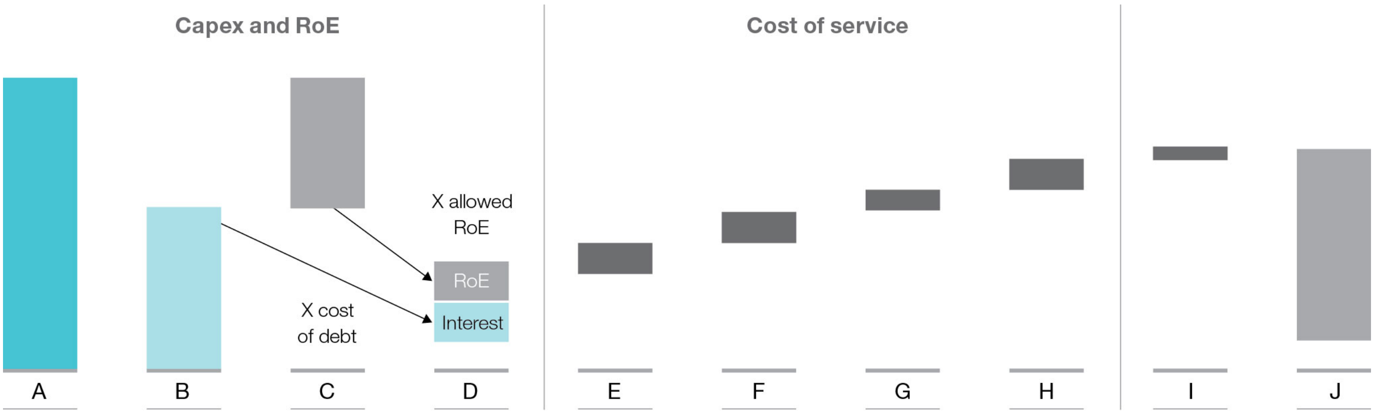
Our Long Island generation plants sell capacity to the LIPA under 15-year and 25-year power supply agreements and within wholesale tariffs approved by FERC. Through the use of cost-based formula rates, these long-term contracts provide a similar economic effect to cost-of-service rate regulation.

One measure used to monitor the performance of our regulated businesses is a comparison of achieved RoE to allowed RoE. However, this measure cannot be used in isolation, as several factors may prevent us from achieving the allowed RoE. These include financial market conditions, regulatory lag (e.g. the time period after a rate or expense is approved for recovery but before we collect the same from customers) and decisions by the regulator preventing cost recovery in rates from customers.

We work to increase achieved RoE through:

- productivity improvements;
- positive performance against incentives or earned savings mechanisms, such as available energy-efficiency programmes; and
- filing a new rate case when achieved returns are lower than those the Company could reasonably expect to attain through a new rate case.

US regulatory revenue requirement



A Rate base
B Debt
C Equity
D Return
E Controllable costs
F Non-controllable costs
G Depreciation
H Taxes
I Lagged recoveries
J Allowed revenue

US regulatory filings

The objectives of our rate case filings are to make sure we have the right cost of service and are able to earn a fair and reasonable rate of return, while providing a safe, reliable and affordable service. To achieve these objectives and reduce regulatory lag, we have been successful in many cases in obtaining relief, such as:

- revenue-decoupling mechanisms;
- capital trackers;
- commodity-related bad debt true-ups;
- pension and other post-employment benefit true-ups, separately from base rates; and
- performance-based frameworks such as incentives and multi-year plans.

We explain these terms in the table on page 225.

Recent developments in rate filings and the regulatory environment are:

New York

- A joint proposal, setting forth a three-year rate plan for Niagara Mohawk, was approved by the NYPSC in January 2022.
- A joint proposal setting forth a three-year rate plan for KEDNY and KEDLI was filed with the NYPSC in April 2024.

Massachusetts

- In November 2018, we made a full rate case filing for Massachusetts Electric Company and Nantucket Electric Company which resulted in a five-year performance-based ratemaking plan in September 2019.
- In November 2020, we made a full rate case filing for Boston Gas Company resulting in a five-year performance-based ratemaking plan in September 2021.

Massachusetts

Massachusetts Electric Company and Nantucket Electric Company rate cases

On 16 November 2023, we filed a petition for an increase in electric base distribution rates for Massachusetts Electric Company and Nantucket Electric Company with the MADPU.

The proposed overall increase to distribution revenues is approximately $132 million, which represents an approximately 12.7% increase in distribution revenue. The filing also includes a proposed Comprehensive Performance and Investment (CPI) Plan that seeks to (i) implement a five-year performance-based ratemaking (PBR) mechanism for operation and maintenance costs only, which would allow the adjustment of base distribution rates on an annual basis through the application of a revenue-cap mathematical formula; and (ii) implement an Infrastructure, Safety, Reliability and Electrification (ISRE) reconciling mechanism to recover investments in core capital projects necessary to provide safe and reliable electric distribution service to customers.

The ISRE reconciling mechanism also proposes to recover investments in the capital projects necessary to execute Massachusetts Electric Company and Nantucket Electric Company's ESMP and expenses that fall under the ESMP to the extent such investments and expenses are approved by the MADPU in a separately docketed proceeding. Massachusetts Electric Company and Nantucket Electric Company also propose a series of incentives and penalties associated with progress and performance under the PBR mechanism and with respect to the core capital projects under the ISRE reconciling mechanism. Additional proposals include rate design proposals including a multi-tiered, low-income discount based on income levels, and an electrification pricing option for certain residential customers. The effective date of the propsed rate increase is 1 October 2024.

Boston Gas Company rate case

On 30 September 2021, the MADPU issued an order in Boston Gas Company's most recent rate case. The MADPU decision: (1) allowed an increase in base revenues of $144.86 million, as compared with the request for $220.74 million; (2) authorised an RoE of 9.7%, raised from the previous RoE of 9.5%; (3) authorised a capital structure of 53.44% equity and 46.56% debt; and (4) allowed for recovery of the costs of 133 new, incremental full-time employees. The decision also approved the Boston Gas Company's proposed five-year performance-based ratemaking plan which adjusts distribution rates annually based on a predetermined formula. Boston Gas Company had also presented its Future of Heat proposals to address Massachusetts' ambitious greenhouse gas emissions reduction goals. These proposals are innovative programmes and demonstration projects that the Boston Gas Company has developed to reduce emissions, promote gas demand response, and encourage the development of sustainable heating options and new technologies to advance low-carbon heating solutions. Ultimately, the MADPU elected to remove our Future of Heat proposals from the rate case without prejudice for their consideration as part of other proceedings. Subsequently, on 15 December 2021, the MADPU approved the Boston Gas Company's geothermal district energy demonstration programme for five years with a budget of $15.6 million.

New York

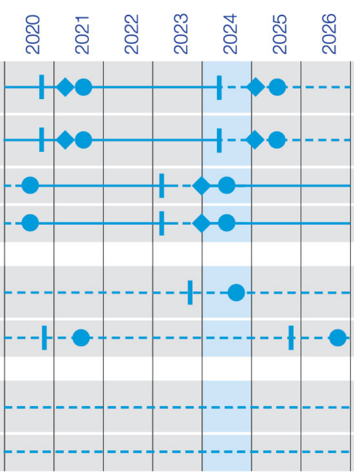
Downstate New York 2023 rate cases – KEDNY and KEDLI

KEDNY and KEDLI filed rate cases with the NYPSC on 28 April 2023 seeking to update our allowed revenues to reflect our cost of service more closely, while maintaining affordable energy for customers. A joint proposal setting forth a three-year rate plan for KEDNY and KEDLI was filed with the NYPSC on 9 April 2024 setting forth overall annual revenue requirement increases, including $444 million for KEDNY and $246.5 million for KEDLI for the year ending on 31 March 2025. The joint proposal reflects $1.57 billion in capital investments for KEDNY and KEDLI in the first rate year to modernise KEDNY and KEDLI's gas infrastructure to implement safety improvements, enhance reliability and resilience, replace ageing and leak-prone facilities, and reduce methane emissions.

The joint proposal aligns with our 2050 vision to support a sustainable and affordable path towards a low-carbon energy future. Additionally, the joint proposal includes initiatives to expand low-income and energy-efficiency programmes, fund renewable natural gas projects, and enhance customer service.

Our current rate plan will be applicable until this rate proceeding concludes.

Summary of US price controls and rate plans



Regulator	Plan	Rate base (31 Mar 2024)	Equity-to-debt ratio	Allowed Return on Equity	Achieved Return on Equity (31 Mar 2024)	Revenue decoupling†	Capital tracker‡	Commodity-related bad debt true-up§	Pension/OPEB true-up◊
NYPSC	Niagara Mohawk[1,5] (upstate, electricity)	**$8,317m**	**48:52**	**9.0%**	**8.1%**	✓	**P**	**P**	✓
	Niagara Mohawk (upstate, gas)	**$1,765m**	**48:52**	**9.0%**	**6.0%**	✓	**P**	**P**	✓
	KEDNY (downstate)[2,6]	**$6,454m**	**48:52**	**8.8%**	**8.9%**	**P**	**P**	**P**	✓
	KEDLI (downstate)[3]	**$4,149m**	**48:52**	**8.8%**	**9.7%**	**P**	**P**	**P**	✓
Massachusetts Department of Public Utilities	Massachusetts Electric/Nantucket Electric[5]	**$3,541m**	**53:47**	**9.6%**	**7.6%**	✓	**P**	✓	✓
	Massachusetts Gas[5]	**$4,758m**	**53:47**	**9.7%**	**9.2%**	✓	**P**	**P**	✓
Federal Energy Regulatory Commission	Canadian Interconnector/Other[4]	**$48m**	**65:35**	**11.1%**	**11.1%**	**n/a**	✓	**n/a**	✓
	New England Power	**$2,645m**	**60:40**	**10.6%**	**11.1%**	**n/a**	✓	**n/a**	✓

1. Both transmission and distribution, excluding stranded costs.
2. KeySpan Energy Delivery New York (the Brooklyn Union Gas Company).
3. KeySpan Energy Delivery Long Island (KeySpan Gas East Corporation).
4. Equity ratio and Return on Equity values are for the Canadian Interconnector only.
5. The chart shows the anticipated date rates are to be in effect.
6. National Grid, Department of Public Service Staff, and other settling parties filed a Joint Proposal for a three-year rate plan beginning 1 April 2024 and ending 31 March 2027. The settlement was filed on 9 April 2024 with an agreed upon 9.35% return on equity. A final decision from the NYPSC is expected later this year.

Rate filing made
New rates effective
Rate plan ends
Rates continue indefinitely
Multi-year rate plan

✓ Feature in place
P Feature partially in place

†Revenue decoupling
A mechanism that removes the link between a utility's revenue and sales volume so that the utility is indifferent to changes in usage. Revenues are reconciled to a revenue target, with differences billed or credited to customers. This allows the utility to support energy efficiency.

‡Capital tracker
A mechanism that allows the recovery of the revenue requirement of incremental capital investment above that embedded in base rates, including depreciation and a return on the incremental investment.

§Commodity-related bad debt true-up
A mechanism that allows a utility to reconcile commodity-related bad debt either to actual commodity-related bad debt or to a specified commodity-related bad debt write-off percentage. For electricity utilities, this mechanism also includes working capital.

◊Pension/OPEB true-up
A mechanism that reconciles the actual non-capitalised costs of pension and other post-employment benefits (OPEB) and the actual amount recovered in base rates. The difference may be amortised and recovered over a period or deferred for a future rate case.

Internal control and risk factors

Disclosure controls

Our management, including the Chief Executive and Chief Financial Officer, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of 31 March 2024.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives; however, their effectiveness has limitations, including the possibility of human error and the circumvention or overriding of the controls and procedures.

Even effective disclosure controls and procedures provide only reasonable assurance of achieving their objectives.

Based on the evaluation, the Chief Executive and Chief Financial Officer concluded that the disclosure controls and procedures are effective to provide reasonable assurance. The information required for disclosure in the reports that we file and submit under the Securities Exchange Act 1934 is recorded, processed, summarised and reported as and when required and that such information is accumulated and communicated to our management, including the Chief Executive and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Internal control over financial reporting

Our management, including the Chief Executive and Chief Financial Officer, have carried out an evaluation of our internal control over financial reporting pursuant to the Disclosure Guidance and Transparency Rules (DTR) and section 404 of the SOx Act. As required by section 404, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting (as defined in Rules 13(a) – 5(f) and 15(d) – 15(f) under the Securities Exchange Act 1934).

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's evaluation of the effectiveness of the Company's internal control over financial reporting was based on the revised Internal Control – Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission. Using this evaluation, management concluded that our internal control over financial reporting was effective as at 31 March 2024.

Deloitte LLP, which has audited our consolidated financial statements for the year ended 31 March 2024, has also audited the effectiveness of our internal control over financial reporting.

During the year, there were no changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Risk factors

Management of our risks is an important part of our internal control environment, as we describe on pages 226 – 231. In addition to the principal risks listed, we face a number of inherent risks that could have a material adverse effect on our business, financial condition, results of operations and reputation, as well as the value and liquidity of our securities. Any investment decision regarding our securities and any forward looking statements made by us should be considered in the light of these risk factors and the cautionary statement set out on page 264. An overview of the key inherent risks we face is provided on the pages that follow.

Risk factors

Operational risks

Cyber or physical security breaches

Cyber or physical security breaches may impact our ability to operate our networks, initiate the loss of critical operating or confidential data and expose us to significant liabilities.

As an owner and operator of critical infrastructure assets, we are subject to cyber and physical threats, including from parties who wish to disrupt our operations. In response to the conflict in Ukraine, the UK government warned of heightened cyber threat to national infrastructure, and there can be no certainty that our security measures will be sufficient to prevent breaches from wherever they originate.

Malicious attack, sabotage or other intentional acts may also damage our assets (which include critical national infrastructure), systems or data or otherwise significantly affect corporate activities and, as a consequence, have a material adverse impact on our reputation, business, results of operations and financial condition. The third-party technology systems, hardware, software, and technical applications and platforms which we use may also be subject to attempts to disrupt the services they provide to us or used as a conduit to attack us.

Unauthorised access to, or deliberate breaches of, our IT systems may also lead to manipulation of our proprietary business data or customer information. Unauthorised access to private customer information may make us liable for a violation of data privacy regulations, which may in turn expose us to significant regulatory fines or liabilities. Even where we establish business continuity controls and security against threats to our systems, these may not be sufficient. As threats related to cyber security develop and grow, we may also find it necessary to make further investments to protect our data and infrastructure, which may impact our results of operations and financial condition.

Potentially harmful activities

Aspects of our activities could potentially harm employees, contractors, members of the public or the environment.

Various potentially hazardous activities arise in connection with our business. For example, electricity and gas utilities typically use and generate hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of our operations that are not currently regarded or proved to have adverse effects but could become so.

A significant safety or environmental incident, a catastrophic failure of our assets or a failure of our safety processes or of our occupational health plans, as well as the breach of our regulatory or contractual obligations or our climate change targets, could materially adversely affect our results of operations and our reputation.

Safety is a fundamental priority for us, and we commit significant resources and expenditure to process safety and to monitoring personal safety, occupational health and environmental performance, and to meeting our obligations under negotiated settlements.

We are subject to laws and regulations in the UK and US governing health and safety matters to protect the public and our employees and contractors, who could potentially be harmed by these activities, as well as laws and regulations relating to pollution, the protection of the environment, and the use and disposal of hazardous substances and waste materials, which are subject to change in the future.

These expose us to costs and liabilities relating to our operations and properties, including those inherited from predecessor bodies, whether currently or formerly owned by us, and sites used for the disposal of our waste.

The cost of future environmental remediation obligations is often inherently difficult to estimate, and uncertainties can include the extent of contamination, the appropriate corrective actions and our share of the liability. We are increasingly subject to regulation in relation to climate change and related reporting requirements, which are subject to significant change, and are affected by requirements to reduce our own carbon emissions as well as to enable a reduction in energy use by our customers. If more onerous requirements are imposed on our own operating and reporting requirements or our ability to recover these costs under regulatory frameworks changes, then this could have a material adverse impact on our business, reputation, results of operations and financial position.

Infrastructure and systems

We may suffer a major network failure or interruption, or may not be able to carry out critical operations due to the failure of infrastructure or technology or a lack of supply, including as a result of bulk power system failure.

Operational performance could be materially adversely affected by a failure to maintain the health of our assets or networks, inadequate forecasting of demand, inadequate record keeping or control of data, as well as third-party energy generators, including upstream failure or inability to produce adequate or reliable supply. Such events, in turn, could cause us to fail to meet agreed standards of service, incentive and reliability targets, or to be in breach of a licence, approval, regulatory requirement or contractual obligation. Even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming our reputation.

Where demand for electricity or gas exceeds supply, including where we do not adequately forecast and respond to disruptions in energy supplies, and our balancing mechanisms are not able to mitigate this fully, a lack of supply to consumers may damage our reputation.

In addition to these risks, we may be affected by other potential events that are largely outside our control, such as the impact of weather (including as a result of climate change and major storms), unlawful or unintentional acts of third parties, outbreaks of hostilities or terrorist acts, insufficient or unreliable supply, or force majeure.

These items can affect financial performance, and we disclose in our underlying results to reflect, among other items, major storm costs that are recoverable in future periods where these are in excess of $100 million (in aggregate) in the financial year. Severe weather that causes outages or damages infrastructure, together with our actual or perceived response, could materially adversely affect operational and potentially business performance and our reputation.

Our insurance coverage may not cover all of the costs and liabilities we incur as the result of any damage or disruptions, including from these types of events outside our control, which in addition to any of the factors mentioned above may materially and adversely impact our business, results of operations and financial condition.

Reliance on IT Systems

A failure of our information technology infrastructure could adversely impact our business and results of operations.

We rely upon the capacity, reliability and security of our IT hardware and software infrastructure and our ability to expand and update this infrastructure in response to changing needs. Our systems may be vulnerable to damage from a variety of attacks or disruptions (including cyber-attacks), natural disasters, failures in hardware or software (including disruption to information systems of supporting technology, the possibility of obsolescence and the risk of serial defects on technology implemented by the Group), power fluctuations, unauthorised access to data and systems, loss or destruction of data (including confidential client information), human error, and other similar disruptions. Not all of these sources of threat are within our control, including fraud or malice on the part of third parties, accidental technological failure, electrical or telecommunication outages, failures of computer servers or other damage to our property or assets, outbreaks of hostilities, or terrorist acts. In addition we rely on third parties to support the operation of our IT hardware, software infrastructure and software-as-a-service applications, and cloud services. The security and privacy measures implemented by such third parties may not be sufficient to identify or prevent disruptions or cyber-attacks.

We cannot give assurance that any security measures we have implemented or may in the future implement will be sufficient to identify and prevent or mitigate such disruptions. Maintenance of these IT systems is important for our ongoing service delivery, and investment may be required in the future to further develop our IT capabilities and to protect against disruptions or security breaches in the future.

The failure of our IT systems or those of our vendors to perform as anticipated for any reason or any significant breach of security could disrupt our business and result in numerous adverse consequences, including reduced effectiveness and efficiency of operations, inappropriate disclosure of confidential and proprietary information, potentially significant reputational harm, increased overhead costs and loss of important information, and regulatory fine or other liability, any of which could have a material adverse effect on our business and results of operations. In addition, significant disruptions or breaches may require remedial steps to be taken, which could require us to incur significant costs. Although we maintain business continuity and/or disaster recovery plans, they may not in all circumstances be effective to timely resolve issues resulting from a disruption.

Supply chain disruptions

Supply chain disruption may materially and adversely affect our results of operations.

We may be impacted by supply chain disruptions and shortages of materials, equipment, labour and other resources that are critical to our business operations, including the delivery of major projects. Long lead times for critical equipment, network components and replacement parts could restrict the availability and delay the construction, maintenance or repair of items that are needed to support our normal operations and may result in prolonged customer outages, which could in turn lead to unrecovered costs for such service interruptions. Demand for electric equipment is increasing due to utilities' efforts to meet clean energy goals, planned capital expenditure projects and in order to prepare for more frequent extreme weather events at a time when manufacturing capacity and supply are decreasing.

Prices of materials, equipment, transportation and other resources have increased as a result of these supply chain disruptions and shortages and may furthermore continue to increase as a result of inflation.

A prolonged continuation or a further increase in the severity of supply chain and inflationary pressures could result in additional increases in the cost of certain goods, services and cost of capital, and may lead to projects delays, which may materially and adversely impact our business, results of operations and financial condition.

Customers, suppliers and counterparties

Customers, suppliers and counterparties may not perform their obligations.

Our operations are exposed to the risk that customers, suppliers, banks and other financial institutions, and others with whom we do business, will not satisfy their obligations, which could materially adversely affect our financial position.

This risk is significant where our subsidiaries have concentrations of receivables from gas and electricity utilities and their affiliates, as well as industrial customers and other purchasers, and may also arise where customers are unable to pay us as a result of increasing commodity prices or adverse economic conditions.

To the extent that counterparties are contracted with us for physical commodities (gas and electricity) and they experience events that impact their own ability to deliver, we may suffer supply interruption.

There is also a risk to us where we invest excess cash or enter into derivatives and other financial contracts with banks or other financial institutions. Banks that provide us with credit facilities may also fail to perform under those contracts.

Investment projects

Our capital investment projects are subject to a number of risks and uncertainties, including availability of supplies and personnel, cost and scheduling oversight, and regulatory requirements, approvals and consents.

Our regulated utility businesses are highly capital intensive, and require significant ongoing investments in network infrastructure including generation, transmission and distribution technologies and projects necessary to achieve our own, and wider, environmental goals.

The successful completion of any such project depends on, or could be affected by, a variety of factors, including: effective cost and schedule management of the projects; availability of qualified construction personnel, both internal and contracted; changes in commodity and other prices, applicable tariffs, and/or availability of supplies, materials and equipment needed for undertaking such projects and maintaining assets once in use; governmental approvals and consents, permitting and planning; clarity in regulatory requirements and expectations, including open communication with regulators and relevant stakeholders throughout the planning, approval, investment and operational stages; changes in environmental, legislative and regulatory requirements; regulatory cost recovery; inflation, including of labour rates; increases in lead times; and disruptions in supply chain distribution.

In 2022, Ofgem announced its Accelerated Strategic Transmission Investment (ASTI) framework, aimed at achieving the UK government's ambition of connecting 50 GW of offshore wind by 2030. Delivery of the 17 ASTI projects awarded to National Grid is expected to require an increase in the annual level of capital investment over the next decade. Our capacity to meet our commitments under the ASTI framework depends on a number of factors, including: the timely progression of awarded projects (including the planning stages and receipt of relevant approvals and consents); avoidance of significant supply chain disruptions and the continued availability of critical components; access to necessary labour and our ability to execute the relevant projects in line with regulatory standards and expectations.

We also plan to undertake significant capital investments in the US, including various renewable investment projects and leak-prone pipe replacements, further electric sector modernisation plans in Massachusetts, the Propel NY Energy Transmission Project in New York (a collaboration between The New York Power Authority and New York Transco, a joint venture between National Grid Ventures, Avangrid, Central Hudson, and Con Edison), and investments in furtherance of New York's Climate Leadership and Community Protection Act (CLCPA).

Adverse events associated with any of the factors set out above could materially impact our ability to achieve the benefits of such projects, including our ability to comply with licensing and regulatory requirements and to further our own, and the relevant governmental, net zero targets and commitments.

Pandemics and epidemics

We face risks related to health epidemics and other outbreaks.

As seen in the context of COVID-19, pandemics and their associated countermeasures may affect countries, communities, supply chains and markets, including the UK and our service territory in the US. The spread of such pandemics could have adverse effects on our workforce, which could affect our ability to maintain our networks and provide service. In addition, disruption of supply chains could adversely affect our systems or networks.

Pandemics can also result in extraordinary economic circumstances in our markets which could negatively affect our customers' ability to pay their invoices in the US or the charges payable to the suppliers for transmission and distribution services in the UK. Measures such as the suspension of debt collection and customer termination activities across our service area in response to such pandemics are likely to result in near-term lower customer collections, and could result in increasing levels of bad debt and associated provisions.

The extent to which pandemics may affect our liquidity, business, financial condition, results of operations and reputation will depend on future developments, which are highly uncertain, and will depend on the severity of the relevant pandemic, the scope, duration, cost to us and overall economic impact of actions taken to contain it or treat its effects.

Strategic risks

Climate change commitments and targets

If we fail to meet our regulatory obligations, commitments or targets in relation to climate change and the energy transition, our reputation and business may be materially and adversely affected.

We have set ambitious climate performance targets and commitments, including on reductions to greenhouse gas emissions, and we aim to deliver critical infrastructure necessary to achieve wider climate change objectives. If we are unable to identify and/or deliver upon actions necessary to meet such targets, including due to third-party action or inaction, this could undermine our ability to deliver our clean energy transition strategy, subject us to accusations of (or legal challenges related to) greenwashing, damage our reputation and limit our ability to influence future energy policy. Achievement of our climate commitments and targets is subject to risks and uncertainties, many of which are outside of our control and depend on, among other factors, investment and changes in operating practices by other energy sector participants, in particular risks related to generation of electricity by third parties and advances in technology and regulatory requirements that could impact how individuals and households use electricity, as well as regulatory, commercial and social trends in the jurisdictions where we operate.

These risks and uncertainties include, but are not limited to, the availability and cost of alternative fuels, global electrical charging infrastructure, off-site renewable energy and other materials and components; the outcome of research efforts and future technology developments, including the ability to scale projects and technologies on a commercially competitive basis, such as carbon sequestration, hydrogen blending (and other uses of hydrogen) and/or other related processes; labour-related regulations and requirements that restrict or prohibit our ability to impose requirements on third-party contractors; customer acceptance of sustainable supply chain solutions; and the consummation of an acquisition of, or merger with, another company that has not adopted similar goals or whose progress toward reaching its goals is not as advanced as ours.

Failure to achieve or maintain our climate performance targets, credentials and leadership may result in significant reputational harm, damage our relationship with key stakeholders, or result in regulatory enforcement and fines.

We measure and report on certain climate-related metrics where required by regulation, as well as for strategic and management purposes. The processes involved in formulating and reporting against our climate and emissions targets are complex, and are subject to significant uncertainties, including with respect to the methodology, collection and verification of data, underlying estimates and assumptions, and the use of third-party information. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories, and the climate scenarios employed in relation to climate metrics (and the models that analyse such scenarios) have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty and cannot fully capture all of the potential effects of climate, policy and technology driven outcomes. In addition, climate change and emissions data, models and methodologies are relatively new, rapidly evolving and have not historically been subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles as financial and other information. As a result, such data may subsequently be determined to be erroneous, and implementing systems to meet regulatory requirements may be complex, require significant investment or impose additional demands on management time.

If our climate-related practices, reporting, regulatory compliance and performance do not meet investor or other stakeholder expectations, we could be subject to significant fines or penalties and our reputation and consequently our financial performance may be materially and adversely affected.

Law, regulation and political and economic uncertainty

Changes in law or regulation, or decisions by governmental bodies or regulators and increased political and economic uncertainty, could adversely affect us in a material way.

Most of our businesses are utilities or networks subject to regulation by governments and other authorities. Changes in law or regulation or regulatory policy and precedent, as well as legislation introduced to facilitate the attainment of net zero emissions targets, and decisions of governmental bodies or regulators in the countries or states in which we operate could materially adversely affect us. In addition, regulatory priorities may change following elections, the effects of which remain highly uncertain. In the longer term, significant changes to law or regulation regarding usage of electricity or gas in jurisdictions where we operate or on our operating activities could limit the return expected on investment or regulated assets. More widely, the impacts of international political and economic uncertainty and disruption could also have a material adverse consequence on us. We may fail to deliver any one of our customer, investor and wider stakeholder propositions due to increased political and economic uncertainty.

Decisions or rulings concerning the following (as examples) could have a material adverse impact on our results of operations, cash flows, the financial condition of our businesses and the ability to develop those businesses in the future:

- the RIIO (revenue = incentives + innovation + outputs) framework established by Ofgem, including the implementation of the RIIO-T2 and RIIO-ED2 price controls and upcoming determination of RIIO-T3 and RIIO-ED3 in the UK;
- the implementation of and periodic determination of US rate plans;
- whether licences, approvals or agreements to operate or supply are granted, amended or renewed, whether consents for construction projects are granted in a timely manner, or whether there has been any breach of the terms of a licence, approval or regulatory requirement; and
- timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, a decoupling of energy usage and revenue, and other decisions relating to the impact of general economic conditions on us, our markets and customers, implications of climate change and of advancing energy technologies, whether aspects of our activities are contestable, and the level of permitted revenues and dividend distributions for our businesses.

In October 2023, Ofgem published its decision on the Future Systems and Networks Regulation consultation, which confirmed Ofgem's framework for RIIO-3 price controls expected to commence from 1 April 2026, and in March 2024 concluded its Sector Specific Methodology Consultation for the RIIO-T3 price control period. The outcome of such consultation could have a significant impact on our permitted returns in the five years starting on 1 April 2026, our results of operations, cash flows and financial condition.

For further information, see pages 220 – 225, which explain our regulatory environment in detail.

Growth and business development activity

Failure to respond to external market developments and execute our growth strategy may negatively affect our performance. Conversely, new businesses or activities that we undertake alone or with partners, or the cessation of existing business or activities, may not deliver target outcomes and may expose us to additional operational and financial risk.

Failure to grow our core business sufficiently and have viable options for new future business over the longer term, or failure to respond to the threats and opportunities presented by emerging technology or innovation (including for the purposes of adapting our networks to meet the challenges of increasing distributed energy resources), could negatively affect our credibility and reputation and jeopardise the achievement of intended financial returns.

Our business development activities (including the delivery of our growth ambition) involve acquisitions, disposals, joint ventures, partnering and organic investment opportunities, such as development activities relating to changes to the energy mix and the integration of distributed energy resources and other advanced technologies.

These are subject to a wide range of both external uncertainties (including the availability of potential investment targets and attractive financing and the impact of competition for onshore transmission in both the UK and US) and internal uncertainties (including actual performance of our existing operating companies and our business planning model assumptions and ability to integrate acquired businesses effectively). As a result, we may suffer unanticipated costs and liabilities and other unanticipated effects.

We may also be liable for the past acts, omissions or liabilities of companies or businesses we have acquired, which may be unforeseen or greater than anticipated. In the case of joint ventures, we may have limited control over operations and our joint venture partners may have interests that diverge from our own. We may also be required to seek additional licences or permits in connection with any such activities or initiatives, in particular with respect to transmission lines or renewable or other generation projects, which we may not be able to obtain on the timing, or terms anticipated, or at all.

The occurrence of any of these events could have a material adverse impact on our results of operations or financial condition, and could also impact our ability to enter into other transactions.

We may also be required to undertake certain acquisitions, investments or divestitures as mandated by regulatory bodies in the regions in which we operate. These could create financial or reputational risks or lead to changes to, or limitations being placed on, regulated activities and potentially, over the longer term, result in impairment of regulated assets and anticipated returns. As part of the UK Energy Act 2023, the UK government has announced its intention to create a new, operationally independent system operator and planner (ISOP) to act as the NESO for the UK. As a result, the National Grid Electricity Systems Operator (ESO) is expected to transfer out of the Group in the second half of calendar year 2024. We are expected to provide services to the NESO following separation, which could subject the Group to public and/or regulatory scrutiny related to the terms, cost and timelines of the anticipated separation, as well as operational practices of the NESO once independent. Any of these may have a material adverse impact on our results of operations or financial condition.

Business performance

Current and future business performance may not meet our expectations or those of our regulators and shareholders.

Earnings maintenance and growth from our regulated gas and electricity businesses will be affected by our ability to meet or exceed efficiency and cost targets and service quality standards set by, or agreed with, our regulators.

If we do not meet these targets and standards, or if we are not able to deliver our price controls and rate plans successfully, we may not achieve the expected returns and benefits, our business may be materially adversely affected and our performance, results of operations and reputation may be materially harmed and we may be in breach of regulatory or contractual obligations.

Employees and others

We may fail to attract, develop and retain employees at all levels with the competencies (including leadership and business capabilities), values and behaviours required to deliver our strategy and vision and ensure they are engaged to act in our best interests.

Our ability to implement our strategy depends on the capabilities and performance of our employees and leadership at all levels of the business. Our ability to implement our strategy and vision may be negatively affected by the loss of key personnel or an inability to adequately identify and plan for personnel requirements, including to attract, integrate, engage and retain appropriately qualified personnel (including people with the skills to help us deliver across our investment projects). Our ability to implement our strategy and vision may be negatively affected if significant disputes arise with our employees, such as failure to extend or renegotiate, as and when applicable, agreements with relevant trade unions.

As a result, there may be a material adverse effect on our business, financial condition, results of operations and prospects.

There is a risk that an employee, or someone acting on our behalf, may breach our internal controls or internal governance framework, or may contravene applicable laws and regulations. This could have an impact on the results of our operations, our reputation and our relationship with our regulators and other stakeholders.

Financial risks

Financing and liquidity

An inability to access capital markets on commercially acceptable terms could affect how we maintain and grow our businesses.

We have historically financed our growth through a combination of funding sources, including retained operating cashflows, use of scrip dividend programme and issuances of senior and hybrid debt securities. As part of our five-year financial framework, we anticipate making approximately £60 billion of capital investments between 2024/25 and 2028/29, which we intend to finance through a package of funding sources that includes a combination of these sources of liquidity, as well as the net proceeds of the Rights Issue. As further discussed below, reliance on these sources of liquidity can expose us to the risk of higher financing costs and the imposition of restrictions on our business.

Some of the debt we issue is rated by credit rating agencies and changes to these ratings may affect both our borrowing capacity and borrowing costs. In addition, restrictions imposed by regulators, such as mandatory debt to equity or regulatory capital values ratios, may also limit how we service the financial requirements of our current businesses or the financing of newly acquired or developing businesses.

Financial markets can be subject to periods of volatility, including with respect to interest rates, and shortages of liquidity, for example as a result of unexpected political or economic events (such as pandemics or the conflict in Ukraine). If we were unable to access the capital markets or other sources of finance on commercially acceptable terms, our cost of financing may increase, and the manner in which we implement our strategy may need to be reassessed. Such events could have a material adverse impact on our business, results of operations and prospects.

Some of our regulatory agreements and/or specific regulatory entities impose lower limits for the credit ratings that certain companies or securities issued by certain companies within the Group must hold or the amount of equity within their capital structures, including a limit requiring certain entities within the Group or securities issued by them to hold an investment-grade credit rating.

In addition, some of our regulatory arrangements impose restrictions on the way we can operate. These include regulatory requirements for us to maintain adequate financial resources within certain parts of our operating businesses and may restrict the ability of National Grid plc and some of our subsidiaries to engage in certain transactions, including paying dividends, lending cash and levying charges.

The inability to meet such requirements, or the occurrence of any such restrictions, may have a material adverse impact on our business and financial condition.

Our debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, restrictions on disposals and financial covenants, such as restrictions on the level of subsidiary indebtedness and minimum credit rating requirements.

Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of our debt and may restrict our ability to draw upon our facilities or access the capital markets.

Exchange rates, interest rates and commodity price indices

Changes in foreign currency rates, interest rates or commodity prices could materially impact our earnings or financial condition.

We have significant operations in the US and are therefore subject to the exchange rate risks normally associated with non-UK operations, including the need to translate US assets and liabilities, and income and expenses, into sterling (our reporting currency).

As part of our ongoing capital expenditure requirements and investment projects, as well as projects planned under the ASTI programme, we are also exposed to currency fluctuations related to the purchase of equipment and components in currencies other than sterling.

In addition, our results of operations and net debt position may be affected because a significant proportion of our borrowings, derivative financial instruments and commodity contracts are affected by changes in interest rates, commodity price indices and exchange rates, in particular the dollar-to-sterling exchange rate.

Furthermore, our cash flow may be materially affected as a result of settling hedging arrangements entered into to manage our exchange rate, interest rate and commodity price exposure (such as those relating to the purchase of electricity and gas in the US), or by cash collateral movements relating to derivative market values, which also depend on the sterling or US dollar exchange rate into euro and other currencies.

Post-retirement benefits

We may be required to make significant contributions to fund pension and other post-retirement benefits.

We participate in a number of pension schemes that together cover substantially all our employees. In both the UK and US, such schemes include various large defined benefit schemes where the scheme assets are held independently of our own financial resources.

In the US, we also have other post-retirement benefit schemes. Estimates of the amount and timing of future funding for the UK and US schemes are based on actuarial assumptions and other factors, including: the actual and projected market performance of the scheme assets; future long-term bond yields; average life expectancies; and relevant legal requirements.

Actual performance of scheme assets may be affected by volatility in debt and equity markets.

Changes in these assumptions or other factors may require us to make additional contributions to these pension schemes which, to the extent they are not recoverable under our price controls or state rate plans, could materially adversely affect the results of our operations and financial condition.

Index to Directors' Report and other disclosures, as required under the Companies Act 2006

Shareholder information

Articles of Association

The following description is a summary of the material terms of our Articles of Association (Articles) and applicable English law. It is a summary only and is qualified in its entirety by reference to the Articles.

The Articles set out the Company's internal regulations. Copies are available on our website at **nationalgrid.com/corporate-governance** and upon request. Amendments to the Articles have to be approved by at least 75% of those voting at a general meeting of the Company. Subject to company law and the Articles, the Directors may exercise all the powers of the Company. They may delegate authorities and decision making and the day-to-day management to individual Executive Directors and Committees on page 77.

General

The Company is incorporated under the name National Grid plc and is registered in England and Wales with registered number 4031152. Under the Companies Act 2006, the Company's objects are unrestricted.

Directors

Under the Articles, a Director must disclose any personal interest in a matter and may not vote in respect of that matter, subject to certain limited exceptions. As permitted under the Companies Act 2006, the Articles allow non-conflicted Directors to authorise a conflict or potential conflict for a particular matter. In doing so, the non-conflicted Directors must act in a way they consider, in good faith, will most likely promote the success of the Company for the benefit of the shareholders as a whole.

The Directors (other than a Director acting in an executive capacity) are paid fees for their services. In total, these fees must not exceed £2 million per year, or any higher sum decided by an ordinary resolution at a general meeting of shareholders. In addition, special pay may be awarded to a Director who acts in an executive capacity, serves on a committee, performs services which the Directors consider to extend beyond the ordinary duties of a Director, devotes special attention to the business of the Company, or goes or lives abroad on the Company's behalf. Directors may also receive reimbursement for expenses properly incurred and may be awarded pensions and other benefits. The compensation awarded to the Executive Directors is determined by the Remuneration Committee. Further details of Directors' remuneration are set out in the Directors' Remuneration Report (see pages 98 – 114).

The Directors may exercise all the powers of National Grid to borrow money. However, the aggregate principal amount of all the Group's borrowings outstanding at any time must not exceed £55 billion or any other amount approved by shareholders by an ordinary resolution at a general meeting.

Directors can be appointed or removed by the Board or shareholders at a general meeting. Directors must stand for election at the first AGM following their appointment to the Board and the Articles provide that they must be recommended by the Board or the Company must have received written confirmation of their willingness to act as Director. Under the Articles, each Director must retire at least every three years and be eligible for re-election should they wish to continue to serve. In accordance with the Code, all Directors wishing to continue in office currently offer themselves for re-election annually. No person is disqualified from being a Director or is required to vacate that office by reason of attaining a maximum age.

A Director is not required to hold shares in National Grid plc in order to qualify as a Director.

Rights, preferences and restrictions

Dividend rights

National Grid may not pay any dividend otherwise than out of profits available for distribution under the Companies Act 2006 and other applicable provisions of English law. In addition, as a public company, the Company may only make a distribution if, at the time of the distribution, the amount of its net assets is not less than the aggregate of its called-up share capital and undistributable reserves (as defined in the Companies Act 2006), and to the extent that the distribution does not reduce the amount of those assets to less than that aggregate. Ordinary shareholders and ADS holders receive dividends.

Subject to these points, shareholders may, by ordinary resolution, declare dividends in accordance with the respective rights of the shareholders, but not exceeding the amount recommended by the Board. The Board may pay interim dividends if it considers that the Company's financial position justifies the payment. Any dividend or interest unclaimed for 12 years from the date when it was declared or became due for payment will be forfeited and revert to the Company, and the Articles clarify that the Company may use such unclaimed dividends for the Company's benefit as the Directors may think fit.

Voting rights

Subject to any rights or restrictions attached to any shares and to any other provisions of the Articles, at any general meeting on a show of hands, every shareholder who is present in person will have one vote and, on a poll, every shareholder will have one vote for every share they hold. On a show of hands or poll, shareholders may cast votes either personally or by proxy. A proxy need not be a shareholder. Under the Articles, all substantive resolutions at a general meeting must be decided on a poll and the Articles further provide that voting on resolutions at a general meeting that is held at least in part using an electronic platform must be decided on a poll. Ordinary shareholders and ADS holders can vote at general meetings.

Liquidation rights

In a winding up, a liquidator may (in each case with the sanction of a special resolution passed by the shareholders and any other sanction required under English law): (1) divide among the shareholders the whole or any part of National Grid's assets (whether the assets are of the same kind or not) – the liquidator may, for this purpose, value any assets and determine how the division should be carried out as between shareholders or different classes of shareholders; or (2) transfer any part of the assets to Trustees on trust for the benefit of the shareholders as the liquidator determines. In neither case will a shareholder be compelled to accept assets upon which there is a liability.

Restrictions

There are no restrictions on the transfer or sale of ordinary shares. Some of the Company's employee share plans, details of which are contained in the Directors' Remuneration Report on pages 98 – 114, include restrictions on the transfer of ordinary shares while the ordinary shares are subject to the plan. Where, under an employee share plan operated by the Company, participants are the beneficial owners of the ordinary shares but not the registered owner, the voting rights may be exercised by the registered owner at the direction of the participant. Treasury shares do not attract a vote or dividends.

Variation of rights

Subject to applicable provisions of English law, the rights attached to any class of shares of National Grid may be varied or cancelled. This must be with the written consent of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

General meetings

AGMs must be convened each year within six months of the Company's accounting reference date upon 21 clear days' advance written notice. Under the Articles, any other general meeting may be convened provided at least 14 clear days' written notice is given, subject to annual approval of shareholders. In certain limited circumstances, the Company can convene a general meeting by shorter notice. The notice must specify, among other things, the nature of the business to be transacted and the place, the date and the time of the meeting. The 2024 AGM will be held as a combined physical and electronic meeting. Shareholders should monitor our website at **nationalgrid.com/investors** for any updates to the arrangements for the AGM.

Rights of non-residents

There are no restrictions under the Articles that would limit the rights of persons not resident in the UK to vote in relation to ordinary shares.

Depositary payments to the Company

The Bank of New York Mellon (the 'Depositary') reimburses the Company for certain expenses it incurs in relation to the ADS programme. The Depositary also pays the standard out-of-pocket maintenance costs for the ADSs, which consist of the expenses for the mailing of annual financial reports, printing and distributing dividend cheques, the electronic filing of US federal tax information, mailing required tax forms, stationery, postage, facsimiles and telephone calls. It also reimburses the Company for certain investor relationship programmes or special investor relations promotional activities. There are limits on the amount of expenses for which the Depositary will reimburse the Company, but the amount of reimbursement is not necessarily tied to the amount of fees the Depositary collects from investors.

For the period 17 May 2023 to 22 May 2024, the Company received a total of $1,606,944.69 in reimbursements from the Depositary consisting of $1,063,845.97 and $543,098.72 received on 18 September 2023 and 25 March 2024 respectively. Fees that are charged on cash dividends will be apportioned between the Depositary and the Company.

Any questions from ADS holders should be directed to the Depositary at the contact details on page 263.

Description of securities other than equity securities: Depositary fees and charges

The Depositary collects fees by deducting them from the amounts distributed or by selling a portion of distributable property for:

- delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them; and
- making distributions to investors (including, it is expected, cash dividends).

The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The Company's Deposit agreement under which the ADSs are issued allows a fee of up to $0.05 per ADS to be charged for any cash distribution made to ADS holders, including cash dividends. ADS holders who receive cash in relation to the 2023/24 final dividend will be charged a fee of $0.02 per ADS by the Depositary prior to distribution of the cash dividend.

Persons depositing or withdrawing shares must pay:	For:
$5.00 per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property; cancellation of ADSs for the purpose of withdrawal, including if the Deposit agreement terminates; and distribution of securities distributed to holders of deposited securities that are distributed by the Depositary to ADS holders.
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when they deposit or withdraw shares.
Expenses of the Depositary	Cable, telex and facsimile transmissions (when expressly provided in the Deposit agreement); and converting foreign currency to dollars.
Taxes and other governmental charges the Depositary or the Custodian has to pay on any ADS or share underlying an ADS - for example, stock transfer taxes, stamp duty or withholding taxes	As necessary.

Documents on display

National Grid is subject to the US SEC reporting requirements for foreign companies. The Company's Form 20-F and other filings can be viewed on the website as well as the SEC website at sec.gov.

Events after the reporting period

On 22 May 2024, the Board resolved to offer a fully underwritten Rights Issue to raise gross proceeds of approximately £7 billion (see page 9).

Exchange controls

There are currently no UK laws, decrees or regulations that restrict the export or import of capital, including, but not limited to, foreign exchange control restrictions, or that affect the remittance of dividends, interest or other payments to non-UK resident holders of ordinary shares except as otherwise set out in Taxation on pages 236 and 237 and except in respect of the governments of and/or certain citizens, residents or bodies of certain countries (described in applicable Bank of England Notices or European Union Council Regulations in force as at the date of this document).

Share information

National Grid ordinary shares are listed on the London Stock Exchange under the symbol NG. The ADSs are listed on the New York Stock Exchange under the symbol NGG.

As at 22 May 2024, the share capital of the Company consists of 3,967,138,214 ordinary shares of $12\frac{204}{473}$ pence nominal value each and ADSs, which represent five ordinary shares each.

Disclosure of interests

Under the Companies Act 2006, National Grid may, by written notice, require a person whom it has reasonable cause to believe to be or to have been, in the last three years, interested in its shares to provide additional information relating to that interest. Under the Articles, failure to provide such information may result in a shareholder losing their rights to attend, vote or exercise any other right in relation to shareholders' meetings.

Other than as stated below as far as we are aware, there are no persons with significant direct or indirect holdings in the Company. Information provided pursuant to FCA's DTR is published on the Regulatory Information Service and on the Company's website.

The UK City Code on Takeovers and Mergers imposes strict disclosure requirements regarding dealings in the securities of an offeror or offeree company, and also on their respective associates, during the course of an offer period. Other regulators in the UK, US and elsewhere may have, or assert, notification or approval rights over acquisitions or transfers of shares.

Material interests in shares

As at 31 March 2024, National Grid plc had received notice, under the DTRs, in respect of the following holdings of 3% or more of the voting rights in its issued ordinary share capital:

	Number of ordinary shares	% of voting rights[1]	Date of last notification of interest
BlackRock, Inc.	254,134,567	6.88	30 November 2023
Bank of America Corporation	216,654,059	5.89	7 June 2023
The Capital Group Companies, Inc.	182,521,721	4.99	8 September 2022

1. This number is calculated in relation to the issued share capital at the time the holding was disclosed.

As at 22 May 2024, no further notifications have been received.

The rights attached to ordinary shares are detailed on page 233. All ordinary shares and all major shareholders have the same voting rights. The Company is not, to the best of its knowledge, directly or indirectly controlled.

Authority to purchase shares

Shareholder approval was given at the 2023 AGM to purchase up to 10% of the Company's share capital (being 367,817,773 ordinary shares). The Directors will seek shareholder approval to renew this authority at the 2024 AGM.

In some circumstances, the Company may find it advantageous to have the authority to purchase its own shares in the market, where the Directors believe this would be in the interests of shareholders generally. The Directors believe that it is an important part of the financial management of the Company to have the flexibility to repurchase issued shares to manage its capital base, including actively managing share issuances from the operation of the scrip dividend scheme. It is expected that repurchases to manage share issuances under the scrip dividend scheme will not exceed 2.5% of the issued share capital (excluding treasury shares) per annum.

When purchasing shares, the Company has taken, and will continue to take, into account market conditions prevailing at the time, other investment and financing opportunities, and the overall financial position of the Company.

At the 2023 AGM, the Company sought authority to purchase ordinary shares in the capital of the Company as part of the management of the dilutive effect of share issuances under the scrip dividend scheme. During the year, the Company did not purchase any of its own shares, and does not expect to do so whilst delivering strong asset growth.

	Number of shares	Total nominal value	% of called up share capital
Shares held in Treasury purchased in prior years[1]	253,848,927	£31,556,695.36 [2]	6.46 [1]
Shares purchased and held in Treasury during the year	—	—	—
Shares transferred from Treasury during the year (to employees under employee share plans)	6,457,895	802,799.63	0.16 [3]
Maximum number of shares held in Treasury during the year[4]	253,848,927	£31,556,695.36 [2]	6.40 [3]

1. Called-up share capital: 3,930,371,661 ordinary shares as at 31 March 2023.
2. Nominal value: $12\frac{204}{473}$ pence per ordinary share.
3. Called-up share capital: 3,967,138,214 ordinary shares as at the date of this report.
4. Maximum number of shares held in Treasury during the year as at 31 March 2024.

As at 22 May 2024, the Company's issued share capital comprised 3,967,138,214 ordinary shares including 245,598,853 ordinary shares held in treasury. This represented 6.19% of the Company's called-up share capital.

Authority to allot shares

Shareholder approval was given at the 2023 AGM to allot shares of up to one third of the Company's share capital. The Directors are seeking a similar authority this year. The Directors consider that the Company will have sufficient flexibility with this level of authority to respond to market developments and that this authority is in line with investor guidelines.

Other than the Rights Issue, the Directors currently have no intention of issuing new shares, or of granting rights to subscribe for or to convert any security into shares, except in relation to, or in connection with, the operation and management of the Company's Scrip Dividend Scheme and the exercise of options under the Company's employee share plans. No issue of shares will be made that would effectively alter control of the Company without the sanction of shareholders in a general meeting.

The Company expects to actively manage the dilutive effect of share issuance arising from the operation of the scrip dividend scheme. In some circumstances, additional shares may be allotted to the market for this purpose under the authority provided by this resolution. Under these circumstances, it is expected that the associated allotment of new shares (or rights to subscribe for or convert any security into shares) will not exceed 1% of the issued share capital (excluding treasury shares) per annum.

Dividend waivers

The Trustee of the National Grid Employee Share Trust, which is independent of the Company, waived the right to dividends paid during the year. They have also agreed to waive the right to future dividends, in relation to the ordinary shares and ADSs held by the trust.

Under the Company's ADS programme, the right to dividends in relation to the ordinary shares underlying the ADSs was waived during the year, under an arrangement whereby the Company pays the monies to satisfy any dividends separately to the Depositary for distribution to ADS holders entitled to the dividend. This arrangement is expected to continue for future dividends.

Shareholder analysis

The following table includes a brief analysis of shareholder numbers and shareholdings as at 31 March 2024:

	Number of shareholders	% of Shareholders[1]	Number of shares	% of shares[1]
1 – 50	126,529	19.80	3,951,473	0.10%
51 – 100	160,244	25.08	11,265,974	0.28%
101 – 500	273,010	42.72	57,602,885	1.45%
501 – 1,000	39,294	6.15	27,292,457	0.69%
1,001 – 10,000	37,315	5.84	91,146,916	2.30%
10,001 – 50,000	1,531	0.24	28,584,621	0.72%
50,001 – 100,000	201	0.03	14,274,195	0.36%
100,001 – 500,000	460	0.07	109,401,059	2.76%
500,001 – 1,000,000	135	0.02	97,580,250	2.46%
1,000,001+	310	0.05	3,526,038,384	88.88%
Total	639,029	100.00%	3,967,138,214	100.00%

1. Percentages have been rounded to two decimal places.

Taxation

This section provides information about certain US federal income tax and UK tax consequences for US Holders (defined below) of owning ADSs and ordinary shares. A US Holder is the beneficial owner of ADSs or ordinary shares who:

- is for US federal income tax purposes (1) an individual citizen or resident of the US; (2) a corporation created or organised under the laws of the US, any state thereof or the District of Columbia; (3) an estate, the income of which is subject to US federal income tax without regard to its source; or (4) a trust, if a court within the US is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes;
- is not resident in the UK for UK tax purposes; and
- does not hold ADSs or ordinary shares in connection with the conduct of a business or the performance of services in the UK or otherwise in connection with a branch, agency or permanent establishment in the UK.

This section is not a comprehensive description of all the US federal income tax and UK tax considerations that may be relevant to any particular investor (including consequences under the US alternative minimum tax or net investment income tax). Neither does it address state, local or other tax laws. National Grid has assumed that shareholders, including US Holders, are familiar with the tax rules applicable to investments in securities generally and with any special rules to which they may be subject. This discussion deals only with US Holders who hold ADSs or ordinary shares as capital assets. It does not address the tax treatment of investors who are subject to special rules. Such investors may include:

- financial institutions;
- insurance companies;
- dealers in securities or currencies;
- investors who elect mark-to-market treatment;
- entities treated as partnerships or other pass-through entities and their partners;
- individual retirement accounts and other tax-deferred accounts;
- tax-exempt organisations;
- investors who own (directly or indirectly) 10% or more of our shares (by vote or value);
- investors who hold ADSs or ordinary shares as a position in a straddle, hedging transaction or conversion transaction;
- individual investors who have ceased to be resident in the UK for a period of five years or less;
- persons who have ceased to be US citizens or lawful permanent residents of the US; and
- US Holders whose functional currency is not the US dollar.

The statements regarding US and UK tax laws and administrative practices set forth below are based on laws, treaties, judicial decisions and regulatory interpretations that were in effect on the date of this document. These laws and practices are subject to change without notice, potentially with retroactive effect. In addition, the statements set forth below are based on the representations of the Depositary and assume that each party to the Deposit agreement will perform its obligations thereunder in accordance with its terms.

US Holders of ADSs generally will be treated as the owners of the ordinary shares represented by those ADSs for US federal income tax purposes. For the purposes of the Tax Convention, the Estate Tax Convention and UK tax considerations, this discussion assumes that a US Holder of ADSs will be treated as the owner of the ordinary shares represented by those ADSs. HMRC has stated that it will continue to apply its longstanding practice of treating a holder of ADSs as holding the beneficial interest in the ordinary shares represented by the ADSs; however, we note that this is an area of some uncertainty and may be subject to change.

US Holders should consult their own advisors regarding the tax consequences of buying, owning and disposing of ADSs or ordinary shares depending on their particular circumstances, including the effect of any state, local or other tax laws.

Taxation of dividends

The UK does not currently impose a withholding tax on dividends paid to US Holders.

US Holders should assume that any cash distribution paid by the Depositary for ADSs with respect to ADSs or ordinary shares will be reported as dividend income for US federal income tax purposes. While dividend income received from non-US corporations is generally taxable to a non-corporate US Holder as ordinary income for US federal income tax purposes, dividend income received by a non-corporate US Holder from us generally will be taxable at the same favourable rates applicable to long-term capital gains provided (1) either: (a) we are eligible for the benefits of the Tax Convention or (b) ADSs or ordinary shares are treated as 'readily tradable' on an established securities market in the US; and (2) we are not, for our taxable year during which the dividend is paid or the prior year, a passive foreign investment company for US federal income tax purposes, and certain other requirements are met. We expect that our shares will be treated as 'readily tradable' on an established securities market in the US as a result of the trading of ADSs on the New York Stock Exchange (NYSE). We also believe we are eligible for the benefits of the Tax Convention.

Based on our audited financial statements and the nature of our business activities, we believe that we were not treated as a Passive Foreign Investment Company (PFIC) for US federal income tax purposes with respect to our taxable year ended 31 March 2024. In addition, based on our current expectations regarding the value and nature of our assets, the sources and nature of our income, and the nature of our business activities, we do not anticipate becoming a PFIC in the foreseeable future.

Dividends received by corporate US Holders with respect to ADSs or ordinary shares will not be eligible for the dividends-received deduction that is generally allowed to corporations.

Taxation of capital gains

Subject to specific rules relating to assets that derive at least 75% of their value from UK land, US Holders will not be subject to UK taxation on any capital gain realised on the sale or other disposition of ADSs or ordinary shares.

Provided that we are not a PFIC for any taxable year during which a US Holder holds their ADSs or ordinary shares, upon a sale or other disposition of ADSs or ordinary shares, a US Holder generally will recognise a capital gain or loss for US federal income tax purposes that is equal to the difference between the US dollar value of the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the ADSs or ordinary shares. Such capital gain or loss generally will be long-term capital gain or loss if the ADSs or ordinary shares were held for more than one year. For non-corporate US Holders, long-term capital gain is generally taxed at a lower rate than ordinary income. A US Holder's ability to deduct capital losses is subject to significant limitations.

US information reporting and backup withholding tax

Dividend payments made to US Holders and proceeds paid from the sale, exchange, redemption or disposal of ADSs or ordinary shares to US Holders may be subject to information reporting to the US Internal Revenue Service. Such payments may be subject to backup withholding taxes if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements.

US Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of ADSs or ordinary shares. Such obligations include reporting requirements related to the holding of certain foreign financial assets.

UK stamp duty and stamp duty reserve tax (SDRT)

Transfers of ordinary shares

SDRT at the rate of 0.5% of the amount or value of the consideration will generally be payable on any agreement to transfer ordinary shares that is not completed using a duly stamped instrument of transfer (such as a stock transfer form).

The SDRT liability will be cancelled where an instrument of transfer is executed and duly stamped before the expiry of the six-year period beginning with the date on which the agreement is made. If a claim is made within the specified period, any SDRT which has been paid will be refunded. SDRT is due whether or not the agreement or transfer is made or carried out in the UK and whether or not any party to that agreement or transfer is a UK resident.

Purchases of ordinary shares completed using a stock transfer form will generally result in a UK stamp duty liability at the rate of 0.5% (rounded up to the nearest £5) of the amount or value of the consideration. Paperless transfers under the CREST paperless settlement system will generally be liable to SDRT at the rate of 0.5%, and not stamp duty. SDRT is generally the liability of the purchaser, and UK stamp duty is usually paid by the purchaser or transferee.

Transfers of ADSs

No UK stamp duty will be payable on the acquisition or transfer of existing ADSs or beneficial ownership of ADSs (in each case in the form of ADRs), provided that any instrument of transfer or written agreement to transfer is executed outside the UK and remains at all times outside the UK.

An agreement for the transfer of ADSs in the form of ADRs will not result in an SDRT liability. A charge to stamp duty or SDRT may arise on the transfer of ordinary shares to the Depositary or The Bank of New York Mellon as agent of the Depositary (the 'Custodian').

The rate of stamp duty or SDRT will generally be 1.5% of the value of the consideration or, in some circumstances, the value of the ordinary shares concerned. However, there is no 1.5% SDRT charge on the issue of ordinary shares (or, where a transfer is made in the course of a "capital raising arrangement", being arrangements pursuant to which securities are issued by a company for the purpose of raising new capital) to the Depositary or the Custodian.

The Depositary will generally be liable for the stamp duty or SDRT. Under the terms of the Deposit agreement, the Depositary will charge any tax payable by the Depositary or the Custodian (or their nominees) on the deposit of ordinary shares to the party to whom the ADSs are delivered against such deposits. If the stamp duty is not a multiple of £5, the duty will be rounded up to the nearest multiple of £5.

UK inheritance tax

An individual who is domiciled in the US for the purposes of the Estate Tax Convention and who is not a UK national for the purposes of the Estate Tax Convention will generally not be subject to UK inheritance tax in respect of 1) the ADSs or ordinary shares on the individual's death or 2) a gift of the ADSs or ordinary shares during the individual's lifetime. This is not the case where the ADSs or ordinary shares are part of the business property of the individual's permanent establishment in the UK or relate to a fixed base in the UK of an individual who performs independent personal services.

Special rules apply to ADSs or ordinary shares held in trust.

In the exceptional case where the ADSs or shares are subject both to UK inheritance tax and to US federal gift or estate tax, the Estate Tax Convention generally provides for the tax paid in the UK to be credited against tax paid in the US or vice versa.

Capital gains tax (CGT) for UK resident shareholders

You can find CGT information relating to National Grid shares for UK resident shareholders on the Investors section of our website. Share prices on specific dates are also available on our website.

Other disclosures

All-employee share plans

The Company has a number of all-employee share plans as described below, which operated during the year. These allow UK- or US-based employees to participate in tax-advantaged plans and to become shareholders in National Grid.

UK Sharesave

UK employees are eligible to participate in the Sharesave Plan. Under this plan, participants may contribute between £5 and £500 each month, for a fixed period of three years, five years, or both. Contributions are taken from net salary. At the end of the fixed period, participants may use their savings to purchase ordinary shares in National Grid plc at a 20% discounted option price, which is set at the time of each Sharesave launch.

UK Share Incentive Plan (SIP)

UK employees are eligible to participate in the SIP. Contributions up to £150 per month are deducted from participants' gross salary and used to purchase National Grid plc ordinary shares each month. The shares are placed in a UK resident trust and are available to the individual with tax advantages after a five-year period.

US Employee Stock Purchase Plan (ESPP)

Employees of National Grid's participating US companies are eligible to participate in the ESPP (commonly referred to as a 423b plan). Eligible employees have the opportunity to purchase ADSs in National Grid on a monthly basis at a 15% discounted price of the Fair Market Value (FMV). Under the plan, employees may contribute up to 20% of base pay each year, up to a maximum annual contribution of $21,250, to purchase $25,000, worth of ADSs at FMV.

US Incentive Thrift Plan

The Thrift Plan is open to all US employees of participating National Grid companies; this is a tax-advantaged savings plan (commonly referred to as a 401(k) plan). This is a defined contribution pension plan that gives participants the opportunity to invest up to applicable federal salary limits. The federal limits for calendar year 2023 were: for pre-tax contributions or Roth 401(k) after tax contributions, a maximum of 50% of salary limited to $22,500 for those under the age of 50 and $30,000 for those aged 50 and above; and for post-tax contributions, up to 15% of salary. The total amount of employee contributions (pre-tax, Roth 401(k) and after tax) could not exceed 50% of compensation. The total amount of employee and employer contributions collectively were subject to the federal annual contribution limit of $66,000 for those under the age of 50 and $73,500 for those aged 50 and above. For the calendar year 2024, participants may invest up to the applicable federal salary limits: for pre-tax contributions or Roth 401(k) after tax contributions, this is a maximum of 50% of salary limited to $23,500 for those under the age of 50 and $30,500 for those aged 50 and above; for post-tax contributions, this is up to 15% of salary.

The total amount of employee contributions (pre-tax, Roth 401(k) and after tax) could not exceed 50% of compensation. The total amount of employee and employer contributions collectively were subject to the federal annual contribution limit of $69,000 for those under the age of 50 and $76,500 for those aged 50 and above. New contributions or exchanges into the National Grid ADR Fund within the plan is limited to 20% of a participant's account balance.

Change of control provisions

No compensation would be paid for loss of office of Directors on a change of control of the Company. As at 31 March 2024, the Company had borrowing facilities of £6.1 billion available to it with a number of banks, which, on a change of control of the Company following a takeover bid, may alter or terminate. All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time. In the event of a change of control of the Company, a number of governmental and regulatory consents or approvals are likely to be required, arising from laws or regulations of the UK or the US. Such consents or approvals may also be required for acquisitions of equity securities that do not amount to a change of control.

No other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

Code of Ethics

The Board has adopted a Code of Ethics. The Group's Code of Ethics is available on our website and was updated this year.

Conflicts of interest

In accordance with the Companies Act 2006, the Board has a policy and procedure in place for the disclosure and authorisation (if appropriate) of actual and potential conflicts of interest. The Board continues to monitor and note possible conflicts of interest that each Director may have, including a review on appointment. The Directors are regularly reminded of their continuing obligations in relation to conflicts, and are required to review and confirm their external interests annually.

Corporate governance practices: differences from NYSE listing standards

The Company is listed on the NYSE and is therefore required to disclose differences in its corporate governance practices adopted as a UK listed company, compared with those of a US company. The corporate governance practices of the Company are primarily based on the requirements of the Code but substantially conform to those required of US companies listed on the NYSE.

The following is a summary of the significant ways in which the Company's corporate governance practices differ from those followed by US companies under section 303A of the Corporate Governance Standards of the NYSE.

The NYSE rules and the Code apply different tests for the independence of Board members.

The NYSE rules require a separate nominating/corporate governance committee composed entirely of independent directors. There is no requirement for a separate corporate governance committee in the UK. Under the Company's corporate governance policies, all Directors on the Board discuss and decide upon governance issues, and the People & Governance Committee makes recommendations to the Board with regard to certain responsibilities of a corporate governance committee.

The NYSE rules require listed companies to adopt and disclose corporate governance guidelines. While the Company reports compliance with the Code in each Annual Report and Accounts, the UK requirements do not require the Company to adopt and disclose separate corporate governance guidelines.

The NYSE rules require a separate audit committee composed of at least three independent members. While the Company's Audit & Risk Committee exceeds the NYSE's minimum independent Non-executive Director membership requirements, it should be noted that the quorum for a meeting of the Audit & Risk Committee, of two independent Non-executive Directors, is less than the minimum membership requirements under the NYSE rules.

The NYSE rules require a compensation committee composed entirely of independent directors, and prescribe criteria to evaluate the independence of the committee's members and its ability to engage external compensation advisors. While the Code prescribes different independence criteria, the Non-executive Directors on the Company's Remuneration Committee have each been deemed independent by the Board under the NYSE rules. Although the evaluation criteria for appointment of external advisors differ under the Code, the Remuneration Committee is solely responsible for the appointment, retention and termination of such advisors.

Directors' indemnity and Directors' and Officers' liability insurance

The Company has arranged, in accordance with the Companies Act 2006 and the Articles, qualifying third-party indemnities against financial exposure that Directors may incur in the course of their professional duties. Equivalent qualifying third-party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board in prior financial years for matters arising when they were Directors of the Company. Alongside these indemnities, the Company places Directors' and Officers' liability insurance cover for each Director. To the extent appropriate and required, similar indemnities have also been given to Directors of subsidiary and other associated companies, who also benefit from Directors' and Officers' liability insurance cover.

Employees

We negotiate with recognised unions. It is our policy to maintain well-developed communications and consultation programmes and there have been no material disruptions to our operations from labour disputes during the past three years. National Grid believes that it can conduct its relationships with trade unions and employees in a satisfactory manner. Further details on the Company's colleagues can be found on page 40.

Human rights and modern slavery

As a responsible, purpose-led company, the way in which we conduct ourselves allows us to build trust with the people we work with by doing things in the right way, building our reputation as a responsible and ethical company. National Grid does not have direct operations in countries of high concern with respect to human rights. Nevertheless, we published our first human rights policy in August 2023. This policy conveys how respect for human rights is incorporated into our employment practices and our values, and our approach to addressing potential human rights risks is further detailed in our Modern Slavery Statement, which can be found on our website.

Our Supplier Code of Conduct sets out our expectations to respecting, protecting and promoting human rights. This includes alignment to the UN Guiding Principles, the 10 Principles of the United Nations Global Compact (UNGC), the International Labour Organization (ILO) minimum standards, the Ethical Trading Initiative (ETI) Base Code, the UK Modern Slavery Act 2015, the US Victims of Trafficking and Violence Protection Act 2000, the US Department of State Guiding Principles to Combat Human Trafficking and, for our UK suppliers, the requirements of the Living Wage Foundation. Our Supplier Code of Conduct is updated and communicated to our suppliers annually to ensure continued collaboration.

We produce an annual Modern Slavery Statement which outlines the actions we take to assess potential risk in our wider operations and take actions to address this. This includes working collaboratively in the sector through several membership organisations to build awareness and capability in the supply chain. We publish our Statement on the UK Home Office modern slavery registry and encourage our UK suppliers to publish a Statement on modern slavery regardless of whether this is a legal obligation to do so.

We acknowledge that there may be potential risks in our wider supply chain, and we recognise that the relationship we have with our suppliers can influence how they support our commitment to acting responsibly. During 2023, we were informed of a concern in our solar panel supply chain relating to unethical labour practices. First Solar (a key solar panel supplier to National Grid Renewables) had carried out a desktop risk assessment of its manufacturing facilities which was categorised as low risk. Following this assessment, First Solar chose to partner with the Responsible Business Alliance to conduct three onsite audits at their facilities in the US, Vietnam and Malaysia for further assurance.

During the audit of the facility in Malaysia, First Solar identified four onsite service providers of cleaning and security services that had foreign migrant workers who were subjected to unethical recruitment, including the payment of recruitment fees in their home countries, passport retention and the unlawful retention of wages. This was proactively identified via our supplier's own assurance programme. The actions taken by First Solar to address their findings and recompense any victims demonstrated how suppliers can make a difference. Further information regarding this can be found in the due diligence section of our latest Modern Slavery Statement.

We have engaged with Churches, Charities and Local Authorities (CCLA) Investment Management Limited, which established 'Find it, Fix it, Prevent it' as a collaborative investor engagement programme with the aim to use the leverage of investors to help companies 'find, fix and prevent' modern slavery in their supply chain. We keep engaging with the CCLA on how they can enhance the approach to developing a benchmarking report of the FTSE 100 companies and we continue to improve corporate engagement and drive positive change.

As a signatory member of UNGC, we participated in its Business and Human Rights Accelerator programme to increase our awareness of the key considerations whilst also providing guidance on how an organisation can develop its strategy for managing any actual or potential risks associated with modern slavery.

Fair pay

Our employees are at the heart of what we do, which is why we're one of 167 companies that participated in the 2023 Workforce Disclosure Initiative (WDI). National Grid have completed the WDI survey for the past three years and we continue to enhance our data year on year, obtaining a scorecard of 82% overall for our 2023 submission, above the Utilities sector average. We obtained 100% in several sections, including Supply Chain Transparency, Responsible Sourcing and Supply Chain Working Conditions.

We treat everyone fairly and equally, without discrimination. Respecting others and valuing DEI are integral to our Code of Ethics and we provide unconscious bias training to all our people to build awareness of cultural differences and the importance of diversity, and the necessity of achieving equity and inclusion. Our Global Supplier Diversity Policy outlines our commitments and expectation that DEI is embedded in all aspects of business in our supply chain.

In the UK, we committed to fair pay via accreditation with the Living Wage Foundation. This commits both National Grid and contractors working on our behalf to pay, as a minimum, the real Living Wage as promoted by the Living Wage Foundation.

We aim to maintain fairness across the organisation for pay and make sure our pay practices do not show bias. In the US, we pay all our employees at least the minimum wage or above the minimum wage requirements. In the UK, we are accredited Living Wage Foundation employers. Our commitment to our direct employees extends to our contractors and the work they do on behalf of National Grid and is actively promoted through our supply chain and embedded in our contract terms and conditions and contract management discussions. We believe that everyone should be appropriately rewarded for their time and effort. We also go above the Living Wage Foundation accreditation requirements and voluntarily pay our trainees/apprentices the real Living Wage. We undertake a real Living Wage review to ensure continued alignment. This includes an increase to individual internal salaries as required and annual communication of the new real Living Wage rates to our supply chain. We include a review of implementation of the real Living Wage in supply chain contracts where low wages could be a risk, including our catering, cleaning, waste management and main construction contracts.

We have been actively involved in the SCSS Labour working group and we were the first client level signatory, alongside many of our main contractors of the People Matter Charter. The People Matter Charter was created to help organisations and their supply chain address potential human rights, safety and inclusion challenges in one workforce strategy. The Charter has eight commitments that can apply to any organisation, of any size. This flexibility provides us with a holistic approach to addressing potential labour issues in the industry. We promote the Charter with our supply chain to provide them with a framework that can support their due diligence in their own value chain.

Unresolved SEC staff comments

There are no unresolved SEC staff comments required to be reported.

Property, plant, equipment and borrowings

This information can be found in note 13 to the financial statements (Property, plant and equipment) on pages 162 – 165, and note 21 Borrowings on page 175.

Listing Rule 9.8.4 R cross-reference table

Information required to be disclosed by LR 9.8.4 R (starting on page indicated):

Interest capitalised	Page 150
Publication of unaudited financial information	Pages 242 – 256
Details of long-term incentive schemes	Pages 102 and 103
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non-pre-emptive issues of equity for cash	Not applicable
Item (7) in relation to major subsidiary undertakings	None
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Page 240
Provision of services by a controlling shareholder	Not applicable
Shareholder waivers of dividends	Page 235
Shareholder waivers of future dividends	Page 235
Agreements with controlling shareholders	Not applicable

Political donations and expenditure

At this year's AGM, the Directors will again seek authority from shareholders, on a precautionary basis, for the Company and its subsidiaries to make donations to registered political parties and other political organisations and/or incur political expenditure as such terms are defined in the Companies Act 2006.
In each case, donations will be in amounts not exceeding £125,000 in aggregate. The definitions of these terms in the Companies Act 2006 are very wide. As a result, this can cover bodies such as those concerned with policy review, law reform and the representation of the business community (for example, trade organisations). It could include special interest groups, such as those involved with the environment, which the Company and its subsidiaries might wish to support, even though these activities are not designed to support or influence support for a particular party. The Companies Act 2006 states that all-party parliamentary groups are not political organisations for these purposes, meaning the authority to be sought from shareholders is not relevant to interactions with such groups.
The Company has no intention of changing its current practice of not making political donations or incurring political expenditure within the ordinary meaning of those words. This authority is, therefore, being sought to ensure that none of the Company's activities inadvertently infringe these rules. National Grid made no political donations and did not incur any political expenditure during the year, as such terms are defined for the purposes of the Companies Act 2006 and the Political Parties, Elections and Referendums Act 2000. In the US, we have established two Political Action Committees, funded voluntarily by employees and permissible third parties, to support candidates who share our vision, have positive impacts on the communities we serve and are making a difference, as set out in our Global Corporate Policy on Political Contributions. National Grid US's affiliated New York and federal political action committees (PAC) made political donations in the US totalling $51,500 during the year.

National Grid US's affiliated New York PAC (NYPAC) and National Grid US's affiliated federal PAC were funded wholly by voluntary employee contributions. Neither PAC received any corporate contributions during the past fiscal year.

Material contracts

On 31 January 2023, we completed the sale of a 60% equity stake in National Grid Gas, our UK Gas Transmission and Metering businesses, (now known as National Gas Transmission) to a consortium including amongst others Macquarie Asset Management and British Colombia Investment Management Corporation (the 'Consortium').

On 19 July 2023, we announced the sale of a further 20% in National Gas Transmission to the Consortium on equivalent financial terms to the original 60% transaction and the sale of this further 20% equity stake completed on 11 March 2024, taking the Consortium's equity stake in National Gas Transmission to 80%. As part of the same announcement in July 2023, National Grid confirmed that it had entered into a new option agreement with the Consortium for the potential sale of the final 20% shareholding in National Gas Transmission. The Consortium has the option, exercisable between 1 May 2024 and 31 July 2024, to acquire the remaining interest. If the option is only partially exercised by the Consortium, National Grid will have the right to put the remainder of its equity interest in National Gas Transmission to the Consortium, which can be exercised by National Grid between 1 December 2024 and 31 December 2024. If one or both of these options are exercised, the consideration for the remaining interest is expected to be paid in cash to National Grid on equivalent financial terms to the original 60% transaction, subject to certain adjustments. This option agreement relating to National Grid's remaining share in National Gas Transmission is an outstanding material contract for the Company.

In addition, pursuant to the Rights Issue, we expect that the Company will enter into the following material contracts on or around 23 May 2024:

- An underwriting and sponsors' agreement between the Company and the underwriters, pursuant to which the underwriters have agreed severally to procure subscribers for, or failing which themselves subscribe, to the new shares not taken up under the Rights Issue; and
- A subscription and transfer agreement and an option agreement, each between the Company, Project SPV (Jersey) Investments Limited ("NewCo"), a newly incorporated Jersey subsidiary of the Company and a subscribing bank, pursuant to which (i) the Company and the subscribing bank have agreed to subscribe for ordinary shares in NewCo and enter into certain put and call options in respect of the ordinary shares in NewCo subscribed for by the subscribing bank that are exercisable if the Rights Issue does not proceed; and (ii) the subscribing bank has agreed to subscribe for redeemable preference shares in NewCo and to transfer its holding of redeemable preference shares and ordinary shares in NewCo to the Company.

In addition, each of our Executive Directors has a service agreement and each Non-executive Director has a letter of appointment. Apart from these, no contract (other than contracts entered into in the ordinary course of business) has been entered into by the Group within the two years immediately preceding the date of this report that is, or may be, material; or which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this report.

Research, development and innovation activity

Indications of our activities in the field of research and development are provided throughout the Strategic Report and the Directors' report. For example, in our business unit sections on pages 32 – 36, you can read about our work on our major in-flight projects, notably the installation of overhead lines on all 116 new T-pylons as part of the Hinkley Connection Project, and the final tunnelling breakthrough on our £1 billion London Power Tunnels 2 project in our UK ET business. In UK ED, we have been investigating the potential for customers to flex their power requirements for heat pumps with our EQUINOX project, an innovative heat pump flexibility trial. Our first successful trials won the Heat Pump Project of the year award at the 2023 HV News Awards. In NE we submitted our ESMP – also referred to as the Future Grid Plan – to the MADPU outlining the critical investments needed in the local electric distribution system over the next five to ten years to meet the state's nation-leading climate change, clean energy, and equity goals. In NY we have been awarded $1.4 million in economic development funds to support various projects across Western New York, including the construction of the first North American facility that will produce clean, carbon-free hydrogen. Funds will also support an onsite lithium battery storage device, providing a greener backup power alternative for the Buffalo Niagara Medical Campus. Further examples of our innovation activity can be found as examples of our strategy priorities on pages 16 and 17. Investment in research and development during the year for the Group was £32 million (2022/23: £23 million). We only disclose directly incurred expenditure, and not those amounts our partners contribute to joint or collaborative projects. Collaborating across the industry has played a crucial role in our ability to develop new programmes and deliver value to our stakeholders throughout 2023/24.

Other unaudited financial information

Alternative performance measures/non-IFRS reconciliations

Within the Annual Report, a number of financial measures are presented. These measures have been categorised as alternative performance measures (APMs), as per the European Securities and Markets Authority (ESMA) guidelines and the Securities and Exchange Commission (SEC) conditions for use of non-GAAP financial measures.

An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS. The Group uses a range of these measures to provide a better understanding of its underlying performance. APMs are reconciled to the most directly comparable IFRS financial measure where practicable.

The Group has defined the following financial measures as APMs derived from IFRS: net revenue, the various adjusted operating profit, earnings and earnings per share metrics detailed in the 'adjusted profit measures' section below, net debt, funds from operations (FFO), FFO interest cover and retained cash flow (RCF)/adjusted net debt. For each of these we present a reconciliation to the most directly comparable IFRS measure. We present 'constant currency' comparative period performance and capital investment by applying the current year average exchange rate to the relevant US dollar amounts in the comparative periods presented, to remove the year-on-year impact of foreign exchange translation.

We also have a number of APMs derived from regulatory measures which have no basis under IFRS; we call these Regulatory Performance Measures (RPMs). They comprise: Group RoE, operating company RoE, regulated asset base, regulated financial performance, regulatory gearing, Asset growth, Value Added, including Value Added per share and Value Growth. These measures include the inputs used by utility regulators to set the allowed revenues for many of our businesses.

We use RPMs to monitor progress against our regulatory agreements and certain aspects of our strategic objectives. Further, targets for certain of these performance measures are included in the Company's Annual Performance Plan (APP) and LTPP and contribute to how we reward our employees. As such, we believe that they provide close correlation to the economic value we generate for our shareholders and are therefore important supplemental measures for our shareholders to understand the performance of the business and to ensure a complete understanding of Group performance.

As the starting point for our RPMs is not IFRS, and these measures are not governed by IFRS, we are unable to provide meaningful reconciliations to any directly comparable IFRS measures, as differences between IFRS and the regulatory recognition rules applied have built up over many years. Instead, for each of these we present an explanation of how the measure has been determined and why it is important, and an overview as to why it would not be meaningful to provide a reconciliation to IFRS.

Alternative performance measures

Net revenue and underlying net revenue

'Net revenue' is revenue less pass-through costs, such as UK system balancing costs and gas and electricity commodity costs in the US. Pass-through costs are fully recoverable from our customers and are recovered through separate charges that are designed to recover those costs with no profit. Where revenue received or receivable exceeds the maximum amount permitted by our regulatory agreement, adjustments will be made to future prices to reflect this over-recovery. No liability is recognised, as such an adjustment to future prices relates to the provision of future services. Similarly, no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery. 'Underlying net revenue' further adjusts net revenue to remove the impact of 'timing', i.e. the in-year difference between allowed and collected revenues, including revenue incentives, as governed by our rate plans in the US or regulatory price controls in the UK (but excluding totex-related allowances and adjustments).

Year ended 31 March 2024	Gross revenue £m	Pass-through costs £m	Net revenue £m	Timing £m	Underlying net revenue £m
UK Electricity Transmission	**2,735**	**(225)**	**2,510**	**(363)**	**2,147**
UK Electricity Distribution	**1,795**	**(233)**	**1,562**	**159**	**1,721**
UK Electricity System Operator	**3,788**	**(2,605)**	**1,183**	**(800)**	**383**
New England	**3,948**	**(1,653)**	**2,295**	**69**	**2,364**
New York	**6,094**	**(2,057)**	**4,037**	**20**	**4,057**
National Grid Ventures	**1,389**	**—**	**1,389**	**—**	**1,389**
Other	**244**	**—**	**244**	**—**	**244**
Sales between segments	**(143)**	**—**	**(143)**	**—**	**(143)**
Total – continuing operations	**19,850**	**(6,773)**	**13,077**	**(915)**	**12,162**
Discontinued operations	**—**	**—**	**—**	**—**	**—**
Total	**19,850**	**(6,773)**	**13,077**	**(915)**	**12,162**

Year ended 31 March 2023	Gross revenue[1] £m	Pass-through costs £m	Net revenue £m	Timing £m	Underlying net revenue £m
UK Electricity Transmission	1,987	(217)	1,770	112	1,882
UK Electricity Distribution	2,045	(418)	1,627	139	1,766
UK Electricity System Operator	4,690	(4,152)	538	(207)	331
New England	4,427	(2,095)	2,332	39	2,371
New York	6,994	(2,957)	4,037	(53)	3,984
National Grid Ventures	1,341	—	1,341	—	1,341
Other	317	—	317	—	317
Sales between segments	(142)	—	(142)	—	(142)
Total – continuing operations	21,659	(9,839)	11,820	30	11,850
Discontinued operations	1,604	(658)	946	(12)	934
Total	23,263	(10,497)	12,766	18	12,784

1. Excluding exceptional income.

Year ended 31 March 2022	Gross revenue £m	Pass-through costs £m	Net revenue £m	Timing £m	Underlying net revenue £m
UK Electricity Transmission	2,035	(152)	1,883	85	1,968
UK Electricity Distribution	1,482	(125)	1,357	(22)	1,335
UK Electricity System Operator	3,455	(3,215)	240	47	287
New England	4,550	(2,050)	2,500	32	2,532
New York	5,561	(2,161)	3,400	(126)	3,274
National Grid Ventures	1,024	—	1,024	—	1,024
Other	192	—	192	—	192
Sales between segments	(39)	—	(39)	—	(39)
Total – continuing operations	18,260	(7,703)	10,557	16	10,573
Discontinued operations	1,362	(397)	965	80	1,045
Total	19,622	(8,100)	11,522	96	11,618

Adjusted profit measures

In considering the financial performance of our business and segments, we use various adjusted profit measures in order to aid comparability of results year-on-year. The various measures are presented on pages 61 – 67 and reconciled below.

Adjusted results – these exclude the impact of exceptional items and remeasurements that are treated as discrete transactions under IFRS and can accordingly be classified as such. This is a measure used by management that is used to derive part of the incentive target set annually for remunerating certain Executive Directors, and further details of these items are included in note 5 to the financial statements.

Underlying results – further adapts our adjusted results for continuing operations to take account of volumetric and other revenue timing differences arising due to the in-year difference between allowed and collected revenues, including revenue incentives, as governed by our rate plans in the US or regulatory price controls in the UK (but excluding certain totex-related allowances and adjustments or allowances for pension deficit contributions). For 2023/24, as highlighted below, our underlying results exclude £915 million (2022/23: £30 million) of timing differences as well as £226 million (2022/23: £258 million) of major storm costs (as costs exceeded our $100 million threshold in both years). We expect to recover major storm costs incurred through regulatory mechanisms in the US. Underlying results also exclude deferred tax in our UK regulated business (NGET and NGED). Our UK regulated revenue contain an allowance for current tax, but not for deferred tax, so excluding the IFRS deferred tax charge aligns our underlying results APM more closely with our regulatory performance measures.

Constant currency – the adjusted profit measures are also shown on a constant currency basis to show the year-on-year comparisons excluding any impact of foreign currency translation movements.

Reconciliation of statutory, adjusted and underlying profits from continuing operations at actual exchange rates

Year ended 31 March 2024	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying £m
UK Electricity Transmission	1,674	3	1,677	(363)	—	—	1,314
UK Electricity Distribution	975	18	993	159	—	—	1,152
UK Electricity System Operator	382	498	880	(800)	—	—	80
New England	641	2	643	69	90	—	802
New York	362	498	860	20	136	—	1,016
National Grid Ventures	558	(89)	469	—	—	—	469
Other	(117)	57	(60)	—	—	—	(60)
Total operating profit	4,475	987	5,462	(915)	226	—	4,773
Net finance costs	(1,464)	(15)	(1,479)	—	—	—	(1,479)
Share of post-tax results of joint ventures and associates	37	64	101	—	—	—	101
Profit before tax	3,048	1,036	4,084	(915)	226	—	3,395
Tax	(831)	(152)	(983)	227	(61)	302	(515)
Profit after tax	2,217	884	3,101	(688)	165	302	2,880

Year ended 31 March 2023	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying[1] £m
UK Electricity Transmission	993	2	995	112	—	—	1,107
UK Electricity Distribution	1,069	22	1,091	139	—	—	1,230
UK Electricity System Operator	237	1	238	(207)	—	—	31
New England	1,132	(424)	708	39	72	—	819
New York	541	200	741	(53)	186	—	874
National Grid Ventures	957	(467)	490	—	—	—	490
Other	(50)	81	31	—	—	—	31
Total operating profit	4,879	(585)	4,294	30	258	—	4,582
Net finance costs	(1,460)	(54)	(1,514)	—	—	—	(1,514)
Share of post-tax results of joint ventures and associates	171	19	190	—	—	—	190
Profit before tax	3,590	(620)	2,970	30	258	—	3,258
Tax	(876)	241	(635)	(4)	(70)	178	(531)
Profit after tax	2,714	(379)	2,335	26	188	178	2,727

1. Prior year comparatives have been restated to reflect the change in our underlying earnings definition to remove the deferred tax in UK regulated businesses (NGET and NGED).

Year ended 31 March 2022	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying[1] £m
UK Electricity Transmission	1,055	12	1,067	85	—	—	1,152
UK Electricity Distribution	909	—	909	(22)	—	—	887
UK Electricity System Operator	5	2	7	47	—	—	54
New England	764	(21)	743	32	111	—	886
New York	1,095	(315)	780	(126)	52	—	706
National Grid Ventures	283	3	286	—	—	—	286
Other	260	(239)	21	—	—	—	21
Total operating profit	4,371	(558)	3,813	16	163	—	3,992
Net finance costs	(1,022)	(59)	(1,081)	—	—	—	(1,081)
Share of post-tax results of joint ventures and associates	92	56	148	—	—	—	148
Profit before tax	3,441	(561)	2,880	16	163	—	3,059
Tax	(1,258)	589	(669)	3	(42)	133	(575)
Profit after tax	2,183	28	2,211	19	121	133	2,484

1. Prior year comparatives have been restated to reflect the change in our underlying earnings definition to remove the deferred tax in UK regulated businesses (NGET and NGED).

Reconciliation of adjusted and underlying earnings from continuing operations at constant currency

		At constant currency					
Year ended 31 March 2023	Adjusted at actual exchange rate £m	Constant currency adjustment £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying[1] £m
UK Electricity Transmission	995	—	995	112	—	—	1,107
UK Electricity Distribution	1,091	—	1,091	139	—	—	1,230
UK Electricity System Operator	238	—	238	(207)	—	—	31
New England	708	(26)	682	37	69	—	788
New York	741	(27)	714	(51)	179	—	842
National Grid Ventures	490	(1)	489	—	—	—	489
Other	31	—	31	—	—	—	31
Total operating profit	4,294	(54)	4,240	30	248	—	4,518
Net finance costs	(1,514)	22	(1,492)	—	—	—	(1,492)
Share of post-tax results of joint ventures and associates	190	(1)	189	—	—	—	189
Profit before tax	2,970	(33)	2,937	30	248	—	3,215
Tax	(635)	8	(627)	(4)	(68)	178	(521)
Profit after tax	2,335	(25)	2,310	26	180	178	2,694
Attributable to non-controlling interests	—	—	—	—	—	—	—
Earnings	2,335	(25)	2,310	26	180	178	2,694
Earnings per share (pence)	63.8	(0.7)	63.1	0.7	4.9	4.9	73.6

1. Prior year comparatives have been restated to reflect the change in our underlying earnings definition to remove the deferred tax in UK regulated businesses (NGET and NGED).

Year ended 31 March 2022	Adjusted at actual exchange rate £m	At constant currency Constant currency adjustment £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying[1] £m
UK Electricity Transmission	1,067	—	1,067	85	—	—	1,152
UK Electricity Distribution	909	—	909	(22)	—	—	887
UK Electricity System Operator	7	—	7	47	—	—	54
New England	743	81	824	35	123	—	982
New York	780	85	865	(140)	58	—	783
National Grid Ventures	286	5	291	—	—	—	291
Other	21	1	22	—	—	—	22
Total operating profit	3,813	172	3,985	5	181	—	4,171
Net finance costs	(1,081)	(55)	(1,136)	—	—	—	(1,136)
Share of post-tax results of joint ventures and associates	148	4	152	—	—	—	152
Profit before tax	2,880	121	3,001	5	181	—	3,187
Tax	(669)	(32)	(701)	6	(47)	133	(609)
Profit after tax	2,211	89	2,300	11	134	133	2,578
Attributable to non-controlling interests	(1)	—	(1)	—	—	—	(1)
Earnings	2,210	89	2,299	11	134	133	2,577
Earnings per share (pence)	61.4	2.5	63.9	0.3	1.1	3.7	69.0

1. Prior year comparatives have been restated to reflect the change in our underlying earnings definition to remove the deferred tax in UK regulated businesses (NGET and NGED).

Earnings per share calculations from continuing operations – at actual exchange rates

The table below reconciles the profit after tax from continuing operations as per the previous tables back to the earnings per share from continuing operations for each of the adjusted profit measures. Earnings per share is only presented for those adjusted profit measures that are at actual exchange rates, and not for those at constant currency.

Year ended 31 March 2024	**Profit after tax £m**	**Non-controlling interest £m**	**Profit after tax attributable to shareholders £m**	**Weighted average number of shares millions**	**Earnings per share pence**
Statutory	**2,217**	**(1)**	**2,216**	**3,692**	**60.0**
Adjusted	**3,101**	**(1)**	**3,100**	**3,692**	**84.0**
Underlying	**2,880**	**(1)**	**2,879**	**3,692**	**78.0**

Year ended 31 March 2023	Profit after tax £m	Non-controlling interest £m	Profit after tax attributable to shareholders £m	Weighted average number of shares millions	Earnings per share pence
Statutory	2,714	—	2,714	3,659	74.2
Adjusted	2,335	—	2,335	3,659	63.8
Underlying[1]	2,727	—	2,727	3,659	74.5

Year ended 31 March 2022	Profit after tax £m	Non-controlling interest £m	Profit after tax attributable to shareholders £m	Weighted average number of shares millions	Earnings per share pence
Statutory	2,183	(1)	2,182	3,599	60.6
Adjusted	2,211	(1)	2,210	3,599	61.4
Underlying[1]	2,484	(1)	2,483	3,599	69.0

1. Prior year comparatives have been restated to reflect the change in our underlying earnings definition to remove the deferred tax in UK regulated businesses (NGET and NGED).

Reconciliation of total Group statutory operating profit to adjusted earnings (including and excluding the impact of timing, major storm costs and deferred tax on underlying profits in NGET and NGED)

	Including timing, major storm costs and deferred tax on underlying profits in NGET and NGED			Excluding timing, major storm costs and deferred tax on underlying profits in NGET and NGED		
Year ended 31 March	**2024 £m**	2023 £m	2022 £m	**2024 £m**	2023[1] £m	2022[1] £m
Continuing operations						
Adjusted operating profit	**5,462**	4,294	3,813	**4,773**	4,582	3,992
Adjusted net finance costs	**(1,479)**	(1,514)	(1,081)	**(1,479)**	(1,514)	(1,081)
Share of post-tax results of joint ventures and associates	**101**	190	148	**101**	190	148
Adjusted profit before tax	**4,084**	2,970	2,880	**3,395**	3,258	3,059
Adjusted tax	**(983)**	(635)	(669)	**(515)**	(531)	(575)
Adjusted profit after tax	**3,101**	2,335	2,211	**2,880**	2,727	2,484
Attributable to non-controlling interests	**(1)**	—	(1)	**(1)**	—	(1)
Adjusted earnings from continuing operations	**3,100**	2,335	2,210	**2,879**	2,727	2,483
Exceptional items after tax	**(852)**	619	(320)	**(852)**	619	(320)
Remeasurements after tax	**(32)**	(240)	292	**(32)**	(240)	292
Earnings from continuing operations	**2,216**	2,714	2,182	**1,995**	3,106	2,455
Discontinued operations						
Adjusted operating profit	**—**	714	654	**—**	702	734
Adjusted net finance costs	**17**	(295)	(218)	**17**	(295)	(218)
Share of post-tax results of joint ventures and associates	**—**	—	—	**—**	—	—
Adjusted profit before tax	**17**	419	436	**17**	407	516
Adjusted tax	**(4)**	(99)	(92)	**(4)**	(97)	(107)
Adjusted profit after tax	**13**	320	344	**13**	310	409
Attributable to non-controlling interests	**—**	—	—	**—**	—	—
Adjusted earnings from discontinued operations	**13**	320	344	**13**	310	409
Exceptional items and gain on disposal after tax	**(4)**	4,811	(163)	**(4)**	4,811	(163)
Remeasurements after tax	**65**	(48)	(10)	**65**	(48)	(10)
Earnings from discontinued operations	**74**	5,083	171	**74**	5,073	236
Total Group (continuing and discontinued operations)						
Adjusted operating profit	**5,462**	5,008	4,467	**4,773**	5,284	4,726
Adjusted net finance costs	**(1,462)**	(1,809)	(1,299)	**(1,462)**	(1,809)	(1,299)
Share of post-tax results of joint ventures and associates	**101**	190	148	**101**	190	148
Adjusted profit before tax	**4,101**	3,389	3,316	**3,412**	3,665	3,575
Adjusted tax	**(987)**	(734)	(761)	**(519)**	(628)	(682)
Adjusted profit after tax	**3,114**	2,655	2,555	**2,893**	3,037	2,893
Attributable to non-controlling interests	**(1)**	—	(1)	**(1)**	—	(1)
Adjusted earnings from continuing and discontinued operations	**3,113**	2,655	2,554	**2,892**	3,037	2,892
Exceptional items after tax	**(856)**	5,430	(483)	**(856)**	5,430	(483)
Remeasurements after tax	**33**	(288)	282	**33**	(288)	282
Total Group earnings from continuing and discontinued operations	**2,290**	7,797	2,353	**2,069**	8,179	2,691

1. Prior year comparatives have been restated to reflect the change in our underlying earnings definition to remove the deferred tax in UK regulated businesses (NGET and NGED).

Reconciliation of adjusted EPS to statutory earnings (including and excluding the impact of timing, major storm costs and deferred tax on underlying profits in NGET and NGED)

	Including timing, major storm costs and deferred tax on underlying profits in NGET and NGED			Excluding timing, major storm costs and deferred tax on underlying profits in NGET and NGED		
Year ended 31 March	**2024 pence**	2023 pence	2022 pence	**2024 pence**	2023[1] pence	2022[1] pence
Adjusted EPS from continuing operations	**84.0**	63.8	61.4	**78.0**	74.5	69.0
Exceptional items and remeasurements after tax from continuing operations	**(24.0)**	10.4	(0.8)	**(24.0)**	10.4	(0.8)
EPS from continuing operations	**60.0**	74.2	60.6	**54.0**	84.9	68.3
Adjusted EPS from discontinued operations	**0.3**	8.7	9.6	**0.3**	8.5	11.4
Exceptional items and remeasurements after tax from discontinued operations	**1.7**	130.2	(4.8)	**1.7**	130.2	(4.8)
EPS from discontinued operations	**2.0**	138.9	4.8	**2.0**	138.7	6.6
Total adjusted EPS from continuing and discontinued operations	**84.3**	72.5	71.0	**78.3**	83.0	80.4
Total exceptional items and remeasurements after tax from continuing and discontinued operations	**(22.3)**	140.6	(5.6)	**(22.3)**	140.6	(5.6)
Total Group EPS from continuing and discontinued operations	**62.0**	213.1	65.4	**56.0**	223.6	74.9

1. Prior year comparatives have been restated to reflect the change in our underlying earnings definition to remove the deferred tax in UK regulated businesses (NGET and NGED).

Timing and regulated revenue adjustments

As described on pages 220 – 225, our allowed revenues are set in accordance with our regulatory price controls or rate plans. We calculate the tariffs we charge our customers based on the estimated volume of energy we expect will be delivered during the coming period. The actual volumes delivered will differ from the estimate. Therefore, our total actual revenue will be different from our total allowed revenue. These differences are commonly referred to as timing differences. If we collect more than the allowed revenue, adjustments will be made to future prices to reflect this over-recovery, and if we collect less than the allowed level of revenue, adjustments will be made to future prices to reflect the under-recovery. In the US, a substantial portion of our costs are pass-through costs (including commodity and energy-efficiency costs) and are fully recoverable from our customers. Timing differences between costs of this type being incurred and their recovery through revenue are also included in timing. The amounts calculated as timing differences are estimates and subject to change until the variables that determine allowed revenue are final.

Our continuing operating profit for the year includes a total estimated in-year over-collection of £915 million (2023: £30 million under-collection, or £30 million under-collection at constant currency). For continuing operations, our closing balance at 31 March 2024 was £954 million over-recovered. Excluding discontinued operations, there was a cumulative over-recovery of £744 million at 31 March 2024 (2023: under-recovery of £246 million) in the UK. In the US, cumulative timing over-recoveries at 31 March 2024 were £210 million (2023: £299 million over-recovery). The total estimated in-year over- or under-collection excludes opening balance adjustments related to estimates or finalisation of balances as part of regulatory submissions.

In addition to the timing adjustments described above, as part of the RIIO price controls in the UK, outperformance against allowances as a result of the totex incentive mechanism, together with changes in output-related allowances included in the original price control, will almost always be adjusted in future revenue recoveries, typically starting in two years' time. We also receive revenues in relation to certain costs incurred or expected to be incurred (for example pension deficit contributions), with differences between revenues received and cost incurred adjusted in future revenue recoveries, e.g. after a triennial actuarial pension funding valuation has been concluded. Our current IFRS revenues and earnings include these amounts that relate to certain costs incurred in prior years or that will need to be repaid or recovered in future periods. Such adjustments will form an important part of the continuing difference between reported IFRS results and underlying economic performance based on our regulatory obligations.

For our UK regulated businesses as a whole (including discontinued operations), timing and regulated revenue adjustments totalled a net over-recovery of £1,004 million in the year (2023: £32 million net under-recovery). In the US, accumulated regulatory entitlements cover a range of different areas, with the most significant being environmental remediation and pension assets, as well as deferred storm costs. All regulatory entitlements are recoverable (or repayable) over different periods, which are agreed with the regulators to match the expected payment profile for the liabilities. New England and New York in-year over/(under)-recovery and all New England and New York balances have been translated using the average exchange rate of $1.26 for the year ended 31 March 2024.

	UK Electricity Transmission £m	**UK Electricity Distribution £m**	**UK Electricity System Operator £m**	**New England £m**	**New York £m**	**Continuing £m**	**Discontinued £m**	**Total £m**
1 April 2023 opening balance[1]	**(213)**	**(124)**	**77**	**(384)**	**683**	**39**	**—**	**39**
(Under)/over-recovery	**363**	**(159)**	**800**	**(69)**	**(20)**	**915**	**—**	**915**
31 March 2024 closing balance to (recover)/return[2]	**150**	**(283)**	**877**	**(453)**	**663**	**954**	**—**	**954**

	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	Continuing £m	Discontinued £m	Total £m
1 April 2022 opening balance[1]	(95)	22	(129)	(330)	632	100	(160)	(60)
(Under)/over-recovery	(112)	(139)	207	(37)	51	(30)	12	(18)
Disposals	—	—	—	(17)	—	(17)	148	131
31 March 2023 closing balance to (recover)/return[2]	(207)	(117)	78	(384)	683	53	—	53

	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	Continuing £m	Discontinued £m	Total £m
1 April 2021 opening balance[1]	—	—	(80)	(295)	497	122	(76)	46
Over/(under)-recovery	(85)	22	(47)	(35)	135	(10)	(80)	(90)
31 March 2022 closing balance to (recover)/return[2]	(85)	22	(127)	(330)	632	112	(156)	(44)

1. Opening balances have been restated to reflect the finalisation of calculated over/(under)-recoveries in both the UK and the US and also adjusted for the regulatory time value of money impact on opening balances, where appropriate, in the UK.
2. The closing balance at 31 March 2024 was £954 million over-recovered (translated at the closing rate of $1.26:£1). 31 March 2023 was £59 million over-recovered (including discontinued operations and translated at the closing rate of $1.23:£1). 31 March 2022 was £45 million under-recovered (including discontinued operations and translated at the closing rate of $1.31:£1).

Capital investment at constant currency

We have updated our definition of capital investment this year. 'Capital investment' or 'investment' both refer to additions to property, plant and equipment and intangible assets, including capital prepayments plus equity contributions to joint ventures and associates during the period. This measure of capital investment is aligned with how we present our segmental information (see note 2(c) to the financial statements for further details). References to 'capital investment' in our regulated networks include the following segments: UK Electricity Transmissions, UK Electricity Distribution, UK Electricity System Operator, New England and New York, but exclude National Grid Ventures and 'Other'. Capital investment measures are presented at actual exchange rates, but are also shown on a constant currency basis to show the year-on-year comparisons excluding any impact of foreign currency translation movements.

	At actual exchange rates			At constant currency		
Year ended 31 March	**2024 £m**	2023[1] £m	change	**2024 £m**	2023[1] £m	change
UK Electricity Transmission	**1,912**	1,301	47%	**1,912**	1,301	47%
UK Electricity Distribution	**1,247**	1,220	2%	**1,247**	1,220	2%
UK Electricity System Operator	**85**	108	(21%)	**85**	108	(21%)
New England	**1,673**	1,527	10%	**1,673**	1,470	14%
New York	**2,654**	2,454	8%	**2,654**	2,363	12%
Capital investment (regulated networks)	**7,571**	6,610	15%	**7,571**	6,462	17%
National Grid Ventures	**662**	970	(32%)	**662**	955	(31%)
Other	**2**	13	(85%)	**2**	13	(85%)
Group capital investment – continuing	**8,235**	7,593	8%	**8,235**	7,430	11%
Discontinued operations	**—**	301	(100%)	**—**	301	(100%)
Group capital investment – total	**8,235**	7,894	4%	**8,235**	7,731	7%

1. Comparative amounts have been represented to reflect the reclassification of our US LNG operations from New England to NGV following an internal reorganisation in the year and the change in presentation for capital investments.

Capital expenditure

Capital expenditure (for the purposes of measuring green capex aligned to EU Taxonomy) comprises additions to property, plant and equipment and intangible assets, but excludes capital prepayments and equity contributions to joint ventures and associates during the period.

	2024 £m	2023[1] £m
Asset type:		
Property, plant and equipment	**7,124**	6,783
Non-current intangible assets	**481**	578
Transfers from prepayments	**43**	70
Group capital expenditure – continuing	**7,648**	7,431
Equity investments in joint ventures and associates	**332**	197
Capital expenditure prepayments	**298**	35
Transfers to capital expenditure additions	**(43)**	(70)
Group capital investment – continuing	**8,235**	7,593

1. Comparative amounts have been represented to reflect the reclassification of our US LNG operations from New England to NGV following an internal reorganisation in the year and the change in presentation for capital investments.

Net debt

See note 29 the financial statements on page 189 for the definition and reconciliation of net debt.

Funds from operations and interest cover

FFO are the cash flows generated by the operations of the Group. Credit rating metrics, including FFO, are used as indicators of balance sheet strength.

Year ended 31 March	2024 £m	2023[1] £m	2022[1] £m
Interest expense (income statement)	**1,723**	1,680	1,146
Hybrid interest reclassified as dividend	**(38)**	(39)	(38)
Capitalised interest	**251**	249	152
Pensions interest adjustment	**9**	11	11
Unwinding of discount on provisions	**(102)**	(88)	(73)
Pension interest	**94**	85	—
Interest charge (discontinued operations)	**—**	—	218
Adjusted interest expense	**1,937**	1,898	1,416
Net cash inflow from operating activities	**6,939**	6,343	5,490
Interest received on financial instruments	**148**	65	40
Interest paid on financial instruments	**(1,627)**	(1,430)	(1,053)
Dividends received	**176**	190	166
Working capital adjustment	**49**	(286)	(361)
Excess employer pension contributions	**27**	116	99
Hybrid interest reclassified as dividend	**38**	39	38
Add back accretions	**208**	483	241
Difference in net interest expense in income statement to cash flow	**(253)**	(395)	(177)
Difference in current tax in income statement to cash flow	**(24)**	(281)	72
Current tax related to prior periods	**—**	—	(35)
Cash flow from discontinued operations	**—**	555	668
Funds from operations (FFO)	**5,681**	5,399	5,188
FFO interest cover ((FFO + adjusted interest expense)/adjusted interest expense)	**3.9x**	3.8x	4.7x

1. Numbers for 2023 and 2022 reflect the calculations for the total Group as based on the published accounts for the respective years.

Retained cash flow/adjusted net debt

RCF/adjusted net debt is one of two credit metrics that we monitor in order to ensure the Group is generating sufficient cash to service its debts, consistent with maintaining a strong investment-grade credit rating. We calculate RCF/adjusted net debt applying the methodology used by Moody's, as this is one of the most constrained calculations of credit worthiness. The net debt denominator includes adjustments to take account of the equity component of hybrid debt.

Year ended 31 March	2024 £m	2023[1] £m	2022[1] £m
Funds from operations (FFO)	**5,681**	5,399	5,188
Hybrid interest reclassified as dividend	**(38)**	(39)	(38)
Ordinary dividends paid to shareholders	**(1,718)**	(1,607)	(922)
RCF	**3,925**	3,753	4,228
Borrowings	**47,072**	42,985	45,465
Less:			
50% hybrid debt	**(1,034)**	(1,049)	(1,027)
Cash and cash equivalents	**(578)**	(126)	(190)
Financial and other investments	**(3,084)**	(1,764)	(2,292)
Underfunded pension obligations	**266**	292	326
Borrowings in held for sale	**13**	—	5,234
Collateral – cash received under collateral agreements[2]	**—**	—	—
Adjusted net debt (includes pension deficit)	**42,655**	40,338	47,516
RCF/adjusted net debt	**9.2%**	9.3%	8.9%

1. Numbers for 2023 and 2022 reflect the calculations for the total Group as based on the published accounts for that year.
2. Below agency threshold to adjust in 2024, 2023 and 2022.

Regulatory performance measures

Regulated financial performance – UK

Regulatory financial performance is a pre-interest and tax measure, starting at segmental operating profit and making adjustments (such as the elimination of all pass-through items included in revenue allowances and timing) to approximate regulatory profit for the UK regulated activities. This measure provides a bridge for investors between a well-understood and comparable IFRS starting point and through the key adjustments required to approximate regulatory profit. This measure also provides the foundation to calculate Group RoE.

Under the UK RIIO regulatory arrangements the Company is incentivised to deliver efficiencies against cost targets set by the regulator. In total, these targets are set in terms of a regulatory definition of combined total operating and capital expenditure, also termed 'totex'. The definition of totex differs from the total combined regulated controllable operating costs and regulated capital expenditure as reported in this statement according to IFRS accounting principles. Key differences are capitalised interest, capital contributions, exceptional costs, costs covered by other regulatory arrangements and unregulated costs.

For the reasons noted above, the table below shows the principal differences between the IFRS operating profit and the regulated financial performance, but is not a formal reconciliation to an equivalent IFRS measure.

UK Electricity Transmission

Year ended 31 March	2024 £m	2023 £m	2022 £m
Adjusted operating profit	**1,677**	995	1,067
Movement in regulatory 'IOUs'	**(363)**	107	82
UK regulatory notional deferred taxation adjustment	**219**	73	26
RAV indexation – 2% CPIH long-run inflation	**343**	309	287
Regulatory vs IFRS depreciation difference	**(553)**	(536)	(433)
Fast money/other	**(119)**	37	(44)
Pensions	**(2)**	(44)	(42)
Performance RAV created	**68**	68	75
Regulated financial performance	**1,270**	1,009	1,018

UK Electricity Distribution

Year ended 31 March	2024 £m	2023 £m	2022 £m
Adjusted operating profit	**993**	1,091	909
Less non-regulated profits	**(8)**	(46)	(51)
Movement in regulatory 'IOUs'	**158**	88	(42)
UK regulatory notional deferred taxation adjustment	**38**	65	28
RAV indexation – 2% CPIH (2023 and 2022: 3% RPI) long-run inflation	**216**	277	198
Regulatory vs IFRS depreciation difference	**(555)**	(506)	(358)
Fast money/other	**(36)**	11	17
Pensions	**—**	(157)	(111)
Performance RAV created	**50**	22	9
Regulated financial performance	**856**	845	599

UK Electricity System Operator

Year ended 31 March	2024 £m	2023 £m	2022 £m
Adjusted operating profit	**880**	238	7
Movement in regulatory 'IOUs'	**(800)**	(223)	31
UK regulatory notional deferred taxation adjustment	**2**	(4)	(4)
RAV indexation – 2% CPIH long-run inflation	**7**	7	5
Regulatory vs IFRS depreciation difference	**(19)**	32	27
Fast money/other	**(29)**	(2)	(24)
Pensions	**—**	(11)	(10)
Performance RAV created	**—**	—	—
Regulated financial performance	**41**	37	32

UK Gas Transmission

Year ended 31 March	2024 £m	2023 £m	2022 £m
Adjusted operating profit	–	714	654
Less non-regulated profits	–	(129)	(150)
Movement in regulatory 'IOUs'	–	(24)	72
UK regulatory notional deferred taxation adjustment	–	28	13
RAV indexation – 2% CPIH (2021: 3% RPI) long-run inflation	–	109	126
Regulatory vs IFRS depreciation difference	–	(331)	(281)
Fast money/other	–	(1)	(4)
Pensions	–	(9)	–
Performance RAV created	–	5	3
Regulated financial performance	–	362	433

Regulated financial performance – US

New England

Year ended 31 March	2024 £m	2023 £m	2022 £m
Adjusted operating profit	**643**	708	743
Major storm costs	**90**	72	111
Timing	**69**	39	32
Depreciation adjustment[1]	–	(18)	(67)
US GAAP pension adjustment	**29**	34	11
Regulated financial performance	**831**	835	830

1. The depreciation adjustment relates to the impact of the cessation of depreciation for NECO under IFRS following reclassification as held for sale.

New York

Year ended 31 March	2024 £m	2023 £m	2022 £m
Adjusted operating profit	**860**	741	780
Provision for bad and doubtful debts (COVID-19), net of recoveries[1]	**(34)**	(21)	–
Major storm costs	**136**	186	52
Timing	**20**	(53)	(126)
US GAAP pension adjustment	**42**	11	66
Regulated financial performance	**1,024**	864	772

1. New York financial performance includes an adjustment reflecting our expectation for future recovery of COVID-19 related provisions for bad and doubtful debts.

Total regulated financial performance

Year ended 31 March	2024 £m	2023 £m	2022 £m
UK Electricity Transmission	**1,270**	1,009	1,018
UK Electricity Distribution	**856**	845	599
UK Electricity System Operator	**41**	37	32
UK Gas Transmission	**—**	362	433
New England	**831**	835	830
New York	**1,024**	864	772
Total regulated financial performance	**4,022**	3,952	3,684

New England and New York timing, major storms costs and movement in UK regulatory 'IOUs' – Revenue related to performance in one year may be recovered in later years. Where revenue received or receivable exceeds the maximum amount permitted by our regulatory agreement, adjustments will be made to future prices to reflect this over-recovery. No liability is recognised under IFRS, as such an adjustment to future prices relates to the provision of future services. Similarly, no asset is recognised under IFRS where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery. In the UK, this is calculated as the movement in other regulated assets and liabilities.

Performance RAV – UK performance efficiencies are in part remunerated by the creation of additional RAV which is expected to result in future earnings under regulatory arrangements. This is calculated as in-year totex outperformance multiplied by the appropriate regulatory capitalisation ratio and multiplied by the retained company incentive sharing ratio.

Pension adjustment – Cash payments against pension deficits in the UK are recoverable under regulatory contracts. In US regulated operations, US GAAP pension charges are generally recoverable through rates. Revenue recoveries are recognised under IFRS but payments are not charged against IFRS operating profits in the year. In the UK this is calculated as cash payments against the regulatory proportion of pension deficits in the UK regulated business, whereas in the US it is the difference between IFRS and US GAAP pension charges.

2% CPIH and 3% RPI RAV indexation – Future UK revenues are expected to be set using an asset base adjusted for inflation. This is calculated as UK RAV multiplied by 2% long-run CPIH inflation assumption under RIIO-2 and a 3% long-run RPI inflation assumption under RIIO-1.

UK regulatory notional deferred taxation adjustment – Future UK revenues are expected to recover cash taxation cost including the unwinding of deferred taxation balances created in the current year. This is the difference between: (1) IFRS underlying EBITDA less other regulatory adjustments; and (2) IFRS underlying EBITDA less other regulatory adjustments less current taxation (adjusted for interest tax shield) then grossed up at full UK statutory tax rate.

Regulatory depreciation – US and UK regulated revenues include allowance for a return of regulatory capital in accordance with regulatory assumed asset lives. This return does not form part of regulatory profit.

Fast/slow money adjustment – The regulatory remuneration of costs incurred is split between in-year revenue allowances and the creation of additional RAV. This does not align with the classification of costs as operating costs and fixed asset additions under IFRS accounting principles. This is calculated as the difference between IFRS classification of costs as operating costs or fixed asset additions and the regulatory classification.

Regulated asset base

The regulated asset base is a regulatory construct, based on predetermined principles not based on IFRS. It effectively represents the invested capital on which we are authorised to earn a cash return. By investing efficiently in our networks, we add to our regulated asset base over the long term, and this in turn contributes to delivering shareholder value. Our regulated asset base comprises our regulatory asset value in the UK plus our rate base in the US.

Maintaining efficient investment in our regulated asset base ensures we are well positioned to provide consistently high levels of service to our customers and increases our revenue allowances in future years. While we have no specific target, our overall aim is to achieve around 10% growth in regulated asset base each year through continued investment in our networks in both the UK and US.

In the UK, the way in which our transactions impact RAV is driven by principles set out by Ofgem. In a number of key areas these principles differ from the requirements of IFRS, including areas such as additions and the basis for depreciation. Further, our UK RAV is adjusted annually for inflation. RAV in each of our retained UK businesses has evolved over the period since privatisation in 1990 and, as a result, historical differences between the initial determination of RAV and balances reported under UK GAAP at that time still persist. In the case of UK ED, differences arise as the result of acquisition fair value adjustments (where PP&E at acquisition has been valued above RAV). Due to the above, substantial differences exist in the measurement bases between RAV and an IFRS balance metric, and therefore it is not possible to provide a meaningful reconciliation between the two.

In the US, rate base is a regulatory measure determined for each of our main US operating companies. It represents the value of property and other assets or liabilities on which we are permitted to earn a rate of return, as set out by the regulatory authorities for each jurisdiction. The calculations are based on the applicable regulatory agreements for each jurisdiction and include the allowable elements of assets and liabilities from our US companies. For this reason, it is not practical to provide a meaningful reconciliation from the US rate base to an equivalent IFRS measure. However, we include the calculation on page 253.

'Total regulated and other balances' for our UK regulated businesses include the under- or over-recovery of allowances that those businesses target to collect in any year, which are based on the regulator's forecasts for that year. Under the UK price control arrangements, revenues will be adjusted in future years to take account of actual levels of collected revenue, costs and outputs delivered when they differ from those regulatory forecasts. In the US, other regulatory assets and liabilities include regulatory assets and liabilities which are not included in the definition of rate base, including working capital where appropriate.

'Total regulated and other balances' for NGV and other businesses includes assets and liabilities as measured under IFRS, but excludes certain assets and liabilities such as pensions, tax, net debt and goodwill. This included a £101 million deferred balance for separation and transaction costs incurred in 2021/22 related to the sale of NECO and UK Gas Transmission, which has been released to offset against the proceeds received on disposal of these businesses in 2022/23.

Year ended 31 March (£m at constant currency)	RAV, rate base or other business assets		Total regulated and other balances	
	2024 £m	2023[1] £m	2024[2,3] £m	2023[1,2,3] £m
UK Electricity Transmission	18,462	17,150	17,940	17,009
UK Electricity Distribution	11,469	10,787	11,611	10,776
UK Electricity System Operator	425	355	(452)	277
New England	8,710	7,728	10,565	9,852
New York	16,387	14,789	17,425	15,818
Total regulated	55,453	50,809	57,089	53,732
National Grid Ventures and other business balances	7,593	6,639	7,213	6,735
Total Group regulated and other balances	63,046	57,448	64,302	60,467

1. Figures relating to prior periods have, where appropriate, been re-presented at constant currency, for segmental reorganisation, opening balance adjustments following the completion of the UK regulatory reporting pack process and finalisation of US balances.
2. Includes totex-related regulatory IOUs of £514 million (2023: £502 million) and over-recovered timing balances of £744 million (2023: £246 million under-recovered).
3. Includes assets for construction work-in-progress of £2,068 million (2023: £2,319 million), other regulatory assets related to timing and other cost deferrals of £1,279 million (2023: £771 million) and net working capital liabilities of £455 million (2023: £136 million net working capital assets).

New England and New York rate base and other total regulated and other balances for 31 March 2023 have been re-presented in the table above at constant currency. At actual currency the values were £10.1 billion and £16.2 billion respectively.

Group RoE

Group RoE provides investors with a view of the performance of the Group as a whole compared with the amounts invested by the Group in assets attributable to equity shareholders. It is the ratio of our regulatory financial performance to our measure of equity investment in assets. It therefore reflects the regulated activities as well as the contribution from our non-regulated businesses together with joint ventures and non-controlling interests.

We use Group RoE to measure our performance in generating value for our shareholders, and targets for Group RoE are included in the incentive mechanisms for executive remuneration within both the APP and LTPP schemes.

Group RoE is underpinned by our regulated asset base. For the reasons noted above, no reconciliation to IFRS has been presented, as we do not believe it would be practical. However, we do include the calculations below.

Calculation: Regulatory financial performance including a long-run inflation assumption (3% RPI for RIIO-1; 2% CPIH for RIIO-2), less adjusted interest and adjusted taxation divided by equity investment in assets:

- adjusted interest removes accretions above long-run inflation rates, interest on pensions, capitalised interest in regulated operations and unwind of discount rate on provisions;
- adjusted taxation adjusts the Group taxation charge (before exceptional items and remeasurements) for differences between IFRS profit before tax and regulated financial performance less adjusted interest; and
- equity investment in assets is calculated as the total opening UK regulatory asset value, the total opening US rate base plus goodwill plus opening net book value of National Grid Ventures and other activities (excluding certain amounts such as pensions, tax and commodities) and our share of joint ventures and associates, minus opening net debt as reported under IFRS restated to the weighted average sterling–dollar exchange rate for the year.

Year ended 31 March	2024 £m	2023 £m	2022 £m
Regulated financial performance	4,022	3,952	3,684
Operating profit of other activities – continuing operations	467	595	330
Operating profit of other activities – discontinued operations	—	113	150
Group financial performance	4,489	4,660	4,164
Share of post-tax results of joint ventures and associates[1]	174	202	148
Non-controlling interests	(1)	—	(1)
Adjusted total Group interest charge (including discontinued)	(1,613)	(1,546)	(1,191)
Total Group tax charge (including discontinued)	(983)	(734)	(761)
Tax on adjustments	270	7	43
Total Group financial performance after interest and tax	2,336	2,589	2,402
Opening rate base/RAV	50,806	55,558	41,043
Opening other balances	7,973	5,410	4,864
Opening goodwill	11,444	12,253	5,266
Opening strategic pivot (asset swap) adjustment[2]	(3,464)	—	—
Opening capital employed	66,759	73,221	51,173
Opening net debt	(40,505)	(49,691)	(30,072)
Opening equity	26,254	23,530	21,101
Group RoE	8.9%	11.0%	11.4%

1. 2024 includes £73 million (2023: £12 million) in respect of the Group's retained minority interest in National Gas Transmission.
2. Following the completion of our strategic pivot, regulatory gains on the disposal of NECO and UK Gas Transmission (based on the proceeds received less the RAV, rate base and other related balances used to calculate the Group RoE denominator) have been deducted against the IFRS goodwill recognised on the acquisition of National Grid Electricity Distribution in calculating the total denominator used to calculate Group RoE. For this metric, the purchase of NGED and the sales of both NECO and UK Gas Transmission are deemed to be linked transactions and so the opening equity reflects the impact of these as asset swaps rather than as unrelated transactions.

UK and US regulated RoE

Year ended 31 March	Regulatory Debt: Equity assumption	Achieved Return on Equity 2024 %	2023 %	Base or Allowed Return on Equity 2024 %	2023 %
UK Electricity Transmission	**55/45**	**8.0**	7.5	**7.0**	6.3
UK Electricity Distribution	**60/40**	**8.5**	13.2	**7.4**	9.6
UK Gas Transmission	**60/40**	**—**	7.8	**—**	6.6
New England	**Avg. 45/55**	**9.2**	8.3	**9.9**	9.9
New York	**Avg. 52/48**	**8.5**	8.6	**8.9**	8.9

UK businesses' regulated RoEs
UK regulated businesses' RoEs are a measure of how the businesses are performing against the assumptions used by our UK regulator. These returns are calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure, at the cost of debt assumed by the regulator, and that inflation is equal to a long-run assumption of 3% RPI under RIIO-1 and 2% CPIH under RIIO-2. They are calculated by dividing elements of out/under-performance versus the regulatory contract (i.e. regulated financial performance disclosed above) by the average equity RAV in line with the regulatory assumed capital structure and adding to the base allowed RoE.

These are important measures of UK regulated businesses' performance, and our operational strategy continues to focus on these metrics. These measures can be used to determine how we are performing under the RIIO framework and also help investors to compare our performance with similarly regulated UK entities. Reflecting the importance of these metrics, they are also key components of the APP scheme.

The respective businesses' UK RoEs are underpinned by their RAVs. For the reasons noted above, no reconciliation to IFRS has been presented, as we do not believe it would be practical.

US businesses' regulated RoEs
US regulated businesses' RoEs are a measure of how the businesses are performing against the assumptions used by the US regulators. This US operational return measure is calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure and allowed cost of debt. The returns are divided by the average rate base (or where a reported rate base is not available, an estimate based on rate base calculations used in previous rate filings) multiplied by the adjudicated equity portion in the regulatory adjudicated capital structure.

These are important measures of our New England and New York regulated businesses' performance, and our operational strategy continues to focus on these metrics. This measure can be used to determine how we are performing and also helps investors compare our performance with similarly regulated US entities. Reflecting the importance of these metrics, they are also key components of the APP scheme.

The New England and New York businesses' returns are based on a calculation which gives proportionately more weighting to those businesses which have a greater rate base. For the reasons noted above, no reconciliations to IFRS for the RoE measures have been presented, as we do not believe it would be practical to reconcile our IFRS balance sheet to the equity base.

The table below shows the principal differences between the IFRS result of the New England and New York segments, and the 'returns' used to derive their respective US jurisdictional RoEs. In outlining these differences, we also include the aggregated business results under US GAAP for New England and New York jurisdictions.

In respect of 2022/23 and 2021/22, this measure is the aggregate operating profit of our US OpCo entities' publicly available financial statements prepared under US GAAP for the New England and New York jurisdictions respectively. For 2023/24, this measure represents our current estimate, since local financial statements have yet to be prepared.

	2024 £m	2023 £m	2022 £m
Underlying IFRS operating profit for New England segment	**802**	819	886
Underlying IFRS operating profit for New York segment	**1,016**	874	706
Weighted average £/$ exchange rate	**$1.262**	$1.216	$1.348

	New England			New York		
	2024 $m	2023 $m	2022 $m	**2024 $m**	2023 $m	2022 $m
Underlying IFRS operating profit for US segments	**1,013**	995	1,194	**1,283**	1,060	951
Adjustments to convert to US GAAP as applied in our US OpCo entities						
Adjustment in respect of customer contributions	**(29)**	(26)	(35)	**(37)**	(34)	(30)
Pension accounting differences[1]	**43**	39	14	**63**	12	88
Environmental charges recorded under US GAAP	**10**	(3)	3	**21**	58	42
Storm costs and recoveries recorded under US GAAP	**(56)**	(54)	(75)	**6**	(39)	(8)
Removal of partial year Rhode Island in year of disposal	**—**	(65)	—	**—**	—	—
Other regulatory deferrals, amortisation and other items	**(139)**	(217)	(253)	**(155)**	86	46
Results for US regulated OpCo entities, aggregated under US GAAP[2]	**842**	669	848	**1,181**	1,143	1,089
Adjustments to determine regulatory operating profit used in US RoE						
Adjustment for COVID-19-related provision for bad and doubtful debts[3]	**—**	—	—	**—**	(171)	—
Net other	**14**	113	71	**151**	171	85
Regulatory operating profit	**856**	782	919	**1,332**	1,143	1,174
Pensions[1]	**60**	(17)	7	**159**	219	107
Regulatory interest charge	**(199)**	(176)	(227)	**(374)**	(339)	(316)
Regulatory tax charge	**(196)**	(159)	(179)	**(305)**	(279)	(263)
Regulatory earnings used to determine US RoE	**521**	430	520	**812**	744	702

1. Following a change in US GAAP accounting rules, an element of the pensions charge is reported outside operating profit with effect from 2019.
2. Based on US GAAP accounting policies as applied by our US regulated OpCo entities.
3. US RoE included an adjustment reflecting our expectation for future recovery of COVID-19-related bad and doubtful debt costs in 2020/21. The adjustment is being unwound as regulated assets are recognised in respect of the same debts in our US GAAP accounts.

In addition to the regulatory earnings used to determine US RoE, our US regulated businesses also earn a return on assets outside of rate base (principally construction work-in-progress) of $2.3 billion (2023: $2.7 billion) in New England and $1.3 billion (2023: $1.3 billion) in New York. In 2023/24, this additional return amounted to $66 million (2023: $81 million) in New England and $79 million (2023: $78 million) in New York. The aggregate of regulatory earnings used to determine US RoE and the return on assets outside of rate base for the year was $587 million (2023: $511 million) for New England and $891 million (2023: $822 million) for New York.

	New England			New York		
	2024 $m	2023 $m	2022 $m	**2024 $m**	2023 $m	2022 $m
US equity base (average for the year)	**5,645**	5,155	6,253	**9,517**	8,670	7,946
US jurisdiction RoE	**9.2%**	8.3%	8.3%	**8.5%**	8.6%	8.8%

Information on differences between IFRS and regulatory balances

There are certain significant assets and liabilities included in our IFRS balance sheet, which are treated differently in the analysis below and to which we draw readers' attention. Our UK OpCo RAVs are different to the IFRS carrying value of PP&E and intangibles in these entities. For example the annual indexation (inflationary uplift) adjustment applied to RAV compared with the IFRS value of these assets (which are held at amortised cost) or in the case of UK ED, the result of acquisition fair value adjustments (where PP&E at acquisition has been valued above RAV). In addition, under IFRS we recognise liabilities in respect of US environmental remediation costs, and pension and OPEB costs. For regulatory purposes, these are not shown as obligations because we are entitled to full recovery of costs through our existing rate plans. The impact of US tax reform in 2017/18 which resulted in a reduction in IFRS deferred tax liabilities, and from a regulatory perspective remains as a future obligation, results in a regulatory liability within US rate base. In our Value Added calculation, we recognised an asset in 2021/22 to reflect expected future recovery of £202 million COVID-19-related provision for bad and doubtful debts. In 2022/23 the expected recovery of these bad debts has been recognised as a regulated asset in our US operating companies. Regulatory IOUs which reflect net over- or under-recoveries compared with our regulatory allowances are treated within this table as obligations (or rights) but do not qualify for recognition as liabilities (or assets) under IFRS. The decrease in regulatory assets and other balances and the decrease in net debt as a result of the disposals of NECO and our UK Gas Transmission and Metering business along with associated transaction costs have been excluded when calculating the in-year Value Added for 2022/23. However, these balances are included within amounts reported as at 31 March 2022. Adjusted net debt movements exclude movements on derivatives which are designated in cash flow hedging arrangements and for which there is no corresponding movement in total assets and other balances. Within our Value Added calculation, total assets and other balances, goodwill and adjusted net debt movement all exclude the impact of reclassifications to held for sale.

Asset growth, Value Added, Value Added per share and Value Growth

To help readers' assessment of the financial position of the Group, the table below shows an aggregated position for the Group, as viewed from a regulatory perspective. The asset growth and Value Added measures included in the table below are calculated in part from financial information used to derive measures sent to and used by our regulators in the UK and US, and accordingly inform certain of the Group's regulatory performance measures, but are not derived from, and cannot be reconciled to, IFRS. These alternative performance measures include regulatory assets and liabilities and certain IFRS assets and liabilities of businesses that were classified as held for sale under IFRS 5.

Asset growth is the annual percentage increase in our RAV and rate base and other non-regulated business balances (including our investments in NGV, UK property and other assets and US other assets) calculated at constant currency.

Value Added is a measure that reflects the value to shareholders of our cash dividend and the growth in National Grid's regulated and non-regulated assets (as measured in our regulated asset base, for regulated entities), and corresponding growth in net debt. It is a key metric used to measure our performance and underpins our approach to sustainable decision making and long-term management incentive arrangements.

Value Added is derived using our regulated asset base and, as such, it is not practical to provide a meaningful reconciliation from this measure to an equivalent IFRS measure due to the reasons set out for our regulated asset base. However, the calculation is set out below. Value Added per share is calculated by dividing Value Added by the weighted average number of shares (3,692 million) set out in note 8 to the financial statements.

Value Growth of 9.5% (2023: 12.4%) is derived from Value Added by adjusting Value Added to normalise for our estimate of the long-run inflation rate (3% RPI for RIIO-1, 2% CPIH for RIIO-2) on RAV indexation and index-linked debt interest accretions. In 2024, the numerator for Value Growth was £2,503 million (2023: £2,902 million). The denominator is Group equity as used in the Group RoE calculation, adjusted for foreign exchange movements.

The tables below include related balances and net debt up to the dates of disposal for NECO (25 May 2022) and the UK Gas Transmission and Metering (31 January 2023), despite being reclassified as held for sale under IFRS.

	2023/24			
£m	31 March 2024	31 March 2023	Value Added	Change
UK RAV	30,356	28,292	2,064	7%
US rate base	25,097	22,517	2,580	11%
Total RAV and rate base	55,453	50,809	4,644	9%
National Grid Ventures and other	7,593	6,639	954	14%
Total assets (used to calculate asset growth)	63,046	57,448	5,598	10%
UK other regulated balances[1]	(1,257)	(230)	(1,027)	
US other regulated balances[2,3]	3,489	3,153	791	
Other balances	(976)	96	(1,072)	
Total assets and other balances	64,302	60,467	4,290	
Cash dividends			1,718	
Adjusted net debt movement			(3,077)	
Value Added			2,931	

1. Includes totex-related regulatory IOUs of £514 million, under-recovered timing balances of £744 million.
2. Change in year excludes a £455 million reduction in US other regulated balances related to tax assets for net operating losses that were utilised in 2023/24 to offset tax due on disposal of NECO, which was sold in 2022/23.
3. Includes assets for construction work-in-progress of £2,068 million, other regulatory assets related to timing and other cost deferrals of £1,279 million and net working capital liabilities of £455 million.

	2022/23				
£m	31 March 2023	Disposal of NECO and UK Gas Transmission[1]	31 March 2022	Value Added	Change
UK RAV	28,205	(6,989)	31,577	3,617	11%
US rate base	23,038	(2,476)	23,628	1,886	8%
Total RAV and rate base	51,243	(9,465)	55,205	5,503	10%
National Grid Ventures and other	6,604	(143)	5,374	1,373	26%
Total assets (used to calculate asset growth)	57,847	(9,608)	60,579	6,876	11%
UK other regulated balances[2]	(255)	(141)	75	(189)	
US other regulated balances[3]	3,226	(250)	2,792	684	
Other balances	108	1,239	(808)	(323)	
Total assets and other balances	60,926	(8,760)	62,638	7,048	
Cash dividends				1,607	
Adjusted net debt movement[1]				(3,848)	
Value Added				4,807	

1. The disposal of NECO on 25 May 2022 and UK Gas Transmission on 31 January 2023 resulted in an increase in assets which has been excluded from the total change in the year used to calculate asset growth and Value Added for 2022/23. The decrease in RAV and rate base and other regulated balances relating to the businesses disposed along with the net debt disposed and cash proceeds received (plus associated transaction costs) are excluded from the total adjusted net debt movement in the year used to calculate asset growth and Value Added.
2. Includes totex-related regulatory IOUs of £502 million, under-recovered timing balances of £246 million.
3. Includes assets for construction work-in-progress of £2,319 million, other regulatory assets related to timing and other cost deferrals of £771 million and net working capital assets of £136 million.

Figures relating to prior periods have, where appropriate, been re-presented at constant currency, for opening balance adjustments following the completion of the UK regulatory reporting pack process and finalisation of US balances.

Regulatory gearing

Regulatory gearing is a measure of how much of our investment in RAV and rate base and other elements of our invested capital (including our investments in NGV, UK property and UK other assets and US other assets) is funded through debt. Comparative amounts as at 31 March 2023 are presented at historical exchange rates and have not been restated for opening balance adjustments.

As at 31 March	2024 £m	2023 £m	
UK RAV	30,356	28,205	
US rate base	25,097	23,038	
Other invested capital included in gearing calculation	7,593	6,604	
Total assets included in gearing calculation	63,046	57,847	
Net debt (including 100% of hybrid debt and held for sale)	(43,584)	(40,973)	change
Group gearing (based on 100% of net debt including held for sale)	69%	71%	(2% pts)
Group gearing (excluding 50% of hybrid debt from net debt) including held for sale	67%	69%	(2% pts)

Commentary on consolidated financial statements
for the year ended 31 March 2023

In compliance with SEC rules, we present a summarised analysis of movements in the income statement and an analysis of movements in adjusted operating profit (for the continuing Group) by operating segment. This should be read in conjunction with the 31 March 2024 Financial review included on pages 60 – 73.

Analysis of the income statement for the year ended 31 March 2023

Revenue

Revenue from continuing operations for the year ended 31 March 2023 increased by £3,399 million to £21,659 million. Revenues were driven by a £1,235 million increase in UK Electricity System Operator (mainly as a result of higher balancing service pass-through costs), a £563 million increase in UK Electricity Distribution (primarily due to a full year of ownership and inflation on base revenues, and a £1,433 million increase in New York (mainly from higher commodity pass-through costs, and rate increases). Revenue from NGV increased by £317 million, related to higher interconnector income. Other activities revenues increased, driven by higher property site sales (most notably St William).

Operating costs

Operating costs from continuing activities for the year ended 31 March 2023 of £17,378 million were £2,931 million higher than prior year. This increase in costs excludes the exceptional items and remeasurements impacts, which is discussed below. Operating costs were driven by higher UK Electricity System Operator balancing service pass-through costs up £900 million and increased gas and electricity purchases (mostly on behalf of our US customers) up £884 million, with the underlying cause of both of these being higher global energy prices. Higher depreciation as a result of continued asset investment was up £154 million compared with 2021/22. Provisions for bad and doubtful debts of £220 million were recorded in the year, £53 million higher than 2021/22, principally as a result of COVID arrears reviewed.

Net finance costs

Net finance costs (excluding remeasurements) for 2022/23 were £1,514 million, up £433 million, driven by a £244 million impact of higher inflation on RPI-linked debt and higher borrowings from organic asset growth, partly offset by favourable non-debt interest income (pensions and capitalised interest) compared with 2021/22.

Tax

The tax charge on profits before exceptional items and remeasurements of £635 million was £34 million lower than 2021/22. This is driven by a lower effective tax charge in 2022/23 for the remeasurement of state deferred tax charges related to the sale of our Rhode Island business in the US and larger proportion of UK property sales with a lower effective tax rate.

Exceptional items and remeasurements

In 2022/23, exceptional items included £511 million of gains related to disposal of NECO and £335 million of gain relating to the disposal of Millennium Pipeline Company LLC. Additional items include insurance recoveries of £130 million relating to the IFA1 fire and £176 million due to changes in environmental provisions. Exceptional items in 2021/22 include the release of St William Homes LLP deferred income of £189 million and net gain of St William Homes LLP of £228 million. Transaction, separation and integration costs have decreased by £106 million to £117m in 2022/23, with cost efficiency programme costs increasing to £100 million in 2022/23 from £66 million in 2021/22. Finally, there was an exceptional gain of £38 million in 2021/22 related to an environmental insurance recovery.

An exceptional deferred tax charge of £458 million was made in 2021/22 arising as a result of the UK corporation tax rate change, effective from April 2023.

Remeasurement losses of £350 million were recognised on commodity contracts in 2022/23 compared with gains of £392 million in 2020/21.

Finance costs for the year ended 31 March 2023 included a net gain of £54 million on financial remeasurements of derivative financial instruments and financial assets at fair value through profit or loss, compared to a net gain of £59 million on financial remeasurements in 2021/22.

Joint ventures and associates

Share of post-tax results of joint ventures and associates before exceptional items for 2022/23 were £190 million compared with £148 million in 2021/22, principally due to higher revenues in our BritNed interconnector joint venture in the UK.

Profit after tax from discontinued operations

Adjusted profit after tax from discontinued operations was broadly flat year on year at £320 million in 2022/23 compared with £344 million in 2021/22. Statutory profit after tax from discontinued operations also included exceptional operating costs and remeasurements of £46 million in 2022/23 compared with £29 million in 2021/22. The statutory tax charge in 2021/22 included a £144 million exceptional item related to deferred tax charges for the change in the UK corporation tax rate.

Adjusted earnings and EPS from continuing operations

Adjusted earnings and adjusted EPS, which exclude exceptional items and remeasurements, are provided to reflect the Group's results on an 'adjusted profit' basis, described further in note 8. See page 155 for a reconciliation of adjusted basic EPS to EPS.

The above earnings performance translated into adjusted EPS in 2022/23 of 63.8p, compared with 61.4p in 2021/22. Including discontinued operations, adjusted EPS in 2022/23 of 72.5p, compared with 71.0p in 2021/22.

Exchange rates

Our financial results are reported in sterling. Transactions for our US operations are denominated in dollars, so the related amounts that are reported in sterling depend on the dollar to sterling exchange rate. The table below shows the average and closing exchange rates of sterling to US dollars.

	2022/23	2021/22	% change
Weighted average (income statement)	**1.22**	1.35	10%
Year end (statement of financial position)	**1.23**	1.31	6%

The movement in foreign exchange during 2022/23 has resulted in a £1,134 million increase in revenue, a £172 million increase in adjusted operating profit and a £179 million increase in underlying operating profit.

Analysis of the adjusted operating profit by segment for the year ended 31 March 2023

UK Electricity Transmission

For 2022/23, revenue in the UK Electricity Transmission segment decreased by £48 million to £1,987 million, and adjusted operating profit decreased by £72 million to £995 million. Revenue was lower due to return of allowances for Western Link liquidated damages and the impact of super deductions, partially offset by higher inflation. Regulated controllable costs including pensions were higher as a result of higher energy costs which more than offset efficiency savings. The decrease in depreciation and amortisation reflects a write-down of mid-Wales project in 2021/22. Other costs were lower, mainly related to a prior year settlement and profit from scrap sales in 2022/23.

Capital investment increased by £122 million compared with 2021/22 to £1,301 million primarily due to LPT2 and overhead line projects including Cottam-Wymondley, partly offset by lower Hinkley Seabank spend.

UK Electricity Distribution

This business (previously called WPD) was acquired by National Grid in June 2021. For 2022/23 revenue in UK Electricity Distribution segment increased £563 million compared with 2021/22 as a result of a full year of trading and higher inflation. Regulated controllable costs were higher as a result of a full year of ownership. The increase in depreciation and amortisation is due to a full year of ownership and additional asset growth due to continuing investment. Other costs were lower, primarily due to lower engineering recharges and profit on sale of smart metering business completed in 2022/23.

Capital investment for the period 2022/23 was £1,220 million, an increase of £321 million from 2021/22 due to a full year of ownership.

UK Electricity System Operator

For 2022/23, revenue in the UK Electricity System Operator segment increased by £1,235 million to £4,690 million but this was principally as the result of higher pass-through costs, which increased from £3,215 million in 2021/22 to £4,152 million in 2022/23 (primarily reflecting higher balancing service costs due to increased global energy prices and higher intervention costs required to balance the grid). Underlying net revenue was £44 million higher, as the result of higher base revenue under RIIO-2 due to increased totex and higher inflation. Regulated controllable costs including pensions were £47 million higher from increased workload to deliver RIIO-2 and higher IT spend. Depreciation and amortisation was £18 million higher due to early asset write-off provision for Electricity Balance System and investments commissioned in 2021/22.

Capital investment is in line with 2021/22 at £108 million.

New England

Revenue in the New England segment decreased by £123 million to £4,427 million. Of this decrease, £1,164 million was due to the sale of the Rhode Island business in year, with the majority being offset by a stronger US dollar and rate case increases. Also, £7 million was due to year-on-year timing movements as a result of under-collection of revenues compared with our regulatory allowances in 2021/22. Adjusted operating profit decreased by £35 million to £708 million. Excluding pass-through costs, timing swings and the impact of the Rhode Island disposal, underlying net revenue increased by £416 million principally reflecting increased rates in Massachusetts Gas and Massachusetts Electric and a stronger US dollar. Regulated controllable costs decreased by £58 million as a result of the sale of Rhode Island and efficiency savings, partially offset by a stronger US dollar and increased workload. Provisions for bad and doubtful debts were £26 million higher at a constant currency and excluding the Rhode Island impact, following a lower provision release from 2021/22. Depreciation and amortisation was £2 million lower at a constant currency and excluding the Rhode Island impact, mainly due to the non-recurrence of a one-off 2021/22 adjustment, partially offset by increased investment. Other costs were broadly in line at a constant currency and excluding the impact of Rhode Island.

Capital investment increased by £49 million to £1,527 million, reflecting a stronger US dollar and higher spend on gas assets driven by increased gas system enhancement plan investment partially offset by the Rhode Island sale in 2022/23,

New York

Revenue in the New York segment increased by £1,433 million to £6,994 million. Of this increase, £796 million was due to an increase in commodity pass-through costs charged on to customers and the impact of a stronger US dollar. Adjusted operating profit decreased by £39 million to £741 million. Excluding pass-through costs and timing swings, underlying net revenue increased by £710 million (22%) principally from the benefits of rate increases under current agreements and a stronger US dollar. Regulated controllable costs were higher with increased workload, inflationary impacts and one-off items partially offset by cost efficiency savings. Provisions for bad and doubtful debts increased by £70 million, driven by write-offs related to phase 1 and 2 of the Arrears Management Programme. Depreciation and amortisation increased due to the growth in assets. Other costs increased due to higher energy efficiency programmes and increased property taxes, partly offset by a lower pension expense driven by gain on pension buyout.

Capital investment increased by £494 million to £2,454 million, as a result of Volney-Marcy and Gowanus leases, higher investment in our electric assets to reinforce the network and increase capacity, and investment in digital growth to reduce cyber security risk, partially offset by lower gas investment due to lower mains replacement.

National Grid Ventures (NGV)

Revenue in the NGV segment increased by £317 million to £1,341 million, driven by higher interconnector revenues, which benefited from higher arbitrage from the high gas prices throughout the year. Also, a full year's contribution of NSL due to being commissioned in FY22, along with higher commodity prices and increased revenues in our onshore renewables in the US.

Capital investment in NGV was broadly in line with 2021/22, with higher investment in IFA1 as a result of the Sellindge fire and increased spend on our Grain LNG facility, partly offset by completion of the NSL interconnector (Norway) last year, lower JV investment driven by purchase of NY Bight seabed lease in 2021/22 and lower cash calls on Emerald.

Other activities

In 2022/23, adjusted operating profit increased by £10 million to £31 million, primarily driven by the St William property sale. Partially offset by community support payment and NG Partners loss compared to fair value gains in 2021/22. Capital investment was broadly in line with the prior year.

Discontinued operations – UK Gas Transmission and Metering

In 2022/23, revenue in the UK Gas Transmission segment increased by £230 million to £1,604 million, due to higher pass-through costs. Adjusted operating profit increased by £60 million to £714 million. Revenue was impacted by £261 million higher pass-through costs and £92 million favourable year-on-year timing swings. Net revenue (adjusted for timing) was £123 million lower, reflecting 2 months less ownership. Regulated controllable costs (including pensions) and other costs were broadly in line, principally from 2 months less ownership, partially offset by higher customer-funded works. Depreciation and amortisation was £91 million lower due to being classified as held for sale in 2021/22.

Capital investment increased by £40 million to £301 million, mainly from continued investment at Peterborough and Huntingdon compressor stations, higher capitalised interest and higher cyber spend compared with 2021/22.

Definitions and glossary of terms

Our aim is to use plain English in this Annual Report and Accounts. However, where necessary, we do use a number of technical terms and abbreviations. We summarise the principal ones below, together with an explanation of their meanings. The descriptions below are not formal legal definitions. Alternative and regulatory performance measures are defined on pages 242 – 256.

A

Adjusted interest
A measure of the interest charge of the Group, calculated by making adjustments to the Group reported interest charge.

Adjusted net debt
A measure of the indebtedness of the Group, calculated by making adjustments to the Group reported borrowings, including adjustments made to include elements of pension deficits and exclude elements of hybrid debt financing.

Adjusted results (also referred to as headline results)
Financial results excluding the impact of exceptional items and remeasurements that are treated as discrete transactions under IFRS and can accordingly be classified as such. This is a measure used by National Grid management that forms part of the incentive target set annually for remunerating certain Executive Directors, and further details of these items are included in note 5 to the financial statements.

American Depositary Shares (ADSs)
Securities of National Grid listed on the NYSE each of which represents five ordinary shares. They are evidenced by American Depositary Receipts or ADRs.

Annual General Meeting (AGM)
Meeting of shareholders of the Company held each year to consider ordinary and special business as provided in the Notice of AGM.

ASTI
The Accelerated Strategic Transmission Investment framework to connect 50GW of offshore generation by 2030, announced by Ofgem in December 2022.

B

bps
Basis point (bp) is a unit that is equal to 1/100th of 1% and is typically used to denote the movement in a percentage-based metric such as interest rates or RoE. A 0.1% change in a percentage represents 10 basis points.

Board
The Board of Directors of the Company (for more information, see pages 78 and 79).

BritNed
BritNed Development Limited, a joint venture company in which National Grid and TenneT, the Dutch national transmission system operator, each hold 50% of the shares.

C

Called-up share capital
Shares (common stock) that have been issued and have been fully paid for.

Capital tracker
In the context of our US rate plans, this is a mechanism that allows the recovery of the revenue requirement of incremental capital investment above that embedded in base rates, including depreciation, property taxes and a return on the incremental investment.

Carbon capture usage and storage (CCUS)
The process of capturing carbon dioxide (CO_2) for the purpose of recycling it for further usage and/or determining safe and permanent storage options for it.

Carrying value
The amount at which an asset or a liability is recorded in the Group's statement of financial position and the Company's balance sheet.

Child risk
A management team or directorate level owned or managed risk that has a supportive or contributing relationship to a GPR or other risk at a higher escalation level.

The Company, the Group, National Grid, we, our or us
We use these terms to refer to either National Grid plc itself or to National Grid plc and/or all or certain of its subsidiaries, depending on context.

Consolidated financial statements
Financial statements that include the results and financial position of the Company and its subsidiaries together as if they were a single entity.

Constant currency
Constant currency basis refers to the reporting of the actual results against the results for the same period last year, which, in respect of any US$ currency denominated activity, have been translated using the average US$ exchange rate for the year ended 31 March 2024, which was \$1.2624 to £1. The average rate for the year ended 31 March 2023 was \$1.2156 to £1, and for the year ended 31 March 2022 was \$1.3483 to £1. Assets and liabilities as at 31 March 2023 have been retranslated at the closing rate at 31 March 2024 of \$1.26 to £1. The closing rate for the balance sheet date 31 March 2023 was \$1.2337 to £1.

Contingent liabilities
Possible obligations or potential liabilities arising from past events for which no provision has been recorded, but for which disclosure in the financial statements is made.

COP28
The 28th UN Climate Change Conference of the Parties held in Dubai in the United Arab Emirates in November and December 2023 at which the Company gave various keynote speeches.

CPIH
The UK Consumer Prices Index including Owner Occupiers' Housing Costs as published by the Office for National Statistics.

D

DB
Defined benefit, relating to our UK or US (as the context requires) final salary pension schemes.

Deferred tax
For most assets and liabilities, deferred tax is the amount of tax that will be payable or receivable in respect of that asset or liability in future tax returns as a result of a difference between the carrying value for accounting purposes in the statement of financial position or balance sheet and the value for tax purposes of the same asset or liability.

Deposit agreement
The amended and restated Deposit agreement entered into between National Grid plc, the Depositary and all the registered holders of ADRs, pursuant to which ADSs have been issued, dated 23 May 2013, and any related agreement.

Depositary
The Bank of New York Mellon acting as ADS Depositary.

Derivative
A financial instrument or other contract where the value is linked to an underlying index, such as exchange rates, interest rates or commodity prices. In most cases, we exclude contracts for the sale or purchase of commodities that are used to supply customers or for our own needs from this definition.

DESNZ
The Department for Energy Security and Net Zero, the UK government department established in February 2023 and focused on the energy portfolio of the former Department for Business, Energy and Industrial Strategy (BEIS).

Directors/Executive Directors/ Non-executive Directors
The Directors/Executive Directors and Non-executive Directors of the Company, whose names are set out on pages 78 and 79 of this document.

Distributed energy resources (DER)
Decentralised assets, generally located behind the meter, covering a range of technologies including solar, storage, electric vehicle charging, district heating, smart street lighting and combined heat and power.

Diversity, equity and inclusion (DEI)
National Grid is committed to creating a work environment where people are treated fairly and where everyone feels respected, valued and empowered to reach their full potential. Our mission is to build a business that represents, reflects and celebrates the cultures and communities we serve.

Dollars or $
Except as otherwise noted, all references to dollars or $ in this Annual Report and Accounts relate to the US currency.

Dth
Decatherm, being an amount of energy equal to 1 million British thermal units (BTUs), equivalent to approximately 293 kWh.

E

Earnings per share (EPS)
Profit for the year attributable to equity shareholders of the Company allocated to each ordinary share.

Electricity System Operator (ESO)
The party responsible for the long-term strategy, planning and real-time operation (balancing supply and demand) of the electricity system in Great Britain.

Employee engagement
A key performance indicator (KPI), based on the percentage of favourable responses to certain indicator questions repeated in each employee survey. It is used to measure how employees think, feel and act in relation to National Grid. Research shows that a highly engaged workforce leads to increased productivity and employee retention. We use employee engagement as a measure of organisational health in relation to business performance.

Employee Resource Group (ERG)
A voluntary, employee-led group whose aim is to foster a diverse, inclusive workplace, aligned with the organisations they serve.

Estate Tax Convention
The convention between the US and the UK for the avoidance of double taxation with respect to estate and gift taxes.

Exchange Act
The US Securities Exchange Act 1934, as amended.

F

FERC
The US Federal Energy Regulatory Commission.

Finance lease
A lease where the asset is treated as if it was owned for the period of the lease, and the obligation to pay future rentals is treated as if they were borrowings. Also known as a capital lease.

Financial year
For National Grid this is an accounting year ending on 31 March. Also known as a fiscal year.

FRS
A UK Financial Reporting Standard as issued by the UK Financial Reporting Council (FRC). It applies to the Company's individual financial statements on pages 212 to 218, which are prepared in accordance with FRS 101.

Funds from Operations (FFO)
A measure used by the credit rating agencies of the operating cash flows of the Group after interest and tax but before capital investment.

G

Grain LNG
National Grid Grain LNG Limited.

Great Britain (GB)
England, Wales and Scotland.

Green capital investment (green capex)
Capital expenditure invested in decarbonisation of energy systems and considered to be aligned with the principles of the EU Taxonomy legislation at the date of reporting.

Group Principal Risk (GPR)
A principal risk faced by the Company as monitored and assessed by the Board, details of which are set out on pages 24 to 30.

Group Value Growth
Group Value Growth is Group-wide Value Added expressed as a proportion of Group equity. See page 68 for an explanation of Value Added.

Group-wide Value Added
Normalised for assumed long-run inflation expressed as a proportion of Group equity.

GW
Gigawatt, an amount of power equal to 1 billion watts (10^9 watts).

GWh
Gigawatt hours, an amount of energy equivalent to delivering 1 billion watts (10^9 watts) of power for a period of one hour.

H

HMRC
HM Revenue & Customs, the UK tax authority.

HVDC
High-voltage, direct-current electric power transmission that uses direct current for the bulk transmission of electrical power, in contrast to the more common alternating current systems.

I

IAS or IFRS
An International Accounting Standard (IAS) or International Financial Reporting Standard (IFRS), as issued by the International Accounting Standards Board (IASB). IFRS is also used as the term to describe international generally accepted accounting principles as a whole.

Individual financial statements
Financial statements of a company on its own, not including its subsidiaries or joint ventures and associates.

Interest cover
A measure used by the credit rating agencies, calculated as FFO plus adjusted interest, divided by adjusted interest.

J

Joint venture (JV)
A company or other entity that is controlled jointly with other parties.

K

KEDLI
KeySpan Gas East Corporation, also known as KeySpan Energy Delivery Long Island.

KEDNY
The Brooklyn Union Gas Company, also known as KeySpan Energy Delivery New York.

KPI
Key performance indicator.

kW
Kilowatt, an amount of power equal to 1,000 watts.

L

LIPA
The Long Island Power Authority.

LNG
Liquefied natural gas is natural gas that has been condensed into a liquid form, typically at temperatures at or below -161°C (-258°F).

Lost time injury (LTI)
An incident arising out of National Grid's operations that leads to an injury where the employee or contractor normally has time off for the following day or shift following the incident. It relates to one specific (acute) identifiable incident which arises as a result of National Grid's premises, plant or activities, and was reported to the supervisor at the time and was subject to appropriate investigation.

Lost time injury frequency rate (LTIFR)
The number of lost time injuries (LTIs) per 100,000 hours worked in a 12-month period.

M

MADPU
The Massachusetts Department of Public Utilities.

MW
Megawatt, an amount of power equal to 1 million watts (10^6 watts).

MWh
Megawatt hours, an amount of energy equivalent to delivering 1 million watts (10^6 watts) of power for a period of one hour.

N

National Grid Renewables (NGR)
This business, which includes the renewables development company formerly known as Geronimo, is a leading developer of wind and solar generation based in Minneapolis in the US.

National Grid Ventures (NGV)
The Group's division that operates outside its core UK and US Regulated businesses, comprising a broad range of activities in the UK and US, including National Grid Renewables, electricity interconnectors, the Grain LNG terminal and energy metering, as well as being tasked with investment in adjacent businesses and distributed energy opportunities.

Net zero
Net zero means that a person, legal entity (such as a company), country or other body's own emissions of greenhouse gases are either zero or that its remaining greenhouse gas emissions are balanced by schemes to offset, through the removal of an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage.

New England
The term refers to a region within the Northeastern US that includes the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. National Grid's New England operations are primarily in the state of Massachusetts.

NGED
National Grid's UK electricity distribution business, formerly known as WPD, comprising Western Power Distribution Holding Company Limited and its subsidiaries.

NGET
National Grid's UK electricity transmission business.

NGT Sale
The sale, agreed by the Company and announced on 27 March 2022, of a 60% equity stake in its UK Gas Transmission and legacy metering businesses to a consortium comprising, inter alia, Macquarie Asset Management and British Columbia Investment Management Corporation which completed on 31 January 2023 and of a further 20% equity stake agreed in July 2023 which completed on 11 March 2024. The consortium also has an option on broadly similar terms to purchase the remaining 20%.

Northeastern US
The Northeastern region of the US, comprising the states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont.

NYPSC
The New York Public Service Commission.

O

Ofgem
The UK Office of Gas and Electricity Markets is part of the UK Gas and Electricity Markets Authority (GEMA), which regulates the energy markets in the UK.

OPEB
Other post-employment benefits.

Ordinary shares
Voting shares entitling the holder to part ownership of a company. Also known as common stock. National Grid's ordinary shares have a nominal value of $12^{204}/_{473}$ pence.

P

Paris Agreement
The agreement, also known as the Paris Climate Accord, within the United Nations Framework Convention on Climate Change, dealing with greenhouse gas emissions mitigation, adaptation and finance starting in 2020, and adopted by consensus on 12 December 2015.

Price control
The mechanism by which Ofgem sets restrictions on the amounts of revenue we are allowed to collect from customers in our UK businesses. The allowed revenues are intended to cover efficiently incurred operational expenditure, capital expenditure and financing costs, including a Return on Equity invested.

R

Rate base
The base investment on which the utility is authorised to earn a cash return. It includes the original cost of facilities, minus depreciation, an allowance for working capital and other accounts.

Rate plan
The term given to the mechanism by which a US utility regulator sets terms and conditions for utility service, including, in particular, tariffs and rate schedules. The term can mean a multi-year plan that is approved for a specified period, or an order approving tariffs and rate schedules that remain in effect until changed as a result of future regulatory proceedings. Such proceedings can be commenced through a filing by the utility or on the regulator's own initiative.

Regulated controllable costs
Total operating costs under IFRS less depreciation and certain regulatory costs where, under our regulatory agreements, mechanisms are in place to recover such costs in current or future periods.

Regulatory asset value (RAV)
The value ascribed by Ofgem to the capital employed in the relevant licensed business. It is an estimate of the initial market value of the regulated asset base at privatisation, plus subsequent allowed additions at historical cost, less the deduction of annual regulatory depreciation. Deductions are also made to reflect the value realised from the disposal of certain assets that formed part of the regulatory asset base. It is also indexed to the RPI to allow for the effects of inflation.

Regulatory IOUs
Net under/over-recoveries of revenue from output-related allowance changes, the totex incentive mechanism, legacy price control cost true-up and differences between allowed and collected revenues.

Retained cash flow (RCF)
A measure of the cash flows of the Group used by the credit rating agencies. It is calculated as funds from operations less dividends paid and costs of repurchasing scrip shares.

Revenue decoupling
The term given to the elimination of the dependency of a utility's revenue on the volume of gas or electricity transported. The purpose of decoupling is to encourage energy-efficiency programmes by eliminating the disincentive a utility otherwise has to such programmes.

Rights Issue
On or around 23 May 2024, the Company will announce a capital raising of c.£7 billion by way of a fully underwritten Rights Issue of 1,085,448,980 new shares at 645 pence per new share on the basis of 7 new shares for every 24 existing shares. The Rights Issue Price of 645 pence represents a 34.7% discount to the theoretical ex-rights price of 988 pence per ordinary share based on the closing middle-market price on 22 May 2024 (being the last business day before the announcement of the terms of the Rights Issue), adjusted for the recommended final dividend for 2023/24 of 39.12 pence per ordinary share.

RIIO
Revenue = Incentives + Innovation + Outputs, the regulatory framework for energy networks issued by Ofgem.

RIIO-ED1
The eight-year regulatory framework for electricity distribution networks issued by Ofgem which started on 1 April 2015.

RIIO-ED2
The five-year regulatory framework for electricity distribution networks issued by Ofgem which started on 1 April 2023.

RIIO-T1
The eight-year regulatory framework for transmission networks that was implemented in the eight-year price controls started on 1 April 2013.

RIIO-T2
The five-year regulatory framework for transmission networks issued by Ofgem which started on 1 April 2021.

RIIO-T3
The five-year regulatory framework for transmission networks expected to be issued by Ofgem and to start on 1 April 2026

RPI
The UK retail price index as published by the Office for National Statistics.

S

Scope 1 greenhouse gas emissions
Scope 1 emissions are direct greenhouse gas emissions that occur from sources that are owned or controlled by the Company. Examples include emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.

Scope 2 greenhouse gas emissions
Scope 2 emissions are greenhouse gas emissions from the generation of purchased electricity consumed by the Company. Purchased electricity is defined as electricity, heat, steam or cooling that is purchased or otherwise brought into the organisational boundary of the Company. Scope 2 emissions physically occur at the facility where electricity is generated.

Scope 3 greenhouse gas emissions
Scope 3 emissions are indirect greenhouse gas emissions as a consequence of the operations of the Company, but are not owned or controlled by the Company, such as emissions from third-party logistics providers, waste management suppliers, travel suppliers, employee commuting and combustion of sold gas by customers.

SEC
The US Securities and Exchange Commission, the financial regulator for companies with registered securities in the US, including National Grid and certain of its subsidiaries.

SF_6
Sulphur hexafluoride is an inorganic, colourless, odourless and non-flammable greenhouse gas. SF_6 is used in the electricity industry as a gaseous dielectric medium for high-voltage circuit breakers, switchgear and other electrical equipment. The Kyoto Protocol estimated that the global warming potential over 100 years of SF_6 is 23,900 times more potent than that of CO_2.

Share premium
The difference between the amount shares are issued for and the nominal value of those shares.

Strategic Infrastructure (SI)
The Group's business unit, established 1 April 2023, which will deliver UK ET projects through the ASTI framework.

Subsidiary
A company or other entity that is controlled by National Grid plc.

Swaption
A swaption gives the buyer, in exchange for an option premium, the right, but not the obligation, to enter into an interest-rate swap at some specified date in the future. The terms of the swap are specified on the trade date of the swaption.

T

Task Force on Climate-related Financial Disclosures (TCFD)
A body established in 2015 comprising 31 members from across the G20. In 2017 the TCFD released its climate-related disclosure recommendations and in 2022 TCFD disclosures became mandatory for UK premium listed companies. In 2023 the Taskforce disbanded with its monitoring responsibilities taken over by the IFRS Foundation, whose role is to develop recommendations for more informed investment and enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risk.

Tax Convention
The income tax convention between the US and the UK.

Taxes borne
Those taxes that represent a cost to the Company and are reflected in our results.

Taxes collected
Those taxes that are generated by our operations but do not affect our results. We generate the commercial activity giving rise to these taxes and then collect and administer them on behalf of tax authorities.

TCFD recommendations or recommended disclosures
The 11 recommended disclosures set out in the June 2017 TCFD report entitled 'Recommendations of the Task Force on Climate-related Financial Disclosures'.

Tonne
A unit of mass equal to 1,000 kilogrammes, equivalent to approximately 2,205 pounds.

Tonnes carbon dioxide equivalent (tCO_2e)
A measure of greenhouse gas emissions in terms of the equivalent amount of carbon dioxide.

Totex
Total expenditure, comprising capital and operating expenditure.

Treasury shares
Shares that have been repurchased but not cancelled. These shares can then be allotted to meet obligations under the Company's employee share schemes.

U

UK
The United Kingdom, comprising England, Wales, Scotland and Northern Ireland.

UK Corporate Governance Code (the 'Code')
Guidance, issued by the Financial Reporting Council in 2018, on how companies should be governed, applicable to UK listed companies, including National Grid, in respect of reporting periods starting on or after 1 January 2019.

UK Electricity Distribution (UK ED)
National Grid's UK electricity distribution business, formerly known as WPD, comprising Western Power Distribution Holding Company Limited and its subsidiaries.

UK Electricity Transmission (UK ET)
National Grid's UK electricity transmission business.

UK GAAP
Generally accepted accounting practices in the UK.These differ from IFRS and from US GAAP.

Underlying EPS
Underlying results for the year attributable to equity shareholders of the Company allocated to each ordinary share.

Underlying results
The financial results of the Company, adjusted to exclude the impact of exceptional items and remeasurements that are treated as discrete transactions under IFRS and can accordingly be classified as such, and to take account of volumetric and other revenue timing differences arising due to the in-year difference between allowed and collected revenues, major storm costs (where these are above $100 million threshold in a given year) as well as excluding deferred tax on underlying profits in our UK regulated businesses (NGET and NGED).

US
The United States of America, its territories and possessions; any state of the United States and the District of Columbia.

US GAAP
Generally accepted accounting principles in the US. These differ from IFRS and from UK GAAP.

US state regulators (state utility commissions)
In the US, public utilities' retail transactions are regulated by state utility commissions, including the New York Public Service Commission (NYPSC) and the MADPU.

V

Value Added
Value Added is a measure to capture the value created through investment attributable to equity holders, being the change in total regulated and non-regulated assets including goodwill (both at constant currency) plus the cash dividend paid in the year plus share repurchase costs less the growth in net debt (at constant currency). This is then presented on an absolute and a per share basis.

Value Growth
Value Growth is the Value Added, adjusted to normalise for a 3% long-run RPI inflation rate, expressed as a proportion of Group equity. See page 68.

Want more information or help?

Equiniti

For queries about ordinary shares:

0800 169 7775
This is a Freephone number from landlines within the UK; mobile costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays. If calling from outside the UK: +44 (0) 800 169 7775. Calls from outside the UK will be charged at the applicable international rate.

Visit help.shareview.co.uk for information regarding your shareholding (from here you will also be able to email a query securely).

National Grid Share Register
Equiniti Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA

The Bank of New York Mellon

For queries about ADSs:

1-800-466-7215
If calling from outside the US:
+1-201-680-6825

mybnymdr.com
Email:
shrrelations@cpushareownerservices.com

BNY Mellon Shareowner Services
P.O. Box 43006
Providence RI 02940-3078

Further information about National Grid, including share price and interactive tools, can be found on our website: nationalgrid.com/investors

Beware of share fraud

Investment scams are often sophisticated and difficult to spot. Shareholders are advised to be wary of any unsolicited advice or offers, whether over the telephone, through the post or by email. If you receive any unsolicited communication, please check that the company or person contacting you is properly authorised by the Financial Conduct Authority (FCA) before getting involved. Be ScamSmart and visit fca.org.uk/scamsmart. You can report calls from unauthorised firms to the FCA by calling 0800 111 6768.

Financial calendar

The following dates have been announced or are indicative:

23 May 2024	2023/24 full-year results
06 June 2024	Ordinary shares and ADRs go ex-dividend for 2023/24 final dividend
07 June 2024	Record date for 2023/24 final dividend
13 June 2024	Scrip reference price announced for 2023/24 final dividend
24 June 2024 (5.00 pm London time)	Scrip election date for 2023/24 final dividend
10 July 2024	2024 AGM
19 July 2024	2023/24 final dividend paid to qualifying shareholders
07 November 2024	2024/25 half-year results
20 November 2024	ADRs go ex-dividend for 2024/25 interim dividend
21 November 2024	Ordinary shares go ex-dividend for 2024/25 interim dividend
22 November 2024	Record date for 2024/25 interim dividend
28 November 2024	Scrip reference price announced
09 December 2024 (5.00 pm London time)	Scrip election date for 2024/25 interim dividend
13 January 2025	2024/25 interim dividend paid to qualifying shareholders

Dividends

The Directors are recommending a final dividend of 39.12 pence per ordinary share ($2.4939 per ADS) to be paid on 19 July 2024 to shareholders on the register as at 7 June 2024. Further details on dividend payments can be found on page 233. If you live outside the UK, you may be able to request that your dividend payments are converted into your local currency.

Under the Deposit agreement, a fee of up to $0.05 per ADS can be charged for any cash distribution made to ADS holders, including cash dividends. ADS holders who receive cash in relation to the 2023/24 final dividend will be charged a fee of $0.02 per ADS by the Depositary prior to the distribution of the cash dividend.

Chequeless dividends: Since August 2022, all National Grid dividends will be paid directly into bank or building society accounts for ordinary shareholders. Please make sure you have completed and returned a bank mandate form. Benefits include the following:

- Your dividend reaches your account on the payment day.
- It is a more efficient and secure way of receiving your payment.
- It helps reduce the volume of paper in dividend mailing.

Scrip dividends: Elect to receive your dividends as additional shares: Join our scrip dividend scheme; no stamp duty or commission to pay.

Electronic communications

Please register at shareview.co.uk. It only takes a few minutes to register – just have your 11-digit Shareholder Reference Number to hand. You will be sent an Activation Code to complete registration. Once you have registered, you can elect to receive your shareholder communications electronically.

Registered office

National Grid plc was incorporated on 11 July 2000. The Company is registered in England and Wales No. 4031152, with its registered office at 1–3 Strand, London WC2N 5EH.

Share dealing

Postal share dealing: Equiniti offers our European Economic Area resident shareholders a share dealing service by post. This service is available to private shareholders resident within the European Economic Area, the Channel Islands or the Isle of Man. If you hold your shares in CREST, you are not eligible to use this service. For more information and to obtain a form, please visit shareview.co.uk or call Equiniti on 0800 169 7775.

Internet and telephone share dealing: Equiniti also offers telephone and online share dealing at live prices. For full details, together with terms and conditions, please visit shareview.co.uk. You can call Equiniti on 0345 603 7037 for further details, or to arrange a trade. Lines are open Monday to Friday, 8:00am to 4:30pm for dealing, and until 6:00pm for enquiries.

ShareGift: If you only have a small number of shares that would cost more for you to sell than they are worth, you may wish to consider donating them to ShareGift. ShareGift is a registered charity (No. 1052686) which specialises in accepting such shares as donations. For more information, visit sharegift.org or contact Equiniti.

Individual Savings Accounts (ISAs): ISAs for National Grid shares are available from Equiniti. For more information, call Equiniti on 0345 0700 720 or visit eqi.co.uk.

Cautionary statement

This document comprises the Annual Report and Accounts for the year ended 31 March 2024 for National Grid plc and its subsidiaries.

It contains the Directors' Report and Financial Statements, together with the independent auditor's report thereon, as required by the Companies Act 2006. The Directors' Report, comprising pages 1 – 114 and 219 – 264 has been drawn up in accordance with the requirements of English law, and liability in respect thereof is also governed by English law. In particular, the liability of the Directors for these reports is solely to National Grid.

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 our financial condition, our 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. 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 and targets are not guarantees of our 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 and targets. Many of these assumptions, risks and uncertainties relate to factors that are beyond our ability to control or estimate precisely, such as changes in laws or regulations; and decisions by governmental bodies or regulators, including those relating to current and upcoming price controls in the UK and rate cases in the US, as well as the future of system operation in the UK; the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change, and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of our activities; network failure or interruption, the inability to carry out critical non-network operations, and damage to infrastructure, due to adverse weather conditions, including the impact of major storms as well as the results of climate change, or due to counterparties being unable to deliver physical commodities; reliability of and access to IT systems, including due to the failure of or unauthorised access to or deliberate breaches of our systems and supporting technology; failure to adequately forecast and respond to disruptions in energy supply; performance against regulatory targets and standards and against our peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, as well as against targets and standards designed to support our role in the energy transition; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company.

Other factors that could cause actual results to differ materially from those described in this document include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in our borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for us to maintain financial resources in certain parts of our business and restrictions on some subsidiaries' transactions, such as paying dividends, lending or levying charges; the delayed timing of recoveries and payments in our regulated businesses and whether aspects of our activities are contestable; the funding requirements and performance of our pension schemes and other post-retirement benefit schemes; the failure to attract, develop and retain employees with the necessary competencies, including leadership and business capabilities, and any significant disputes arising with our employees or breaches of laws or regulations by our employees; the failure to respond to market developments, including competition for onshore transmission; the threats and opportunities presented by emerging technology; the failure by the Company to respond to, or meet its own commitments as a leader in relation to, climate change development activities relating to energy transition, including the integration of distributed energy resources; and the need to grow our business to deliver our strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity, including the NGT Sale, our Strategic Infrastructure projects and joint ventures and the separation and transfer of the ESO to the public sector.

For further details regarding these and other assumptions, risks and uncertainties that may affect National Grid, please read the Strategic Report and the risk factors on pages 226 – 231 of this document. In addition, new factors emerge from time to time, and we cannot assess the potential impact of any such factor on our 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 document.

The contents of any website references in this document do not form part of this document.

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The paper used in this report has been Carbon Balanced with the World Land Trust, an international conservation charity, which offsets carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO_2 and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified as at risk of extinction on the International Union for Conservation of Nature's Red List of Threatened Species.

luminous

Consultancy, design and production
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