National Grid
Full Year Results 2023/24

Video Webcast

23rd May 2024

Transcript

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Introduction

Nick Ashworth

Good morning everybody and welcome to National Grid's full year results presentation. I was going to start by saying it's great to actually find a venue and not make such a big announcement standing outside in the pouring rain, so hopefully it's a good start.

Anyway, I'm Nick Ashworth, Head of Investor Relations here at Grid and I'm really pleased to see so many of you here at the IET and I'm sure listening in online as well.

As always, we'll start with safety. There are no planned fire alarm tests this morning, so if you hear an alarm, you'll need to leave the building and gather under Waterloo Bridge.

The second important thing to draw your attention to is the cautionary statement which is included at the front of the presentation.

As usual all of today's materials are on the website and there will be Q&A with John and Andy at the end of the presentation. If there are any further queries, please feel free to contact get in touch with me, or any of the IR team later today.

So with that we'll start the presentation.

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Key Highlights

John Pettigrew

Well, thank you, Nick. And good morning, everyone. It's great to see so many of you here this morning with others joining virtually.

Today, we've made several important announcements, which launch a new phase of growth for National Grid. Alongside strong full year results, we're also setting out a significant step up in growth for the new five-year financial framework, around £60bn of capital investment between now and 2029.

That's nearly double the past five years, driving annual group asset growth of around 10% and a 6 to 8% EPS CAGR from a FY25 baseline. All of which will be supported by a comprehensive financing plan that pulls on a range of levers, including a £7bn equity raise.

And as we enter this new phase of growth, we're updating our strategy to make National Grid the preeminent pure play networks business. So there's quite a bit for Andy and I to cover this morning. And as soon as we've done that, of course, we'll be happy to take your questions.

So personally, this is the most exciting period I've seen, not just in our industry, but for National Grid since I started over 33 years ago. Let me just set the context.

The energy transition is accelerating at pace. On the supply side, coal's annual contribution of generation in the UK has reduced from 40% to 1% over the last 10 years, with significant reductions also seen in the US. Nearly half the electricity used last year in the UK and the US Northeast was from zero carbon sources. And on the demand side, we're starting to see increased load due to the acceleration of artificial intelligence and the data centres needed to support it.

These mega trends are at the forefront of every politician, regulator and consumer's mind. They're driving this incredible journey of change that we're only just starting. Governments on both sides of the Atlantic recognise the need to accelerate the transition, and they're acting with greater urgency to incentivise increased levels of renewable generation, evolve regulatory frameworks to unlock the investment needed to transform networks, increase energy security, and ultimately reduce consumer bills.

Our pivot towards electricity over the last three years has cemented our position as a major player in the energy transition, and we're ready to take advantage of the significant growth opportunities ahead.

Now you'll recall last November, Andy and I talked about three areas where we wanted to see progress and increased clarity before setting out a new financial frame. The scale of the investment ahead of us, the profile of its delivery, and the regulatory frameworks that sit around it. And I'm pleased to say we've seen significant progress in each of these areas, giving us the confidence today to set out our plans for the next five years.

So starting with the scale of investment. In the UK, as you know, we've been awarded 17 major projects as part of Ofgem's Accelerated Strategic Transmission Investment Programme, or ASTI, with the timescales of delivery now embedded within our license obligations. At half year, we said that this required investment is expected to be in the mid to high teens, billions.

Last month, the System Operator published its Beyond 2030 Report, which starts to provide more clarity on projects that will be largely delivered in the 2030s, giving us sufficient confidence on the scope of large-scale transmission investments for the rest of this decade.

Since November, we've continued to develop our business plan for RIIO T3, which has given us further clarity on the levels of investment needed. We're due to submit this to Ofgem later this year.

We also have much better visibility in New York, where we agreed a joint proposal on our new three-year rate plan for our KEDLI and KEDNY gas businesses, and we'll soon be filing for new rates in our Niagara Mohawk business. And in New England, we filed for new rates in our electric business in November. And in January, we filed for a further $2bn of clean energy investment through our Electric Sector Modernization Plan, or ESMP.

So there's been substantial development since our last update, strengthening our confidence in the levels of capex required as we look to the next five years.

Turning now to the profile of that investment, where we've seen improved transparency, both in supply chain capacity and planning.

In the UK, we now have better clarity around the timelines on our large projects. We signed £1.8bn in contracts for cable and converter stations for Eastern Green Link 1 in December, as well as the contracts on the £4.4bn Eastern Green Link 2 project in February. We've also selected seven suppliers as part of our new £9bn Enterprise Partnership Model to enable delivery of onshore projects.

We've made progress on planning, with consent orders approved for four ASTI projects, and several others moving through the wider consultation process as we expected.

On the policy front, the updated national policy statements are giving transmission infrastructure critical national priority status, and the Transmission Acceleration Action Plan aims to significantly shorten the timescales for the planning and delivery of major projects to seven years.

And we've seen a similar trend in the US. Alongside rate filings, we've begun awarding and engineering contracts for the $2.9bn Climate Leadership and Community Protection Act, or CLCPA, transmission projects. With increased visibility on supply chain and planning, we now have more certainty around the scale and timing of spend as we develop our delivery models.

And finally, we've also seen progress in regulatory frameworks, which are clearly key to how we finance and step up the investment required.

In the UK, Ofgem indicated its intent to create an investable proposition for future regulation in its recent sector methodology consultation. We were pleased to see enabling infrastructure for net zero at pace included as one of the five pillars in its recent strategy update. And most importantly, the government have given Ofgem two new duties of growth and net zero.

This all supports the need to agree a regulatory framework that can attract the step up in investment required. And these positive developments are in addition to the decisive regulatory actions that we've seen to date on the early ASTI projects.

Moving to the US, we've agreed a joint proposal for new rates for our downstate New York, KEDLI and KEDNY gas distribution businesses, with an increase in capex around 30%, and a step up in allowed returns from 8.8% to 9.35%. We're in final preparations to file for new rates in our Niagara Mohawk business. And in Massachusetts, we've had productive conversations with the DPU on our electric and ESMP filings.

All of this gives us increased confidence that the regulatory frameworks are evolving to attract the investment required and the pace needed for delivery.

So it's against that context of greater clarity and confidence that we're announcing our new five-year financial framework today and the financing plan that sits behind it that will enable us to deliver a step up in investment whilst maintaining our strong investment grade balance sheet.

We expect to deliver around £60bn of capex. That's nearly double our investment over the prior five years. It will be split broadly 50/50 between the UK and the US, and around 85% will be green investment aligned to the EU Taxonomy, making National Grid one of the biggest investors in decarbonising energy in the FTSE.

This investment will drive Group asset growth of around 10% per annum, which will see the Group's regulated asset base reach almost £100bn by 2029. And it will also deliver a 6% to 8% EPS CAGR from a FY25 baseline, and an inflation protected dividend from a rebased level, representing an ongoing attractive investor proposition of growth and yield.

And it's this combination of growth and yield that has enabled National Grid to sustain strong total shareholder returns, where we've delivered over 30 percentage points more TSR than the FTSE 100 over the past decade.

And our track record of delivering large-scale infrastructure projects on time and on budget speaks for itself, with recent examples including the £1bn Hinkley Point C connection, the £1bn London Power Tunnels project, and our strong progress on the $4bn electricity transmission programme in New York, or the Upstate Upgrade, as we call it.

We've developed the capabilities to deliver large-scale projects offshore as well. With the recent completion of Viking Link, our interconnector portfolio is now nearly 8 gigawatts, which represents around 80% of the UK's interconnector market.

In the UK, we've implemented an organisational structure to deliver, with a strategic infrastructure business unit set up a year ago and now employing over 375 people. And the strong progress we've made in creating innovative new supply chain frameworks for the ASTI projects. And we've a proven track record of outperformance in delivery against our regulatory contracts.

So as we look to the future, our networks will be a key enabler to economic growth and job creation, as we help enable the decarbonisation of energy. As we progress on this path, it's clear to me that not only will we continue to see growth in energy networks, we'll also see the blurring of the boundaries between transmission and distribution, onshore and offshore networks, and what is awarded directly by regulators and what goes out to competition. National Grid has built the capabilities to win across all of these areas.

And whilst the focus of the new five-year plan is very much growth in our regulated networks, National Grid Ventures will continue to play an important role. Going forward, we'll focus this business on interconnectors, including offshore hybrid assets in the UK, and competitive electricity transmission projects in the US.

To support this, we've made the decision to sell our National Grid Renewables, our US onshore renewables business, as well as our Isle of Grain LNG terminal in the UK. And in doing so, we expect to continue our record of crystallising good value.

So we've an incredibly exciting few years to look forward to, as we look to make National Grid the preeminent pure play networks business, delivering a big step up in investment and continuing along the path of delivering decarbonised energy networks across our jurisdictions.

So with that, I want to share some of the key headlines from our full year results before Andy takes you through the detail.

We've delivered another year of strong financial performance, demonstrated by underlying operating profit of £4.8bn and underlying earnings per share of 78 pence, both up 6% on the prior year at constant currency.

Our regulated businesses delivered a record £7.6bn of investment, up 17% year on year, again at constant currency.

Reliability has remained strong across our transmission and distribution networks, despite severe weather in most jurisdictions. We achieved a Lost Time Injury Frequency Rate of 0.08, which compares to our group target of 0.10.

However, this good performance was overshadowed by the tragic incidents in which two of our colleagues lost their lives. Both tragedies have been acutely felt across the Group and have led to further reinforcements of our safety protocols.

Moving to our operating performance, where there's been a number of highlights.

Firstly, in UK Electricity Transmission, we delivered a 47% increase in capital investment, reflecting early progress on our ASTI projects. We also reached important milestones with the installation of the new T-pylons on the Hinkley Connection Point project, alongside completing tunnelling on the London Power Tunnels project.

It was also an impressive year of firsts, as we connected the world's largest wind farm, Dogger Bank, and the Lark Green solar project, the first of its kind to be connected directly to the UK transmission network.

Secondly, in New York, where investment increased by £300m to £2.7bn, we made strong progress on the $4bn Upstate Upgrade programme, which includes >70 projects, all enabling clean energy over the next decade.

In Massachusetts, we filed for $2bn of EMSP funding, an important milestone in setting up the investment required over the next five years to help the state meet its clean energy goals.

In National Grid Ventures, our sixth interconnector, the Viking Link to Denmark came online in December, within budget and earlier than planned. At 765 kilometres, it's the world's longest onshore and sub-sea HVDC cable, and it's a great example of world-class capabilities within National Grid.

And finally, the team has made great progress on the separation of the Electricity System Operator, and we expect to complete the sale and transfer to the Government later this year.

So it's been a year of strong progress, both financially and operationally, and we've taken the necessary steps that will set up the Group for success over the long term.

I'll stop there, and I'll hand over to Andy, who will discuss this year's results, our new five-year framework and financing plan in more detail, and then I'll come back and talk about priorities for the coming 12 months. Thank you.

Financial Performance

Andy Agg

Thank you, John, and good morning everyone. I'll start by going through the financial performance for the past year before turning to the detail around our comprehensive financing plan.

I'd like to highlight that, as usual, we're presenting our underlying results, excluding timing, major storms, and exceptional items, and that all results are provided at constant exchange rates.

As announced in our pre-close update, we are now reporting underlying earnings, excluding the impact of deferred tax in our UK Electricity Transmission and Distribution businesses, and we report our 20% remaining stake within National Gas as a discontinued operation, with this business therefore excluded from the underlying earnings of the continuing Group.

So turning to our numbers, I'm pleased to be reporting another year of strong results. Underlying operating profits on a continuing basis increased by £255m to £4.8bn, up 6% on the prior year. This was mainly driven by good performance across our regulated businesses, including higher rates and strong cost efficiency delivery.

Higher operating profit has consequently led to an underlying earnings per share increase of 6% to 78 pence per share.

We delivered a further £139m of efficiency savings, significantly exceeding our three-year £400m target, and we aim to maintain broadly flat controllable costs going forward, even as we target asset growth of nearly 60% over our new five-year plan.

Group return on equity at 8.9% is in line with expectations, following the reset in Electricity Distribution for the first year of RIIO ED2, and higher UK RAVs.

And in line with our policy, the Board has recommended a final dividend of 39.12 pence, taking the full-year dividend to 58.52 pence per share, representing a 5.55% increase compared to the prior year, reflecting 2024 average CPIH inflation.

We continue to deliver record levels of investment, with capital investment from continuing operations increasing 11% to £8.2bn. This increase was principally driven by early ASTI investment in the UK and increased spend on our new transmission projects in New York, partially offset by lower investment in National Grid Ventures compared to the prior period, as we near completion on a number of projects.

Now let me take you through the performance of each of our business segments. Starting with UK Electricity Distribution, underlying operating profit was £1.15bn, £78m lower than the prior year, reflecting the shift from RIIO ED1 to ED2, alongside lower incentives in the first year for the price control.

Capital investment was £1.2bn, slightly higher than last year, with increased investment in overhead line work.

We are on track to deliver our £100m Group synergies target by 2026, having achieved £28m in the year, from areas such as procurement and operations. This will continue to help partly underpin ROE outperformance in UK Electricity Distribution, and performance more widely across the group.

We achieved an ROE of 8.5% in the year, outperforming our allowance by 110 basis points, in line with our 100 to 125 basis point outperformance guidance for RIIO ED2.

Moving to Electricity Transmission, where underlying operating profit was £1.31bn, 19% higher than last year. This was helped by indexation and higher allowed returns, as well as the non-recurrence of the Western Link return in the prior year.

Capital investment of £1.9bn was up 47% versus the prior year. This included early work on Eastern Green Links 1 and 2, as well as a number of onshore projects, and construction activities on new connections projects, partly offset by lower spend on London Power Tunnels 2 and the Hinkley Connection as we near completion.

We have achieved an 8.0% return on equity, 100 basis points ahead of baseline allowance, and we remain on track to achieve 100 basis points of average annual outperformance throughout RIIO T2.

Finally in the UK, the Electricity System Operator saw underlying operating profit of £80m, and RAV growth of 20% to £425m.

Moving now to the US, our New York business achieved an 8.5% return on equity, 96% of its allowance. Underlying operating profit was £1.02bn, 21% higher than the prior year. This reflects rate increases, as well as early recovery on Smart Path Connect investment.

Capital investment was £2.7bn, 12% up on the prior year, and this was driven by higher electric investment. We are on track to energise our Smart Path Connect transmission project in December 2025, as well as higher gas investment, with investment in mains upgrades as we continue our work to reduce emissions from the system.

In New England, the return on equity was 9.2%, 90 basis points improved on the prior year, and 40 basis points higher after adjusting for a one-off property tax recovery.

Underlying operating profit was £802m, up 9% excluding the contribution from Rhode Island in the prior year. This was driven by higher rates in our electricity and gas businesses, partly offset by higher depreciation and other costs.

Capital investment was £1.7bn, 14% higher, driven by electric investment growth equally weighted across transmission and distribution projects, and continued investment in our gas networks, including replacement of 130 miles of leak-prone pipe.

Moving to National Grid Ventures, underlying operating profit, including joint ventures, was £571m, £120m lower than the prior year. Higher profitability at our NSL Interconnector, following a post-construction review cap increase, was more than offset by lower profitability at our BritNed Interconnector, given lower auction revenues, and lower business interruption recoveries at IFA1 following its rebuild.

Capital investment decreased to £662m, as we successfully completed the majority of work at our Isle of Grain expansion project and Viking Link Interconnector and completed the work at IFA1.

We recorded an operating loss for other activities of £60m, given the non-recurrence of property sales from the prior year.

Net finance costs were £1.48bn, £13m lower than the prior year, with a higher cost of new issuances more than offset by lower inflation movements on index-linked debt costs and repayment of the bridge loan facility during the prior year.

For the full year, the underlying effective tax rate, excluding the share of joint ventures, was 15.6%, 170 basis points lower than the prior year. This reflects higher levels of capital expenditure qualifying for full expensing in FY24 compared to levels in FY23.

Underlying earnings were £2.9bn, with EPS at 78 pence, up 6% on the prior year.

Moving now to cash flow, cash generated from continuing operations was £7.3bn, up 13% compared to the prior year, largely driven by timing items in our UK-regulated businesses.

Net cash outflow, at £3.7bn, was nearly £600m higher than the prior year, reflecting higher levels of capital investment.

Net debt at the full year was £43.6bn, in line with the guidance we gave at the half-year, after adjusting for foreign exchange movements. And we expect net debt to be around £500m lower by year-end, at a US dollar exchange rate of $1.25, taking into consideration proceeds from the rights issue.

Turning now to the announcements we've made this morning and starting with the new five-year capital programme. With greater visibility around quantum and pace of this investment, we expect to deliver around £60bn of investment through to 2029. This will be split broadly 50/50 across the UK and US Northeast, with around 80% of the investment expected to be in electricity networks over the five years, continuing the Group's shift towards electric, with nearly 80% of Group assets expected to be electric by 2029.

At £23bn, UK Electricity Transmission has a larger share, including the 17 ASTI projects. You'll also see a major step up in the US, and New York in particular, given the supportive backdrop that we see there, with more transmission investment coming forward through the CLCPA programme, which forms part of our Upstate Upgrade work.

Just over 10% of our investment is expected to be offshore, as ASTI projects move into the North Sea, demonstrating the blurring of onshore and offshore that John referenced earlier.

With visibility of our committed capital programme, we also recognise the need to provide the market clarity around how it will be financed, and have announced a comprehensive financing plan, including a £7bn fully underwritten rights issue. This plan will support our investment programme, whilst allowing us to maintain a resilient balance sheet and our strong investment-grade credit rating.

This plan pulls on many levers, including the ongoing use of senior debt, crystallising value through asset sales and redeploying that capital, future expected use of hybrids, the continuing use of the scrip, given the high level of growth that we are delivering, raising equity, as well as action on the dividend, where we will continue to grow the overall dividend. But UK

CPIH inflation growth for the FY25 dividend per share will come from a rebased FY24 DPS, taking into account the new shares issued.

Moving to the terms and timing of the rights issue. We have announced a £7bn fully underwritten rights issue, with just under 1.1 billion new shares to be issued, on the basis of 7 new shares for every 24 shares currently in issue.

The new shares will be issued at £6.45 per share, which is a 34.7% discount to the dividend adjusted Theoretical Ex-Rights Price, or TERP. The nil-paid rights will start trading tomorrow, the 24th of May, and the subscription period will end on the 10th of June, and the results of the rights issue will be announced on the 12th of June. The prospectus, which has all the terms and details of the transaction, will be published later today.

The outstanding ordinary shares trading today will go ex-dividend on the 6th of June, with the 7th of June being the record date for the final dividend.

Turning to our full year 2025 guidance, where as usual, full business unit guidance has been provided in our result statement. We continue to expect strong operational performance across the Group.

However, this will not be fully reflected in underlying EPS following the rights issue. Under IFRS rules, we adjust the FY24 underlying EPS of 78 pence by the bonus element of the rights issue, which is an adjustment factor of 1.1 as of last night's close. This leads to an adjusted FY24 EPS of 70.8 pence per share.

With FY25 underlying EPS taking into account all of the new shares issued on a pro rata basis, we expect to deliver broadly flat underlying EPS for FY25. From an FY25 baseline, we expect to deliver 6 to 8% EPS CAGR for the remaining four years of our new financial framework out to FY29.

So to bring this all together, our new five-year financial framework will deliver a near doubling of capital investment to around £60bn.

This is expected to drive Group asset growth CAGR of around 10%, a strong step up in real terms growth compared with the past five years, translating into a strong underlying EPS CAGR of 6% to 8% from full year 2025, once adjusting for the new issue of shares, and dividend per share growth to continue in line with UK CPIH inflation once adjusted for the share issue.

We continue to be committed to our strong investment grade credit rating, and this plan will enable us to maintain credit metrics above our thresholds to at least the end of the RIIO T3 period, with S&P's FFO to debt threshold above 10% and Moody's RCF to debt threshold above 7%.

The package of financing measures we have announced this morning brings clarity of funding which will enable us to deliver this step change in investment, and we believe our new five-year financial framework achieves an optimal balance of growth and yield, enabling us to continue

to deliver attractive shareholder returns as we have done over the past decade.

So with that, I'll hand you back to John to talk about the outlook.

Priorities and Outlook

John Pettigrew

Okay thank you Andy. Let me now briefly take you through our priorities for the year ahead and the detail on the medium-term growth drivers we're seeing across all of our regulated businesses.

So starting with the US, where we're investing nearly half of the £60bn of capital investment, that's a c.60% increase compared with the last five years and demonstrates our commitment to the ambitious decarbonisation targets that the New York and Massachusetts governments have set.

In New York we're increasing our investments over the next five years by 60% with expected capex of £17bn. This is driven by our $4bn Upstate Upgrade investment I mentioned earlier. This programme will transform the network, improve reliability and resilience and represents the largest investment in New York's electricity transmission network in over a century.

We also plan to invest $5bn over the next three years in our downstate gas business as part of the new rate plans for KEDLI and KEDNY.

Looking at the priorities of the year ahead, downstate, alongside stepping up the levels of investment, we will be focused on earning our new higher allowed returns of 9.35%. Upstate we're focused on finalising the submission of our next rate case for Niagara Mohawk which in addition to transmission projects I've already mentioned will include significant investment to support the connection of EVs, heat pumps and distributed generation.

As part of the filing, we're also working with customers to progress large demand side projects including the connection for the first phase of Micron's $100bn investment in microchip manufacturing in New York. To put the scale of this into context, Micron's announced plans in this state could have the same power demand as 850,000 homes.

And on the policy front, we'll continue to advocate for our Clean Energy Vision and the work that we're doing to support a balanced and affordable energy transition. This includes the need for integrated energy planning on how electric and gas networks interact on the path to decarbonisation.

Moving to New England, where today we've set out our expected investment at £11bn over the next five years. This 60% increase includes an expected $2bn in incremental investment as part of our Massachusetts ESMP, ongoing investment in advanced metering, grid modernisation, storm hardening and asset health work. Alongside our continued investment in leak-prone pipe replacement. With another 10 to 15 years

to go on the programme, we have a good line of sight to the investment needed well into the next decade.

A key priority this year is to agree new rates in our Massachusetts electric business. We expect to reach a settlement this autumn and alongside this we'll advance discussions with the DPU on our ESMP filing.

In December the DPU issued an order on the role of local gas networks in achieving the state's 2050 climate goals. Alongside providing guidance on evaluating non-pipeline alternatives, we were pleased to see support for increased energy efficiency measures and targeted network geothermal, and the clarity that the existing investments will not be impacted. And as in New York, we'll continue to advocate for further reforms consistent with our Clean Energy Vision.

Turning to the UK where the next five years will see us invest over £30bn and connect more renewable energy to the system more quickly than ever before. This investment is creating green jobs right now supporting significant economic growth and will decrease consumers bills in the long term, whilst bolstering the nation's energy security.

Focusing on our UK Electricity Transmission business where we'll invest around £23bn over the next five years as we look to enable the government's target for a decarbonised power sector. This investment is underway already and our priorities are focused on ensuring we make significant progress this year.

As you've heard already our ASTI projects are moving ahead at pace and over the next 12 months, we'll commence construction on the Eastern Green Links 1 and 2 offshore bootstraps, the latter being the largest ever investment in electricity transmission in Great Britain, as well as four further onshore projects across England.

We'll also make progress on several other ASTI projects including progressing planning and consents on a further six.

Another of our key priorities is to ensure we have the right supply chain to support our capital programme. We've already announced seven supply chain partners as part of our £9bn enterprise delivery model for our onshore projects. Our next step is to put in place the £57bn HVDC framework contract and with this secure the critical equipment for the Eastern Green Links 3 and 4 and Sea Link projects.

But it's not just our ASTI projects where we're moving forward. This year we also expect to connect over four gigawatts including the Green Link Interconnector and the Dogger Bank Sophia wind farm, energise the northern section of our Hinkley project and commission the Hurst to Crayford circuit on the London Power Tunnels project.

On the policy front we'll continue to work with government on the implementation of the Transmission Acceleration Action Plan and we'll also

work to continue to support the delivery of the Connections Action Plan to reprioritise the connections queue.

And finally on the regulatory front Ofgem is due to publish its methodology decision document for RIIO T3 which will form the basis of negotiations with Ofgem. With a comprehensive financing plan we've announced today, we'll be submitting a fully funded business plan at the end of this year ahead of the new price control beginning in 2026.

Moving next to UK Electricity Distribution where we expect to invest £8bn over the next five years. With four years remaining on our ED2 price control, we have a high degree of confidence and visibility around the investment levels, with 95% of our capex agreed within baseline allowances.

This represents a more than 30% increase in annual investment versus ED1, driven by an expected 60% increase in the volume of new connections and more than a 70% increase in network reinforcements to meet growing electricity demand due to the increasing connections of low carbon technologies such as solar and EVs, and another 15% increase in asset health and maintenance.

In the year ahead a key priority is to continue to deliver the capital programme efficiently with a focus on delivering a target of 100 to 125 basis points of outperformance and synergies of £100m over three years.

We'll also continue to progress connections reform at the distribution level and we're making good headway. Following the announcement a few months ago of plans to release 10 gigawatts of capacity, we've already signed contracts to accelerate nearly a gigawatt of projects.

And last, we're building out our Distribution System Operator function helping to deliver smarter two-way networks. As the largest flexibility provider amongst the UK DNOs we're focusing on creating further offerings for our customers.

And finally in National Grid Ventures our key priority this year is to progress the sales processes for our Isle of Grain LNG terminal and National Grid Renewables business. In both of these businesses we've delivered impressive growth and value and believe there'll be significant interest in these assets.

So in summary this is a defining moment for National Grid, as we enter into a new and exciting phase of growth to deliver network investment of unprecedented magnitude.

I believe National Grid has a unique investor proposition with low risk, high quality asset growth, strong earnings growth and an inflation protected dividend.

Today we set out unmatched visibility of £60bn of investment through to 2029 and we're already taking action to deliver this. We're also giving the certainty around the financing of those plans.

The business is increasingly weighted towards electricity ensuring that we can continue to access attractive growth for many years to come. This will be supported by governments and regulators on both sides of the Atlantic who are urgently looking for more ways to attract the level of investment required to meet their decarbonisation targets.

National Grid is at the heart of this change, enabling the digital, electrified and decarbonised economies of the future. This is opening up opportunities for us today over the next five years and for decades to come, ensuring that we can drive long-term value growth and returns for our shareholders, and enable net zero across the communities we serve.

So with that Andy and I would love to take your questions.

<u>Questions and Answers</u>

John Pettigrew

Okay, so in terms of the questions, we're going to take questions from within the room. For those online, if you could type your questions into the box and for those joining via the conference call if you could dial *1 to ask your question and I'll start with questions in the room. Dominic.

Dominic Nash, Barclays

Thank you and thank you for your presentation. Just two questions from me. Firstly we've always known that your capex was going to go up a lot and you used to always sit and kind of explain other options of financing that you had available to you. Is it possible just to explain to us what other options that you have and what you've examined for instance selling minority stakes, raising hybrids, trimming your dividend and why you've chosen this particular route? So that's question one.

And question two is on the divergence between asset growth and earnings growth which has kind of been there for a little while. Could you give some colour as to why your earnings growth is always kind of a couple of percentage points below that of your asset growth when all things being equal you would kind of expect them to be kind of matching? What's kind of going on, is there an accounting issue or why? Because you will be re-leveraging up even as the years go by, so I just want some colour on that one as well. Thank you.

John Pettigrew

Okay well why don't I take question one then let Andy take question two. I mean I'll take you back to November when we said you know there were three questions we wanted to get clarity on. One was the scale of the capex, the second was the shape of it and the third was the regulatory framework.

And what we've set out today is the development over the last six months has given us a very clear view of what the scale of that capex is, and you know it is a significant step up to £60bn over the over the next five years.

And having got clarity on what the scale of that capex was we then thought very carefully as a Board around the pros and cons of all the tools that are available to us. And we've talked about many of those tools before in terms of - as well as equity which we're talking about today, we talked about dividend rebases, we talked about hybrids, we talked about crystallising value of the assets, and you'll see today that actually we're using many of those tools in that toolbox.

To the specifics of your question we did consider things like should we bring in equity into one of our existing regulated businesses. But when we stood back from that and we looked right across all of our jurisdictions we've got strong growth in all of those businesses in an area where National Grid has got world-class capabilities, we've got regulatory support, we've got policy support and it's driving growth and earnings which supports the investor proposition. So from our perspective that didn't make sense.

And then given the size of the capital investment of £60bn you quite quickly get to equity is going to be needed which is why we've led with the £7bn equity raise. But you know it comes as one of many elements that will be taken forward. Including as Andy mentioned in his speech that hybrids will be part of that solution as we get later into the period as well.

Andy Agg

Dominic, in terms of your second question on the delta between the 10% asset growth and the 6 to 8% earnings CAGR. I think there's a couple of main drivers in there. There's a particular thing within Electricity Distribution whereas part of ED2 asset lives are lengthening, so that is part of the delta. And then also as higher interest rates feed through the Hold Co debt book again that'll cause a slight drag on earnings. And then there will be the ongoing small dilution from the scrip as that runs in the years ahead as well.

But what I would say of course is all that asset growth ultimately does turn up in earnings in the long run.

John Pettigrew

Should we go to Pavan next?

Pavan Mahbubani, JP Morgan

Thank you, good morning and thank you for taking my questions. My first question is you've guided to March 2029 which is clearly three years into the expected RIIO T3 period. Can you lay out or give some visibility on what assumptions you've made on things like the allowed return, the asset lives, fast versus slow money, to give us a steer on how we should see certainly your view of the earnings evolution?

And my second question is on clarification on some of the assumptions. Can you give more colour on when you assume hybrids to be issued and I assume that's factored into your EPS guidance and similarly on disposal proceeds or assumptions for dilution; if you can give some more clarity on the timing or quantum there would be helpful. Thank you.

John Pettigrew

Yes, in terms of the – so I'll let Andy take the second question – in terms of the assumptions that we've included in our projections, and I think what I'd

say is, at the macro level we've taken sensible prudent and conservative assumptions. It would be lovely to be able to say for the whole period that we've crossed every T and dotted every I on every regulatory framework across every jurisdiction, but that's not the reality of where we are.

Electricity Transmission forms a big part of the £60bn, as you heard it's £23bn. We are in the midst of the regulatory process. One of the things that was important to us as we laid out the financial package today was that it was a financial package that provides a support to the balance sheet to at least the 2031. And the reason we think that's important is that when we submit the business plan to Ofgem later this year it is a fully financed plan and I think Ofgem will look at that in a very positive way.

In terms of things like returns and speed of money, well Ofgem have obviously just recently published their sector specific consultation document. You would have seen National Grid's response to that. We have said amongst other things that it's really important we set the right unit costs in the context of the supply chain. As always, we do believe there's an opportunity for incentives that will drive value for consumers and for National Grid. And then we've talked about the financial package, which in the context of the fundamentals, we believe should be higher than RIIO T2. But it's not just the ROE, it's also about the speed of cash and things like depreciation so as always, it's about the overall financial package.

We'll expect to see the decision document from Ofgem relatively soon in terms of the sector specific methodology. But as you all know it will be a long time, actually the back end of 2025 / beginning of 2026, before we get the final decision.

So we've taken a very sensible, prudent and conservative view in the numbers that we've set out today. Andy.

Andy Agg

So just in terms of the two points I think you raised Pavan, on the second part, in terms of hybrids, as a reminder we've got around £2bn of issued hybrid in the stack today. And we have today around capacity of £8bn to £9bn further. So what we've said very clearly is the plan overall assumes some issuance towards the latter part of the five years.

We're not being specific about how much that is; that will obviously depend on a lot of factors. But that would also leave some element of contingency in our hybrid capacity as well for unexpected things, so definitely some hybrid issuance assumed towards the back end.

In terms of asset disposals, and the clarity that we'll give. We're not going to guide specifically on timing. you know we're announcing an intention to sell, not a process today. The CAGR that we've announced assumes that they are gone by FY29. So therefore, you know they're out of the end point of the CAGR. And in terms of impact on financing, because they are, Grain in particular is a cash generative asset, it's relatively neutral in terms of impact on credit metrics over that time frame.

John Pettigrew	Should we go along the line to make it easier
Deepa Venkateswaran, Bernstein	Thank you. I have three questions. Firstly, on the disposals, how much have you pencilled in in your plan and is there any indication of the timing - is it next year or a couple of years? I think the second question is I mean right now your FFO to net debt is 13% this year. Presumably after the rights issue you're going to have massive headroom which comes down. Could you tell us where your FFO to net debt lands by end of '29 and '31 just to know how much you've kind of pre-funded this growth because I think the £7bn did sound a bit higher. So I think that was my second question. And the third one is, is there any upside to your growth numbers because if I just look at it simply from the '27 - sorry the '24 reported numbers your growth CAGR isn't 6 to 8% obviously because of the dilution the CAGR would actually be 3 to 4% like when we take the share count into account. Therefore, are you assuming - I mean so I'm just wondering whether that is good enough 3 to 4% and therefore are you being very conservative on what you're assuming on fast money or returns? Is there any leeway to kind of see any improvement from the regulators, just to get a grip on how conservative you are on your numbers? Thanks.
John Pettigrew	Hi Deepa, I'll take the first one, I'll leave you the second and third Andy. I mean in terms of the disposals, as Andy said we're announcing the intent today. We're not going to put a number out there because obviously we want to maximise the value for our shareholders and we'll in due course start a process. Our intent is to start that process in the not too distant future so again we'll make sure we do the timing to reflect that we want to maximise value for shareholders. But as I said in my speech, I think these will be attractive assets and there will be a lot of interest given what we've done with them over the last few years. Andy.
Andy Agg	Yeah thanks. So Deepa on the metrics, first of all just to note that the reported numbers that we've set out today for the current year - they're actually slightly higher because of some timing issues I mentioned in my presentation - some of the timing inflows we've seen in the UK Electricity Transmission and the System Operator, so the underlying numbers are not quite as high as the ones that are reported. In terms of what we're assuming or what we're planning through to 2031, I think obviously we've scaled the £7bn appropriately around the £60bn of capex. But also to ensure that, as we always do, we want to maintain an appropriate level of buffer against the key credit metrics, the S&P limit of 10% and the Moody's 7% on RCF and have a buffer against those by the time we get to '31. So no different from what we've always looked to do against those credit metrics.

You're absolutely right, there will be a pickup in the near term, as a result of the upfront equity raise. But then we'd expect metrics to trend back towards that level, by the end of the timeframe.

In terms of your growth point, I think what you'll see - the maths you're doing, I'm assuming is ignoring the bonus element, for example, which is effectively a free number of shares, which comes alongside as part of mechanics of the rights issue. So I wouldn't - I don't think your three to four is a sensible number to work from.

And I think, you know, remember that it's why we've sort of ignored the noise, if you like, of FY24 rebasing and the full dilution that comes in '25 and guided on the growth from there. And, as you said, ultimately, you know, yes, we recognise there will always be a degree of dilution from the rights issue of this size. And that's why we're focused on the clarity of the growth that we have, and not just for a year or two, but for the long term, from that point onwards.

John Pettigrew — We'll take the next one.

Harry Wyburd, Exane BNP Paribas — Hi, thanks. So it's just one question, but with a few clauses, I think big picture here and getting away from the detail, you've raised a lot of money, probably a bit more than people expected for what's ultimately the same EPS CAGR as you had before. So what do you think, in your view, you've gained here?

Do you feel like you've gained more headroom, which might give you more optionality later, if capex goes up, or even to expand in ways we haven't thought of yet? Do you think you've gained more headroom? Do you sleep easier because of this, and therefore your margins of safety are much bigger and therefore investing is a much calmer proposition now?

Or do you feel that you've now financed yourself for longer than you might otherwise have done? And therefore we should be, I guess, in some way, valuing the fact that you don't have to come back to the market later in the decade, and you've now fully cleared an overhang for, you know, nearly a decade.

So what in your view, have we sort of got here beyond, I guess, just the headline, which is a similar EPS CAGR that we had before, but with perhaps a bit more dilution than we expected? Thank you.

John Pettigrew — Why don't I start and then Andy can pick up. I mean, first of all, I'll just pick up the second point you made around longer or duration. So, you know, we were very clear when we thought through this, that we wanted to give guidance to the market, which is something the market's been asking for, for a very long time in terms of the capex over the next five years, which we've done.

But we also wanted to make sure we had a balance sheet that would support us right up to the end of T3. The financing package we put together takes us right out to at least 2031, so that when we submit our

business plan to Ofgem, we can do that, showing that it's fully financeable. That is what helps scale the size of the £7bn rights issue.

In terms of what you gain, I mean, I think it's probably worth just standing back and thinking about the investment proposition. So it's clear that what we're setting out today is a tilt away from yield and towards growth. But this is a £60bn capital investment programme. So it's near double what we've been investing over the last five years.

That investment obviously goes into a regulated asset base that's going to grow at double digit levels of 10% over the next five years, which gives a lot of certainty to the market in terms of what that growth looks like.

And in terms of the growth, if you just compare it with the last five years, where we were sort of 8 to 10, but at higher inflation rates, the real growth that you're going to see over the next five years, you know, our assumption in terms of the 10% is a CPIH number of around 2.5%. So when you compare the real growth, you're going to be getting over the next five years relative what you've seen over the last five years, that you're getting something real, as well as being supported by a 6 to 8% earnings growth rate as Andy set out and the reasons for that, and an index linked dividend, albeit from a rebase level.

So that's what this package provides and gives you over and above the sort of what you saw in the past. Andy, I don't know whether you want to add anything.

Andy Agg

Not really, I think that's a pretty good summary.

Harry Wyburd, Exane BNP Paribas

And so just to follow on, one thing, can you give us any kind of quantification of the additional hundreds maybe of basis points hopefully of additional credit metric hedging that this this gives you? I know Deepa asked as well, but could you put any numbers around where you're aiming for by 2031 and where we might be, you know, by FY26 in terms of RCF to debt and FFO to debt?

Andy Agg

No, I mean, as I said, what we've said today, and the guidance we give is we do always look to maintain a sensible buffer against our thresholds, the 7% and the 10%. We're not explicit about what that buffer is, but you can imagine that that's designed to ensure that we can withstand shocks.

As I mentioned earlier, the actual reported numbers today are slightly elevated in terms of what we'd expect to underlying because of the timing inflows we've seen in the UK.

But no, I'm not going to sort of estimate what we'll see those metrics bump up to in the short term.

Harry Wyburd, Exane BNP Paribas

Okay, thank you.

Ahmed Farman, Jefferies	Yes, hi. A couple of questions from my side, could you give us a sense of the overall, so you talked about £7bn equity raise, there's hybrid plus some disposals, is there, can you give us a sense of the overall size of the proceeds that you're looking to raise to sort of fund the plan? That's the first question. The second thing you talked about, and in your sort of presentation, you referenced the 71p EPS for - as a baseline for '25. And I sort of think that comes alongside a 4.7 billion share count. So implies almost a £3.3bn net income, which is, you know, a couple of 100 million better than consensus expectations for next year. So just any thoughts on you know, where that upgrade on earnings is coming out from? And what are the assumptions of deferred taxes and full expensing in that number? And just finally, in terms of the profile of the EPS growth, could you give us some colour on how you expect the EPS growth to come through during the five-year plan?
John Pettigrew	I'm going to leave them all for you Andy.
Andy Agg	Okay. And so on the first, in terms of the overall framework, as we've said, I think a couple of times in the presentation this morning, we've looked at all the different tools. And we tried to put together a package that delivers both the £60bn and then maintaining the metrics in the right place. Obviously, anchored around the £7bn. If you touch on a couple of things, the disposals, as we've said, I think, in answer to one of the previous questions, while we will want to achieve, you know, the optimal equity proceeds from those transactions as we can, it's actually relatively neutral in terms of credit metrics, because you're disposing of what is a cash generative asset. So that's much more of a strategic move. It doesn't - I don't think it's appropriate to consider that as part of, you know, the total funding requirements. Obviously, hybrids, we've touched on it as well, that is an element of that, but we will deploy those further out in the frame. And then, of course, you know I'd point back to operating cash flows and debts. And, you know, remembering that ultimately, this is delivering an asset base that will grow to around £100bn pounds by 2029. Of course, you know, leverage will continue around a sensible level, and therefore our net debt will grow. So we will continue to raise a significant amount of debt in the markets over the five years as well. So, you know, it's very hard to put a precise number on, you know, the total package. But those are sort of the key elements that we think about. In terms of, you know, the guidance points, I think the two key things I point to, as a reminder, in the way the FY24 rebase happens, that is effectively what's described as the bonus element is flowing through that. When you look at FY25, you've got the full number of shares issued, but of course, just on a 10 month pro rata. So it's not quite the full share count that feeds through the reported EPS for FY25.

And underneath that, we will absolutely, you know, be looking to deliver a strong operational performance. That's obviously - because of that additional dilution, that doesn't get reflected in the reported numbers.

And you mentioned, you know, deferred taxes, as an example, I think what we've said previously is we would anticipate that number, the impact of that growing gradually over time as the level of capital investment also grows. But that's just one of one of the drivers.

But overall, we expect a strong operational performance next year. But as I say, our guidance is broadly flat EPS because of the dilution.

John Pettigrew

Who's got the mic? Sorry.

Alex Wheeler, RBC

Just one from me, please. Just on the capex, can you give an indication of the expected phasing of that £60bn over the five-year period? And then also just adding to that, is there an element of variability based on the outcome of RIIO T3 for the for the Electricity Transmission capex? Thank you.

John Pettigrew

Yes, in terms of the shape of the capex, I think we're guiding next year to around £10bn. So the £60bn over the five-year period probably gets up to a peak of around £12bn or £13bn as you gradually move through that period, stepping up in a relatively uniform way, actually, as we go forward.

In terms of T3, you know, we're in pretty good shape in terms of the work that we needed to do to prepare our business plan for T3. Obviously, we've been doing a huge amount of work on the 17 ASTI projects. So we've got a good sense of them. They're now in our license with an obligation to deliver in certain timescales. Alice and the team have been working on the remaining part of T3.

So we feel relatively confident that we've got good articulation of what that capex will be, which will be a makeup of the usual sort of, you know, asset health, reliability, resilience type capex. But also, there's a lot of onshore transmission investment within ET to support the energy transition as well. So we're expecting it to be a step up from where we were in RIIO T2. But we think that the rationale for it will be supported by Ofgem given a lot of it's driven by the energy transition.

Rob Pulleyn, Morgan Stanley

Thank you. And it's unbelievable, but there are a few questions left. So first of all, you talked about the cadence of the balance sheet. And obviously, you're going to have a lot more cash initially this year. Does that mean your finance costs in the near years could be a bit lower? And that supports the, shall we say net income that I think everyone's calculating? And there was a previous question on just to understand how we should think about that.

And secondly, you talked about keeping the scrip. I was interested in why given you just issued a lot of equity. And again, there's some questions on EPS CAGR. And of course, not having a scrip would help EPS CAGR.

And lastly, I don't think this has been asked yet. But I assume almost assuredly, you spoke with the credit rating agencies before embarking upon this. If there's any feedback around their input to this funding plan that you can share, that'd be wonderful. Thank you very much.

John Pettigrew — They are coming to you Andy.

Andy Agg — OK, thank you. And you're right in terms of financing costs, I think a couple of things we'll have guided to this morning. Net debt being expected to be around £500m lower by the end of FY25 as a result of the rights issue. And you know, that will, because of that flow through, as you say, have a slight impact, probably on what was all out there in consensus on expectations around financing costs for the for the year ahead.

And what we will do just in terms of the proceeds, obviously, as you'd expect us to, we will look to optimise how we utilise that in the near term. In terms of sort of investment in cash instruments.

Again, just for clarity, we've announced this morning that we would expect to use around £750m for proceeds in the very near term, to redeem the equity portion of a couple of our hybrid instruments, which have a very near-term maturity. That's just an efficient use of proceeds in the very near term.

Actually, because of where, you know, investment rates are, you know, the cost to carry is relatively small at the moment. But we'll take all of that into account as we think about how we manage the proceeds in the near term.

On the second point on scrip. Yes, as John said earlier, you know, the Board thought very hard about all the different elements of this. And we've had a scrip arrangement in place for a long time. And it's been a very useful tool as we've gone through high periods of growth. I think we see that as a valuable tool going forward as well. And we see on average, around a 25% take up, it obviously fluctuates year on year, but that's what it works out. And we decided that it's appropriate to allow that to continue.

And then on rating agencies. As you'd expect, we're in dialogue with rating agencies throughout the year. I think, we would expect them to look at this in the same way that we do, which is what is the long-term impact on metrics.

Hopefully, we've been very clear about our views and where we want to deliver those metrics over the timeframe. So I'm sure that's what they'll take into account. I'm sure they'll be updating, you know, reasonably quickly.

John Pettigrew — Can we go back.

Mark Freshney, UBS

Hi. Two questions. Firstly, Andy, and apologies for keeping on digging up this point. But previously, in the new financial - well post the strategic pivot, you were talking about 70 to low 70s, net debt to RAV and the holding structure - the Holding Company debt was clearly a key part of that. Do you envisage on the same basis at the end of the £60bn five-year frame, being below on that 70 to 73%?

And is there any - further to the last question - any scope to actually go up a notch on the credit ratings?

And just secondly, John, just on timing, I mean, you know, it's almost unfair just to talk about ET given it's only 25, 30% of the business, but clearly, it is the one with ASTI in it. You know, the returns for that business as they stand up, in my view, inadequate when you know, the base allowed returns are just not appropriate for the bond yield environment we're in at the moment. And clearly, Ofgem has signalled investability. But can I ask why you've actually moved ahead raising capital ahead of Ofgem taking a decision on this topic in their methodology document, and why you haven't kept the pressure on them because it's clear from your own consultation response, you need a sizable increase in returns that the CMA may not be ready to let them do.

John Pettigrew

Yeah, so why don’t I take the second question, and Andy can take the first. So in terms of timing, you know, we thought very carefully. As I said earlier, one of the things we've heard from the market repeatedly over the last 12 months is give us transparency in terms of what the capital investment plans look like, as soon as you've got it. And that's exactly what we now have. So we're sharing the £60bn of capital investment out to the end of the decade.

In doing that, given the actual outcome of RIIO T3, wouldn't be until the end of 2025/ beginning of 2026. That's an incredibly long time to have uncertainty in the market when you can see the level of capex, but we can't say how it's being funded. So that's why we're announcing the package today.

Also, as I mentioned earlier, it is really important when we make our submission to Ofgem for RIIO T3, that we can also show that the business plan we're submitting is financeable, which is why, as I mentioned earlier, the plan that we set out takes us to at least the end of 2031.

So those are the reasons why. Why now is because of that uncertainty together with what we want to do with Ofgem, and we have the clarity on what is a significant step up in investment.

Ofgem over the last period, has indicated publicly and through its consultation documents, that it recognises that we're entering into a different phase. So the sector specific consultation talked about the need for regulatory framework that was attractive to investors and was investable.

We saw more recently that Ofgem published their strategy document and their five pillars. One of their pillars is to accelerate the infrastructure to support the energy transition. They've got the new duties, which I do think has shifted their mindset, that came out of the Energy Bill last year, with a duty now to help to deliver net zero in the energy transition, as well as to facilitate growth.

And the actions they've taken as well in the early ASTI projects, they have been decisive. So, you know, we have had to change the way that we procure for equipment, we're having to make upfront payments into the supply chain to lock in that capacity. Ofgem has supported that and allowed us to put that on the regulated asset base, which we will get return on. So they've demonstrated they understand that it's a different world they're operating in.

Having said all that, we can't cross every T and dot every I at this point, but we take some confidence from that. And Ofgem has, you know, talked to investors and set an expectation that they understand that it's important to have a framework that's investable.

So that's the reason why we're doing it today. We had that uncertainty, we have heard from Ofgem, we have responded to the consultation very clearly that we think return should go up against RIIO T2, both for fundamental reasons in terms of shifts in interest rates. But also, if you want to attract a regulatory framework, where people want to invest in, then you need to be at the upper end of any capital asset pricing model range, to demonstrate to investors that it's an attractive proposition. So we've made those points as part of the consultation, and we will discuss that with Ofgem over the next 18 months. Andy.

Andy Agg

Yeah, in terms of the gearing part of your question, Mark. So again, in our detailed guidance this morning, in terms of the five years, what we're indicating is, we would expect leverage to go down to the low 60s, around 60% in the very near term, immediately post the issue. And then over the timeframe, you know, expect it to go up back up gradually to the high 60s over that time.

Yes, so just to be clear, we've previously guided under the old frame to the low 70s. The reality of the difference is we're going into a phase now of even faster growth. As John said a moment ago, the 10% is a high level of real growth. And you compare sort of indexation that goes within that. And therefore, you know, we're very comfortable with the low 70s under the previous frame, this will take us to a marginally lower level of the high 60s, just as we go into an even higher growth phase.

John Pettigrew

Can we get the mic over to this end of the room, please?

Charles Swabey, HSBC

Hi, thank you. There was speculation last year that you might sell some US gas assets. Could you explain your thinking behind opting not to go down that route? That's my first question.

And a second one, what does a good outcome from the sector specific methodology consultation look like for you?

John Pettigrew

In terms of the gas business, the way the Board at National Grid thinks about all its businesses is to think about how it's contributing to the investor proposition of yield and growth. And is that sustainable?

And when it comes to our gas business in the US, you know, we've just done the KEDLI and KEDNY rate case, where we will have double digit growth in that business. It's supported by our regulators in New York. They've just increased the returns from 8.8% to 9.35%. As nominal regulation in the context of the Group, it's got good cash characteristics as well. So it fits very squarely into the investor proposition that we have. And we've set out our views and how we see that gas business evolving in New York.

So as we went through the pros and cons of all the tools available to us, it didn't seem sensible that we should look to sell that business to support investments elsewhere, which is why we've ended up with the proposition we have.

In terms of the sector specific consultation, so National Grid has sort of highlighted four areas to Ofgem that we would like to see them progress as part of the response to the decision document. The first is given the size and scale of the capex and where the supply chain is, we'd like to see an earlier indication of need case, and that they want National Grid to do that work much earlier than they've done historically.

Secondly, as I mentioned earlier, you know the supply chain has changed significantly. So as they're thinking about setting unit costs, we want them to take a forward-looking view rather than a very historical looking view.

Thirdly, we do think there's an opportunity to create value for customers in terms of incentives. And we proposed some ideas there.

And then finally, it's the financial package. So as we've already said, we've set out the given the fundamentals, given the scale of the capex relative to the regulated asset base, given the need that it needs to be investable proposition, we would expect to see higher returns, and we would hope to see good cash characteristics around things like speed of money and depreciation.

So that is our hopes and aspirations. I'll remind people who've been in the industry a long time, usually the decision document at this stage in the process is usually the low point and then there is a very long process of 18 months before you get to a final decision. And quite often those things are different, as you work through the different sort of characteristics and understandings between the two parties.

So, those are some of the things we'd hope to see. But you know it's a very long process before you get the final decision.

There's a question behind.

Marcin Wojtal, Bank of America

Thanks very much. On your dividend, I mean, you reiterated the formula, you rebased your DPS, but how attractive would you think your dividend policy is to investors? We are probably entering an environment of lower inflation. And could you remind us of what would happen in the event of deflation? Is there a floor at zero for inflation indexation?

Andy Agg

And yeah, I think, you know, what I said in terms of the overall attractiveness, I think, again, links back to something John said earlier around the overall proposition for National Grid is that combination of growth and yield.

So we absolutely recognise, and we'll continue to focus on the importance of the dividend as part of that. And what we've aimed to do as part of the package this morning is achieve that optimal balance of continuing to grow the total dividend, but obviously taking into account the rebase because of the increased share count. And the Board believes that that's achieved the right balance and still, continues to deliver that that yield, alongside enabling us to fund the capex and growth in front of us.

So when you look at it as part of the overall TSR, yes, slightly more tilted to growth. But still, I think if you look at the level of dividend, we believe it's an attractive proposition. And I think the giving the clarity of indexation and not changing that, I think was an important part of our thinking. It's well understood and well received by investors. And then we think that it's the right thing to continue with that.

I don't think we've ever had a year of deflation in terms of the average for the year. I'm not sure - that I would expect that we would honour the dividend rather than reduce it. But that's me speaking off the top of my head. But I don't think we've ever had a year that works like that.

John Pettigrew

No questions in the room. I'm going to look to Nick to see if we've got any. Oh, sorry, Dominic.

Dominic Nash, Barclays

Hi, there. Sorry. You can't escape that easily. A couple of questions. Firstly, I think we've got a general election kind of turning up. And I'll be interested in your thoughts on what you expect from the sort of the Labour sort of announcements to date about what impact that would actually have on sort of medium-term targets and the massive increased potential in renewables, GB Energy, and I think the sovereign wealth fund that they're thinking about, are these opportunities or threats?

And the second one is a little technical one on the ESO. You say that you're going to have something done this year on the ESO. How advanced are your negotiations? And when I look at it, I think you've got like £877m of receivables sitting on it. I presume that that will be part of the negotiation. So we could end up with some funny looking numbers. Is that a fair assumption?

John Pettigrew

So, I mean, in terms of the general election, it won't be a surprise for you to hear that, you know, given the position National Grid has in the UK, we spend a lot of time talking to the government, we also talk to all the other parties as well. There's a significant degree of alignment around the energy transition, and probably more importantly, for us, the need for infrastructure investment to enable the energy transition and to connect the renewables.

We've always said all the targets, whichever one you want to pick are ambitious, and it requires action from government to put the right policy in place and to implement it, regulators to put the right regulatory framework in place, the supply chain to increase the capacity in terms of things like building equipment and the industry to put the right skills in place. You know National Grid is doing its part. And that's what we're setting out today in terms of what we can do to contribute to the energy transition.

But in terms of a change of government, I don't see it impacting significantly in what we've laid out today, in terms of our £60bn capital investment plan.

And similarly, just to be complete in the US, we've got an election going on there this year as well. You know, the vast majority of the investment that we do in the Northeast of the US is driven at the state level. We operate in progressive states, they've got ambitious targets as well. And our capex spends, in the same way as the UK are contributing to what we can do to support those targets in the same way.

In terms of the GB Energy, I'm just going to pick up on that, so we do spend some time talking to the Labour Party about that. I mean, they talked to me about it wanting to complement the private investment that's going on in the networks. And the areas that they're looking at are things like new technologies that are not yet ready for the market, or providing a convening role to see if there's more that can be coordinated across the GB level on things like supply chain.

And in terms of the ESO, we are well through the process, I'd say Dominic, you know, first of all, there was a huge amount of work to do to separate out the ESO from the rest of National Grid, particularly around things like IT. The team, Ofgem, government have done a fantastic job actually supporting and working together to get to a position where we would be ready to do that pretty soon.

And in terms of the discussions, with the government in terms of the final transaction. As I said earlier, we're expecting that to be, you know, later this year, possibly the election may delay it by six weeks in terms of some of the discussions that go on, but I don't see it being delayed materially. And actually, there is very strong alignment about the role of the future System Operator between the Conservatives and the Labour Party and other parties as well. So I don't see it impacting in the long term in terms of what the election outcome could be.

In terms of the receivables and the accounting, I'm going to put that to Andy. Andy you can answer that.

Andy Agg

Yeah, I mean, Dominic, as you'll be aware, the ESO is a slightly different part of the business. It's a relatively asset light. And therefore, you know, as we as we look at the balances involved in the dialogue with the government, obviously, it's taking account of both the assets and the working capital associated.

What you will have seen, as I mentioned earlier, in terms of the cash flows received with the timing over recoveries, which is part of what is showing up in when you see the working capital associated. You'll see in the detail of what we've announced this morning, we've taken a charge within our statutory numbers to recognise that some of that timing will still be due back by the time the disposal is expected to complete. That's an estimate, just recognising that rather than that flowing through as timing next year, it will then get crystallised as part of the transaction. So we'd aim that by the time we get to the transaction, we wouldn't expect any unusual items as you described.

John Pettigrew

Okay Nick, I'm going to go to you next. And if there are more questions in the room, we'll come back to it. But if you've got any questions?

Nick Ashworth

I do. So I've got one written one. And I've got Ajay from Goldman Sachs, who I think is going to speak into the room.

But firstly, just from Michel Debs, hopefully an easy one. Will capex remain at similar levels post 2029?

John Pettigrew

I mean, it always amuses me actually, Nick, when people say, well, what's your capex forecast beyond the next seven, eight years, which we've given certainty on today? I mean, the serious point is, you would have seen just over a month ago that the Electricity System Operator published the beyond 2030 Report, which really is a very useful document that started to articulate what the infrastructure investment might look like, as we get into the 2030s and beyond.

Some of the investments in that are quite clear. And actually, we're doing quite a bit of work on the engineering front already, just thinking about that. Some of it needs a huge amount of work. And actually, we probably won't get transparency into the second half of this decade.

So, you know, we said right back when we did the Investor Day, 18 months, two years ago that we would expect to see waves of investment, but exactly what the shape of that investment is here in the UK and across all our jurisdictions, obviously, we've got a bit of time before we get to that. Today, what we set out is pretty much, five years of clarity, which is pretty unprecedented against most of the other companies in the sector.

Nick Ashworth

And thank you. And I think we have Ajay from Goldman on the conference line.

Ajay Patel, Goldman Sachs	Good morning and thank you very much for the presentation. I've got a couple of questions. One is more just the shape of the portfolio. Now you emphasised in the announcement of the 80/20 split electricity versus gas. And I'm just wondering, given the size of the equity issuance here, it feels to me that maybe you could deduce that gas business is going to be there. When you're looking at the relative merits here for funding, I just wondered, what was the merits of keeping that asset versus maybe using it to fund the capex programme that you have ahead of you? Now, typically, in the past, you've made asset sales, taken advantage of the valuation that private markets may be offered that don't necessarily get in an equity market to fund new investment. I'm just wondering if we can deduce anything from that statement and the picture that you're highlighting by the end of the plan. And then the second one is to go back to this timing point. Now, you're ahead of elections, you haven't completed a transmission review, which is quite a long, still a decent amount of timing, there's a bit of unclarity sort of in returns, your capex is back end loaded. Why now? I don't think even after the answers that we've been given, I could fully appreciate it. So any more colour there would be really helpful. Thank you.
John Pettigrew	I think I've got it as the line wasn't great. But let me let me have both those questions. I mean, in terms of the shape of the Group, and I think you're asking about US gas. As I said earlier, the Board when we consider the tools available to us to support that £60bn of capex, considered things like, bringing financing into the regulatory utilities, including gas in the US. But given the growth that we see right across those businesses, given their contribution in terms of growth and yield, we didn't think it made sense for us to change the shape of the portfolio and to exit the gas business or bring in, a partner into one of our other regulated businesses. I mean, by the end of 2029, I think we're going to be broadly, I think on an asset base perspective, about 45% US 55% UK. And that mix of real regulation and nominal regulation, and the diversity of regulation that we have as well, is a really important part and a big contributor to the stability of the proposition that we delivered over the last 10 years. And I think Andy mentioned, you know, we've outperformed the FTSE 100 and TSR by 30% over the last 10 years. Our proposition going forward has that lovely mix of nominal and real and geographical diversity and regulation. So that's quite important to us, as we consider these things. In terms of the timing, and why now, it's really what we've already talked about. And just to reiterate, we've always said to the market that when we've got clarity on the capex, and we do, that we would share it with the market. So that is the first step, and it is a significant step up. Having articulated what that capex is, we felt it was really important not to leave the uncertainty in the market. And as I said, it's also important that when we submit the business plan to Ofgem, which is one element of the £60bn, but an important element, that

we were able to demonstrate that it was financeable, so that they look on that business plan with a positive intent.

So for those reasons, we did think it was important that we did it now, rather than wait, you know, 18 months before we got clarity on T3, which, just to remind you is just one element of the £60bn.

I mean, the other point I'd make as well is that, you know, every price control or rate case is giving you clarity for three or five years. These are investments and assets that we invest in for 40, 50, 60 years. And therefore, fundamentally, it's a question about have you got confidence in the UK regulatory and policy environment, and the US Northeastern environment? And you know, our view is that we do have confidence, we will work through those price controls and rate cases as and when they come along.

No more questions online.

Okay, in which case, I'm going to say thank you so much for joining us today.

I hope you got a sense that this is a big moment for National Grid, but I also think it's a moment in terms of the energy transition for the UK and for the Northeast of the US.

I hope you're walking away with a sense that we have a very clear plan. We're providing transparency that is probably unprecedented for right up to the end of the decade. And with that, a very compelling proposition going forward, as Andy said, tilted more towards growth, but also with an important yield, and an inflation protected dividend as well.

So hopefully you found that session very useful. And thank you for joining us.

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