National Grid Electricity Distribution plc

Annual Report and Accounts 2023/24

Company number 09223384

Contents

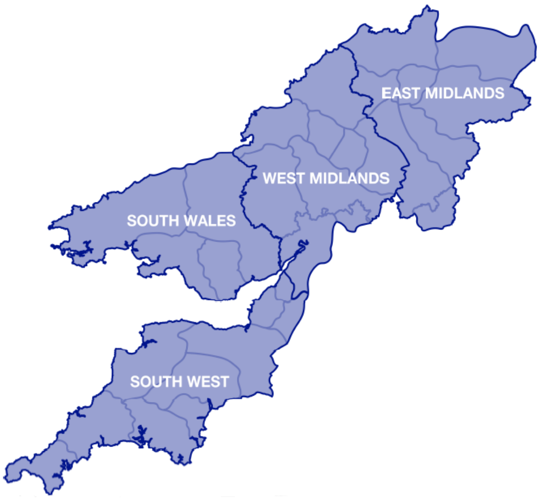
The directors present their annual report and the audited financial statements of National Grid Electricity Distribution plc ("NGED plc" or the "Company") and its subsidiary undertakings (the "NGED Group", "the Group" or "NGED") for the year ended 31 March 2024. These are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the UK.

Overview

The NGED Group mainly comprises the four Distribution Network Operators ("DNOs"): National Grid Electricity Distribution (South West) Plc ("NGED South West"), National Grid Electricity Distribution (South Wales) plc ("NGED South Wales"), National Grid Electricity Distribution (East Midlands) Plc ("NGED East Midlands"), and National Grid Electricity Distribution (West Midlands) Plc ("NGED West Midlands").

NGED is the largest DNO in the UK by geography, with a network of over 229,000km of overhead lines and underground cables. With 8 million homes and businesses connected to our network, we power the lives of around 25 million customers and directly support over 6,800 jobs.

	Connections (million)
NGED South West	1.6
NGED South Wales	1.2
NGED East Midlands	2.7
NGED West Midlands	2.5
	8.0



We play the critical role of keeping the lights on by looking after a network of poles, pylons, cables and substations, delivering power to homes and businesses across our four regions. We are also committed to supporting the UK's ambition to achieve a fully decarbonised electricity system. In doing so, we have developed new roles as Distribution System Operator ("DSO"), in addition to our traditional role as DNO. The DSO allows us to anticipate growth, develop and utilise flexibility markets, unlock capacity, and instruct investment in the network of the future.

In addition to the DNOs, the Group also consists of a number of other smaller subsidiaries including National Grid Telecoms Limited, National Grid Electricity Distribution Generation Limited and National Grid Helicopters Limited. The primary purpose of these businesses is to support the DNOs and network related activities of the Group. The Group also owns property companies, to facilitate the management of non-operational and investment properties of the Group.

Ownership

The NGED Group is owned by National Grid Electricity Distribution plc, which is a public limited company registered in England and Wales. The ultimate controlling parent of the Company is National Grid plc ("National Grid"), registered in England and Wales. National Grid plc is one of the world's largest investor-owned energy utilities, operating in the UK and the US.

More information on the National Grid Group can be found in the National Grid plc Annual Report and Accounts 2023/24 and on the National Grid website:

https://www.nationalgrid.com/

National Grid acquired the NGED Group in June 2021 and rebranded the business to National Grid Electricity Distribution in September 2022.

Financial highlights

	2023/24	2022/23	% change
	£m	£m	
Revenue	1,838.2	2,096.5	(12)%
Profit before tax	600.1	681.4	(12)%
Cash generated from operations*	1,354.7	1,383.6	(2)%

	2023/24	2022/23
Regulatory asset value ("RAV")	11,495.3	10,846.4
Return on equity ("ROE")	8.5 %	13.2 %

*Cash generated from operations for 2022/23 has been restated due to a change in the classification of interest paid and received from operating activities to financing activities and investing activities respectively. See pages 16 and 17 for details on financial highlights.

Non-financial highlights

	2023/24	2022/23
Customer satisfaction score (out of 10)	8.97	8.99
Network reliability	99.993%	99.995%

See pages 19-26 for further details on our key performance indicators ("KPIs").

What we do

The electricity industry connects generation sources to homes and businesses through transmission and distribution networks. Companies that pay to use transmission and distribution networks buy electricity from generators and sell it to consumers.

The UK electricity industry has five main sectors:

Generation

Generation is the production of electricity from fossil fuel and nuclear power stations, as well as renewable sources such as wind and solar. We and the rest of the National Grid Group do not own or operate any commercial electricity generation facilities.

The UK is moving away from a historical reliance on large thermal power generation and there is now a greater diversity of supply and flexible demand than ever before, with significant growth in distributed renewable generation installations across the UK networks. The electricity distribution network has a pivotal role to play in the future energy mix, with evolving roles enabling a range of possible energy futures for the long-term benefit of consumers.

Interconnectors

Transmission grids are often interconnected so that energy can flow from one country or region to another. This helps to provide a safe, secure, reliable and affordable energy supply for citizens and society across the region. Interconnectors also allow power suppliers to sell their energy to customers in other countries.

Great Britain is linked via interconnectors with Ireland, Northern Ireland, France, Belgium, Norway, Denmark and Netherlands. The National Grid Group is continuing to work on developing additional interconnector projects, which will include multi-purpose interconnectors.

National Grid plc, through separate companies held outside of NGED, sells capacity on its UK interconnectors through auctions.

Transmission

National Grid plc, through a separate company outside of NGED, owns and operates the high-voltage electricity transmission network in England and Wales. Electricity transmission ensures electricity is transported safely and efficiently from where it is produced, to reach homes and businesses reliably. Transmission systems generally include overhead lines, underground cable and substations and connect to industrial properties and distribution networks who deliver the electricity on to homes and commercial properties. They also facilitate the connection of generation assets to the transmission system.

What we do (continued)

Distribution

NGED is a distribution network and system operator and our distribution network connects customers to the National Grid electricity transmission network. We convert the high voltage electricity generated by large power generation sites, such as power stations, and delivered through the National Grid transmission network, to lower voltages that can be used by customers. We deliver it safely into homes and businesses in our regions, via our safe and reliable network. As the country drives towards decarbonisation, the traditional, one-way flow of energy is changing, with many smaller-scale renewable generation installations connecting directly into our network, bypassing transmission and creating a two-way, dynamic distribution network. We are currently undergoing an unprecedented change in our industry, including a rise in electric vehicles, heat pumps and battery storage. We have connected more EVs to our network in the last two years than in all previous years combined. We aim to deliver transformation efficiently, while continuing to provide a resilient electricity supply.

Supply

The supply of electricity involves the buying of electricity and selling it on to customers. It also involves customer services, billing and the collection of customer accounts. We do not sell electricity or bill directly to our consumers. Our customers are registered with licensed electricity suppliers, who in turn pay us for use of the network. The National Grid Group manages these activities through a separate company. The Electricity System Operator ("ESO") is a separate legal entity governed by its own Board of Directors.

On 6 April 2022, the UK government announced its intention to establish an independent Future System Operator ("FSO"), which will take on the operations currently performed by ESO. National Grid has been working closely with the government, industry and the regulator on how the FSO will enable long-term holistic thinking, drive progress towards Net Zero, and lay the foundations for the regulatory reform necessary to deliver a clean, fair and affordable energy transition. An independent FSO may be established in 2024.

What we do - NGED Business model

Our core activities are:

The Group's network comprises approximately 89,000km (2023: 89,000km) of overhead lines, 140,000km (2023: 139,000km) of underground cable and 191,000 (2023: 190,000) transformers. We maintain our network assets to ensure safe and reliable distribution of electricity to homes and businesses across our four regions.

Our costs are regulated and based on an agreed allowance set by the Office of Gas and Electricity Markets ("Ofgem"); on average (based on an annual consumption of 3,100 kilowatt hours), NGED domestic customers pay £104.01 per annum (2023: £131.49 per annum) for electricity distribution costs. Our costs form part of the bill to customers from the electricity suppliers. The year on year decrease in the bill is due to prior year bills including recovery of Last Resort Supply Payment (“LRSP”) claims arising due to significant supplier liquidations in 2021. Excluding the impact of recovery of these claims, NGED customers paid £97.25 per annum for the electricity distribution costs in the prior year.

We provide a safe and reliable power supply at an affordable price, as well as supporting the most vulnerable people in the areas we serve. We are a regional business and believe in the power of our regional, in-house workforce. Our local teams understand their local network inside out, providing efficient and knowledgeable service to the customers and communities we serve. In addition to keeping the power flowing, we are also committed to driving a more sustainable future. It is our mission to respond to the changing energy landscape and support the UK’s ambition of achieving net zero carbon emissions by 2050.

What we do - Regulatory framework

DNOs are natural monopolies and, to ensure value for money for consumers, are regulated by the Gas and Electricity Markets Authority, which operates through Ofgem. The operations are regulated under the distribution license which sets the requirements that NGED needs to deliver for its customers. Ofgem has a statutory duty under the Electricity Act 1989 ("the Act") to protect the interests of consumers. Ofgem also has responsibility to enable competition and innovation and to protect consumers from the ability of companies to set unduly high prices. Ofgem has established price controls that limit the amount of revenue our regulated business can earn. In setting price controls, Ofgem must also have regard to ensuring that licence holders are able to finance their obligations under the Act.

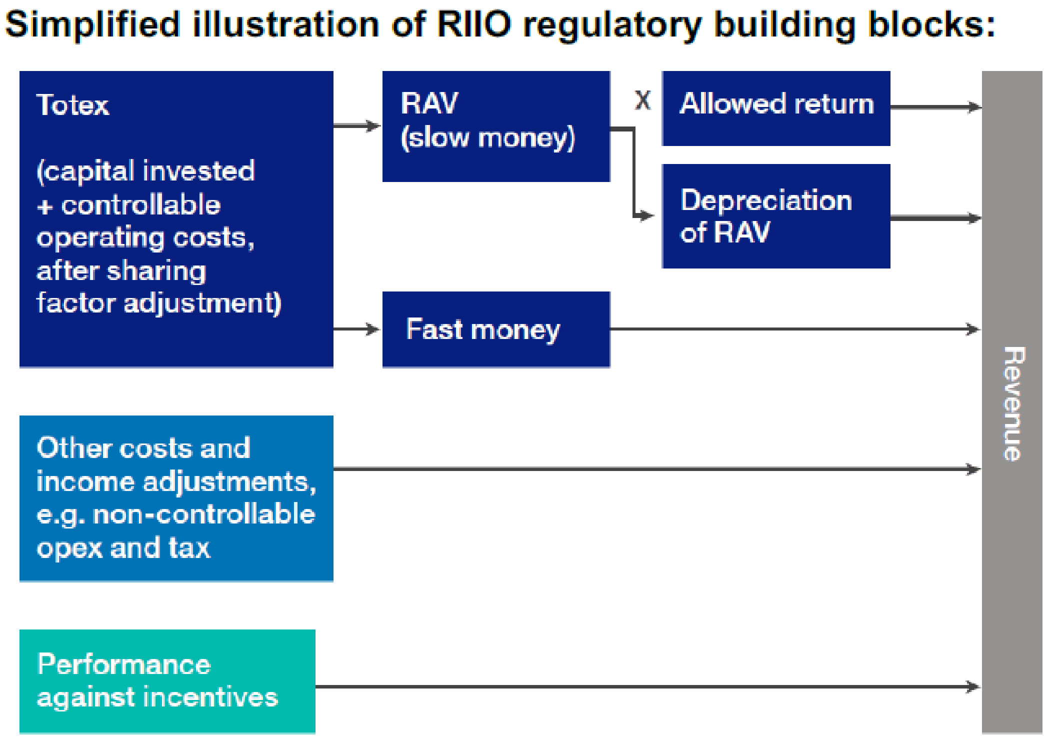
The regulatory framework is based on sustainable network regulation, known as the "RIIO" model where Revenues=Incentives + Innovation + Outputs. Under the RIIO model there is an emphasis on companies playing a full role in developing a more sustainable energy sector and delivering value for money network services for customers. The outputs we deliver are clearly articulated and are integrally linked to the calculation of our allowed revenue, although some outputs and deliverables have only a reputational impact or are linked to legislation. We do not earn allowances if we do not deliver the associated agreed output. A key feature of the RIIO model is that the expected outputs delivered by network companies is influenced by its stakeholders through extensive engagement. In the development of our current RIIO business plan, we engaged with over 25,000 stakeholders to develop our business outcomes.

Ofgem, using information we have submitted, along with independent assessments, 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 operating expenditure ("opex") and capital expenditure ("capex").

A number of assumptions are necessary in setting the outputs, such as certain prices or the volumes of works that will be needed. Consequently, there are a number of uncertainty mechanisms within the RIIO framework that can result in adjustments to totex allowances if actual volumes differ from the assumptions. These mechanisms protect us and our customers from windfall gains and losses. Where we over or under spent against the allowed totex there is a "sharing" factor. This means we share the over or under 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 benefiting our customers. Likewise, it provides a level of protection for us if we need to spend more than allowances.

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 Regulatory Asset Value ("RAV"). In addition to fast money, each year we are allowed to recover regulatory depreciation, i.e. a portion of the RAV, and a return on the outstanding RAV balance. The RAV is also indexed to a measure of inflation i.e. a combination of RPI and CPIH. We are also allowed to collect additional revenues related to non controllable costs and incentives. In addition to totex sharing, RIIO incentive mechanisms can increase or decrease our allowed revenue to reflect our performance against various other measures related to our outputs. There are rewards and penalties for performance against incentives. Thus, allowed revenue that a regulatory company can earn through distribution use of system charges ("DUoS") comprises of base revenue and incentive rewards or penalties including uncertainty mechanisms. Base revenue includes allowances for operating costs, return of capital (RAV depreciation), return on capital (cost of equity and cost of debt funding), tax, pension deficit repair and any adjustment to previous allowances.

What we do - Regulatory framework (continued)



RIIO-ED2, covering the five year period April 2023 to March 2028, is the current price control under the RIIO model and NGED has been allowed £5.9bn (in 2020/21 prices) of totex. As a result of the Government legislating for net zero carbon by 2050, DNOs will be at the forefront of its delivery, enabling the transition to a smart, flexible, low cost and low carbon energy system for all consumers and network users. Our business plan was co-created with our stakeholders following an enhanced and robust approach to stakeholder engagement and outlines the network investment we propose to deliver over the five year period, how much it will cost and the benefits to customers and stakeholders.

Ofgem has set a challenging price control and we are required to be ambitious and significantly improve our services for our customers with a challenging incentive package in terms of rewards and penalties. Our strong track record of delivering excellent levels of performance for customers underpins confidence that we can build on the successes of RIIO-ED1 to deliver our holistic plans for RIIO-ED2. As we plan for the challenges of a rapidly changing energy market, we are more ambitious than ever. We want to exceed our customers' expectations and deliver a sustainable, reliable and innovative network for everybody.

Key parameters from Ofgem's RIIO-ED2 determination for NGED:

Allowed return on equity	5.3%-5.6% real, relative to CPIH at 60% gearing. The cost of equity 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.
Allowed debt funding	Calculated and updated each year using 17 year trailing average of iBoxx Utilities 10+ year index, plus55 bps calibration adjustment, 25bps additional cost of borrowing, plus 6bps small issuer premium for West Midlands, South Wales and South West.
Depreciation of RAV	Straight line 45 year depreciation.
Notional gearing	60%
Split between fast/slow money	Capitalisation Rate 1 - 77%-79% capitalisation rate, being slow money. Capitalisation Rate 2 - 85% capitalisation rate, being slow money (used for specific categories of totex).
Sharing factor	50%
Core baseline totex in 2020/21 prices (cumulative for RIIO-ED2)	£5.9billion

Our purpose, vision, values and strategy

In delivering our RIIO-ED2 commitments and achieving our net-zero targets, we work within the purpose, vision, values and strategic priorities of the National Grid Group to ensure we are well positioned to respond to the changes in our operating environment.

National Grid Electricity Distribution plc is the largest electricity distribution network group in the UK, providing a great platform from which to play our role in the energy transition to net-zero.

Our purpose

To bring energy to life.

Our vision

To be at the heart of a clean, fair and affordable energy future:

Clean – Tackling climate change and leading the way to net zero.

Fair – Ensuring that no one is left behind in energy transition.

Affordable – Everyone should be able to pay for their essential energy needs.

Our values

Our values underpin everything we do at NGED:

Our values shape our Group and how our customers and communities experience us. They inform our decisions, how we show up and the way we treat each other. Our values hold great importance because as a company at the heart of a clean, fair and affordable energy future, we know the work we do is important but how we do it is just as important.

Our strategic priorities

Our strategic priorities set out what we need to do to deliver our vision. Our strategic priorities for the year ended 31 March 2024 are as below:

Our strategic priorities are also aligned to our core business plan commitments. For RIIO-ED2 we aim to achieve four crucial outcomes for our customers as follows:

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 emission). This is in line with our 1.5ºC Science Based Targets.

Connectability: A lack of network capacity should not be a barrier for our customers. We will accelerate delivery of smart, decarbonized electricity distribution networks in the UK, preparing for over a million electric vehicles, around 300,000 heat pumps, and a significant increase in renewable energy.

Vulnerability: We will deliver a first class programme of inclusive support. This will include offering 600,000 smart energy action plans for vulnerable customers each year, ensuring no one is left behind in a smart future. We will also more than double our ground breaking fuel poverty support to deliver over £60m of savings for 113,000 fuel poor customers over the course of RIIO-ED2.

Affordability: We will continue to deliver the highest standards of safety, reliability and customer service that customers have come to expect from us. We aim to keep power cuts at their lowest ever levels and crucially we will achieve all of this while keeping our portion of the average domestic customer bill affordable.

Our strategic priorities enable us to deliver above stated outcomes by investing our allowance efficiently.

Our strategic priorities (continued)

Evolving our strategy

For the 2024/25 financial year, National Grid has refreshed strategic priorities for the National Grid Group to reflect changes in the external environment and to better prepare us for the future.

Enabling the energy transition for all remains one of our strategic priorities. This will need much larger and smarter networks with the electrification of heat and transport. So, we have a new strategic priority to build the networks of the future now. Delivering for our customers remains a strategic priority. We have maintained the need to drive efficiency but given equal prominence to the need to operate safely. Our final objective recognises the growth in our workforce and the capabilities they will need to help us deliver these priorities.

We are deploying these through our organisation and using them to shape individual and team objectives for the year ahead. Reporting and reflections in this document are against the four priorities we had in place for 2023/24.

Explaining our updated strategic priorities

These refreshed priorities are key to delivering our vision for a clean, fair and affordable energy future and came into effect in April 2024 in readiness for 2024/25.

Enable the **energy transition** for all

We have a pivotal role in enabling the energy transition across all sectors of the economy through our networks. We work with policymakers, regulators and the wider industry to shape policy and regulatory frameworks needed to reach net zero by 2050.

Build the **networks of the future** now

We will scale a once-in-a-generation increase in capacity to connect to, and transport electricity across, our networks. We will modernise our electricity networks to improve capacity, visibility, security and reliability.

We will deliver a sustainable transition for our US gas networks.

Deliver for our **customers**

We will provide excellent service to all our customers, ensuring they can connect to the network in a timely fashion, that their energy provision is reliable and that we are easy to do business with.

Operate **safely and efficiently**

Our priority is to keep our colleagues safe. Being efficient means we play our part in making the energy transition affordable by investing in the right projects and solutions, and delivering them on (or ahead of) time and budget.

Build **tomorrow's workforce** today

All of this is enabled by our people. The energy transition is happening right now, so we need to build tomorrow's workforce today, with the diverse talent and skills needed to deliver our vision. Our ambition is to be the employer of choice for people who want to have a career in a company where they can have a clear and positive impact on the energy transition.

Delivering our strategic priorities

Enable the energy transition for all	
What this means	**2023/24 achievements**
We will increase the positive impact we have on the environment and society by innovating and influencing policy to enable clean electricity, decarbonise our gas networks, and for electrified heat and transport to connect to our networks.	• Our flexible services are low cost alternatives to network reinforcement that help to manage constraints on the network and save customers money. We are committed to using flexibility services where viable. During the current year, we have maintained our position as the largest flexibility provider in Great Britain, and we continue to lead the way for DSO procurement of services with the development of our Market Gateway giving us access to over 70,000 flexible assets. We placed additional contracts for a total of 124MW this year and dispatched over 2.4GWh in the current regulatory year helping us to defer over £80m of reinforcement. • In addition to the existing sources of flexibility, we have been investigating the potential for domestic customers to flex their power requirements for heat pumps with our EQUINOX project, an innovative heat pump flexibility trial. Our first set of trials which concluded in April 2023, enabled us to demonstrate that customers were able to successfully turn down their heat pumps to reduce electricity demand without affecting their comfort. This first trial won the Heat Pump Project of the year award at the 2023 HV News Awards and was a finalist in the Net Zero Engagement category at the 2023 Utility Week Award. Building on this success, we have commenced the second stage of the project by enrolling over 1,000 customers and engaged in new commercial arrangements. In the future, outcomes from the project could assist in providing cost efficient deferral or avoidance of network reinforcement. • As part of our pledge to drive sustainability and promote net zero in communities, a school in Gloucestershire has become the first to install solar panels with funding from us. The project was carried out in partnership with key local stakeholders, including school staff and governors, as well as a local ecologist who is monitoring biodiversity net gain and carbon levels. This is a landmark project for us as we increase our support for local community projects by helping them to decarbonise and will shape the model that will be scaled up across our network as we deliver on our RIIO-ED2 commitments. • As part of our award winning 'Take Charge' innovation project, we have been addressing the provision of electrical vehicle charging at motorway services and on trunk roads. The electrical vehicle rapid charging hub at Exeter motorway services has now been live for over a year, and delivers the electrical capacity of a small town. In summer 2023, a similar project at Tamworth motorway services was completed.

Delivering our strategic priorities (continued)

Deliver for our customers efficiently	
What this means	**2023/24 achievements**
Our investments in energy system decarbonisation are underpinned by a track record of operational excellence and financial discipline, ensuring the affordable delivery of safe, reliable and resilient energy for our customers.	• We continue to digitalise the connection journey for our customers with our new 'self-serve' connections service speeding up the UK's journey to decarbonisation. Domestic customers and installers wanting to connect low carbon generation and storage to our network can now apply online in just 20 minutes using our new 'self-serve' form and in many cases get instant approval. If an application requires a network study, a network upgrade or other changes to the network, it will be referred to a planner to support them with the connection. The new service follows the successful launch of online applications for electric vehicle chargers last year. • To help customers navigate the complex connections landscape, we launched our connections portal, giving customers wanting a smaller connection (up to 69 KVA), the power to make and track every stage of their applications online. They can also directly message network planners with any queries during office hours. For staff, the portal will ultimately mean fewer high volume applications, giving them more time to concentrate on complex quotations. • We have implemented changes to our license through the Network Access Significant Code Review, which socialises more of the reinforcement costs facilitating cheaper connection of low carbon technologies ("LCTs"). • As part of the Energy Network Association ("ENA") PCB strategy group, chaired by NGED, we are involved in developing a Strategy and Cohort Model for dealing with assets containing Polychlorinated Biphenyls ("PCB") that has eliminated the need for vast numbers of assets to be tested or replaced, saving UK DNOs over £1bn and preventing high levels of customer interruptions. The project won the Collaborative Excellence category award at the 2023 Utility Week Awards. • The Group has continued to support vulnerable customers with our £6m community matters fund.

Delivering our strategic priorities (continued)

Grow our organisational capability	
What this means	**2023/24 achievements**
To deliver our part in a changing energy system, we are transforming our internal processes, strengthening our customer focus and sharpening our commercial edge. We are investing in the capabilities we will need in future and our ability to operate safely remains our top priority.	• We mobilised our new operating model in the year, building on the strength of our local delivery expertise through introduction of critical central planning functions of Customer Excellence, Connections, DSO and Asset Management. The increase in recruitment into these operational roles will ensure we are well placed to meet the predicted increase in demand from our customers. Focusing on our management of leadership talent across the business has provided us with a robust view of succession into our senior leadership roles. This will enable us to build new capabilities for our future success. • As part of our new operating model, we have introduced an independent DSO Panel, which is a substantial progress against our commitments to enable efficient and transparent governance within our functionally separate DSO. The panel is made up of industry experts who represent a broad range of stakeholder views and will strategically challenge and scrutinise the quality of DSO outputs. • We continue to transform our network to accommodate a significant growth of distributed generation. A total of 12.0GW distribution generation is connected to our Group network to date, of which 8.2GW is low-carbon generation, an increase of 9.5% compared to last year. This includes wind, solar, hydro and storage. • During the current year we launched our efficiency delivery programme that will assist in identifying initiatives to deliver unit cost savings in RIIO-ED2. As part of the programme, 17 change agents will facilitate sharing of best ideas across the organisation by piloting projects to find new ways of working to transform our business through sustainable change. • We have announced approximately 140 new Team Leader roles across the Group. It's a crucial role to help drive forward performance and give our field teams the support they need. They will support the Team Manager in areas of safety performance, productivity and customer service; resources allocation; and coordination of daily activities. It is a significant investment in our future to ensure we are getting the best value out of the work we do to improve service for our customers. • Our new interactive video tool, Stream, enables staff to provide virtual home visits for our customers. Stream enables customers to use their phone's camera to show staff around their property to identify easy-to-resolve issues. For more technical issues, an engineer will join the call to offer expert advice. The tool is expected to reduce the need for physical visits by up to 20% within 12 months, providing customers with a more efficient service and freeing up staff to focus on other network priorities.

Delivering our strategic priorities (continued)

Empower our people for great performance	
What this means	**2023/24 achievements**
Our colleagues shape the delivery of outcomes that exceed the expectations of all our stakeholders. By attracting diverse talent and developing our people, we will ensure our colleagues are best placed to work	• We have broadened our leadership development interventions, through introduction of leadership programmes and mobilisation of digital coaching to enhance leadership capability. As a result, the 2024 Group employment survey saw an increased Leadership Index score of 75%. • Safe to Say offers our colleagues the opportunity to raise issues and get positive feedback from leaders. Since it started in January 2023, Safe to Say has had more than 1,200 inquiries dealing with a range of diverse subjects. Of these, around 80% have been actioned and completed, while the rest are in progress. We are continuing to build a culture where our colleagues feel safe to raise concerns and nurture a collaborative work environment. This has led to a 11% increase in our Safe to Say scores over the last two employee surveys. • We launched a Technician development scheme during the year which provides employees the opportunity to develop their knowledge to enable them to apply for Technician opportunities when available. The 12 month scheme comprises of a structured development plan including working within the depot, at other locations within the business and undertaking the formal training courses. Employees will gain exposure to various departments within the Group, including time in the Control Centre and an overview of financial awareness relevant to a Technician role. • 34% of the new hires within the Group in the current year were gender and/or ethnicity diverse. We have also continued to run Diversity, Equity and Inclusion ("DE&I") training for all people managers, as well as diversity training workshops for senior leaders.

Business Review

With an ambitious five-year plan, the start of RIIO-ED2 has led our business into an exciting but challenging new phase of capital delivery. In the first year of the price control, we are on track to deliver our £7.5 billion investment programme. We have continued to deliver a reliable and efficient network for our customers, maintaining world class network reliability at 99.993% availability, Our Return on Equity ("RoE") outperformance for the year ending March 2024 is 108 basis points, within our target RIIO-ED2 range of 100-125 basis points. This is partly underpinned by synergy benefits identified across the National Grid Group.

As we end the first year of our new regulatory framework, we have published our two-year DSO Strategic Action Plan. Our DSO vision is to enable and coordinate a smart, flexible energy system that facilitates local decarbonisation for all customers and communities at the right time and lowest cost. We will achieve our DSO vision by accelerating the development of flexibility markets and expanding access. We have led the industry on Flexibility Market Development, with our unique Market Gateway platform making it simpler and quicker for Flexibility Service Providers to register and participate in flexibility procurement. This has supported us to embed our ‘flexibility first’ principle to deliver efficient network reinforcement and to manage network risks, while keeping costs down for the end consumer.

Making our connections process clearer and simpler for customers is a strategic priority for us and as a result we have been expanding our automated application service as a key part of our pledge to speed up the connections process and accelerate the UK’s journey to a net zero future. We have made over 80,000 Low Carbon Technology ("LCT") connections during the year, with 89% of direct enquiries approved on the same day.

Further, with the volume of new connection applications soaring, we know a ‘fit for the future’ network is vital to meet current and future needs of our customers. In response to these demands, we have announced plans to release 10GW of capacity in our network for new renewable energy generation enabling customers to connect quicker than previously planned, with an average acceleration of 5.8 years. The identification and release of this additional capacity follows significant effort and engagement with stakeholders, including National Grid Electricity System Operator ("ESO"), Ofgem and the UK Government and has been made possible by a new flexible approach that will utilise interim, non-firm arrangements to allow customers to connect sooner. This is part of our work with the Energy Networks Association ("ENA") to find innovative solutions to speed up the connection of LCTs.

Our network navigated through a challenging weather year, with 13 named storms, a notable increase compared to an average of 6 storms over the past 5 years. During the four largest storms impacting our regions, over 126,000 customers lost power to their homes and businesses. With the prompt deployment of field resources, including a fleet of five helicopters, we were able to restore 99.99% of our customers within the guaranteed standard timeframes. Despite our storms response efforts being termed as outstanding by Ofgem, the customer outages negatively impacted our incentive performance. This is a reflection of the tighter regulatory targets in RIIO-ED2.

We have continued to deliver for our customers with an overall customer satisfaction score of 8.97 (2022/23: 8.99). For RIIO-ED2, a new penalty only performance measure in relation to customer satisfaction for major projects connections has been introduced. In the first year of the price control, we scored 8.65 which is above the penalty threshold for all our regions.

Our community matters fund was increased from £3.8m to £6m for the year ended 31 March 2024, with £5m to tackle fuel poverty. In the current year we have been recognised for our unparalleled customer engagement and support for vulnerable customers at the 2023 International Engage Awards, where we won an award for best customer centric strategy.

In August 2023 we tragically suffered a fatality where a colleague fell from height during overhead line work. This event deeply impacted our entire organisation and has reinforced our unwavering commitment to safety. We continue to cooperate with the ongoing Health and Safety Executive investigation and provide support for impacted colleagues. More broadly, our Long Term Injury Frequency Rate ("LTIFR") remained low at 0.098 (2023: 0.076) against a Group target of 0.1.

Business Review (continued)

Looking ahead

We will work to actively drive the nation's move to decarbonisation. Through targeted green investment, widespread rollout of flexibility services and development of new products and digitalised solutions we will look to unlock the network capacity our customers need in order to adopt LCTs at scale. Across the NGED Group, we will aim to prepare our network for over a million electric vehicles during RIIO-ED2, around 300,000 heat pumps, and a significant increase in renewable energy, whilst making it quicker and easier for our growing customer base to connect to the network. We will need to continue to collaborate with our regional stakeholders to enable them to achieve their aspirations, helping them build local energy action plans and we will continue to empower our people to deliver safe, effective and efficient performance for customers through our Integration Synergy and Efficient Work programmes.

Financial highlights

Financial measure	2023/24 £m	2022/23 £m	% change	Performance and comments
Revenue	1,838.2	2,096.5	(12)%	Our allowed revenues are set in accordance with our regulatory price control. 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 this 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 level of revenue, the balance must be returned to customers in subsequent periods, and if we collect less than the allowed level of revenue we may recover the balance from customers in subsequent periods. The decline in revenue is mainly due to the fact that DUoS revenue for the prior year included the recovery of supplier of last resort claims that had arisen due to significant supplier liquidations in December 2021.
Profit before taxation ("PBT")	600.1	681.4	(12)%	As part of the regulatory process Ofgem sets the allowed rate of return within each price control. As evident from the level of capital expenditure below, we invest any excess of profits back into the networks to ensure that we continue to provide an efficient, reliable and secure service to our customers. The decline in PBT is mainly due to an increase in depreciation of £17.6m and an increase in business rates of £16.2m. Further, PBT for prior year included a one of gain on disposal of subsidiary amounting to £12.0m.
Fixed asset additions	1,231.8	1,202.2	2 %	The Group operates in a capital intensive industry and thus invests a major proportion of profits into replacing and adding electricity infrastructure, as is evident from the overall extent of our capital expenditure and increase during the year. Due to the age of the network and technological advancements significant investment is required in capital related activities.
Cash generated from operations	1,354.7	1,383.6	(2)%	Cash generated from operations continues to be consistent year on year. *Cash generated from operations for 2022/23 has been restated due to a change in the classification of interest paid and received from operating activities to financing activities and investing activities respectively.* *Refer to page 84 for details on restatement.*

Business Review (continued)

Financial highlights (continued)

Financial measure			Performance and comments
RAV *Because of timing, the 2023/24 RAV used in these calculations is the latest draft and not the finalised value. As directed by Ofgem, the RAV is calculated using an average of March 2024 and April 2024 inflation (using Ofgem's splice index, reflecting the transition from RPI to CPIH in RIIO-ED2).*	**2023/24 £m**	**2022/23 £m**	RAV is a regulatory concept to represent assets with a long term life. It is essentially equivalent to the net book value of the fixed assets of the business only calculated in regulatory terms using methodology provided by Ofgem. It is an important measure for all DNOs as the allowed revenue in any year includes a return on RAV and amortisation of RAV as determined by Ofgem. Other important measures, such as gearing ratios and recoverable amounts of DNOs with respect to impairment calculations, are calculated using RAV. The movement in RAV is largely driven by additions to our RAV during the year which are based on a percentage of our total expenditure ("totex") calculated in accordance with methodology provided by Ofgem and after application of the totex incentive. Note, the differences in the carrying value of our fixed assets based on IFRS methodology and RAV based on regulatory guidance have accumulated over time and as such cannot be reconciled.
	11,495.3	10,846.4	
Gearing ratio	**2023/24**	**2022/23**	Gearing for NGED is calculated as the ratio of net debt to RAV. The gearing ratio is monitored in relation to the covenants for several bond issuances of the NGED companies and is used as a key internal measure. To comply with covenants, the gearing ratio for the NGED Group does not exceed 85%. The regulatory gearing target for the four DNOs individually is 60% RIIO-ED2 onwards.
Net debt* (£m)	6,961.2	6,774.7	
RAV (£m)	11,495.3	10,846,4	
Net debt to RAV	60.6 %	62.5 %	
** The calculation of net debt has been amended during the year due to accounting policy alignment with the parent, National grid Plc. Refer to note 25 on page 130 for the calculation of net debt.*			
Interest cover	**2023/24**	**2022/23**	A minimum ratio of earnings before interest, tax, depreciation and amortisation ("EBITDA") to interest payable is used as a key internal indicator of the financial health of the DNOs. The Group aims for interest cover ratio to not fall below 3:1. Our interest cover ratio is at an acceptable level and shows a sufficient level of earnings to cover interest payments.
PBT (£m)	600.1	681.4	
Finance cost (£m)	349.5	399.4	
Depreciation (£m)	303.9	286.3	
Amortisation (£m)	3.9	3.3	
EBITDA (£m)	1,257.4	1,370.4	
Interest payable (£m)	349.5	399.4	
Interest cover	3.6	3.4	

Business Review (continued)

Financial highlights (continued)

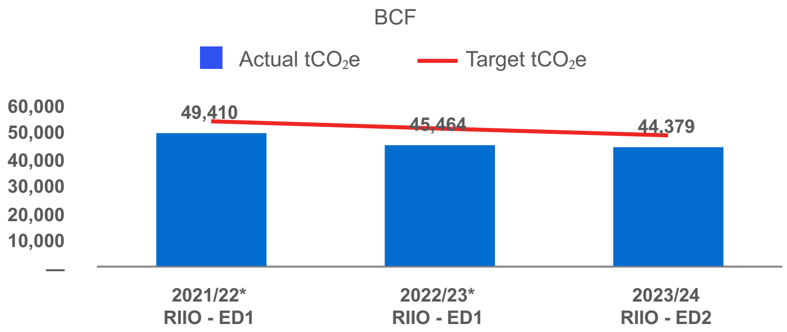
Financial measure			Performance and comments
Return on equity ("ROE")	**2023/24 %**	**2022/23 %**	Our ROE is based on the allowed regulated return on equity. Regulated return on equity is a measure of how a business is performing operationally against the assumptions used by Ofgem. These returns are calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure, at the assumed cost of debt and that UK taxation paid is at the level assumed by Ofgem. As part of the regulatory process Ofgem sets the allowed rate of return which fluctuates based on the risk free rate. For RIIO-E2 this is set five months prior in advance of commencing the next financial year. For the year ended 31 March 2024, this was set at 5.3%, normalised for a long-run inflation rate of 2%, base ROE was at 7.4% The totex incentive mechanism relates to the sharing of any under or over spend on our allowances through our adjustment to allowed revenue in future years. Totex incentives have increased due to efficient delivery of ED2 commitments and targets. There has been a reduction in incentives revenue earned due to the tightening of targets in RIIO-ED2. *Note: ROE is a performance measure based on the allowed regulated return on equity and cannot be reconciled to any statutory measure. In the current year, ROE has been included as an APM to reflect our performance within the regulatory regime and to align with performance reporting by our ultimate parent company, National Grid plc.*
Base return	7.4 %	9.6 %	
Totex incentive mechanism	1.1 %	0.8 %	
Other revenue incentives	—	2.8 %	
ROE	8.5 %	13.2 %	

Key performance indicators (KPIs)

NGED utilises KPIs to assess progress against our overall purpose and strategic priorities.

Business carbon footprint ("BCF")

Strategy link: Enable the energy transition for all



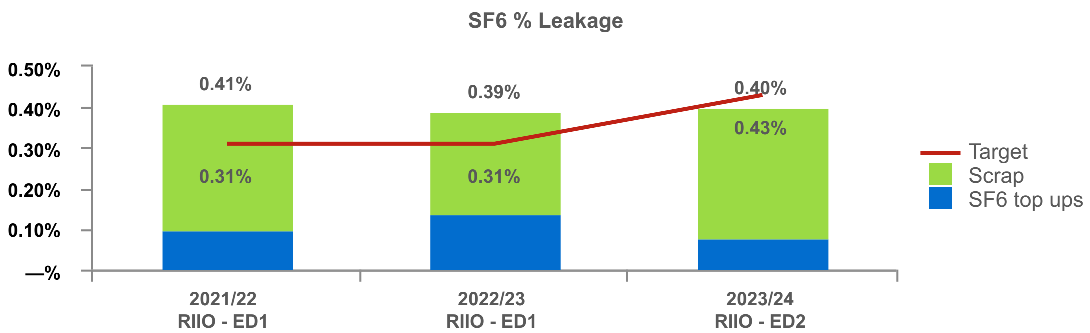
*Comparatives have been restated to exclude contractor emissions to align with Ofgem's RIIO-ED2 reporting requirement.

Performance and comments: Our BCF details the impact that our operational activities have on the environment in terms of associated carbon dioxide ("CO_2") emissions. We report our BCF using equivalent tonnes of carbon dioxide ("tCO_2e"). NGED follows a recognised methodology as described within international business carbon footprint standards, the Greenhouse Gas ("GHG") carbon reporting guidance, the 2020 UK Government GHG Conversion Factors for company reporting and ISO14064-3.

Our Business Carbon Footprint has reduced by 2.4% compared to last year. The target is in line with our verified 1.5ºC Science Based Target. For details on the methodology for the calculation of our BCF refer to page 60.

SF6 emissions (emissions as % of SF6 bank)

Strategy link: Enable the energy transition for all



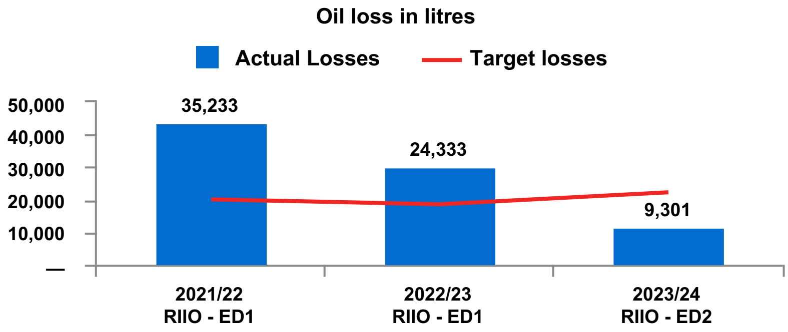
Performance and comments: SF6 gas is used throughout our industry as an insulating medium in switchgear. Although it provides many benefits it is a potent greenhouse gas. There are currently no viable alternatives to SF6. Therefore we continuously monitor our SF6 emissions. The amount of SF6 emitted is expressed as a percentage of the overall 'bank' of SF6 contained within our switchgear. Overall the level of leakage is reducing over time as older units are replaced with new units which also contain lower levels of SF6. When replacing switchgear we give priority to the switchgear with the highest leak rates. When a leak becomes apparent we locate its source so that a strategy can be developed to manage the situation taking into account the potential for repairs and the lead times for replacement switchgear.

For RIIO-ED1, the SF6 target was a 17% reduction over the RIIO-ED1 period and related only to top ups % leakage as the scrap and manufacturers return data was not compiled at that time. For RIIO-ED2, the target is a 20% reduction in total SF6 leakage rate from the 2019/20 baseline actual leakage rates. Please note that manufacturers return is nil and therefore not part of the chart above.

Key performance indicators (KPIs) (continued)

Fluid cable losses

Strategy link: Enable the energy transition for all



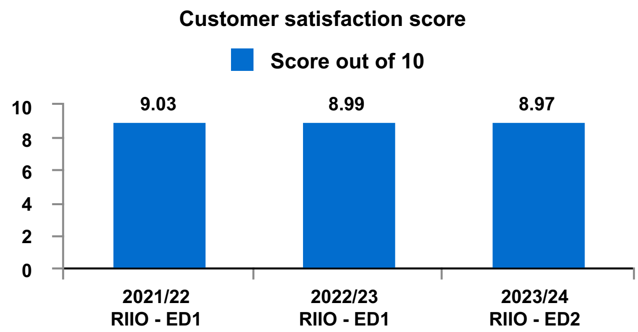
Performance and comments: The design of very high voltage underground cables has evolved over many years and our new cables all use a solid plastic-like insulation. Old designs of 33kV and higher voltage cables used an insulating oil in ducts inside the cable. Whilst these cables are normally very reliable, in the event of a fault or damage by third parties, this oil may leak. In common with other DNOs, NGED works to an operating code agreed with the Environment Agency and assesses both the condition and the environmental risk posed by the fluid filled cables which the NGED Group owns.

The losses from NGED's fluid filled cables can vary from year to year generally dependent on the number of small leaks at disparate locations. Older styles of electricity cables containing oil occasionally leak when equipment is damaged, seals deteriorate or as a result of changing ground conditions. Replacement programmes for the older styles of cables have been planned.

It is our commitment to reduce fluid filled cable losses by 50% over the course of RIIO-ED2. The baseline is the average fluid filled cable losses over the last three years of RIIO-ED1 for each licence area. During the year ended 31 March 2024, we met the target for all four DNOs.

Overall customer satisfaction

Strategy link: Grow our organisational capability



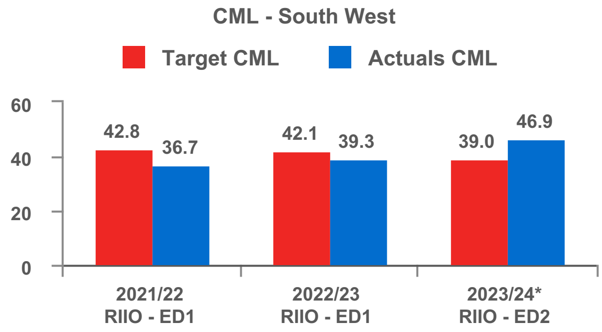
Performance and comments: As part of Ofgem’s Broad Measure of Customer Satisfaction Incentive, a research agency undertakes a monthly satisfaction survey assessing customers' satisfaction for connection quotations and delivery, power interruptions and general enquiries. The customer satisfaction score is given out of 10. For NGED’s four licence areas around 20,000 customers are surveyed per year.

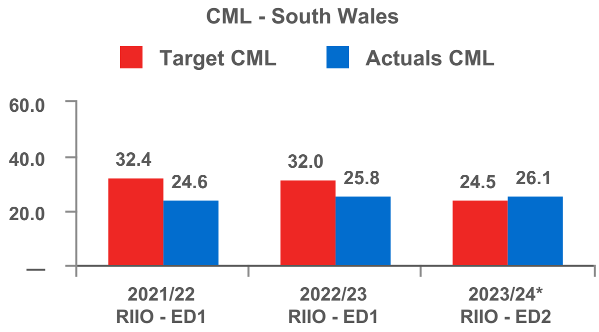
For RIIO-ED2, a score of less than 8.90 results in penalty and a score greater than 9.12 generates a reward under the Ofgem's incentive scheme. Only NGED South West scored below the penalty threshold of our four DNOs. No regulatory licence area scored greater than the reward threshold. NGED continues to look to identify opportunities across our four DNOs to improve our service to customers and hence our performance scores.

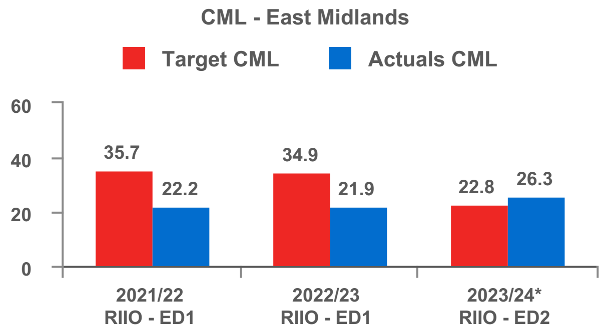
Key performance indicators (KPIs) (continued)

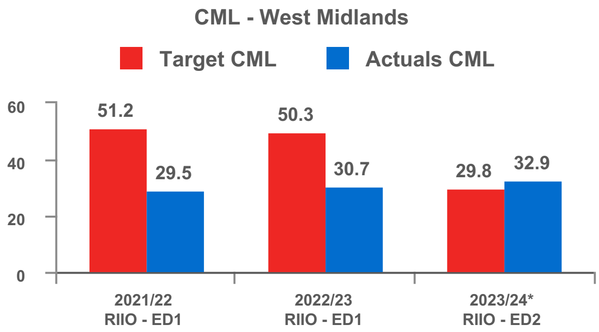
Customer minutes lost ("CML")

Strategy link: Deliver for our customers efficiently









*The 2023/24 actuals are subject to Ofgem confirmation.

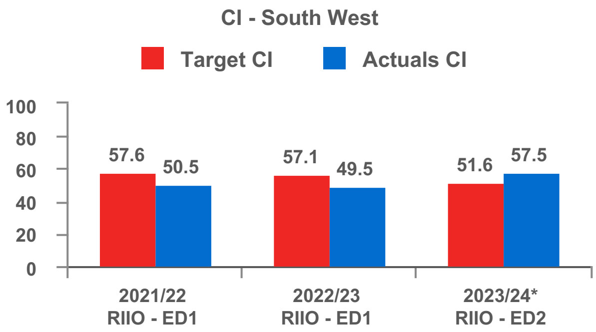
Performance and comments: CML represents the average time a customer is without power during the year. It is calculated by taking the sum of customer minutes lost for all incidents, excluding the allowed exceptional events, divided by customers connected. The targets are defined by Ofgem at each DNO level.

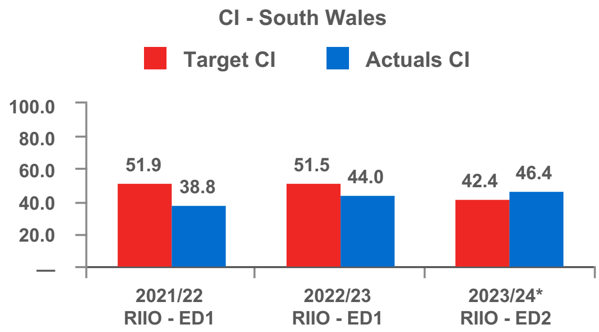
The current year targets are significantly more challenging than the previous year and reflect the increased performance challenge that RIIO-ED2 poses compared to RIIO-ED1. There were 13 named storms during the current year with 4 classed as exceptional (subject to Ofgem approval). Although our response efforts during the storms were acknowledged by Ofgem to be outstanding, customer outages negatively impacted our incentives performance. Delivering our FY24 performance under the ED1 incentive package would have resulted in a reward for the first year of ED2. It is our focus for the upcoming year to improve our operational performance on our incentive measures.

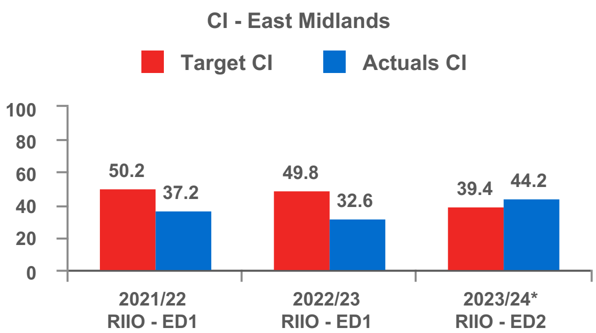
Key performance indicators (KPIs) (continued)

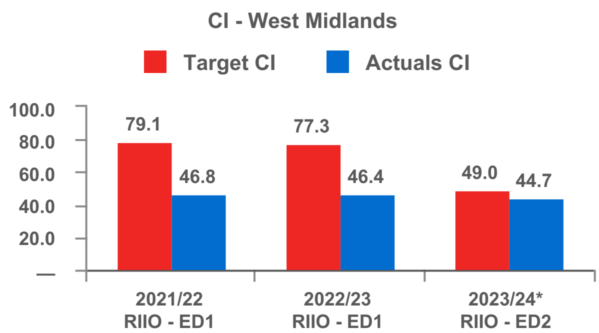
Number of customer interruptions ("CI")

Strategy link: Deliver for our customers efficiently









*The 2023/24 actuals are subject to Ofgem confirmation.

Performance and comments: CI represents supply interruptions experienced by connected customers per 100 customers. Adjustment for exceptional one off events that are outside the control of DNOs is allowed by Ofgem. The targets are defined by Ofgem at each DNO level.

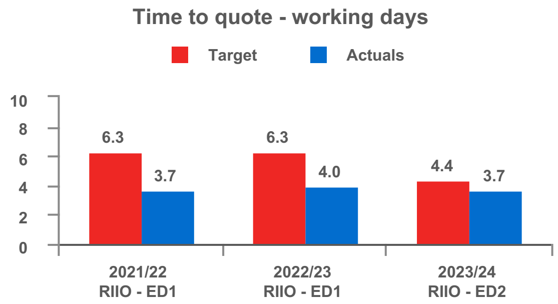
The current year targets are significantly more challenging than the previous year and reflect the increased performance challenge that RIIO-ED2 poses compared to RIIO-ED1. There were 13 named storms during the current year with 4 classed as exceptional (subject to Ofgem approval). Although our response efforts during the storms were acknowledged by Ofgem to be outstanding, customer outages negatively impacted our incentives performance. Delivering our FY24 performance under the ED1 incentive package would have resulted in a reward for the first year of ED2. It is our focus for the upcoming year to improve our operational performance on our incentive measures.

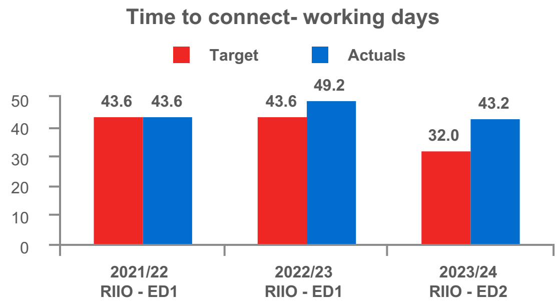
Key performance indicators (KPIs) (continued)

Connections (time to quote and time to connect)

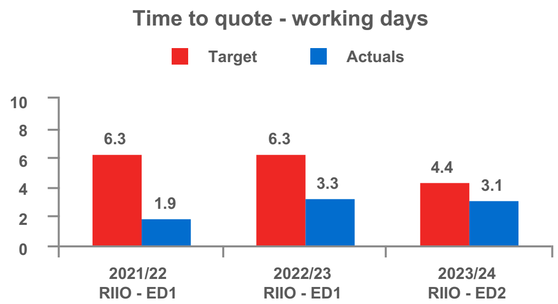
Strategy link: Deliver for our customers efficiently

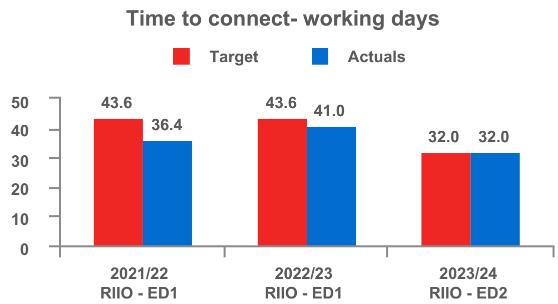
South West



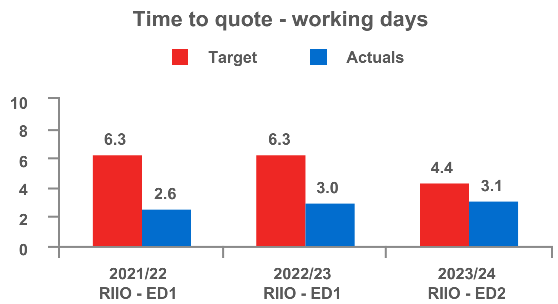


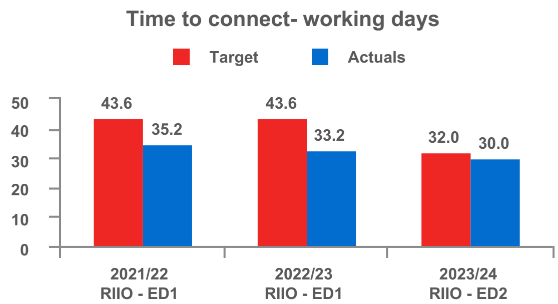
South Wales



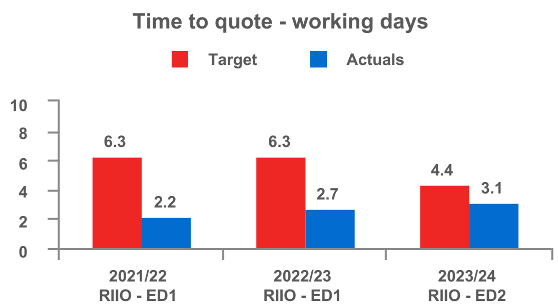


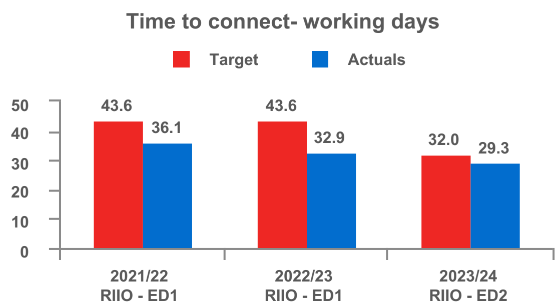
East Midlands





West Midlands





Key performance indicators (KPIs) (continued)

Connections (time to quote and time to connect) (continued)

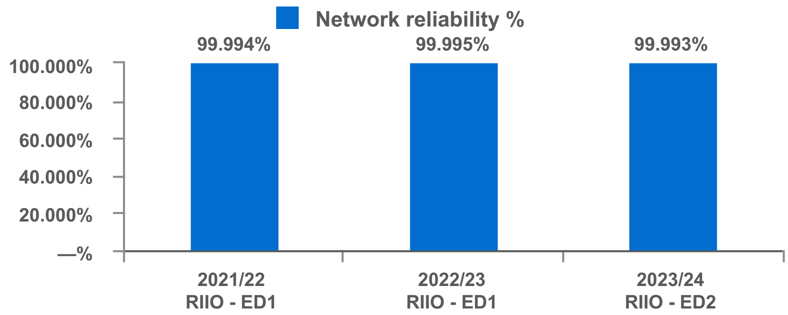
Performance and comments: Ofgem sets the targets for the overall "time to quote" and "time to connect" for single domestic connections and small commercial connections. LVSSA customers are those seeking single domestic connections requiring no mains work at low voltage. LVSSB customers are those seeking two to four domestic connections or one-off commercial connections at low voltage requiring no network reinforcement work. LVSSA and LVSSB actuals are reported separately against separate targets. The above actuals and targets are average for LVSSA and LVSSB.

For RIIO-ED1, this performance measure was an incentive only measure. For RIIO-ED2, this performance measure is an incentive and penalty measure. The above targets are based on reward threshold scores set by Ofgem. If we incur less time than the above target thresholds, we earn a reward.

We have not incurred a penalty for any of our licence areas. We have earned a reward for all DNOs, except NGED South West. For NGED South West's 'time to connect' measure, we have not achieved the reward target and are in "no reward/no penalty" band.

Network reliability

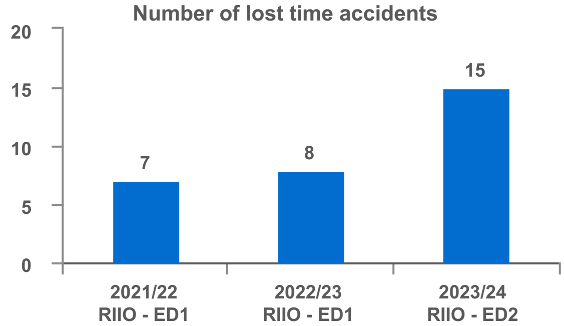
Strategy link: Deliver for our customers efficiently

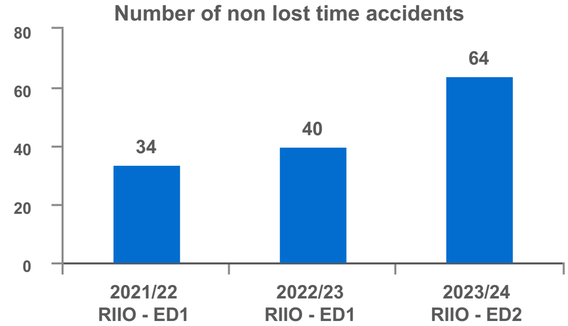


Performance and comments: We aim to deliver reliability by planning our capital investments to meet challenging demand and supply patterns, designing and building robust networks, having risk-based maintenance and replacement programmes, and detailed and tested incident response plans.

Level of work related accidents

Strategy link: Grow our organisational capability





Performance and comments: In August 2023 we tragically suffered a fatality where a colleague fell from height during overhead line work. This event deeply impacted our entire organisation and has reinforced our unwavering commitment to safety. We continue to cooperate with the ongoing Health and Safety Executive investigation and provide support for impacted colleagues. More broadly, our Long Term Injury Frequency Rate ("LTIFR") remained low at 0.098 (2023: 0.076) against a Group target of 0.1.

Key performance indicators (KPIs) (continued)

Level of work related accidents (continued)

The total number of accidents reported across the Group has increased during the current year, but we remain below the National Grid Group target. We remain committed to the highest levels of safety in all areas and in order to reduce accidents to a minimum, all accidents and near misses are investigated so that causes and lessons can be learned to help prevent a recurrence.

During the current year, we made significant efforts to encourage staff to diligently report near misses and minor accidents. This has resulted in reporting of incidents that may not have been previously reported, This approach is crucial to enhancing safety culture, ensuring due investigation focusing on actual or potential for harm and allowing us to be more effective in our analysis of accidents to avoid future occurrence.

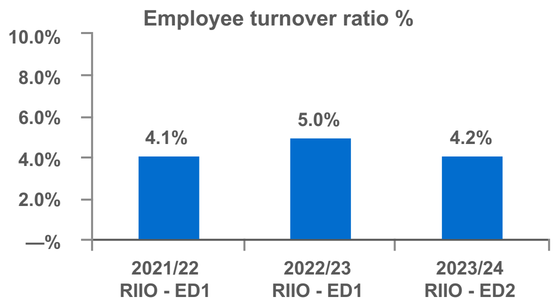
Many of the additional accidents reported this year were slip, trip and fall related, as well as a number of dog attacks. No common root cause was identified and they involved situations outside of NGED control, which includes ground conditions, dangerous animals, weather and access and egress arrangements where the local hazards had not been sufficiently identified.

We will continue to ensure all planned safety inspection and maintenance programmes are completed during the year and, in an effort to reduce injuries a new behavioural safety programme will be implemented to ensure staff are reminded of their training, the need to consider all the hazards in the vicinity of their work area and their safety responsibilities to themselves and to others.

NGED also monitors the overall rate of accidents per 100 employee. The accident rate for the NGED Group for 2023/24 is 1.13 (2022/23: 0.72).

Employee turnover ratio

Strategy link: Empower our people for great performance

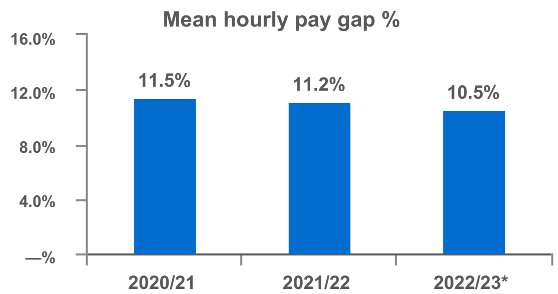


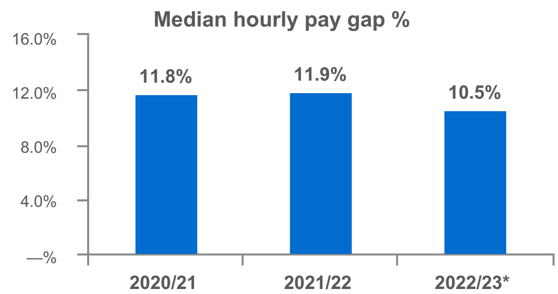
Performance and comments: There is a decline in the year on year turnover ratio. On an overall basis, NGED has a low employee turnover ratio, indicating a positive working environment for our colleagues.

Employee gender pay gap

Strategy link: Empower our people for great performance

South West



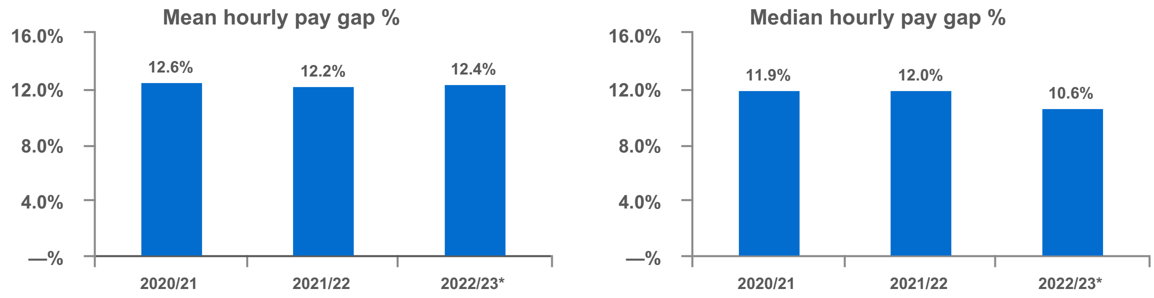


Performance and comments: The mean hourly pay gap and median hourly pay gap has shown an improvement year on year.

Key performance indicators (KPIs) (continued)

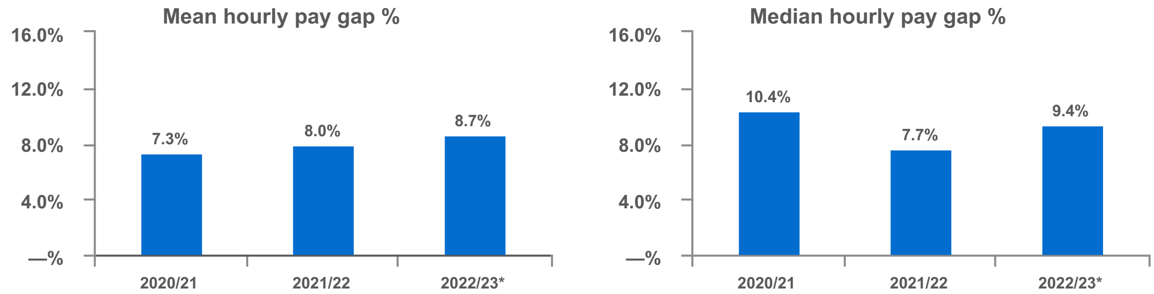
Employee gender pay gap (continued)

South Wales



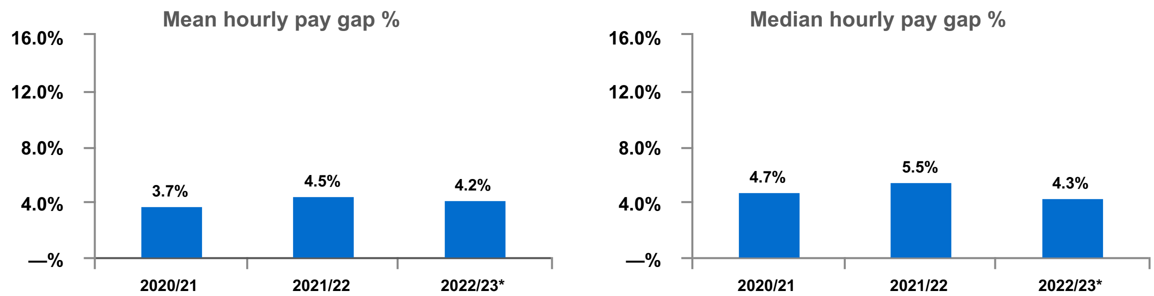
Performance and comments: Whilst the Company's mean hourly pay gap has shown slight decline year on year, significant improvement has been noted in the Company's median hourly pay gap.

East Midlands



Performance and comments: Whilst the mean hourly pay gap and median hourly pay gap has declined as compared to last year, the female representation in the Company has shown slight improvement from 20.7% last year to 21.3% in the current year.

West Midlands



Performance and comments: The mean hourly pay gap and median hourly pay gap has shown an improvement year on year.

Our full gender pay gap report can be found at link below:

https://www.nationalgrid.com/careers/understanding-our-uk-gender-pay-gap

*2022/23 are the latest available results and is for data on the snapshot date of 5 April 2023. The report for the snapshot date of April 2024 will be available by April 2025.

Our business environment

We are committed to delivering net zero whilst ensuring fairness and affordability for customers. Through our work with governments and regulators, we are delivering infrastructure investments and shaping policy to realise climate goals.

	Impact on our industry	Our response
Net zero Decarbonisation in the UK is the dominant driver of change and growth for our portfolio, and we are committed to delivering the energy systems which are critical to the wider energy transition.	• Global momentum behind decarbonisation continues to build, and we are committed to delivering the energy systems which are critical to the wider energy transition. • The UK government is prioritising reforms that reduce barriers to electricity infrastructure investment to deliver the net zero transition, including connections reform. Despite challenges, even in our most pessimistic scenarios, we expect significant electricity network infrastructure upgrades.	• We are driving the shift towards a low carbon, net zero future for our customers and work is already well underway to transform the energy grid to achieve this. Over the five year period 2023-2028, the Group will turbo charge the pace of that change in order to meet the energy needs of our customers today and create a sustainable future for generations to come. Our long-term forecasts, called Distribution Future Energy Scenarios ("DFES"), identify how customers will use our network in the future. We use this information to predict the future requirements on our network and decide when and where to invest in the network. This ensures that our strategic network planning provides sufficient network capacity as the country transitions to net zero. • We continued with our journey of fleet electrification. The percentage of electric vehicles in our commercial fleet is 12% (up from 9% in previous year) and leased fleet is 50% (up from 25% in previous), Contracts for Electric Vehicle Charge Point Infrastructure were awarded in the current year. These contracts will enable our project management teams to begin installing one of the largest private electric vehicle charging networks in the UK. This will mean our operational teams will always be within a 10 mile radius of an NGED owned and operated charger. • As part of ENA, we are working collaboratively with other DNOs to develop and implement a collaborative and common approach to measuring and implementing biodiversity net gain across the network. • We are trialling the utilisation of a biodiversity net gain metric tool at around 40 substations to establish a baseline from which bespoke biodiversity management plans will be developed. • We are working with the wider National Grid Group to transform our supply chain focussing on circular economy principles, addressing scope 3 emissions and reducing unnecessary waste. • Alongside Octopus Energy, we have introduced a new process to speed up the installation of heat pumps and other low carbon technologies, such as domestic batteries and electric vehicle chargers. The additional power required by these clean tech devices can mean that the fuse on the incoming electricity supply would need to be upgraded by the local DNO. This new agreement allows Octopus Energy engineers to upgrade the fuse themselves at the same time as they are installing heat pumps, EV chargers and solar panels in their customers' homes, reducing the installation time by up to 10 weeks.

Our business environment (continued)

	Impact on our industry	Our response
Fairness and affordability We are committed to delivering the energy transition as efficiently and fairly as we can to create the best long-term value.	• We closely monitor developments in economic outlooks in the UK. An improving economic environment could deliver lower debt costs and reduce the number of projects which are delayed or cancelled, although borrowing costs will still remain a key consideration particularly for customers deciding whether to electrify heat and transport. The cost of materials remains elevated. For families, the cost of living crisis remains front of mind.	We have established a social contract which acts as a focal point for our business to deliver greater social and environmental benefits, giving strategic direction to our promise to do the right thing for our customers. Key initiatives are outlined below: • We have awarded £6m to local good causes via it's shareholder-funded Community Matters Fund. This includes: £5m to help tackle fuel poverty in our region. We supported 715 local organisations and an estimated 272,000 beneficiaries are now receiving support through warm banks, energy efficiency advice and access to funding schemes; £500,000 aimed at supporting biodiversity schemes and community green spaces. The fund was distributed to 103 organisations to support the development of green spaces to bring communities together, encourage more wildlife and biodiversity, improve air quality and reduce noise, as well as delivering health benefits, and creating employment and volunteering opportunities; £500,000 focused on promoting physical health and wellbeing for people of all ages across our region. The fund was distributed to 120 organisations to support new exercise and sporting initiatives in their area and approximately 120,000 people have benefited from these grants. • We have partnered with four fuel poverty organisations, one in each of our licence areas, to deliver the 'Power Up' scheme. The project helps customers by offering income and energy efficiency advice, such as benefits and grant applications and energy saving schemes. Customers are offered free, independent and confidential advice on a full range of interventions. The project works by partner organisations taking referrals directly from us. In addition, we continue to partner with four community based organisations, one in each of our licence areas, to deliver an 'Affordable Warmth' fuel poverty scheme. Both these schemes collectively contributed to the total 23,705 (2023: 24,463) customers who saved over £23.4m (2023: £20.6m). • Our Energy Affordability Fund has enabled seven new innovative projects aimed at enhancing local provider advice capacity across our region. This would assist organisations to provide support in areas such as home improvements, energy efficiency, winter resilience and raising awareness of the link between cold, damp homes and health issues.

Our business environment (continued)

	Impact on our industry	Our response
Technological change We expect technology to change rapidly on the demand and supply side of energy. In many industries, generative AI (including ours) will be a key enabler, but will also increase electricity demand. We will stay ahead of technological change, leveraging and enabling where we can, mitigating and preparing where we need.	• Innovations in energy technology continue to drive change in the pace and shape of the energy transition. The increased deployment of weather-dependent generation requires innovative technological and commercial processes to balance supply and demand and ensure resilience. • Rapid developments in the capability of generative AI open new opportunities for energy industry applications including generation and demand forecasting, infrastructure planning, predictive maintenance and improvements to physical safety. • Data centres which enable generative AI and digitalisation will be a significant source of future energy demand. The likely scale of this impact is still evolving and we are monitoring closely. • Cyber security and resilience are key priorities for us, as is the ethical and safe use of generative AI technologies.	• Our digitalisation strategy and action plan ensure that we remain an efficient and effective operator of our network and deliver data and solutions in the right format, at the right time, to customers and stakeholders to meet their needs and ambitions. Enhancing the visibility of our network information and harnessing the latest data and digital solutions helps us to operate a dynamic network. Our data and digitalisation governance group drives our programme to ensure that a consistent and appropriate approach is taken across our complete business. This ensures we continue to focus in the right areas, do not leave any part of our business, employees, customers, or stakeholders behind. Our investment in our connected data portal now enables huge amounts of valuable data to be accessed centrally and we continue to invest in our Integrated Network Model, ensuring we have a single source of the truth for our data, providing greater detail for us and our customers to benefit from. • We launched our Low Voltage ("LV") Network Insights Platform. The platform is an open data interface that displays data from monitoring units installed on distribution substations across NGED's electricity network, helping to provide insights into network usage and capacity, low carbon technology connections and carbon intensity. This will enable us to present data in a clear and user-friendly way, to inform decision making and enable users to understand their electricity usage and needs. • The Smart Meter Innovations and Test Network project examined how the smart meter data can be used to solve the problems of missing or incorrect data for low voltage networks by applying algorithms to smart meter data in a novel way. Following the success of this project, we are implementing the data analytics used within the business to improve the data quality of our LV network. Ensuring we have accurate records for how customers are connected to the network, what LCTs are present and the planning profiles is an essential pre-requisite to unlock the potential of automated network analysis, whether for new connections self-serve tools or widespread analysis to inform strategic planning. • As a part of the critical work NGED does to keep the electricity network safe and secure, our telecoms team installed almost a kilometre of underground fibre optic cable to a new pylon in Nottinghamshire. The cable will help to monitor power supplies. It will also protect and control the network by carrying additional services and giving a more 'real time' view of the electricity network so we can keep the power flowing to homes and businesses. Fibre optic technology like this is replacing traditional radio links and will be added to overhead lines and underground cable routes across all of the Group's region as we build the energy network of the future.

Our business environment (continued)

	Impact on our industry	Our response
Global uncertainty Geopolitical tensions and competition for resources threaten supply chains, while a new UK Government brings policy uncertainty that could impact our ability to plan.	• Geopolitical volatility is the biggest risk identified in the World Economic Forum's Chief Risk Officers Outlook, 2023. • Conflict in the Middle East and the possibility of escalation continues to threaten supply chains and energy security remains a top priority. • In response to this volatile global environment, governments are implementing policies to provide greater certainty and opportunity for our sector, The UK's Energy Act received Royal Assent in October 2023 and sets the foundation for the future of energy in the UK, including the establishment of an Independent System Operator and Planner ("ISOP").	• We continually review our strategy in response to changes in our business environment, and closely monitor geopolitical and economic shifts. The National Grid Group has introduced our new strategic priorities for the upcoming year and these reflect the need to be more proactive in setting a foundation for the future. • As part of our new operating model, we have established a new Asset Management function that will assist in managing supply chain risks. This function will be responsible for enhancing asset performance, implementing effective asset risk management approaches, and providing efficient operations support that aligns with our future objectives. Within this new function, we have commenced the process of quarterly forecasting and in the future we intend to use these forecasts to offer our suppliers earlier and longer-term commitments to enable optimised planning and visibility to allocate capacity and allow us to manage common constraints. • Our efficiency delivery program launched in the current year will be instrumental in ensuring that we have the necessary specialised resources at the appropriate levels within the organisation to meet the resourcing and efficiency requirements for delivering our significant capital investment during RIIO-ED2. • National Grid's 'Delivering for 2035' report in the UK lays out five priority areas where action is needed from industry, the UK government and Ofgem to meet the UK's target to decarbonise the power system by 2035. You can read more here: https://www.nationalgrid.com/document/149501/download

Distribution System Operator ("DSO") Function

Electricity distribution networks must adapt to the changing needs of their customers and stakeholders. We are committed to playing our part in enabling local and regional decarbonisation, and to address these evolving needs on our network we have prioritised development of our DSO function and capabilities. The DSO function is about developing and operating a smarter and more flexible electricity system. To deliver benefits from this smarter approach requires investment in data, systems and processes to enable this capability, and also for this capability to be exploited. This is the role of the DSO.

In our first full year as a functionally separate DSO, we have made significant progress developing and refining our DSO capabilities. The aim of our approach is to achieve positive outcomes for the customers and communities that we serve, and we are proud to have already delivered the following tangible benefits for our customers and stakeholders:

– Identified 10 GW of additional capacity for renewable energy projects;
– Deferred over £80m investment in conventional reinforcement through flexibility, delivering consumer savings;
– Procured over 17 GWh of flexibility availability, with 19,000 dispatch events;
– Delivered 290 Net Zero Surgeries with our local authority stakeholders, to support their decarbonisation journeys;
– Engaged over 200 stakeholders from across the whole energy system through our Electricity Futures DSO event series; and
– Launched our independent DSO Panel.

In addition to the above, we have published our seventh Distribution Network Options Assessment ("DNOA") – our market leading method of communicating how we are managing network constraints and eighth Distribution Future Energy Scenarios ("DFES") annual forecasts which incorporate 7,200 strategic projects being developed by local authorities across our regions.

Since April 2023, we have embarked on an extensive programme of engagement so we can make sure our stakeholders' voices directly shape development of our DSO plans and priorities. Through our Electricity Futures engagement series, we sought feedback on our initial view of the DSO vision, commitments and deliverables. We are committed to ensuring that our DSO was set up to deliver the services that our stakeholders value. Our forward plans are built around five key themes that our customers and stakeholders say are important:

Planning and Network Development: Enable local and regional decarbonisation by supporting ambitious initiatives from planning through to delivery on the ground.

Network Operation: Enhance the visibility of our network by harnessing the latest data and digital solutions to drive smart, whole-system outcomes.

Flexibility Market Development: Continue to lead the curve on flexibility, doing all that we can to create market opportunities and simplify access.

Governance: Promote transparent, independent and efficient decision-making through effective DSO governance.

Engagement: Proactively collaborate through partnerships to deliver whole-system outcomes, and be transparent with stakeholders how we measure DSO success.

For further details refer to our complete DSO strategic action plan at below link:

https://www.nationalgrid.co.uk/dso

Innovation and Development

NGED, through Ofgem's Network Innovation Funding Incentives, is developing innovative projects which aim to help make the energy networks smarter, accelerate the development of a net zero carbon energy sector and deliver financial benefits to communities and consumers, including vulnerable customers. The projects help develop crucial knowledge and expertise which is being shared across the industry. In February 2024, we hosted our ‘26 to Zero' event to update our stakeholders on the progress of our key innovation projects.

From April 2023 onwards, the larger projects that were previously funded via the Network Innovation Competition have been replaced by the Strategic Innovation Fund ("SIF"). This has the advantage of breaking down these larger projects into Discovery, Alpha and Beta phases so that the potential issues with ambitious projects can be identified earlier on in the process before significant costs are committed.

Planning Regional Infrastructure in a Digital Environment ("PRIDE") is the first NGED SIF project that has progressed to Alpha phase following successful completion of the Discovery phase. The project focuses on using data and digital demand planning, across multiple levels of the energy system, to facilitate, manage and integrate demands across heat, transport and energy demand reduction. PRIDE aims to support local area energy planning and serve network investment decision needs, to fast-track low-carbon technology deployment at a regional level. The project includes developing a “whole systems digital planning tool”. The project will test how this tool works across different regional energy planning stakeholders, and how it could be used in broader governance structures, specifically in the upcoming Regional Energy Strategic Planning process. The project is being delivered collaboratively with four project partners: West Midlands Combined Authority, Advanced Infrastructure Technology Limited, Regen and National Grid ESO.

Another project that has made progress in the current year is Active Creosote Extraction ("ACE"). This project has looked at creating, trialing and testing a new methodology that can extract creosote from wood to sufficient levels where they can be classified as non-hazardous waste. In the current year, we have finalised the test design and commissioned the test plant. We are now in the testing phase to assess effectiveness of each methodology. So far we have achieved extractions that have yielded up to 80% reduction within a pole and have generated valuable new learnings around refining the system with the potential of it being rolled out / commercialised. In the next few months, we will continue to focus on gathering valuable data from each pole being tested and assessing the commercial validity of the process. The project was a finalist at the 2023 Utility Week Award for the Environmental, Social and Governance Initiative of the Year.

Decarbonisation is at the heart of two of our latest innovation projects to be awarded Ofgem funding. The Rural Energy and Community Heat ("REACH") project has won nearly £117,000 from the energy regulator to support rural communities to decarbonise quicker. Our Road to Power project has also won £141,000 to support the roadworks sector in its move to electric plant machinery and net zero emissions.

The REACH project will work with innovative suppliers to develop shipping container-sized rural energy centres. These prefabricated units will contain standardised equipment that can be easily sited within communities to enable the connection of heat pumps, electric vehicle chargers and renewable generation.

The Road to Power project will examine how electricity networks can support the street and roadworks sector’s move to electric plant machinery and net zero emissions. National Highways have set an ambitious 2030 target for zero emission plant equipment on all work sites. Greater electrification of plant machinery will pose challenges to the electricity network due to its high and inflexible charging demands at regularly changing locations. However, there is still some uncertainty as to how decarbonisation will play out with electrification of some equipment expected to be complemented by the use of hydrogen by other plant. Road to Power aims to understand the drivers and to create realistic scenarios for planning. The project will assess these demands, forecast future consumption and explore different electrification pathways and infrastructure needs. It will then create online tools to help roadworks contractors obtain temporary grid connections while helping networks forecast the impact of temporary works on their infrastructure.

During the current year experts from our innovation and digitalisation teams were invited to attend CIRED (International Conference on Electricity Distribution) – one of the distribution industry’s leading international events – alongside experts from 70 countries to address some of the biggest issues facing the industry. NGED representatives actively shared their knowledge and expertise at events throughout the conference and nine NGED papers were accepted at the conference. This was a unique opportunity for our teams to present our innovation projects and compare our findings with thousands of electricity distribution professionals.

Internal controls and risk management

The National Grid Electricity Distribution Plc Board has overall responsibility for NGED's system of risk management and internal control across the NGED Group. The NGED Board is committed to protecting and enhancing our reputation and assets, while safeguarding the interests of our stakeholders.

Managing our risks

NGED is exposed to a range of uncertainties that could have a material effect on achieving its strategic objectives, its financial condition, operational results, reputation and its value. The National Grid Plc Board sets and monitors the amount of risk that the National Grid Group is prepared to seek or accept in pursuing its strategic objectives, via the National Grid Group's risk appetite framework. This framework applies in all cases (unless specifically agreed otherwise) to NGED. The NGED Board reviews its Principal Risks ("PRs") at least annually with any urgent risks raised to the Board as needed. This process is being reviewed for the next financial year to align more closely with the approach followed by the National Grid Group. There is a monthly NGED Ethics, Risk & Compliance Committee ("ERCC") which the senior leadership team sit on and monitors NGED Principal and Emerging risks ("ER"s). ERs are those risks which do not pose an immediate threat but which nevertheless have the potential for significant impact. The risk management framework and process is further set out in our Code of corporate governance statement on page 49.

Actions during the year

Our risk profile continues to be managed by drawing upon the most significant risks across our business. This year we reviewed our risk management framework and our PRs to align better to our parent company, National Grid Plc's Group Principal Risks ("GPRs") along with our own business plan commitments. We assessed risks against the strategic business objectives of the Group, and devised a new set of PRs for the NGED Group, aligning these with the Group Board's strategic objectives, risk appetite and associated key controls, which are clearly defined and assessed.

The rapidly evolving political and economic landscape continues to dominate our risk profile. The uncertainty of this landscape has created an increase in the underlying (inherent) threat. This is particularly relevant to cyber, disruption of energy, political and societal expectations, and regulatory risks. We are continuously reviewing these risks.

The "Sustained loss of customer supply" PR focuses on significant disruptions of energy from network reliability and resilience issues across our own operations, whereas the "Loss of upstream energy supply" PR has been created in response to our ability to meet customer demand and to provide appropriate stakeholder management in the event of upstream energy supply constraints outside of our control.

There is continued focus by the executive directors on the delivery risk associated with the RIIO-ED2 price control and increased scrutiny on regulatory and legal compliance risks and associated controls. We have also developed a standalone 'connections' risk, reflecting the importance of our ability to manage the challenges around new connections effectively.

The PRs are discussed monthly by the executive directors via the ERCC, to help maintain focus on progress of mitigating actions, development of the risks and alignment to the Group's risk appetite framework.

Internal controls over financial reporting

Periodic Sarbanes-Oxley ("SOX") reports regarding management's opinion on the effectiveness of internal control over financial reporting are received by the Board in advance of the full year results. Reports conclude the Group's compliance with the requirements of section 404 of the US Sarbanes-Oxley Act of 2002 and are received directly from the Group Controls & SOX team and through the Executive and Audit Committees. This is to satisfy the reporting requirements for our parent company, National Grid plc.

We have specific internal mechanisms that govern the financial reporting process. Our financial controls guidance sets out the fundamentals of internal control over financial reporting, which are applied across the Group. Our financial processes include a range of system, transactional and management oversight controls. In addition, our businesses prepare detailed monthly management reports that include analysis of their results, along with comparisons to relevant budgets, forecasts and prior year results. These are presented to, and reviewed by, senior management within our Finance function. These reviews are supplemented by monthly business reviews attended by the National Grid Group CEO and CFO, during which financial and non-financial metrics are considered via analysis of performance contract scorecards. Deep dives on particular topics are driven by identified risks and opportunities.

Internal controls and risk management (continued)

Key risks

Strategic risks	
Risk	**Actions taken by management**
Capability and talent: There is a risk that the NGED business does not have a sufficiently diverse and engaged workforce and leadership with the appropriate skills and capabilities to meet current and future strategic priorities. *Strategy link: Grow our organisational capability.*	To manage this risk: • We continue to increase our external recruitment into operational and critical roles, so we can adjust our talent mix strategically, bringing in diverse leaders both with the skills we need now and with potential for the future; • We are moving towards more clarity on our high potentials and credible successors and are actively ensuring all development plans are robust and informed by identified capability strengths and risk areas. Through our leadership and talent strategy we will continue to use quality leadership development activities to support; • We are also developing our Strategic Workforce Planning to ensure we understand the capabilities needed in the future and can plan accordingly to build these capabilities.
Political & Societal Expectations: There is a risk of unfavourable public policy or negative societal perception *Strategy link: Enable the energy transition for all.*	To manage this risk, we have a range of well-established structures in place to ensure stakeholder expectations are clearly understood by the business, including: • An annual programme of stakeholder interventions to ensure we understand stakeholder needs and our priorities are aligned appropriately; • An Independent Scrutiny Group and Customer Panel, which meets quarterly and tracks progress against our Business Plan commitments and customer sentiment; • Monthly reporting to our Policy, Regulation and Reputation Committee on horizon scanning for relevant political / societal changes and customer sentiment data; • A newly established public affairs function, to engage with Government, local authority and other regional stakeholders to ensure strong relationships and two-way communication on priorities.
Energy transition role and delivery of net zero: There is a risk that we fail to sufficiently enable the UK's transition to net zero across our region, potentially not meeting local stakeholder requirements and/or our own net zero commitments. *Strategy link: Enable energy transition for all.*	To manage this risk, we focus on: • Understanding stakeholder requirements, through both long-term forecasting and monitoring of local growth and load risk; • Maintaining a strategic investment plan which reflects the needs of key stakeholders across the whole energy system; • Building capability in a range of tools to deliver required capacity, across both conventional reinforcement and new flexibility markets; • Coordinating and optimising investment across our wider programmes of activity to ensure we deliver against both our internal and external net zero commitments.

Internal controls and risk management (continued)

Key risks (continued)

Operational risks	
Risk	**Actions taken by management**
Employee and Third-Party safety: There is a risk of significant injury or loss of life to employees, contractors or the public as a result of operational business activity. This risk also includes similar safety impacts from environmental events. *Strategy link: Enable the energy transition for all.*	To manage this risk our preventative and detective safety controls focus on: • A well-established risk management procedure including safety policies, procedures, standards, risk assessments and actions plans; • Competency and training at induction and on an ongoing basis; • Our Safety Refresh Program, launched in February 2024 which aims to drive organisational safety culture, tighten and clarify safety accountabilities, enhance controls and improve incident management; • Strengthening our asset management risk framework to enable us to deliver effective asset management decision making, implementing targeted inspection and maintenance plans to maintain asset integrity.
Cyber security incident: There is a risk that we are unable to adequately prevent, detect or manage disruptive forces on our systems resulting from a cyber-attack (from internal/ external sources). *Strategy link: Grow our organisational capability.*	To manage this risk, we: • Commit significant resources and financial investment to maintain the security and integrity of our systems, data and technology infrastructure by continually investing in strategies that are commensurate with the changing nature of the security landscape; • Have stringent policies and procedures to provide controls over network security, proactive threat intelligence gathering, asset monitoring and management, data integrity, back-ups and incident response; • Work collaboratively with our parent Company, Government agencies, expert third parties and with cyber security frameworks to build resilience, incident response planning and contingency and to validate our performance.
Sustained loss of customer supply due to failure of our network: There is a risk that we fail to predict and appropriately respond to a significant disruption of energy supply. This could be caused by numerous events such as significant component failure, unavailability of key materials/labour, network resilience weaknesses, lack of preparation for extreme weather events. *Strategy link: Deliver for our customers efficiently.*	To manage this risk our planning and incident response controls are widespread across our assets, systems, communications and infrastructure. They include: • Installations and changes within a controlled change management framework and to industry leading standards; • Planned, effective maintenance of the network including preventative vegetation management programmes; • Security and management of supply chain for strategic stock holding levels, delivery lead times and monitoring of market conditions; • Regular training sessions for our engineers; • Exercises and practise sessions to system emergency scenarios and response plans; • Physical and logical resilience and response planning for extreme weather events and IT/Telecoms failures.
Loss of Upstream Energy Supply: There is a risk of disruption to the upstream energy supply chain that we fail to prepare for and/or respond adequately to. *Strategy link: Deliver for our customers efficiently.*	To manage this risk key mitigations include: • Distribution planning and design undertaken in compliance with relevant sector Codes; • Horizon scanning for potential upstream supply issues; • Business continuity planning and preparedness activities; • Clear communications plans.

Internal controls and risk management (continued)

Key risks (continued)

Operational risks (continued)

Risk	Actions taken by management
Customer Connections: There is a risk that we are unable to connect customers when or where they want (within a reasonable timeframe) – or are perceived as being unable to do so - and are unable to make significant improvements soon. *Strategy link: Deliver for our customers efficiently.*	To manage this risk, we are: • Working to bring down connection queue times through a variety of mechanisms; • Continuously testing our forecasting assumptions to ensure they are as robust as possible and use this to strengthen our long-term procurement and HR planning; • Investing in network growth to meet future demand; • Improving our customer communication and analysis and use of feedback.
Business transformation: There is a risk that we fail to identify and/or implement appropriate transformational initiatives to future proof the business due to a failure to manage our transformation roadmap effectively with the appropriate flexibility to adapt to changing circumstances. *Strategy link: Enable the energy transition for all and deliver for our customers efficiently*	To manage this risk key controls include: • A multi-year business transformation plan aligned with NGED's strategic priorities and developed with and approved by the NGED Executive; • Regular reporting against that plan; • Clear communication to support implementation; • Appropriate capacity and capability to implement the plan; • Horizon scanning to ensure the plan remains relevant.
Delivering ED2 price control: There is a risk that we fail to deliver the price control outputs within the regulatory settlement. Should we fail to meet efficiency targets within the business the likelihood of this risk materialising will increase. *Strategy link: Deliver for our customers efficiently.*	To manage this risk, we have: • An efficiency delivery team in place; • An effective resourcing strategy; • Awareness programmes to help our colleagues understand the current regulatory deal and the consequences of our choices and deliverables; • Detailed plans of the volumes and variety of new initiatives we expect to deliver during the ED2 regulatory period; • Established the data, processes and technology that are needed to enable timely, accurate delivery and regulatory reporting.

Compliance risk

Risk	Actions taken by management
Regulatory and legal compliance: There is a risk that NGED may not be fully compliant with all regulatory licence or statutory obligations due, in particular, to this being the first year of new requirements as part of RIIO ED2. Depending on the non-compliance there could be adverse impacts on customers and/or other stakeholders, with potential for a significant fine and reputational damage. Strategy link: Deliver for our customers efficiently	To manage this risk, we have: • A dedicated regulatory compliance team in place, as well as both internal and external audits of priority compliance areas; • A programme of work in training to further strengthen our controls testing processes during FY25 as well as hiring additional resource to support with compliance advice and monitoring; • Horizon scanning and regular dialogue with National Grid (our parent company) on regulatory and compliance developments which may affect NGED; • Regular monitoring of compliance performance.

Internal controls and risk management (continued)

Financial risks

While all risks have a direct or indirect financial impact, financial risks are those which relate to financial objectives and performance. Financial risk management is a critical process used to make investment decisions and aims to maximise investment returns and earnings for a given level of risk. None of our financial risks are currently classified as principal risks. Our key financial risks are described in note 29 to the financial statements on page 133.

Our commitment to being a responsible business

At NGED, we are committed to doing the right thing, delivering social and environmental value for our colleagues, customers and wider society. It's enshrined in our purpose - Bring Energy to Life. We care about our customers and our communities, the way we engage and interact with our stakeholders and how we take responsibility within the communities we serve.

We established a social contract that sets out how we do business in a way that actively benefits our region and the people we serve, both now and into the future. Structured around three key focus areas: our customers and communities, our people and our environment, our social contract is a promise to listen actively to our communities and colleagues and act with integrity, contributing positive, locally-tailored solutions to the challenges they face.

While the Social Contract provides a framework for us to make a local impact, our alignment with the United Nations Sustainable Development Goals demonstrates the crucial role our communities play in global society. It acts as a platform for our actions to be shared and up scaled to deliver even more benefits.

Customers and community

Working with our communities is important in creating shared value for us as a business, the people we serve and the communities we operate in. While we work to achieve net zero and deliver a clean and affordable energy system, we must also work to deliver that fairly, equitably and 'justly'. We must do this while still considering; our role in developing, operating and maintaining critical national infrastructure, the complexities and the risk associated with leaving people and communities behind.

Some of the key outcomes in 2023/24 were as follows:

- In addition to the Community Matters Fund highlighted on page 28, we provided over £60,000 in donations and around £39,000 in sponsorship, supporting local charities and community groups.
- Across the organisation, we delivered 6,155 volunteering hours to assist a range of charitable organisations with activities from tree planting, to DIY and safety education.
- Our project EV Respond was granted Ofgem's innovation funding and is looking to find innovative solutions to assist vulnerable customers during a power outage. The project will look at the potential of using electricity stored in electric vehicle batteries to provide supplies during an outage. The team will examine if this can be done via an app, while also looking at the benefits and drawbacks when compared to using diesel generators.
- Our Science, Technology, Engineering and Maths ("STEM") ambassador programme has grown to 29 colleagues, who deliver outreach and education to students across our region. NGED has continued to support the Engineering Education Scheme Wales ("EESW") Sixth Form Project, promising to give a wider understanding of the STEM careers available to students. The project sees us partner with schools to set teams of students a STEM-based task, which they are asked to solve by researching, designing and building a prototype of their idea. The projects last around six months, run by three NGED STEM ambassadors who visit regularly to answer students' questions. The students are also given the opportunity to visit sites. At the end, the students write a report and present their solved projects at the EESW awards event, where they have a chance to win awards for their prototypes and innovative idea.

Our commitment to being a responsible business (continued)

Customers and community (continued)

- We have expanded our support for the Greenpower Challenge, working with four teams across three schools. The Greenpower Challenge is a project for teams of students (aged 11-16) to design, build and race their own electric cars, and this year 75 students participated with assistance from our STEM ambassadors. The initiative aims to promote low carbon transport, the use of recycled materials and the varied career opportunities in engineering. In the current year, the all-girl team from Ivybridge Community College in Devon had designed and built their own racing car, with support from National Grid STEM ambassadors. The car – called 'Spare Parts' – was competing in the F24 category in the Greenpower Challenge International Final.
- Pylon to Power is a project that gives talks to students about the future of renewable energy. Over the year, 182 students were invited to learn more about renewables and also the history of coal energy. They also received a presentation from NGED about the distribution network. After the presentation, the students were tasked with designing and building their own towers during an activity led by the EESW.
- Working with 2B Enterprising NGED has partnered with five primary schools to deliver 'The Bumbles of Honeywood' enterprise education programme to 300 students, which includes resources for students and teachers. The programme covers themes of diversity, sustainability and wellbeing, and focuses on skills such as communication, teamwork and leadership.
- NGED donated five monitors as part of its ongoing partnership with the Good Things Foundation. The monitors will be provided to community organisations supporting digitally excluded people.

Customer vulnerability and fuel poverty

We currently support around 2.3 million customers on our Priority Services Register ("PSR"), in order to provide additional tailored support when a customer contacts us or when their supply is interrupted. We have a dedicated team who proactively contacts customers and check their details at least every two years to ensure that the register remains up-to-date. We continue to work with industry partners to develop processes to share data with other organisations that hold information about vulnerable customers, in line with data protection laws. We already share PSR data monthly (two-way) with seven water companies and is working alongside industry colleagues to strive towards an automated standard industry approach to PSR data sharing. Links have also been established with many organisations who act as 'referral partners' such as the British Red Cross to improve the understanding of the needs of vulnerable customers. These 197 referral partners (up from 180 last year) include charities, local authorities and health organisations who sign customers up to the PSR and share power cut resilience advice with their clients.

It remains vital that we keep customers updated on ways to save energy and manage their consumption more effectively. NGED continues to work with its Customer Panel and stakeholders who, at this year's Social Obligations Workshop, highlighted concerns with the ongoing cost of living crisis and the financial burden of energy bills for customers. Such burdens can trigger widespread anxiety and mental health issues. The unrelenting demand for support and the stretched resources of fuel poverty support organisations mean our partners are often restricted to firefighting through short-term interventions. To counteract this we have continued to offer long-term contracts to partners providing guaranteed, consistent funding so they can support customers who are struggling to heat their homes. We work with over 100 partner agencies to provide fuel poverty support and advice. Please refer to the "Fairness and Affordability" section on page 28 for details on work done by us during the in the area of customer vulnerability and fuel poverty.

Our commitment to being a responsible business (continued)

Our people

We are committed to being a stand out employer, attracting new talent to the electricity sector and driving the transition to net zero. While continuing to prioritise safety, health and wellbeing, we are focused on improving diversity, equity and inclusion, upskilling and empowering our people to thrive in their careers.

We ensure all colleagues receive fair and equitable pay, regardless of location, gender, ethnicity or disability. We review gender and ethnicity pay gaps annually. In the UK, we remain an accredited Living Wage Foundation employer demonstrating that we go beyond the Living Wage requirements, this commitment extends to our contractors.

Health and Safety

The health and safety of our employees is paramount. Our commitment to this is reflected through our training programmes, policies, processes and procedures - all of which align with national and international standards and have been tested and implemented over many years. Our safety management system is ISO 45001, accredited and independently audited by National Quality Assurance each year.

We have an annual Safety, Health and Environment ("SHE") calendar and programme focused on key topics identified from our annual SHE action plan, employee feedback, accident statistics and, where appropriate, national programmes. We have collaborative working with our contractor organisations to ensure we share best practice, and all achieve the same SHE standards.

There is a culture of proactive colleague communications to share learning from incidents or events and we have regular safety surveys, for colleagues to share their views on the Group's safety culture. There are regular meetings between managers and colleague representatives to discuss, agree and implement initiatives related to health and safety. During the current year, teams across the business that completed a calendar year with no reported accidents each won £500 to donate to charities of their choice. Various initiatives like this help foster a culture where a 'safety first' approach is embedded within all teams. In addition the "Safe to Say" initiative encourages staff to use their voice and speak up without fear, being empowered to raise issues, flag concerns and offer ideas.

Diversity, equity and inclusion ("DE&I")

It is important that our workforce reflects the diverse communities we serve. By increasing the diversity of our organisation, we will be even better placed to represent these communities and to drive innovative solutions for all our customers.

We recognise that this remains a key challenge for our business; the electricity distribution industry as a whole continues to fall short of other sectors when it comes to colleague diversity. However, we refuse to be complacent and are committed to making significant changes to our approach, to see a real and sustained difference. We have therefore developed a DE&I strategy which we update annually to continue our progress in this area. Our Employee Resource Groups play a vital role in creating a community where our colleagues feel comfortable to bring their whole selves to work. They are the crucial enablers of our DE&I aspirations providing support, opportunities and development for employees as well as delivering events and awareness-raising campaigns throughout the year. Some examples of actions during the current year are as follows:

- We continually aim to improve social mobility by attracting a diverse range of people into the industry. Our Power Network Craft Assistant ("PNCA"), is specifically aimed at people who have left school without or with minimal qualifications but have the skills and ability to thrive at NGED. This scheme provides a paid 12-15 months training programme, following which a craft assistant job will be offered. 11 employees were appointed in the current year by us under this scheme.
- During the year, we transformed the DE&I content of our internal intranet and on an overall basis have increased DE&I communications and visibility. Within the content on intranet, we explore a different DE&I topic in an easily-digestible, quick and interesting read on our intranet. Bite sized videos are created sharing with employees the key definitions and concepts.
- We have introduced quiet rooms across various offices which can be used for prayer, meditation, for rest, or for neurodivergent colleagues, disabled colleagues, staff experiencing menopause or anyone in need of a moment of quiet when feeling overwhelmed.

Our commitment to being a responsible business (continued)

Our people (continued)

Diversity, equity and inclusion ("DE&I") (continued)

- We have rolled out unconscious bias training for our staff.
- We launched a Self-ID campaign for staff; this helps us understand our gender and ethnicity pay gap and also helps us to identify the diversity make up of our workforce so that we are able to plan the right trainings, initiatives, benefits, and inclusion activities for our workforce.
- With the aim of creating a space that reduces unintended hurt and allows people to bring their true selves to work, we have launched new form of ID cards that gives colleagues the option of including their personal pronouns.

We also engage with a range of partner organisations to improve our approach to recruiting diverse talent:

- 10,000 Black Interns: a programme facilitating paid work experience, training and professional development for young Black people in the United Kingdom, across a range of industries. In the current year, we employed seven new interns through this programme, three of whom were successful in securing longer term roles within the business.
- Change 100: a programme aiming to remove the workplace barriers experienced by disabled people through a programme of paid summer work placements, professional development and mentoring. In the current year, we employed one intern through this programme, who has now taken on a full time role within the business.

Employee wellbeing

We are driven to enable our teams to do their best, by feeling their best. We have several schemes that actively promote the mental and physical wellbeing of our colleagues and offer support when they need it.

In the current year, we launched our new partnership with Thrive Mental Wellbeing. Thrive Mental Wellbeing is a clinically effective mental health care service, provided via an app. This will allow our employees to access more than 100 hours of self-help tools and techniques along with one-to-one sessions with qualified therapists

Some other examples of support available for our employees are as follows:

- Switched on to Health intranet, providing a wide range of resources for the health and wellbeing of our colleagues and managers;
- Access to our in-house occupational health team and Employee Assistance Programmes. Our Employee Assistance Programme is a 24/7, confidential service providing free access to support and counselling across a range of issues, including family, legal, financial or work related difficulties;
- Monthly health communications which raise awareness and provide advice around different physical and mental health topics, based upon colleagues feedback and health monitoring programmes;
- Flexible and hybrid working policies, providing support to eligible colleagues who wish to incorporate homeworking or flexible working.

In addition to initiatives for physical and mental wellbeing, we also provide enhanced maternity and paternity support, flexible working options and care for retirees and terminally ill colleagues. Recognising that significant life transitions can impact mental health and wellbeing, we strive to adopt leading policies that provide holistic support to our colleagues during difficult times.

For team members who are nearing retirement, we offer in-house retirement courses, pension support and pre-retirement leave to help individuals transition to leaving the workplace. We provide childcare vouchers, adoption leave, shared parental leave arrangements and keeping in touch days to encourage eligible colleagues to continue their careers while caring for a family.

Our commitment to being a responsible business (continued)

Our environment

NGED is committed to leading in the net zero transition, setting an example for others to follow. While rapidly reducing emissions in our own operations, demonstrating excellent environmental performance and improving biodiversity at our sites, we are also helping others to achieve their own net zero ambitions.

Since 2011, we are working to an internationally agreed environmental standard (ISO 14001) to improve our environmental performance. To be certified to this standard, an organisation must consider all environmental issues relevant to its operations, such as air pollution, water and sewage issues, waste management, soil contamination, climate change mitigation and adaptation, and resource use and efficiency. Continued certification ensures that we strive for continual improvement and innovation in our approach to the environment, while maintaining legal compliance.

We have continued to work collaboratively with our waste management partners to significantly reduce the amount of waste disposed of to landfill. Three of our four licence areas continue to routinely report zero waste to landfill on a monthly basis. In 2023/24, only 2.99% (2022/23: 6.67%) of waste from our operations is being sent to landfill.

We work with third party organisations, such as local ecologists, to understand the impact of our activities on biodiversity. This includes increasing scrutiny of environmental and sustainability factors in our tendering process, and identifying areas in our business with the highest emissions, so that we can engage with suppliers and contractors to improve the impact of our supply chain on the environment. Further as part of our commitment to biodiversity and the environment, we also plant native trees and shrubs across our operating regions each year, in partnership with The Conservation Volunteers ("TCV") and Groundwork Wales. 10,000 trees were planted this year with TCV, and three tree planting sessions supported by NGED volunteers with both TCV and Groundwork Wales.

We are also working to restore natural habitats on land around NGED Group's larger sub-stations, beginning with the site at Cheltenham. The project demonstrated how we have been working differently with our contractors, moving the emphasis away from grounds maintenance and towards habitat management. We've been advised by an ecologist throughout the process to make sure we deliver the maximum benefit for the local environment – all without impacting theelectrical assets. The Cheltenham project is the first of several to form part of Group's Biodiversity Net Gain initiative.

As part of our partnership with the Heart of England Forest, we are also funding research into planting saplings without the need of plastic tree guards. Tree guards are used for the first five years of a sapling's life to protect it from animals and heavy wind and rain. Research published in 2021 pointed out there are significant carbon emissions from the manufacture of the guards and they are rarely collected after use, meaning they break down into microplastics, which pollute the environment and harm wildlife. Organisations such as the Woodland Trust have committed to plastic-free planting and there is plenty of ongoing research into testing alternatives but there is also the question of which tree species do best without any guards. It is in this area where our funding of saplings, tools and staff resource is helping out.

For further details on our net zero activities refer to page 27 of our Strategic report.

Taxation

As part of the National Grid Group, NGED adopts a responsible approach to taxation aiming to comply with applicable tax legislation. Details of the approach are included in the National Grid tax strategy that is published annually and covers all businesses within the group. The tax strategy can be found on the National Grid website or using the link below:

https://www.nationalgrid.com/about-us/corporate-information/corporate-governance

For details of the NGED Group's effective tax rate see note 7 on page 97.

Our commitment to being a responsible business (continued)

Human rights

NGED is dedicated to conducting its business with honesty, integrity and fairness. In support of these principles it is NGED's policy to observe all domestic and applicable foreign laws and regulations including the Human Rights Act 1998, Equality Act 2010 and Modern Slavery Act 2015. Training of employees is conducted in relation to these laws and regulations which has led to an understanding within the Group of issues associated with these statutes. The outcome of our policies and procedures is that there have been no known instances of any form of discrimination, slavery or human rights violation.

For our modern slavery statement, refer to the National Grid website or using the link below:

https://www.nationalgrid.com/modern-slavery-statement

Anti-corruption and anti-bribery

NGED has robust policies on anti-corruption and anti-bribery. These policies apply to all employees, including agency workers and contractors, of the Group and form part of the employee Code of Ethics. Through our policies and procedures we are able to foster an environment of zero tolerance towards bribery and corruption. As a result there are no known violation of applicable laws and policies.

Task Force on Climate-related Financial Disclosures ("TCFD")

Refer to the Annual Report and Accounts of National Grid plc, pages 44-58 for TCFD disclosures, including climate related risks of National Grid Group.

https://www.nationalgrid.com/investors/resources/reports-plc

Non-financial and sustainability information statement

Refer to the Annual Report and Accounts of National Grid plc, page 59 for the National Grid Group's Non-financial and sustainability information statement.

https://www.nationalgrid.com/investors/resources/reports-plc

Section 172 Statement

Refer to pages 53-56 for our Section 172 statement.

Approved and authorised for issue by the Board and signed on its behalf by:

DocuSigned by:
Cordi O'Hara
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Cordelia O'Hara, Director

Director

24 July 2024

National Grid Electricity Distribution plc

Avonbank, Feeder Road, Bristol BS2 0TB

The Company aims to achieve high standards of leadership and governance. At National Grid plc level, the Company's ultimate shareholder, its Board considers that it complied in full with the provisions of the UK Corporate Governance Code 2018 (the Code) during the year being reported on. The Company's Board has complied with the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles) for the year ended 31 March 2024. The Wates Principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to continue to improve the standards of corporate governance. They also support directors to meet the requirements of section 172 Companies Act 2006.

The Corporate Governance Statement sets out the principal areas of the Company's governance together with an explanation of areas where it considers it has operated consistently with the Wates Principles. For ease of reference, the governance is explained under the Wates Principles headings.

1. Purpose and leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

Our purpose is to Bring Energy to Life. As described on page 8 of the Strategic report, we work within the purpose, vision, values and strategy of the National Grid Group to ensure we are well positioned to respond to changes in the operating environment. The Board is responsible for oversight of the Company's strategy and has considered its development during the reporting period.

Our purpose, vision and values are the fundamentals of our business, they are what motivate us and drive how we behave to deliver our purpose in the rapidly changing energy sector.

Our purpose, vision and values are constantly reinforced to the workforce through regular engagement of the senior leadership with the wider workforce. The President in conjunction with the senior leadership team conducts regular all-colleague calls, offering updates on our achievements to date and highlighting ongoing focus areas. In addition, the President visits smaller workforce groups and operational sites to monitor the alignment of the workforce culture with the Company's purpose. Other executive directors also actively engage with the workforce through informal and formal methods. There is a range of other internal communications that occurs within the business such as regular intranet news updates and direct emails from the President and other executive directors of the Group and from the Chief Executive of National Grid Group. Our leadership conferences, presented by the President and other executive directors to the management, support open dialogue between the executives and the management team. During the current year, sufficiently independent directors from the individual DNO Boards also attended the senior leadership conference. This is an effective way of strengthening the feedback from managers and cascading key messages by the executive directors throughout the organisation and ensuring all colleagues can contribute to delivering the Company's purpose. The Board is confident that they have, throughout the organisation articulated that we are a purpose-led Group.The directors support an annual peer to peer recognition campaign 'Living our Values'. This campaign helps us celebrate colleagues from across our business at all levels, for actions big and small, that showcase the positive impact of our values in action.

Our strategic priorities serve as the framework through which we develop our transformation plans and our performance contract reportable to our ultimate parent company, National Grid Plc. Our transformation plans define our long term plans, initiatives and change roadmaps for our business. Our performance contract sets out the annual outcomes for our business transformation initiatives and business as usual goals. The performance contract is then used to set aligned team and individual objectives, so that there is a clear line of sight between the work of each individual and our strategic priorities.

Our leadership is driving the transformation in the energy sector, moving towards a smart, low carbon network to enable our communities to reach net zero, by connecting their renewable generation, electric vehicles and heat pumps. We are in a strong position to do this being part of the National Grid Group, the largest electricity transmission and distribution business in the UK, giving us a great platform to play our role in the future. At NGED, we care about all of our stakeholders. This is a fundamental attribute that allows us to fulfil and deliver our purpose to meet the needs and expectations of our stakeholders. We do this by listening and taking decisive action on what our stakeholders tell us. The proactive involvement of the Board and the Company as a whole with our stakeholders, under the Board's leadership is detailed in the 'stakeholder relationships and engagement' section on pages 50-52.

2. Board composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

Balance and diversity

Reinforcing its commitment to sound corporate governance, the Board has continued to strengthen and develop both its composition and governance framework, implementing, as applicable, many of the best practice governance principles in operation at the National Grid plc level. At the year end, the Board consisted of four executive directors and two Group-appointed non-executive directors. The non-executive directors are part of the senior management team of the NGED Group shareholder, National Grid Plc, who between them provide a broad and diverse range of experience and technical skills from both within and external to the organisation, from the energy sector and external bodies. The size of the Board is appropriate for the operations of the Group and to enable an effective oversight of the Group.

As at the year end, the designation of the executive director roles are the President, Director of Regulation, Director of Field Operations and Chief Financial Officer. All the executive directors are experienced in their respective roles and responsibilities.

Oversight responsibilities lie with the Group-appointed non-executive directors and they possess the necessary skills and experience of the utility sector and wider business sectors to provide oversight of the Company and constructive challenge in relation to the implementation of strategy in accordance with the framework of governance and risk appetite. The Group-appointed non-executive directors fulfil their responsibility by regularly attending the board meetings of the Company.

To fulfil their duties, the Group-appointed non-executive directors have access to the Company Secretary and to legal advisors funded by the NGED Group. As with all Board members, the Group-appointed non-executive directors have the authority to request Board meetings.

Currently, the ratio of female directors on the board is 50% (2023: 60%).

All directors have equal voting rights when making Board decisions, with the Chair of the meeting having a casting vote.

Chair

There is no permanent appointment of the Board’s Chair, however, it is usual practice for the President to be appointed the Chair at each Board Meeting. The Board have considered separating the roles of Chair and President as per the Wates Principles’ guidance, however, it determined that through the President's participation at a National Grid Group level as well as their role as President of NGED and as Chair of the Company's Board, the President is well placed to identify and facilitate understanding of the views of its ultimate shareholder. The Board believes this is a valuable part of the overall corporate governance framework which is appropriate for a subsidiary company that is part of a larger group and provides greater benefits than separating the roles of the Chair and President.

2. Board composition (continued)

Appointments

The President of NGED is appointed by the Group shareholder, National Grid. The appointment of the President and the other directors follows the National Grid plc policy on the “Appointment of Directors of Subsidiary Companies Procedure” (the “Appointments Procedure”). This is to ensure that appointments and changes to the composition of the boards of directors of subsidiary companies within the National Grid Group are fully evaluated in a consistent manner that can be reviewed for compliance with statutory requirements. It also ensures an appropriate level of representation and the provision of the right skills and experience on relevant company boards.

Other executive directors and Group-appointed non-executive director nominations and appointments are recommended and approved with the support of the President in line with the Appointments Procedure. The process followed for the nomination of these directors involves the consideration of the relevant skills, expertise, experience, professional background and various other personal attributes. The People & Governance Committee of the parent, National Grid, is responsible for succession planning within the NGED Group.

Newly appointed directors undertake an induction programme which is tailored to their specific needs.

The Board ensures their knowledge is current and relevant through a variety of means such as attending training programmes and appropriate industry conferences, holding memberships of relevant institutes, completing technical training updates and attending meetings with various industry participants e.g. regulators and investors. The executive directors adopt a hands on leadership style and regularly meet with the senior leadership and management teams to ensure that they are updated on the latest business developments and have immediate access to the current information.

3. Directors' responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision-making and independent challenge.

Accountability and discharge of responsibilities

The Board maintains a schedule of matters specifically reserved for its consideration and decision. This is aligned, as appropriate, to that of the National Grid plc Board with additional responsibilities as required by licence obligations. There are well-defined policies, as approved by the Board, clearly establishing the overall duties and liabilities of the directors, the areas of responsibility and accountability for each director and the process for delegation of authority. Policies have been established that define the framework within which we expect managers and the workforce to operate. These policies represent one of the means through which decisions on stakeholder interests are enacted and there is a robust process in place for the regular review and update of policies and processes to ensure they remain relevant and fit for purpose.

There are four principal Board meetings scheduled each year. The Board meetings are generally scheduled and communicated well in advance to provide all directors with sufficient notice to attend the meetings. The matters to be considered throughout the annual board meeting schedule fulfil the Board’s responsibilities in line with its statutory duties, licence obligations and its matters reserved for the Board.

If the need arises, the directors can call additional meetings at any time, organised through the Company Secretary. The Board receives and is updated on all key and important business information by the executive directors at the Board meetings.

Overall operational responsibility of the Group lies with the President. The President fulfils this responsibility in conjunction with and through oversight of the directors and senior leadership. The President conducts regular meetings attended by the executive directors and senior leadership team of the Group. These meetings act as a forum for the discussion of business performance, strategic considerations, risk considerations and identification of matters to be considered by the Board. Any key items are circulated and communicated to the Board in a timely manner.

3. Directors' responsibilities (continued)

Accountability and discharge of responsibilities (continued)

Each of the senior leaders are responsible for the organisational performance of their directorate and are accountable to the President and the Board. Senior leaders regularly meet with their respective teams to discuss matters impacting the Group. KPI monitoring is delegated to the respective Senior leaders who report directly to the Board and President. In order to operate efficiently and to give the right level of attention and consideration to relevant matters, while maintaining complete oversight, the Board empowers the senior leadership team to take operational decisions, apply their knowledge and utilise their industry experience in the daily management of the business.

The directors are conscious of the changing reporting and governance landscape and are committed to fulfilling their responsibilities effectively by ensuring that their skills and knowledge are refreshed and updated regularly. There is an established code of ethics policy of the Group which is adhered to by all the workforce including the executive directors.

The directors understand the importance of leading with integrity. Group policy sets out potential conflicts of interest and at each Board meeting the directors disclose any potential conflicts of interest in any of the Group transactions or arrangements. In addition the Company Secretary administers an annual process, whereby the directors disclose any interests in related parties or any related party transactions.

Board Committees

To support the Board, there are committees of the Board, to which the Board delegates defined duties under Terms of Reference and within a framework of the National Grid plc Delegation of Authority (“DoA”). The Board has following committees to assist in discharging of its responsibilities:

Finance Committee

The Finance committee is responsible for setting policy and grants authority for financing decisions, credit exposure, hedging and foreign exchange transactions, guarantees and indemnities, all subject to the risk appetite of the Board. It also approves other treasury, taxation and pension funding matters, as well as having responsibility for the governance of the Company’s pension schemes and the Company’s insurance strategies, and if appropriate, recommends these to the Board.

Membership of this Committee comprises the Chief Financial Officer and Group Treasurer and Director of Pensions of National Grid plc. The sub-committee interfaces with the Finance Committee of National Grid plc and the Board.

Each Board meeting considers a separate agenda item on the work of the Finance Committee. The National Grid plc Group Treasurer and Director of Pensions or their representative reports to the Board on the financing activities, taxation, financial costs and liabilities of the pension schemes at Board meetings.

Governance Committee

The four DNO Boards have a Corporate Governance Committee charged with responsibility for Corporate Governance. The Committee is responsible for monitoring the Company's adherence to the six principles of the Wates Code while fulfilling the Company’s purpose.

The Board and it's Committees are supported by the Company Secretary who is available to all Board and committee members to provide guidance as required on all governance matters.

Management Committees

In addition to the above Board Committees, there are Management Committees comprising of executive directors and senior leadership team members to support the Board in discharge of its responsibilities.

3. Directors' responsibilities (continued)

Management Committees (continued)

- Ethics, Risk and Compliance Committee (“ERCC”): Membership comprises of four executive directors, including the President and other members of the senior leadership team. The NGED General Counsel, Risk & Compliance is the chair of the Committee. The key duty of the Committee is to provide oversight of NGED’s risk, ethics, and compliance processes, and the implementation of effective frameworks, including an effective internal control framework, across the Company.
- SHE Committee: Membership comprises of four executive directors, including the President and other members of the senior leadership team. The NGED President and Director of SHE are the chairs of the Committee. The purpose of the SHE Committee is to ensure the performance of NGED functions with a focus on safety, health and the environment.
- Regulation and Reputation Committee: Membership comprises of five executive directors, including the President and other members of the senior leadership team. The Director of Corporate Affairs and Director of Regulation are the chairs of the Committee. The key purpose of the Committee is to review and monitor changes and developments in regulatory and public policy that could impact NGED and to ensure compliance with policies and regulations and implement plans to close any identified gaps. The Committee is also responsible for developing and regularly reviewing the Company’s reputational risk register, conducting ongoing risk assessments and, where needed, identifying mitigations.

NGED does not have an Audit & Risk Committee, Nominations Committee or Remuneration Committee as these functions are provided by National Grid plc – see the Annual Report and Accounts of National Grid plc (page 88-114) for information about the National Grid Group Audit & Risk Committee, People & Governance Committee (which covers the responsibilities of a typical Nominations Committee) and the Remuneration Committee.

https://www.nationalgrid.com/investors/resources/reports-plc

Integrity of information

The Company does not have a separate internal audit function. This function is provided by National Grid's Corporate Audit function, which provides independent, objective, assurance to the Board on whether the existing control and governance frameworks are operating effectively in order to meet National Grid's strategic objectives. Assurance work is conducted and managed in accordance with the IIA international standards for the Professional Practice of Internal Auditing and Code of Ethics.

Inputs to the audit plan include principal risks, risk registers, corporate priorities, and external research of emerging risks and trends, and discussions with senior management to make sure the plan aligns with the Committee and Company’s view of risk.

The audit plan is considered and approved by the Board annually and progress against the plan is monitored throughout the year. The Board received regular controls updates from the Corporate Audit team. Management actions on audit findings have continued to be a focus at Executive meetings resulting in greater visibility of audit findings, increased ownership of actions and greater engagement by senior management.

At the quarterly Board meetings, the Board receives information on all key aspects of the business including safety, environmental matters, risks (including cyber security threat) and opportunities, financial performance, strategic and regulatory matters, operational matters, market conditions, changes in the political landscape and updates on relevant technological developments.

Key financial information is taken from the financial systems. Our finance team is appropriately qualified to ensure the integrity of this information and necessary training is provided to keep them up to date with statutory, regulatory and financial reporting requirements. NGED continues to operate a Sarbanes-Oxley ("the Act") compliance programme that is aligned to the needs of the parent company. In accordance with the requirements of the Act, our management team undertakes an annual assessment of internal controls over financial reporting. This includes ensuring all key financial processes have been documented with specific details on the controls in place. Key controls over financial reporting are periodically reviewed and tested by National Grid's Corporate Audit team.

Key regulatory information is prepared annually for submission to the regulator, Ofgem. We have extensive internal data assurance and governance procedures and established policies for ensuring data integrity in respect of information submitted. Data is compiled from source systems that have appropriate validation checks and is prepared, reviewed and approved by NGED’s experienced, senior management personnel.

3. Directors' responsibilities (continued)

Integrity of information (continued)

KPI information is available to management via the use of dashboards. This system interfaces directly with source systems and data, and was implemented following extensive testing procedures on data accuracy.

The Board's review of the information in relation to various areas of the business allows the directors to assess that systems, processes and procedures continue to operate effectively and assists in identifying and strengthening governance arrangements.

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements. Following consideration of the auditor's independence from NGED, their objectivity, the audit quality and the auditor's performance, the Board was satisfied with the effectiveness, independence and objectivity of Deloitte. The audit report presents the results of Deloitte's own independence assessment on page 65. A resolution to re-appoint Deloitte and giving authority to the Directors to determine their remuneration will be submitted to shareholders at the 2024 AGM.

4. Opportunity and risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

Opportunity

We strive to create and preserve value over the long term by consistently providing outstanding customer service at an efficient cost by combining technical excellence and innovation within a clear organisational structure. Within the parameters of operating in a regulated environment, the Board identifies and evaluates relevant opportunities to create long term value for the Group and its stakeholders.

The energy sector is undergoing a significant and exciting period of change as the UK works towards a net zero carbon future. Net zero cannot happen without us and the Board is fully aware of the fact that our leadership will directly impact the pace and efficiency with which it is achieved. Recognising this responsibility, the directors have ensured that our RIIO-ED2 business plan places us at the heart of this transition. Our business plan for 2023 to 2028 outlines how we will create a smart, flexible energy grid and facilitate the mass connection of low carbon technologies ("LCTs") including electric vehicle charging points, heat pumps and more locally sourced renewable generation. Many of these LCTs will be connected at lower voltages making it vital to ensure that there is sufficient capacity for the LCTs to connect. NGED will proactively identify parts of the network that are heavily loaded and provide more capacity. We will use smart meter data, increased amounts of network monitoring and enhanced analysis to identify where network reinforcement is required. We will also look at ways in which the LCT loads can be managed to make greatest use of existing network capacity which may involve steps including controlling when EVs are charged. Together these proactive actions will enable more LCTs to connect overall, in shorter timescales and at lower cost than if conventional reinforcement was required.

The Board oversaw the development of our RIIO-ED2 business plan and ensured the plan was constructed to take full account of the UK Government's published plans to achieve net zero by 2050. The directors ensured that the business plan was prepared with unprecedented levels of scrutiny and collaboration by engaging, directly and indirectly through senior management, in our largest ever stakeholder consultation process with a broad range of representatives.

With the final determination of the RIIO-ED2 business plan requiring significant efficiency challenges from the DNOs, the Board is now focused on ensuring that we continue to make full use of and further develop our existing experience and expertise in innovation and flexibility services, as we provide consumers with the network strength to cope with a range of increased new demand and accommodate increased input from green power generation. The directors are focused on utilising digitalised solutions across our operations and aim to instil a culture that maximises every opportunity to work smarter for our customers. Some of the example of this in the current year are the implementation of various digital solutions to speed up our connections process, launch of various innovation projects with decarbonisation at the heart of these initiatives and the release of 10GW of distribution capacity for our customers with 'shovel ready' projects across the Midlands, South West and South Wales. All of this has also been enabled by successful completion of our first year as a functionally separate DSO. The changes we have made will not just allow some customers to accelerate their connections dates but will allow a more agile approach to managing connections requests. Reforms like these are a pivotal part of the country's ability to install the renewable generation it needs to decarbonise the electricity system by 2035. For further details of all these achievements in the current year refer to pages 11, 12, 13, 15, 27, 29 and 32 of the Strategic report.

4. Opportunity and risk (continued)

Opportunity (continued)

The Board is invested in ensuring that our own commitment to sustainability includes leading by example and reducing our own Business Carbon Footprint to net zero by 2043 in line with our verified 1.5ºC Science Based Target (Scope 1 and Scope 2 emissions). This will be delivered by reducing the amount of waste we send to landfill, adopting electric vehicles across our transport fleet to reduce emissions, installing renewable energy at our depots and non-operational sites, significantly reducing harmful gas and oil leaks from our equipment and ensuring we actually enhance the local environment by delivering a net gain in biodiversity for new major projects and at selected primary substations. As part of our RIIO-ED2 plans to develop a portfolio of UK based offsettings, we are working in collaboration with a number of charitable organisations across our four licence areas. For example our collaboration agreement with The Heart of England Forest across the RIIO-ED2 price control period will help to ensure that natural native habitats are restored and managed, local biodiversity is improved and extensive native tree planting schemes are undertaken.

In the nation's move to decarbonisation, the directors are determined to achieve a sustainable energy future by delivering a dynamic, innovative and high functioning energy grid that stands ready to serve many generations to come.

Risk

The NGED Board is responsible for the oversight of risk management and internal controls across the NGED organisation and reviews the NGED Principal Risks ("PR") at least annually. Consideration of PR and Emerging Risks ("ER") and related decisions are undertaken via the monthly NGED ERCC. The NGED ERCC exercises suitable judgement as to any control decisions and risk developments that merit Board attention. Board reporting on risk is being further developed and will align with the National Grid Group over the course of the next financial year. The responsibility for the risk management framework and internal controls cascades from the President and the executive directors to senior management teams responsible for risk assessment and the implementation of appropriate mitigation. Managers are responsible for the identification of risks and the deployment of appropriate controls within their areas of responsibility. Policies are established, reviewed regularly and made available on the intranet to assist the managers with establishing an appropriate control environment. We consider the involvement of qualified and competent employees with the appropriate level of expertise throughout the business a key factor for implementing an effective internal control environment.

Risk management is embedded into the organisational structure, with specialist teams established to manage certain key risk areas. Specifically, we have long established teams reporting to senior managers responsible for health and safety, regulatory compliance, employee relations, cyber security, financial reporting and legal compliance. During the year NGED has continued to align its risk management approach to the National Grid Group risk management framework. NGED's PRs have been reviewed and revised to better fit the three lines of assurance model adopted by the National Grid Group and its risk management framework in terms of business risk objectives, taxonomy, common risk language and scoring scales.

Pages 34 to 37 of the Strategic report outline the key risks and the related mitigating actions for the Company.

5. Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The remuneration of executive directors, including the role of President and of the Group-appointed non-executive directors is controlled by the ultimate parent company, National Grid plc. Elements of directors' remuneration and further information on this is available from National Grid within the Remuneration Report of National Grid plc's Annual Report and Accounts on pages 100-114.

https://www.nationalgrid.com/investors/resources/reports-plc

The pay of the majority of NGED's wider workforce is negotiated and agreed upon with the recognised trade unions, with the aim to ensure that the terms and conditions are aligned to current industry practices and benchmarked against appropriate energy and comparator groups.

6. Stakeholder relations and engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Board believes that the overall success of the business is dependent upon the way we work with our stakeholders and is fully committed to fostering effective stakeholder relationships that are aligned to the Group's purpose and vision.

Our key stakeholders are customers including our communities, the workforce, regulators, suppliers and our shareholder. The Board actively promotes engagement and transparency with all these stakeholder groups and the executive directors ensure that a fair and balanced view of the Group's position is communicated to the relevant stakeholders.

Details of engagement with each of our key stakeholder are as follows:

Customers

The Board strives to deliver the class-leading service our customers expect and is keen on continuing to support all our customers including our vulnerable customers.

The directors' commitment and, in turn, that of senior management and the wider workforce, to being proactive in customer engagement is evident from the external assessments of customer service and engagement. We have achieved the British Standard Institution ("BSI") for Inclusive Service Provision ("BS18477") for ten consecutive years and now look to move to the new BSI Kite mark for inclusive service energy provision. We were also re-accredited with the Customer Service Excellence ("CSE") Standard which we have held for over 30 years and remain compliant with all elements with 48/57 (2023: 47/57) elements boasting 'compliance plus' level, demonstrating UK-wide best practice. Far from providing just validation, such accreditations continue to drive improvements for our customers. They allow our strategies and processes to obtain critical external evaluation and ensure we receive recommendations for further improvement. This helps us to drive our standards even higher and continuously improve our customer service.

Some of the key customer engagement during the year is highlighted below:

Customer panel

Our established customer panel meets three times annually and undertakes bespoke topic-specific sub-group surgeries (for example, on smart energy action plans or funding allocation) on an ad-hoc basis. Expert members represent a wide range of customers and key stakeholder groups. The panel is attended by the President and other directors and through the panel they seek honest and challenging customer views about the way we operate and our future plans. This level of engagement plays an important role in helping NGED achieve its purpose of delivering good value and quality service for its customers.

As part of RIIO-ED2's enhanced engagement, a Customer Engagement Group ("CEG") was established to scrutinise our business plan. The CEG provided independent challenge to our business plan and reflected the needs and preferences of existing and future consumers, with a focus on affordability, the protection of vulnerable consumers, the environment, sustainability and the transition to a low carbon energy system. NGED has continued to retain five members on the CEG panel, as the RIIO-ED2 Monitoring Group to continue their oversight, remaining focused on delivery of the RIIO-ED2 Business Plan.

Stakeholder workshops and events

Annually we hosts an array of workshops, events, webinars and surgeries to understand the needs of our stakeholders so that they are aligned with the strategic priorities of the Group. These are attended by the directors and senior management, with all key information fed back to the senior leadership team and the Board to ensure there is informed decision making.

Workshops and events include collaborative DNO engagement and topic-specific events including workshops on connections, flexibility, low carbon technologies, community energy and social obligations. To address the challenges of engaging with end customers, who often have little prior knowledge of NGED, we have also continued with our deliberative focus group discussions which engage customers over a number of years, enriching their understanding and ability to offer informed scrutiny of our plans.

6. Stakeholder relations and engagement (continued)

Customers (continued)

Stakeholder workshops and events (continued)

In November 2023, we organised a connections workshop to engage stakeholders in discussions about its connections strategy. The primary focus was to gather stakeholder feedback on delivering faster connections, streamlining the applications process through digital tools, and providing comprehensive support to customers throughout the connections journey. Each session included a brief presentation by NGED representatives, followed by facilitated group discussions at roundtables or in virtual breakout rooms to capture feedback. Attendees were also encouraged to provide feedback through an online voting platform and had the opportunity to ask questions during a Q&A panel session at the end of the event.

All these events and workshops welcomed stakeholders from a range of different backgrounds including domestic, business, local authorities, developers, environmental, energy/utility, regulatory/government and voluntary sectors.

Connections Customers Steering Group ("CCSG")

The ("CCSG") is held three times a year to help inform and guide our strategic objectives and future plans for connections services. The CCSG is chaired by one of our directors and is attended by connection stakeholders representing a cross-section of sectors. The CCSG covers a broad range of connections related topics and feeds into our Major Connections Strategy for RIIO-ED2, to enable facilitation of continued development to the connections services and to establish ahead of need foundation.

Case Study - Customer engagement

An example of effective collaboration with our customers during the year is the launch of our ClearViewConnect report. The report is designed to provide a window on our connections pipelines and for the first time it brings together valuable connections data and insights for customers and developers in a single, easily accessible format. We listened to our customers about finding practical ways to accelerate connections reform. Customers developing new schemes want to understand the connection points that offer them the best chance to connect when they want, at the lowest cost. The ClearViewConnect report is an important step in the right direction because it will deliver earlier insights about the profile of connection pipelines to help customers make informed decisions. We worked alongside three of our largest business-to-business large generation customers to shape the report. Their insights as early users helped to inform the way that the tool operates. This report is one part of a suite of tools that we're developing to support wider industry reform of the connections process. We will be working collaboratively with customers in the coming months and listening to their feedback so that we can evolve the report and potentially add more functionality in future.

The workforce

The directors recognise and acknowledge that we need to invest in our people and build the skills needed to deliver on our clean energy future and help our employees to learn and grow with us so we can tackle the challenges ahead. The directors are committed to creating an inclusive culture where it is safe to speak up and where our colleagues voices are heard by the Board and the senior leadership teams. Each year our colleagues share their views on working life at National Grid through Grid:voice. This employee engagement survey helps us to understand what we are doing well and identify the areas we need to improve. The survey provides valuable insights into our workforce's understanding of our vision and strategic priorities, including how well their work aligns with them. It also helps us gauge whether our collegueas perceive us as adaptable and customer-focused in our approach. This year we received over 4,000 responses to the survey.

The President, along with the senior leadership team, regularly conducts "all colleagues calls" to provide important business updates and create an opportunity for colleagues to ask questions. Additionally, leadership conferences led by the President and directors, as well as various internal communication channels such as team briefs, colleagues' webinars and podcasts, news bulletins, and direct email updates from the directors, have all been utilised throughout the year to foster meaningful engagement with the workforce. For significant initiatives or organisational changes, we establish dedicated engagement channels. The transition to our new operating model serves as an example. To ensure effective communication regarding the process and key steps of the transition plans, we have introduced a weekly transition letter that delivers relevant updates.

6. Stakeholder relations and engagement (continued)

The workforce (continued)

Our efficiency delivery program, launched this year to reduce costs during RIIO-ED2, reflects the Board's unwavering commitment to engaging our workforce in achieving our strategic priorities. Workforce engagement is at the core of this program, which aims to achieve unit cost savings by working smarter, maximising value, and minimising wasted effort. The program involves piloting projects across our regions and collaborating closely with our local teams, managers, and trade unions to explore innovative ways of working and drive sustainable change. Our team of 17 Change Agents, recruited from across the business, will play a key role in developing new solutions by actively listening and learning. Feedback will be sought and the initiatives adapted based on the ideas and comments generated within the field teams and from trade unions representatives. As part of this program, we conducted a comprehensive questionnaire to gather employee feedback on planned work activities such as connections, asset replacement, reinforcement, and maintenance & inspections. We received an impressive 859 responses from employees across all regions, grades, and roles, effectively identifying crucial areas for improvement. This valuable insight will significantly shape our future work changes, ensuring the creation and design of optimal solutions. In our Grid:voice survey, our employees expressed a desire for a more involved role in implementing changes necessitated by the current challenging price controls. Our directors are fully committed to addressing this feedback and actively involving local teams in all relevant initiatives.

Regulators

The executive directors are actively involved in ensuring open and transparent communication with industry regulators, most notably Ofgem and the Health and Safety Executive (“HSE”).

The directors regularly engage Ofgem with the overall aim of developing a regulatory price control framework that contains the right balance of customer focused outputs and economic incentives, which help to deliver the Government’s energy objectives and decarbonisation targets. All key communications and engagements with Ofgem are discussed at Board meetings.

NGED's Director of SHE is the chair of the National Health & Safety Committee (“HESAC”), (of which the HSE is a member), and attends the Committee meetings. NGED aligns its internal safety campaigns to support HSE initiatives and their current ‘Working Minds’ campaign, as well as actively participating in the National HESAC led ‘Powering Improvement’ programme which is also supported by the HSE and trade unions.

Annually the members of the senior leadership and management team attend the National SHE conference run by the ENA.

Suppliers for our goods and services

Defined policies are in place for procurement of goods and services and associated supply chain management and engagement. We have a dedicated procurement team that assists with engagement with suppliers. The NGED Director of Asset Management and Operations Support has oversight responsibility for logistics, including the supply chain function. The Director of Asset Management and Operations Support is supported by the Head of the Operations Support and the ultimate parent, National Grid's UK Procurement Director. Key issues related to supply chain matters are reported and discussed at the senior leadership meetings.

We carry out payment performance reporting for suppliers. We are fair to our suppliers and committed to paying them promptly. On average we pay our suppliers in 19 days (2022/23: 18 days). Further details on payment performance for suppliers by NGED Companies can be found at the UK Government website at the link below:

https://www.gov.uk/check-when-businesses-pay-invoices

Shareholder

The Board actively engages with our single shareholder, National Grid, on all key matters. As stated above, the Group-appointed non-executive board members of the Company are members of the National Grid senior management team. National Grid’s executive directors and senior management has regular contact and dialogue with NGED’s executive directors and senior management and all key information is fed back to the National Grid plc Board on a timely basis. There is a suite of financial management and regulatory reporting presented to National Grid on established timelines and regular financial and regulatory update meetings are conducted with National Grid’s management team to provide updates on any key accounting, business, and legal issues. Additionally, as part of the National Grid Group plan, NGED’s financial plan is presented to the National Grid plc Board for detailed review and approval on an annual basis. Any senior leadership events at National Grid are attended by the NGED President and other executive board members.

The Board ensures that the directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs (a) to (f) of section 172.

The Board recognises its responsibilities to each of the Company's stakeholder groups and to wider society. The directors endeavour to ascertain the interests and views of our stakeholders and consider these when making decisions.

The Board acknowledges its responsibility for setting and monitoring the culture and values of the Company and the importance of maintaining a reputation for high standards of business conduct. Every day our colleagues seek to live by our values – do the right thing, find a better way and make it happen – and consider these in making decisions. When making key decisions, the directors have regard to all stakeholders but also acknowledge that not every decision will have the preferred outcome for each stakeholder. The Board strives to balance the different and competing priorities and interests of the stakeholders in a way compatible with the long-term, sustainable success of the business and which maintains a standard of business conduct aligned to our values and purpose.

Details on this are set out below:

The likely consequence of any decision in the long term

Our long term success is intrinsically linked to our vision of a clean, fair and affordable energy future. We will achieve our vision by focusing on our four strategic priorities; enable energy transition for all, deliver for our customers efficiently, grow our organisational capability and empower our people for great performance. These strategic priorities clearly reflect that the Board is focused on promoting the success of the business by ensuring that NGED makes the provision of exceptional service to our customers and the communities we serve an absolute priority, at the same time ensuring that we support their environmental and social well-being.

Our strategic priorities form the basis of all the Board's key decisions and these are monitored by the Board through established KPIs as detailed in the Strategic report on pages 19-26.

The Board recognises its responsibilities to each of the Group's stakeholder groups and to wider society. The directors endeavour to ascertain the interests and views of our stakeholders and consider these when taking decisions. The Board strives to balance the different priorities and interests of our stakeholders in a way compatible with the long-term, sustainable success of the business and which maintains a standard of business conduct aligned to our values and purpose.

Most engagement with key stakeholders is carried out by management teams and takes place at business level and the directors engage directly with stakeholders where possible. Reporting mechanisms are in place to collate feedback and developments from such engagement and enable a flow of this information to the Board to inform decision making. By receiving regular updates on business programmes and objectives, the Board monitors that management is acting in accordance with the agreed purpose, vision and values. Processes are in place to ensure that the Board receives all relevant business information to enable it to monitor performance in support of the Group's long term success.

The Board has oversight responsibility for risk management across the Company. For the purposes of business resilience, the Board satisfies itself that there is an appropriate risk management approach and that reasonable mitigations are in place for the key risks of the Group. For details on the Group's risk management approach refer to page 33 of Strategic report and page 49 of the Corporate governance statement.

The interests of our colleagues

Our workforce is critical to our success. The directors understand how important our employees and the wider workforce are to the long-term success of the business and are committed to keeping them motivated and fully involved in all aspects of the business.

At NGED we work collaboratively with our trade union colleagues to provide a working environment that allows our colleagues to develop, be motivated to succeed, and progress within a team structured organisation where an empowered workforce can and have the opportunity to flourish. Our aim is to provide a fair and balanced reward framework that is competitive within the market. It is underpinned by our strategic priority of "empowering our colleagues". The directors are keen for employees to be able to share in our success and therefore schemes such as annual Sharesave Plan and Share Incentive Schemes exist for employees to participate in.

Pages 14, 39 and 40 in the Strategic report provide further details on how the directors continually take measures to promote the interest of the Group's employees and wider workforce.

The need to foster the Company's business relationships with suppliers, customers and others

The Board believes that the overall success of the business is dependent upon the way we work with our stakeholders and is fully committed to fostering effective stakeholder relationships that are aligned to the Group's purpose and strategic priorities. Details of this can be found on pages 50-52 of our Corporate governance statement.

The impact of the Company's operations on the community and the environment

The service we provide is critical to our communities and impacts the businesses and homes we serve on a daily basis. The directors believe that working closely with our communities is important in creating shared value for the business, the people we serve and the communities we operate in. Benchmarking has been conducted to establish best practice regarding Environmental, Social and Governance ("ESG"), with NGED's prime ESG rating demonstrating our best in class performance. This rating by the Institutional Shareholder Services ("ISS") is only given to companies with an ESG performance above the ambitious threshold for the sector set by ISS. The rating places us significantly above the majority of ISS-rated Gas and Electricity Network Operators and reflects the Board's commitment to incorporating sustainability and wider environmental and social considerations into our decision making, as we carry out our work to keep the power flowing and to meet the energy challenges of the future.

Pages 37-42 in the Strategic report set out our commitment to being a responsible business and the actions we have taken during the year in relation to our community and environment.

Page 28 of the Strategic report sets out actions taken by us in relation to fairness and affordability.

We recognise the role that the electricity sector plays in contributing to the UK's ambitions towards carbon reduction. Pages 11 and 27 set out how we are enabling the energy transition for all and responding to net zero developments within our business environment.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board is committed to the National Grid values of ‘do the right thing’, ‘find a better way’ and 'make it happen'. The Board understands that taken together, our values will guide our actions and behaviours as a responsible business and help us create the environment we need to tackle the world’s greatest energy challenges with passion and purpose. To put our values into action, we need to look at our behaviours in the work we do every day, in ways that mean something for colleagues across the business. Our code of ethics supports this by outlining the behaviours that are expected of us all, including the Board and Group executives. Our code of ethics is updated every three years and all our mandatory training courses for the existing workforce as well as new recruits align to our code of ethics.

In the current year we have launched our new 'Speak up' policy supporting our code of ethics. The Board wants to ensure that employees feel safe in raising concerns and firmly upholds a zero-tolerance approach to retaliations against the workforce. The 'Speak up' policy makes it easy for the workforce to raise issues in a way that they feel supported. The workforce has access to National Grid's internal ethics helpline at all times. The contact information is publicised so all colleagues with concerns can be reported anonymously. We will support and protect whistle blowers.

By providing a framework for reporting business conduct matters, educating employees and promoting a culture of integrity at all levels of the business, the Board aspire to develop a culture where the management and workforce are motivated for success which is aligned to its shareholder expectations by creating long term value and at the same time maintaining its commitment to satisfying customer needs. The Board also aims for the Group to be a valued member of the community, which includes acting as a responsible steward of the environment. We conduct our business in a responsible manner, considering the needs of the present and future generations. We are committed to being an exemplary corporate citizen, seeking to improve the quality of life in the communities in which we do business. The Board ensures that the purpose, vision, values and the strategic priorities of the Group support this. Our engagement with all stakeholder groups reflects this aim and is embedded across the business and impacts the decisions taken throughout the organisation. Our employee Grid:voice survey is an example of one such engagement. The survey helps us understand the thoughts of our colleagues, not only on matters impacting our workforce, but also on our strategic priorities and how they feel we are showing up for our customers. This helps us ensure that we continue to build on what works well and improve in areas where we can do better. The aim of the survey is to continue making NGED a great place to work, a great experience for our customers and a greater leader for the energy transition.

The Board is committed to an inclusive, respectful and diverse workplace that rewards performance, enables professional development and encourages employee engagement. We value inclusiveness and diversity as essential components of our identity and long-term success. Pages 39-40 in the Strategic report provides further details.

We strive hard to get things right first time but sometimes things can go wrong. When we receive complaints we treat them with urgency and aim to deal with them to the customer’s full satisfaction as quickly as possible. The Group resolved 86% (2022/23: 85%) of complaints within one day and 98% of complaints within 25 days (2022/23: 99% within 31 days). There have been no repeat complaints across the Group.

Our dedication to conducting our business to the highest standards is also demonstrated by the emphasis placed by the directors on the safety environment within the organisation. Safety and training videos are available to the workforce to view and a programme of bulletins is provided on screens in offices to keep staff aware of key safety information. In support of an annual safety action plan, regular colleague communications focused on health and safety topics is provided. Safety conferences and presentations are held each year to ensure that a safe working environment is a key priority throughout the organisation. There is a diligent system for reporting near misses and incidents to avoid future recurrences. Our near miss statistics and outcomes are published on our intranet to ensure that these are easily accessible to staff for their learning and awareness. Safety is a crucial KPI for the Board that is monitored stringently and the Board is focused on developing a fair culture of accountability as opposed to a perceived culture of blame, when an accident happens.

The need to act fairly between members of the Company

The Company's ultimate shareholder is National Grid plc. The Board has developed a robust corporate governance framework which allows the directors to understand the views of the shareholder. This allows the directors to both effectively and constructively engage with and report to the shareholder.

Key decisions during the year

Set out below is an example of a key decision taken during the year which demonstrates the Board's consideration, discussion and decision making process.

Operating Model Changes

Context

We face exciting challenges as the UK works towards achieving the Government's target of net zero carbon emissions by 2050. The Board has long recognised the role that the electricity sector plays in supporting the decarbonisation of energy and is committed to delivering a transformed energy network that is fundamental in achieving the UK's net-zero targets. Further, Ofgem has set a challenging price control for the next five years and we are required to be ambitious and significantly improve our services for our customers with a challenging incentive package in terms of rewards and penalties. In our business plan submission to Ofgem, we proposed to deliver our commitments with a budget of £6.7 billion. Due to our proven track record of innovation development and roll out, we had already embedded £700m of efficiency savings into the business plan. However, in its final determinations, Ofgem allowed us £5.9 billion. Whilst this is the largest amount allowed of any DNO Group in the UK, delivering the price control involves a significant efficiency challenge.

Decision taken

Given the scale of changes within the energy sector and the massive investment needed to deliver the energy transition coupled with the efficiency challenges, the Board decided to launch a new operating model during the year. The Board is fully aware that the world in which we operate has changed and as a result the expectations of our customers and stakeholders have increased. Recognising its responsibility to promote the success of the Company in a manner that is beneficial to its stakeholders, the directors undertook a detailed review of the way we are structured and organised. The review clearly identified that in order to revolutionise the network by delivering unprecedented levels of flexibility, efficiency and new distribution system operator capabilities, there was a need to spend more time planning the long term success of the business. There was also a need to find ways to accomplish our current tasks more efficiently and at a lower cost for us to be able to empower our colleagues to meet the growing needs of our customers. Innovation and digitalised solutions will have to be kept at the heart of our journey of working smarter for our customers and our colleagues. Keeping this in mind, as part of our new operating model, we set new functions critical to our success i.e. Customer Excellence, Connections, Asset Management and Data and Digital. Another key change within the operating model was segregating all key operations support activities as separate functions and establishing an operations efficiency team. Broader, more diverse and more specialised leadership team is also another key aspect of our new operating model.

The stakeholder groups considered by the Board in arriving at this decision of a new operating model includes our customers, communities, employees, regulator and our shareholder. The new operating model will:

- Allow us to improve the way we plan and prepare for the future and set us up for growth benefiting all our stakeholders specifically our customers and our shareholder;
- It will support the development & growth of new capabilities such as Asset Management, Customer and Digital that are crucial to achieve efficient energy transition for our customers as required by our regulator;
- It will remove inefficiencies and develop much needed capacity by bringing similar activities together, thus creating greater focus and attention for the benefit our employees and customers.

The directors present their annual report on the affairs of the NGED group, together with financial statements and auditor's report, for the year ended 31 March 2024.

Results and dividends

The NGED Group reports a profit for the financial year £446.3m (2023: £536.2m). Profit before tax is £600.1m (2023: £681.4m).

The NGED Group also reports other comprehensive loss, which was posted directly to capital and reserves, of £184.7m (2023: £644.2m). This primarily relates to the defined benefit pension plan remeasurement, net of tax.

Dividends of £0.2m (2023: £0.2m) have been paid during the year. No dividend has been paid subsequent to the year end. All dividend payments are made out of the distributable reserves of the Company.

In considering capital distributions, the Board is mindful of stakeholders' views and takes account of our latest financial position, the long-term sustainability for the NGED Group in addition to the allowed rate of return and any incentive rewards received. In its capacity of providing oversight for the operational performance of the business, the Board also takes account of the prevailing performance against customer performance targets, other RIIO-ED2 output commitments and future requirements such as DSO, to assess investment requirements.

As part of the regulatory process, Ofgem sets the allowed rate of return within each price control period; Ofgem set NGED's cost of equity at 5.3% (7.4% when normalised for a long-run inflation rate of 2%) for RIIO-ED2. As is evident from the levels of our annual capital expenditure (see 16 of the Strategic report), we reinvest our excess of our profits back into the network to ensure an efficient, reliable and environmentally sustainable network. The Board ensures that it understands and takes account of the views of our shareholder in order to preserve positive investor relations. The Board acts in the shareholder's best interests by proposing an amount of dividend in accordance with the financial parameters of our regulatory allowance whilst maintaining strong financial health metrics.

Political affiliations, donations and expenditure

NGED is a politically neutral organisation and, during the year, made no political donations.

Financial assistance from the Government

NGED has not received any financial assistance from the Government during the year. The Group can potentially access an additional 10% of its Apprenticeship Levy payments in order to fund approved training programmes for apprentices; however, for the year ended 31 March 2024, the payments into the fund by the Group were in excess of the funding the Group reclaimed.

Financial risk management objectives and policies

NGED does not undertake transactions in financial derivative instruments for speculative purposes. For further details of risks in relation to treasury operations, refer to note 29 on pages 133-143.

Liquidity and going concern

The following credit facilities were in place at 31 March 2024, in respect of which all conditions present had been met at that date.

	Expiration date	Capacity	Borrowed	Letters of credit issue	Unused capacity
		£m	£m	£m	£m
NGED South West - Syndicated Credit Facility	April 2028	220.0	—	—	220.0
NGED East Midlands - Syndicated Credit Facility	April 2028	250.0	—	—	250.0
NGED West Midlands - Syndicated Credit Facility	April 2028	250.0	—	—	250.0
NGED South Wales - Syndicated Credit Facility	April 2028	125.0	—	—	125.0
Bank overdraft		20.0	—	—	20.0
Uncommitted Credit Facility		6.0	—	4.1	1.9
Total Credit Facilities		871.0	—	4.1	866.9

In addition to the above facilities, the NGED Group also has uncommitted two-way loan agreements with its ultimate parent, National Grid Plc, of which £678.0m is drawn as at 31 March 2024. The loan from the ultimate parent company is repayable on demand. £220.9m is also lent under that same facility to the parent and is recoverable on demand. On 3 April 2023, the above RCF facilities of the Group expiring in May 2025 were cancelled and replaced with a new facility of £845m with a 5 year maturity expiring on 3 April 2028. The new facility had the same split between the DNOs as the existing facilities above.

NGED Group debt balances, cash and short term deposits as at 31 March 2024 and 31 March 2023 are as follows:

	Debt (including NG two way loan)				Cash and short term deposits (excluding restricted cash)	
	Long-term (due after 12 months)		Short-term (due within 12 months)			
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
NGED South West	1,478.3	1,104.0	30.7	245.3	2.6	4.7
NGED South Wales	1,081.1	776.6	8.9	81.2	0.5	(0.1)
NGED East Midlands	1,912.8	1,912.5	26.6	26.6	0.5	0.1
NGED West Midlands	1,023.1	1,485.5	634.1	58.6	0.6	0.5
NGED Plc	504.7	507.1	511.1	773.8	0.2	0.1
Other subsidiaries	4.1	4.4	1.0	17.2	1.4	27.1
	6,004.1	5,790.1	1,212.4	1,202.7	5.8	32.4

Short term deposits are considered corporate assets and can be accessed by any entity within the Group.

The Group has net current liabilities of £1,370.2m (2023: £1,297.9m). The Group's net current liabilities will be settled with a combination of cash flows from operating activities, use of existing facilities and issuances of long-term debt. The Group can access either short or long term borrowings in order to finance repayment of the loan due within the next 12 months. The Group has credit ratings above the investment grade and there is sufficient evidence, including historical analysis of the Group's ability to raise debt, to indicate that the Group will be successfully able to raise debt to finance repayments as needed. A letter of support has also been obtained from a parent undertaking confirming that it will provide financial support to NGED Plc and NGED West Midlands for not less than 12 months from the date of approval of the financial statements. Based on the strategic importance of NGED Group to the overall National Grid group strategy and the Board's visibility over National Grid group's financial resources, the directors consider it appropriate to place reliance on the Letter of Support provided, and to determine that the Company and its subsidiaries have adequate resources to meet its liabilities as they fall due for the 12 months following the approval of these financial statements.

Financial risk management objectives and policies (continued)

Liquidity and going concern (continued)

DNOs are essential in keeping critical infrastructure assets operating safely and securely and in making sure that homes and businesses across the country are receiving the energy needed. The work of the Group is crucial for the continuation of existing essential services, the establishment of new critical infrastructures and for keeping the public, including the most vulnerable in our society, safe. Due to the licensed regulatory obligations of the business, the necessity of continued operations even in times of economic uncertainties and having access to sufficient liquidity, the Board does not consider that there is material uncertainty over the entity's ability to continue as a going concern.

The directors have considered the availability of facilities as set out above, the relatively stable and regulated nature of the business, the forecast long term business plan, the consistent credit ratings of the Group, the existing and future forecasted covenant compliance of the Group, which includes the gearing ratio, the anticipated ability of the Group to be able to raise additional long term debt in the future and the ability of the parent undertaking to provide financial support. The directors have also assessed the principal risks discussed in the Strategic report (pages 34 to 37) in arriving at the going concern assumption for the preparation of the financial statements.

Thus, the Directors have concluded that the NGED Group has sufficient resources available to enable it to continue in existence for the foreseeable future and for a period of at least 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements.

Corporate governance statement

The Group's Corporate governance statement is detailed on pages 43 to 52.

Employee engagement statement

Details of the directors' engagement during the year with employees and consideration of employees' interests can be found in the Corporate governance statement on page 51.

Business relationships statement

The Group's key business relations are with its customers, suppliers and regulators. Details of how the directors foster the Group's business relationships and have regard to their interests have been stated in our Strategic report, Corporate governance statement and Section 172 statement.

Customers

- Strategic report - see pages 12, 20, 28 and 37;
- Corporate governance statement - see pages 50 and 51.

Suppliers

- Corporate governance statement - see page 52.

Regulators

- Corporate governance statement - see page 52.

Policy for disabled employees

Employees are selected and promoted according to their abilities and merits and to the requirements of the job. Applications for employment by people with disabilities are fully considered and in the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues by way of making adjustments to their role and/or working environment or through retraining arranged as appropriate. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

For further details on our DE&I policies refer to pages 39-40 in the strategic report.

Strategic report

The following information required in the Directors' report has been included in the Strategic report:

– an indication of future developments in the business - see pages 16, 31 and 32;

– an indication of activities of the Group in the field of research and development - see page 32;

– employee policies - see pages 39 and 40.

Streamline energy and carbon reporting ('SECR')

Total annual quantity of emissions using equivalent tonnes of carbon dioxide ("tCO_2e") - including own use

	tCO_2e		tCO_2e per employee	
	2024	**2023***	**2024**	**2023***
Scope 1 (direct emissions)				
Operational transport	**17,621**	17,980	**2.6**	2.7
SF6 gas	**8,119**	9,065	**1.2**	1.4
Fuel combustion (diesel / gas oil)	**1,480**	2,316	**0.2**	0.3
Buildings	**387**	387	**0.0**	0.0
	27,607	29,748	**4.0**	4.4
Scope 2 (energy indirect emissions)				
Buildings electricity	**3,930**	3,680	**0.6**	0.6
Substation electricity	**11,034**	10,280	**1.6**	1.5
NGED Telecoms	**600**	610	**0.1**	0.1
	15,564	14,570	**2.3**	2.2
Total scope 1 & 2	**43,171**	44,318	**6.3**	6.6
Scope 3 (other indirect emissions)				
Business transport	**1,208**	1,146	**0.2**	0.2
Total scope 1, 2 & 3	**44,379**	45,464	6.5	6.8

*Comparatives have been restated to exclude contractor emissions to align with Ofgem's RIIO-ED2 reporting requirement.

Total annual quantity of emissions using equivalent tonnes of carbon dioxide ("tCO_2e") - including own use

Our chosen intensity measurement is tonnes of carbon dioxide equivalent per employee. Considering the activities of the Group and the scale and size of our workforce, this intensity measure is the most relevant. It also involves minimum judgement in calculation and therefore is the most reliable measure that can be used consistently by the Group.

Aggregate in kWH of annual quantity of energy consumed for business activities and own use

Electricity energy consumed for the year to 31 March 2024 is 21,875,466 kWH (2023: 21,458,300 kWH).

Gas energy consumed for the year to 31 March 2024 is 2,118,998 kWH (2023: 2,118,998 kWH).

Energy consumed for helicopters for the year to 31 March 2024 is 5,471,565 kWH (2023: 5,167,756 kWH)

Methodologies used in calculating energy and carbon reporting data

Our Business Carbon Footprint ("BCF") details the impact that our operational activities have on the environment in terms of tonnes of equivalent carbon dioxide ("tCO2e") emissions and takes account of our energy usage from offices, transport emissions (operational and business), fuel combustion and the release of greenhouse gases (SF6). Under RIIO-ED1, in accordance with the Ofgem's reporting requirements, the reported data for operational transport (road) and fuel combustion also took account of a number of our larger contractor emissions as required under the Ofgem reporting requirements. For RIIO-ED2, Ofgem's reporting requirements have been amended and contractor emissions are no longer required. Therefore the SECR reporting for March 2024 does not include the contractor emissions. Comparatives have been restated to ensure consistent presentation year on year.

Streamline energy and carbon reporting ('SECR') (continued)

Methodologies used in calculating energy and carbon reporting data (continued)

The data compiled and reported by the NGED Group follows a recognised methodology as described within international business carbon footprint standards, the Greenhouse Gas ("GHG") carbon reporting guidance as provided by BEIS / DEFRA, the 2020 UK Government GHG Conversion Factors for company reporting and ISO14064-3. This data is included within National Grid plc's responsible business reporting disclosures. National Grid plc engaged PricewaterhouseCoopers LLP (PwC) to undertake a limited assurance engagement, using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): ‘Assurance Engagements Other Than Audits or Reviews of Historical Financial Information’ and ISAE 3410: ‘Assurance Engagements on Greenhouse Gas Statements’ over a range of data points within it's responsible business reporting. For further details on this refer to the full document at:

https://www.nationalgrid.com/responsibility

The emission-releasing activities are categorised into three groups known as 'Scopes'. Each activity is listed as either Scope 1, Scope 2 or Scope 3.

– Scope 1 (direct emissions) emissions are those from activities owned or controlled by the Group. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, generators and vehicles; and releases of fugitive emissions, for example SF6.

– Scope 2 (energy indirect) emissions are those released into the atmosphere that are associated with consumption of purchased electricity, heat, steam and cooling. These indirect emissions are a consequence of the Group's energy use, but occur at sources that the Group do not own or control. Network losses are identified by Ofgem as being Scope 2 emissions (pending clarification from Ofgem).

– Scope 3 (other indirect) emissions are a consequence of the Group's activities that occur at sources that are not controlled by the Group and are not classed as Scope 2 emissions. Examples of Scope 3 emissions include business travel by means not owned or controlled by the Group, water supply and materials / services that the Group purchases.

Measures for increasing the Group's efficiency during the year

During 2023/24, the Company has implemented the following energy efficiency measures:

- replacement of older operational fleet vehicles with more fuel efficient alternatives and improving awareness of the impacts of driving style on fuel efficiency and vehicle emissions;
- the purchase and roll-out of electric operational fleet vehicles;
- installation of electric vehicle charging points at many of our non-operational depot sites for both fleet and employee owned electric vehicles;
- improvements to the reporting of SF6 gas leaks from our installed equipment and fully utilising the infrared SF6 detection cameras enabling us to quickly pinpoint the source of leaks;
- ensuring that all newly built NGED depots achieve the Building Research Establishment Environmental Assessment Method ("BREEAM") standard of 'Excellent' as a minimum and that refurbished existing depots achieve the 'Very Good' standard; and
- the on-going replacement with more modern and energy efficient heating and cooling systems throughout our property portfolio plus undertaking an energy efficiency review at many of our non-operational and operational sites including employee energy awareness campaigns.

Subsequent events

There are no material subsequent events to report.

Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Cordelia O'Hara, Director
Graham Roy Halladay, Director
Paul Branston, Director (appointed 15 December 2023)
Darren Pettifer, Director (appointed 15 December 2023)
Jennifer Anne Dillon, Director (appointed 1 April 2024)
Tanya Joy Sharma, Director (appointed 1 July 2024)
Alison Jane Sleightholm, Director (resigned 15 December 2023)
Laura Sophie Scudamore Barbrook, Group-appointed non-executive Director (resigned 31 March 2024)
Justine Campbell, Group-appointed non-executive Director (resigned 30 June 2024)

During and at the end of the financial year, no director had interest in any contract of significance in relation to the NGED Group's business other than service contracts.

Insurance in respect of directors and officers of the Group is third party qualifying insurance and is maintained by the NGED Group's ultimate parent, National Grid plc. The insurance is subject to the conditions set out in the Companies Acts and remains in force at the date of signing the Directors' report.

Statement of disclosure to independent auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, of which the auditor is unaware. Each director has taken all the steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

Deloitte LLP have expressed their willingness to continue in office. A resolution to their reappointment and giving authority to the directors to determine their remuneration has been approved by the shareholders at the 2024 Annual General Meeting.

Approved and authorised for issue by the Board and signed on its behalf by:

DocuSigned by:
Cordi O'Hara
5E4268D54028488...

Cordelia O'Hara
Director
24 July 2024

The directors are responsible for preparing the Annual Report and Financial Statements, including the NGED Group financial statements and the Company financial statements, the Strategic report and the Directors' report in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the NGED Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the the UK and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), including Financial Reporting Standard ("FRS") 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the Group and the parent Company and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the Company's website is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibilities statement

For the year ended 31 March 2024

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved and authorised for issue by the board of directors and is signed on its behalf by:

Cordi O'Hara

Cordelia O'Hara
Director
24 July 2024

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NATIONAL GRID ELECTRICITY DISTRIBUTION PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of National Grid Electricity Distribution plc (the ‘parent company’) and its subsidiaries (the ‘group’) give a true and fair view of the state of the group’s and the parent company’s affairs as at 31 March 2024 and of the group’s profit for the year then ended;

- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of financial position and the parent company balance sheet;
- the consolidated cash flow statement;
- the related notes 1 to 32 to the consolidated financial statements; and
- the related notes 1 to 10 to the company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC’s Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Capitalisation of overheads • Impairment of goodwill Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the group financial statements was £30 million which was determined on the basis of 5% of profit before tax. The materiality that we used for the parent company financial statements was £12 million which equates to less than 1% of net assets and was capped at 40% of group materiality.
Scoping	Based on our assessment, we focused our group audit work on five components which were subject to a full scope audit of their financial information. Our full scope audit covered substantially all of the group's revenue, profit before tax and net assets.
Significant changes in our approach	There were no significant changes in our approach compared to the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing the financing facilities including nature of facilities, repayment terms and covenant compliance and support from the ultimate controlling parent, National Grid plc;
- assessing the assumptions used in the forecasts including the impact of the current macroeconomic environment;
- assessing the historical accuracy of forecasts prepared by management; and
- evaluating whether the disclosures in respect of going concern within the financial statements are appropriate;

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. Key audit matters (continued)

5.1. Capitalisation of overheads

Key audit matter description	Amounts capitalised as network assets include indirect costs associated with overhead costs. The costs are capitalised based on management's assessment of the costs incurred that are directly attributable to the capital work performed. A key audit matter has been identified in respect of the key assumptions relating to the capitalisation of corporate overheads. There are judgements in relation to the nature of costs included within each cost classification and estimation in relation to the appropriate percentage of costs to capitalise. Corporate overheads of £110.8 million (2023: £101.7 million) have been capitalised during the year and these are included within the fixed assets additions of £1,231.8 million (2023: £1,202.2 million) as shown in the note 9 'property plant and equipment' to the group financial statements. Refer to note 1(d) 'Areas of judgement and key sources of estimation uncertainty' and note 9 'property plant and equipment' to the group financial statements for further discussion of the group's policy and judgements in capitalisation of overheads.
How the scope of our audit responded to the key audit matter	We have tested and placed reliance on the relevant controls over both the assumptions made when determining which costs should be capitalised and the application of those assumptions. We evaluated the appropriateness of the accounting treatment for capitalising overheads by reference to the requirements of IAS 16 Property, Plant and Equipment and evaluated the policies, procedures and assumptions used in estimating the value of overheads that are directly attributable to capital projects. We tested a sample of overhead costs capitalised, agreeing them to supporting evidence, to test whether they have been recorded accurately. We also tested management's estimate of the percentage of costs that are directly attributable to capital projects by verifying the inputs into the calculation and agreeing them to appropriate support and evidence. Further, we have challenged management's methodology and estimate through considering whether there are alternative appropriate assumptions.
Key observations	Based on the work performed we are satisfied that the assumptions made in respect of the capitalisation rates applied to overheads within the fixed assets balance are reasonable as at 31 March 2024.

5. Key audit matters (continued)

5.2. Impairment of goodwill

Key audit matter description	The goodwill balance of £1,254.1 million (2023: £1,254.1 million), set out in note 10 to the group financial statements was tested for impairment at 31 December 2023. This was performed in line with the requirement under IAS 36 – Impairment of Assets to perform an annual impairment review. A subsequent assessment of potential impairment indicators was performed at 31 March 2024. Management prepared a discounted cash flow model to estimate the value-in-use and compared this to the carrying value. The value-in-use was measured for each of the three cash-generating units (“CGUs") to which the goodwill relates: NGED West Midlands (£614.4 million), NGED East Midlands (£518.8 million) and NGED South Wales (£120.9 million), commonly referred as Distribution Network Operator (“DNO”). For each CGU, the assessment indicated there was headroom and accordingly no impairment was recognised. The impairment model uses cashflow forecasts which extend to 2050 in line with UK government net zero legislation. Although cashflows through to 2028 are set by the current RIIO-ED2 price control, there is limited regulatory guidance as to the allowances each DNO will receive from ED3 onward. There are numerous potential pathways for the energy transition to 2050 resulting in uncertainty in the amount of future total allowable expenditures "totex" required, when it will be incurred and related allowed margins. As such, assessing these forecasts was a key area of audit focus. No reasonably possible changes were identified that could result in a material impairment.

5. Key audit matters (continued)

5.3. Impairment of goodwill (continued)

How the scope of our audit responded to the key audit matter	We tested and placed reliance on management's controls over cashflow forecasting. In addition, we performed the following substantive procedures: • evaluated the competence, capabilities and objectivity of third-party industry experts used by management to develop the totex forecasts including through direct discussion; • engaged an internal industry expert to assess the assumptions made in relation to the totex forecasts. The scope of their work included: comparison to other DNO forecasts; benchmarking against industry publications; reviewing historic trends in comparison to the expert's forecasts; and concluding as to whether the methodology used by the expert was appropriate; • compared management's forecasts for current and future regulatory allowances against historical information observed in previous price controls; • engaged internal valuation specialists to assess the reasonableness of the discount rate inputs and the methodology applied. Our specialists developed an independent range for a reasonable discount rate using relevant third-party market and peer data for the NGED business. We compared management's calculated rate to our reasonable range; • challenged the company specific risk premium (used in determination of discount rate) in the context of the risk adjustments and contingencies included in the underlying cash flow assumptions; • assessed whether the impairment methodology including the duration of the cash flows applied by management was acceptable under IFRS and tested the integrity and mechanical accuracy of the impairment model with the assistance of our valuation specialists; • evaluated changes to key assumptions between the prior year impairment review and the current year's review and challenged whether market conditions in the current year had been appropriately considered in the assumptions; and • compared the exit multiple and implied growth rates to other industry transactions. • As management's impairment review test date does not align with the balance sheet date we assessed the appropriateness of management's assessment of potential impairment indicators as described in IAS 36 at 31 March 2024. Assessed the appropriateness of management's disclosures in note 10 to the group financial statements for compliance with the disclosure requirements described in IAS 36.
Key observations	We concluded that the key assumptions underpinning the value in use calculation used by the group in its assessment of the carrying value of goodwill for each of the three cash-generating units, East Midlands, West Midlands, and South Wales, when considered in aggregate, lie within the range of reasonable estimates. We are satisfied that no impairment is required in relation to goodwill and related disclosure is appropriate.

6. Our application of materiality

6.1. Materiality

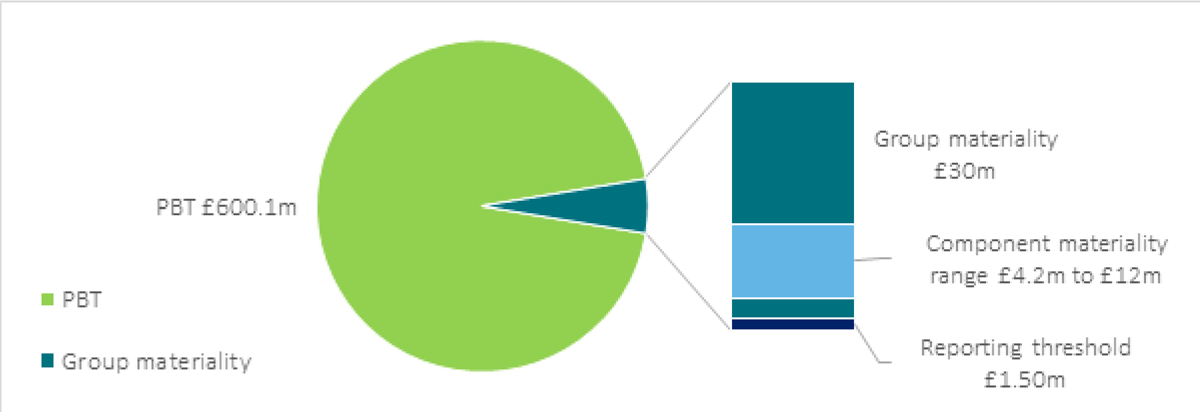
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

6. Our application of materiality (continued)

6.1. Materiality (continued)

	Group financial statements	Parent company financial statements
Materiality	£30.0m (2023: £34.0m)	£12.0m (2023: £13.6m)
Basis for determining materiality	5% of profit before tax (2023: 5% of profit before tax). This is consistent with the methodology applied in 2023.	Parent company materiality equates to less than 1% of net assets, which is capped at 40% of group materiality. This is consistent with the methodology applied in 2023.
Rationale for the benchmark applied	We have determined materiality based on profit before tax as this is the key metric used by management, investors, analysts, and lenders, with shareholder value being driven by the result.	We have determined materiality based on net assets as the company holds the investments for its subsidiary companies. Therefore, a balance sheet basis is appropriate.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2023: 70%) of group materiality	70% (2023: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our cumulative experience from prior year audits; • the level of corrected and uncorrected misstatements identified from prior year audits; • our risk assessment, including our understanding of the entity and its environment; and • our risk assessment of the group's overall control environment and that we consider it appropriate to rely on internal controls over a number of business processes including fixed assets, revenue and impairment of goodwill.	

6.3. Error reporting threshold

We agreed with the Board of Directors that we would report to them all audit differences in excess of £1.5 million (2023: £1.7 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

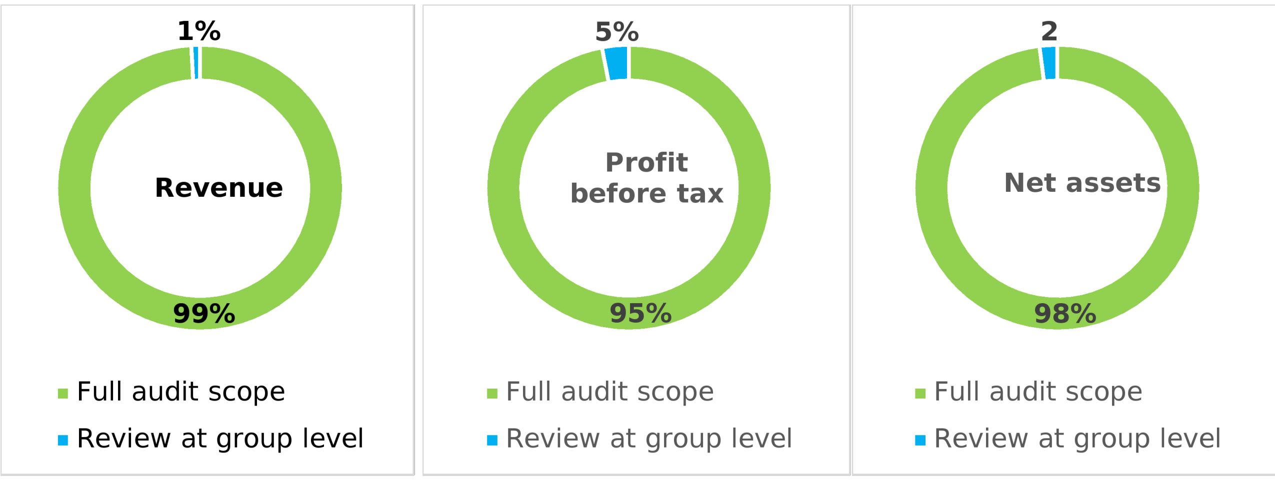
7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. We used data analytic tools to help inform our understanding of the business, identify key risk areas and evaluate the level of audit coverage required.

Based on that assessment we focused our group audit scope primarily on the audit work of five components, which were subject to a full scope audit. Analytical procedures were performed on the remaining non-significant components. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

Those five components represent the principal business units within the group and the parent company and account for over 99% of revenue (2023: 99%), 95% of profit before tax (2023: 97%) and 98% of net assets (2023: 98%). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work of the five components was executed at a level of materiality applicable to the individual component and was lower than each entity's component materiality. This approach was consistent with the prior year.

The parent company is located in Bristol and audited directly by the group audit engagement team.



7.2. Our consideration of the control environment

We placed reliance on management's relevant controls over the most significant business cycles affecting in scope financial statement line items, including revenue and fixed assets. We tested controls through a combination of tests of inquiry, observation, inspection and re-performance.

The group's IT environment contains a number of IT systems, applications and tools used to support business processes and for financial reporting. In line with our scoping of components (see section 7.1) our work in relation to IT controls focused on the five identified components. We performed an independent risk assessment of the systems, applications and tools to determine those which are of greatest relevance to the group's financial reporting, including those that contain system configured automated controls that host financially relevant data and associated reports.

With the involvement of our specialists, we performed testing of general IT controls of these systems, typically covering controls surrounding user access management, change management and interfaces with other systems relating to in scope IT systems as well as controls over key reports generated from the IT systems and their supporting infrastructure.

We performed walkthrough procedures of the key IT controls relevant to a number of business processes; to understand whether the controls were effectively designed to address the IT related risk. We subsequently performed testing of the controls across the audit period, to determine whether the controls had been consistently applied as designed.

7. An overview of the scope of our audit (continued)

7.2. Our consideration of the control environment (continued)

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach across a number of business cycles.

7.3. Our consideration of climate-related risks

Climate change impacts the group's business in several ways as set out in the strategic report on page 41 of the annual report. It represents a key strategic consideration of management.

We reviewed management's climate change risk assessment and evaluated the completeness of identified risks and the impact on the financial statements. We also considered the impact of climate change in our risk assessment procedures. Management's assessment included environment and sustainability as core commitments in the RIIO-ED2 Delivery Plan. The group will support the UK's ambitions to achieve net zero carbon emissions by 2050 by setting the benchmark of achieving net zero in its own operations by 2043.

In addition to the procedures mentioned above, with the involvement of our climate change specialist, we:

- made enquiries of senior management to understand the potential impact of climate change risk including physical risks to producing network assets, the potential changes to the macro-economic environment and the potential for the transition to a low carbon environment to occur quicker than anticipated; and
- read the climate-related statements made by management (as disclosed in 'Our Environment' section of the 'Our commitment to being a responsible business' in the strategic report) and considered whether these were in line with our understanding of management's approach to climate change and whether the narrative reporting was in line with financial statements and the knowledge obtained throughout the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group’s remuneration policies, key drivers for directors’ remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the Board of Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group’s sector;
- any matters we identified having obtained and reviewed the group’s documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, pensions, treasury, climate change and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, listing rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group’s ability to operate or to avoid a material penalty. These included environmental regulations and the group’s operating licence as set out by the energy regulator, Ofgem.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Board of Directors and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and Ofgem; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13. Matters on which we are required to report by exception (continued)

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the shareholders on 16 June 2017 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 March 2017 to 31 March 2024.

14.2. Consistency of the audit report with the additional report to the Board of Directors

Our audit opinion is consistent with the additional report to the Board of Directors we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Kate Hadley
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Kate Hadley FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

24 July 2024

Consolidated income statement

		For the years ended 31 March	
		2024	2023
	Notes	**£m**	£m
Revenue	3	**1,838.2**	2,096.5
Operating costs	4	**(935.1)**	(1,079.6)
Other operating income	5	**4.4**	15.4
Other operating expense	5	**(4.2)**	(4.4)
Operating profit		**903.3**	1,027.9
Finance income	6	**46.3**	52.9
Finance costs	6	**(349.5)**	(399.4)
Profit before tax		**600.1**	681.4
Tax	7	**(153.8)**	(145.2)
Profit for the year attributable to owners of the parent		**446.3**	536.2

As a result of alignment of accounting policies with the ultimate parent company, National grid Plc, there have been presentation and classification changes during the year. Comparatives have been restated to reflect the amended presentation and classification. Refer to note 1(f) on page 84 for details.

Consolidated statement of comprehensive income

	Notes	2024 £m	2023 £m
		For the years ended 31 March	
Profit for the year		**446.3**	536.2
Other comprehensive (loss)/income:			
Items that will never be reclassified to profit or loss:			
Remeasurement losses on net pension asset	21	**(258.5)**	(852.3)
Tax on items that will never be reclassified to profit or loss	7	**64.6**	220.7
Total items that will never be reclassified to profit or loss		**(193.9)**	(631.6)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Net gains/(losses) in respect of cash flow hedges and cost of hedging		**12.4**	(16.9)
Tax on items that may be reclassified subsequently to profit or loss	7	**(3.2)**	4.3
Total items that may be reclassified subsequently to profit or loss		**9.2**	(12.6)
Other comprehensive loss for the year, net of tax		**(184.7)**	(644.2)
Total comprehensive income/(loss) for the year		**261.6**	(108.0)

As a result of alignment of accounting policies with the ultimate parent company, National grid Plc, there have been presentation and classification changes during the year. Comparatives have been restated to reflect the amended presentation and classification. Refer to note 1(f) on page 84 for details.

Consolidated statement of changes in equity

	Notes	Called up share capital £m	Retained earnings £m	Other equity reserves[1] £m	Total equity[1] £m
At 1 April 2022		1,057.6	6,275.5	(976.4)	6,356.7
Profit for the year		–	536.2	–	536.2
Other comprehensive loss for the year		–	(631.6)	(12.6)	(644.2)
Total comprehensive loss for the year		–	(95.4)	(12.6)	(108.0)
Equity dividends	8	–	(0.2)	–	(0.2)
Share-based payments (net of tax)		–	–	3.0	3.0
At 31 March 2023		1,057.6	6,179.9	(986.0)	6,251.5
Profit for the year		–	446.3	–	446.3
Other comprehensive (loss)/income for the year		–	(193.9)	9.2	(184.7)
Total comprehensive income for the year		–	252.4	9.2	261.6
Equity dividends	8	–	(0.2)	–	(0.2)
Share-based payments (net of tax)	24	–	–	3.1	3.1
At 31 March 2024		**1,057.6**	**6,432.1**	**(973.7)**	**6,516.0**

As a result of alignment of accounting policies with the ultimate parent company, National grid Plc, there have been presentation and classification changes during the year. Comparatives have been restated to reflect the amended presentation and classification. Refer to note 1(f) on page 84 for details.

[1] Analysis of other equity reserves is provided within note 24.

Consolidated statement of financial position

	Note	As at 31 March **2024** £m	2023 £m	2022 £m
ASSETS				
Property, plant and equipment	9	**16,451.8**	15,562.8	14,697.3
Goodwill	10	**1,254.1**	1,254.1	1,254.1
Other intangible assets	11	**65.4**	57.5	51.3
Investment property	12	**25.1**	27.9	31.7
Prepayments and other receivables	16	**4.9**	3.9	5.5
Derivative financial instruments	14	**44.2**	48.4	35.9
Financial and other investments	13	**2.4**	2.2	1.8
Retirement benefit assets	21	**476.4**	652.8	1,448.1
Non-current assets		**18,324.3**	17,609.6	17,525.7
Inventories	15	**38.9**	36.4	36.5
Trade and other receivables	16	**357.9**	340.3	327.5
Financial and other investments	13	**230.9**	155.5	108.2
Cash at bank and in hand	17	**3.7**	36.3	38.8
Current assets		**631.4**	568.5	511.0
Total assets	2	**18,955.7**	18,178.1	18,036.7
LIABILITIES				
Borrowings	18	**(1,212.4)**	(1,202.7)	(1,495.8)
Trade and other payables	19	**(667.1)**	(596.8)	(529.9)
Contract liabilities	20	**(111.9)**	(51.8)	(49.2)
Current tax liabilities	7	**—**	—	(13.6)
Provisions	22	**(10.2)**	(15.1)	(13.3)
Current liabilities		**(2,001.6)**	(1,866.4)	(2,101.8)
Net current liabilities		**(1,370.2)**	(1,297.9)	(1,590.8)
Borrowings	18	**(6,004.1)**	(5,790.1)	(5,284.6)
Contract liabilities	20	**(3,057.9)**	(2,954.1)	(2,806.8)
Deferred tax liabilities	7	**(1,238.3)**	(1,190.4)	(1,328.6)
Derivative financial instruments	14	**(11.0)**	(4.6)	—
Retirement benefit liabilities	21	**(5.9)**	(6.4)	(7.7)
Provisions	22	**(120.9)**	(114.6)	(150.5)
Non-current liabilities		**(10,438.1)**	(10,060.2)	(9,578.2)
Total liabilities	2	**(12,439.7)**	(11,926.6)	(11,680.0)
Net assets		**6,516.0**	6,251.5	6,356.7
EQUITY				
Share capital	23	**1,057.6**	1,057.6	1,057.6
Other equity reserves	24	**(973.7)**	(986.0)	(976.4)
Retained earnings		**6,432.1**	6,179.9	6,275.5
Total equity		**6,516.0**	6,251.5	6,356.7

As a result of alignment of accounting policies with the ultimate parent company, National grid Plc, there have been presentation and classification changes during the year. Comparatives have been restated to reflect the amended presentation and classification. Refer to note 1(f) on page 84 for details.

The consolidated financial statements set out on pages 76 to 147 were approved by the Board of Directors and authorised for issue on 24 July 2024. They were signed on its behalf by:

DocuSigned by:
Cordi O'Hara
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Cordelia O'Hara, Director

DocuSigned by:
Darren Pettifer
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Darren Pettifer, Director

Consolidated cash flow statement

For the year ended 31 March

	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Profit for the year		**446.3**	536.2
Adjustments to reconcile profit for the year to net cash flow from operating activities			
Income tax expense	7	**153.8**	145.2
Finance costs	6	**349.5**	399.4
Finance income	6	**(46.3)**	(52.9)
Depreciation of property, plant and equipment	4	**303.9**	286.3
Amortisation of customers' contributions		**(54.9)**	(51.3)
Amortisation of intangible assets	4	**3.9**	3.3
Gain on disposal of property, plant and equipment		**(1.4)**	(0.8)
Fair value gains on investment properties	12	**(1.5)**	(0.1)
Fair value losses on investment properties	12	**4.2**	4.4
Investment income			(1.1)
Profit on sale of subsidiary	5	**(1.2)**	(12.0)
Share based payments		**2.7**	2.6
Difference between pension contributions paid and amounts recognised in the income statement		**(48.5)**	(53.8)
Increase/(decrease) in provisions		**18.1**	(5.3)
Working capital adjustments:			
Increase in inventories		**(2.5)**	(1.1)
Increase in trade and other receivables		**(15.2)**	(10.0)
Increase in trade and other payables		**72.0**	70.7
Customers' contributions received		**218.7**	201.3
Income taxes paid		**(46.9)**	(77.4)
Net cash inflow from operating activities		**1,354.7**	1,383.6
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,168.6)**	(1,138.7)
Proceeds from sale of property, plant and equipment		**1.6**	2.4
Purchase of investment properties		**(0.1)**	(0.5)
Purchase of intangible assets		**(11.8)**	(9.8)
Disposal of subsidiary - net of cash disposed		**(24.4)**	19.6
Loan proceeds to ultimate parent company		**(74.9)**	(146.0)
Net movement in restricted investment balances		**0.9**	(2.8)
Interest received		**14.9**	13.6
Dividend received		**—**	1.1
Net cash flow used in investing activities		**(1,262.4)**	(1,261.1)
Cash flows from financing activities			
Net increase/(decrease) in short-term borrowings		**75.2**	(107.2)
Payment of lease liabilities	18	**(4.7)**	(2.7)
Proceeds from long-term borrowings		**697.5**	866.7
Repayment of long-term borrowings		**(615.8)**	(700.0)
Cash outflows on derivative		**(2.0)**	—
Interest paid		**(265.7)**	(272.9)
Dividend paid		**(0.2)**	(0.2)
Net cash flow used in financing activities		**(115.7)**	(216.3)
Net decrease in cash and cash equivalents		**(23.4)**	(93.8)
Cash and cash equivalents at the start of the year		**25.5**	119.3
Net cash and cash equivalents at the end of the year	17	**2.1**	25.5

As a result of alignment of accounting policies with the ultimate parent company, National grid Plc, there have been presentation and classification changes during the year. Comparatives have been restated to reflect the amended presentation and classification. Refer to note 1(f) on page 84 for details.

Notes to the consolidated financial statements

1. Basis of preparation and recent accounting developments

Accounting policies describe our approach to recognising and measuring transactions and balances in the year. The accounting policies applicable across the financial statements are shown below, whereas accounting policies that are specific to a component of the financial statements have been incorporated into the relevant note.

This section also shows areas of judgement and key sources of estimation uncertainty in these financial statements. In addition, we have summarised new International Accounting Standards Board ("IASB"), amendments and interpretations and whether these are effective for this year end or in later years, explaining how significant changes are expected to affect our reported results.

National Grid Electricity Distribution's principal activities involve the distribution of electricity in Great Britain. The Company is a public limited liability company incorporated and domiciled in England and Wales , with its registered office at Avonbank, Feeder road, Bristol , BS2 0TB.

These consolidated financial statements were approved for issue by the Board of Directors on 24 July 2024.

These consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") and related interpretations as issued by the IASB and IFRS. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for periods ended 31 March 2024 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

The consolidated financial statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities, the revaluation of derivative financial instruments, share-based payments and certain financial assets and liabilities measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the NGED Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value such as net realisable value in IAS 2 or value in use in IAS 36.

These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company. All values are rounded to the nearest hundred thousand pounds except when otherwise indicated.

The notes to the financial statements have been prepared on a continuing basis unless otherwise stated.

The Comparative financial information, other than as highlighted in note 1(f) on page 84, has been presented on the same as basis as current year financial information.

1. Basis of preparation and recent accounting developments (continued)

(a) Going concern

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the NGED Group has adequate resources to continue in operational existence for the foreseeable future.

The Group has net current liabilities of £1,370.2m (2023: £1,297.9m). The Group's net current liabilities will be settled with a combination of cash flows from operating activities, use of existing long-term facilities and issuances of long-term debt. The Group can access either short or long term borrowings in order to finance repayment of any borrowings due within next 12 months. The Group has credit ratings above the investment grade and there is sufficient evidence, including historical analysis of the Group's ability to raise debt, to indicate that the Group will be successfully able to raise debt to finance repayments as needed. A letter of support has also been obtained from a ultimate parent undertaking confirming that it will provide financial support to the Group for not less than 12 months from the date of approval of the financial statements.

DNOs are essential in keeping critical infrastructure assets operating safely and securely and in making sure that homes and businesses across the country are receiving the energy needed. The work of the Group is crucial for the continuation of existing essential services, the establishment of new critical infrastructures and for keeping the public, including the most vulnerable in our society, safe. Due to the licensed regulatory obligations of the business, the necessity of continued operations even in times of economic uncertainties and having access to sufficient liquidity, the Group does not consider that there is material uncertainty over the entity's ability to continue as a going concern.

The directors have considered the availability of facilities as set out above, the relatively stable and regulated nature of the business, the forecast long term business plan, the consistent credit ratings of NGED, the existing and future forecasted covenant compliance of the Group, which includes the gearing ratio, the anticipated ability of the NGED Group to be able to raise additional long term debt in the future and the ability of the parent undertaking to provide financial support. The directors have also assessed the principal risks discussed in the Strategic report (pages 34 to 37) in arriving at the going concern assumption for the preparation of the financial statements.

Thus, the directors have concluded that the NGED Group has sufficient resources available to enable it to continue in existence for the foreseeable future and for a period of at least 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the results, assets and liabilities of the Company and its subsidiaries.

A subsidiary is defined as an entity controlled by the Group. Control is achieved where the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. Inter-company balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

1. Basis of preparation and recent accounting developments (continued)

(c) Foreign currencies

Transactions in currencies other than the functional currency of the Company or subsidiary concerned are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value.

Gains and losses arising on the retranslation of monetary assets and liabilities are included in the income statement, except where the application of hedge accounting requires inclusion in other comprehensive income.

(d) Areas of judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimations is in the notes to the financial statements, and the key areas are summarised below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follows:

Capitalisation of overheads - Nature of costs capitalised

Amounts capitalised as network assets include indirect costs associated with the engineering department and an element of corporate overhead costs. The costs are initially expensed to the income statement with a portion being capitalised based on management's assessment of the costs incurred that are directly linked to the capital work performed. The nature of costs to be included for capitalisation is a key judgement and is based on an analysis of the activities directly attributable to capital work.

The Group does not have any key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Pensions and post retirement benefits

The NGED Group has a commitment to pay pension benefits. The costs of these benefits and the present value of the NGED Group's pension liabilities depend on such factors as the life expectancy of the members, the salary progression of current employees which is based on inflation rate and the discount rate at which the future pension payments are discounted. Advice is taken from independent actuaries relating to the appropriateness of the key assumptions applied, including life expectancy, expected salary and pension increases, and inflation. Based on advice from external actuaries, the Company uses estimates for all these factors in determining the pension costs and liabilities incorporated in the financial statements. The assumptions reflect historical experience and management's judgement regarding future expectations.

See note 30 for information on sensitivities.

1. Basis of preparation and recent accounting developments (continued)

(e) Accounting policy choices

IFRS provides certain options available within accounting standards. Choices we have made, and continue to make, include the following:

- Presentational formats: we use the nature of expense method for our income statement and aggregate our statement of financial position to net assets and total equity. In the income statement, we present subtotals of total operating profit, finance income and costs, profit before tax, total tax and profit after tax.
- Financial instruments: we normally opt to apply hedge accounting in most circumstances where this is permitted.

(f) Impact of presentation and classification changes

As a result of the alignment of accounting policies with the ultimate parent classification and presentation changes have occurred in the financial statements. These changes are accounting policy choices and we have elected to restate for all such policy changes, despite the relative immateriality of certain items, considering the totality of the alignment exercise undertaken. If classification has been amended within the consolidated statement of financial position and consolidated income statement, the consequent impact of classification within the consolidated cash flow statement has also been considered and effected, where needed. All accounting policy changes have been applied retrospectively to the earliest period presented.

- For the year ended 31 March 2023, 'Net finance income relating to pensions and other post-retirement benefits' was presented on the face of the consolidated income statement. For the year ended 31 March 2024, the presentation has been amended and net finance income relating to pensions and other post-retirement benefits amounting to £32.0m (2023: £33.3m) has been included within the 'Finance income' line item on the face of the consolidated income statement. The net finance income relating to pensions and other post-retirement benefits is presented separately within the finance income and costs note in the notes to the financial statements. Comparatives have been restated to reflect amended presentation. Refer note 6.
- For the year ended 31 March 2023, 'Loss arising on cash flow hedges' during the year amounting to £(1.9)m, 'Reclassification adjustments for gains on cash flow hedges included in profit or loss (finance costs)' amounting to £(15.7)m and "Net movement in cost of hedging reserve" amounting to £0.6m were shown separately on the face of the consolidated statement of comprehensive income. For the year ended 31 March 2024, the presentation has been amended and these line items have now been merged into a single line item 'Net gains/ (losses) in respect of cash flow hedges and cost of hedging' amounting to £12.4m (2023: £(16.9)m). Comparatives have been restated to reflect amended presentation.
- For the year ended 31 March 2023, 'Goodwill' was included within 'Intangible assets' on the face of the consolidated statement of financial position. For the year ended 31 March 2024, 'Goodwill' of £1,254.1m (2023: £1,254.1m, 2022: £1,254.1m) is identified separately on the face of the consolidated statement of financial position. The presentation change has been applied retrospectively to the earliest period presented and the comparatives have been restated to reflect amended presentation.
- For the year ended 31 March 2023, the 'Loan receivable from the ultimate parent' was classified as a 'Loan receivable' on the the face of the consolidated statement of financial position within 'Current assets'. For the year ended 31 March 2024, 'Loan receivable from ultimate parent company amounting to £220.9m (2023: £146.0m) has been reclassified to 'Financial and other investments' on the face of the consolidated statement of financial position within 'Current assets'. Refer note 13.
- Classification of restricted cash deposits relating to low carbon network fund projects approved by Ofgem has been amended in the consolidated cash flow statement and consolidated statement of financial position. For the year ended 31 March 2023, these restricted cash balances were classified as 'Cash and cash equivalent' within the consolidated cash flow statement and 'Cash at bank and in hand' within the consolidated statement of financial position. For the year ended 31 March 2024, the movement in these balances amounting to £1.1m (2023: £(2.4)m) has been classified under 'Net movement in restricted investment balances' within 'investing activities' in the consolidated cash flow statement and restricted cash balances amounting to £7.9m (2023: £9.0m, 2022: £6.6m) are classified as 'Financial and other investments' within 'Current assets' in the consolidated statement of financial position. The change in accounting policy has been applied retrospectively to the earliest period presented and the comparatives have been restated. Refer note 13.

1. Basis of preparation and recent accounting developments (continued)

(f) Impact of presentation and classification changes (continued)

- Classification of restricted cash deposits relating to the regulatory requirements of National Grid Telecoms Limited has been amended in the consolidated cash flow statement and consolidated statement of financial position. For the year ended 31 March 2023, this cash deposit was classified as 'Cash and cash equivalents' within the consolidated cash flow statement and 'Cash at bank and in hand' within the consolidated statement of financial position. For the year ended 31 March 2024, the movement in these balances amounting to £(0.2)m (2023: £(0.4)m) has been classified under 'Net movement in restricted investment balances' within 'investing activities' in the consolidated cash flow statement and the restricted cash balance amounting to £2.4m (2023: £2.2m, 2022: £1.8m) is classified as 'Financial and other investments' within 'Non-current assets' in the consolidated statement of financial position. The balance is not expected to be available during next 12 months. The change in accounting policy has been applied retrospectively to the earliest period presented and the comparatives have been restated. Refer note 13.
- For the year ended 31 March 2023, 'Short-term bank deposits' were classified as 'Cash at bank and in hand' on the face of the consolidated statement of financial position. For the year ended 31 March 2024, 'Short-term deposits' amounting to £2.1m (2023: £0.5m, 2022: £101.6m) have been renamed to 'FVTPL investment' and reclassified to 'Financial and other investments' on the face of the consolidated statement of financial position within 'Current assets'. The presentation change has been applied retrospectively to the earliest period presented and the comparatives have been restated to reflect amended presentation. Refer note 13.
- For the year ended 31 March 2023, 'Deferred contributions' were classified within 'Trade and other payables' in the consolidated statement of financial position within 'Current liabilities'. For the year ended 31 March 2024, 'Deferred contributions' amounting to £111.9m (2023: £51.8m, 2022: £49.2m) have been identified as a separate line item named 'Contract liabilities' on the face of the consolidated statement of financial position within 'Current liabilities'. The 'Trade and other payable' line item within 'Non-current liabilities' amounting to £3,057.9m (2023: £2,954.1m, 2022: £2,806.8m) in the consolidated statement of financial position has been renamed 'Contract liabilities'. The presentation change has been applied retrospectively to the earliest period presented and the comparatives have been restated to reflect amended presentation.
- For the year ended 31 March 2023, the 'Merger reserve' amounting to £963.1m (2022: £963.1m), 'Hedging reserve' amounting to £26.4m (2022: £13.8m) and and 'Non-cash capital contribution reserve' amounting to £3.5m (2022: £0.5m) were shown separately on the face of the consolidated statement of financial position. For the year ended 31 March 2024, the presentation has been amended and these reserves are merged together as 'Other equity reserves' amounting to £973.7m (2023: £986.0m, 2022: £976.4m) on the face of the consolidated statement of financial position with segregated amounts reflected in the notes to the financial statements. The presentation change has been applied retrospectively to the earliest period presented and the comparatives have been restated to reflect amended presentation. Refer note 24.
- Classification of interest paid in the consolidated cash flow statement and of accrued interest in the consolidated statement of financial position has changed. For the year ended 31 March 2023, 'Interest paid' was classified within 'operating activities' in the cash flow statement and accrued interest payable was classified within 'Trade and other payable' in the consolidated statement of financial position. For the year ended 31 March 2024, 'Interest paid' amounting to £265.7m (2023: £272.9m) is classified within 'financing activities' in the cash flow statement and accrued interest payable amounting to £123.8m (2023: £120.7m, 2022: £110.7m) is classified within 'Borrowings' in the consolidated statement of financial position. The change in accounting policy has been applied retrospectively to the earliest period presented and the comparatives have been restated. Refer note 18.
- Classification of interest received in the cash flow statement has changed. For the year ended 31 March 2023, 'Interest received' was classified within 'operating activities' in the cash flow statement. For the year ended 31 March 2024, 'Interest received' amounting to £14.9m (2023: £13.6m) is classified within 'investing activities' in the cash flow statement. Comparatives have been restated to reflect the amended presentation.
- For the year ended 31 March 2023, 'Net finance income relating to pensions and other post-retirement benefits' was presented within the 'Finance cost' line item of the consolidated cash flow statement. For the year ended 31 March 2024, the presentation has been amended and 'Net finance income relating to pensions and other post-retirement benefits' amounting to £32.0m (2023: £33.3m) has been included within the 'Finance income' line item on the face of the consolidated cash flow statement.

1. Basis of preparation and recent accounting developments (continued)

(f) Impact of presentation and classification changes (continued)

- For the year ended 31 March 2023, unbilled income was included under 'Trade receivable' within "Trade and other receivables' in the notes to the financial statements. For the year ended 31 March 2024, unbilled income amounting to £153.7m (2023: £171.2m) has been reclassified to be included under 'Accrued income' within 'Trade and other receivables' in the notes to the financial statements. The comparatives have restated to reflect the amended presentation. Refer note 16.

(g) New IFRS accounting standards effective for the year ended 31 March 2024

The following new standards are effective for accounting periods beginning on or after 1 January 2023:

- IFRS 17 'Insurance Contracts';
- Amendments to IAS 1 and IFRS Practice Statement 2 – making materiality judgements, disclosure of accounting policies;
- Amendments to IAS 12 'Income taxes' - deferred Tax Related to assets and liabilities arising from a single transaction;
- Amendments to IAS 12 'International Tax Reform — Pillar Two Model Rules; and
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - definition of accounting estimates;

The Group has assessed the impact of these standards and concluded that there is no material change to the Group's financial statements.

(h) New IFRS accounting standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK:

- Amendments to IAS 1 'Presentation of Financial Statements' - classification of liabilities as current or non-current, effective for annual periods beginning on or after 1 January 2024;
- Amendments to IAS 1 'Presentation of Financial Statements' - non-current liabilities with covenants, effective for annual periods beginning on or after 1 January 2024;
- Amendments to IFRS 16 'Leases'- lease liability in a sale and lease back, effective for annual periods beginning on or after 1 January 2024;
- Amendments to IAS 7 and IFRS 7 - supplier finance arrangements, effective for annual periods beginning on or after 1 January 2024 and;
- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - lack of exchangeability, effective for annual periods beginning on or after 1 January 2025.
- IFRS 18 'Presentation and Disclosure in financial statements, effective for annual periods beginning on or after 1 January 2025.

The Group is currently assessing the impact of the above standards, but they are not expected to have a material impact. The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

2. Segmental analysis

This note sets out the financial performance for the year split into the different parts of the business (operating segments). The performance of these operating segments is monitored and managed on a day-to-day basis.

Revenue and the results of the business are analysed by operating segment, based on the information the Board of Directors uses internally for the purposes of evaluating the performance of each operating segment and determining resource allocation between them. The Board of Directors is NGED's chief operating decision-making body (as defined by IFRS 8 'Operating Segments') and assesses the profitability of operations principally on the basis of operating profit. NGED Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

The NGED Group’s reportable segments are the regulated distribution of electricity in the South West, East Midlands and West Midlands of England and South Wales, and other businesses. Distribution involves the delivery of electricity across the NGED Group's distribution network. Other businesses relate to non-regulated activities including telecommunications, property management and helicopter operations which principally support the main business.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between business segments. Those transfers are eliminated on consolidation.

Analysis of revenue, operating profit, and assets and liabilities by segment is provided below. Substantially all revenues and profit before tax arise from operations within the UK.

(a) Revenue

	Total revenue		**Inter-segment revenue**		**External revenue**	
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
Distribution network systems						
South West	**408.4**	447.4	**(3.6)**	(1.3)	**404.8**	446.1
South Wales	**267.8**	304.3	**(0.3)**	(0.3)	**267.5**	304.0
East Midlands	**572.2**	666.0	**(0.6)**	(0.6)	**571.6**	665.4
West Midlands	**583.1**	670.0	**(0.3)**	(0.3)	**582.8**	669.7
	1,831.5	2,087.7	**(4.8)**	(2.5)	**1,826.7**	2,085.2
Other businesses	**39.1**	48.3	**(27.6)**	(37.0)	**11.5**	11.3
	1,870.6	2,136.0	**(32.4)**	(39.5)	**1,838.2**	2,096.5

Analysis of revenue by major customer

Revenues from the NGED Group's largest five customers amounted to £308.6m, £303.1m, £207.0m, £136.0m and £130.3m (2023: £337.9m, £330.1m, £257.9m, £160.9m and £158.1m) arising from sales reported across the South West, South Wales, East Midlands and West Midlands segments.

2. Segmental analysis (continued)

(b) Segmented profit

	2024 £m	2023 £m
Distribution network systems		
South West	**189.3**	209.6
South Wales	**124.1**	141.3
East Midlands	**294.8**	341.9
West Midlands	**305.8**	340.8
	914.0	1,033.6
Other businesses	**4.2**	14.3
Corporate and unallocated(i)	**(14.9)**	(20.0)
Operating profit	**903.3**	1,027.9
Finance revenue	**46.3**	52.9
Finance costs	**(349.5)**	(399.4)
Profit before tax	**600.1**	681.4
Taxation		
South West	**(32.1)**	(28.9)
South Wales	**(22.5)**	(24.7)
East Midlands	**(49.4)**	(47.7)
West Midlands	**(56.8)**	(54.5)
Other businesses	**7.0**	10.6
	(153.8)	(145.2)
Profit for the year attributable to owners of the parent	**446.3**	536.2

(i) Corporate and unallocated comprises primarily current service pension costs (net of capitalisation).

2. Segmental analysis (continued)

(c) Assets, liabilities, and capital expenditure

	Segment assets (i)		Segment liabilities (ii)		Capital expenditure (iii)	
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
Distribution network						
South West	**3,883.5**	3,638.9	**(842.9)**	(792.2)	**329.2**	301.3
South Wales	**2,661.8**	2,537.4	**(579.9)**	(538.8)	**179.1**	178.3
East Midlands	**6,001.2**	5,722.8	**(1,413.7)**	(1,342.8)	**393.8**	378.0
West Midlands	**5,610.2**	5,349.8	**(1,045.2)**	(959.0)	**351.5**	358.7
	18,156.7	17,248.9	**(3,881.7)**	(3,632.8)	**1,253.6**	1,216.3
Other businesses	**346.9**	304.2	**(37.0)**	(44.5)	**1.9**	4.0
Corporate and unallocated	**452.1**	625.0	**(8,521.0)**	(8,249.3)	**(3.1)**	(0.6)
	18,955.7	18,178.1	**(12,439.7)**	(11,926.6)	**1,252.4**	1,219.7

(i) Segment assets consist of property, plant and equipment, investment properties, goodwill, other intangible assets, inventories, receivables and cash. Corporate and unallocated assets includes loan to related party, derivative financial instruments, pension assets and deposits (including deposits classified as cash).

(ii) Segment liabilities consist of deferred customer contributions and operating liabilities. Corporate and unallocated liabilities includes current taxation, corporate borrowings, derivative financial instruments and deferred taxation.

(iii) Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties.

(d) Depreciation and amortisation

	Depreciation on property, plant and equipment (Note 9)		Amortisation of intangible assets (Note 11)	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Distribution network systems				
South West	**81.1**	73.4	**5.2**	4.6
South Wales	**53.6**	50.2	**1.6**	1.3
East Midlands	**109.2**	103.0	**3.0**	2.5
West Midlands	**100.5**	95.5	**2.9**	2.3
	344.4	322.1	**12.7**	10.7
Other businesses	**(1.8)**	(0.5)	**—**	—
	342.6	321.6	**12.7**	10.7
Less: recapitalised to property, plant and equipment	**(38.7)**	(35.3)	**(8.8)**	(7.4)
Charged to consolidated income statement	**303.9**	286.3	**3.9**	3.3

3. Revenue

Revenue arises in the course of the ordinary activities and principally comprises distribution services.

Distribution Use of System ("DUoS") Revenue

The Group consists of four distribution network operators ("DNOs") in the UK that earn the majority of their revenue from providing distribution use of system services. The services are provided under a Distribution Connection and Use of System Agreements ("DCUSA") with their customers.

There is a single performance obligation under the DCUSA: the DNO is required to use its distribution network to deliver electricity from metered entry points to exit point. NGED's performance obligation of delivering electricity represents a promise to deliver a series of distinct services that should be accounted for as a single performance obligation. The performance obligation is satisfied over time as:

a) Customers immediately control and consume the benefits NGED provides;

b) NGED's service does not create or enhance an asset with an alternate use to NGED; and

c) NGED has the right to payment from the customer for the service that has been provided.

NGED measures the progress of the performance obligation using the output method. The output method recognises revenue based on the direct measurements of value transferred to the customer. Accordingly NGED records revenue on a monthly basis, based on the amount of kilowatt hour ("kWh") of electricity delivered.

Revenue includes an assessment of the volume of unbilled energy distributed to customers between the date of the last meter reading and the year-end.

Where revenue received or receivable exceeds the maximum amount permitted by regulatory agreement and adjustments will be made to future prices to reflect this over-recovery, no liability is recognised as such an adjustment is to future prices and 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.

Lease income

Lease income arising from operating leases on investment properties and plant & equipment is accounted for on a straight line basis over the lease term.

Engineering recharges

Engineering recharges relate to the recovery of costs incurred in relation to construction work requested by customers, such as re-routing of existing network assets. The performance obligation relates to completion of work as per the terms of the contract. The consideration received is recognised as revenue as the construction work is completed.

Customer contributions

Contributions receivable in respect of additions to property, plant and equipment for new connections are treated as contract liabilities, which is credited to the income statement within revenue over the estimated weighted life of the related assets of 69 years. The performance obligation for customer contribution contracts is to provide customers with an ongoing network connection and thus is satisfied over a period of time instead of at a point of time. Customers immediately control and consume the benefits NGED provides.

	2024	2023
	£m	£m
Revenue from customer contracts - IFRS 15	**1,833.2**	2,091.5
Lease income	**5.0**	5.0
Total revenue	**1,838.2**	2,096.5

3. Revenue (continued)

The following table shows revenues from contracts with customers disaggregated by customer class:

	2024	2023
	£m	£m
Licensed energy suppliers - DNO	**1,705.8**	1,951.4
Other customers - DNO	**120.9**	133.8
Other businesses	**6.5**	6.3
	1,833.2	2,091.5

The licensed energy supplier revenue forms the majority of the external revenue of distribution network systems as disclosed in note 2 (a). Total revenue is generated from operations based in the UK.

Contract liabilities of £3,169.8m are recorded on the balance sheet (see note 20). These are contributions in aid of construction for which revenue will be recognised over the weighted average remaining life of the assets, being 69 years.

Network assets with a net book value of £16.0bn (2023: £15.2bn) are used to fulfil the contract with customers (refer to note 9).

4. Operating costs

Below we have presented separately certain items included in our operating costs. These include a breakdown of payroll costs (including disclosure of amounts paid to key management personnel) and fees paid to our auditors.

	2024	2023
	£m	£m
Payroll costs	**166.3**	167.9
Depreciation of property, plant and equipment (i)	**303.9**	286.3
Amortisation of intangibles (ii)	**3.9**	3.3
Property taxes	**112.0**	95.8
Rent expense (iii):		
Plant, machinery and equipment	**13.3**	13.2
Land and buildings	**0.7**	0.6
Last Resort Supply Payment ("LRSP") claims (iv)	**64.6**	272.2
Other operating charges (v)	**270.4**	240.3
	935.1	1,079.6

Operating costs include:

	2024	2023
	£m	£m
Research expenditure (vi)	—	0.2
Inventory consumed	13.2	11.2

4. Operating costs (continued)

(i) Depreciation of property, plant and equipment is stated net of depreciation capitalised of £38.7m (2023: £35.3m) in respect of equipment consumed during the construction of the electricity network. It also includes depreciation of right-of-use-assets amounting to £4.0m (2023: £2.2m).

(ii) Amortisation of intangibles is stated net of amortisation capitalised of £8.8m (2023: £7.4m) in respect of software consumed during the construction of the electricity network.

(iii) Rent expense comprises of short term and low value leases (refer to note 18).

(iv) When a supplier fails, Ofgem ensures continuity of supply to the failed supplier's customers by appointing a Supplier of Last Resort ("SoLR") to supply the failed supplier's customers at short notice. The SoLR may then recover certain costs from the DNOs via a LRSP claim. These LRSP claim costs are recovered by the Group via its DUoS charges. .

(v) Other operating charges includes costs in relation to engineering recharges, National Grid exit charges (charges levied by National Grid Electricity Transmission for connection to the electricity transmission system), tree cutting, inspections and maintenance and wayleaves, as well as other overheads incurred.

(vi) Research costs above exclude expenditure on Low Carbon Network and Network Innovation Allowance projects which is capitalised together with associated funding received.

(a) Payroll costs

	2024	2023
	£m	£m
Wages and salaries	**432.0**	402.2
Social security costs	**51.0**	50.3
Pension costs	**53.5**	66.2
Share based payment	**3.7**	2.5
Employee costs recharged by parent	**7.7**	—
	547.9	521.2
Less: amounts capitalised as part of property, plant and equipment	**(381.6)**	(353.3)
Charged to the income statement	**166.3**	167.9

For the year ended 31 March 2023 the share based payment cost (net of capitalisation) was included within other operating expenses. This has been corrected during the year and for the year ended 31 March 2024, share based payment cost has been classified within employee costs. Comparatives have been restated.

Payroll costs in the year were capitalised at a rate of 69.6% (2023: 69.0%).

(b) Number of employees, including Directors

	2024	2023
	Number	Number
Electricity distribution	**6,761**	6,549
Other activities	**111**	118
	6,872	6,667

(c) Key management compensation

There are no personnel, other than the directors, who as key management have authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the NGED Group. Refer to director's emoluments below.

4. Operating costs (continued)

(d) Directors' emoluments

The service contracts for the executive directors are with NGED South West. However, the emoluments detail given in this note represents total emoluments of the directors for all services provided to NGED companies as a whole. The total costs below are apportioned between NGED South Wales, NGED South West, NGED West Midlands and NGED East Midlands.

	Highest paid director		Total	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
The emoluments of the executive directors comprised:				
Base salary (note i)	**466**	476	**1,273**	1,279
Performance dependent bonus (note ii)	**264**	681	**1,086**	1,774
Termination benefits (note iii)	**—**	5,453	**—**	8,703
Pension compensation allowance (note iv)	**114**	247	**429**	522
Sub-total directors' remuneration	**844**	6,857	**2,788**	12,278
Share-based payments	**686**	—	**872**	155
Fees to the independent non executive directors (note v)	**—**	—	**50**	100
	1,530	6,857	**3,710**	12,533

(i) Base salary also includes benefits in kind.

(ii) The amount of the annual bonus is based on NGED's financial performance, the reliability of the electricity network, and other factors. The current year bonus total includes a bonus payment made to a director who resigned from the business during the prior period. 2023 includes retention award payments following the completion of the sale of the WPD Group to National Grid plc on 14 June 2021.

(iii) 2023 includes termination benefits in respect of two executive directors who resigned from the business during the reporting period. The amount of termination benefits for 2024 is nil.

(iv) As a result of changes in tax applicable to UK pensions, the executive directors have resigned as active members of the Electricity Supply Pension Scheme ("ESPS" - see note 21), thus NGED no longer contributes for ongoing service to the ESPS in respect of the executive directors. Instead, NGED pays cash compensation to them individually equivalent to the value of NGED's contribution in to the ESPS that would have been made had they remained active members (as determined by external actuaries).

(v) The two sufficiently independent directors are entitled to fees as determined by the appropriate Board. No emoluments are paid to National Grid appointed non-executive directors, who are officers of National Grid, in respect of their services as directors to the Group.

(vi) During 2024, three directors including the highest paid director exercised share options (2023: nil).

(vii) During the year, four executive directors (2023: four) were members of the defined benefit ESPS.

4. Operating costs (continued)

(e) Auditor's remuneration

	2024 £m	2023 £m
Audit services:		
Audit of the parent Company’s individual and consolidated financial statements	**0.1**	**0.1**
Audit of subsidiary companies	**1.3**	**0.8**
Other audit related services	**0.7**	**0.4**
	2.1	**1.3**

Other audit related services relate to fees payable for audit services which are required to be carried out by auditors in relation to the Group’s reporting requirements to National Grid plc. In particular, this includes fees for reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley), and assurance fees in relation to regulatory returns.

5. Other operating income and expense

	2024 £m	2023 £m
Other operating income		
Gain on disposal of subsidiary*	**1.2**	12.0
Net gain on disposal of property, plant and equipment	**1.4**	1.6
Increase in fair value of investment properties	**1.5**	0.1
Income from fixed asset investments	**0.3**	1.7
	4.4	15.4
Other operating expense		
Reduction in fair value of investment properties	**(4.2)**	(4.4)
Net other operating income	**0.2**	11.0

* The gain on disposal of a subsidiary during the current year relates to the sale of Aztec Insurance Limited, a former subsidiary of the Group. The subsidiary was amalgamated with a National Grid Group Company, National Grid Insurance Company Isle of Man Limited. The sale occurred on 31 January 2024. The sale proceeds amounted to £5.8m. The gain on disposal of a subsidiary during the year ended 31 March 2023 pertains to the sale of WPD Smart Metering Limited, a former subsidiary of the Group. The sale occurred on 1 June 2022. The sale proceeds amounted to £19.6m.

6. Finance income and costs

This note details the interest income generated by our financial assets and interest expense incurred on our financial liabilities, primarily our financing portfolio (including our derivative financial instruments). It also includes the net interest on our pensions and other post-retirement assets.

Finance income and costs remeasurements include certain unrealised gains and losses on certain assets and liabilities now treated at fair value through profit and loss (FVTPL). The interest income and interest expense on these items are included in finance income and finance costs before remeasurements, respectively. Finance income and cost is recognised in the income statement as it accrues, on an effective rate basis.

6. Finance income and costs (continued)

	2024 £m	2023 £m
Finance income		
Net interest income relating to pensions and other post-retirement benefits	**32.0**	33.3
Interest income on bank deposits	**1.3**	1.3
Interest income on loans to NG affiliates	**13.0**	12.3
	46.3	46.9
Finance costs		
Interest expense on bank loans and overdrafts	**(8.7)**	(18.9)
Interest expense on other borrowings	**(298.1)**	(367.8)
Interest expense on loans from parent company	**(36.5)**	(16.2)
Interest expense on lease liabilities	**(0.9)**	(0.5)
Interest expense on derivatives	**(13.5)**	(6.0)
Unwinding of discount on provisions	**(1.5)**	(1.3)
Less: interest capitalised (ii)	**11.7**	11.3
	(347.5)	(399.4)
Remeasurements - finance (costs)/income		
Net gains/(losses) on derivatives designated as hedges (i)	**0.9**	6.0
Net losses on derivatives not designated as hedges	**(2.9)**	—
	(2.0)	6.0
Finance income	**46.3**	52.9
Finance costs	**(349.5)**	(399.4)
Net finance costs	**(303.2)**	(346.5)

(i) Remeasurement gain pertains to an unrealised net gain on derivatives designated as hedges, to the extent that the hedge is not fully effective or to other components such as credit spread that are not part of designated hedge risk. This includes net foreign exchange gain on the borrowings of £27.9m (2023: loss £20.0m) offset by foreign exchange gain and losses on the fair value of derivatives.

(ii) Interest on funding attributable to assets in the course of construction in the current year was capitalised at a rate of 4.9% (2023: 5.1%), based on the yield on the Group's borrowings.

(iii) Finance costs include principle accretion on inflation linked liabilities of £51.9m (2023: £125.0m).

7. Tax

This note gives further details of the total tax charge and tax liabilities, including current and deferred tax. The current tax charge is the tax payable on this year’s taxable profits. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences in the accounting and tax bases.

The tax charge (or credit) for the period is recognised in the income statement, the statement of comprehensive income or directly in equity, according to the accounting treatment of the related transaction. The tax charge (or credit) comprises both current and deferred tax. Cash taxes are paid via another group company.

Current tax assets and liabilities are measured at the amounts expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date. This includes UK corporation tax payable to HM Revenue & Customs ("HMRC") and amounts payable to (or receivable from) other UK Group companies for losses and other amounts transferred between them ("group relief").

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to HMRC. Management exercises judgement in relation to the level of provision required for uncertain tax outcomes. There are a number of tax positions not yet agreed with the tax authorities where different interpretations of legislation could lead to a range of outcomes. Judgements are made for each position having regard to particular circumstances and advice obtained. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

7. Tax (continued)

Deferred tax is provided for using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor taxable profit or loss.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. After offset, there is a net deferred tax liability that will reverse after more than one year. The net deferred tax liability will impact the Group’s tax payments over a very long period of time mainly due to the long expected useful lives of fixed assets and the Group’s pension schemes having no fixed maturity dates.

The tax charge for the year can be analysed as follows:

	2024	2023
	£m	£m
Current tax:		
Corporation tax at 25% (2023: 19%)	**50.0**	59.0
Corporation tax adjustment in respect of prior years	**(6.1)**	0.2
Total current tax	**43.9**	59.2
Deferred tax:		
Deferred tax	**101.3**	85.3
Deferred tax adjustment in respect of prior years	**8.6**	0.7
Total deferred tax	**109.9**	86.0
Total tax charge	**153.8**	145.2

7. Tax (continued)

Tax (credited)/charged to the statement of other comprehensive income and equity

	2024 £m	2023 £m
Deferred tax:		
Cash flow hedges	**3.2**	(4.3)
Share-based payments	**(0.6)**	(0.4)
Remeasurements of net pension assets	**(64.6)**	(220.7)
	(62.0)	(225.4)
Analysed as:		
Total tax recognised in the statement of other comprehensive income	**(61.4)**	(225.0)
Total tax relating to share-based payments recognised directly in equity	**(0.6)**	(0.4)
	(62.0)	(225.4)

The tax on the NGED Group's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 25% (2023: 19%) as follows:

	2024 £m	2023 £m
Profit before income tax	**600.1**	681.4
Profit before income tax multiplied by standard rate of corporation tax in the UK of 25% (2023: 19%)	**150.0**	129.5
Effects of:		
Adjustments in respect of prior years	**2.5**	0.9
Expenses not deductible for tax purposes	**5.1**	—
Non taxable income	**—**	(2.8)
Enhanced tax relief on capital expenditure	**—**	(3.0)
Deferred tax impact of change in UK tax rate	**—**	20.6
Others	**(3.8)**	—
Total tax charge	**153.8**	145.2
Effective tax rate	**25.6 %**	21.3 %

The enhanced tax relief relates to the 30% uplift on capital expenditure incurred in the two years to 31 March 2023 that qualifies as super-deduction expenditure. Adjustments in respect of prior years mainly relate to the revised analysis of capital expenditure included in tax returns filed with HMRC.

Factors affecting current and future tax charges

The main UK corporation tax rate is 25% with effect from 1 April 2023. Deferred tax balances as at 31 March 2024 have been calculated at 25%.

7. Tax (continued)

Tax included within the statement of financial position

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the current and prior reporting periods:

	Accelerated capital allowances £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 April 2022	974.9	359.9	(6.2)	1,328.6
Charged to income statement	63.7	22.3	0.3	86.3
Credited to other comprehensive income and equity	—	(220.7)	(4.7)	(225.4)
Transfer between categories	0.9	—	—	0.9
At 1 April 2023	1,039.5	161.5	(10.6)	1,190.4
Charged/(credited) to income statement	91.1	20.6	(1.8)	109.9
Charged/(credited) to other comprehensive income and equity	—	(64.6)	2.6	(62.0)
At 31 March 2024	**1,130.6**	**117.5**	**(9.8)**	**1,238.3**

Accelerated capital allowances represents the tax deferred on profits due to the difference in timing when the deductions for expenditure on fixed assets are recognised in the income statement through depreciation and when tax deductions for that expenditure through capital allowances are included in tax returns filed with HMRC. Deferred tax arises on retirement benefit obligations as tax deductions are included in tax returns as contributions are paid to the pension schemes and not when the obligations or surpluses on the schemes are recorded in the financial statements.

The other deferred tax balances relate to items such as provisions and accruals that are tax deductible when paid rather than when accrued and debt value adjustments that are taxed/deducted under tax rules at times different to when those adjustments have been recognised in the income statements.

The net deferred tax liability will impact the Company's tax payments over a very long period of time mainly due to the long expected useful lives of fixed assets and the Company's pension schemes having no fixed maturity dates.

8. Dividend

Dividend distribution to the Company's shareholder is recognised as a liability in the NGED Group's financial statements in the year in which the dividends are approved by the Company's directors.

	2024	2023
	£m	£m
Equity dividends - 0.02 pence (2023: 0.02 pence) per £1 share	**0.2**	0.2

9. Property, plant and equipment

The following note shows the physical assets controlled by us. The cost of these assets primarily represents the amount initially paid for them. This includes both their purchase price and the construction and other costs associated with getting them ready for operation. A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (useful economic life) and charging the cost of the asset to the income statement equally over this period.

We operate an energy networks business and therefore have a significant physical asset base. We continue to invest in our networks to maintain reliability, create new customer connections and ensure our networks are flexible and resilient. Our business plan envisages these additional investments will be funded through a mixture of cash generated from operations and the issue of new debt.

9. Property, plant and equipment (continued)

Property, plant and equipment is stated at cost less accumulated depreciation and impairments. Cost includes the purchase price of the asset and costs directly attributable to making the asset capable of operating as intended. For capital schemes of the Group, cost of materials, any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment as well as the cost of any associated asset retirement obligations and an appropriate proportion of overheads are capitalised.

Expenditure on electricity infrastructure assets relating to increases in capacity or enhancements of the network including qualifying replacement expenditure are treated as additions. Property, plant and equipment includes assets in which the Group's interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction. Other costs incurred in maintaining the operating capability of the network in accordance with defined standards of service are expensed in the year in which the expenditure is incurred.

No depreciation is provided on freehold land or assets in the course of construction. Other items of property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. Certain network assets are depreciated using the group method of depreciation, in which a single composite depreciation rate is applied to a particular class of property, plant and equipment. This method pools similar assets together, and then depreciates each group as a whole over their respective useful lives. Composite depreciation rates are benchmarked to internal engineering studies and known asset performance lives. Depreciation expense includes a component for the original cost of assets and a component for estimated cost of future removal, net of any salvage value at retirement. Upon retirement of components of the Company's network assets, the original cost of the retired assets, net of salvage value, is charged against accumulated depreciation, with no gain or loss recognised. The assessments of estimated useful economic lives and residual values of assets are performed annually. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are, in general, as shown in the table below:

Plant & machinery assets:	
Overhead lines and poles	65 years
Underground cables	85 years
Transformers and switchgears	55 years
Meters	3 years
Other (towers and substation buildings)	Up to 80 years
Freehold and leasehold buildings	Up to 60 years
Motor vehicles	Up to 10 years
Office equipment	Up to 20 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the income statement.

Items within property, plant and equipment are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired. Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and if immaterial are included within depreciation charge for the year. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

During the year ended 31 March 2024, the presentation of the note below has been amended to reflect property, plant and equipment categories aligned to reporting by the ultimate parent company, National Grid Plc. The key changes are as follows:

9. Property, plant and equipment (continued)

- For the year ended 31 March 2023, Fixtures & equipment with a net book value of £174.4m and Vehicles & mobile plant with a net book value of £72.7m were presented as two separate categories. For the year ended 31 March 2024, these have been merged together as a single category of Motor Vehicles & Office Equipment.
- For the year ended 31 March 2023, the network assets of the Group were named as Distribution network. This has been renamed to Plant & machinery for the year ended 31 March 2024.
- For the year ended 31 March 2023, fibres and radio sites with a net book value of £5.3m were classified as Fixtures & equipment. These have now been reclassified to Plant & machinery for the year ended 31 March 2024.

	Land & buildings	Plant & machinery	Motor vehicles & Office equipment	Total
	£m	£m	£m	£m
Cost				
At 1 April 2022	186.8	17,498.6	466.6	18,152.0
Additions	6.1	1,113.6	82.5	1,202.2
Transfers from intangible assets	0.7	—	(0.2)	0.5
Disposals and retirements	—	(20.8)	(61.0)	(81.8)
At 1 April 2023	193.6	18,591.4	487.9	19,272.9
Additions	3.8	1,145.9	82.1	1,231.8
Transfers	—	0.1	(0.1)	—
Disposals and retirements	—	(2.8)	(59.6)	(62.4)
At 31 March 2024	**197.4**	**19,734.6**	**510.3**	**20,442.3**
Accumulated depreciation				
At 1 April 2022	26.4	3,176.2	252.1	3,454.7
Depreciation charge for the year	3.3	263.7	54.6	321.6
Transfers	0.2	—	—	0.2
Disposals and retirements	—	(5.8)	(60.6)	(66.4)
At 1 April 2023	29.9	3,434.1	246.1	3,710.1
Depreciation charge for the year	3.3	278.3	61.0	342.6
Disposals and retirements	—	(2.8)	(59.4)	(62.2)
At 31 March 2024	**33.2**	**3,709.6**	**247.7**	**3,990.5**
Net book value				
At 31 March 2024	**164.2**	**16,025.0**	**262.6**	**16,451.8**
At 31 March 2023	163.7	15,157.3	241.8	15,562.8
At 31 March 2022	160.4	14,322.4	214.5	14,697.3

9. Property, plant and equipment (continued)

Included in plant & machinery and motor vehicles & office equipment at 31 March 2024 was an amount of £233.0m (2023: £188.7m) relating to expenditure on assets in the course of construction.

Included in additions are staff costs of £381.6m (2023: £353.3m), corporate overheads of £110.8m (2023: £101.7m), capitalised depreciation of £38.7m (2023: £35.3m) and interest of £11.7m (2023: £11.3m).

The table below shows the net book value of right-of-use assets included within tangible fixed assets at 31 March 2024 and 31 March 2023, split by category. The associated lease liabilities are disclosed in note 18.

	Land & buildings	**Plant & machinery**	**Motor vehicles & Office equipment**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 April 2022	**7.1**	**1.4**	**1.3**	**9.8**
Additions	0.1	4.6	4.1	8.8
Depreciation	(0.6)	(0.7)	(0.9)	(2.2)
At 1 April 2023	6.6	5.3	4.5	16.4
Additions	0.2	0.5	8.4	9.1
Depreciation	(0.6)	(0.6)	(2.8)	(4.0)
At 31 March 2024	**6.2**	**5.2**	**10.1**	**21.5**

10. Goodwill

Goodwill represents the excess of what we paid to acquire businesses over the fair value of their net assets at the acquisition date. We assess whether goodwill is recoverable by performing an impairment review annually or more frequently if events or changes in circumstances indicate a potential impairment.

Impairment is recognised where there is a difference between the carrying value of the CGU and the estimated recoverable amount of the CGU to which that goodwill has been allocated. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Any impairment loss is first allocated to the carrying value of the goodwill and then to the other assets within the CGU. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value-in-use at the date the impairment review is undertaken. Value-in-use represents the present value of expected future cash flows, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

	2024	2023
	£m	£m
Opening net book value	1,254.1	1,254.1
Net book value at 31 March	**1,254.1**	1,254.1

Goodwill acquired through business combinations has been allocated for impairment testing purposes to three cash-generating units ("CGUs"), East Midlands, West Midlands, and South Wales, which are also operating segments. These represent the lowest level within the NGED Group at which goodwill is monitored for internal management purposes.

At 31 March 2014, an impairment loss of £186.2m and £62.2m was recognised in East Midlands and West Midlands, respectively. The impairment was mainly as a result of changes in cash flow projections, largely following the agreement of the RIIO-ED1 price control during that year. A further impairment loss of £72.0m was recognised at 31 March 2015 in West Midlands. This impairment had largely arisen as a result of changes to the short-term inflation assumption which had reduced both the operating cash flows and the terminal value used in the discounted cash flow model. This was partly offset by higher than previously anticipated levels of capital expenditure in that year, increasing both the future operating cash flows and the terminal value, and reducing the discount rate. For the East Midlands CGU, the increase in anticipated levels of capital expenditure was such that no overall impairment loss was recognised in the year.

10. Goodwill (continued)

Carrying amount of goodwill allocated to cash-generating units ("CGUs")

	2024	2023
	£m	£m
East Midlands	**518.8**	518.8
West Midlands	**614.4**	614.4
South Wales	**120.9**	120.9
Carrying amount of goodwill	**1,254.1**	1,254.1

Goodwill is reviewed annually for impairment and the recoverability is assessed by comparing the carrying amount of the CGU (including goodwill) with the recoverable amount of the CGU on a value in use basis which uses pre-financing and pre-tax cash flow projections based on the Group's financial plans, approved by the management.

In each assessment, the value-in-use has been calculated assuming a stable regulatory framework and is based on projections that incorporate our best estimates of future cash flows, including costs, future rates and growth. Such projections reflect our current regulatory agreement and allow for future agreements and recovery of investment, including those related to achieving the net zero plans of the UK. Our plans have proved to be reliable guides in the past and the Directors believe the estimates are appropriate.

(a) Cash flow periods, terminal value and discount rate assumptions

In determining the value in use, cash flows for a period of 26 years (until 2050) have been discounted and aggregated with a terminal value, which is calculated by applying a multiple to the RAV at the end of the period. A period of greater than five years has been used as this duration more accurately reflects the regulatory environment in which we operate. Most significantly, it is aligned to the UK Government's legislated commitment to reach net-zero by 2050. The longer cash flow forecasts reflect the expected investment required in the network, in excess of the economy wide long-term growth rates in order to deliver the energy transition commitments, before applying a terminal value at the point those commitments are due to be fulfilled and market growth is expected to stabilise.

Total expenditure forecasts, comprising capital and operating expenditure, are estimated with reference to the Group's strategic modelling and expectations around a reasonable energy transition based upon the policies and commitments in place today. Cash flows related to uncommitted future restructuring and enhancement capital expenditure (beyond activity to reinforce the network and build new connections) are excluded from the projections.

A nominal terminal growth rate of 2.3% (2023: 2.6%) is assumed upon the terminal year cash flows, reflecting management's best view, based on market and operational experience, of the expected long-term growth in the relevant market.

Pre-tax cash flows are discounted by applying a pre-tax discount rate reflecting the time value of money and the risks specific to the group of assets. In practice, the post-tax discount rate for the group of assets in question is derived from a post-tax weighted average cost of capital. The assumptions used in the calculation of the weighted average cost of capital are benchmarked to externally available data. The determined discount rate is independent of the entity's capital structure and reflects a market participant's view of a risk adjusted discount rate specific to the CGUs. The post-tax discount rate is then grossed up to a pre-tax discount rate that is applied to pre-tax cash flows. The pre-tax discount rates used for the year ended 31 March 2024 were as follows:

- NGED West Midlands: 5.02%
- NGED East Midlands: 4.95%
- NGED South Wales: 4.99%

10. Goodwill (continued)

b) Key inputs and sensitivity analysis

In assessing the carrying value of goodwill and licences, we have sensitised our forecasts to factor in adjustments to key inputs to each model. While key assumptions underpinning the goodwill valuations will change over time, the Directors consider that no reasonably foreseeable change would result in an impairment of goodwill. This is in view of the long-term nature of the key assumptions, including those used in determining an appropriate discount rate, and specifically the risk-free rate and total market return, the margin by which the estimated value-in-use exceeds the carrying amount and the nature of the regulatory regimes that we operate under.

No reasonably possible changes to inputs to the impairment test performed over goodwill attributable to our CGUs were identified as resulting in an impairment.

11. Other intangible assets

Intangible assets relate to software, which is written down (amortised) over the period we expect to receive a benefit from the asset.

Identifiable intangible assets are recorded at cost less accumulated amortisation and any provision for impairment. Intangible assets are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired.

Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and are disclosed separately. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

Internally generated intangible assets, such as software, are recognised only if: i) an asset is created that can be identified; ii) it is probable that the asset created will generate future economic benefits; and iii) the development cost of the asset can be measured reliably. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred.

Intangible assets under development are not amortised. Other non-current intangible assets are amortised on a straight-line basis over their estimated useful economic lives. The amortisation period for software is up to five years.

11. Other intangible assets (continued)

	Computer Software
	£m
Cost	
At 1 April 2022	86.7
Additions	17.5
Transfers to property, plant and equipment	(0.5)
Disposals	(5.4)
At 1 April 2023	98.3
Additions	20.6
Disposals	(4.3)
At 31 March 2024	**114.6**
Aggregate amortisation and impairment	
At 1 April 2022	35.4
Charge for the year	10.7
Transfers to property, plant and equipment	(0.2)
Disposals	(5.1)
At 1 April 2023	40.8
Charge for the year	12.7
Disposals	(4.3)
At 31 March 2024	**49.2**
Carrying amount	
At 31 March 2024	**65.4**
At 31 March 2023	57.5
At 31 March 2022	51.3

Included in additions is capitalised amortisation cost of £8.8m (2023: £7.4m).

12. Investment property

	Retail £m	Office £m	Industrial £m	Total £m
Fair value				
At 1 April 2022	**18.3**	**7.0**	**6.4**	**31.7**
Valuation gains	—	—	0.1	0.1
Valuation losses	(2.6)	(0.9)	(0.9)	(4.4)
Transfers to property, plant and equipment	0.3	0.2	—	0.5
At 1 April 2023	**16.0**	**6.3**	**5.6**	**27.9**
Valuation gains	0.7	—	0.8	1.5
Valuation losses	(0.3)	(3.3)	(0.6)	(4.2)
Additions	0.1	0.1	—	0.2
Transfers to property, plant and equipment	—	—	(0.3)	(0.3)
At 31 March 2024	**16.5**	**3.1**	**5.5**	**25.1**

The fair value of the investment property has been arrived at on the basis of a valuations carried out by external independent valuers. The valuers are regulated by the Royal Institution of Chartered Surveyors ("RICS") and follow the rules, codes, and guidance in the RICS Rules of Conduct for Firms. The valuations have been prepared in accordance with IFRS 13 Fair Value Measurements and represent the 'highest and best use' of the property.

In arriving at the valuation, tenancy details and market evidence of transaction prices for similar properties are taken into consideration. Investment properties generating rental revenue are valued using an investment approach and vacant buildings are valued using the comparison method of valuation. Where land is being held for development, the valuation technique is based either on the comparison method or residual method.

The amounts recognised in the income statement for rental income from investment property are £2.5m (2023: £2.3m).

Investment properties are let on either full repair and insuring leases, under which all outgoings are the responsibility of the lessee, or under tenancies, where costs are recovered through a service charge levied on tenants during the period of occupation. This service charge amounted to £1.3m (2023: £0.9m) for which a similar amount is included within operating costs.

In determining the appropriate classes of investment property the Group has considered the nature, characteristics and risks associated with its properties. As a consequence the Group has identified the following classes of assets:

- Retail - representing a single investment in a supermarket store in Cwmbran, South Wales, occupied by J Sainsbury.
- Other retail - representing a portfolio of other retail properties across Wales and the South West of England.
- Office - representing a portfolio of office buildings across NGED's region.
- Industrial - representing a portfolio of industrial and storage facilities across NGED's region.

The tables below show details for the larger properties. Within other assets, recorded at £3.9m (2023: £4.6m), are a further 20 (2023: 22) investment properties with an average value of £195,425 per property (2023: £210,932), valued by the NGED Group's internal qualified surveyor.

All of the valuations fall within Level 3 of the fair value hierarchy. The table below provides details by class of property of the fair value ascribed to each class of asset, an indication of the key inputs used in deriving the valuation, together with other key features which inform the valuation process. In light of the immaterial nature of the other assets below to the financial statements as a whole, the directors have elected not to provide the equivalent detailed information in respect of these valuations.

12. Investment property (continued)

Class of property	Carrying amount/ Fair value 2024 £m	Valuation technique	Input	Range (weighted average) 2024	Other key information	Range 2024
		Unobservable and observable inputs used in determination of fair values			Other key information	
Retail	13.4	Income capitalisation	> Length of leases in place (in years)	5y	> Age of building	30y
			> Yield	5.2 %	> Remaining useful life of building	20+
			> Passing rent (per sqm p.a.)	£201.4	> Square metres	5308
			> Long term vacancy rate	— %		
Other retail	2.0	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £230 (£94)	> Age of building	50+
			> Length of leases in place (in years)	0y - 8y (3.6y)	> Remaining useful life of building	20+
			> Yield	0% - 9.0%	> Square metres	2175
			> Long term vacancy rate	19.0 %	> Actual vacancy rate	19.0 %
Office	2.8	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £167 (£45.0)	> Age of building	25y - 40y
			> Length of leases in place (in years)	0y - 5y (1.3y)	> Remaining useful life of building	20+
			> Yield	0% - 10.5%	> Square metres	7864
			> Long term vacancy rate	0% - 100% (76%)	> Actual vacancy rate	0.76
Industrial	3.0	Income capitalisation	> Net rent (per sqm p.a.)	£19- £54 (£42)	> Age of building	67y
			> Length of leases in place (in years)	1.5y - 18y (6.3y)	> Remaining useful life of building	20+
			> Yield	9.7 %	> Square metres	6135
			> Long term vacancy rate	— %	> Actual vacancy rate	— %
Total	**21.2**					
Other assets	3.9					
Total fair value	**25.1**					

12. Investment property (continued)

Class of property	Carrying amount/Fair value 2023 £m	Valuation technique	Input (Unobservable and observable inputs used in determination of fair values)	Range (weighted average) 2023	Other key information	Range 2023
Retail	13.0	Income capitalisation	> Length of leases in place (in years)	6y	> Age of building	29y
			> Yield	5.2 %	> Remaining useful life of building	20+
			> Passing rent (per sqm p.a.)	£201.4	> Square metres	5308
			> Long term vacancy rate	— %		
Other retail	2.1	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £230 (£94)	> Age of building	50+
			> Length of leases in place (in years)	0y - 4y (3.0y)	> Remaining useful life of building	20+
			> Yield	0% - 9.0%	> Square metres	2175
			> Long term vacancy rate	19.0 %	> Actual vacancy rate	— %
Office	5.7	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £129 (£41.0)	> Age of building	24y - 39y
			> Length of leases in place (in years)	0y - 4.5y (1.6y)	> Remaining useful life of building	20+
			> Yield	0% - 10.4%	> Square metres	8224
			> Long term vacancy rate	0% - 100% (48%)	> Actual vacancy rate	0% - 100%
Industrial	2.5	Income capitalisation	> Net rent (per sqm p.a.)	£53- £84 (£75)	> Age of building	66y
			> Length of leases in place (in years)	2.5y - 19y (7.8y)	> Remaining useful life of building	20+
			> Yield	9.7 %	> Square metres	3106
			> Long term vacancy rate	— %	> Actual vacancy rate	— %
Total	**23.3**					
Other assets	4.6					
Total fair value	**27.9**					

13. Financial and other investments

The Financial and other investments balance primarily comprises of an overnight facility loan with National Grid plc. In addition, it also includes short-term money market funds, investments that can not be readily used in operations, principally collateral deposited in relation to derivatives.

The classification of each investment held by the Group is determined based on two main factors:

- its contractual cash flows – whether the asset's cash flows are solely payments of the principal and interest on the financial asset on pre-determined dates or whether the cash flows are determined by other factors such as the performance of a company; and
- the business model for holding the investments – whether the intention is to hold onto the investment for the longer term (collect the contractual cash flows) or to sell the asset with the intention of managing any gain or loss on sale or to manage any liquidity requirements.

The three categories of financial and other investments are as follows:

Financial assets at amortised cost – debt instruments that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is to collect contractual cash flows, are held at amortised cost. This category includes a loan receivable from the ultimate parent company and collateral.

FVOCI debt and other investments – debt investments, such as bonds, that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, are measured at fair value through other comprehensive income ("FVOCI"), with gains or losses recognised in the consolidated statement of comprehensive income instead of through the income statement. This category of financial assets includes derivatives designated as hedging instruments in an effective cash flow hedge.

FVTPL investments – other financial investments are subsequently measured at fair value with any gains or losses recognised in the income statement ("FVTPL"). This primarily comprises our short term deposits.

	2024	2023
Current	**£m**	£m
FVTPL investments	**2.1**	0.5
Financial assets at amortised cost	**220.9**	146.0
Restricted cash deposits	**7.9**	9.0
	230.9	155.5
Non-current		
Restricted cash deposit	2.4	2.2
	2.4	2.2
Total financial and other investments	**233.3**	157.7

FVTPL investments include short term deposits that are all instant access funds, earning interest of between 4.15% and 5.25%. FVTPL investments are recorded at fair value. The fair value of financial assets at amortised cost is considered to approximate its carrying amount.

For the purposes of impairment assessment, all financial assets held at amortised cost are considered to have low credit risk and have an immaterial impairment loss allowance equal to 12-month expected credit losses.

Financial assets at amortised cost pertains to loan receivable from the ultimate parent company. This is amount lent under the two-way loan agreement with National Grid plc. The loan is unsecured and is repayable on demand. Interest is accrued on the balance at daily SONIA plus 0.25% margin. The impairment loss on this is deemed immaterial since this has an insignificant risk of change in value.

13. Financial and other investments (continued)

No FVOCI or amortised cost financial assets have had modified cash flows during the period. There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for these financial assets. There were no significant movements in the gross carrying value of financial assets during the year that contribute to changes in the loss allowance. No collateral is held in respect of any of the financial investments in the above table. No balances are more than 30 days past due and no balances were written off during the year.

Current restricted cash deposits pertain to cash balances that can only be used for low carbon network fund projects approved by Ofgem and are not readily available for general purposes of the Group. Non-current restricted cash deposit pertains to deposit maintained in relation to regulatory requirements of National Grid Telecoms Limited. The Company is required to ensure that sufficient funds are available to meet the Specified Liabilities which arise on or before the date on which a Relevant Event occurs or may arise at any time during the Liability Period from the exercise of rights conferred upon the Company by paragraph 9 of the Electronic Communications Code. The Relevant Event being Code operator ceasing to trade or being prohibited from providing, or ceasing to provide, the electronic communications network.

For the year ended 31 March 2023, above mentioned restricted cash deposits were classified within cash and cash equivalents. As a result of accounting policy changes during the current year, these deposits are classified within financial and other investments. For further details on the accounting policy changes refer page 84.

14. Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rates, foreign exchange rates, credit spreads, equity or other indices. Derivatives are transacted in accordance with the National Grid plc Board approved policies, these policies have been deemed applicable at NGED by their respective board of directors. Derivatives are transacted by NGED generally to manage our exposure to fluctuations in interest rates and foreign exchange rates. Specifically we use these derivatives to manage our financing portfolio, and contractual operational cash flows.

Derivatives are initially recognised at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair values are recorded in the period they arise, in either the income statement or other comprehensive income as required by IFRS 9. Where the gains or losses recorded in the income statement arise from changes in the fair value of derivatives to the extent that hedge accounting is not applied or is not fully effective, these are recorded as remeasurements, detailed in notes 5 and 6. Where the fair value of a derivative is positive it is carried as a derivative asset, and where negative as a derivative liability.

The fair value of derivative financial instruments is calculated by taking the present value of future cash flows, primarily incorporating market observable inputs. The various inputs include foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate and inflation curves, the forward rate curves of underlying commodities and, for those positions that are not fully cash collateralised, the credit quality of the counterparties.

Further information on how derivatives are valued and used for risk management purposes is presented in note 29.

As at 31 March, the NGED Group held the following derivative financial instruments measured at fair value:

	2024			2023		
	Asset	**Liabilities**	**Total**	Asset	Liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Cross-currency interest rate swaps	**41.2**	**(9.0)**	**32.2**	48.4	(4.6)	43.8
Interest rate swaps	**2.3**	**—**	**2.3**	—	—	—
Inflation linked swaps	**0.7**	**(2.0)**	**(1.3)**	—	—	—
	44.2	**(11.0)**	**33.2**	48.4	(4.6)	43.8

14. Derivative financial instruments (continued)

The maturity profile of derivative financial instruments is as follows:

	2024			2023		
	Assets	**Liabilities**	**Total**	Assets	Liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Current						
Less than 1 year	**—**	**—**	**—**	—	—	—
	—	**—**	**—**	—	—	—
Non-current						
In 1 - 2 years	**0.7**	**—**	**0.7**	—	—	—
In 2 - 3 years	**—**	**—**	**—**	—	—	—
In 3 - 4 years	**—**	**—**	**—**	—	—	—
In 4 - 5 years	**41.2**	**(4.0)**	**37.2**	—	—	—
More than 5 years	**2.3**	**(7.0)**	**(4.7)**	48.4	(4.6)	43.8
	44.2	**(11.0)**	**33.2**	48.4	(4.6)	43.8

The notional contract amounts of derivative financial instruments by type are as follows:

	2024	2023
	£m	£m
Interest rate swaps	**(70.0)**	—
Cross-currency interest rate swaps	**(1,043.5)**	(990.4)
Inflation linked swaps	**(824.4)**	—
	(1,937.9)	(990.4)

15. Inventories

Inventories represent assets that we intend to use in order to generate revenue in the short-term by using it to fulfil a service to a customer or to maintain our network (spares and consumables).

Inventories are stated at the lower of weighted average cost and net realisable value. Where applicable, cost comprises direct materials and direct labour costs as well as those overheads that have been incurred in bringing the inventories to their present location and condition.

	2024	2023
	£m	£m
Raw materials, spares and consumables	**37.8**	35.2
Work in progress	**1.1**	1.2
	38.9	36.4

The cost of inventories recognised as an expense during the year includes £0.8m (2023: £0.3m) in respect of write downs of inventory to net realisable value and has been reduced by £0.6m (2023: nil) in respect of reversal of such write downs.

16. Trade and other receivables

Trade and other receivables are amounts which are due from our customers for services we have provided.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

Trade receivables are non-interest-bearing and generally have a 30 to 90 days term. Due to their short maturities, the fair value of trade and other receivables approximates their carrying value. The maximum exposure of trade and other receivables to credit risk is the carrying amount reported on the balance sheet.

16. Trade and other receivables (continued)

	2024 £m	2023 £m
Current		
Trade receivables	**136.1**	119.9
Accrued income	**153.7**	177.0
Prepayments	**32.6**	23.8
Other receivables	**28.2**	14.9
Current tax receivable	**7.3**	4.7
	357.9	340.3
Non-current		
Reimbursement asset re unfunded pension liability	**2.4**	2.7
Prepayments	**1.4**	0.6
Other receivables	**1.1**	0.6
	4.9	3.9
Total trade and other receivables	**362.8**	344.2

Accrued income includes unbilled DUoS income of £153.7m (2023: £171.2m). For the year ended 31 March 2023, unbilled DUoS income was included within trade receivables. As a result of accounting policy changes during the current year, this has now been reclassified to be included within accrued income. The comparatives have also been restated to reflect amended classification.

Other receivables relate primarily to insurance claims and the non-current balances that are expected to be recovered over the next three years.

NGED South Wales has an unfunded pension obligation in relation to previous executives. This is subject to reimbursement by National Grid Electricity Distribution Holdings Limited, and therefore a corresponding reimbursement asset is stated on the balance sheet and matches the liability recorded under IAS 19 (note 21).

Provision for impairment of receivables

A provision for credit losses is recognised at an amount equal to the expected credit losses that will arise over the lifetime of the trade receivables and accrued income.

To measure the expected credit losses, trade and other receivables have been grouped based on shared risk characteristics and the days past due. Accrued income is effectively a receivable as well for the purposes of the expected credit loss model since it is unbilled only because a passage of time is required. NGED has therefore concluded that expected loss rates for trade receivables are a reasonable approximation of the loss rates for accrued income as well.

The expected credit loss rates are primarily based on historical credit losses experienced. The historical loss rates are then adjusted for forward looking information on macroeconomic factors affecting the customer's ability to pay. The general economic trends and conditions impact the customers ability to pay. Another key factor to consider is the liquidity and overall financial position of the key electricity suppliers.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, liquidation of the debtors, the failure of the debtor to engage in a repayment plan, and a failure to make payments for a period greater than 120 days past due.

As at 31 March 2024, trade receivables and accrued income at a nominal value of £2.7m (2023: £2.6m) were impaired and fully provided for. Movements in the provision for impairment were as follows.

16. Trade and other receivables (continued)

	2024	2023
	£m	£m
At 1 April	**2.6**	21.4
Provision for impairment	**0.6**	1.9
Amounts written off as uncollectable	**(0.5)**	(20.3)
Amounts recovered during the year	**—**	(0.4)
At 31 March	**2.7**	2.6

As a result of significant supplier liquidations in December 2021, a significant amount of bad debt was written of in 2023. Ofgem regulations allow for full recoverability of credit losses on DUoS debtors, provided certain credit management protocols are performed in accordance with industry standards as governed by the Distribution Connection and Use of System Agreements (“DCUSA”), thus minimising any potential credit risk to the Group. The recoverability for the Group occurs through an increase in DUoS charges.

The NGED Group considers 100% of its credit risk to be with counterparties in related industries. The maximum credit risk exposure is represented by the carrying value as at the balance sheet date.

As at 31 March, the aged analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
2024	**136.1**	**134.8**	**1.2**	**0.1**	**—**	**—**	**—**
2023	119.9	114.5	3.7	0.4	0.5	—	0.8

Trade receivables that are neither past due nor impaired relate largely to charges made to electricity suppliers for the use of NGED's distribution network. Credit risk management for these receivables is performed in accordance with industry standards as set out by Ofgem and governed by the credit rules within the DCUSA.

In order to minimise exposure to debt, the DCUSA requires NGED to monitor electricity suppliers' (NGED's customers) indebtedness ratios daily to ensure it does not exceed 85%. The indebtedness ratio is defined as 'Value at Risk/Credit Limit' where 'Value at Risk' is the suppliers' current outstanding invoices plus a 15 day estimate of unbilled amounts and 'Credit Limit' is calculated by reference to NGED's RAV, the suppliers' credit rating from an approved credit referencing agency, and the suppliers' payment performance history.

Where necessary, suppliers can ensure they are within the 85% indebtedness threshold by providing collateral to increase their 'Credit Limit'. This can be in the form of a letter of credit or equivalent bank guarantee, an escrow account deposit, a cash deposit, or any other form of collateral agreed between NGED and the supplier. As at 31 March 2024, the NGED Group held collateral in relation to trade receivables in the form of cash £15.7m (2023: £16.0m), letters of credit £81.0m (2023: £84.5m), and parent company guarantees £15.5m (2023: £15.6m). Letters of credit have a rating of Moody’s A2/S&P A or greater. The maximum amounts for parent company guarantees are based on their credit ratings as per the DCUSA regulations.

17. Cash and cash equivalents

	2024	2023
	£m	£m
Cash at bank	**3.7**	36.3
Cash at bank and in hand	**3.7**	36.3

The fair value of cash at bank is considered to approximate its carrying amount. Cash at bank earns interest at floating rates based on short-term bank deposit rates. Cash at bank and in hand is subject to the impairment requirements of IFRS 9 but the impairment loss on these is deemed immaterial since they have an insignificant risk of change in value.

For the year ended 31 March 2023, short term deposits were classified as cash at bank and in hand. For the year ended 31 March 2024, short term deposits have been renamed to FVTPL investments and the presentation has been amended to align with the presentation of the ultimate parent company, National Grid Plc. FVPTL investments amounting to £2.1m (2023: £0.5m, 2022: £101.6m) have been reclassified to financial and other investments. Comparatives have been restated to reflect the amended presentation.

Included in cash at bank deposits are restricted amounts totalling £0.5m (2023: £4.5m) which are not readily available for the general purposes of the NGED Group. Cash at bank and in hand for 31 March 2023 has been restated to exclude certain restricted cash deposits amounting to £11.2m. As a result of accounting policy changes during the current year, these deposits are classified within financial and other investments. For further details on this refer to pages 84 and 108. For the balancing restricted cash balance in 2023, the restrictions related to minimum cash balances that are required to be maintained for insurance purposes.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 March:

	2024	2023
	£m	£m
Cash at bank and in hand (from above)	**3.7**	36.3
FVTPL investments (Note 13)	**2.1**	0.5
Bank overdrafts*	**(3.7)**	(11.3)
Cash and cash equivalents	**2.1**	25.5

*Bank overdrafts comprise principally unpresented cheques and BACS at the year end. Bank overdrafts are classified within 'Borrowings'.

18. Borrowings

We borrow money primarily in the form of bonds, borrowings from fellow subsidiaries and bank loans. These are for a fixed term and may have fixed or floating interest rates or are linked to the retail price index ("RPI"). We use derivatives to manage risks associated with interest rates and foreign exchange. Lease liabilities are also included within borrowings.

Our price controls lead us to fund our networks within a certain ratio of debt to equity or regulatory asset value and, as a result, we have issued a significant amount of debt. As we continue to invest in our networks, the value of debt is expected to increase over time. To maintain a strong balance sheet and to allow us to access capital markets at commercially acceptable interest rates, we balance the amount of debt we issue with the value of our assets, and we take account of certain other metrics such as gearing ratios as used by credit rating agencies.

Borrowings, which include interest-bearing and inflation-linked debt, overdrafts and collateral payable, are initially recorded at fair value which normally reflect the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost; any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

18. Borrowings (continued)

	2024	2023
	£m	£m
Current		
Bank loans and overdraft	**5.4**	11.3
Bonds	**523.4**	620.3
Loan with ultimate parent company	**678.0**	567.9
Lease liabilities	**5.6**	3.2
	1,212.4	1,202.7

For the year ended 31 March 2023, accrued interest payable was classified within 'Trade and other payables' in the balance sheet. In order to align with the presentation of the ultimate parent company, National Grid Plc, for the year ended 31 March 2024, accrued interest payable amounting to £123.8m (2023: £120.7m) has been classified within borrowings, included within the 'bonds' line item. Comparatives have been restated.

The loan with ultimate parent company pertains to amounts drawn under the two-way loan agreement with National Grid plc. The loan is unsecured and is repayable on demand. Interest is accrued daily on the balance at SONIA plus 0.25% margin.

	2024	2023
	£m	£m
Non-current		
Bank loans	**143.1**	136.1
Bonds	**5,844.8**	5,640.7
Lease liabilities	**16.2**	13.3
	6,004.1	5,790.1
Total borrowings	**7,216.5**	6,992.8

Total borrowings are repayable as follows:

	2024	2023
	£m	£m
Less than 1 year	**1,212.4**	1,202.7
In 1 - 2 years	**255.4**	402.3
In 2 - 3 years	**601.6**	253.6
In 3 - 4 years	**2.2**	598.8
In 4 - 5 years	**690.1**	1.1
More than 5 years	**4,454.8**	4,534.3
	7,216.5	6,992.8

The fair value of borrowings at 31 March 2024 was £6,988.9m (2023: £6,770.7m). Where market values are not available, fair value of borrowings (Level 2) was £261.6m (2023: £133.4m), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio as at 31 March 2024 was £7,086.0m (2023: £6,274.5m).

Collateral is placed with or received from any counterparty where we have entered into a credit support annex to the ISDA Master Agreement once the current mark-to-market valuation of the trades between the parties exceeds an agreed threshold. Included in current bank loans is £1.6m (2023: £nil) in respect of cash received under collateral agreements.

The principal amount of the RPI linked bonds is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The adjustment to the principal amounts in the current year was an increase of approximately £51.9m (2023: £125.0m) resulting from inflation.

18. Borrowings (continued)

At 31 March 2024, the NGED Group had available £845.0m (2023: £845.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. All facilities incur commitment fees at market rates. At 31 March 2024, it also had available undrawn uncommitted facilities of £1.9m (2023: £1.9m).

None of the outstanding debt securities noted above has sinking fund requirements.

The carrying amounts of the NGED Group's borrowings are denominated in the following currencies:

	2024	2023
	£m	£m
UK pound	6,143.8	5,949.8
US dollar	160.9	162.9
Euro	858.8	880.1
JPY	53.0	—
	7,216.5	6,992.8

Lease liabilities

	2024	2023
	£m	£m
Opening	16.5	9.9
Additions	9.1	8.8
Payments during the year	(4.7)	(2.7)
Interest expense	0.9	0.5
At 31 March	21.8	16.5
of which:		
Current	5.6	3.2
Non-current	16.2	13.3

The NGED Group leases various properties under non-cancellable operating lease arrangements. In addition to this, NGED leases in rights to capacity on third party fibre optic networks, and space and equipment at third party telecommunication sites, under non-cancellable lease arrangements, in order to extend its core fibre network for its point to point transmission services. The leases have various terms, escalation clauses and renewable rights. Lease terms and rentals to be paid during the lease term are defined within the agreement. In some cases, lease rentals may be subject to a rent review on dates specified within the agreement at the then prevailing market rate.

Short term leases and low value leases are excluded from recognition on the balance sheet. The amount charged to rent expense pertaining to short term leases amounts to £9.4m (2023: £8.1m) and pertaining to low value leases amounts to £0.8m (2023: £0.8m).

19. Trade and other payables

Trade and other payables include amounts owed to suppliers, tax authorities and other parties which are due to be settled within 12 months. The total also includes deferred amounts, some of which represents monies received from customers but for which we have not yet delivered the associated service. These amounts are recognised as revenue when the service is provided.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

	2024	2023
	£m	£m
Trade payables	**85.8**	86.0
Social security and other taxes	**64.2**	71.0
Payments received in advance	**292.2**	246.2
Other payables	**27.2**	20.7
Deferred income	**11.7**	12.6
Accruals	**186.0**	160.3
	667.1	596.8

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs.

Payments received in advance primarily relate to the advance payments received from customers for construction contracts, mainly in relation to connections, for which work has not yet commenced. Other payables include £15.7m (2023: £16.0m) DUoS collateral deposits received from suppliers in accordance with the DCUSA.

Due to their short maturities, the fair value of trade payables approximates their carrying value.

For the year ended 31 March 2023, accrued interest payable was classified within 'Trade and other payables', included within the 'Accruals' line item. In order to align with the presentation of the ultimate parent company, National grid Plc, for the year ended 31 March 2024, accrued interest payable amounting to £123.8m (2023: £120.7m) has been classified within Borrowings. Comparatives have been restated.

20. Contract liabilities

Contract liabilities primarily relate to the advance consideration received from customers for construction contracts, mainly in relation to connections, for which revenue is recognised over the life of the asset.

	2024	2023
	£m	£m
Current	**111.9**	51.8
Non-current	**3,057.9**	2,954.1
	3,169.8	3,005.9

For the year ended 31 March 2023, the current balances were classified within current 'Trade and other payables' in the balance sheet and were named as deferred customer contributions. For the year ended 31 March 2024, these balances have been identified as a separate line item named 'Contract liabilities' on the face of the balance sheet. The non-current 'Trade and other payable' in the balance sheet has been renamed 'Contract liabilities'. Comparatives have been restated to reflect the amended presentation.

Significant changes in the contract liabilities balances during the year are as follows:

	2024	2023
	£m	£m
At 1 April	**3,005.9**	2,856.0
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(54.9)**	(51.9)
Increase due to cash received, excluding amounts recognised as revenue during the period	**218.8**	201.8
At 31 March	**3,169.8**	3,005.9

21. Pensions and other post-retirement benefits

All of our employees are eligible to participate in a pension scheme. We have defined benefit ("DB") and defined contribution ("DC") pension plans in the UK. The fair value of associated plan assets and present value of DB obligations are updated annually in accordance with IAS 19 ‘Employee Benefits’. Below we provide a more detailed analysis of the amounts recorded in the primary financial statements and the actuarial assumptions used to value the DB obligations.

Defined contribution plans

During the year, the ongoing DC pension provision for NGED employees was transferred from the Western Power Pension Scheme ("WPPS") to the National Grid UK Retirement Plan ("NGUKRP"), a section of a Master Trust arrangement managed by Legal & General. The Company pays contributions into the NGUKRP to provide DC benefits on behalf of its employees, generally providing a double match of member contributions up to a maximum Company contribution of 12% of salary. Investment risks are borne by the member and there is no legal or constructive obligation on the Company to pay additional contributions in the instance that investment performance is poor. Payments to these DC plans are charged as an expense as they fall due.

The Company also operates a closed section of WPPS with no active members. At 31 March 2024 there were 181 members with deferred benefits in the scheme (2023: 188) and 9 pensioners (2023: 7). Market value of the assets was £2.5m (2023: £2.3m).

Defined benefit plans

The NGED Group operates four defined benefit pension schemes:

- two sections of the Electricity Supply Pension Scheme ("ESPS"),
  - the section covering NGED South West and NGED South Wales ("ESPS WPD"), and
  - the section covering NGED East Midlands and NGED West Midlands ("ESPS CN")
- the Western Power Utilities Pension Scheme ("WPUPS")
- the Western Power Pension Scheme - Infralec 92 section ("WPPS I92").

The assets of all four schemes are held separately from those of the NGED Group in trustee administered funds.

ESPS WPD and ESPS CN provides pension and other related defined benefits based on final pensionable pay but are closed to new members except in very limited circumstances.

NGED South Wales is the principal employer for WPUPS, which is a defined benefit scheme providing benefits relating to previous employees of a former affiliated group. NGED South Wales will fund the actuarial deficit. However, as National Grid Electricity Distribution Holdings Limited, the Company's parent, has taken full financial responsibility for this scheme, NGED South Wales will be reimbursed for these payments. As National Grid Electricity Distribution Holdings Limited is outside the NGED Group, the value of the reimbursement agreement is stated in the balance sheet (note 22) and matches the gross asset/liability recorded under IAS 19 below.

WPPS I92 provides benefits on both a money purchase and final salary basis and is operated by NGED South Wales.

WPUPS and WPPS I92 are closed with no active members.

The arrangements are subject to independent actuarial funding valuations every three years and, following consultation and agreement with the Company, the qualified actuary certifies the employers’ contributions which together with the specified contributions payable by the employees and proceeds from the plans’ assets, are expected to be sufficient to fund the benefits payable.

The latest full actuarial valuations for each of the DB plans were carried out at 31 March 2022. ESPS WPD showed a shortfall at the valuation date and it was agreed that this would be funded via recovery plan payments from the Company of £18.0m per annum until November 2024. The Company also agreed employer contributions of 48.2% per annum of pensionable salaries covering future benefit accrual.

ESPS CN showed a shortfall at the valuation date and it was agreed that this would be funded via recovery plan payments from the Company totalling £48.3m ending in July 2023. The Company also agreed employer contributions of 44.2% per annum of pensionable salaries covering future benefit accrual.

21. Pensions and other post-retirement benefits (continued)

Defined benefit plans (continued)

The WPUPS and WPPS I92 schemes were in surplus at the valuation dates and therefore no deficit funding was required for these schemes.

Current expected total contributions for the year ending 31 March 2025 are £51.0m for ESPS WPD and £38.0m for ESPS CN.

For ESPS WPD, the net defined benefit cost and net surplus or deficit of the plan have been allocated to NGED South West and NGED South Wales in accordance with pensionable salaries, currently 62.6% to NGED South West (2023: 62.1%).For ESPS CN, the net defined benefit cost and net surplus or deficit of the plan have been allocated to NGED East Midlands and NGED West Midlands in accordance with pensionable salaries, currently 47.4% to NGED East Midlands (2023: 47.8%).

Unfunded obligation

The NGED Group also has unfunded pension obligations which relate to previous executives with some of these obligations subject to reimbursement by National Grid Electricity Distribution Holdings Limited as a result of the novation agreement, and therefore a corresponding reimbursement asset is stated on the balance sheet (note 16) and matches the liability recorded under IAS 19.

Actuarial assumptions

On retirement, members of DB plans receive benefits whose value is dependent on factors such as salary and length of pensionable service. The Company's obligation in respect of DB pension plans is calculated separately for each DB plan by projecting the estimated amount of future benefit payments that employees have earned for their pensionable service in the current and prior periods. These future benefit payments are discounted to determine the present value of the liabilities. Current service cost and any unrecognised past service cost are recognised immediately.

Advice is taken from independent actuaries relating to the appropriateness of the key assumptions applied, including life expectancy, expected salary and pension increases, and inflation. Comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the consolidated income statement, the consolidated statement of other comprehensive income and the net asset recognised in the consolidated statement of financial position. Remeasurements of pension assets and post retirement benefit obligations are recognised in full in the period in which they occur in the consolidated statement of other comprehensive income.

The Company has applied the following financial assumptions in assessing DB liabilities:

	2024			
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**
	%	**%**	**%**	**%**
Discount rate - past service	**4.88**	**4.89**	**4.85**	**4.88**
Discount rate - future service	**4.91**	**4.93**	**n/a**	**n/a**
Salary increases	**3.09**	**3.11**	**n/a**	**n/a**
Rate of increase in RPI - past service	**2.99**	**3.02**	**3.11**	**3.04**
Rate of increase in RPI - future service	**2.89**	**2.94**	**n/a**	**n/a**

	2023			
	ESPS WPD	ESPS CN	WPUPS	WPPS I92
	%	%	%	%
Discount rate - past service	4.80	4.80	4.80	4.80
Discount rate - future service	4.80	4.80	n/a	n/a
Salary increases	3.10	3.10	n/a	n/a
Rate of increase in RPI - past service	3.15	3.15	3.20	3.20
Rate of increase in RPI - future service	3.05	3.10	n/a	n/a

21. Pensions and other post-retirement benefits (continued)

Single equivalent financial assumptions are shown above for presentational purposes, although full yield curves have been used in our calculations. The discount rate is determined by reference to high-quality UK corporate bonds at the reporting date. The rates of increases stated are not indicative of historical increases awarded or a guarantee of future increase, but merely an appropriate assumption used in assessing DB liabilities.

The table below sets out the projected life expectancies adopted for the UK pension arrangements:

	2024			
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**
Assumed life expectations for a retiree age 65:				
Males	**21.4**	**21.4**	**21.4**	**22.1**
Females	**23.3**	**23.3**	**24.0**	**24.0**
In 20 years:				
Males	**22.3**	**22.7**	**22.4**	**22.7**
Females	**24.4**	**24.8**	**24.8**	**24.8**

	2023			
	ESPS WPD	ESPS CN	WPUPS	WPPS I92
Assumed life expectations for a retiree age 65:				
Males	22.0	22.0	21.8	22.0
Females	23.8	23.8	24.1	23.8
In 20 years:				
Males	22.9	22.9	23.0	23.3
Females	24.9	24.9	25.5	25.3

The weighted average duration of the defined benefit obligation is around 13 years for ESPS WPD, 12 years for ESPS CN and around 10 years for WPUPS and WPPS I92.

As at the reporting date, the present value of the funded obligations split according to member status, was for the WPD segment approximately 26% active members (2023: 29%); 4% deferred members (2023: 4%); 70% pensioner members (2023: 67%) and for the CN segment 22% active members (2023: 24%); 7% deferred members (2023: 7%); 71% pensioner members (2023: 69%).

For sensitivity analysis see note 30.

Amounts recognised in the consolidated statement of financial position

	2024					
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**	**Unfunded**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Present value of obligations	**(1,775.0)**	**(2,469.9)**	**(356.1)**	**(9.1)**	**(5.9)**	**(4,616.0)**
Fair value of scheme assets	**1,827.9**	**2,811.1**	**434.6**	**12.9**	**—**	**5,086.5**
Surplus/(deficit) of funded plan and asset/(liability) recognised in the balance sheet	**52.9**	**341.2**	**78.5**	**3.8**	**(5.9)**	**470.5**
Represented by:						
Asset	**52.9**	**341.2**	**78.5**	**3.8**	**—**	**476.4**
Liability	**—**	**—**	**—**	**—**	**(5.9)**	**(5.9)**
	52.9	**341.2**	**78.5**	**3.8**	**(5.9)**	**470.5**

21. Pensions and other post-retirement benefits (continued)

	2023					
	ESPS WPD	ESPS CN	WPUPS	WPPS I92	Unfunded	Total
	£m	£m	£m	£m	£m	
Present value of obligations	(1,809.9)	(2,535.1)	(381.1)	(10.1)	(6.4)	(4,742.6)
Fair value of scheme assets	1,930.9	2,986.6	457.6	13.9	—	5,389.0
Surplus/(deficit) of funded plan and asset/(liability) recognised in the balance sheet	121.0	451.5	76.5	3.8	(6.4)	646.4
Represented by:						
Asset	121.0	451.5	76.5	3.8	—	652.8
Liability	—	—	—	—	(6.4)	(6.4)
	121.0	451.5	76.5	3.8	(6.4)	646.4

The recognition of the pension asset reflects legal and actuarial advice that we have taken regarding recognition of surpluses under IFRIC 14. The Company has an unconditional right to a refund in the event of a winding up.

The regulator, Ofgem, currently allows ongoing service costs and a proportion of the deficit costs to be recovered through regulated income.

Amounts recognised in the consolidated income statement and the consolidated statement of other comprehensive income

The expense or income arising from pension arrangements recognised in the income statements is shown below:

	2024					
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**	**Unfunded**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Included within operating costs (including payroll costs)						
Current service cost	**14.1**	**17.8**	**—**	**—**	**—**	**31.9**
Administrative costs	**2.0**	**2.0**	**1.0**	**—**	**—**	**5.0**
Past service cost and gains and losses on settlements	**3.0**	**2.0**	**—**	**—**	**—**	**5.0**
WPUPS reimbursement agreement	**—**	**—**	**(1.0)**	**—**	**—**	**(1.0)**
Total included within operating costs	**19.1**	**21.8**	**—**	**—**	**—**	**40.9**
Included within finance income and costs						
Interest income on plan assets	**(96.0)**	**(148.0)**	**(22.0)**	**(1.0)**	**—**	**(267.0)**
Interest on plan liabilities	**89.0**	**124.0**	**19.0**	**—**	**—**	**232.0**
WPUPS reimbursement agreement	**—**	**—**	**3.0**	**—**	**—**	**3.0**
Total included within finance income and costs	**(7.0)**	**(24.0)**	**—**	**(1.0)**	**—**	**(32.0)**
Total included within consolidated income statement	**12.1**	**(2.2)**	**—**	**(1.0)**	**—**	**8.9**

21. Pensions and other post-retirement benefits (continued)

	2023					
	ESPS WPD	ESPS CN	WPUPS	WPPS I92	Unfunded	Total
	£m	£m	£m	£m	£m	£m
Included within operating costs (including payroll costs)						
Current service cost	23.7	27.2	—	—	—	50.9
Administrative costs	1.5	1.9	0.7	—	—	4.1
WPUPS reimbursement agreement	—	—	(0.7)	—	—	(0.7)
Total included within operating costs	25.2	29.1	—	—	—	54.3
Included within finance income and costs						
Interest income on plan assets	(67.3)	(100.2)	14.0	(0.4)	—	(153.9)
Interest on plan liabilities	55.7	78.5	(11.5)	0.3	0.1	123.1
WPUPS reimbursement agreement	—	—	(2.5)	—	—	(2.5)
Total included within finance income and costs	(11.6)	(21.7)	—	(0.1)	0.1	(33.3)
Total included within consolidated income statement	13.6	7.4	—	(0.1)	0.1	21.0

The operating charge is allocated to the operating costs in the consolidated income statement or to capital expenditure as appropriate.

Analysis of the amount recognised in other comprehensive income:

	2024					
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**	**Unfunded**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Return on plan assets excluding amounts included in interest (income)/expense	**137.0**	**211.5**	**17.0**	**1.0**	**—**	**366.5**
Gain from change in demographic assumptions	**(17.0)**	**(19.0)**	**(11.0)**	**—**	**—**	**(47.0)**
Gain from change in financial assumptions	**(39.0)**	**(44.0)**	**(4.0)**	**—**	**—**	**(87.0)**
Experience losses/(gains)	**27.0**	**1.0**	**(2.0)**	**—**	**—**	**26.0**
WPUPS Reimbursement agreement	**—**	**—**	**—**	**—**	**—**	**—**
Remeasurement losses recognised in other comprehensive income	**108.0**	**149.5**	**—**	**1.0**	**—**	**258.5**

	2023					
	ESPS WPD	ESPS CN	WPUPS	WPPS I92	Unfunded	Total
	£m	£m	£m	£m	£m	£m
Return on plan assets excluding amounts included in interest (income)/expense	902.7	1,247.4	126.2	3.6	—	2,279.9
Gain from change in demographic assumptions	(22.4)	(29.9)	(4.7)	(0.1)		(57.1)
Gain from change in financial assumptions	(573.6)	(770.3)	(92.0)	(2.2)	(1.1)	(1,439.2)
Experience losses/(gains)	55.4	42.5	1.0	(0.1)	—	98.8
WPUPS Reimbursement agreement	—	—	(30.5)	—	0.4	(30.1)
Remeasurement losses recognised in other comprehensive income	362.1	489.7	—	1.2	(0.7)	852.3

21. Pensions and other post-retirement benefits (continued)

The movement in the net pension asset over the accounting period is as follows:

ESPS WPD	Year ended 31 March 2024 Present value of obligation £m	Year ended 31 March 2024 Fair value of plan assets £m	Year ended 31 March 2024 Net £m	Year ended 31 March 2023 Present value of obligation £m	Year ended 31 March 2023 Fair value of plan assets £m	Year ended 31 March 2023 Net £m
(Liability)/asset at 1 April	**(1,809.9)**	**1,930.9**	**121.0**	(2,368.5)	2,827.3	458.8
Current service cost	**(14.1)**	**—**	**(14.1)**	(23.7)	—	(23.7)
Administrative costs	**(2.0)**	**—**	**(2.0)**	(1.5)	—	(1.5)
Interest (expense)/income	**(89.0)**	**96.0**	**7.0**	(55.7)	67.3	11.6
Past service cost and gains and losses on settlements	**(3.0)**	**—**	**(3.0)**	(4.8)	—	(4.8)
	(108.1)	**96.0**	**(12.1)**	(85.7)	67.3	(18.4)
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	**—**	**(137.0)**	**(137.0)**	—	(902.7)	(902.7)
Gain from change in demographic assumptions	**17.0**	**—**	**17.0**	22.4	—	22.4
Gain from change in financial assumptions	**39.0**	**—**	**39.0**	573.6	—	573.6
Experience losses	**(27.0)**	**—**	**(27.0)**	(55.4)	—	(55.4)
	29.0	**(137.0)**	**(108.0)**	540.6	(902.7)	(362.1)
Contributions:						
Employers	**—**	**52.0**	**52.0**	—	42.7	42.7
Plan participants	**(4.0)**	**4.0**	**—**	(3.8)	3.8	—
	(4.0)	**56.0**	**52.0**	(3.8)	46.5	42.7
Payments from plan:						
Benefit payments	**116.0**	**(116.0)**	**—**	106.0	(106.0)	—
Administrative costs	**2.0**	**(2.0)**	**—**	1.5	(1.5)	—
	118.0	**(118.0)**	**—**	107.5	(107.5)	—
(Liability)/asset at 31 March	**(1,775.0)**	**1,827.9**	**52.9**	(1,809.9)	1,930.9	121.0

21. Pensions and other post-retirement benefits (continued)

	Year ended 31 March 2024			Year ended 31 March 2023		
ESPS CN	**Present value of obligation**	**Fair value of plan assets**	**Net**	Present value of obligation	Fair value of plan assets	Net
	£m	**£m**	**£m**	£m	£m	£m
(Liability)/asset at 1 April	**(2,535.1)**	**2,986.6**	**451.5**	(3,336.9)	4,216.3	879.4
Current service cost	**(17.8)**	**—**	**(17.8)**	(27.2)	—	(27.2)
Administrative costs	**(2.0)**	**—**	**(2.0)**	(1.9)	—	(1.9)
Interest (expense)/income	**(124.0)**	**148.0**	**24.0**	(78.5)	100.2	21.7
Past service cost and gains and losses on settlements	**(2.0)**	**—**	**(2.0)**	—	—	—
	(145.8)	**148.0**	**2.2**	(107.6)	100.2	(7.4)
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	**—**	**(211.5)**	**(211.5)**	—	(1,247.4)	(1,247.4)
Gain from change in demographic assumptions	**19.0**	**—**	**19.0**	29.9	—	29.9
Gain from change in financial assumptions	**44.0**	**—**	**44.0**	770.3	—	770.3
Experience losses	**(1.0)**	**—**	**(1.0)**	(42.5)	—	(42.5)
	62.0	**(211.5)**	**(149.5)**	757.7	(1,247.4)	(489.7)
Contributions:						
Employers	**—**	**37.0**	**37.0**	—	69.2	69.2
Plan participants	**(6.0)**	**6.0**	**—**	(5.7)	5.7	—
	(6.0)	**43.0**	**37.0**	(5.7)	74.9	69.2
Payments from plan:						
Benefit payments	**153.0**	**(153.0)**	**—**	155.5	(155.5)	—
Administrative costs	**2.0**	**(2.0)**	**—**	1.9	(1.9)	—
	155.0	**(155.0)**	**—**	157.4	(157.4)	—
(Liability)/asset at 31 March	**(2,469.9)**	**2,811.1**	**341.2**	(2,535.1)	2,986.6	451.5

21. Pensions and other post-retirement benefits (continued)

	Year ended 31 March 2024			Year ended 31 March 2023		
WPUPS	**Present value of obligation**	**Fair value of plan assets**	**Net**	Present value of obligation	Fair value of plan assets	Net
	£m	**£m**	**£m**	£m	£m	£m
(Liability)/asset at 1 April	**(381.1)**	**457.6**	**76.5**	(491.8)	597.0	105.2
Administrative costs	**(1.0)**	**—**	**(1.0)**	(0.7)	—	(0.7)
Interest (expense)/income	**(19.0)**	**22.0**	**3.0**	(11.5)	14.0	2.5
	(20.0)	**22.0**	**2.0**	(12.2)	14.0	1.8
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	**—**	**(17.0)**	**(17.0)**	—	(126.2)	(126.2)
Gain from change in demographic assumptions	**11.0**	**—**	**11.0**	4.7	—	4.7
Gain from change in financial assumptions	**4.0**	**—**	**4.0**	92.0	—	92.0
Experience gain/(losses)	**2.0**	**—**	**2.0**	(1.0)	—	(1.0)
	17.0	**(17.0)**	**—**	95.7	(126.2)	(30.5)
Payments from plan:						
Benefit payments	**27.0**	**(27.0)**	**—**	26.5	(26.5)	—
Administrative costs	**1.0**	**(1.0)**	**—**	0.7	(0.7)	—
	28.0	**(28.0)**	**—**	27.2	(27.2)	—
(Liability)/asset at 31 March	**(356.1)**	**434.6**	**78.5**	(381.1)	457.6	76.5

21. Pensions and other post-retirement benefits (continued)

WPPS I92	Year ended 31 March 2024 Present value of obligation £m	Fair value of plan assets £m	Net £m	Year ended 31 March 2023 Present value of obligation £m	Fair value of plan assets £m	Net £m
(Liability)/asset at 1 April	**(10.1)**	**13.9**	**3.8**	(12.8)	17.5	4.7
Interest (expense)/income	—	**1.0**	**1.0**	(0.3)	0.4	0.1
	—	**1.0**	**1.0**	(0.3)	0.4	0.1
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	—	**(1.0)**	**(1.0)**	—	(3.6)	(3.6)
Gain from change in demographic assumptions	—	—	—	0.1	—	0.1
Gain from change in financial assumptions	—	—	—	2.2	—	2.2
Experience losses	—	—	—	0.1	—	0.1
	—	**(1.0)**	**(1.0)**	2.4	(3.6)	(1.2)
Contributions:						
Employers	—	—	—	—	0.2	0.2
	—	—	—	—	0.2	0.2
Payments from plan:						
Benefit payments	**1.0**	**(1.0)**	—	0.6	(0.6)	—
	1.0	**(1.0)**	—	0.6	(0.6)	—
(Liability)/asset at 31 March	**(9.1)**	**12.9**	**3.8**	(10.1)	13.9	3.8

Asset allocations

The allocation of assets by asset class is set out below. Within these asset allocations there is significant diversification across regions, asset managers, currencies and bond categories.

ESPS WPD scheme assets are comprised as follows:

	31 March 2024 Quoted £m	Unquoted £m	Total £m	31 March 2023 Quoted £m	Unquoted £m	Total £m
Equities	**325.0**	—	**325.0**	261.0	(2.0)	259.0
Corporate bonds/credit	**228.0**	—	**228.0**	203.2	—	203.2
Property	—	**142.0**	**142.0**	—	225.2	225.2
Diversified alternatives	**258.0**	**(1.0)**	**257.0**	247.3	—	247.3
Government securities & LDI	—	**878.0**	**878.0**	—	998.5	998.5
Other including cash and net current assets	—	**(2.1)**	**(2.1)**	2.3	(4.6)	(2.3)
Total	**811.0**	**1,016.9**	**1,827.9**	713.8	1,217.1	1,930.9

21. Pensions and other post-retirement benefits (continued)

Asset allocations (continued)

ESPS CN scheme assets are comprised as follows:

	31 March 2024			31 March 2023		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Equities	**251.0**	**(1.0)**	**250.0**	205.6	(1.4)	204.2
Corporate bonds/credit	**331.0**	**—**	**331.0**	295.4	—	295.4
Property	**—**	**295.0**	**295.0**	—	358.2	358.2
Diversified alternatives	**411.0**	**—**	**411.0**	461.0	—	461.0
Government securities & LDI	**—**	**1,530.0**	**1,530.0**	132.3	1,542.8	1,675.1
Other including cash and net current assets	**1.0**	**(6.9)**	**(5.9)**	1.4	(8.7)	(7.3)
Total	**994.0**	**1,817.1**	**2,811.1**	1,095.7	1,890.9	2,986.6

WPUPS scheme assets are comprised as follows:

	31 March 2024			31 March 2023		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Corporate bonds/credit	**243.0**	**—**	**243.0**	244.4	—	244.4
Government securities & LDI	**—**	**192.0**	**192.0**	6.8	204.9	211.7
Other	**—**	**(0.4)**	**(0.4)**	0.6	0.9	1.5
Total	**243.0**	**191.6**	**434.6**	251.8	205.8	457.6

Infralec 92 scheme assets are comprised as follows:

	31 March 2024			31 March 2023		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Equities	**—**	**—**	**—**	7.7	—	7.7
Corporate bonds/credit	**—**	**—**	**—**	2.6	—	2.6
Government securities & LDI	**—**	**13.0**	**13.0**	3.2	—	3.2
Other	**—**	**(0.1)**	**(0.1)**	0.3	0.1	0.4
Total	**—**	**12.9**	**12.9**	13.8	0.1	13.9

Main defined benefit risks

The Company underwrites the financial and demographic risks associated with the DB plans. Although the Trustees have sole responsibility for setting investment strategies and managing risks, the Company closely works with and supports the Trustees, to assist in mitigating the risks associated with the DB plans and to ensure that they are funded to meet their obligations.

The most significant risks associated with the DB plans are:

- Investment risk – The plans invest in a variety of asset classes, with actual returns likely to differ from the underlying discount rate adopted, impacting on the funding position of the plan through the net balance sheet asset or liability. The plans seek to balance the level of investment return required with the risk that it can afford to take, to design the most appropriate investment portfolio.
- Changes in bond yields – Liabilities will fluctuate as yields change. Volatility of the net balance sheet asset or liability is controlled through liability-matching strategies. The investment strategies allows for the use of synthetic as well as physical assets to be used to hedge interest rate risk.
- Inflation risk – Changes in inflation will affect current and future pensions but are partially mitigated through investing in inflation matching assets and hedging instruments. The investment strategies allow for the use of synthetic as well as physical assets to be used to hedge inflation risk.

21. Pensions and other post-retirement benefits (continued)

Main defined benefit risks (continued)

- Member longevity – Improvements in life expectancy will lead to pension payments being paid for longer than expected and benefits ultimately being more expensive.
- Liquidity risk - The pension plans hold sufficient cash to meet benefit requirements, with other investments being held in liquid or realisable assets to meet unexpected cash flow requirements. These could include collateral calls relating to the plans' liability-matching assets which could result from extreme market movements. Should the plan not have sufficient liquidity to meet cash flow requirements, they could be forced to take sub-optimal investment decisions such as selling assets at a reduced price. The plans do not borrow money, or act as guarantor, to provide liquidity to other parties (unless it is temporary).
- Default risk - Debt investments are predominantly made in regulated markets in assets considered to be of investment grade. Where investments are made either in non-investment grade assets or outside of regulated markets, investment levels are kept to prudent levels and subject to agreed control ranges, to control the risk.
- Currency risk – Fluctuations in the value of foreign denominated assets due to exposure to currency exchange rates are managed through currency hedging overlay and currency hedging carried out by some of the investment managers.

Defined Benefit plan investment strategy

The Trustees, after taking advice from professional investment advisors and in consultation with the Company, set their key principles, including expected returns, risk and liquidity requirements. They formulate investment strategies to manage risk through diversification, taking into account expected contributions, maturity of the pension liabilities, and the strength of the covenant. These strategies allocate investments between return-seeking assets such as equities and property, and liability-matching assets such as government securities and corporate bonds which are intended to protect the funding position.

The Trustees generally delegate responsibility for the selection of specific bonds, securities and other investments to appointed investment managers. Investment managers are selected based on the required skills, expertise in those markets, process and financial security to manage the investments. Their performance is regularly reviewed against measurable objectives, consistent with the pension plan's long-term objectives and accepted risk levels.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited versus NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK, although is subject to possible appeal in 2024. The Company has performed an initial review of past significant changes made to its pension arrangements. Based on this initial review, there is no financial impact from the ruling of the case, although the Company will monitor the impact of future developments.

22. Provisions

We make provisions when an obligation exists, resulting from a past event and it is probable that cash will be paid to settle it, but the exact amount of cash required can only be estimated.

Provisions are recognised where a legal or constructive obligation exists at the reporting date, as a result of a past event, where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

22. Provisions (continued)

	WPUPS reimbursement agreement[1]	Asset Retirement Obligations[2]	Insurance[3]	Pensions[4]	Other[5]	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2023	76.5	28.1	16.6	2.7	5.8	**129.7**
Additional / (release)	1.9	4.7	(12.3)	0.2	5.4	**(0.1)**
Net increase due to discount rate change	—	4.6	—	—	—	**4.6**
Utilised during year	—	—	—	(0.6)	(2.5)	**(3.1)**
At 31 March 2024	**78.4**	**37.4**	**4.3**	**2.3**	**8.7**	**131.1**
Current	—	1.1	0.9	0.7	7.5	**10.2**
Non-current	78.4	36.3	3.4	1.6	1.2	**120.9**
At 31 March 2024	**78.4**	**37.4**	**4.3**	**2.3**	**8.7**	**131.1**
Current	—	1.1	8.8	0.7	4.5	**15.1**
Non-current	76.5	27.0	7.8	2.0	1.3	**114.6**
At 31 March 2023	**76.5**	**28.1**	**16.6**	**2.7**	**5.8**	**129.7**

1. NGED South Wales is the principal employer for WPUPS, which is a defined benefit scheme providing benefits relating to previous employees of a former affiliated group. NGED South Wales will fund the actuarial deficit. However, as National Grid Electricity Distribution Holdings Limited, the Company's parent, has taken full financial responsibility for this scheme, NGED South Wales will be reimbursed for these payments. As National Grid Electricity Distribution Holdings Limited is outside the NGED Group, the value of the reimbursement agreement is stated in the balance sheet as a provision above, and matches the gross asset recorded under IAS 19 (note 21).
2. Asset retirement obligations relate to an estimate of the costs of disposing and removing wood poles, fluid filled cables, SF6 gas units and PCB contaminated units at the end of their useful lives and are expected to be settled over the next 85 years. These assets are included in plant & machinery within property, plant and equipment. An initial estimate of costs is recorded as part of the original cost of the related property, plant and equipment. Any subsequent change in the provision (arising from revised estimates, discount rates or changes in the expected timing of expenditures) is recognised as an adjustment to the cost of the asset. The key assumption impacting the provision is in relation to the discount rate and the provision reflects our best estimate.
3. Insurance provisions relate to various claims such as third party motor claims, employers' liability, public and product liability, and professional indemnity. These claims are covered by external insurers and a receivable from the external insurers is recorded within other receivables. The directors expect insurance provisions to be settled in the next five years. For the year ended 31 March 2023, insurance provisions also included claims covered by the NGED Group's previously owned captive insurance company, Aztec Insurance Limited ("Aztec"), based in Guernsey. This included claims that are reported but not yet paid and anticipated cost of claims incurred but not yet reported. The directors expect the provision to be settled in the next five years.
4. Pension provisions relate to expected settlements of liabilities relating to the pension liability relating to the Electricity Association Technology Limited ("EATL").
5. Other provisions relate principally to onerous uninsured losses, and miscellaneous claims arising in the ordinary course of business; the directors expect other provisions to be settled within the next two years.

23. Share capital

Ordinary share capital represents the total number of shares issued.

Share capital is accounted for as an equity instrument. An equity instrument is any contract that includes a residual interest in the consolidated assets of the Company after deducting all its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

	Number of shares 2024	Number of shares 2023	**2024**	2023
	£m	£m	**£m**	£m
At 31 March 2023 and 2024 - 1,057,592,372 ordinary shares of £1 each:				
Allotted, called-up and fully paid	**1,057.6**	1,057.6	**1,057.6**	1,057.6

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

24. Other equity reserves

Other equity reserves are different categories of equity as required by accounting standards and represent the impact of a number of our historical transactions.

As the amounts included in other equity reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

	Merger reserve[1]	**Hedging reserve**	**Cost of hedging reserve**	**Non-cash capital reserve[2]**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 1 April 2023	(963.1)	(26.9)	0.5	3.5	(986.0)
Share based payments	—	—	—	2.5	2.5
Hedging loss	—	(6.6)	(2.1)	—	(8.7)
Amount reclassified to income statement because hedged item affected profit and loss	—	21.1	—	—	21.1
Income tax impact	—	(3.7)	0.5	0.6	(2.6)
At 31 March 2024	**(963.1)**	**(16.1)**	**(1.1)**	**6.6**	**(973.7)**

1. The merger reserve arose on the restructuring of NGED Group entities under common control in October 2014 and September 2001. A merger reserve is recorded as a result of the application of the "pooling of interests" basis of consolidation for the reorganisation of entities under common control.
2. The non-cash capital contribution reserve pertains to the employee share option scheme offered by the parent to be settled in the shares of the parent. Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. The fair value excludes the effect of non-market vesting conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

25. Net debt

We define net debt as the amount of borrowings, letter of credits and financing derivatives less cash and current financial investments.

(a) Composition of net debt

	2024	2023
	£m	£m
Cash at bank and in hand (excluding restricted cash) (note 17)	**3.2**	31.9
Current financial investments (excluding restricted cash deposits) (note 13)	**223.0**	146.5
Borrowings (note 18)	**(7,216.5)**	(6,992.8)
Letters of credit	**(4.1)**	(4.1)
Derivatives (note 14)	**33.2**	43.8
Net debt	**(6,961.2)**	(6,774.7)

The net debt for the year ended 31 March 2023 has been restated to include accrued interest of £120.7m. For the year ended 31 March 2023, accrued interest payable was classified within "Trade and other payables" in the balance sheet. As a result of accounting policy changes during the current year, accrued interest payable is classified within "Borrowings" and is included within net debt. For further details on the accounting policy changes refer to page 84.

(b) Analysis of changes in net debt

	Cash at bank and in hand	**Financial investment**	**Borrowings**	**Letter of credit**	**Derivative**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 April 2022	34.3	101.6	(6,780.4)	(4.1)	35.9	(6,612.7)
Cash flow	(2.5)	44.9	225.9	—	—	268.3
Fair value movements	—	—	(111.0)	—	7.9	(103.1)
Foreign exchange movements	—	—	(20.0)	—	—	(20.0)
Interest income/(charges)	—	—	(296.5)	—	—	(296.5)
Other non-cash movements	—	—	(10.8)	—	—	(10.8)
At 1 April 2023	31.8	146.5	(6,992.8)	(4.1)	43.8	(6,774.8)
Cash flow	(28.6)	76.5	106.5	—	16.6	171.0
Fair value movements	—	—	(5.0)	—	(13.7)	(18.7)
Foreign exchange movements	—	—	28.1	—	—	28.1
Interest income/(charges)	—	—	(344.2)	—	(13.5)	(357.7)
Other non-cash movements	—	—	(9.1)	—	—	(9.1)
At 31 March 2024	**3.2**	**223.1**	**(7,216.5)**	**(4.1)**	**33.2**	**(6,961.2)**
At 31 March 2024						
Non-current asset	—	—	—	—	44.2	44.2
Current assets	3.2	223.0	—	—	—	226.2
Current liabilities	—	—	(1,212.4)	—	—	(1,212.4)
Non-Current liabilities	—	—	(6,004.1)	—	(11.0)	(6,015.1)
Net carrying value	3.2	223.0	(7,216.5)	—	33.2	(6,957.1)
Off balance sheet item	—	—	—	(4.1)	—	(4.1)
At 31 March 2024	**3.2**	**223.0**	**(7,216.5)**	**(4.1)**	**33.2**	**(6,961.2)**

25. Net debt (continued)

(c) Reconciliation of changes in liabilities arising from financing activities

	2024		2023	
	Borrowings	**Derivatives - net asset**	Borrowings	Derivatives
	£m	**£m**	£m	**£m**
Cash flow per financing activity section of cash flow statement				
Net increase/(decrease) in short-term borrowings	**75.2**	**—**	(107.2)	—
Payment of lease liabilities	**(4.7)**	**—**	(2.7)	—
Proceeds from long-term borrowings	**697.5**	**—**	866.7	—
Repayment of long-term borrowings	**(615.8)**	**—**	(700.0)	—
Cash outflows on derivative	**—**	**(2.0)**	—	—
Interest paid	**(251.1)**	**(14.6)**	(272.9)	—
Change in liabilities arising from financing activities	**(98.9)**	**(16.6)**	(216.1)	—
Adjustments				
Cash flow movement in overdraft balance classified within cash and cash equivalent in the cash flow	**(7.6)**	**—**	(9.8)	—
Fair value movement in derivatives	**—**	**13.7**		(7.9)
Fair value movement on borrowings	**5.0**	**—**	(14.0)	—
Net increase in borrowings due to indexation	**—**	**—**	125.0	—
Foreign exchange movement	**(28.1)**	**—**	20.0	—
Interest charges	**344.2**	**13.5**	296.5	—
Other non-cash movements	**—**	**—**	2.0	—
Leases acquired during the year	**9.1**	**—**	8.8	
Movement in the year the year	**223.7**	**10.6**	212.4	(7.9)
Balances at start of the year	**6,992.8**	**(43.8)**	6,780.4	(35.9)
Balance at end of the year	**7,216.5**	**(33.2)**	6,992.8	(43.8)

26. Commitments and contingencies

Commitments are those amounts that we are contractually required to pay in the future as long as the other party meets its obligations. These commitments primarily relate to the contracts for purchase of assets which, in many cases, extend over a long period of time. We also disclose any contingencies, which include guarantees that companies have given, where we pledge assets against current obligations that will remain for a specific period.

Contingent assets are disclosed where the Group concludes that an inflow of economic benefits is probable.

	2024	2023
Future capital expenditure	**£m**	£m
Contracted for but not provided	**266.6**	182.3

Guarantees and indemnities

The NGED Group has provided guarantees in respect of the funding required by the NGED Group's pension schemes.

Other contingencies

Through the ordinary course of our operations, the NGED Group's businesses are parties to various legal claims, actions and complaints. Although the NGED Group is unable to predict with certainty whether or not it will ultimately be successful in these legal proceedings or, if not, what the impact might be, the directors currently believe that disposition of these matters will not have a materially adverse effect on the NGED Group's financial statements.

27. Operating lease payments - NGED Group lessor

Future minimum rentals receivable under non-cancellable operating leases at 31 March are as follows:

	2024	2023
	£m	£m
Year 1	**3.1**	3.6
Year 2	**2.9**	3.0
Year 3	**2.8**	2.6
Year 4	**2.6**	2.5
Year 5	**2.5**	2.4
Year 6 and onwards	**3.4**	5.7
	17.3	19.8

28. Related party transactions

The immediate parent undertaking of the NGED Group is National Grid Electricity Distribution Holdings Limited, which is registered in England and Wales. The ultimate controlling parent of the NGED Group is National Grid plc, registered in England and Wales.

The smallest and largest group in which the results of the Company are consolidated is that by headed by National Grid plc, registered in England and Wales. Copies of these consolidated financial statements can be obtained from the Company Secretary, National Grid plc, 1-3 Strand,London WC2N 5EH.

There are no personnel, other than the directors, who as key management have authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the NGED Group. Details of directors' compensation are set out in note 4.

The following significant transactions with related parties were in the normal course of business.

	2024	2023
	£m	£m
Revenue - National Grid affiliate companies[1]	**4.8**	12.4
Operating costs - National Grid affiliate companies[2]	**(78.5)**	(49.1)
Net finance cost	**(23.5)**	(3.9)
Loan with ultimate parent company[3]	**(678.0)**	(567.9)
Loan receivable from ultimate parent company[3]	**220.9**	146.0
WPUPS reimbursement liability re WPUPS pension asset[4]	**(78.4)**	(76.5)
Reimbursement asset re unfunded pension liability[5]	**2.4**	2.7

1 Revenue from related parties consists of engineering recharge revenue from National Grid entities in relation to ongoing diversion projects.

2 Operating costs charged by related parties largely relates to National Grid exit charges (charges levied by National Grid Electricity Transmission plc for connection to the electricity transmission system) and corporate recharges.

3. The loan with and receivable from ultimate parent company pertains to amounts drawn under the two-way loan agreement with National Grid Plc. The loan is unsecured and is repayable on demand. Interest is accrued on the balance daily at SONIA plus 0.25% margin

4. NGED South Wales is the principal employer for WPUPS, which is a defined benefit scheme providing benefits relating to previous employees of a former affiliated group. NGED South Wales will fund the actuarial deficit. However, National Grid Electricity Distribution Holdings Limited, the Company's parent, has taken full financial responsibility for this scheme, NGED South Wales will be reimbursed for these payments. As National Grid Electricity Distribution Holdings Limited is outside the NGED Group, the value of the reimbursement agreement is stated in the balance sheet and matches the asset recorded under IAS 19 (note 21 and note 22).

5. NGED South Wales also has an unfunded pension liability in respect of previous executives. National Grid Electricity Distribution Holdings Limited has taken full responsibility for this scheme and, therefore, NGED South Wales will be reimbursed for these payments. The value of the reimbursement agreement is stated in the balance sheet and matches the liability recorded under IAS 19 (note 21 and note 16).

29. Financial risk management

Our activities expose us to a variety of financial risks including credit risk, liquidity risk, capital risk, currency risk, interest rate risk and inflation risk. Our risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential volatility of financial performance from these risks. We use financial instruments, including derivative financial instruments, to manage these risks.

Risk management related to financing activities is carried out by the National Grid plc central treasury department under policies approved by the Finance Committee of the National Grid plc Board. These policies have been deemed applicable at NGED companies by their respective board of directors. The objective of the treasury department is to manage funding and liquidity requirements, including managing associated financial risks, to within acceptable boundaries. The Finance Committee provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

We have exposure to the following risks, which are described in more detail below:

- credit risk;
- liquidity risk;
- currency risk;
- interest rate risk; and
- capital risk.

Where appropriate, derivatives and other financial instruments used for hedging currency and interest rate risk exposures are formally designated as fair value or cash flow hedges as defined in IFRS 9. Hedge accounting allows the timing of the profit or loss impact of qualifying hedging instruments to be recognised in the same reporting period as the corresponding impact of hedged exposures. To qualify for hedge accounting, documentation is prepared specifying the risk management objective and strategy, the component transactions and methodology used for effectiveness measurement.

Hedge accounting relationships are designated in line with risk management activities further described below. Hedges entered into for the Group pertain to currency and interest rate risk arising from borrowings and are designated in cash flow or fair value hedges.

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Hedge ineffectiveness can nonetheless arise from inherent differences between derivatives and non-derivative instruments and other market factors including credit, correlations, supply and demand, and market volatilities. Ineffectiveness is recognised in the remeasurements component of finance income and costs (see note 6). Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting.

Certain hedging instrument components are treated separately as costs of hedging with the gains and losses deferred in a component of other equity reserves, and released systematically into profit or loss to correspond with the timing and impact of hedged exposures, or released in full to finance costs upon an early discontinuation of a hedging relationship.

Refer to sections (c) currency risk and (d) interest rate risk below for further details about hedge accounting.

29. Financial risk management (continued)

(a) Credit risk

We are exposed to the risk of loss resulting from counterparties' default on their commitment to pay. This risk is inherent in our commercial business activities. Exposure arises from derivative financial instruments, financial and other investments and trade and receivables.

NGED maintains credit policies and procedures with respect to counterparties (including requirements that counterparties maintain certain credit ratings criteria). Depending on the creditworthiness of the counterparty, the NGED Group may require collateral or other credit enhancements such as cash deposits or letters of credit and parent company guarantees. In accordance with our treasury policies, counterparty credit exposure utilisations are monitored daily against the counterparty credit limits. Counterparty credit ratings and market conditions are reviewed continually with limits being revised and utilisation adjusted, if appropriate. Management does not expect any significant losses from non-performance by these counterparties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. At 31 March the maximum exposure to credit risk was as follows:

	2024	2023
	£m	£m
Cash at bank and in hand	**3.7**	35.9
Financial and other investments	**233.3**	158.1
Trade receivables	**136.1**	119.9
Other receivables	**29.3**	15.5
Accrued income	**153.7**	177.0
Derivative financial instruments	**44.2**	48.4
	600.3	554.8

NGED has concentrations of customers among electric utilities and other energy marketing and trading companies. These concentrations of counterparties may impact NGED's overall exposure to credit risk, either positively or negatively, in that counterparties may be similarly affected by changes in economic, regulatory or other conditions.

The analysis of NGED's financial assets by credit risk rating grade is as follow:

2024	**12 month ECL**	**Lifetime ECL**	**FVTPL**	**FVOCI**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
AAA to A (Low to Fair Risk)	**13.9**	**—**	**46.3**	**—**	**60.2**
BBB+ to B (Monitoring)	**220.9**	**—**	**—**	**—**	**220.9**
Others monitored on ageing matrix	**—**	**321.9**	**—**	**—**	**321.9**
Total gross carrying value	**234.8**	**321.9**	**46.3**	**—**	**603.0**
Loss allowance	**—**	**(2.7)**	**—**	**—**	**(2.7)**
Net carrying value	**234.8**	**319.2**	**46.3**	**—**	**600.3**

29. Financial risk management (continued)

(a) Credit risk (continued)

2023	12 month ECL	Lifetime ECL	FVTPL	FVOCI	Total
	£m	£m	£m	£m	£m
AAA to A (Low to Fair Risk)	47.5	—	48.9	—	96.4
BBB+ to B (Monitoring)	146.0	—	—	—	146.0
Others monitored on ageing matrix	—	315.0	—	—	315.0
Total gross carrying value	193.5	315.0	48.9	0.0	557.4
Loss allowance	—	(2.6)	—	—	(2.6)
Net carrying value	193.5	312.4	48.9	0.0	554.8

Offsetting financial assets and liabilities

The following tables set out financial assets and liabilities which are subject to offset and to enforceable master netting arrangements or similar agreements. The tables show the amounts which are offset and reported net in the statement of financial position. Amounts which cannot be offset under IFRS, but which could be settled net under terms of master netting agreements if certain conditions arise, and with collateral received or pledged, are shown to present NGED's net exposure.

Financial assets and liabilities on different transactions would only be reported net in the balance sheet if the transactions were with the same counterparty, a currently enforceable legal right of offset exists and the cash flows were intended to be settled on a net basis.

Amounts which do not meet the criteria for offsetting on the statement of financial position, but could be settled net in certain circumstances, principally relate to derivative transactions under ISDA agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

For bank account balances and bank overdrafts, there are no 'Gross amounts offset' under cash pooling arrangements as at 31 March 2024 (nil as 31 March 2023).

The gross amounts offset for trade payables and receivables, which are subject to general terms and conditions, are insignificant.

	Gross carrying amounts	**Gross amounts offset**	**Net amounts presented in statement of financial position**	**Financial instruments**	**Cash collateral received pledged**	**Net amount**
At 31 March 2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Assets:						
Derivative financial instruments	**44.2**	**—**	**44.2**	**—**	**(1.6)**	**42.6**
Liabilities:						
Derivative financial instruments	**(11.0)**	**—**	**(11.0)**	**—**	**—**	**(11.0)**

29. Financial risk management (continued)

(a) Credit risk (continued)

At 31 March 2023	Gross carrying amounts £m	Gross amounts offset £m	Net amounts presented in statement of financial position £m	Financial instruments £m	Cash collateral received pledged £m	Net amount £m
Assets:						
Derivative financial instruments	48.4	—	48.4	(1.3)	—	47.1
Liabilities:						
Derivative financial instruments	(4.6)	—	(4.6)	1.3	—	(3.3)

(b) Liquidity risk

Our policy is to determine our liquidity requirements by the use of both short-term and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding requirements for at least a 24-month period and maintain adequate liquidity for a continuous 12-month period.

We believe our contractual obligations, including those shown in commitments and contingencies in note 26, can be met from existing cash and investments, operating cash flows and other financings that we reasonably expect to be able to secure in the future, together with the use of committed facilities if required.

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. 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.

The following is a payment profile of our financial liabilities and derivatives:

At 31 March 2024	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings excluding lease liabilities	**(1,078.0)**	**(250.0)**	**(600.0)**	**(5,177.5)**	**(7,105.5)**
Interest payments on borrowings[1]	**(252.9)**	**(246.0)**	**(231.6)**	**(2,256.2)**	**(2,986.7)**
Lease liabilities	**(5.7)**	**(5.2)**	**(4.1)**	**(14.5)**	**(29.5)**
Other non-interest-bearing liabilities	**(113.0)**	**—**	**—**	**—**	**(113.0)**
Derivative financial liabilities					
Derivative contracts - receipts[2]	**33.0**	**33.0**	**33.0**	**1,068.6**	**1,167.6**
Derivative contracts - payments[2]	**(51.7)**	**(49.2)**	**(48.4)**	**(1,069.4)**	**(1,218.7)**
Derivative financial assets					
Derivative contracts - receipts[2]	**13.6**	**57.5**	**11.1**	**160.1**	**242.3**
Derivative contracts - payments[2]	**(10.7)**	**(44.4)**	**(8.7)**	**(126.0)**	**(189.8)**
Total	**(1,465.4)**	**(504.3)**	**(848.7)**	**(7,414.9)**	**(10,233.3)**

1 The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.

2 The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received (paid) exceeds the amount to be paid (received), the net amount is presented within derivative receipts (payments).

29. Financial risk management (continued)

(b) Liquidity risk (continued)

At 31 March 2023	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings excluding lease liabilities	(1,079.2)	(400.0)	(250.0)	(5,124.5)	(6,853.7)
Interest payments on borrowings[1]	(245.2)	(227.2)	(204.2)	(1,659.2)	(2,335.8)
Lease liabilities	(3.2)	(3.1)	(2.6)	(15.0)	(23.9)
Other non-interest-bearing liabilities	(106.6)	—	—	—	(106.6)
Derivative financial liabilities					
Derivative contracts - receipts[2]	32.8	32.8	32.8	1,012.6	1,111.0
Derivative contracts - payments[2]	(44.1)	(44.1)	(44.1)	(1,069.2)	(1,201.5)
Derivative financial assets					
Derivative contracts - receipts[2]	12.1	12.1	12.1	448.2	484.5
Derivative contracts - payments[2]	(9.0)	(9.0)	(9.0)	(333.5)	(360.5)
Total	(1,442.4)	(638.5)	(465.0)	(6,740.6)	(9,286.5)

1 The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.

2 The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received (paid) exceeds the amount to be paid (received), the net amount is presented within derivative receipts (payments).

Borrowing facilities

To support our liquidity requirements and provide backup to other borrowings, we agree committed credit facilities with financial institutions over and above the value of borrowings that may be required. These committed credit facilities are undrawn.

The following credit facilities were in place at 31 March 2024:

	Expiration date	Capacity £m	Borrowed £m	Letters of credit issued £m	Unused capacity £m
NGED South West - Syndicated Credit Facility	April 2028	220.0	—	—	220.0
NGED East Midlands - Syndicated Credit Facility	April 2028	250.0	—	—	250.0
NGED West Midlands - Syndicated Credit Facility	April 2028	250.0	—	—	250.0
NGED South Wales - Syndicated Credit Facility	April 2028	125.0	—	—	125.0
Bank overdraft		20.0	—	—	20.0
Uncommitted Credit Facilities		6.0	—	4.1	1.9
Total Credit Facilities		**871.0**	**—**	**4.1**	**866.9**

The NGED Group also has uncommitted two-way loan facilities with its ultimate parent, National Grid plc.

29. Financial risk management (continued)

(c) Currency risk

The NGED Group's assets are principally sterling denominated; however, the NGED Group has access to various international debt capital markets and raises foreign currency denominated debt and is therefore exposed to foreign currency risk on its borrowings. This risk is managed using financial instruments including derivatives as approved by policy, typically cross-currency interest rate swaps, foreign exchange swaps and forwards.

Funding activities - Our policy is to borrow in the most advantageous market available. Foreign currency funding gives rise to risk of volatility in the amount of functional currency cash to be repaid. This risk is reduced by swapping principal and interest back into the functional currency of the issuer. All foreign currency debt and transactions are hedged except where they provide a natural offset to assets elsewhere in the Group.

Derivative financial instruments were used to manage foreign currency risk as follows:

	2024				
	Sterling	**Euro**	**Dollar**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents (excluding restricted cash deposits)	**3.2**	**—**	**—**	**—**	**3.2**
Financial and other investments (excluding restricted cash deposits)	**223.0**	**—**	**—**	**—**	**223.0**
Borrowings	**(6,143.8)**	**(858.8)**	**(160.9)**	**(53.0)**	**(7,216.5)**
Pre-derivative position	**(5,917.6)**	**(858.8)**	**(160.9)**	**(53.0)**	**(6,990.3)**
Derivative effect	**(1,039.5)**	**858.8**	**160.9**	**53.0**	**33.2**
Net debt position	**(6,957.1)**	**—**	**—**	**—**	**(6,957.1)**

	2023				
	Sterling	Euro	Dollar	Other	Total
	£m	£m	£m	£m	£m
Cash and cash equivalents (excluding restricted cash deposits)	31.9	—	—	—	31.9
Financial and other investments (excluding restricted cash deposits)	146.5	—	—	—	146.5
Borrowings	(5,949.8)	(880.1)	(162.9)	—	(6,992.8)
Pre-derivative position	(5,771.4)	(880.1)	(162.9)	—	(6,814.4)
Derivative effect	(978.3)	862.7	159.4	—	43.8
Net debt position	(6,749.7)	(17.4)	(3.5)	—	(6,770.6)

Restricted cash deposits within cash and cash equivalents amounting £0.5m (2023: £4.5m) to and within financial and other investments amounting to £10.3m (2023: £11.2m) are denominated in sterling.

Hedge accounting for currency risk

Where available, derivatives transacted for hedging are designated for hedge accounting. Economic offset is qualitatively determined because the critical terms (currency and volume) of the hedging instrument match the hedged exposure. If a forecast transaction was no longer expected to occur, the cumulative gain or loss previously reported in equity would be transferred to the income statement. This has not occurred in the current or comparative years.Gains and losses on hedging instruments arising from forward points and foreign currency basis spreads are excluded from designation and are recognised immediately in profit or loss, along with any hedge ineffectiveness. Where a non-financial asset or a non-financial liability results from a forecast transaction or firm commitment being hedged, the amounts deferred in reserves are released directly to the initial measurement of that asset or liability. Hedges of foreign currency funding are designated as cash flow hedges or fair value hedges of forward exchange risk (hedging both currency and interest rate risk together, where applicable). Gains and losses arising from foreign currency basis spreads are excluded from designation and are treated as a cost of hedging, deferred initially in other equity reserves and released into profit or loss over the life of the hedging relationship. Hedge accounting for funding is described further in the interest rate risk section below.

29. Financial risk management (continued)

(d) Interest rate risk

Our interest rate risk arises from our long-term borrowings. Our interest rate risk management policy is to seek to minimise total financing costs (being interest costs and changes in the market value of debt). Hedging instruments principally consist of interest rate and cross-currency swaps that are used to translate foreign currency debt into functional currency and to adjust the proportion of fixed-rate and floating-rate in the borrowings portfolio to within a range set by the Finance Committee of the National Grid plc Board. The benchmark interest rates hedged are based on Overnight index Average (SONIA).

We also consider inflation risk and hold some inflation-linked borrowings. We believe that these provide a partial economic offset to the inflation risk associated with our UK inflation linked revenues.

As at 31 March 2024 and 2023, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	2024			
	Fixed rate £m	Floating rate £m	Inflation linked £m	Total £m
Cash at bank and in hand (excluding restricted cash)	—	3.2	—	3.2
Financial and other investments (excluding restricted cash deposits)	—	223.0	—	223.0
Borrowings	(5,382.6)	(680.9)	(1,153.0)	(7,216.5)
Pre-derivative position	(5,382.6)	(454.7)	(1,153.0)	(6,990.3)
Derivative effect	363.6	(329.0)	(1.4)	33.2
Net debt	(5,019.0)	(783.7)	(1,154.4)	(6,957.1)

	2023			
	Fixed rate £m	Floating rate £m	Inflation linked £m	Total £m
Cash at bank and in hand (excluding restricted cash)	—	31.9	—	31.9
Financial and other investments (excluding restricted cash deposits)	—	146.5	—	146.5
Borrowings	(5,311.3)	(579.2)	(1,102.3)	(6,992.8)
Pre-derivative position	(5,311.3)	(400.8)	(1,102.3)	(6,814.4)
Derivative effect	46.7	(2.9)	—	43.8
Net debt	(5,264.6)	(403.7)	(1,102.3)	(6,770.6)

Restricted cash deposits within cash and cash equivalents amounting £0.5m (2023: £4.5m) to and within financial and other investments amounting to £10.3m (2023: £11.2m) are floating rate assets.

Hedge accounting for interest rate risk

Borrowings paying variable or floating rates expose NGED to cash flow interest rate risk, partially offset by cash held at variable rates. Where a hedging instrument results in paying a fixed rate, it is designated as a cash flow hedge because it has reduced the cash flow volatility of the hedged borrowing. Changes in the fair value of the derivative are initially recognised in other comprehensive income as gains or losses in the cash flow hedge reserve, with any ineffective portion recognised immediately in the income statement.

Borrowings paying fixed rates expose NGED to fair value interest rate risk. Where the hedging instrument pays a floating rate, it is designated as a fair value hedge because it has reduced the fair value volatility of the borrowing. Changes in the fair value of the derivative and changes in the fair value of the hedged item in relation to the risk being hedged are both adjusted on the balance sheet and offset in the income statement to the extent the fair value hedge is effective, with the residual difference remaining as ineffectiveness.

29. Financial risk management (continued)

(d) Interest rate risk (continued)

Both types of hedges are designated as hedging the currency and interest rate risk arising from changes in forward points. Amounts accumulated in the cash flow hedge reserve (cash flow hedges only) and the deferred cost of hedging reserve (both cash flow and fair value hedges) are reclassified from reserves to the income statement on a systematic basis as hedged interest expense is recognised. Adjustments made to the carrying value of hedged items in fair value hedges are similarly released to the income statement to match the timing of the hedged interest expense.

When hedge accounting is discontinued, any remaining cumulative hedge accounting balances continue to be released to the income statement to match the impact of outstanding hedged items. Any remaining amounts deferred in the cost of hedging reserve are released immediately to the income statement as finance costs. The notional values of hedging instruments, for each type of hedging relationship impacted, are shown in the hedge accounting tables in note 29(e).

(e) Hedge accounting

In accordance with the requirements of IFRS 9, certain additional information about hedge accounting is disaggregated by risk type and hedge designation type in the tables below:

Year ended 31 March 2024	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m
Consolidated statement of comprehensive income		
Net gains/(losses) in respect of:		
Cash flow hedges	—	(6.6)
Cost of hedging	(0.5)	(1.6)
Transferred to profit or loss in respect of:		
Cash flow hedges	—	21.1
Consolidated statement of changes in equity		
Other equity reserves - cost of hedging balances	(0.7)	(0.8)
Consolidated statement of financial position		
Derivatives - carrying value of hedging instruments		
Assets - non-current	2.3	41.3
Liabilities - non-current	(5.4)	(3.5)
Profiles of the significant timing, price and rate information of hedging instruments		
Maturity range	Sep 2028 - Mar 2040	Sep 2028 - Mar 2039
Spot FX range		
GBP USD	n/a	1.66 - 1.66
GBP EUR	1.15 -1.15	1.15 - 1.15
Interest rate range		
GBP	SONIA +167bps/+201bps	5.04% - 7.41%

The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position

29. Financial risk management (continued)

(e) Hedge accounting (continued)

Year ended 31 March 2023	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m
Consolidated statement of comprehensive income		
Net gains/(losses) in respect of:		
Cash flow hedges	—	(5.0)
Cost of hedging	—	1.0
Transferred to profit or loss in respect of:		
Cash flow hedges	—	(11.0)
Consolidated statement of changes in equity		
Other equity reserves - cost of hedging balances	—	1.0
Consolidated statement of financial position		
Derivatives - carrying value of hedging instruments		
Assets - current	—	—
Assets - non-current	—	48.0
Liabilities - current	—	—
Liabilities - non-current	(3.0)	(2.0)
Profiles of the significant timing, price and rate information of hedging instruments		
Maturity range	Sep 2028 - Sep 2032	Sep 2028 - Sept 2032
Spot FX range		
GBP USD	n/a	1.66 - 1.66
GBP EUR	1.15 -1.15	1.15 - 1.15
Interest rate range		
GBP	SONIA +167bps/+201bps	5.04% - 7.41%

The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

The following tables show the effects of hedge accounting on financial position and year-to-date performance for each type of hedge.

(i) Fair value hedges of foreign currency and interest rate risk on recognised borrowing:

Year ended 31 March 2024		**Balance of fair value hedge adjustments in borrowings**		**Change in value used for calculating ineffectiveness**		
Hedge type	**Hedging instrument nominal £m**	**Continuing hedges £m**	**Discontinued hedges £m**	**Hedged item £m**	**Hedging instrument £m**	**Hedge ineffectiveness £m**
Foreign currency and interest rate risk on borrowings	**(330.3)**	**15.0**	**—**	**6.5**	**(2.7)**	**3.8**

The carrying value of the hedged borrowings is £(312) million, of which £0 million is current and £(312) million is non-current.

29. Financial risk management (continued)

(e) Hedge accounting (continued)

(i) Fair value hedges of foreign currency and interest rate risk on recognised borrowing (continued):

Year ended 31 March 2023		Balance of fair value hedge adjustments in borrowings		Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Foreign currency and interest rate risk on borrowings	(260.0)	13.0	—	14.0	(13.0)	1.0

The carrying value of the hedged borrowings is £(250) million, of which £0 million is current and £(250) million is non-current.

(ii) Cash flow hedges of foreign currency and interest rate risk:

Year ended 31 March 2024		**Balance in cash flow hedge reserve**		**Change in value used for calculating ineffectiveness**		
	Hedging instrument nominal	**Continuing hedges**	**Discontinued hedges**	**Hedged item**	**Hedging instrument**	**Hedge ineffective ness**
Hedge type	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Foreign currency and interest rate risk on borrowings	**(783.2)**	**(1.8)**	**(19.7)**	**10.2**	**(10.1)**	**0.1**

Year ended 31 March 2023		Balance in cash flow hedge reserve		Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffective ness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings1	(730.0)	(18.0)	(20.0)	29.0	(29.0)	—

[1] Included within the hedging instrument notional balance is £100 million (2023: £100million) impacted by Interest Rate Benchmark Reform amendments.

29. Financial risk management (continued)

(f) Fair value analysis

Included in the statement of financial position are financial instruments which have been measured at fair value. These fair values can be categorised into hierarchy levels that are representative of the inputs used in measuring the fair value. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

	2024				2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Assets measured at fair value								
Derivatives financial instruments	**—**	**43.5**	**0.7**	**44.2**		48.4		48.4
Short term deposits	**2.1**	**—**	**—**	**2.1**	0.5	—		0.5
	2.1	**43.5**	**0.7**	**46.3**	0.5	48.4	—	48.9
Liabilities held at fair value								
Derivative financial instruments	**—**	**(9.0)**	**(2.0)**	**(11.0)**	—	(4.6)		(4.6)
	2.1	**34.5**	**(1.3)**	**35.3**	0.5	43.8	—	44.3

Level 1: Financial instruments with quoted prices for identical instruments in active markets.

Level 2: Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are based directly or indirectly on observable market data.

Level 3: Financial instruments valued using valuation techniques where one or more significant inputs are based on unobservable market data.

Our level 3 derivative financial instruments include inflation linked swaps where the inflation curve is illiquid. In valuing these instruments we use in-house valuation models and obtain external valuations to support each reported fair value.

While there have been significant movements in market indices, all of our financial instruments are traded in markets that continue to be active and therefore, we are satisfied that there has been no significant impact on the fair values of our financial instruments measured at fair value, and that any impact is reflected in the fair values in the table above.

The changes in value of our level 3 derivative financial instruments are as follows:

Derivative financial instruments

	2024	2023
	£m	£m
At 1 April	—	—
Net gain/(loss) for the year	(1.3)	—
At 31 March	(1.3)	—

The impacts on a post-tax basis of reasonably possible changes in significant level 3 assumptions are as follows:

Derivative financial instruments

	2024	2023
	£m	£m
+20 basis points increase between RPI and CPI[1]	7.5	—
-20 basis points decrease between RPI and CPI[1]	(6.9)	—

1. A reasonably possible change in assumption of other level 3 derivative financial instruments is unlikely to result in a material change in fair values.

29. Financial risk management (continued)

(g) Capital Risk Management

The capital structure of the Group consists of shareholders' equity, as disclosed in the consolidated statement of changes in equity, and net debt (note 25). National Grid's objectives when managing capital are: to safeguard our ability to continue as a going concern; to remain within regulatory constraints of our regulated operating companies; and to maintain an efficient mix of debt and equity funding thus achieving an optimal capital structure and cost of capital. We regularly review and manage the capital structure as appropriate in order to achieve these objectives.

Maintaining appropriate credit ratings for our regulated company is an important aspect of our capital risk management strategy and balance sheet efficiency. We monitor our balance sheet efficiency by regulatory asset value ("RAV") gearing calculated as net debt expressed as a percentage of RAV, which indicates the level of debt employed to fund our regulated business. It is compared with the level of RAV gearing indicated by Ofgem as being appropriate for our business. For RIIO-ED2 price control commencing 1 April 2023 onwards, the regulatory gearing target for the four DNOs individually is 60% . For our NGED Group consolidated gearing, we aim to keep it below 85%. See below for gearing ratio of our four DNOs and the NGED Group:

	2024	**2023**
	Gearing ratios	
NGED East Midlands	**53.2 %**	52.8 %
NGED West Midlands	**46.8 %**	47.5 %
NGED South West	**56.0 %**	54.7 %
NGED South Wales	**54.4 %**	53.2 %
NGED Group	**60.6 %**	62.5 %

30. Sensitivities

In order to give a clearer picture of the impact on our results or financial position of potential changes in significant estimates and assumptions, the following sensitivities are presented. These sensitivities are based on assumptions and conditions prevailing at the year-end and should be used with caution. The effects provided are not necessarily indicative of the actual effects that would be experienced because our actual exposures are constantly changing.

The sensitivities in the tables below show the potential impact in the income statement (and consequential impact on net assets) for a reasonably possible range of different variables each of which has been considered in isolation (i.e. with all other variables remaining constant). There are a number of these sensitivities which are mutually exclusive, and therefore if one were to happen another would not, meaning a total showing how sensitive our results are to these external factors is not meaningful.

The sensitivities included in the tables below broadly have an equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated.

(a) Sensitivities on areas of judgement and key sources of estimation uncertainty

The tables below sets out the sensitivity analysis for each of the areas of estimation uncertainty. These estimates are those that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next year.

30. Sensitivities (continued)

(a) Sensitivities on areas of judgement and key sources of estimation uncertainty (continued)

Pensions and post retirement benefits assumptions

2024		**Impact on income statement**				**Impact on defined benefit obligation**			
	Change in assumption	**ESPS WPD**	**ESPS CN**	**WPUPS**	**Infralec 92**	**ESPS WPD**	**ESPS CN**	**WPUPS**	**Infralec 92**
	%	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Discount rate	-/+1%	**5**	**7**	**1**	**—**	**224**	**289**	**35**	**1**
RPI Inflation	+/-1%	**3**	**3**	**—**	**—**	**197**	**232**	**21**	**1**
Long-term rate of increase in salaries	+/-1%	**1**	**2**	**—**	**—**	**38**	**20**	**—**	**—**
Life expectancy	+ 1 year	**1**	**1**	**—**	**—**	**66**	**90**	**15**	**—**

2023		Impact on income statement				Impact on defined benefit obligation			
	Change in assumption %	ESPS WPD £m	ESPS CN £m	WPUPS £m	Infralec 92 £m	ESPS WPD £m	ESPS CN £m	WPUPS £m	Infralec 92 £m
Discount rate	-/+1%	4	8	1	—	238	313	38	1
RPI Inflation	+/-1%	2	4	—	—	188	214	34	1
Long-term rate of increase in salaries	+/-1%	1	1	—	—	11	16	—	—
Life expectancy	+ 1 year	1	1	—	—	64	108	19	—

A change in the discount rate is likely to occur as a result of changes in bond yields and as such would be expected to be offset to a significant degree by a change in the value of the bond assets held by the plans. Any such offset is not reflected in this table.

The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant increases in salary assumptions.

Sensitivities have been prepared to show how the defined benefit obligations and annual service costs could potentially be impacted by changes in the relevant actuarial assumption that were reasonably possible as at 31 March 2024. In preparing sensitivities the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary is recognised.

30. Sensitivities (continued)

(b) Sensitivities on financial instruments

We are further required to show additional sensitivity analysis under IFRS 7 and these are shown separately in the subsequent table due to the additional assumptions that are made in order to produce meaningful sensitivity disclosures. The analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

Our net debt as presented in note 25 is sensitive to changes in market variables, being UK interest rates and the UK RPI. These impact the valuation of our borrowings, deposits and derivative financial instruments. The analysis illustrates the sensitivity of our financial instruments to reasonably possible changes in these market variables.

The following main assumptions were made in calculating the sensitivity analysis:

- the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio, and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2024 and 2023 respectively;
- the statement of financial position sensitivity to interest rates relates to items presented at their fair values: derivative financial instruments and our investments measured at fair value through profit and loss ("FVTPL") and fair value through other comprehensive income. Further debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- changes in the carrying value of derivatives from movements in interest rates of designated cash flow hedges are assumed to be recorded fully within equity.

	2024			2023		
	Assumptions used	**Income statement £m**	**Other equity £m**	Assumptions used	Income statement £m	Other equity £m
Financial risk (post tax):						
UK inflation change of 1%	**1 %**	**8.7**	**—**	1 %	12.0	—
UK Interest rate changes of 1%	**1 %**	**5.8**	**34.4**	1 %	1.0	37.0

Additional sensitivities in respect to our derivative fair values are as follows:

	2024		2023	
	Income statement £m	**Net assets £m**	Income statement £m	Net assets £m
Assets and liabilities carried at fair value (post-tax):				
10% fair value change in derivative financial instruments	**2.5**	**2.5**	4.0	4.0

The effect of a 10% change in fair value assumes no hedge accounting.

31. Ultimate parent company

The immediate parent undertaking of the Company is National Grid electricity Distribution Holdings Limited , which is registered in England and Wales . The ultimate controlling parent of the Company is National Grid plc, registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by National Grid Electricity Distribution plc, which is registered in England and Wales. Copies of its financial statements may be obtained from the Company's registered office at Avonbank, Feeder Road, Bristol, BS2 0TB.

The largest group which includes the Company and for which consolidated financial statements are prepared is National Grid plc, registered in England and Wales. Copies of these consolidated financial statements can be obtained from the Company Secretary, National Grid plc, 1-3 Strand, London WC2N 5EH.

32. Events After The Reporting Period

There are no material events after the reporting period.

Company balance sheet

as at 31 March

	Notes	**2024** **£m**	2023 £m
Fixed assets			
Investments	3	**2,876.0**	2,876.0
Current assets			
Cash at bank and in hand		**0.2**	0.1
Debtors (amounts falling due within one year)	4	**12.4**	124.6
Debtors (amounts falling due after more than one year)	4	**41.1**	48.3
Total current assets		**53.7**	173.0
Creditors (amounts falling due within one year)	5	**(512.5)**	(768.6)
Net current liabilities		**(458.8)**	(595.6)
Total assets less current liabilities		**2,417.2**	2,280.4
Creditors (amounts falling due after more than one year)	5	**(559.2)**	(564.7)
Provisions for liabilities	6	**(0.8)**	(1.8)
Net assets		**1,857.2**	1,713.9
Capital and reserves			
Share capital	7	**1,057.6**	1,057.6
Other equity reserve	8	**0.8**	1.1
Profit and loss account		**798.8**	655.2
Total shareholders' equity		**1,857.2**	1,713.9

As a result of alignment of accounting policies with the ultimate parent company, National grid Plc, there have been presentation and classification changes during the year. Comparatives have been restated to reflect the amended presentation and classification. Refer to note 1 on page 150 for details.

The Company has elected not to present its own income statement or statement of comprehensive income for the year. Profit attributable to the Company for the year to 31 March 2024 is £143.8m (2023: £(22.5)m loss).

The notes on pages 150 to 154 form part of the individual financial statements of the Company, which were approved by the Board of Directors and authorised for issue on 24 July 2024 and were signed on its behalf by:

DocuSigned by:
Darren Pettifer
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Darren Pettifer
Director

DocuSigned by:
Cordi O'Hara
5E4268D54028488...

Cordelia O'Hara

Director

National Grid Electricity Distribution plc

Registered number: 09223384

Company statement of changes in equity

for the year ended 31 March

	Called up share capital £m	Other equity reserves £m	Profit and loss account £m	Total equity £m
At 1 April 2022	1,057.6	1.0	677.9	1,736.5
Loss for the year	—	—	(22.5)	(22.5)
Other comprehensive income	—	0.1	—	0.1
Total comprehensive income/(loss) for the year	—	0.1	(22.5)	(22.4)
Equity dividends	—	—	(0.2)	(0.2)
At 31 March 2023	**1,057.6**	**1.1**	**655.2**	**1,713.9**
Profit for the year	—	—	143.8	143.8
Total other comprehensive loss for the year	—	(0.3)	—	(0.3)
Total comprehensive income/(loss) for the year	—	(0.3)	143.8	143.5
Equity dividends	—	—	(0.2)	(0.2)
At 31 March 2024	**1,057.6**	**0.8**	**798.8**	**1,857.2**

The Company has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006.

For further details of dividends paid and payable to shareholders, refer to note 8 in the consolidated financial statements.

Notes to the Company financial statements

1. Company accounting policies

We are required to include the stand-alone balance sheet of our parent Company, National Grid Electricity Distribution plc, under the Companies Act 2006. The following disclosures provide additional information to users of these financial statements.

Basis of preparation of individual financial statements under FRS 101

National Grid Electricity Distribution plc's principal activities involve the transmission of electricity in Great Britain. The Company is a public limited company incorporated and domiciled in England, with its registered office at Avonbank, Feeder road, Bristol , BS2 0TB.

The company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements. Accordingly, the company has elected to apply FRS 101 Reduced Disclosure Framework. The recognition and measurements requirements of UK adopted IFRS have therefore been applied within these financial statements, with amendments where necessary in order to comply with the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of National Grid Electricity Distribution plc which are included on pages to 1 to 149.

The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company's financial statements are presented in Sterling as this is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest hundred thousand pounds except when otherwise indicated.

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board.

Impact of presentation and classification changes

As a result of the alignment of accounting policies with the ultimate parent classification and presentation changes have occurred in the financial statements. These changes are accounting policy choices and we have elected to restate for all such policy changes, despite the relative immateriality of certain items, considering the totality of the alignment exercise undertaken. If classification has been amended within the balance sheet and profit and loss account, the consequent impact of classification within the consolidated cash flow statement has also been considered and effected, where needed.

- During the current year, the presentation of the balance sheet has been amended to align with the prescribed format of FRS 101 financial statements. This has resulted in the presentation of a 'Fixed assets' line item instead of a 'non-current assets' line item on the balance sheet. As a result, derivative financial instruments amounting to £41.1m (2023: £48.3m) have been classified under 'Debtors (amounts falling due after more than one year)' within current assets on the face of the balance sheet. Further 'Deferred tax' amounting to £0.8m (2023:£1.8) has been reflected within 'Provision for liabilities'.
- For the year ended 31 March 2023, interest payable on borrowings was reflected within 'Creditors (amounts falling due within one year)' as a separate line item of 'Accruals and deferred income'. To align with the presentation of the ultimate parent company, National Grid Plc, interest payable amounting to £9.1m (2023: £16.5m) is reflected under the 'Borrowings' line item within Creditors '(amounts falling due within one year)'.

2. Employees and directors

The directors did not receive remuneration in the period for their services as directors of the Company as these are incidental to their roles elsewhere in the NGED Group. The Company did not employ any staff in the period.

3. Investments

	2024	2023
	£m	£m
Cost and Net book value	**2,876.0**	2,876.0

Details of the Company's subsidiary undertakings are as follows:

Subsidiary undertakings	**Principal activity**	**Proportion %**
National Grid Electricity Distribution (South West) plc	Electricity distribution	100
National Grid Electricity Distribution (South Wales) plc	Electricity distribution	100
National Grid Electricity Distribution (East Midlands) plc	Electricity distribution	100
National Grid Electricity Distribution (West Midlands) plc	Electricity distribution	100
National Grid Electricity Distribution Network Holdings Limited	Investment company	100
WPD WEM Limited	Investment company	100
National Grid Electricity Distribution Midlands Limited	Investment company	100
WPD WEM Holdings Limited	Investment company	100
National Grid Electricity Distribution Investments Limited	Investment company	100
National Grid Telecoms Limited	Telecommunications	100
National Grid Electricity Distribution Generation Limited	Power generation	100
National Grid Electricity Distribution Property Investments Limited	Property management	100
Kelston Properties 2 Limited	Property management	100
National Grid Helicopters Limited	Helicopter operator	100
NG Electricity Distribution Limited	Property Management	100
Sheet Road Management Company Limited	Property Management	51
South Wales Electricity Share Scheme Trustees Limited	Dormant company	100
Hyder Profit Sharing Trustees Limited	Dormant company	100
WW Share Scheme Trustees Limited	Dormant company	100
Central Networks Trustees Limited	Dormant company	100
WPD Share Scheme Trustees Limited	Dormant company	100
Western Power Pension Trustee Limited	Dormant company	100

All undertakings are registered in England and Wales unless stated.

Except for National Grid Electricity Distribution Investment Holdings Limited and WPD WEM Holdings Limited, which are owned 100% directly, all shares are held by subsidiary undertakings. All holdings are in ordinary shares.

Except for NG Electricity Distribution Limited, the registered office of all subsidiary undertakings is Avonbank, Feeder Road, Bristol BS2 0TB. The registered office for NG Electricity Distribution Limited is Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

3. Investments (continued)

The exemption under s.394A and s.448A from preparing and filing the financial statements of the dormant subsidiaries has been availed.

Dormant entities	Company Number
South Wales Electricity Share Scheme Trustees Limited	02525006
Hyder Profit Sharing Trustees Limited	03404908
WW Share Scheme Trustees Limited	02388914
Central Networks Trustees Limited	07561556
WPD Share Scheme Trustees Limited	02525142
Western Power Pension Trustee Limited	02813866

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 March 2024:

Subsidiary undertakings	Company Number
National Grid Electricity Distribution Network Holdings Limited	8857746
National Grid Electricity Distribution Midlands Limited	2366928
WPD WEM Holdings Limited	7578676
WPD WEM Limited	4066211

4. Debtors

	2024	2023
	£m	£m
Amounts falling due within one year:		
Amounts owed by Group undertakings	—	115.9
Current tax receivable	**12.4**	8.7
	12.4	124.6
Amounts falling due after more than one year:		
Derivatives	**41.1**	48.3
	41.1	48.3
Total debtors	**53.5**	**172.9**

	2024	2023
	£m	£m
Amounts owed by Group undertakings:		
Inter-company loan due from WPD WEM Holdings Limited	—	112.4
Interest on loan due from WPD WEM Holdings Limited	—	3.5
	—	115.9

The note receivable was unsecured and repayable on demand. The note accrued interest at a rate of SONIA compounded to 6 monthly tenors, plus a margin of 1.25%. The note was fully repaid in December 2023.

5. Creditors

	2024	2023
	£m	£m
Amounts falling due within one year:		
Borrowings (1)	**9.1**	516.1
Loan with ultimate parent company (2)	**502.0**	209.2
Amounts owed to Group undertakings	**1.2**	43.3
Accruals and deferred income	**0.2**	—
	512.5	768.6

	2024	2023
	£m	£m
Amounts falling due after more than one year:		
Borrowings (3)	**559.2**	564.7
	559.2	564.7

For the year ended 31 March 2023, interest payable on borrowings was reflected within a separate line item of 'Accruals and deferred income'. To align with the presentation of the ultimate parent company, National Grid Plc, interest payable amounting to £9.1m (2023: £16.5m) is reflected within the 'Borrowings' line item.

(1) Borrowings are stated net of unamortised issue costs of £0.7m (2023: £1.3m), discount on issue of £1.0m (2023: £1.5m) and premium on issue of £8.9m (2023: £10.4m). These costs, together with the interest expense, are allocated to the income statement over the term of the bonds at a constant rate on the carrying amount.

(2) The loan with ultimate parent company pertains to amounts drawn under the two-way loan agreement with National Grid Plc. The loan is unsecured and is repayable on demand. Interest is accrued daily on the balance at SONIA plus 0.25% margin.

(3) The Company is a co-obligor and makes all payments on the $255m 7.375% notes due 15 December 2028. In accordance with the agreements, the Company and National Grid Electricity Distribution Holdings Limited are jointly and severally, and fully and unconditionally, liable for the notes. The Company has recognised the obligation for the notes, in full.

6. Deferred tax

The following are the deferred tax liabilities recognised by the Company and movements thereon during the current year. All balances relate to temporary differences in respect of non-trade financial transactions.

	2024	2023
	£m	£m
At 1 April	**1.8**	1.2
Charged to the income statement	**(0.9)**	0.5
Charged to equity	**(0.1)**	0.1
At 31 March	**0.8**	1.8

7. Share capital

	2024	2023
	£m	£m
Issued and fully paid:		
1,057,592,372 (2022: 1,057,592,372) ordinary shares of £1 each	**(1,057.6)**	(1,057.6)

The shares entitle the holders thereof to one vote per share held. Each share ranks equally for any dividend declared and any distribution made on a winding up. The shares are not redeemable.

8. Hedging reserve

	2024	2023
	£m	£m
At 1 April	**1.1**	1.0
Reclassification adjustments for gains on cash flow hedges included in profit or loss	**(0.4)**	0.2
Income tax effect	**0.1**	(0.1)
At 31 March	**0.8**	1.1

The hedging reserve is stated net of tax and relates to the effective portion of the value of interest rate derivatives associated with the issuance of existing long-term debt. The interest rate derivatives were settled in prior years and the net gain continues to be amortised through the profit and loss account over the term of the debt.

9. Events after the reporting period

There were no events after the reporting period.

10. Related party transactions

Loan with ultimate parent company

At 31 March 2024, the Company has drawn down £502.0m (2023: £209.2m) under the two-way loan agreement with the parent company, National Grid Plc. The loan is unsecured and is repayable on demand. Interest is accrued daily on the balance at SONIA plus 0.25% margin.

Registered office:

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Registered number 09223384