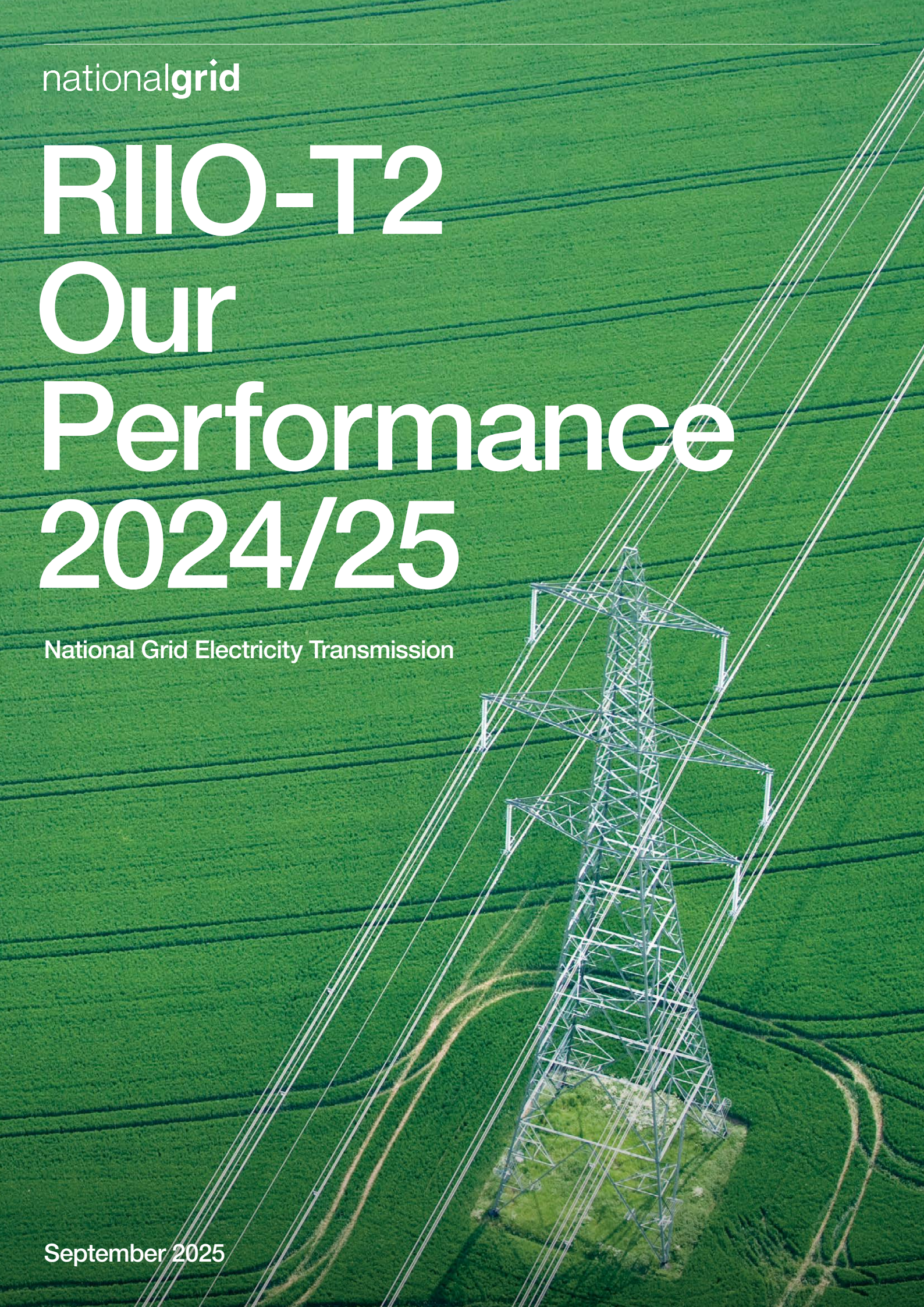
nationalgrid

RIIO-T2 Our Performance 2024/25

National Grid Electricity Transmission



September 2025

Section 01

A Message From Our Chair

Welcome to the fourth annual performance report for the RIIO-T2 price control period, which began in April 2021 and runs through to March 2026. In this report, we focus on what we have delivered in the fourth year of this price control and look ahead to our delivery plans in the final year of RIIO-T2, our preparations for RIIO-T3 and the step up in delivery which will be required to deliver our ambitious plan.

In FY25, we delivered a safe, efficient, and reliable transmission service for our customers and end consumers. We achieved our lowest Injury Frequency Rate of 0.06 during RIIO-T2, demonstrating our commitment to the safety and wellbeing of our colleagues and partners. The reliability of our network was 99.9998%, which was below the level reported in FY24 and was affected by the incident at North Hyde, impacting our customers and stakeholders. We are committed to learning from the incident and are implementing the recommendations made by the National Energy System Operator (NESO) following their investigation. We have taken further action since the investigation to strengthen our processes and will work closely with Ofgem on their investigation, as well as the independent audit we commissioned in response to the incident.

We invested £2.3bn in our network, supporting the Government's priorities of economic growth and delivering 'Clean Power 2030', connecting 2.5GW of generating capacity, including the first phase of the world's largest offshore wind farm, Dogger Bank. Furthermore, under the Accelerated Strategic Transmission Investment (ASTI) framework, 6 of our 17 projects entered the construction phase in the past 12 months.

Delivering reliability and resilience for our customers is a priority. Through a sustained focus on asset health and maintenance, we completed over 56,000 network activities and over 1,000 asset health interventions- an 8.5% year-on-year increase in volumes since the start of RIIO-T2. This volume was, however, below the level set out in our final determinations and following a comprehensive review of asset health interventions delivered to date, along with assessment of deliverability, we have revised our forecasted asset health volumes for the RIIO-T2 period to 72% of those set out in the Final Determinations.

This reduction in part reflects our asset management approach, which prioritises work by considering the condition of assets and takes into account where asset health works are superseded by load-related projects. There have also been a number of challenges that were not foreseen at the outset of RIIO-T2, which have led to us not delivering in line with our plans, including global supply chain constraints, increased demand for customer connections and system access.

For the investments to connect customers and strengthen the network, known as our load-related portfolio, we now forecast to deliver 40% more demand connection capacity than we thought at the start of the price control. The connection of new generation capacity to the network is also forecast to be 15% higher than initially thought. We will use what we've learned from the experiences and challenges encountered during the price control and FY25 to enhance our future performance and deliver efficiently for consumers, as we approach the final year of RIIO-T2 and prepare for RIIO-T3.

In the coming year, we plan to complete works in the RIIO-T2 settlement and we forecast that our spending will be £0.2bn lower than the total adjusted allowances of £8.4bn.

During the coming year we will also lay the groundwork for the next regulatory price control period starting in April 2026. We are already developing and approving investments so we are ready to complete outputs from the start of RIIO-T3. To support the step up in delivery we are expanding our workforce, creating a taskforce to improve our system access planning and working with our supply chain to start the process of making bigger, and longer term, commitments. This will enable us to continue to adapt, plan proactively, and invest for the future, ensuring a resilient, greener, and more efficient energy system for England and Wales.

I trust you will find this report informative and welcome your feedback on how we can improve our reporting in the future.

Alice Delahunty
Chair of the NGET Board
President of Electricity Transmission

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Section 02

The RIIO Framework

RIIO (Revenue = Incentives + Innovation + Outputs) is the regulatory framework used in the UK to set price controls for energy network companies, including gas and electricity transmission and distribution operators.

The purpose of RIIO is to ensure that we, as a network company, operate efficiently while providing a safe and reliable network for consumers. The framework incentivises efficiency by encouraging network owners to reduce costs and improve their operational efficiency, which can ultimately lead to lower prices for consumers. Additionally, RIIO ensures that we deliver specific outcomes that benefit consumers, such as improved service reliability and reduced environmental impact. The key building blocks of RIIO are summarised below:

Revenue = Incentives + Innovation + Outputs

Incentives: The mechanisms used by Ofgem to encourage improvements in areas valued by our customers such as Environmental impact, Customer Connections, Reliability.

Innovation: Identifying and implementing innovative developments to provide a safe, reliable and sustainable network whilst delivering value for money for customers.

Outputs: Specific output deliverables for areas identified as important by customers such as Environment, Reliability, Connections.

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

The Price Control Process

The price control process sets our allowed expenditure for the price control period and starts with submission of a business plan, which details the investments needed in the next price control period to maintain a safe and reliable network and meet the needs of our end consumers and stakeholders. Ofgem use this information, along with independent assessments, to determine the efficient level of expected costs necessary for these deliverables. Under RIIO, this is known as ‘totex’, which is a component of total allowable expenditure, broadly defined as the sum of as operating expenditure (opex) and capital expenditure (capex) from previous price controls.

The level of allowances we receive to deliver outputs depends on the volume of work needed and the cost of the various external inputs required to achieve them. While ‘baseline’ allowances covering the entire five year period are set at the start of each price control, Uncertainty Mechanisms (UMs) are designed to protect consumers and network companies by avoiding the need to set allowances when future needs and costs are uncertain.

Totex Incentive Mechanism - Incentivising Performance

When we under- or over-spend the agreed allowance, the Totex Incentive Mechanism (TIM) allows us to share a portion of the under- or over-spend with consumers through an adjustment to allowed revenues in future years, based on a ‘sharing factor’ set by Ofgem at the start of the price control. This sharing factor incentivises us to deliver outputs efficiently, as we retain a portion of any savings, while the remainder benefits our customers and end consumers. Conversely, the mechanism provides a level of protection for us if we need to spend more than allowances.

Section 03

Executive Summary

This executive summary highlights the main outputs we have delivered during the fourth year of the RIIO-T2 price control period as well as some of the key events which took place during the year and affected our delivery. It highlights our commitment to safety, network reliability, and efficient energy delivery, reflecting our ongoing efforts to meet the needs of our consumers and stakeholders.

Safety

Through focused efforts, our Injury Frequency Rate (IFR) has reduced to 0.06, marking the first year in RIIO-T2 that we have achieved a rate below the 0.10 threshold, a significant improvement from our FY24 IFR of 0.14. We recognise that maintaining good safety performance is essential, especially as our workload increases heading into RIIO-T3 and we are committed to continually strengthening our safety culture and behaviours. For instance, the safety performance of our contractors has improved due to our concerted efforts on contractor safety, which includes embedding minimum training standards in contracts.

Network Reliability

Over the past five years, our network has achieved exceptional availability and reliability, exceeding **99.9999%** each year prior to FY25, which is amongst the highest world-wide. This year network reliability for FY25 was **99.9998%**, the reduction from historic levels due to the North Hyde incident in March 2025.

Overall, our world-class levels of network reliability has enabled us to achieve low values of Energy Not Supplied. In FY25, we had eight Loss of Supply (LOS) events, of which two were excluded from Energy Not Supplied (ENS) calculations as the customer had chosen a less resilient connection. Total **Energy Not Supplied was 359MWh**, relative to a total supply for the year of 213.44TWh, of which **340MWh was due to the North Hyde incident**.

Asset Health

In FY25, we delivered more asset health volumes (1,133) than in any of the previous years in RIIO-T2, reflecting an 8.5% year-on-year increase in volumes since the beginning of RIIO-T2. Increased productivity has been made possible through the implementation of key initiatives including the introduction of ‘campaign style’ outages that maximise opportunities to bundle in asset health work around longer duration outages for load work. This has allowed us to manage risk levels across our lead asset portfolio and reduce the proportion of assets classified as either high, or very high risk, in three of the six groups over RIIO-T2.

8.5%
Year on year increase in Asset Health interventions during RIIO-T2

0.06
Injury Frequency Rate

99.9998%
Network Reliability

6
ASTI Schemes in Construction

2.5GW
New Generation Connected

Despite improvements in productivity, reported Network Asset Risk Metric (NARM – a measure of the level of risk on our network) and Price Control Deliverables (PCD – a new framework in RIIO-T2 that holds us to account for the delivery of agreed works) v**olumes of 857 for FY25 were below the 1,344 asset health volumes forecasted** in our Final Determinations. We have completed a comprehensive review and validation of asset health interventions delivered to date, including prioritising necessary work based on updated asset condition assessments and identifying where asset interventions are superseded by load-related projects. When combining this with a deliverability assessment of the FY26 plan, we have adjusted our RIIO-T2 asset health **volume forecast down by 9pp to 72%** of the volumes set out in the Final Determinations. When including the volume of asset health work being delivered which is outside of our initial RIIO-T2 submission, and accounting for those interventions that have been **superseded by load related drivers, this figure increases to 89%**.

We acknowledge that in some instances, we have not delivered in line with our plans due to challenges with planning and delivering work, which were not foreseeable at the start of the RIIO-T2 period. These challenges include global supply chain constraints following Covid-19, increasing demand for customer connections, and additional work on cyber resilience.

As part of our commitment to operate a reliable network, we review the consequences of not completing the full schedule of asset health interventions by the end of RIIO-T2. **For those asset interventions that have not been delivered we are determining appropriate mitigations, including realignment with the RIIO-T3 plan where necessary**. Finally, for any PCDs and NARMs we do not deliver, the price control framework protects consumers by ensuring that funding is adjusted appropriately.

Accelerated Strategic Transmission Investment (ASTI)

We are progressing the accelerated delivery of 17 projects under the ASTI framework. In FY25, and in line with our targets, **six of our most advanced onshore and offshore schemes entered the construction phase**. The remaining 11 ASTI projects are progressing through their development and consenting phases.

We have further strengthened our relationships with the supply chain by progressing our High Voltage Direct Current (HVDC) Framework Agreement and mobilising the operational framework of the Great Grid Partnership (GGP) awarded in May 2024, which will focus on two key areas: design and consenting services and construction. We have also continued to explore different regulatory approaches to allow programme procurement including the Advanced Procurement Mechanism (APM) framework.

Generation Connections

We continue to support the Government's ambitions for decarbonisation and in FY25 **we connected 2.5GW of generating capacity**, including large renewable projects such as the first phase of Dogger Bank (1.2GW) - the world's largest offshore wind farm. This trend is expected to continue into the last year of RIIO-T2, we forecast to **connect 15.5GW of generating capacity against a baseline target of 13.5GW**.

Demand Connections

In FY25 we connected 1.06GVA of demand, falling short of our year-ahead forecast of 1.5GVA. This was predominately due to access constraints and supply chain challenges delaying two projects until FY26. **Overall, we now expect to connect more demand connections (3.8GVA) during the price control period than was forecast in the RIIO-T2 baseline (2.7GVA)**.

Wider Works

In FY25, we **increased boundary capacity by 3.7GW**, including the commissioning of the Hurst-Littlebrook circuit as part of the London Power Tunnels 2 (LPT2) project. Through this project we will ultimately energise six new transmission circuits travelling 32.5km underground through South London. We also commissioned the Hinkley-Bridgwater uprating (110MW), which will support Hinkley Point C nuclear power station to support decarbonisation and resilience of the electricity system.

Overall, we **expect to deliver 16.6GW of the 23.4GW boundary capacity** outlined in our RIIO-T2 baseline. We have reviewed the need and driver for some of the power control technology investments. This review has led to a reduction in wider works forecasts as six schemes have been removed from the wider works volume driver, four of which are delayed beyond RIIO-T2+2 and two deemed to be no longer required.

Incentives

Over the last year, there have been some challenges in meeting the consumer outcome targets in areas like incentives, but in others such as reducing constraint costs we have continued our positive trend in delivering value for consumers.

The **Quality of Connections Score** (QoCS) has been impacted by the oversubscription in the connections pipeline, a trend that has continued into FY25. The increased demand for connections, growing connections queue and subsequent increases in lead times and delays have affected our performance, contributing to a decline in our QoC score, which has **fallen from 7.2/10 in FY24 to 6.5/10 in FY25. While this is below the levels we strive for**, in areas where we have greater control, such as construction delivery and energisation, our **scores exceed the 7.7 neutral benchmark, demonstrating** our commitment to our customers.

Under the **SO:TO Optimisation** incentive, in FY25, we delivered **£50m actual constraints saving for consumers**, working closely with NESO and the deployment of beyond business-as-usual solutions. Within the **Environmental incentives**, we have continued our strong performance, across each of the six pillars of the environmental scorecard - our performance is near the incentive maximum reward, reflecting the range of benefits we have been able to deliver for stakeholders.

RIIO-T2 Performance

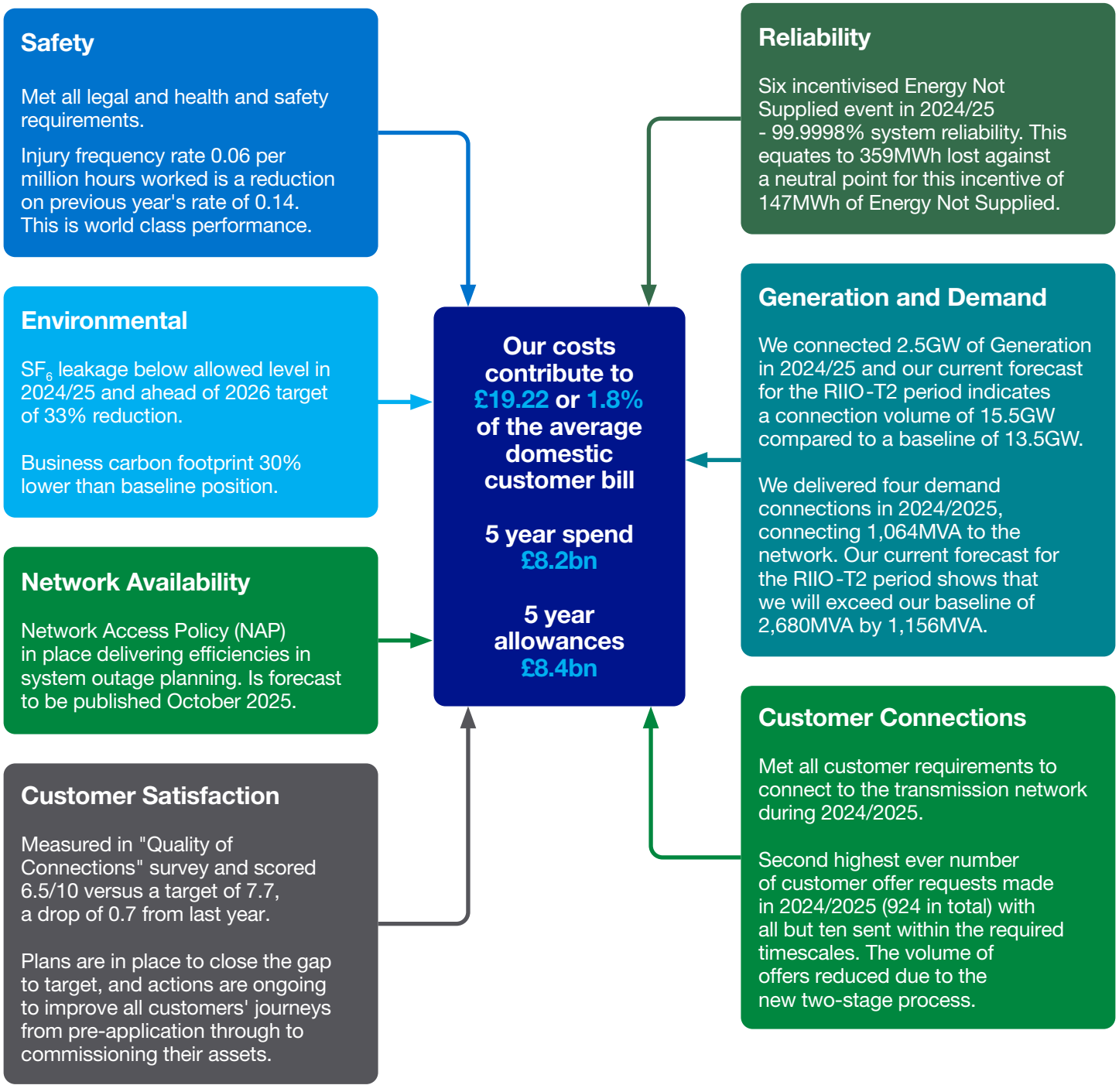
We anticipate an **expenditure of £8.2bn against the RIIO-T2 Final Determination allowance of £5.7bn**. However, after updating allowances to account for recent developments and updated output forecasts which adjust our baseline allowances, including re-opener submissions, the operation of uncertainty mechanisms, and expected changes at the end of the price control period, we forecast an **adjusted allowance of £8.4bn**. This adjustment results in **forecast underspend of £0.2bn** enabling us to **return £0.13bn to consumers**.

Section 04

Performance Infographic

This infographic shows our headline performance in areas that you told us are important to you:

- Meeting the needs of consumers and network users.
- Maintain a safe and reliable network.
- Deliver an environmentally sustainable network.



Section 05

Overview Of Forecast RIIO-T2 And Year Four Performance

The Regulatory Reporting Pack (RRP) is a comprehensive report supported by a significant number of data tables that we submit to Ofgem each July. It details the outputs we have delivered and the costs we have incurred. In this section, we summarise the key information from the report, to make our performance more accessible and easier for our stakeholders to understand. We provide an overview of our financial performance and the outputs we have delivered for consumers over the past year, along with a forecast of our overall financial performance and the outputs we expect to deliver by the end of the five-year RIIO-T2 regulatory period.

Our Regulatory Performance

Five-year expenditure is broadly in line with adjusted allowances, with a forecast expenditure of £8.2bn compared to adjusted allowances of £8.4bn, resulting in an underspend of £0.2bn. Initially, the Final Determination Allowances were set at £5.7bn; however, updates reflecting our latest assessment —including re-openers submitted, the operation of uncertainty mechanisms, and anticipated end-of-price-control adjustments via Price Control Deliverable (PCD) mechanisms—have added an additional £2.8bn in allowances over the price control period. This leads to the **forecast underspend of £0.2bn against the adjusted allowances** for the five-year price control period (see Table 1).

£2.8bn
Adjustment to allowance

£8.2bn
Forecast RIIO-T2 spend

£0.2bn
Regulatory performance

£1.2bn
Financial performance

1.8%
NGET share of customer bill

£bn 2018/19 prices	Final Determinations	Adjustments to Allowances	Adjusted Allowances	Forecast Spend	Regulatory Performance
Load Related	1.5	1.1	**2.5**	2.2	**0.3**
Asset Replacement	1.8	(0.3)	**1.6**	1.7	**(0.1)**
Non-Operational Capex	0.3	0.2	**0.5**	0.5	**0.0**
Network Operating Costs	0.6	0.4	**1.0**	1.1	**(0.1)**
Indirect Costs	1.3	0.3	**1.7**	1.6	**0.1**
Other Costs	0.2	0.2	**0.4**	0.3	**0.1**
Re-opener Pipeline Log	0.0	0.9	**0.9**	0.9	**0.0**
National Grid Total (£bn)	**5.7**	**2.8**	**8.4**	**8.2**	**0.2**

Table 1: Adjustments to allowances by Investment Area.

Figure 1 shows the five-year totex position and demonstrates how the price control mechanisms operate to adjust allowances from Final Determinations as requirements change. The graphic also demonstrates the corresponding impact on the overall difference between spend and allowance.

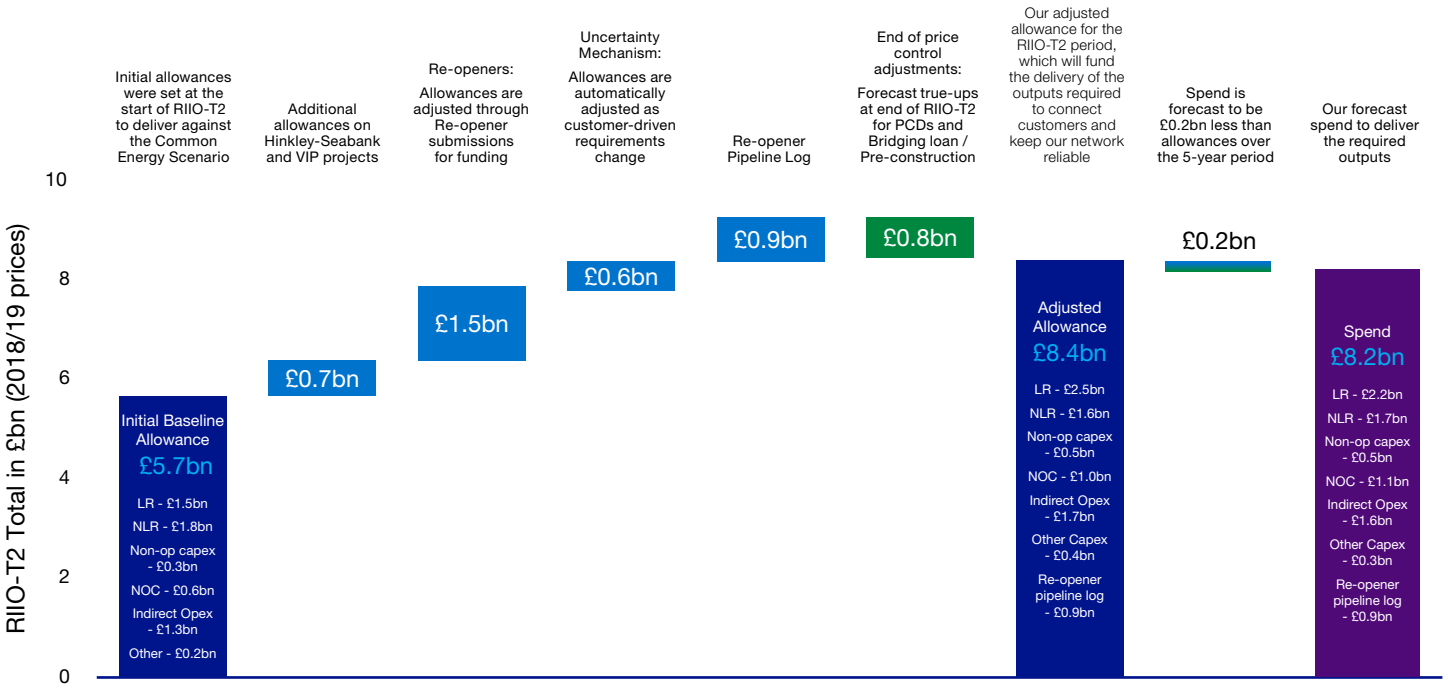


Figure 1: Five-year totex price control mechanism-driven adjustments to Final Determination allowances

Our Reported Financial Performance

Due to differences in definition, our reported financial position will differ to that of our stated Regulatory performance despite being based on the same underlying data. As a result of these adjustments, our **financial performance forecasts underspend of £1.2bn against allowances**.

To understand our underlying performance, adjustments are made in the financial reporting of performance to adjust for where delivery profiles cross over price control periods. Table 2 outlines the additional elements which are included in financial reporting to drive the £1bn difference in reported performance to RRP. These adjustments are detailed further below.

£bn 2018/19 prices	Regulatory (over). under spend	Phasing allowances	Edge effects	Adj. spend vs allowances	Re-profiling allowances within period	Other	NGET performance
Load Related	0.3	0.2	0.0	0.5			
Non-Load	(0.1)	0.0	0.4	0.3			
Non-Op Capex	0.0	0.0	0.0	0.0			
NOC	(0.1)	0.0	0.0	(0.1)			
Indirect Costs	0.1	0.0	0.1	0.1			
Other Costs	0.1	0.1	0.2	0.3			
Re-opener Pipeline	0.0	0.0	0.0	0.0			
NGET	**0.2**	**0.2**	**0.6**	**1.0**	**0.1**	**0.1**	**1.2**

Table 2: Phasing of allowance and edge effects on 5-year performance.

There are three categories of adjustment embedded into the regulatory reporting position:

- £0.8bn reflecting timing of spend (Phasing of allowances and Edge Effects in the table above), which is further explained below.
- Ongoing efficiency ambition, which is not embedded at project level of £0.1bn.
- Other adjustments totalling £0.1bn. This is a mix of output delivery incentive (ODI) performance, the effect of profits for the unlicensed work that we carry out for the benefit of our customers, and the expected adjustments to be made at the end of this price control period.

Adjustments to reflect timing of spend: when considering our performance against allowances, we have adjusted allowances to match the phasing of output delivery. This is in line with the reversal of enduring value adjustments we made during the RIIO-T1 period, with allowances adjusted from the RIIO-T1 period falling into two categories:

- **Phasing of allowances:** allowances relating to load-related projects initiated in RIIO-T1 but completing in the first two years of RIIO-T2 (known as RIIO-T1+2) have been re-profiled for financial reporting purposes to recognise the performance when the output is delivered. This has resulted in an additional £0.2bn of allowance being recognised in the RIIO-T2 period.
- **Edge Effects:** this refers to the impact on performance of projects crossing price control periods and shows an apparent over- or under-spend in one price control period which is offset in the other price control period. The impact of edge effects has been exacerbated in the early part of RIIO-T2 due to the challenges imposed by Covid-19 at the end of the RIIO-T1 period, which delayed some interventions into RIIO-T2. NGET plans to undertake these replacements during the RIIO-T2 period in addition to delivering the commitments made as part of the RIIO-T2 contract. Financial reporting has re-profiled allowances to reflect this revised position, with additional allowances of £0.6bn being delayed from RIIO-T1 and recognised financially in the RIIO-T2 period even though they are not RIIO-T2 allowances and do not therefore feed into the RRP25 regulatory reporting tables.

Our ongoing efficiency ambition: we have stated our ambition to continue to seek additional efficiency through improving and innovating its approach to operating, maintaining, replacing and extending our transmission network. As reported in previous RRP submissions, there are a number of initiatives being developed to improve our overall efficiency. Some of these have been implemented in the first four years of RIIO-T2 and some are not yet factored into our project-level forecasts and so cannot be included in the RRP Cost & Volume tables as currently formulated. At the start of the RIIO-T2 period, our ambition was to achieve £500m of efficiencies. As of RRP25, we have embedded £444m of efficiencies across our activities. The remaining £56m of ambition has been included at a high level in our financial forecasts and is included in the Price Control Financial Model to ensure the forecast benefit is passed to consumers in a timely manner.

Breakdown Of Our Regulatory Performance

In this section, we present a breakdown of our regulatory performance and the outputs delivered for consumers over the past year, categorised by key areas of expenditure: 'load related', 'asset health', 'non-operational capex', 'network operating costs', and 'indirect costs'. Additionally, we provide a five-year outlook based on anticipated delivery by the end of the RIIO-T2 regulatory period.

Load-Related Investment – 'Building For The Future'

We are constructing the energy system of the future and having added 3.7GW of boundary capacity in FY25, we expect to deliver a total of 16.6GW of network improvements by the end of this price control period.

In FY25 we connected 2.5GW of generation and our current forecast for the full RIIO-T2 period, indicates that we will deliver connection volume totalling 15.5GW compared to our baseline of 13.5GW.

We delivered four demand connections in FY25, connecting 1,064MVA of demand to the network. Our current forecast for the full 5-year RIIO-T2 period shows that we will exceed our baseline by 1,156MVA, delivering 3,836MVA of additional demand capacity by the end of March 2026.

Load-Related 5-Year Performance

The Load-Related plan, which encompasses the work required to connect customers to the network and make wider network reinforcements, is forecast to deliver the outputs required to meet customer needs through £2.2bn of direct capital expenditure, £311m less than adjusted allowances of £2.51bn. The adjusted allowance position represents an increase of £1.06bn from Final Determinations, driven by:

- Increase in allowances of £1.48bn resulting from the application of volume drivers for generation, demand and wider works reflecting the increased need for investment in response to changing customer needs.
- Reduction in allowances of £416m reflecting anticipated future adjustments for bridging allowances provided for the delivery of outputs beyond the second year of RIIO-T3 and adjustments relating to pre-construction funding through the Price Control Deliverable mechanism.

In the Load-Related portfolio, we have analysed the drivers of the differences between spend and allowances, categorising these as either:

- Efficiency or inefficiency - includes projects with specific examples where costs increased or decreased as a direct result of our action;
- External factors outside of our control - will include projects where changes have resulted due to changing customer or NESO requirements; or
- Changes in assumptions, which refers to variations in cost resulting from changes in scope that have not been subject to a change in customer or NESO requirements, or where the allowance mechanism has changed.

The table below breaks down the £311m difference between cost and allowances across the different categories of load-related investments (where a positive number is an underspend).

Investment Category	Efficiency	External Factors	Change in Assumptions	Total
Demand	5	52	20	77
Generation	0	(40)	29	(11)
General Wider Works	0	(11)	29	19
Wider Works	4	149	(14)	139
Pre-Construction	52	(2)	14	64
LOTI	0	25	0	25
Hinkley-Seabank Overhead Line	0	(22)	0	(22)
Multi-Driver Project	0	0	7	7
Sub-total	**61**	**152**	**85**	**299**
Avoided/Deferred Investment	12	0	0	12
Total	**73**	**152**	**85**	**311**

Table 3: Load-related five-year performance by performance driver (£m).

Load-Related FY25 Performance

In FY25, direct capital expenditure on the Load-Related portfolio was £602m, which is broadly in line with adjusted allowances of £606m. Differences between within year expenditure and allowance for each investment category are driven by misalignment between the phasing of expenditure and allowance within the period (as is the case with the 5-year view).

Asset Health – Delivering Price Control Deliverables (PCDs) and NARM outputs

Our focus on delivery and managing asset risk has led to a further increase in the volume of interventions completed in FY25. We continue to prioritise high-risk asset health concerns, supported by a thorough asset health review in order to deliver the right outcomes over the remainder of RIIO-T2. We have adjusted our asset replacement plans to respond to the ongoing need to uprate assets to expand and reinforce the network to support decarbonisation of the sector, ensuring that we take efficient opportunities to increase capacity rather than proceeding with like-for-like interventions. Given the rapid growth in our network required to support decarbonisation, we expect the trend of increasing interaction between load- and non-load related investment will accelerate further.

We forecast delivering 4,625 Price Control Deliverable (PCD) and Network Asset Risk Metric (NARM) interventions in the RIIO-T2 period. This is equivalent to 72% of the 6,463 interventions we had planned to deliver as set out in the Final Determinations. The 9pp downward revision in volumes from our RRP24 forecast of 81% follows review and validation of our asset health plans in the year.

The reduction in forecast volumes also reflects our commitment to prudent asset management, prioritising necessary work based on asset health condition assessments and identifying where interventions are superseded by load related projects. Notably, when including volumes not part of the original RIIO-T2 submission, this figure rises to 84% and further increases to 89% when considering asset interventions which have been superseded by load-related projects.

Our commitment to asset health is reflected in the 8.5% year-on-year increase in the total volume of asset health interventions delivered annually and forecast since FY22 and over the full RIIO-T2 period. This steady increase in total asset health volumes has been made possible through the implementation of several key initiatives including the introduction of ‘campaign style’ outages (to complete various work types all at the same time) and the adoption of new procurement strategies.

Asset Health – Providing A Safe And Reliable Network

We plan to complete the agreed number of sites for flooding resilience and physical security. These actions will improve our sites’ security against attack and help to keep the network safe. The construction plan to improve flood defences at vulnerable sites will also keep the electricity flowing to homes and businesses even if there are 1 in a 100-year flooding events.

The cyber threat landscape has grown since 2020. To address this challenge, we have prioritised delivery of Cyber Assessment Framework (CAF) milestones, achieving the Basic milestone last year. As a result, there has been a significant increase in cyber-related activities on the network. Whilst we cannot give specific details of our cyber delivery plans, we have regular dialogue with the Ofgem Cyber Team on delivery progress and are required to submit confidential annual reporting. We also have regular engagement sessions with National Cyber Security Council (NCSC) and the department for Department for Energy Security and Net Zero (DESNZ).

Asset Health 5-year Performance

Our Asset Health plan captures all work related to the replacement or refurbishment of existing assets on the transmission network. At FY25, we forecast direct capex of £1.7bn over the RIIO-T2 period, which is £0.15bn more than adjusted allowances of £1.6bn. The allowance adjustments account for reductions related to work that is no longer forecast to be completed within the price control, which are partially offset by additional allowances agreed through re-openers.

The net £146m overspend has been predominantly driven by:

- £142m of expenditure on delivery of outputs outside the RIIO-T2 submission. These are not RIIO-T2 regulatory outputs and have no baseline allowances and therefore appear as overspend.
- £27m overspend on Dinorwig-Pentir cable and Dinorwig substation. This has resulted due to delays to delivery driven by additional testing required and realignment of plans for interactions with Heritage Lake Railway and some additional surveys and environmental consultations.
- £34m overspend associated with the NARM category of assets. This is mainly occurring in the circuit breaker category and London Power Tunnel phase 2 (LPT2) project where earlier delivery has moved decommissioning costs from RIIO-T3 into RIIO-T2.

The above overspend is offset by an underspend of £63m on our RIIO-T2 mechanistic PCD categories, specifically Protection & Control and Overhead Line Conductor where we have implemented initiatives like bulk procurement frameworks, self-delivery models and scope standardisation.

Table 4 reports the £146m difference in cost and allowances by the different performance drivers of efficiency, external factors and change in assumptions:

Asset Health	Efficiency /Inefficiency	External Factors	Change in Assumptions	Total
Baseline (substation cable, condition monitoring, tower painting, spares, tunnels, through wall bushings)	9	0	(11)	(2)
NARM (Transformers, Reactors, Switchgear, Overhead line fittings and Cable replacements)	7	19	(47)	(22)
London Power Tunnels	0	0	(12)	(12)
Price Control Deliverables (Bay assets, Instrument Transformers, Overhead line conductors Protection and Control, SF_6 Interventions	46	0	17	63
Use it or Lose It (UIOLI)	(5)	0	0	(5)
Dinorwig Pentir cable and substation re-opener	(27)	0	0	(27)
Costs Outside Submission (completion of interventions from RIIO-T1)	0	0	(142)	(142)
Total	**30**	**19**	**(196)**	**(146)**

Table 4: Plan split by Performance Drivers (£m).

Asset Health FY25 Performance

In FY25, direct capex expenditure on the Asset Health Related portfolio was £321m, which is £8m more than adjusted allowances of £313m. This difference between spend and allowance is predominantly driven by the following:

- The misalignment of and incomplete allowance adjustments within year, which makes any comparison misleading; at the end of the price control period, the framework will adjust allowances for any volumes not delivered.
- Volume reductions due to prudent asset management and prioritisation along with changing drivers for investment. For instance, a 177km reconductoring scheme has been superseded by load-related investments and therefore removed from the asset health plan.
- The net impact of revised cost forecasts (some increasing and some decreasing) based on increased experience of delivery and further development of projects.

Non-Operational Capex 5-year Performance

Our Non-Operational capex includes IT, Property and Fleet expenditure. For the RIIO-T2 period, we forecast non-operational spending of £460 million, against allowances of £432 million. We forecast underspend against allowances in the first three years of the price control period to be offset by overspend in FY25 and the final year of RIIO-T2, leading to overall underperformance.

The overspend of £28m is driven by an overspend in the IT & Telecoms portfolio which reflects additional investment in IT capabilities to support the delivery of the significant portfolio of ASTI investments along with vehicle purchases and EV charging investment. This in turn is partially offset by an underspend in IT investment driven by the re-phasing of delivery of the Supervisory Control and Data Acquisition (SCADA) programme into the RIIO-T3 period. The SCADA programme will deliver a computerised control system that will enable us to remotely monitor, control, and optimize processes and equipment.

Non-Operational Capex FY25 Performance

In FY25, there was spend of £106m which is £40m higher than the adjusted allowances. This overspend is attributable to the profile of allowances not aligning with actual spend, in particular for Supervisory Control and Data Acquisition (SCADA) systems and core IT, where there has been a consistent level of spend throughout RIIO-T2 against a front-loaded allowance profile.

Network Operating Costs 5-Year Performance

Network Operating Costs (NOC) are the total spend on faults, inspections, repairs and maintenance, vegetation management and legal and safety.

Spending is projected to total £762 million, which is £108 million above the adjusted allowance of £654 million for the RIIO-T2 period. The main drivers of the overspend include a £61m overspend on legal and safety (predominantly flood defence work), a £33m overspend on own-use electricity at substations, and a £38m overspend on Repairs. This is partly offset by a £31m underspend in other NOC categories.

Network Operating Costs FY25 Performance

In FY25, network operating costs totalled £152m and exceeded allowances by £29m. The increase in expenditure is mainly due to an overspend in flood defence work of £16.0m, an increase in own-use electricity costs at substations (£5.4m), along with an overspend of £9.4m within the Repairs category. This overspend is partially offset by a £3.4m underspend on Inspections.

Indirect Costs 5-Year Performance

Throughout RIIO-T2, Indirect and Closely Associated Indirect (CAI) costs (collectively 'Indirects') are forecast to be £1,571m against total allowances of £1,636m. Total adjusted allowances include £315m resulting from the opex escalator and indirects relating to the LOTI Hinkley Connection Project and LOTI Harker Energy Enablement Project and the Consequential Costs allowances in Business Support. The resulting overperformance of £65.5m (6.9% variance to allowances) is split between CAI underspend of £87.7m and Business Support overspend of £22.2m.

Indirect Costs FY25 Performance

In FY25, expenditure was £340m against allowances of £337m, resulting in an overspend of £3m. This is split between an overspend in CAI (£9m) resulting from a re-profiling of project delivery moving spend into FY25 and FY26 and increases in our operational training to address workforce retention and recruitment for specialised resource, offset by an underspend in Business Support (£6m) driven by a realignment of overhead cost recovery relating to Customer Applications for prior years falling into FY25.

Visual Amenity

For the visual amenity projects, where our Stakeholder Advisory Group identifies suitable projects to reduce the visual impact of our assets, we forecast spending £292m during RIIO-T2. This represents a £19m underspend compared to adjusted allowances of £311m. The overall underspend in RIIO-T2 is primarily driven by a re-profiling of spend within the Eryri (Snowdonia) National Park project owing to actual spend not aligning with the assumed profile at the time of determination. We took the decision to conduct additional ground investigations due to the complex geology in the area. As a result, we revised our plan, delaying the launch of the Tunnel Boring Machine (TBM) to May 2025, pushing £23m of forecast spend into RIIO-T3.

Return On Regulated Equity (RoRE)

The Return on Regulatory Equity (RoRE) figure is a key measure by which Ofgem compares operational and financing performance across Network Operators. This encompasses the costs and allowances associated with a regulated business, including totex, financing, tax, incentive performance and company-funded innovation costs. A key concept in the RoRE calculation is enduring value i.e. the full value earned by the regulated company during the price control period.

More detail on this can be found in the Regulatory Financial Performance Reporting Pack (RFPR) which is published alongside this report, please click here to visit our website where you can view this period's and previous years' reports.

Impact On Consumer Bills

Network costs for both transmission and distribution are reported to make up around 20% of the domestic electricity bill. Of this total bill, £19.22 is attributable to National Grid's Transmission Owner costs which equates to 1.8% of the average annual domestic electricity bill. This is lower than last year, and our latest position shows that the bill impact is forecast to maintain this level for the remainder of RIIO-T2.

Ofgem's RIIO-T2 framework ensures that two-thirds of any efficiency savings that we have delivered are passed onto customers resulting in lower network charges, and therefore lower electricity bills for the end consumer. In addition, consumers are benefitting from the wider value that investment in our network supports in terms of facilitating an energy sector which is less reliant on imported fossil fuels, which will in turn lead to lower and less volatile end-consumer prices.

Section 06

The Independent Stakeholder Group

Introduction To The Independent Stakeholder Group

During the last year, the Independent Stakeholder Group (ISG) has continued to hold us to account - not only in delivering our RIIO-T2 commitments but also testing our plans as we developed our RIIO-T3 business plan for 2026-31.

With regards RIIO-T2 delivery, at each meeting of the ISG we present our management dashboard with data on our Key Performance Indicators which is discussed with the group. On an annual basis we present our complete RIIO-T2 annual performance data for discussion, and through the individual sessions on the topics covered in the RIIO-T3 plan we have updated on RIIO-T2 delivery, e.g. delivery of commitments in the Environmental Action Plan.

We have shared and tested our RIIO-T3 plans with the ISG regularly, and involved members directly in our engagement programme and events. Through more than 11 sessions and more than 70 hours of face-to-face discussions, we have worked through over 145 specific challenges as we developed the investments in our plan.

Their challenge has helped us gain a better understanding of consumers expectations of us, allowing us to focus our plans on what matters for the people we serve. The ISG Chair prepared an independent statement outlining the role of the group, the role of stakeholders in our RIIO-T3 business plan, and our compliance with the guidance provided by Ofgem relating to ISGs. Additionally, the ISG also provided an independent response to Ofgem's Call for Evidence on our submitted RIIO-T3 business plan.

The ISG's input has been instrumental in shaping a business plan that delivers the grid of tomorrow today, is in the best interest of consumers, communities and stakeholders, and transforms the way we work.

ISG's View On Our Performance Over The Past Year

"The NGET ISG is an authoritative group of senior level, cross-sectoral stakeholder experts who represent the interests of NGET's key stakeholder constituencies as users, or future users, of the electricity transmission system in England and Wales, and with a view to ensuring end consumer and societal value, now and into the energy future. We are completely independent of NGET and Ofgem, and our remit, as set out by Ofgem, is to provide challenge and scrutiny to NGET as it both develops its Business Plan and, on an enduring basis, the delivery of its plan. We defined our purpose within three areas of focus:

- Scrutinise and challenge company periodic business plans.
- Monitor, interrogate and enhance transparency of performance against commitments.
- Act as critical friend for strategy, culture and processes in key areas.

During the year, we have had bi-monthly updates on performance where NGET has had the opportunity to share their progress against RIIO-T2 deliverables. We have ISG members with strong expertise and experience in stakeholder engagement and, generally, NGET's engagement is now, overall, the best of the utility companies we have worked with over the years

We have noted with interest the ongoing challenges around system access, supply chain pressures and their response to incidents at North Hyde. We appreciate the actions that NGET has taken to deliver more work across their network, maintaining reliability and availability for end consumers.

We have also written and sent reports as part of Ofgem's call for evidence on NGET's Business Plan for the RIIO-T3 period, and then as a response to Ofgem's Draft Determination in July. In our response in February to Ofgem's call for evidence we focused on three areas; the clarity, quality and ambition shown in their plan. The ISG is positive about this ambitious Business Plan which we believe is of high quality. This is as it is very clearly outcomes-focused and because, in general, it sets out, clearly, coherently, consistently and in the right level of detail: why the investment is needed; how it will be delivered and when; the benefits to stakeholders; the risks and tensions; the trade-offs that will have to be made. We can see that our detailed feedback has been taken on board throughout. In our view, the Plan is well-structured and easy to navigate. It has the right level of clarity, and the resulting narrative is sharp, firm, factual, accessible and readable. The readability has become much more accessible and easier to navigate for wider consumers, much more so than the RIIO-T2 plan.

Our view is that the Business Plan now tells a clear story on consumer bill impact and longer-term consumer value through relatively cheaper, cleaner electricity longer-term and security of supply, and by seeking baseline (and pipeline) investment only where the needs case has been demonstrated in the context of a changing external environment and uncertain future demand scenarios. Nevertheless, our response also highlighted a range of areas where we expected to see more ambition by NGET and for them to go further in justifying their costs and reflecting stakeholder priorities.

In our response to Draft Determination, we completely support Ofgem's strategic intention and approach. Ofgem has a complex job in balancing the creation of longer-term consumer value, supporting economic growth and achieving net zero objectives while ensuring that today's consumers receive value for money through effective regulatory scrutiny (which we support). There are a number of areas where Ofgem requires NGET to provide further information to justify its costs. We urge Ofgem and NGET to work together before the Final Determinations to address these issues so that the best outcomes for consumers and stakeholders are delivered now and in the future.

We do have some concern about the complexity of the overall package of incentives, uncertainty mechanisms and reopeners and the risk that this will work against the deliverability of Ofgem's overall intention, with potential adverse unintended consequences and impacts on stakeholders and consumer bills. We are not critical of most of the measures in themselves and we welcome the use of high-powered incentives to drive performance. However, the incentive mechanisms are still not well defined, and if not addressed before the start of the period they will not create the desired impacts/benefits for customers.

We commended many aspects of NGET's stakeholder engagement, such as their "best in class" consumer research into affordability and the excellent detail provided in their engagement logs and challenge log responses. It is not clear that Ofgem has considered that stakeholder priorities may drive a different approach to assessing short versus long term costs, lowest cost versus long term consumer value, and the opportunities of taking this wider approach. For example, it appears that engineering justification papers have been fundamentally assessed on a narrow cost and engineering need basis. However, NGET showed us how their optioneering was influenced by local stakeholder engagement and regional planning. We would like to see Ofgem and NGET working this through as we head towards the FD so that, yes, effective cost scrutiny has taken place, but that there has also been thorough consideration of local and regional stakeholder evidence and benefits in order to achieve longer term value and growth and the trade-offs with lowest cost".

Trisha McAuley OBE
Chair NGET Independent Stakeholder Group

Section 07

Incentive Performance

The first 'I' in RIIO stands for Incentives. This part of the framework rewards or penalises us in areas that you, our stakeholders, have told us that matter to consumers. In the following section, we outline what are incentives, what is being measured, how we performed in the fourth year, and some information about future years' forecasts.

Figure 2 illustrates how our performance across our financial output delivery Incentives (ODI-Fs) has varied over FY25. We performed well in respect of our Environmental performance and Insulation and interruption Gas leakage incentives. However, the outage resulting from the incident at North Hyde has impacted our Energy Not Supplied score, while challenges around customer connections have impacted our performance in respect of Timely connections and quality of connections score. We provide more detail on each of these areas below.

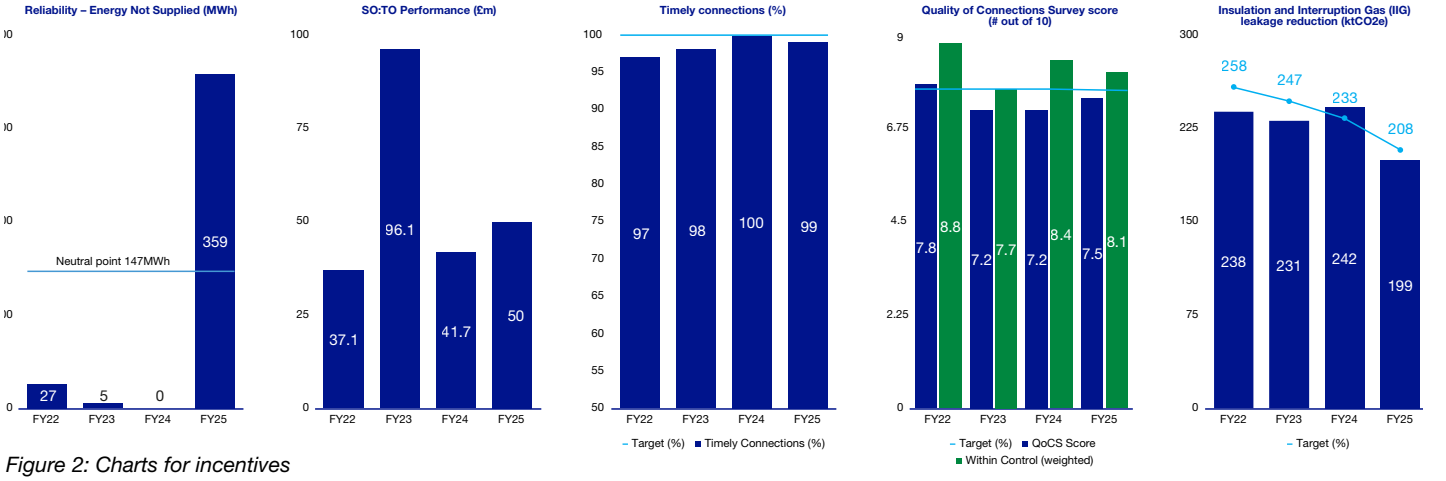


Figure 2: Charts for incentives

Reliability – We are committed to delivering a reliable network, which our stakeholders consistently tell us is critical for them. Reliability performance remained strong in FY25 but was below our reported reliability in the first three years of RIIO-T2. In FY25 our total incentivised 'Energy Not Supplied' was 359MWh which fell short of our reliability target, the incentive neutral point of 147MWh. Our FY25 performance equates to an average network reliability of 99.9998%. The fire at our North Hyde 275kV substation on 20th March 2025, and the associated power outages for Heathrow airport and other customers in West London, accounted for 95% of our incentivised energy not supplied in FY25.

SO:TO Optimisation – this incentive is designed to encourage collaboration with the NESO to identify and provide additional solutions beyond business-as-usual activities to help reduce constraint costs for consumers. In FY25, we delivered 36 enhanced services solutions successfully which have resulted in £50.0m actual constraints savings.

Timely Connections – During 2024/25, we made 936 connection offers, which represents a reduction of 439 offers compared to 2023/24 levels. This reflects the two-step offer connections process that was implemented for 2023/24 with connection offers reported reflecting first-step (i.e. interim), second-step and business-as-usual offers whereas for 2024/25 connections offers did not follow the two-step process and were all business-as-usual offers. A more comparable analysis shows that when we compare the 2023/24 second-step and business-as-usual offers (900) with the 2024/25 offers (936), there is a year-on-year increase in the workload required to deliver full and timely offers throughout the RIIO-T2 period.

This performance is in the context of a growing demand for connections with the total generation capacity including interconnectors contracted in England & Wales exceeding 400GW as applications for new connections showed no sign of reducing during the year. The contracted background far exceeds what is reasonably expected to be required to decarbonise the electricity system.

Quality of Connections – The Quality of Connections Incentive covers the customer experience throughout the connections journey. Our overall score for FY25 was 6.5 out of 10, falling short of the Ofgem target of 7.7. This score reflects a year characterised by both challenges and developments in the connections landscape. We experienced a surge in customer applications for connections, far exceeding industry expectations. This influx resulted in a growing pipeline, impacted connection dates and our quality of connections survey score.

The connections reform process led by NESO aims to transition from a “first come, first served” system to one that prioritises “ready” and “needed” projects. This shift is intended to accelerate clean power and net zero infrastructure connections; however, it has also contributed to customer uncertainty as new applications are put on hold. Consequently, this has led to frustration among customers, as reflected in the quality of connections survey process. We anticipate this sentiment to persist affecting survey scores heading into FY27.

Despite these changes, we remain committed to delivering high-quality customer service throughout the journey. We have focused on improving communication with all customers during this period. For those customers in the process steps that are more directly under our control, such as construction delivery and post-energisation activities, we achieved scores of 7.7, 8.5 and 9.1 for the respective touchpoints from delivery onwards. This has resulted in positive customer feedback, highlighting clear and timely communication, collaborative working, supportive and professional interactions, and fostering productive working relationships.

Environment – The Environmental Scorecard is designed to encourage us to further reduce our carbon emissions, improve the natural environment and reduce our resource use for the benefit of current and future consumers.

Figure 3: Elements of the environmental scorecard incentive target.

We are financially incentivised against six elements of our Environmental Action Plan and performed well on all elements of the scorecard this year, delivering additional benefits for consumers above the target performance level set by Ofgem. Business Travel, Operational and Office Recycling, Office Waste Reduction, Water Use and Environmental Value of non-operational land all exceeded the maximum incentive thresholds, with many benefits realised through new ways of working post Covid-19. We continue to perform strongly on the enhancement of our non-operational land where we put in place eight new Environmental Partnership Agreements. These partnerships will deliver a variety of site-specific biodiversity enhancement interventions, alongside nature-based community engagement. We continue to look at ways to further reduce our environmental impact and are on track to exceed our 10% natural capital target by the end of the RIIO-T2 period.

Insulation and Interruption Gas (IIG) emissions – SF6 is a potent Greenhouse Gas (GHG) with a global warming potential approximately 24,000 times that of carbon dioxide. It is a key contributor towards Group GHG emissions, so minimising leakage is integral to meeting our emissions target. Reported IIG emissions for FY25 are 4.6% below the incentive target emissions level. We remain on track to achieve the Science Based Target (SBT) 33% reduction in annual emissions by 2026 in line with our Responsible Business Charter. We continue to identify the highest leaking assets to prioritise both repair and replacement activities.

Table 5 below shows the annual outcomes in RIIO-T2 for the output delivery incentives that have financial penalties or rewards attached to them, totalling an overall reward payment of £13.9m by the end of FY25.

Incentive type	Incentive Performance £m				
	21/22	22/23	23/24	24/25	**Total**
Energy not supplied	0.8	1.0	1.0	(1.5)	**1.4**
Insulation and Interruption Gas emissions	1.6	1.3	(0.8)	0.8	**2.9**
Timely Connections	(0.3)	(0.2)	0.0	(0.1)	**(0.6)**
Quality of connections satisfaction	0.2	(3.3)	(3.0)	(7.4)	**(13.4)**
SO-TO Optimisation	5.0	5.0	5.9	4.2	**20.00**
Environmental scorecard	0.5	1.0	1.0	1.1	**3.6**
Annual Total	**8.0**	**4.8**	**4.1**	**(2.8)**	**13.9**

Table 5: Incentive Performance in RIIO-T2 (£m).

Section 08

Innovation Summary

Our innovation strategy focuses on the challenges we face and what we need to do to achieve our objectives. We believe that collaboration is the way to achieve this and our partnership framework with six UK universities is helping us with this along with promoting our engineering challenges through 'calls for innovation' which has led to creating new partnerships to deal with specific issues.

It's crucial that the innovation work we do to support the drive towards net zero provides real benefits for consumers, customers and our industry. So, we've made sure our innovation strategy demonstrates how we'll deliver these benefits; with greater emphasis on our innovation focus areas, rollout, implementation and tracking how our innovations perform once they become business-as-usual. We receive funding for our innovation portfolio from two main sources – the Network Innovation Allowance (NIA) and Strategic Innovation Funding (SIF).

Network Innovation Allowance (NIA)

Ofgem's NIA provides an allowance to network licensees to fund research, development and demonstration trials that meet six specific eligibility requirements. Each must:

1. Facilitate energy system transition and/or benefit consumers in vulnerable situations
2. Have the potential to deliver a net benefit to consumers
3. Involve research, development or demonstration
4. Develop new learning
5. Be innovative
6. Not lead to unnecessary duplication

During RIIO-T2, we receive £49.3m of NIA which covers 90% of the cost of our projects; the remaining 10% comes from us. In FY25, we spent just under £14.2m, almost £5m more than in FY24. This reflects how we have reviewed our process to become more agile and accelerate delivery of innovation projects. This year, 31 new projects have been registered, bringing the total number of NIA projects to date in RIIO-T2 to 98.

As we approach the final year of the RIIO-T2 period, we have a revised NIA forecast of £6.1m to incorporate projects already in progress with longer timelines and a pipeline of mature ideas already being worked on.

Strategic Innovation Funding (SIF)

The Strategic Innovation Funding (SIF) funds larger schemes, with £450m available for GB networks over the five-year regulatory period. SIF aims to help transform gas and electricity networks for a low-carbon future. It funds projects that could speed up the transition to net zero at the lowest cost to the consumer as part of the RIIO-T2 price controls.

We have secured initial Discovery Phase funding of £0.8m for ten projects in this price control, however, we have stopped four as non-viable for delivering the initially expected benefits. Five of the remaining six projects have received Alpha Phase funding of £1.1m and the final project "SF6 Whole Life" has received both Alpha Phase funding of £0.3m and Beta Phase funding of £8.5m and will complete in November 2028.

This report focuses in the directly funded activities to develop new innovations. We are also actively deploying innovations (some of which have been directly funded) across our business, which is realising the benefits of this investment for consumers. You can read more about this activity and our other innovation initiatives, including our strategy and annual Innovation Annual Summary for 2025 on our dedicated pages on our website nationalgrid.com/electricity-transmission/innovation.

Section 09

Who We Are And What We Do

National Grid Electricity Transmission (NGET) owns and maintains the highvoltage electricity transmission network in England and Wales. Every time a phone is plugged in, or switch is turned on, we've played a part, connecting you to the electricity you need.

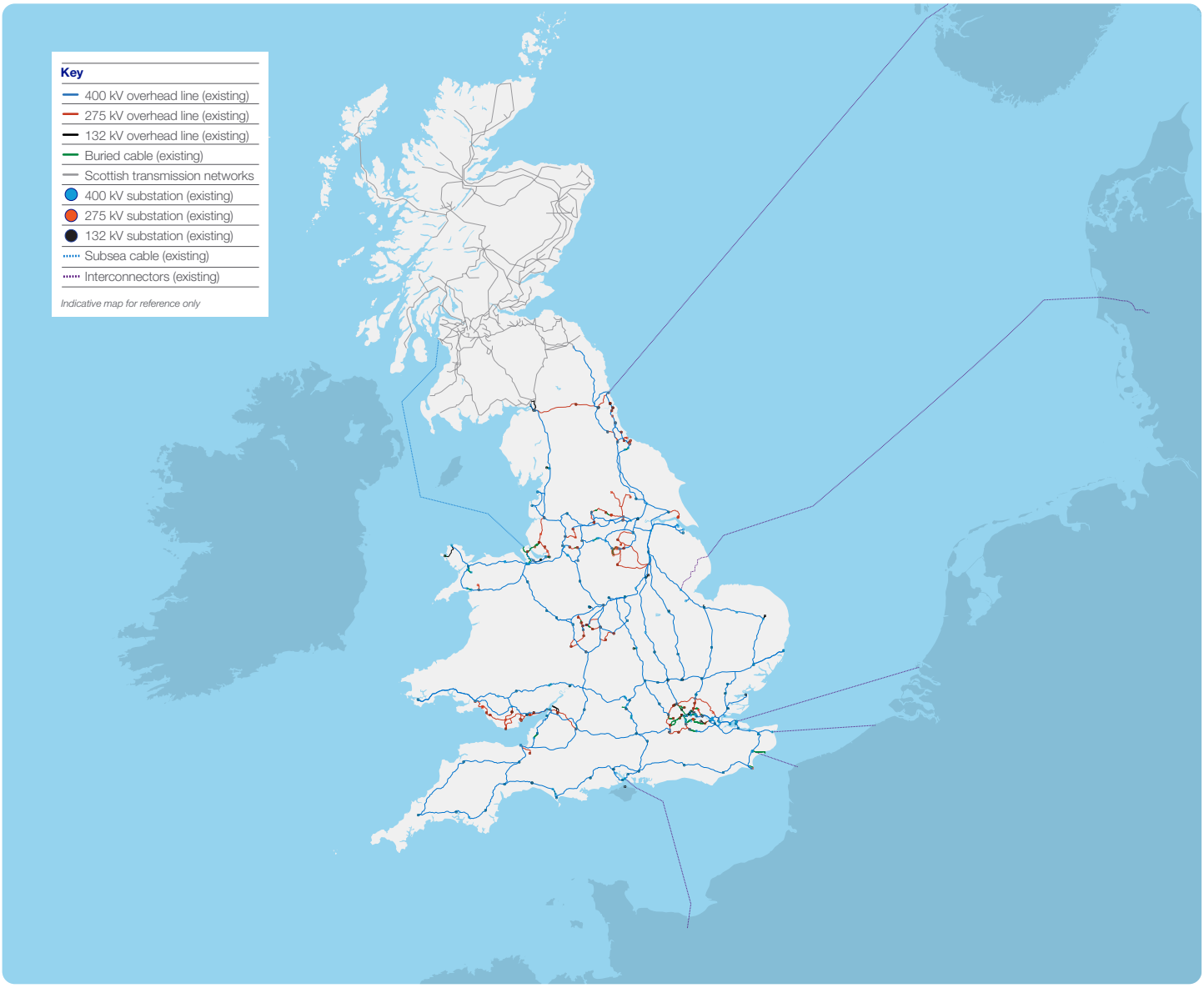
We take electricity generated across England and Wales, from windfarms or power stations, and transport it through our network, consisting of more than 7,000 kilometres of overhead line, 700 kilometres of underground cable and over 300 substations, on to the distribution system, so it reaches homes and businesses.

We're investing in the network, connecting more and more low-carbon electricity – it's a crucial role and pivotal in turning the UK's net zero ambitions into reality

7,000km
of overhead lines

700km
of underground cable

300
substations



Section 09

Our Purpose, Vision, Values And Strategy

Our purpose

We bring energy to life

Our vision

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

Our strategic priorities

In National grid we have five strategic priorities to deliver our vision

- Enable the **energy transition** for all
- Build the **network of the future** now
- Deliver for our **customers**
- Operate **safely and efficiently**
- Build **tomorrow's workforce** today

Our values

- Do the Right Thing
- Find a Better Way
- Make it Happen

Section 10

Looking Ahead To RIIO-T3

We have used our understanding of consumer and stakeholder expectations to define three overarching ambitions for our RIIO-T3 plan. These have guided the investments we propose, and frame how we will deliver a plan that meets the essential requirements set out by Ofgem and the Government.

Ambition A – Deliver the grid of tomorrow, today. We want to deliver with urgency the Transmission Network needed for Great Britain's future growth and decarbonisation. Maintaining world class levels of performance and resilience; delivering the capacity our customers need; future proofing our network; and investing in the next generation of innovative technologies are our objectives.

Ambition B – Do the right thing for consumers, communities and the environment. How we deliver is as important as what we deliver. Maximising the value by controlling the costs as our network grows; playing a leading role in accelerating towards net zero; supporting vulnerable consumers; and representing the diverse communities we serve are the goals in this ambition.

Ambition C – Transform the way we work. Transform our capabilities to deliver for consumers. Transforming our asset management, network development, and network operation capabilities to deliver the step-up in work required; growing our workforce capability; implementing new supply chain strategies to secure the long-term capacity required; and leveraging digital and data capabilities are the objectives.

We are realistic about the challenges we face today. We are already working at the limits of what the supply chain can provide, and we are experiencing the effects of inflation. We are also reaching the limits of when we can access the system to conduct work. We have considered four types of delivery constraints:

- **System access** – we are taking steps to minimise our need for system access and use it more efficiently and also improving our ability to forecast and manage our need for system access, which allows us to model the number of days of system access we require to carry out the work in our plan.
- **Supply chain** – we are taking a fresh approach to supply chain management, using competition more strategically to establish frameworks with price benchmarks to protect consumers.
- Workforce and skills – we have a comprehensive strategy to attract, train and retain the diverse and skilled workforce our business will need in the coming years.
- Community acceptance – we are consulting and communicating with communities early in the planning process. We have put in place platforms which enable residents to raise their concerns and suggestions and we then make changes to our proposals where possible.

For each of these areas, we will need support from the Government, Ofgem and NESO to enable delivery of the plan.

- It is critical that NESO's decision-making frameworks reflect the consumer value unlocked through transmission owners' plans, with a balance of near- and long-term objectives.
- We already have some of the tools available to reduce supply chain constraints, from early construction funding to the new advanced procurement mechanism and will be asking Ofgem for its support to further build on our new approach going forward.
- While industry can make a positive contribution, there is also a need for a fundamental change in Government policy and priorities within the education and skills sector to improve the development of foundational skills in schools and higher education to train the future workforce.
- We would welcome the Government publishing guidance on community benefit at the earliest opportunity. This would provide a firmer foundation for us to deliver legacy benefits which would be supported and welcomed by communities

As we move towards the Final Determination in December, we will continue to engage with Ofgem at all levels to agree a price control that attracts the investment needed to ensure the reliable and affordable flow of clean electricity whilst also meeting the ramp up in demand for power. A resilient, future-proofed network will be critical to economic competitiveness and growth for Britain in the years ahead.

Section 11

How To Contact Us And Useful Links

If you have questions or opinions on this performance summary, please get in touch with us by emailing: RIIO-T2Performance@nationalgrid.com

To find out more about customer bills and the impact of network costs, visit Costs in your energy bill | Ofgem

For information on our Innovation activities, visit Innovation | National Grid ET

To find out more about our electricity business and the market we operate in, visit Who we are | National Grid ET

For further information on our financial performance, visit our dedicated website at Welcome to National Grid Investors | National Grid Group

For more information about our environmental commitments and net zero please visit, Our environmental future | National Grid ET

Legal disclaimer

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid plc's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for as full an understanding of the results and state of affairs of National Grid plc and its subsidiaries, including the principal risks and uncertainties facing National Grid plc, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Risk factors' in National Grid plc's latest Annual Report and Accounts. Copies of the most recent Annual Report and Accounts are available online at https://www.nationalgrid.com/investors/resources/reports-plc or from Capita Registrars. Except as may be required by law or regulation, National Grid plc undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document. The content of any website references herein does not form part of this document.

National Grid plc
National Grid House,
Warwick Technology Park,
Gallows Hill, Warwick.
CV34 6DA United Kingdom
Registered in England and Wales.

nationalgrid.com

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