

# **National Grid**

## **Half Year Results 2025/26**

Audio Webcast

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Transcript

**nationalgrid**

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## **Speakers**

### **National Grid:**

|                |                                   |
|----------------|-----------------------------------|
| John Pettigrew | Chief Executive Officer           |
| Zoë Yujnovich  | Chief Executive Officer Designate |
| Andy Agg       | Chief Financial Officer           |
| Angela Broad   | Director, Investor Relations      |

### **Analysts:**

|                     |                   |
|---------------------|-------------------|
| Pavan Mahbubani     | JP Morgan         |
| Sarah Lestser       | Morgan Stanley    |
| Mark Freshney       | UBS               |
| Dominic Nash        | Barclays          |
| Ahmed Farman        | Jefferies         |
| Harry Wyburd        | BNP Paribas Exane |
| James Brand         | Deutsche          |
| Deepa Venkateswaran | Bernstein         |
| Marcin Wojtal       | Bank of America   |

Angela Broad: Good morning and welcome to National Grid's Half Year Results presentation. I'm Angela Broad, Head of Investor Relations, and it's great to have so many of you on the call today.

Firstly, please can I draw your attention to the cautionary statement at the front of the pack.

As usual, a Q&A will follow the presentation. Please join via the conference call to ask a question by using \*1 or use the tab at the bottom of the webcast to submit a written question.

All of today's materials are available on our website. And of course, for any further queries after the call, please do feel free to reach out to me or one of the IR team.

So with that, I'd now like to hand you over to our CEO, John Pettigrew. John.

John Pettigrew: Many thanks Angela.

Good morning everyone and thank you for joining us today.

Well as you all know, this is my last set of results and I'll be handing over to Zoë who becomes Chief Executive on the 17<sup>th</sup> November. So, before we get started with the Results Presentation, let me pass it over to Zoë to say a few words.

Zoë Yujnovich: Thank you, John and good morning, everyone. Today's results are an important moment for National Grid and for me personally, as I pick up the baton from John.

I want to take a moment to recognise his remarkable contribution over a decade as CEO. The strong foundations he leaves behind are a testament to his leadership and the dedication of our National Grid team. Since joining as CEO Designate on 1 September, I've had the privilege of meeting with many colleagues and stakeholders.

What stands out to me is the scale and ambition of what we're delivering—transforming our networks and investing at pace. Our £60 billion capital investment is not just a number, it's a commitment to futureproofing networks so we can meet the surge in demand we're seeing and ensure the millions of homes and businesses we serve have the reliable and clean energy they need at a price they can afford.

As I step into my role in the coming days, my immediate focus will be on maintaining momentum, staying focused on performance, and delivering safely and responsibly.

I will approach this with a clear-eyed view of the challenges and exciting opportunities ahead. I believe in the vital function energy companies play in driving growth and prosperity. I'm committed to ensuring National Grid plays its part, with an unrelenting focus on operational excellence and

capital discipline as we continue to deliver for our customers and create value for our shareholders.

I look forward to meeting all of you in due course, but for now I'll hand to John and Andy to take you through the results.

John Pettigrew: Thank you Zoë.

So, turning to our half year results. As ever I'm here with Andy Agg and once we've been through our respective presentations, we'll be happy to answer your questions.

It's been a really positive first half as we've continued to build on our strong foundations to deliver excellent operational and financial performance.

The investments we're making in our networks have never been more important to, ensure continued resilience, enable economic growth, deliver cleaner energy and meet growing power demand.

And its these drivers that underpin the strong visibility we have in our investment programme, supported by our regulators. This in turn gives me huge confidence in National Grid's ability to carry on delivering a compelling investment proposition, with asset growth of around 10% per annum, and underlying earnings per share growth of 6-8%, whilst maintaining a strong balance sheet and delivering an inflation protected dividend.

Before I come to our performance, I wanted to highlight three key areas, which reinforce my confidence, in our ability to deliver on our plans.

Firstly, the strong progress we've made securing the supply chain to deliver record levels of investment.

As you know, a big focus over the last two years has been to secure the supply chain for our largest suite of major projects in the UK, the Accelerated Strategic Transmission Investments, or ASTI.

Today, I'm pleased to say we're in a really strong position.

All 6 of our wave 1 projects are already under construction with work progressing well. Our £9 billion Great Grid Partnership, covering the delivery of the eight onshore projects within wave 2, is now up and running with our seven strategic partners.

And we're making great progress with the remaining three wave 2 offshore projects where we've completed the contracting for Sea Link and announced the preferred suppliers for Eagle 3 & 4, with contracts expected to be signed in the next few months.

Once complete, we'll have secured the supply chain for all 17 ASTI projects, a significant achievement.

And as a result, over three quarters of our £60 billion investment plan is now underpinned by delivery mechanisms, enabling us to ramp up our capital delivery.

We've invested over £5 billion in the first half, another record for the Group, and we remain on track to deploy over £11 billion of capital investment this year in line with our guidance.

The second area to highlight is the continued momentum we're seeing from both a regulatory and policy perspective.

On the regulatory front, we've built on the strong foundations we set last year in the US, with around 75% of our five-year investment plan approved within our rate cases.

We've also seen some important policy developments. As you know, New York State announced last year that it's likely to miss its target of 70% renewable generation by 2030. As a result, we've seen a shift in the last half towards an "all-of-the-above" approach when it comes to balancing clean energy goals with affordability and reliability.

For example, in September, following submission of our Long-Term Gas Plan, the PSC issued an Order supporting the proposed North East Supply Enhancement, or NESE, pipeline.

If built, the capacity provided by the pipeline would materially enhance reliability and resilience, whilst also potentially reducing energy costs for New Yorkers by up to \$6 billion.

In the UK, I'll come to regulatory developments shortly, but on the policy front, the Government is continuing to look at different ways to support faster delivery of infrastructure and accelerate economic growth. Alongside their planning reform legislation targeted at large infrastructure projects, which should support delivery of projects in the 2030's, they've also launched consultations which include proposals to allow electricity distribution network operators to carry out simple reinforcement activities without full planning permission and a revised fast-track consenting process. If implemented, this could have important benefits for future transmission projects.

So, it's clear we're seeing strong regulatory support for the investment we're making, as well as policy progress to assist in the delivery of future projects.

And then thirdly, the near term actions we're taking to support load growth in the UK.

We're working with the Government and industry, including US big tech companies, as they seek to develop the UK's AI infrastructure, including the creation of data centres within AI growth zones, like the recently announced one in Blyth and Cobalt Park.

These projects represent tens of billions of pounds of investment in UK infrastructure and are evidence of the demand growth we've forecast in our RIIO-T3 business plan, which is designed to connect up to 19GW of additional demand over the five years to March 2031. Around half of which is expected to be connecting data centres.

We're now working hard to facilitate these connections, including working with the government through the AI Energy Council to support the development of more AI growth zones, so we can deliver the investment needed to meet growing energy requirements.

So let me now turn to our financial performance where we've delivered a strong set of results for the first half.

On an underlying basis, that is excluding the impact of timing and exceptional items, operating profit was up 13 percent to £2.3 billion, reflecting increased regulatory revenues across our US and UK Electricity Transmission businesses.

This strong operating performance drove an increase in underlying earnings per share of 6 percent to 29.8 pence.

As you already heard, our business delivered a record £5.1 billion of investment, up 12% year-on-year at constant currency.

And in line with our policy, the board has declared an interim dividend of 16.35 pence per share.

Turning next to reliability and safety.

I'm pleased to say, reliability has remained strong across our UK and US networks over the first half of the year.

As we look ahead to the winter, we're well prepared with winter readiness plans in place. The NESO recently published its winter outlook report for the UK, in which they forecast Electricity margins of around 10%, the highest since 2019.

In the US, whilst we anticipate adequate electricity margins, gas availability across the coldest days of winter remains a focus, especially in extreme weather events. And so our teams will work closely with upstream suppliers to mitigate any risks.

In July, the NESO published its report investigating the outage following the fire at our North Hyde substation, and we're working closely with the Government, NESO, Ofgem and industry to progress the report's recommendations.

Safety, as always remains a critical focus across our business. In the last 6 months, our lost time injury frequency rate was 0.09, inside our Group target. We continue to promote a culture of safety excellence, including for

example identifying new ways to enhance our safety protocols, such as the use of digital job briefs to increase hazard recognition in the field.

Moving now to our operating performance across the Group, starting with Electricity Distribution.

Capital investment increased 17% to £756 million, reflecting increased asset replacement and load related reinforcement activity.

I'm pleased to say that we've now delivered over £100 million of synergy savings, six months ahead of target, following the UK Electricity Distribution acquisition in 2021. These synergies have been achieved through smarter procurement, operational efficiencies across our shared sites, and integration of support functions into the Group.

In October we also saw the publication of Ofgem's Sector Specific Methodology Consultation for RIIO-ED3, which builds on the foundations of the T3 framework.

We welcome the fact that Ofgem has directed networks to use a long term planning horizon. This will ensure that delivery over the next price control, also takes into account investment drivers in the decades ahead, including load growth, asset health, resilience, and renewable generation.

We've also made good progress on connections reform, including preparing flexible offers to customers that are likely to secure a queue position. This allows them to progress their projects ahead of a formal offer, enabling faster connections for renewables and low-carbon technologies.

And finally we continue to build our Distribution System Operator capabilities, with the launch of the demand turn up flexibility market, incentivising increased demand, as an alternative to curtailing generation.

Moving to UK Electricity Transmission, where capital investment increased by 31% to £1.7 billion, including construction of new substations to support load growth and progress on our £1 billion London Power Tunnels project where we've now energised the first 2.5km between Hurst substation and Crayford.

We've also been working hard to find innovative ways to expand system capacity.

For example, we began work on a new substation in Uxbridge Moor, West London, with an innovative design which will have a 70% smaller footprint and avoids the use of SF6, a potent greenhouse gas. This substation will support over a dozen new data centres and is expected to deliver 1.8GW of new capacity, equivalent to powering a mid-sized city.

We've also leveraged the approach to procurement frameworks used in our Strategic Infrastructure business. Including for example, in July when we signed an £8 billion Electricity Transmission Partnership with seven regional

partners to deliver substation infrastructure across our UK transmission network.

Turning to policy, we're working closely with NESO and customers to support connections reform. Once NESO publishes its updated queue we'll have a clear view of the sequencing of the specific projects required and we can then turn our efforts to meeting those connection dates at pace.

On regulation, Ofgem published its Draft Determination for the RIIO-T3 framework in early July, with our response published in late August.

This included changes we believe are needed to the baseline return and the incentives framework, to allow high performing networks to achieve a globally competitive overall return.

We've also proposed a number of refinements to streamline our funding mechanisms, enable us to recover the efficient costs on our investments and progress projects at the pace expected by our stakeholders.

As you'd expect we've engaged heavily with Ofgem at all levels of the organisation ahead of the Final Determination which is expected in early December.

And we expect to take a decision in late February or early March, following the license drafting process.

Turning now to our Strategic Infrastructure business.

As you've heard, our focus has been to ramp up delivery of the wave 1 ASTI projects, whilst also ensuring we're securing the supply chain and relevant consents for wave 2.

Specifically on our wave 1 projects, examples of our progress include our offshore Eagle 1 and 2 projects where the cable manufacturing and site works for the southern converter stations are under way, our onshore Yorkshire GREEN upgrade project, where the last of eight 200-tonne transformers have now been delivered, and the North London Reinforcement project, where we've finished reconductoring 3 circuits, installing over 190km of cables.

We've also completed four public consultations this year, including the submission of two major Development Consent Order applications, Sea Link and Norwich to Tilbury, with both submissions now accepted by the Planning Inspectorate, a major milestone.

On the regulatory front, we continue to engage with Ofgem to find a resolution to our request for a Delay Event on the Eagle 1 project and are encouraged by the discussions to date. We expect these negotiations to reach a final decision over the next few months.

Coming to the US and starting with New York, where we've continued to make strong progress across our operations.



Capital investment reached £1.6 billion, up 5%, driven by an increase in mains replacement expenditure.

In addition, we've continued to make strong progress on our \$4 billion Upstate Upgrade including our Smart Path Connect transmission project, where our segment is on track to be ready to energise by the end of the year, and our Climate Leadership and Community Protection Act, or CLCPA Phase 1 and 2 projects, where we expect the first round of permit approvals by the end of the calendar year.

On the regulatory and policy front, in addition to the Order from the PSC on the NESE pipeline, and the approval of the Niagara Mohawk Joint Proposal, we're also engaging on the Draft New York State Energy Plan. Released earlier this year, the plan outlines long-term strategies to meet New York's energy needs. It emphasises the importance of infrastructure investment and recognises the enduring role of the gas network in maintaining reliability, affordability and security of supply. Once finalised later this year, the plan will influence future regulatory decisions and utility planning across the state.

In New England capital investment increased 23% to £1.0 billion, reflecting increased spend on asset condition and system capacity in both electricity transmission and distribution, 220,000 smart meter installations, and the further roll out of our Fault Location, Isolation, and Service Restoration programme.

We've also agreed partners for our strategic procurement framework, which will support over \$3 billion of contracts over the next five years. And finally on regulation and policy, we've agreed around \$600 million of allowances under the Electric Sector Modernization Plan, largely focused on Electric Vehicle highway charging and IT infrastructure, and we're continuing to work with the Governor's office to advance the Energy Affordability Bill.

Moving to National Grid Ventures, capital investment was £69 million supporting asset refurbishment across our interconnector and US generation portfolios.

Operationally we've had a strong six months, with our interconnector fleet at 90 percent availability and our generation fleet achieving 96 percent reliability.

We've also progressed the Propel Transmission project through our Transco Joint Venture, where EPC contracts are now under development. Once complete, the project will help to deliver power from Long Island to The Bronx in New York City and Westchester County.

We've also streamlined our portfolio having completed the sale of National Grid Renewables in May and announced the sale of Grain LNG in August. With all regulatory approvals received, we expect completion in the coming weeks.

So, let me stop there and hand over to Andy to walk you through the numbers, before I come back to talk about our priorities for the second half. Andy.

Andy Agg:

Thank you, John and good morning everyone.

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

So starting with our overall performance in the first half.

We've delivered strong results with underlying operating profit on a continuing basis at £2.3 billion, a 13% increase on the prior year, primarily driven by higher regulated revenues in UK Electricity Transmission reflecting growth in the asset base, and higher revenues in our US regulated businesses following recent rate cases, partially offset by the sale of the Electricity System Operator last year.

Strong operating profit growth, partially offset by higher finance costs and a full impact in the half from the rights issue shares, has led to a 6% increase in earnings per share to 29.8 pence.

We've continued to make good progress with our capital programme, with investment from continuing operations, at £5.1 billion, another record level, and up 12% year over year.

In line with our policy, the Board has declared an interim dividend of 16.35 pence per share, representing 35% of last year's full year dividend.

Moving now to our business segments, starting with UK Electricity Distribution.

Underlying operating profit was £551 million, down £22 million versus the prior year, reflecting lower revenues due to headwinds from Ofgem's RPE mechanism, which more than offset the benefit of revenue indexation and recovery of higher totex allowances, and higher depreciation.

In the period, we exceeded our cumulative three-year target of £100 million of synergy benefits by FY26, six months ahead of schedule, through leveraging our increased buying power, delivering savings from integrating support functions, and working more efficiently at joint Transmission and Distribution sites across the UK.

Capital investment was £756 million for the half year, an increase of £109 million compared to the prior period, primarily driven by higher asset replacement and refurbishment, and higher load related network reinforcement.

In our UK Electricity Transmission business, underlying operating profit was £846 million, up £122 million compared with the prior period.

A strong first half performance was driven by higher allowed revenues, partially offset by higher depreciation.

Capital investment was £1.7 billion, 31% higher than the prior period. This reflects our ongoing spend on substation build out as well as the significant step up in investment on our ASTI projects and ASTI enabling works.

Moving now to the US, where underlying operating profit for New York was £443 million, £167 million higher than the prior year, as a result of higher net revenue, reflecting the growth of the business as we upgrade and reinforce our networks, and the recovery of previously unremunerated costs following recent rate case updates.

This was partially offset by increased depreciation reflecting a higher asset base, and higher costs, including property taxes and environmental provisions.

Capital investment was £1.6 billion. This was £82 million higher than the prior year, from a further step up in the pace of our mains replacement activity under our downstate gas rate case and increased spend on smart meters, partially offset by lower costs on Smart Path Connect, as we near completion of this project.

In New England, underlying operating profit was £292 million, £65 million higher than the prior period, following higher revenues reflecting our growing asset base, and improved incentive performance, partly offset by higher depreciation and other investment related costs as we ramp up the capital programme.

Capital investment was £958 million, £178 million higher than the prior year.

This was driven by increased asset condition and system capacity investments and smart meter installations, partly offset by reduced mains replacement work.

Moving to National Grid Ventures, where the underlying contribution was £227 million, including joint ventures.

The increase of £19 million compared to the prior year, was primarily due to the benefit of depreciation having ceased in Grain LNG following its classification as held-for-sale.

This accounting treatment for Grain along with the sale of National Grid Renewables drove a reduction in capital investment, to £69 million.

And our other activities reported an operating loss of £27 million, £11 million lower than the prior period, principally driven by lower insurance costs and the non-repeat of fair value losses in the National Grid Partners portfolio.

Turning to financing costs and tax.

Net finance costs were £678 million, an increase of 4% compared with the prior year, due to higher average net debt, and the impact of higher inflation on indexed linked debt.

The underlying effective tax rate before joint ventures was 11.3%, 60bps lower than the prior year, principally due to the benefit of higher capital allowances in our UK regulated businesses and a change in the profit mix.

Underlying earnings were £1.5 billion, up 16% with EPS at 29.8 pence.

On cash flow, cash generated from continuing operations was £3.6 billion, up 35% compared to the prior year.

This increase is driven by improved profitability across the UK and US and favourable movements in working capital.

In total, net debt increased by £1.5 billion to £41.8 billion, in the period, with strong cash inflows from operations and the £1.5 billion of National Grid Renewables sale proceeds helping to offset the continued growth in capital investment.

For the full year, we expect net debt to increase by around £1 billion pounds from the half year, including the Grain sale proceeds and assuming a 1.35 US dollar exchange rate.

As John set out earlier, we've continued to make significant progress in capital delivery, securing the supply chain and advancing our regulatory and policy agenda.

As I have previously set out, our plans were designed to be robust against a range of outcomes with respect to interest and exchange rates, and I remain confident in our ability to deliver in line with our 5-year framework.

Turning to forward guidance, and we've included detailed guidance for the full year in our results statement as usual.

Following strong performance over the first half of the year, we expect a modestly higher underlying EPS, relative to our guidance in May. The impact of a weaker US dollar and a slightly higher share count due to scrip uptake, is expected to be more than offset by improved operating performance in the regulated businesses and slightly lower financing costs.

With that, I'll hand you back to John.

John Pettigrew:

Many thanks Andy.

Now, before we move to Q&A, I want to spend the final few minutes setting out our priorities for the remainder of the year, as we continue to invest across our networks.

Starting in the US and New York where we have a number of priorities including further work with the State on its Energy Plan, to shape a roadmap that balances decarbonisation, affordability, and reliability, ongoing work with Williams in our role as sole off-taker of the NESE pipeline, as they look to secure regulatory approvals which are expected later this year, and preparing for our Downstate New York Gas filing due for submission next spring, ensuring we're able to continue to invest in safety and reliability while supporting customer needs and managing affordability.

In Massachusetts, our priorities include filing our gas distribution rate case, which is now planned for January to allow us more time to engage with new stakeholders and propose measures aligned with evolving State policy goals, working with the State on its Affordability Bill, and producing our Climate Compliance Plan, an important enabler of the clean energy transition.

Turning to the UK.

In Electricity Transmission, our priorities are clear. To engage with Ofgem to deliver a RIIO-T3 framework, that allows high performing networks to achieve a globally competitive overall return and mechanisms that enable us to deliver at the scale and pace required, work with the AI Energy Council as part of our efforts to collaborate across the energy and tech industries and build on the good progress we've made in ramping up construction across our Wave 1 ASTI projects, whilst also engaging closely with stakeholders and communities as we progress our Development Consent Orders.

In Electricity Distribution, our key priority is preparing our response to the RIIO-ED3 Sector Specific Methodology Consultation ahead of Ofgem's decision expected in the spring.

And, in National Grid Ventures we have two key priorities. Developing and winning new competitive transmission opportunities in the US, including an ISO-led opportunity in New England, and closing the sale of Grain LNG, completing our announced divestments.

Now, before we take your questions, as this is my last results presentation, I wanted to reflect briefly on the journey I've been privileged to be part of, over the past ten years. It's been a truly transformative decade for National Grid.

When I presented my first set of results back in 2016, the business looked very different, with the majority of our operations in gas. Today, we're over three-quarters electric, a fundamental shift that reflects the successful portfolio repositioning that has enabled us to pivot towards growth, and a geographic footprint that is more balanced across the UK and US.

I'm incredibly proud of how we've responded as an organisation to meet the needs of our customers, by delivering extraordinary organic growth. We're deploying nearly three times the level of capital investment

compared to 2016, and the growth in regulated asset base is expected to be over 10% this year, compared to just 4% a decade ago.

Our business is incredibly strong, giving me huge confidence in National Grid's ability to continue to deliver a compelling investment proposition.

Beyond the numbers, I'm very proud to be handing over an organisation where our values and the critical role we play for our customers are the driving force of our ambitions. Zoë is the right person to lead National Grid into this next chapter and I know she will find the clarity of our mission, and the scale of the opportunities ahead, to be a source of strength in the years to come.

So, let me stop there and give you the opportunity to ask Andy and I any questions.

OK so we've got lots of questions, so I'm going to perhaps start with Pavan from J.P. Morgan and then after Pavan perhaps I could ask Sarah from Morgan Stanley to ask her question? So Pavan, if we could have your question please?

### **Analyst Q&A**

Pavan Mahbubani: Hi team, good morning and thank you for your presentation. And John, I just wanted to congratulate you on the results you've delivered during your leadership and wish you all the best for your future beyond National Grid. So I've got two questions please. Firstly on T3 expectations, can you give a bit more colour on your dialogue with Ofgem. Looking at particularly some of the data points we've had earlier this year on the UK water CMA provisional determinations and on Sizewell, do you foresee upward pressure on the return on equity? And then my second question is on net debt and the net debt guidance looks better for the full year than in May, even accounting for the proceeds of disposals. You highlighted the working capital effect in your speech. I was wondering if you could give a bit more colour on the drivers of this and whether it's a sort of effect of something that should persist into future years, just trying to get an idea of the basis. Thank you.

John Pettigrew: Thanks Pavan. Let me do question one and I'll hand over to Andy to do question two and thank you for your kind remarks. Look in terms of RIIO-T3, if I just take you back to our response to the draft determination, in that we said very clearly to Ofgem, there were two fundamental areas that we wanted to focus on between the draft determination and the final determination, the first was the overall investable framework and the second was the workability of the regulatory framework. In terms of the investment framework itself, you would've seen in our draft determination that we made the argument that we believe the overall return needs to be comparable with what we'd see internationally and therefore based on what was in the draft determination, we set out that we felt that the base return should be higher. I think given what we've seen in the provisional CMA decision on water and things like Sizewell, I think that reinforces some of the arguments that we've made.

We also said as part of the financial package that we needed a lot more detail on the incentives and that's been an area of focus since we made that response to draft determination with Ofgem at all levels of the organisation. In addition to the financial framework, we also said we needed a framework that was actually deliverable and in particular what we meant by that was given the scale of the CapEx that we need to deliver, we need to have the ability to be able to make decisions quickly and then to move nimbly through the process in particular in terms of when Ofgem sets the allowances and actually agrees that the projects are needed, that it aligns with the development framework for the projects. So that has been the focus as you can imagine with, what, four weeks to go. There continues to be a lot of dialogue, but the dialogue remains in those two broad categories. And with that I'll hand to Andy.

Andy Agg: Yeah, hi Pavan. Thanks. So, you remember back at year end we guided to an increase in net debt of around £6 billion, but that was before you take account, as you say, of any of the transaction proceeds. By the time you allow for the two disposals and the FX movement that we've seen, it is a relatively small net difference compared to the sort of the one and a half billion increase that we're now guiding to after you take account of all of that. And that small difference is a combination of the slightly higher scrip

uptake that we've seen over the summer and as you say, a little bit of working capital, but it's relatively small in the context of our balance sheet. So, I don't see that as being a significant, sort of, enduring shift.

John Pettigrew: Okay, thanks Andy. So shall I go to Sarah from Morgan Stanley next and then perhaps Mark Freshney from UBS after that. Sarah.

Sarah Lester: Thank you very much. Firstly, a very big welcome Zoë. It's always nice to hear another Aussie accent, and John another very big thank you to you and wishing you all the best in the next chapter. So, two questions from me please. And actually, they're both on UK electricity distribution, so firstly on the ED operational RORE performance, please, just wondering any further colour you can provide on how that's tracking against this year's 50 basis points guide. Then as we look forward, anything further you can please add on that pathway back to the 100 basis points. And then quickly a bit more on last month's SSMC for ED. Completely appreciate very early days, but wondering if you can add a bit more on your thoughts please, if there was anything that surprised you in the document, or mostly as you already mentioned, mainly just building on what we've already seen through the ET process. Thank you.

John Pettigrew: Yeah, thanks Sarah. In terms of the operational performance of ED, I'd say it's very much on track to where we expect it to be at the half year as you would've seen in the results. We continue to get the impact of the real price effects that we talked about in May, but we are seeing improved performance this year. So, we are on track and are guiding towards the 50 basis points of outperformance this year and we remain of the view that we'll get closer to the 100 basis points by the end of ED2. So that is very consistent with what we said in May, and the performance of the first six months is sort of reinforcing that.

In terms of the sector specific methodology consultation, I'd say, I mean it's very broad, which I think is a good thing at this stage. It's very much aligned with our expectations.

I think we were particularly pleased to see that Ofgem has set out that they intend to take a very long-term strategic view of distribution going forward over multiple price control periods and that ED3 will be set in that context. I think we were also pleased to see that in the document they talked about the need for the investment in distribution to stay ahead of the needs of customers. So given that we're expecting to see an increase in EVs and heat pumps and those types of things, then I think we were pleased to see that. It was very consistent in terms of its messaging, in terms of the need for an investable proposition and also that the incentives for things like innovation would be important. So broadly I'd say it met our expectations, it's very broad and I think it's given us a landscape in which we can respond quite sensibly in time for the decision in the spring. So, if I can move to Mark at UBS and then perhaps after Mark, we can take Dominic from Barclays. So, Mark.

Mark Freshney: Hey John, congratulations and looking forward to seeing what you'll be doing next. I have two questions. Firstly, looking back over the last two or



three Ofgem price controls, do you feel that Ofgem have given you allowances that are sufficient for you to do all of the maintenance that you would've liked to have done? And just secondly on infrastructure in general, I mean National Grid has been the centre of capital delivery in the UK at a time when there wasn't much of it around. Clearly there's, you know, Government have been clear, we're not going to cut capital investment in the UK, we're going to keep going. What do you think the UK needs to do to get all of this CapEx done, not just in your area but across the whole piece?

John Pettigrew:

So, thank you Mark. So, in terms of the context of the last two or three price controls and have we had sufficient allowances? I think the blunt answer to that is yes. When I look at the outcomes, which are probably the most important thing, we've continued to deliver world-class reliability at 99.9999% as you know I quote quite often, but also if I just take a broader perspective and look at the number of unplanned outages we have on the network. So unexpected failures of assets today compared to 10 years ago that actually it's about half as many today. So actually, the overall health of the network looks very resilient and strong and therefore I think we have had sufficient maintenance CapEx to do the work that we need to do. Obviously as we look to T3 that continues to be dialogue with Ofgem as we get towards the FD, but certainly in the past I think we've got a network that's reliable and resilient and when I look at the data it suggests it's in a strong position.

In terms of infrastructure, the broader question, I mean for me I think the things that are important, Mark, I think there's bipartisan recognition that infrastructure investment is a key enabler of economic growth in the UK. In order to do that efficiently, having stable and predictable fiscal and regulatory frameworks is really important and something that we're focused on. I think we'd still like to see more done around the planning regime in the UK. The planning legislation is going through and I think that will streamline the process, but I do think there is more opportunity to do more so that the infrastructure can be built more efficiently and more quickly to enable that economic growth. So, for me, I think those are two things that are really important. Okay, let me move on to Dominic and then perhaps after Dominic we could do Ahmed at Jefferies. So Dominic, do you want to ask your question?

Dominic Nash:

Yes, good morning and to reiterate again, thank you John for your decade as CEO and 30 ish years at Grid and also to welcome Zoë to the role and wish you all the best for the future. Two questions for me please. Firstly, there's clearly a UK Government focus on some sort of affordability and within that I think the Select Committee last week brought up network windfalls again and I think Ofgem are now meant to, sort of, consult on this by I think beginning of 2026, but you could give us an update on whether this Select Committee recommendation will change Ofgem's point of view on network windfalls. And secondly on the £35 billion of TOTEX that you had in your draft for RIIO T3, there's clearly lot of uncertainty around that. I think NESO is publishing a new connection regime shortly and I was hoping that you could provide us colour as to actually what you expect to be in it, like what's going to change and how much clarity will that actually put onto

the TOTEX number that will get published in the FD on your pipeline, how much of that already can be secured. Thank you.

John Pettigrew: Yeah, so thanks Dominic. So, in terms of the Select Committee last week actually it was an issue that's already been looked at. So this, so just be clear, the work that we've done demonstrates that we've certainly not received any windfall profits. The analysis that they were talking about, the Select Committee I think was a snapshot looking at expected inflation versus actual inflation. But if you look at it over the medium to long term then it's very clear that there is no windfall profit. So, I think that was the debate that was going on there. Ofgem, as you know, have already looked at this issue and have concluded that it's not in consumers' interest to reopen it. So, from that perspective, and I think Ofgem actually responded to the consultation by saying they've already looked at it as well. So the consultation you mentioned for next spring, actually I don't think it's got anything to do with windfall profits. I actually think it's to do with the way that network charges are allocated through the standing charge for suppliers and I think it's that that Ofgem are looking at. So rather than the windfall profits.

In terms of the £35 billion TOTEX you referenced, so just to be clear, so when we submitted the business plan for RIIO T3, we said that over that five-year period we could spend up to £35 billion depending on, basically, how quickly connections come forward. The £35 billion was split out into, sort of, baseline CapEx, which included the traditional reliability, resilience, asset health as well as those projects we had absolute certainty on, but it then had a significant amount of CapEx that would be linked to the speed by which connections come forward. What we're expecting to see over the next period is new connection offers will go out to those customers that are classed as protected, which means they've got planning consents and have started construction for connections in 2027/28 in January next year. For those for 2029/30, it'll go out in Q2 and for those beyond 2030 in Q3. So, I think we're going to get a lifting of the mist over the course of next year as to exactly what connections are going to be delivered within the RIIO-T3 period. We know to a large extent where the primary spines of investment are, what the connections reform process will do will allow us to specifically know which substations in which locations are going to be invested. So I think we'll get a better view as we move through the course of next year, but it's going to take a little bit of time.

Okay, so I'm going to move on to Ahmed at Jeffries and then Harry at BNP. So Ahmed.

Ahmed Farman: Hi John. Thank you for taking my question and thank you for my side as well and a warm welcome to Zoë in her new role. John, a few questions maybe just starting out with on the T3 process, one of the other things you talked about in your response to the DD was the workability and the simplifying of the funding framework and reopener decision making. Could you give us a sense of how's the debate been on that front and if you're confident you'll be able to achieve the improvements you're seeking. Another topic that's been I think in the press and among stakeholders is the budget for AR7 auction is out and there's some debate whether that's enough to be able to

deliver on the Government's offshore wind target. I just want to understand a little bit better how sensitive or not is the transmission CapEx plan to achieving offshore wind development targets in the UK, either T3 or more medium term. And then finally just one for Andy. Andy, could you just give us a little bit more on the drivers for the upgrade or modest upgrade as you sort of call it for the FY26 outlook you reference better performance in regulated businesses. I'll just love to understand that better. Thank you.

John Pettigrew:

Yeah, thanks Ahmed. So starting with the first question on workability, so this was one of the areas that we focused on in our response to the draft determination. I mean in simple terms, as I said to Dominic's answer quite a bit of the CapEx is going to be agreed as we move through the price control period. So as big projects are defined, then we have to go through a process of agreeing with Ofgem the pre-engineering, then Ofgem agreeing that it's the right project to move forward and ultimately agreeing the allowances. And for us what's really important is that those regulatory decisions dovetail and align with the project development timescale so that we're not left in a position where either we're having to spend in advance of getting the approval from Ofgem that it's the right project and/or we're having to wait for clarity on what the allowances are.

So it's very much about the workability of the framework and making sure that we've got a good drum beat with Ofgem to allow us to deliver what is a significant level of CapEx at speed and at pace. So that has been, a lot of discussions have been had since the draft determination at the working level to make sure we've got the right framework and of course we'll wait to see whether we've got to the right place at the FD at the beginning of December.

In terms of AR7 and the offshore wind auction, I think I'll go back to what we said in May, just remind people that to a large extent we are relatively insensitive to what happens in the offshore wind auctions because Ofgem had already taken the decision that for the ASTI projects, we have a license obligation to deliver them and that it's in consumers' interest to progress those projects, sort of independent of what the time scales are. And that's partly because of course there's an expectation that not only will it enable the flow of increased energy across the network, but it will also reduce what is an expected significant increase in constraint costs of around £12 billion. So, we don't see a huge amount of sensitivity between our £60 billion five-year plan and AR7. And then finally on question three I'll look to Andy.

Andy Agg:

Yeah, thanks Ahmed. In terms of the guidance, I think we said it, versus our original guidance at the start of the year, we've obviously seen the two headwinds, firstly from the dollar movement. So we're now guiding at 1.35 for the remainder of the year, which is, as you know, a small headwind. And secondly with a slightly higher scrip uptake, there's an element of EPS dilution from that for the full year, but that is more than offset by stronger operating performance from across the group, actually, I wouldn't call out any particular business unit. It is from across our regulated businesses and all of that means that it puts us in a net or modest upgrade position compared to our original guidance for when we look ahead to the full year.

John Pettigrew: Okay, thank you Andy. I'm going to go to Harry at BNP and then James at Deutsche. So Harry, can we have your question please?

Harry Wyburd: Thanks John and I'll add my congratulations and all the best and also hello to Zoë. So, few questions please. So, the first one is on the US. Now you just have a slew of Democrat election wins and the New York Mayor race dominated by affordability and the cost of living. I think you've been quite clear in the past that in the US you are sheltered from this debate because regulation is done at the state level, etc. But if there was a federal move to clamp down on energy prices in the US ahead of the midterms, where do you think the pain would be felt? And I have it clearly in mind that when this happened in Europe in 2022 it was painful across a wide range of business models, although less so in networks. So I'd be interested just to understand how you think or where the axe could potentially fall if energy prices really brew into a major, major political issue in the US

The second one's on T3. So looking at your consensus around the time that the draft determinations came out, there's a several pence uptick in expectations for FY27, which is I think all of us looking at the fast money numbers in the Ofgem models and concluded that that might bump your revenue for next year. How comfortable do you feel with that? If we just take what we've had in the draft determination, clearly we will get more in December and things might look different, but if we're just looking at what we've got in the draft, do you think we are collectively as sell side analysts being conservative enough here and do you think that there is a rational reason that the EPS might be higher next year because of the fast money? Thank you.

John Pettigrew: Thanks Harry. Let me take the first question. I'll ask Andy to take the second. Probably just a broader answer to the specifics as well, which is, so first of all we're very conscious of the affordability debate, not just in the US and the UK. So we always take that massively into account when we think about price controls and rate cases in the UK and the US. With regards to the Mayor election, just to put that into context as well. So for New York City, they are our largest customer for our downstate gas business. We have a huge amount of interaction with them, particularly on the construction programs because quite often where the city's doing work, we have to move our pipelines for example. So they're a key stakeholder and like any key stakeholder, we will engage with them to make sure we understand how we're working together, but also what their aspirations are around, and we understand that affordability is a big issue, but ultimately for National Grid, things like our CapEx plans and affordability sit at the state level. As you saw last year, we were very successful in agreeing with the regulator at the state level, a three-year plan for NIMO of \$5.6 billion, which will take us right through to 2028. In terms of the interaction between state and federal, I mean for utility rates then obviously federal today don't have any jurisdiction. So, I think in terms of the affordability debate, it would still sit at the state level. We need to be very mindful of that. And the way we approach that as National Grid is, when we look to do a rate case, and we'll do this when we do KEDLI/KEDNY in the coming months, we'll first reach out to all our key stakeholders and understand what are their expectations,

what do they want from National Grid and how does that fit in the envelope of affordability. And quite often that will shape the capital plan that we put forward as part of our rate case.

We'll also spend a significant amount of time thinking about our vulnerable customers. So, you might remember in our NIMO rate case for example, we set aside \$290 million to support the most vulnerable customers. And of course we're always trying to drive the efficiency of their business through innovation as well to find more efficient ways of delivering what we need from customers. So, I think for all those reasons, that's what we'll continue to do. We'll engage with stakeholders and think very carefully about what that rate case looks like in the envelope of affordability. From a federal perspective, I think I'll reflect on what we've seen over the last 12 months, which is one of the key focus areas in New York for example, has been how do you address the wholesale prices? And you would've seen that the PSC has indicated they're supportive of the NESE pipeline. Based on the analysis that we did on the NESE pipeline, not only does it improve resilience and reliability in New York, but it increases the volume of supply by about 14% and potentially has about \$6 billion of benefit for New Yorkers. So I think there's an interaction between Federal Government when you get into things like transmission pipelines and the States that I suspect will continue to be a focus going forward. Andy, questions two and three.

Andy Agg:

Yeah, Harry, thanks for the question. Yeah, I think obviously this morning you'll have heard that we've reaffirmed our five-year frame guidance through to 2029, and you'll remember when we originally set out that guidance, it was deliberately designed to be robust to a range of different outcomes as well. So I think it's important to take that into account and clearly at this stage, as you've heard from John a couple of times now, our focus is working with Ofgem to ensure that we get to an appropriate final determination and if anything, that will be the point that we will determine whether there is further guidance to be given and that will be the point that we would do that. The other thing I just mentioned, of course, at this stage, one of the topics we talked to Ofgem about is the profiling of any increases of revenue and how they fall across the five years of the price control. So that's something else that will be part of the mix that we'll be looking at.

John Pettigrew:

Okay, thanks Harry. I am going to move on to move on to James at Deutsche and then perhaps we can go to Deepa at Bernstein after that.

James Brand:

Yeah, hi, it's James Brand from Deutsche. Thanks for taking my questions. Also, congrats John and also to Zoë and good luck for the future. Had two questions. The first is on demand. So you said that you were positioning yourselves to be ready to connect up to 19 gigawatts of additional demand. Obviously, that would be absolutely huge, particularly if it was all heat demand. What's your realistic expectation of how much demand growth we might see over the next five years? And I know there's a lot of data centre connection requests, but how much do you think we can realistically expect to be added on the data centre side? Maybe that's a difficult question to answer, but any thoughts around that would be super interesting. And then the second question is on, coming back again to the energy affordability debate in the UK. So obviously the kind of noise around that has increased

quite substantially. How do you view your own positioning in regards to that debate? I guess potentially reasonably well protected given that you'll have the transmission price control locked in pretty shortly and you can argue that the investments there are cutting curtailment costs quite substantially, but longer term is this a bit of a risk for you? And if you were to make any recommendations for ways to cut electricity bills in the UK, given that we have pretty much the most expensive electricity bills in the developed world, what would you recommend? Thank you.

John Pettigrew: Okay, thanks James. Let me start with the demand question. So a little bit of context because a lot of the demand, a lot of the excitement is coming through the potential connection of data centres. So today about 2.6% of all the demand that we have in the UK comes from data centres. You may have seen that NESO does its future energy scenarios and it was projecting that that could increase to about 9% by 2035. What we've seen over the last 12 months is quite a surge of requests for connections to the transmission network to support data centres and generative AI. So in our RIIO T3 plans, our assumption is that we're expecting to see demand growth of around about 19 gigawatts or we're going to build the network out to support that. I think it works out at about 4% growth in demand per annum, and about half of that is assumed to be for data centre demand.

And that's backed up by the connection agreements that have been signed in the timeframes for RIIO T3. So I think we feel comfortable that we've got a reasonably good handle on what the demand is going to do over the next five years or so, and a reasonably good handle on what's been expected in terms of growth in data centre demand and where it will connect. And of course you may have seen National Grid is working with the Government through the AI council to really identify where are the best locations in the UK to locate those data centres based on where's there access to spare capacity today or where the timeframes for connections would be shorter than other places, which is an important determine for data centres.

In terms of energy affordability, I think when we stand back, from our position, yes, we see an increase in the transmission element of the charge as we deliver out all these ASTI projects and the RIIO T3 CapEx, but actually against the expected constraint cost, net-net, it's a reduction. So, in a way us getting on with the investment is very beneficial to consumers because it ultimately reduces the cost for them. Having said that, we're very mindful that affordability is a significant issue, which is why in our business plan we set out why it's important to have incentives around innovation to drive efficiency and indeed why we propose an efficiency measure as well. So we're very mindful of it, we're very conscious that it is a difficult time for customers. But in terms of the transmission element of the bill, I'd say we're very focused on making sure we can deliver the infrastructure to relieve those constraint costs which result in a net-net reduction.

James Brand: Thank you so much.

John Pettigrew: Okay, I'm going to move to Deepa and then to Marcin at Bank of America. So Deepa. Should we take your question?

Deepa  
Venkateswaran:

Thank you for taking my question. So John, first of all, thank you so much for your service for all these years and all the best for the next steps. And Zoë a warm welcome. So my two questions. First one is on the RIIO T3 draft, where do you see the risk/reward on the incentives? So not the financial returns, that's very clear, you want to be higher than what's there, but as things stand right now, where do you see the risk/reward and how close is that to the 200 bps or so you would need in order to get closer to that 10% overall nominal return? And in your discussion so far with Ofgem, what's your sense on, are they moving in the right direction, taking your feedback into account? So that's my first question. And the second one, I noticed that you are looking at US transmission opportunities and I think this is something that used to be talked about a long time back. Nothing's ever happened about it. So has anything changed in the US transmission landscape that is making you look at that again? And again, how big could this opportunity be? Thank you.

John Pettigrew:

Yeah, thanks Deepa. I guess I put the innovation in the context of the incentives framework, which I think is really important to help me get to an overall return that we think is appropriate, given the scale of investment going forward. So actually the work that we've been doing with Ofgem is focusing on, sort of, four key incentives. One is being incentivised to make available the connection capacity that customers want in a timely fashion. Secondly, it's about delivering the major projects as quickly as possible and being incentivised against that in the same way as we are for the ASTI projects. Thirdly is looking at how we can reduce the cost to constraints in our role as the transmission operator working with the system operator. And we've done some of that in the existing price control and we think there's an opportunity for more of that as we move forward.

And then thirdly, sorry, fourthly, it's the incentives as well. So we've been having conversations with Ofgem about that to really to find a framework that ideally allows us to look for opportunities to extend new technologies onto the network in a way that will reduce cost for customers. So if I give you an example, so dynamic ratings is a good example that we've started to deploy in our transmission visions in the UK. It is new technology, it allows you to get more power down the line without having to build new lines. And we think those types of incentives are going to be really important if we're going to get to the overall package that works. But we're thinking about those four incentives as a package and innovation is a key one within that.

In terms of the US opportunities, you might recall when we refined the strategy in May last year, we talked about the fact that our focus was going to be on transmission, both regulated and competitive, and that we did see opportunities for transmission opportunities in the US.

So our National Grid Ventures business has been looking at that and I referenced in the speech this morning that one particular one on the horizon is a transmission line potentially from Maine down to New England that will help to reduce builds for New England customers that the ISO is doing a solicitation on. So we are looking at that as a project. It's obviously in a region that we are very familiar with and understand very clearly and

obviously we've got good capabilities in National Grid Ventures. So we are seeing some solicitations for competitive transmission in the US and as part of our National Grid Ventures business, we are looking at them very carefully. We will only take them forward, as we said in the past, if we could get to a view that we are sensibly positioned to be able to win them and earn sensible returns. But that is one that's specifically on the short-term horizon at the moment.

Just looking who's left. So Marcin, if we could go to you next and I think that's the last question that I've got.

Marcin Wojtal: Great. Well yes, thank you so much and congratulations on the results and all the best for the future. I actually wanted to come back to this topic of potentially new opportunities in transmission in the US that you referenced. Could that be something that is material in terms of investment and in terms of CapEx and presumably that would come on top of your existing guidance of 60 billion sterling. So could you just give us some perspective as to how relevant to this opportunity could be? And question number two, just on hybrid bonds, we have not really seen any hybrid issuance, I believe, so is that still part of your financing toolbox? Thank you.

John Pettigrew: Thanks Marcin. I think Andy can cover those.

Andy Agg: Yeah, thanks. Morning Marcin. So on the transmission opportunities, as John said, we're in the early stages of looking at these and so we'll have to wait and see how that may or may not grow as we go forwards. But I remind you, if you go back to the financing strategy we set out in detail when we did the equity raise 18 months ago, we were very clear that where we do see incremental opportunities, particularly in our Ventures business that might take us above the £60 billion, we would need to look for ways to finance those through the Ventures business as well, in terms of potential partnering, other types of off-balance sheet finance and other routes, etc. So, i.e., that it wouldn't impact our delivery or use of the equity proceeds to underpin the £60 billion and that remains absolutely the case today.

In terms of hybrid, you're right and again, when we made our financing strategy announcements 18 months ago, we were very clear that we wouldn't expect to issue any hybrid for several years. Again, that remains the case. Hybrids remain a very useful potential tool to us. We have a lot of unused hybrid capacity, at this stage, we don't have anything in the near term as you'd expect, but it will remain a tool that we can deploy appropriately later if we think that's the right thing to do.

John Pettigrew: Thank you Andy. So I don't have any further questions so let me just wrap up by just saying I guess summary of our half year results is good operational and financial performance in the last six months. I think we're very well positioned for the second half and hopefully you've taken away from today's presentation, we're very much on track to deliver the £60 billion over the five years, 18 months in.

This is my last results presentation, I'd like to say I'm just incredibly proud of the organisation, what it's achieved over the last decade, but I'm also



delighted to be handing over to Zoë who I think is going to be an incredible CEO. So thank you everybody for joining us today and I'll see some of you very soon.