National Grid's US Regulated Businesses Debt Investor Event

Friday 30th January 2026 15:00 UK/10:00 ET

Transcript

I will hand over to you, Alexandra Lewis, Group Treasurer at National Grid.

Alexandra Lewis, Group Treasurer, National Grid plc

Thank you for joining us today for our debt investor virtual event, looking at our US regulated businesses.

I'm delighted to be accompanied by members of our US management teams, including the Presidents, CFOs and regulatory leads from both New York and New England.

Today's event will focus on our US regulated businesses, particularly our operating companies in New York, KeySpan Gas East Corporation, known as KEDLI; the Brooklyn Union Gas Company, referred to as KEDNY; and the Niagara Mohawk Power Corporation, commonly called NIMO. In New England, we have Boston Gas; Massachusetts Electric, referred to as MECO; and New England Power, or NEP.

Our objectives are two twofold. First, to provide an overview of each OpCo, including their latest developments, recent financial and regulatory performance; and second to offer you the opportunity to ask questions on our US OpCos and regulated businesses.

We anticipate that the presentation will last around 45 minutes, followed by an additional 45 minutes for Q&A.

The presentation will also be made available on our Debt Investor Relations website today and a transcript will also be posted early next week.

Just before we proceed with the presentation, I would like to draw your attention please to the cautionary statement displayed on the screen now.

Before I hand across to our US teams, let me provide the context of our US regulated business within the National Grid group.

Our US regulated operations are divided into two Business Units: New York and New England. Together, these units account for just over 40% of the group's asset base, with the UK representing just under 50%. This distribution has remained relatively consistent over the past five years.

As at the end of FY25, the total rate base for our US regulated business stood at $35.3 billion, reflecting an 11.5% increase compared to the prior year. Around two-thirds of this rate base is attributed to our three operating companies in New York; KEDLI, KEDNY and NIMO; while the remaining one-third is represented by our OpCos in New England; namely Boston Gas, MECO and NEP.

This growth in our US rate base has been driven by the significant increase in our capital investment programme in recent years across both our electric and gas network businesses. At our half year results in November, we reaffirmed our five-year financial guidance for FY25 through to FY29. During this period, we expect capital investment to be $21 billion in New York and $14 billion in New England, representing an increase of around 50% compared to the prior five years. This will form a key part of our presentation today and our US teams will speak more about this shortly.

We fund our operations by issuing external debt at both our UK and US operating companies. Additionally, we issue debt from 2 holding companies: our group, parent company National Grid plc, and National Grid North America (or NGNA), with a small amount of legacy debt sitting at National Grid USA (or NGUSA).

The group structure illustrated on this slide highlights how our OpCos in New York and New England fit into this structure. We primarily finance our US operating companies through standalone 144A issuance in U.S. dollars. We've been an active issuer since 2009 and in recent years we've averaged around 3 to 4 transactions a year across the six entities leading us to have approximately $20 billion of 144A bonds outstanding. We expect to have a similar cadence of around 3 to 4 OpCo bond issues on average each fiscal year going forwards.

As of 30th of September last year, across the group we have access to £8.7 billion of committed facilities, which have remained undrawn. NGNA and NGUSA are named borrowers on £5.1 billion of those facilities. For short term funding at our US OpCos, we operate a regulated money pool designed to optimise cash management across our operating companies. Our OpCos can borrow from and lend into the money pool for short-term cash requirements, while NGUSA can lend into the pool but is not permitted to borrow. This mechanism allows the regulated operating companies to manage cash efficiently, so only the net amount is financed or invested externally.

Finally, we have a long track record of gearing our operating companies in line with regulatory assumptions, including injecting equity as and when necessary. This has resulted in strong investment grade credit ratings, which have remained unchanged since 2022, except for KEDNY's Moody's rating, which was placed on positive outlook last year. Our group credit rating is strongly positioned following the successful £7 billion rights issue that was executed in 2024 and we've included some further details and rating highlights in the appendix to this presentation, which will be available on our debt investors website.

In summary, I believe we have a strong platform and are well placed to raise the debt financing that we need for our US operations.

And with that, I'll now hand over to our US management teams to present on our New York and New England businesses, starting with our New York President, Sally Librera.

Sally Librera, President, New York
Thank you, Alex, and good morning and good afternoon, everyone.

To start, I'd like to provide a brief overview of our business structure in New York.

Our New York business consists of three entities, KEDLI, KEDNY and NIMO.

In addition to these core operations, service support functions such as information technology and customer operations are shared between our New York and New England entities, fostering collaboration and driving economies of scale where it makes sense to do so.

As you can see on the map, the NIMO territory is in upstate New York with KEDLI and KEDNY in downstate. The blue depicts territories where we distribute and supply natural gas and electricity; orange is gas only; and green is electrical. In terms of numbers, our OpCos deliver energy to 4.2 million customers across upstate New York, New York City and Long Island – supporting homes, businesses and communities, with a vast network of electric and gas infrastructure – some 54,000 miles of electric transmission and distribution lines, and 21,000 miles of gas distribution pipeline.

All OpCos operate under the oversight of our state regulator, the New York Public Service Commission (otherwise known as the PSC) ensuring the highest standards of service, safety and reliability, helping to address the diverse and growing energy needs of New Yorkers.

Our track record on delivery and safety has been world class.

Last year, we achieved outstanding operational performance across our New York regulated business, with an electric distribution availability of 99.9% and an electric transmission availability of 99.8%. This achievement means we have consistently met our key reliability targets for 18 consecutive years in New York.

One of the challenges we face is the growing level of demand for energy across our service territories.

Today we're seeing an increasing number of electric large-load customers in the connections queue. The New York independent system operator, or NYISO, has forecast around 12.6 gigawatts of new large load connection requests by 2032 across the whole of New York State. To give you some context, just one year ago that queue was only one-third of the size. This growth is driven by advanced manufacturing, chip fabrication and data centres looking to connect to our grids. To address this challenge, it's clear New York needs to invest in generating more energy and invest in the infrastructure to move it.

This is one of the key drivers for our CapEx programme over the next five years.

Across our New York business, we will be investing some $21 billion from FY25 to FY29 across our electric and gas networks, having invested just over $4 billion already in FY25.

Even without the connections queue, we have assets that are nearly 100-years old that need investment. For our electric networks increased investment in asset health, modernising our networks, increasing the capacity of the grid and aligning with New York State's ambitious clean energy goals are the main drivers for CapEx in our NIMO electric business. And in our gas network, around 90% of the investment is for maintenance. Over the past five-years, we have replaced on average 210 miles each year of old pipeline, and that program will continue.

And gas will continue to play a key role in New York's energy future and security.

In the recently released New York State Energy Plan, the State recognised the need for critical investments in both electric and gas infrastructure to meet the growing demands of customers and highlighted the enduring role of natural gas in New York.

We've also seen this in our downstate territory where we have been supportive of the Northeast Supply Enhancement Project (or NESE), a new gas pipeline to be built by Williams, which would increase gas system reliability in New York City and Long Island. The PSC issued an order last year that affirms our determination that the proposed NESE project is needed for enhanced reliability of our gas network.

Alongside growing levels of investment, affordability is a top priority, particularly at a time when the cost of so many critical needs are high.

We are careful about balancing our bill impacts with the investments that we make in our infrastructure. And even with the assets that are older, we are strategic about which assets we replace because we want to keep our customer bills low.

In recent rate cases, we've committed hundreds of millions of dollars to programmes for low-income customers, including flexible payment plans and energy efficiency programmes to help customers manage costs. You'll hear more about these programmes shortly. And our teams include Consumer Advocates who meet with our customers at churches, community centres and other events, and work one-on-one with them to find ways to help them manage their energy costs.

Having set the context now, let me hand it across to my colleague Phil DeCicco, our New York General Counsel, who will cover the regulatory dynamics that help drive our operating companies.

Phil DeCicco, General Counsel, New York

Great, thank you, Sally.

I'm going to provide an overview of the key regulatory issues and matters impacting our day-to-day operations and shaping our business strategy.

First of clarification – while we operate three operating companies in New York, we do so under two rate agreements. One that covers our NIMO electric and gas business in upstate New York; the other covers both KEDNY and KEDLI, which operate under one rate agreement sharing a similar regulatory framework.

Before I go into the details, I want to build on Sally's comments regarding affordability because it is a major consideration for us.

We spend a significant amount of time working with the regulators and other stakeholders to balance the investments necessary to modernise our networks with the impacts those investments have on our customer bills. Inflation is putting pressure on our costs of service, as are other non-controllable costs. In the last rate agreements, due in part to the COVID pandemic, we went to great lengths to avoid significant bill increases by using credits and other rate mechanisms that are no longer available to us.

Recently, we've included several provisions that mitigate costs and prioritise affordability. These include:

- removing discretionary spending and non-essential programmes from original rate filings;
- deferring capital investments without compromising safety and reliability;
- using rate mechanisms to smooth the impact of bill increases over several years, including through the concept of 'levelization', which allows us to smooth rate increases over the term of the plan, avoiding large increases and mitigating impact on customer bills; and importantly
- enhancing customer protections for financially vulnerable customers. For example, in the NIMO agreement includes $290 million in bill discounts for low-income customers over the term, representing discounts of up to 20% on gas service and 30% on electric service for low-income eligible customers, demonstrating our commitment to making affordability a key priority.

Looking at our current rate agreements, KEDNY-KEDLI was approved from April 2024 and NIMO from April 2025. Both three-year agreements are structured based on a forecast rate year, which include known and estimated operational costs and forecast capital investments over the term of those rate plans.

As you can see from the slide, key features of these agreements include:

- for KEDNY and KEDLI, an allowed RoE or Return on Equity of 9.35%, an increase from the previously authorised 8.8%; and for NIMO an allowed RoE of 9.5%, an increase from the previously authorised 9%. In both rate agreements, the increases on allowed RoEs were driven in large part by movements in the risk-free rates, one of the main inputs for calculating allowed RoEs in New York;
- second, all three operating companies are financed based on a Debt-Equity split of 52% to 48%, which is in line with our prior agreements allowing for a balanced approach to funding our capital; and
- third, approved capital investments of $4.9 billion across the KEDLI-KEDNY rate plan and $5.5 billion for NIMO, together representing an increase of 48% and 76% respectively on the prior agreements. For KEDLI-KEDNY, our downstate gas businesses, this reflects investments to modernise our gas networks, including our Leak Prone pipe replacement programme. For NIMO, the increase primarily reflects reinforcement work in our electric distribution and transmission networks.

What is notable in these agreements is the introduction of a new ‘Rate Adjustment Mechanism’ which enables the annual recovery of large deferral balances capped at 2% of annual revenues. This is important for addressing unpredictable costs such as those arising from storms and property taxes.

Both agreements also maintain true-up mechanisms for property taxes, pension obligations and environmental remediation, as well as a new tracker for uncollectible expenses, which helps recover the costs associated with unpaid bills.

For NIMO, we have seen the rate allowance for our major storm and minor storm costs increased by $90 million to $160 million per year. This allowance, built into our revenues, allows for the

recovery of storm costs on our networks, a critical part of our rate agreement as we are seeing increased number of severe weather events across the Northeast United States.
Overall, both agreements ensure that we continue to deliver safe and reliable energy services to our customers while supporting New York's Clean Energy Goals. This approach not only stabilises customer rates but also supports ongoing investments in our infrastructure and services that are essential to meeting the energy needs of our communities.

Looking to our recent regulatory accomplishments:

- our existing rate cases for KEDLI-KEDNY and NIMO compare favourably with the recent outcomes of our pure utilities. In particular, the allowed RoE of 9.35% for KEDLI-KEDNY and 9.5% for NIMO is in the ballpark of what we've seen with recent peer agreements.
- In September, the New York PSC issued an order on our Long-Term Gas Plan filing, including the need for the proposed NESE pipeline project as Sally mentioned. The PSC agreed with our view that the pipeline which is due for commission in late 2027, would offer significant reliability benefits to our gas distribution system and to our customers who depend on gas supply for heating, as well as the potential for New York customers to save as much as $6 billion in energy costs, with nearly half of those savings directly benefiting residents in the city of New York and on Long Island.
- Another area of focus is the Climate Leadership and Community Protection Act, or the CLCPA. The CLCPA is a plan, signed into law in 2019, to help New York State reach its clean energy goals by unlocking renewable generation.

  In November, we submitted our Coordinated Grid Planning proposals for transmission investment to support New York State and CLCPA objectives. The New York Independent System Operator (or NYISO) will review the proposals for all utilities and choose the most cost-effective transmission solutions in the coming months. After the NYISO's modelling work is complete, the New York utilities will seek funding from the PSC for those projects.

Looking ahead, we anticipate filing next KEDLI and KEDNY rate case in April 2026 with new rates expected to take effect in April 2027. If a settlement can be reached, this plan would likely cover a three-year period spanning FY2028 to 2030. This approach will enable us to address the evolving energy landscape and the financial pressures faced by our customers. We will also file the next NIMO rate case in April 2027 with new rates anticipated to be implemented in April 2028.

Finally, we are working closely with the PSC on our ongoing management audit. The PSC conducts audits of all electric gas utilities every five years, in line with New York State law. These audits are crucial for identifying areas of improvement and ensuring that we operate efficiently, and we look forward to seeing the results of that audit in March.

Let me stop there and headed across to Chris McConnachie, our New York CFO, who will provide an overview of our recent financial performance.

Chris McConnachie, CFO, New York

As always, thank you, Phil, and good morning and good afternoon, everyone who's joined the call.

Moving to slide 11, and when we look at our financial performance, one of the key determinants for performance management is the achieved return on equity, or RoE, at each of our operating companies. Our aim is to achieve RoE as close to the allowed levels as possible and then outperform through earned incentives through the life of our rate plan.

Beginning with KEDNY, where we have experienced steady growth in the achieved RoE of 300 basis points over the last six years, driven largely by successful rate outcomes and effective cost management. Likewise, with KEDLI, where over the same period we have achieved the allowed RoE with 110 basis point increase. In FY25, we achieved 10.5% and 10.6% RoE respectively against an allowed 9.35% as Phil had touched on, reflecting updates to our most recent rate outcome, including an adjustment that allows us to collect, as Phil mentioned, under recovered bad debt as well as efficiencies delivered through our cost management programmes. Our focus on operational efficiency has also played a crucial role in the success, by implementing field-based technologies and streamlining our field-based processes we have minimised our cost growth which in turn has positively impacted our ability to achieve our allowed ROE.

One of the challenging areas in recent years has been the achieved return on equity for our gas business in NIMO. You will see from the chart that since FY22 the achieved RoE has declined, primarily driven by unremunerated bad debt and rent expense, particularly during the ‘rate case stay-out period’ in FY25, a timeframe which many will know in which a utility agrees not to file for new rates, which helps customer bill stability and affordability. With the latest rate case reflecting our updated cost base, we expect the achieved RoE to recover and track back towards our guidance.

NIMO electric, however, has demonstrated a relatively stable RoE achieving 91% of the allowed RoE, excluding the impact of the COVID year in FY21. This performance has been primarily driven by lower controllable costs since COVID. We saw a slight decline in FY25 due to unremunerated cost during the stay-out period, similar to NIMO gas, but we expect our updated rates to ensure we approve the achieved level of RoE versus allowed over the coming years.

Turning now to capital investment and rate base growth.

Since 2020, capital investment at KEDNY has increased around $200 million to $1.1 billion annually, primarily driven by our efforts on replacing leak prone pipes across our gas network. This in turn has helped drive rate-based growth where KEDNY has seen a significant increase from $4.5 billion to $7.2 billion, reflecting an impressive CAGR of around 10% annually. We've seen a similar story at KEDLI, where capital investment has grown from just over $430 million to $635 million, again driven by critical asset condition work and leak prone pipe replacement, essential investments as we work to enhance the reliability and efficiency of our gas distribution system. This has driven significant growth in KEDLI's rate base increasing from $2.9 billion to $4.4 billion over the same period, which translates into a CAGR of around 9% for that opco.

The main source for New York's significant ramp up and increase in capital investment is however NIMO, where from 2020 to FY25 investment increased from just over $800 million to $2 billion annually. This has been driven primarily by electric asset condition work and the necessary upgrades to our transmission build-out in the "Upstate Upgrade." This includes early investment in our $4 billion "Upstate Upgrade", involving over 70 projects to build new transmission infrastructure, enhance grid resilience and integrate more clean energy connections. Given that 80% of NIMO's rate base is electric, that has been the underlying driver for this uplift in investment. In turn, this has driven rat- based growth from $7.2 billion to $11.5 billion, reflecting again an impressive CAGR of around 10%.

National Grid's rate base and capex growth in New York since 2020 demonstrates our commitment to enhancing our infrastructure and delivering value for the customers we serve. As we look ahead, we recognise the importance of continuing to invest in our infrastructure to meet the challenges of the future. Our commitment to modernising our grid and enhancing reliability, balanced with affordability measures will remain at the forefront of our efforts.

So that completes the overview of our New York businesses and operating companies. And with that, I'll hand over to Lisa Wieland, our President, for our New England businesses. Over to you, Lisa.

Lisa Wieland, President, New England

Thank you, Chris, and hello everyone.

Similar to Sally, I'd like to provide an overview of our business structure in New England.

- As illustrated in the earlier slide presented by Alex, the New England business unit consists of the following key entities:
- Boston Gas, including Colonial Gas which merged into Boston Gas in 2018;
- Massachusetts Electric Company, also known as MECO; and
- our New England Transmission companies, which includes New England Power, the issuing company that operates our high voltage transmission assets across Massachusetts, New Hampshire, Rhode Island, Maine and Vermont.

And similar to our New York business, service support functions such as information technology and customer services are provided to New England through service companies commonly referred to as ServCos.

The majority of MECO is in the central to western part of Massachusetts, with much of our gas business towards the East serving the urban areas around Boston. On the map to the right-hand side of the slide, the orange depicts territories where we distribute natural gas, blue denotes both electric and gas, and green shows electric only. Our operating company serve 2.3 million customers across Massachusetts, delivering to homes, businesses and communities across a large network of electric and gas infrastructure – some 22,000 miles of electric transmission and distribution lines and 11,000 miles of gas distribution pipeline.

Boston Gas and MECO operate under the oversight of the state regulator, the Massachusetts Department of Public Utilities, while our New England transmission companies operate under regulation set by the Federal Energy Regulatory Commission, also known as FERC.

Across our New England business, we are prioritising the key initiatives that drive results and executing consistently to deliver our strategic priorities.

We are investing close to $3 billion in our networks this year, remaining focused on safety and reliability. Last year, we achieved excellent operational performance across our New England regulated business, with an electric distribution network availability of 99.98% and an electric transmission network availability of 99.99%.

We also recognise the cost pressures facing customers and like New York are using every tool we have to ease them while making prudent investments in critical infrastructure.

So, what are we seeing as the key issues for our business and our operating companies?

Well first, like New York, demand is rising driven by economic priority areas like housing and advanced manufacturing, as well as Massachusetts policy goals to increase electrification through areas such as grid modernization and the rollout of electric vehicle infrastructure. To meet this challenge, we need to deliver on our capital programme to maintain the safety and reliability of our electric networks, as well as connect these new sources of demand.

We're focused on delivering the capital projects that our customers, our investors and communities are counting on, from physical infrastructure to industry innovations to important IT systems. From FY2025 to FY2029, we plan to invest $14 billion across our New England networks, driven by a step up in investment for renewable connections, transmission network upgrades and digital capabilities to enable the energy transition, alongside significant investment in gas mains replacement. To support this delivery in our electric networks, we've agreed to 10 contracting partners for a new strategic procurement framework in Massachusetts that covers transmission, distribution and substation work. In total, the framework is expected to cover about $3 billion of contract awards over the next five years.

Affordability is also a top priority in New England, and we are committed to helping customers manage costs through a range of initiatives, including greater bill stability, expanded discounts and additional payment options.

Even as we do this, we know we must continue to make strategic investments in critical infrastructure. That's why we are focusing on value, investing where it matters most: safety and reliability, to reduce the cost of energy and help meet the growing energy demand here in Massachusetts. This includes our continuing work with policymakers on the Energy Affordability Bill, ensuring that our investments remained aligned with customer needs and customer affordability.

In the last year, we've made significant progress in developing supportive regulatory frameworks like those achieved in our electric distribution MECO rate case. Most recently, we filed our Boston Gas rate case, and natural gas continues to play an essential role in Massachusetts' "All-of-the-Above" energy policy, where the Governor has signalled support for more energy supply in Massachusetts and the Northeast to ensure reliability and low energy bills. Our filing is focused on securing the funding to ensure safe and reliable gas operations while addressing affordability concerns for low- and moderate-income customers.

With that background, let me hand it over to my colleague, Caroline Hon, our Regulatory and Pricing VP, who will cover the regulatory dynamics that help drive our operating companies in New England.

Caroline Hon, Regulatory and Pricing VP, New England

Thank you, Lisa.

I'm going to focus on our current rate orders that we have in place for Massachusetts Electric and Boston Gas. I'll refer to them as MECO and Boston Gas for the purposes of this presentation.

Starting with MECO, our rate order became effective in October 2024 with a duration of five years, including an allowed return on equity of 9.35%, and mechanisms that allow us to recover the capex we deploy across the rate plan. The order is also based on a debt equity split of 47/53, which is broadly in line with our prior agreements, allowing for a balanced approach to funding our capital investments.

One of the key characteristics of this rate order is the Infrastructure, Safety, Reliability and Electrification tracker, also known as the ISRE, which funds our growing level of capital investment, subject to a 3% cap on bill increases. This helps recover our core capex spend each year, such as investment and asset health and customer connections, an important mechanism for us given the increase in capex that we are seeing to maintain and modernise our electric network.

Our order also includes a Performance Based Ratemaking mechanism, or PBR. While the ISRE recovers our prudently incurred capital spend, the PBR recovers incremental O&M costs, or cost increases through inflation, with an annual revenue increase subject to the approval of our regulator.

In other words, there's a good degree of inflation protection across the duration of the rate order. In addition to this, the rate plan includes incremental trackers for programme supplemental to the PBR mechanism, for example, grid modernization and EV investments. These mechanisms, in addition to the increase in storm cost recovery of around $60 million per annum, provides the base for the large uplift and investment we're seeing in our electric networks between FY25 and FY29.

Our current rate plan for Boston Gas, which is also five years, expires in late 2026. The current order with an allowed return on equity of 9.7% shares a similar PBR mechanism to MECO, except in this case it covers both O&M increases and any incremental increase in core capital investments. While the PBR mechanism provides funding for investments to maintain the gas network, there is an additional mechanism – the Gas System Enhancement Plan, or GSEP, which recovers the capital spend we deploy for our Leak Prone Pipe replacement programme, for which each year we're replacing over 100 miles of ageing infrastructure with new pipelines in Massachusetts.

With our Boston Gas rate plan expiring soon, we filed for new rates just a few weeks ago on January 16th.

The filing proposes a new five-year rate plan effective from December 1st, 2026, with the requested RoE of 10.25% and a similar debt-equity structure to the current agreement.

In terms of recovery mechanisms, we're proposing another PBR that will allow us to continue recovering core operating and maintenance costs as well as capital investments.

But we're also proposing a new mechanism, the Gas Safety Regulation Factor, or GSRF, which would enable the timely recovery of costs associated with very recently introduced gas operator safety regulations. These include increased overpressure protection at gas regulator stations, gas service regulator replacements and increased oversight over the contractor workforce.

As part of the filing, we're also proposing new measures to help keep bills more affordable and predictable, such as:

- expanded discount rates for income eligible households (modelled after a similar policy we implemented for our electric customers in the autumn of 2025), and
- an updated rate design that reduces seasonal volatility and spreads distribution costs more evenly across the entire year, making bills more predictable for customers.

We're also proposing an earnings mechanism where for incremental earnings greater than 100 basis points over the allowed RoE, we share this upside with customers at a split of 50-50. For any incremental earnings greater than 200 basis points above the allowed RoE, we share back at the split of 75% for the customer and 25% for the company.

And finally on rates, regulation is set differently for New England Power, in this case by the Federal Energy Regulatory Commission, or FERC, rather than the state regulator.

Rates are established annually using a formula-based approach to recover actual network operating costs and to provide a return on our rate base and 50% of our Construction Work in Progress balance, both of which earn a rate base allowed RoE of 10.6%, with an allowed additional RoE incentive adders available for certain eligible transmission investments. Construction Work in Progress, or CWIP, allows utilities to include an infrastructure under construction in their rate base, hence earning a return before those projects are completed.

For New England Power, annual rates are forward-looking based on forecast plant additions and trued-up actuals with annual cost forecasts adjusted for inflation. Within this wholesale framework, income is generated through return on rate base, while operating costs are passed through items that are fully recovered and offset by revenue.

When we look back over the last year, we've achieved a number of regulatory accomplishments across our operating companies.

In June, we received approval from the DPU for around $600 million of cost recovery under the Electric Sector Modernization Plan (or ESMP). The plan which helps Massachusetts transition to a clean energy future, supports capital investment in networks and supporting technology, associated operating costs and non-wires alternatives over five years from July 2025, and is in addition to the investment deployed under our MECO rate plan. Cost recovery under these investments will be similar to the current MICO capital tracking mechanisms and allows and aligns to our five-year financial framework.

During the year, we also received favourable orders on our annual ISRE and PBR inflation adjustments for both MECO and Boston Gas. As mentioned, our September 2024 MICO rate order included provisions for annual cost recovery adjustments related to operating expense and growing core capital investments needed for our electric distribution network. In 2025, we made the two inaugural filings under these provisions, the PBR and the ISRE filings. We also filed our gas PBR under the previous rate order, and between them both a total of $79 million was approved in October of 2025.

Looking forward, our key regulatory focus is on the filing we've made for new rates for Boston Gas. As part of this process, we're currently working through the discovery phase of the filing, where the regulator and interested parties request further information and analysis on our filing, after which we expect to move to the evidentiary phase in the summer, where filing and information filed in discovery is subject to cross examination. And as you can see from the chart, we maintain a regular drumbeat of rate filings across all of our New England operating companies, ensuring that we recover costs necessary to invest in, and modernise, our grid networks.

On the policy front, we're actively involved in addressing energy affordability in Massachusetts through several initiatives, particularly in response to the Energy Affordability, Independence, and Innovation Act introduced by Governor Maura Healey. The Act claims to save customers approximately $13 billion over the next decade by reducing energy costs and increasing accountability and energy procurement. It includes provisions to eliminate certain charges on utility bills and enhance the state's ability to procure energy directly, which is expected to lower cost for customers.

To help our low-income electric customers, in September we introduced a tiered discount programme that provides reductions on energy bills based on income levels. Eligible customers receive discounts ranging from 32% to 71% depending on their income and household size. This initiative aims to support the most vulnerable households to maintain their energy costs.

With that, let me stop there and hand over to Charles, our New England CFO, who will provide an overview of our recent financial performance across the New England business.

Charles McLeod, CFO, New England
Thank you, Caroline.

As the slide shows, our focus on operational efficiency and regulatory strategy since FY21 has helped to improve our RoE performance for our distribution OpCos, Boston Gas and MECO, with the aim of achieving at least 95% of the allowed RoE.

Prior to FY20, our OpCos operated under rate plans that were based on historic test years for cost, without a mechanism to protect their business against inflationary pressures on our cost base. In addition, regulatory lag for funding the rate based often meant that new investments were not reflected in customer rates in a timely manner. Taken together, these factors made it increasingly difficult to achieve the allowed RoE within just a few years of new plan.

The PBR mechanism that Caroline described just a few moments ago has come a long way to help ensure that we have a degree of inflation protection in our plans and as you've just heard, we have again asked for this mechanism to be included in our latest Boston Gas filing.

Looking at Boston Gas, achieved RoE has strengthened steadily since the COVID-19 period, increasing from 5.7% in FY21 to 8.6% in FY25, driven by disciplined cost management and sustained operational efficiencies, including reductions in leak volumes and improvements in job scheduling processes.

MECO achieved RoE has improved over the same time frame, increasing from 5.3% to 8.1%. This improvement reflects ongoing cost management initiatives and a partial year of the new capital tracker mechanism approved in the latest rate order, which helps to reduce regulatory lag and accelerate recovery of investments.

New England Power has consistently outperformed allowed levels due to its formula rate framework and incentive mechanisms, ensuring strong returns and regulatory stability.

The formula rate construct provides timely recovery of prudently incurred costs, automatic true-ups that minimise regulatory lag and annual adjustments that align revenues with actual investment levels.

Turning now to capital investments and rate-based growth.

Since 2020, Boston Gas has seen a 36% increase in capital investment from $618 million to $840 million. This has been driven primarily by our focused efforts on replacing Leak Prone Pipes, with approximately 650 miles of pipe replaced during this period, to enhance system reliability and reduce methane emissions. This in turn has helped drive rate-based growth where Boston Gas has seen strong growth from $3.1 billion to $5.4 billion, reflecting a CAGR of around 12%. We've seen a similar story at MECO, where capital investment has grown by some $349 million to $649 million, underpinned by critical asset condition work to address ageing infrastructure, rising customer driven requests and strategic investments in grid modernization and advanced metering infrastructure to enable a reliable, future ready electric network. Likewise, these investments have supported MECO's rate-based growth, increasing from $2.9 billion to $3.8 billion, translating to a CAGR of around 6% over the same period.

Capital investment at New England Power has doubled during the same period, reflecting a strong focus on asset-condition work and reliability improvements. These investments include several critical transmission and underground cable upgrades that enhance system reliability and address ageing infrastructure, contributing to rate-based growth of approximately 10%, increasing from $1.8 billion to $2.9 billion over the period.

Together, these investments across Boston Gas, MECO and New England Power demonstrated consistent disciplined capital deployment strategy focused on safety, reliability and modernization. The resulting rate-based growth across all three operating companies reflects not only the scale of investments, but also the quality and necessity of these programmes, positioning the New England companies for continued sustainable growth and long-term value creation.

So that completes the overview of our New England business and OpCos. And with that, I'll hand back to Alex.

Alexandra Lewis, Group Treasurer, National Grid plc
Thank you, Charles.

So, we now move to the second part of today's event – our question-and-answer session.

All our speakers are ready to answer any questions you have on what you've heard in the presentations today.

So, I'll hand back to our moderator who will explain how the Q and A will work.

Evercall Moderator
Thank you, Alex. At this time, we'll conduct the question-and-answer session. If you would like to ask a verbal question, kindly click on the “Raise Hand” icon located at the top of your screen to enter the queue. If you are joining by the telephonic line, kindly press “Star 1” on your telephone keypad. And if you'd like to submit a question in writing, you can do so by clicking on the Q&A icon located at the top of your screen and submit your question. We kindly ask that you include your company affiliation with your question. And with that we'll pause here briefly to allow any questions to generate.

Again, to ask a live question, verbal question, kindly click on the “Raise hand” icon located at the top of your screen to enter the queue. And if you joined by the telephonic line, kindly press “Star 1” on your telephone keypad. And as a gentle reminder, to submit your written question, kindly click on the Q&A icon located at the top of your screen and submit your written question. We will pause here briefly to allow any questions to generate.

First question comes from Matthew. Matthew, your line is open, kindly ensure that your device is unmuted. You may proceed with your question.

Matthew Kinnan, MFS Investment Management

HI, thanks so much for taking the time today. This is Matt Kinnan with MFS Investment Management. So I just kind of wanted to get a little more detail about the ongoing Boston Gas rate case and just kind of your thoughts about how to deal with that and, you know in election year where affordability seems to be at the top of every voter and politician's mind, especially given the cold weather we've seen here in the Northeast. I believe Governor Healy tried to lower bills in the very near term that maybe the expense just raising it again later in the year. So just kind of your thoughts on how this all should play out, you know what you're focused on to make sure that we get a good outcome here. Thanks.

Lisa Wieland, President, New England

Thank you for that question. You know, we are focused on delivering safe, reliable and affordable energy, and affordability is top of mind for us because it's top of mind for our customers. And as you know, it is increasingly at the forefront of the minds of our regulators and our partners in state government. And we recognise the cost pressures that are affecting our customers and the communities we serve. And so, we're committed to using every tool at our disposal to ease those short-term pressures and manage the long-term costs that are within our control, and so when we file a rate case, we always think about balancing any bill increases with the investments that are necessary to maintain and modernise our critical infrastructure. And if we look at what we have proposed in the Boston Gas rate case, we have several new measures that will help keep bills more affordable and more predictable for our customers, including how we've structured the design of rates that will help reduce seasonal bill volatility, as well as the tiered income discount rate that Caroline mentioned in her opening comments that we modelled after what has been a very well received programme that we received in the MECO rate case. We continue to work with the Healy Driscoll administration on a variety of proposals for winter bill relief, including the one that the Governor announced this past week. I'll turn it over to Caroline for a few more details about our Boston Gas rate case.

Caroline Hon, Regulatory and Pricing VP, New England

Yes – as you mentioned, we do have a number of different affordability proposals and Lisa highlighted the main ones in there, but we've also really taken a look at all of our different investments to make sure that everything is absolutely focused on value, safety and reliability and we have a strong case that actually supports all of that. We've also proposed from a return on equity perspective, we've proposed a number that is a bit lower on the end of the range of what we believe is fair and reasonable considering that current pressure on energy affordability and we do continue to look forward to working with the department through the course of this case, as well as a number of other proceedings to try to find longer term structural solutions to address energy affordability for our customers.

Matthew Kinnan, MFS Investment Management

OK. And the structure of the fixed charge and the different tiering, those are just kind of cost allocations among customer classes and throughout the year? Just to confirm that wouldn't lead to any balance sheet pressure?

Caroline Hon, Regulatory and Pricing VP, New England

No, that wouldn't. Those are just a matter of how we allocate across customers and how we allocate throughout the course of the year. And we do believe it is also a very cost reflective rate design. And so, this isn't something that we're doing purely to address volatility. It is actually reflective of rate making principles that are recognised throughout the course of the industry.

Matthew Kinnan, MFS Investment Management

OK. That makes sense. And then maybe could you just kind of talk a little bit more about the Energy Affordability Bill in Massachusetts and I guess it sounds like there's no direct impact to the regulated utilities in the state, but maybe just kind of talk about the aims. I guess I don't know, $13 billion, just kind of sounded like a big number and I know it's over a decade, but just like where exactly those savings are coming from?

Lisa Wieland, President, New England

So, we applaud the Governor's proposal to focus on affordability and propose measures that would provide additional value to customers. We've been working in collaboration both with the Administration as well as members of the state legislature to assess some of the proposals that are contained in that legislation. That legislation is now working its way through the House and Senate. And I think some of the proposals that were originally proposed will probably emerge in a different way than originally conceived. But I think at the end of the day, we're all focused on making sure that whatever emerges truly does provide the most affordable measures in place to reduce cost for customers.

Matthew Kinnan, MFS Investment Management

And is there like a way to quantify like what are the big buckets? If there's some energy efficiency charge on the bill now that you don't make money on goes away, is that like X percent of the $13 billion? Or if, you know, we have the state that buys gas or something cheaper than we currently do? Is there a way to kind of bucket some of the big numbers that make up the $13 billion?

Lisa Wieland, President, New England

I don't really think that it is our role to kind of quantify the $13 billion in the various buckets that are contained within that. I think that will be up to the administration and the state legislature to detail some of those aspects around which provisions will lead to which savings.

Matthew Kinnan, MFS Investment Management

OK. But it, but it's kind of like those things, it's not like a lower RoE would lead to X savings. It's kind of things that maybe you do, but you don't earn money on that was kind of state directives in the past that you know is just now a little more focused given affordability concerns.

Lisa Wieland, President, New England

You know there are a variety of proposals within the Governors legislation. Not all of those proposals will emerge in the final legislation once it is worked out between the House and Senate. So, I think at this point it would be speculative to respond to anything particular that might come out of the bill. But some of the things that you mentioned in there are not currently contained within it.

Evercall Moderator

Thank-you very much Matthew for your question. And our next question comes from the line of Jay. Jay, your line is open. Kindly ensure that your device is unmuted and you may speak.

Jay Patel, Kuwait Investment Office

Hi there. Thank you for the call today. Just wanted to kind of get an idea of how you view the long-term growth prospects of the business in terms of gas distribution, given the move towards more sustainable energy and restrictions on gas connections to new buildings and in states such as New York. I know policy making has maybe been a bit more pragmatic in the last 12 months, but I think it's still a, maybe, a concern for the sector in the long-term. So just be good to get your view on the long-term and stranded asset risk in that in that context. Thank you.

Sally Librera, President, New York

I'm happy to kick off our response and others can chime in. This is Sally Librera speaking. Look, we support and share our state's efforts and visions for our sustainable energy future, and we know that gas networks play a significant role, current and future, in providing safe and reliable and affordable energy in our service territories. In New York, gas is an incredibly important part of that affordable and reliable energy mix. And demand for power is growing in New York at a rate that we have not seen in prior years in the near past. So, we endorsed the Governor's "All-of-the-Above" energy approach to meeting that demand, which will also support economic growth in the state. You mentioned the policy in New York. New York did publish, as I mentioned earlier, it's State Energy Plan in December and that plan recognises the need for investments in both electric and gas infrastructure and specifically the enduring role of the gas network. And keep in mind also that we've been supportive of the Northeast Enhancement Supply Project, the NESE pipeline that is to be built by Williams. That has not only been endorsed by National Grid, but the need for that pipeline was also reinforced by the PSC when they issued an order last year affirming that the pipeline is needed for enhanced reliability of our gas network.

So taken together, that is a picture not just of the reliance on gas today, but on gas well into the future as part of a balanced energy environment.

Evercall Moderator

Thank you very much, Jay and Jay was from Kuwait Investment Office. We'll move to our next live question. It comes from the line of Joe. Joe, your line is open. You may proceed with your question. Kindly ensure that your device is unmuted. You may proceed.

Joe Benetto, Unum Group

Yes. Hi, Joe Benetto from Unum. Thank you for your time today again. Can you kind of walk through the new DPU investigation on overall bills and delivery charges that was set up, I believe it was in December? What do you think the deliverables will look like from the DPU? How do you plan to interact with them on that? How could that potential outcome of the study fit within the Boston rate case, and gas in general?

Caroline Hon, Regulatory and Pricing VP, New England

This is Caroline from our New England Regulatory and Pricing. I do believe that 25-200, this is the DPU investigation into rates and customer charges provides a real opportunity for the utilities to show what all the different charges mean. It's great for transparency overall and we look forward to really thinking about how we can address, as I mentioned, structural issues with rates, or one portion of looking at energy affordability in totality.

But just from an overall timeline perspective, the utilities will be presenting reports and filing reports in the middle of February to the department, that basically provide an analysis and all the detailed information of the trending around every single one of the customer charges on the bills, for both gas and electric companies, as well as some initial indications of whether or not they are reconciling, whether they should be moved into base rates and it's really kind of meant to be a place where overall everyone can look at it and look have a level playing field of understanding of how rates work in Massachusetts.

From there it goes into a general public comment period that will conclude in mid-April, where a number of different stakeholders including the different agencies will review the reports and provide their comments and feedback around what they believe might be some longer-term sustainable solutions to addressing rates and energy affordability in the Commonwealth. At that point, we will also be providing comment as a company, and then from there the department will review those and take further steps into the investigation to make recommendations related to rate design and how that may work. Again, we continue to stress that rates are one portion of affordability. There are total costs, there is volatility, there are different things that we can address and we'll want to make sure that that is really clear and transparent in our reports and our comments and our interaction in through the course of this proceeding. We don't have an overall timeline for when an order will be issued related to it or what those recommendations may play out as, but we do think that this is, as I mentioned, an opportunity to have a holistic look at rates in totality.

We don't anticipate that this is going to impact our current Boston Gas rate plan and the rate case itself. We have had discussions with the department about how those may interact and are working very hard to make sure that they're kept separate over this time period because that just increases complexity overall. And then in this docket 25-200, following it through, the department has signalled their intent that once recommendations are made, they would also like to then turn to bill redesign so that customers are able to better understand their bills and drive that transparency that we all know that everyone needs. Hopefully that answers your question.

Evercall Moderator

Thank you very much. We will now move to our written question that was submitted by Andrew (Andrew Moulder, CreditSights):

“You spoke of a regulated money pool for the US operations – does the pool cover all of the regulated US OpCos without any exception? What exactly does regulated mean in this context? Is the pool required to have always a hold of a certain level of funds, and must it be monetarily topped up if the level drops? And is the level of funds dependent on rating in any way?”

Alexandra Lewis, Group Treasurer, National Grid plc

Thanks, Andrew. So, it's Alex here. So, all six of the OpCos take part in the money pool, the regulated money pool and indeed there are some smaller regulated companies that also take part, but they are much smaller, so Nantucket, the New England Hydro Company. So, the six ones we've talked about today are the main ones they can lend in but also borrow from. And then, as we said earlier in the presentation, NGUSA can also lend in but cannot take cash out. Cannot borrow it out. So NGUSA can, if you like, fund that money pool when required. We use the pool to ensure liquidity and hence the pool never drops to zero by definition. As any OpCo starts to borrow more, we then look at that and refinance and term out that borrowing by issuing a long-term bond in the third-party markets, in the external markets, and then repay the borrowing into the pool and any excess from that bond would also then get linked back into the pool to fund it. So, it doesn't drop to zero and as I indicated just now, NGUSA can also borrow externally to lend down into the pool if required. So that's kind of how we manage the liquidity of the pool. There's no impact of ratings in terms of the money fund, the money pool. But of course, we are keen to ensure good access to long-term debt capital so that we could turn out the short-term borrowings from the pool as required, and/or borrow short at NGUSA or NGNA and lend in there. Hopefully that answers the question.

Evercall Moderator

Thank you so much. And we have a follow-up, a written follow up from Andrew (Andrew Moulder, CreditSights):

“There's been talk about building a new nuclear plant in New York State. Is this something that would affect net creates future investments in transmission and distribution infrastructure in the state, and if so, is anything incorporated into the current plan, any future proofing?”

Sally Librera, President, New York

This is Sally here. It is early days with respect to the sighting of those proposed nuclear facilities, but it is certainly indicative of the Governor's approach to meet the growing demand for power and energy in the state, which is to embrace in the "All-of-the-Above" approach. So, while the concepts haven't advanced to a point of specifics with respect to specific implications for transmission, there's no doubt that the focus on nuclear reinforces that the state recognises they need to generate more energy and they need to invest in infrastructure to move it.

Evercall Moderator

Thank you very much. We also have a person that would like to ask a live question, and the line comes from Veryan. Veryan, your line is open. You may proceed with your question. Kindly ensure that your device is unmuted and kindly announce your company affiliation. You may proceed.

Veryan Boscawen, Wells Fargo Securities

Good morning, for the most part. Veryan Boscawen from Wells Fargo here. Thank you very much for hosting such a detailed drill down into the OpCos. Looking specifically at electricity demand and the growth of data centres, could you provide a little more background on the increased electricity demand across the individual networks and how much of this is coming from data centres? And whether any variations between the different OpCos?

Sally Librera, President, New York

Sure, I can start with that one here, Sally again. Starting at the top level, in 2023 data centres accounted for roughly 3% of the load in New York and 2% in Massachusetts. By 2035, we expect that this is going to grow to be 10-11% of the of the load in New York and Massachusetts. Data centres are now representing the majority of the new large load requests that are in the queue, and that marks a transformative shift in the region's energy landscape and certainly presents implications for our grid planning and capacity management. Shifting to New York, right now there's about 12 gigawatts of large low demand in the NYISO queue. And as I mentioned earlier, that's targeting completion by 2032. And just for frame of reference, that's about 1/3 of New York's current summer peak demand for electricity. And as I mentioned earlier that queue has tripled over the past year. So, of the large loads that are currently in the queue, we see that about 70% are data centres or crypto facilities, with the remainder mostly chips and other related manufacturing and industrial uses. Most of those requests and most of that load is in our NIMO territory, but we do see large load requests downstate as well in New York.

Lisa Wieland, President, New England

And then this is Lisa. On the New England side, we have 2.7 gigawatts of total large load requests within our pipeline, of which about 1.9 gigawatts is related to data centre proposals in our MECO service territory. So, we are also looking at these large load requests, working through the implications for our networks, working with our partners and economic development at the state level as well as customers on how we accommodate that demand.

Evercall Moderator

Thank you. We will now move to another written question. It's been submitted by Alvaro at Wellington.

Alvaro Sanchez, Wellington

Hello, thanks for the presentation. I have a few questions. How would you rank your regulatory frameworks by cash flow productivity, lag and allowed RoE? What portion of your rate base growth over the next five years is already derisked by approved mechanisms?

Alexandra Lewis, Group Treasurer, National Grid plc

Thank you very much for the question. So let me start on that and then I can pass to Charles and Chris to answer the second part of your question. So I guess if we're thinking about how we rank the different operating companies, clearly we're looking for, you know, good RoEs, ability to achieve RoEs (not just allowed RoEs), and indeed, to recover regulatory costs where we can and also take account of the increasing levels of investment that we're having to make across all of the OpCos. I guess you will have seen in the presentation the achieved RoE levels across each of the six OpCos – three New York and three New England – over the past few years, and that clearly does show that the FERC regulated utility, New England Power (NEP) does deliver the highest return on equity over time and that is because it's, if you like, a true-up mechanism that happens there on a monthly basis in terms of rates and looking ahead at the future years revenues and looking ahead at costs and we kind of do a true-up mechanism more frequently on NEP. I guess I wouldn't be the one to call the difference between the others. We've seen different issues in different OpCos, but we feel confident as we're going in and filing for new rate cases that we're able to not only make sure that we recover appropriate return on our costs, but also cover the appropriate level of operating costs that we're seeing come up and you've seen from the presentation that when we have new areas or new cost drivers that come in like Caroline was referring to in Massachusetts and the new gas safety mechanisms, we can then seek to work with the regulators to get an appropriate allowance come through for those items. Let me hand over to Charles, I think to talk about the rate base growth over the next five years.

Charles McLeod, CFO, New England

Thank you, Alex. As we said at the start in terms of sort of investment, we are looking at $14 billion in the FY25 to 29 time-frame period, which will translate into future rate base growth in terms of where that sits under regulatory frameworks. In terms of the New England Power investments, that obviously falls into the FERC agreements which are reviewed annually but are sort of largely formula driven and formula based in terms of the recovery mechanisms and the certainty in that space. And MECO, we have just agreed our rate case framework and so that will be in effect through the FY29 period as well as the Electric Sector Modernization Plan investment which is incremental to what the MECO rate case is. And then lastly, in terms of the investments and you can see how the rate-based distribution split is between distribution and transmission, but the final one, of course, is Mass Gas, and we're in the midst of filing for that rat case now. So, FY25 through this year will be under existing frameworks and then we'll have the new rate case framework as we get that approved.

Chris McConnachie, CFO, New York

And I'll just round out with New York. So, if you look over the next, over the five years of the five-year frame, between around 70 to 80% of the underlying capital is already under approved mechanisms. So that's between our downstate OpCos and NIMO, along with the approvals that we've had for CLCPA Two. And then obviously as we file, as Phil talked about in his presentation, over the next year to two years for downstate and then following with NIMO that will pick up the remaining 20% of the last 18 months of the five-year frame.

Evercall Moderator

Thanks. We have another written question from Cameron at Payden and Rygel (Cameron Dow, Payden and Rygel):

“Could you talk a bit about cost recovery trends at Niagara Mohawk and specifically FFO/debt metrics lagging NIMO longer term averages in FY25 and where you expect it to trend in FY 26-27?”

Chris McConnachie, CFO, New York

Alex, you want me to cover that and then feel free to add.

Alexandra Lewis, Group Treasurer, National Grid plc

Perfect.

Chris McConnachie, CFO, New York

So, as we go effectively from last year's approval of the NIMO case into FY26 and it was a big factor within the Niagara Mohawk rate case, was to protect the current metrics and current ratings within NIMO. So, as you will see kind of our FFO/debt metrics will keep us well within the range of current operating company ratings. And then equally as Phil alluded to, as we've seen over the past 3-4 years, and particularly in the NIMO case, we have kind of growing protections on what I call some of the non-controllable costs, which are also supportive of maintaining cash flow and credit metrics. So, the likes of bad debt tracker, minor storms and major storms and then some of the other cost recovery mechanisms, particularly around bad debt obviously protect or at least remove and minimise the volatility of those metrics as we go forward. So, the NIMO case was instrumental in protecting the ratings and particularly kind of the FFO/debt metrics.

Alexandra Lewis, Group Treasurer, National Grid plc

Thanks, Chris. Nothing to add. You've said it all. Thanks.

Evercall Moderator

Many thanks. And our next written question comes from Tyler at One America Financial Partners (Tyler Gentry, One America Financial Partners):

"Why has National Grid pulled lien restriction language from the US OpCo indentures, and is there any consideration on restoring the indentures to their previous negative pledge basket?"

Alexandra Lewis, Group Treasurer, National Grid plc

So, thanks, Tyler. I'll take that one. It's Alex. We did actually only ever have that within the NIMO documentation and that was because NIMO had a material amount of secured debt. It was not in the other OpCos and has not been in NIMO since 2020, and as you know, since NatGrid ownership, we've only issued unsecured debt for those OpCos, so no intention to reintroduce that. We're very happy with issuing unsecured debt, we think it's the most favourable from a customer cost perspective and hence won't be reintroducing that lien into the documentation.

Evercall Moderator

Thank you very much. And our next question comes from Jeremy at Allspring Global Investments:

“Thank you for the call. Can you please provide any commentary on stakeholders’ engagements with the new administrations in New York?”

Sally Librera, President, New York

Sure. This is Sally. Engaging with stakeholders at the local, regional, state and national level is a key priority of ours, and it's a regular and steady activity across all of our businesses. As the new mayoral administration in New York City and the teams are taking shape, we are supporting the transition. You know it's a natural fit for us given the degree to which our teams are already woven into community groups, neighbourhood associations and local engagements. And of course, we share the mayor's focus on affordability and ensuring New Yorkers have safe and reliable energy.

Evercall Moderator

Thank you very much. It seems as though we have another written question. From Andrew, that's a follow-up (Andrew Moulder, CreditSights): “Please can you talk a little bit about achieved returns versus allowed returns? Why is it so rare for you to achieve your allowed returns? You regularly outperform in the UK – why not in the US?”

Chris McConnachie, CFO, New York

Thank you for the question. I'll open up on New York and then Charles, feel free to jump in on New England and then Alex will maybe just touch on differences within the UK.

So, as we talked about the presentation, the prescribed methodology for setting RoEs in New York is pretty tried and tested and have been similar for the past 20-30 years on just how staff thinks about selling RoEs – generally kind of risk premium relative to nominal base rates. Within our rate filings, a lot of energy and scrutiny does go on setting an allowed RoE that provides an adequate level of return or a reasonable level of return for the risk that our investors are obviously bearing as part of investing in our operating companies. But along with that comes the desire to make sure, which we are hugely supportive of, is that as we think about forecasting our cost structure within our rate plans, that there is a level of performance tension within the framework that continues to push us to outperform and deliver, so we have the ability to both overperform from time to time, but also to have periods where we may have more cost than what's in that respective rate year. You've seen from the presentation today that we have both over delivered and under delivered in our RoEs, but there is always going to be that efficiency lever within our rate cases, that does set rates at a fair cost profile but requires us to outperform that from year to year. You'll see historically, across our operating companies and peer utilities, around the 90 to 100% delivered and that's really a level that Public Service Commission is comfortable with and allows for an appropriate level of actual return relative to what's allowed.

Charles McLeod, CFO, New England

Thank you. Chris, this is Charles. So, I'll just build on that from a New England perspective, and I agree with everything that Chris said, but what is maybe a little bit different on the Massachusetts districts is that historically we might have had a slightly higher allowed RoE, but perhaps a slightly more difficult ability to earn that allowed RoE. And that's because, as I said in the presentation, our distribution Opcos operated under rate plans that were based on historic test years for costs without a mechanism to protect our business against inflationary pressures, as it were. So, over the last few years, we haven't been quite there in terms of reaching the 95% of allowed RoE, but our focus on operational efficiency and regulatory strategy has been delivering progressive improvements over the last few years and we did reach 92% last year at 9.1% RoE. So, if we look forward, the inclusion of more comprehensive capital trackers in our recent MECO case, for example, will help to close that gap as we're updating rates for Boston Gas, and if approved, the new trackers that proposed as part of that rate case filing.

Alexandra Lewis, Group Treasurer, National Grid plc

Thank you. Thanks, Charles. And the last thing I'd add Andrew, is just from a UK comparative perspective. We do actually see sort of higher headline allowed RoEs in the US versus the UK. Charles and Chris have talked a bit about you know, our ability to achieve the allowed return and generally we are sort of targeting high 90s, but of course the other thing I point out is that the two are on different inflation bases. So, in the US, we have nominal allowed RoEs whereas in the UK we have real allowed RoEs which obviously are lower if you adjust for inflation and if you then also adjust for the greater level of incentive in the UK, leading to an ability to outperform the allowance. Then actually, if you look at the UK and US regulated operating companies side-by-side and the nominal achieved returns are actually comparable.

Evercall Moderator

And our next written question comes from Matthew at MFS Investment Management (Matthew Kinnan): "What OpCos should we expect issuance from in 2026? Thanks."

Alexandra Lewis, Group Treasurer, National Grid plc

Thank you very much indeed for that question. So, you've obviously seen that we've issued from NIMO very recently, just this month, and from New England Power back in September. We have fresh financing authority from our regulators at KEDNY and KEDLI and we've also requested new authorities to issue long-term debt from both Boston Gas and MECO, and we expect to receive that in the near future. So, we'll consider issuance across those entities next.

Evercall Moderator
Thank you very much. And our last question comes from Alexander at Wellington Management Co. (Alexander De Leon): "Do you anticipate any regulatory changes on clean energy generation mixes in response to affordability pressures? What are the levers, outside of the build subsidies, that you have to proactively address the growing attention to affordability?"

Phil DeCicco, General Counsel, New York
In terms of sort of the renewable energy mix, I think as New York embraces an "All-of-the-Above" approach, certainly affordability is one of those considerations and there have been delays in meeting some of the renewable energy targets. So, I think we will expect to see a change, at least in that respect. In terms of the very good question about what else, besides bill subsidies, that we could do in the interest of affordability, I think it's incumbent upon us in this environment to demonstrate importantly that our rate increases, or our rates, are reasonable and that we're making every effort to operate efficiently and only funding that we need to operate our business safely and reliably, not everything we want to do that.

I was proud that when we did our last rate filing in NIMO, we had fifteen parties sign on to that case, including parties with diverging interests from our largest customers to environmental advocates to municipalities. And I think that is indicative of our ability through our rate settlement process to achieve outcomes that are fair and reasonable and balance the cost to our customers with the investments that we need to make. That included making some tough decisions around our capital investments and taking out programmes where we could do so safely and reliably and included demonstrating that we were imputing efficiencies into our operations and now we're, you know, accountable for delivering those. We made efforts like delaying our rate case a month in order to make sure that we were crystal clear on what we needed and that our rates reflected absolutely what was necessary to provide safe and reliable service. So, from my perspective it is going to be increasingly important that we do that in the rate case process and really being transparent about the cases and working with stakeholders to prioritise through settlement is going to be what's allowing us to drive rates that are reasonable and address affordability.

Evercall Moderator

Thank you. And we just have one more time just for one last question. It comes from Andrew (Andrew Moulder, CreditSights). It's a follow-up: “What OpCos issue hybrids? We have seen that from some of the US utilities.”

Alexandra Lewis, Group Treasurer, National Grid plc

Thank you, Andrew. We haven't, as you know, issued hybrid debt from any of our operating companies. We've chosen to keep hybrid debt issuance at the Topco i.e. National Grid PLC, and that then supports the whole group balance sheet if you like. We’ve no plans to change that approach going forward, so should we need later towards the back end, or beyond the five-year plan we've set out, should we need to issue additional hybrid debt, I would expect that to be coming from Nat Grid PLC at the moment. But obviously we'd keep that under review and see whether there's a more beneficial way of doing it, but that's the current plan.

Evercall Moderator

Thank you very much. This concludes today's Q&A session. I will now end over to Alex for any final remarks.

Alexandra Lewis, Group Treasurer, National Grid plc

Thank you very much Barbara.

So, we've now come up on time for our event today. If you've submitted a written question, I don't think there have been any that haven't been answered, but if there are any that we that we haven't answered, then we will prepare a response and e-mail it across to you, and also remember if anything occurs to you after the event has ended you can send any questions to our debt investor e-mail address – that’s debtinvestors@nationalgrid.com.
We certainly hope you found today's event useful. Before we close, can I remind attendees that the presentation is available on the Debt Investor page on the National Grid website. And with that, many thanks to all our speakers today from New York and New England and thank you to everyone who's attended our event today.

Evercall Moderator

Thank you. This concludes today's presentation and today's Evercall.