S&P Global
Ratings

Research

Bulletin:

National Grid's Earnings Resilience Will Support Ratings Amid Expanded Investment Program

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LONDON (S&P Global Ratings) March 3, 2026--S&P Global Ratings said today that the increased investments outlined in National Grid PLC's (BBB+/Stable/A-2) updated strategic plan will be supported by increased earnings. National Grid updated its strategic plan for the 2027-2031 period, announcing an increase in planned capital investment to at least £70 billion for the period, from £60 billion over 2025-2029 in the previous plan. This will drive asset growth of around 10%, reaching £115 billion for the group by 2031.

Of the £70 billion planned capital expenditure (capex), the majority will be directed toward U.K. electricity networks, particularly transmission, while significant investment is also planned for its New York and New England regulated businesses in the U.S.

National Grid also confirmed its acceptance of Ofgem's final determination for the RIIO-ET3 regulatory period for National Grid's U.K. electricity transmission business. The framework for the upcoming price period is expected to provide robust support for earnings growth, offsetting the impact of the increased capex on key financial metrics. Earnings are supported by the recognition of an increased underlying cost of capital, reflected in a semi-nominal weighted-average cost of capital for National Grid Electricity Transmission PLC at 5.53%. Cashflows are further strengthened by the application of the 85% capitalization rate for expenditure related to re-openers, carried over from RIIO-ET2. This accelerated cost recovery is supportive of operational financeability and reduces the overall cost of investment.

National Grid expects to maintain strong operational and financial performance under RIIO-ET3. The new incentive framework has derisked total expenditure delivery and introduced additional output delivery incentives, which it anticipates will support an overall return on equity above 9% over the price control period.

We think that, under the updated plan, higher investments will be compensated with earnings growth, resulting in a neutral impact on our 'BBB+' rating on National Grid, and we expect adjusted funds from operations (FFO) to debt to remain above the 10% downside threshold for the rating through 2028. The group retains flexibility in its funding options, for instance, with unused hybrid debt capacity of around £11 billion. This optionality allows for containing leverage, or providing relief, if necessary, against pressure to the downside FFO to debt threshold.

Related Research

- Industry Credit Outlook 2026: EMEA Utilities, Jan. 14, 2026
- National Grid PLC, Oct. 3, 2025
- Greening Up Without Blackouts: Boosting European Power Grids' Resilience May Dent Credit Quality, July 2, 2025