

Regulatory Financial Performance Reporting RIIO-T2

2025/26

National Grid Electricity Transmission



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Purpose of This Report

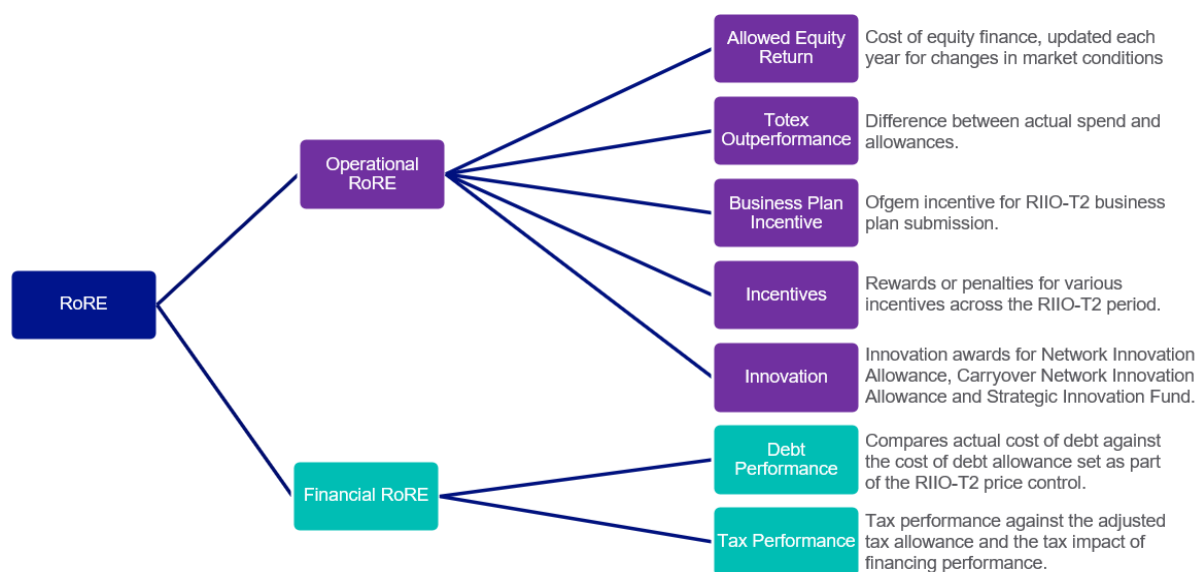
The Regulatory Financial Performance Report (RFPR) is an annual reporting requirement introduced by Ofgem in 2018 to provide a transparent, consistent and comparable view of how network companies perform under the RIIO regulatory framework. The RFPR was created because statutory accounts alone do not give stakeholders a clear view of regulatory performance. The report measures performance using Return on Regulatory Equity (RoRE), showing how actual costs, revenues, incentives, financing and tax outcomes compare against the allowances set by Ofgem, enabling stakeholders to assess the value delivered to consumers and shareholders.

The RFPR consists of two elements, both published on our website, as well as submitted to Ofgem:

- 1) Ofgem's RFPR template for reporting data, and
- 2) The RFPR commentary.

The structure of this commentary follows the guidance provided by Ofgem¹, and should be read in conjunction with the RFPR spreadsheet templates published alongside this document.

RoRE is Ofgem's measure of the financial return achieved by shareholders from a licensee during a price control period, based on actual & forecast performance. The measure is further broken down into operational and financing components. Operational RoRE encompasses costs and allowances associated with a RIIO-T2 regulated business, including Totex, incentive performance and company funded innovation costs. Financing (Debt and Interest) and tax performance are included within the financial component.



This commentary supports the submission of our 2025/26 RFPR which is the fifth and final RFPR submission of the RIIO-T2 price control period. RFPR26 sets out the regulatory information to meet the requirements of Standard Condition B15 of the National Grid Electricity Transmission (NGET) licence.

This commentary covers NGET's RoRE performance across the price control period with focus on the 2025/26 performance delivered to date. Whilst RoRE reflects the financial performance achieved by shareholders, it does not reflect the consumer aspects of performance. The design of the regulatory framework – with outcome based financial incentives – means that delivery of financial performance is dependent on us creating value for consumers.

Unless stated, all figures will be in 2018/19 prices and using Ofgem's prescribed notional company gearing structure, 55% for NGET.

¹ [RIIO-2 RFPR - Regulatory Instructions and Guidance version 5.0 \(tracking changes\)](#)

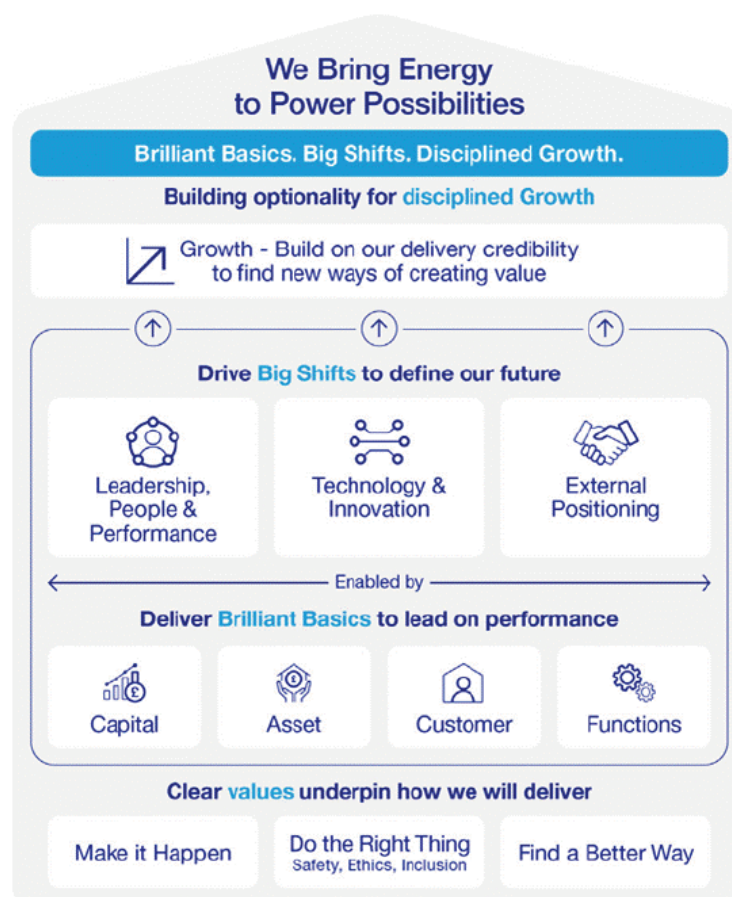
Executive Summary

Who we Are

National Grid Electricity Transmission (NGET) owns, operates and maintains the high-voltage electricity transmission network in England and Wales. Its role is to transport electricity from where it is generated, such as power stations and offshore wind farms, to local distribution networks and large industrial users, ensuring a safe, reliable and efficient supply of electricity to homes and businesses. Every time a phone is plugged in, or switch is turned on, we've played a part, connecting you to the electricity you need.

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

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



Our Performance

Our aim is to present a view of financial performance through the price control period that is consistent with our understanding of business performance. Outperformance under the RIIO-T2 framework is achieved through delivery of outputs prioritised by consumers for lower cost than allowances and by exceeding output delivery incentive targets. This drives financial and other benefits to our stakeholders – to shareholders through return on investment and to current and future consumers through lower bills and other benefits such as high levels of reliability of our network.

This report marks the end of the RIIO-T2 price control period from 01 April 2021 to 31 March 2026. It has been a period of significant and unforeseen change, shaped by global geopolitical events and developments across the GB energy landscape. A lot has been accomplished in that time; we have continued to fulfil our core responsibility to operate a safe, efficient and reliable network for our customers and end consumers, while responding to unprecedented development across the electricity system. But our responsibility goes much further than keeping the system operating today; it is to invest in and prepare the network for the future, whilst ensuring safety remains our highest priority.

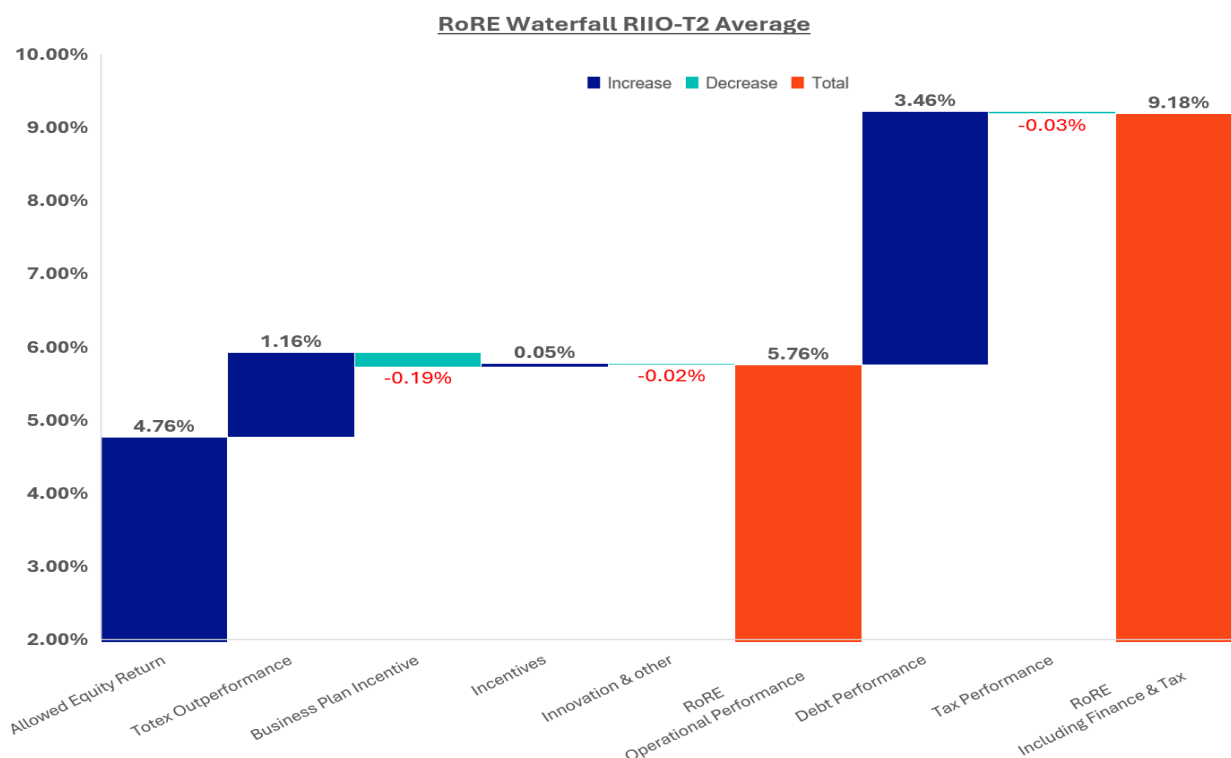
The Regulatory Reporting Pack (RRP26) and accompanying annual performance report² provides information regarding our regulatory performance against our holistic RIIO-T2 commitments. However, the RRP26 is unable to account for several adjustments required to give a true view of financial performance, as represented in the RFPR. These adjustments are detailed in the Totex – Reconciliation section and Appendix 1 of this commentary.

Based on Ofgem's notional gearing, **over the RIIO-T2 period, NGET generated an Operational RoRE performance of 5.76%; this represents an operational outperformance of 1.00%** relative to the allowed equity return for the period. 1.16% of this outperformance resulted from lower Totex spend relative to our allowances. This is a result of our ongoing efficiency ambition realising benefits creating value for both NGET and the end consumer by lowering their bills as a result of the Totex Incentive Mechanism's (TIM) sharing factor (67% to the consumer). NGET generated positive Output Delivery Incentive (ODI) value of 0.05% over RIIO-T2; however, this was offset by the -0.19% Business Plan Incentive penalty that has endured across the price control period.

Including debt and tax performance, NGET's overall RoRE performance grows to 9.18%. Debt performance for the RIIO-T2 period of 3.46% which is a result of our strategy to not materially invest in index linked debt. As such, we benefited from high inflation rates during the first half of the price control. The very slightly adverse tax performance of -0.03% is more a reflection of timing and optics due to factors outside of Licensee control, an example of which being a consequence of the UK Government's super deduction capital allowances expensing regime.

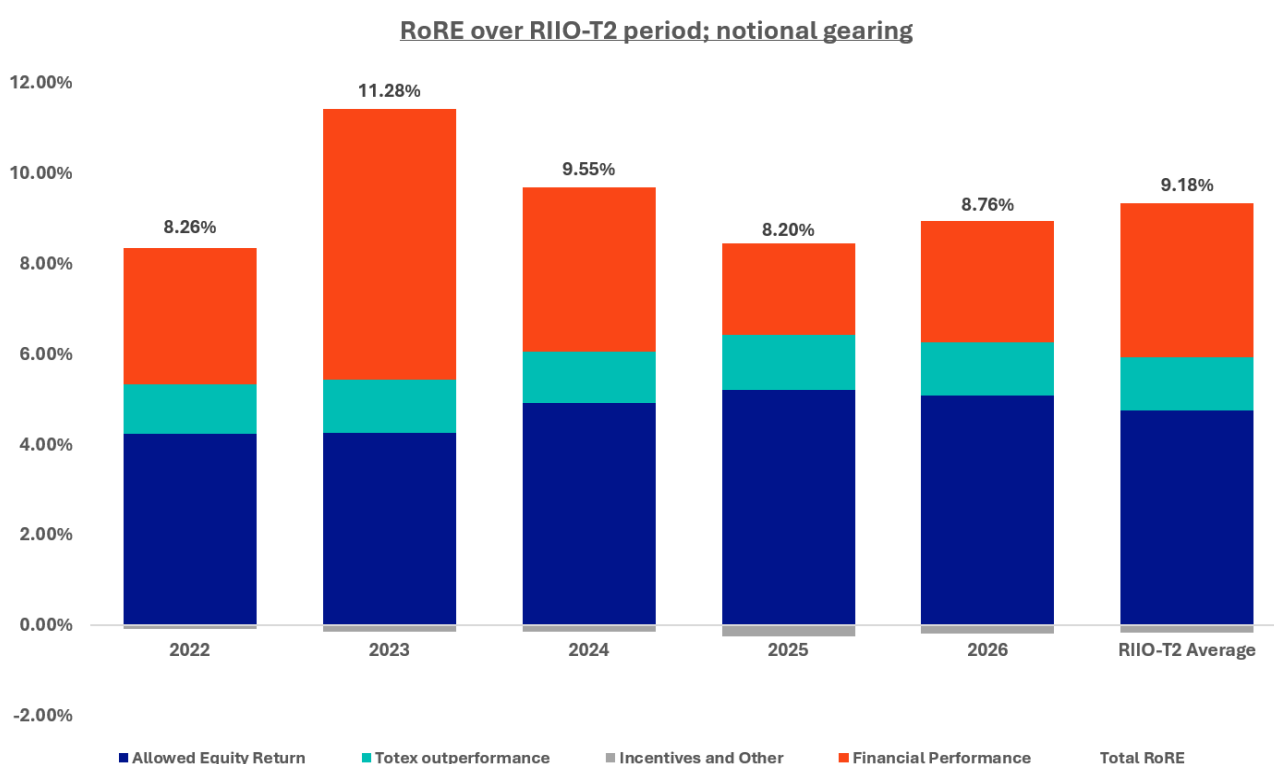
RoRE is not a reflection of customer bills, i.e. a higher RoRE does not equate to higher customer bills. RoRE is intended as a reflection of Licensee performance whereby higher RoRE is likely to mean greater cost efficiency which leads to lower customer bills while delivering better service levels, through output delivery and incentives.

² <https://www.nationalgrid.com/electricity-transmission/who-we-are/riio-t2-performance>



On average over RIIO-T2, NGET achieved 100bps operational outperformance. After adjusting for timing and other enduring value items, year on year operational performance remains within a 3bps range of the 100bps average. 2023 saw a comparative increase in financial performance largely as a result of high inflation affecting the debt performance. Conversely financial performance in 2025 was lower as a result of the aforementioned tax position.

Performance in 2025/26 is slightly lower than the average RIIO-T2 RoRE performance, principally due to the lower in year debt performance. However, NGET still achieved Totex outperformance of +1.17% with an overall operational outperformance figure of 1.00%.



RoRE is calculated using two methodologies; RoRE based using the notional gearing assumption of 55.0% and RoRE based on actual gearing. Using the actual gearing calculations prescribed in the RFPR, NGET's average actual gearing was 50.6%.

RoRE performance based on actual gearing is generally slightly lower than the equivalent notional position due to the higher equity share of the RAV.

NGET's RIIO-T2 average total RoRE using actual gearing is 8.31% (8.06% in 2025/26), however 0.43% of this delta from the notional position is due to an equivalent lower allowed return on equity.

Key Financial Performance Measures

(Figures are based on 55% notional gearing and stated in 2018/2019 price base unless otherwise stated)

Operational performance average over the duration of RIIO-T2 is 5.76%, 1.00% above average Allowed Return on Equity comprising:

- +1.16% Totex outperformance; and
- +0.05% positive Output Delivery incentive
- -0.19% under performance on the Business Plan Incentive
- -0.02% adverse impact to RoRE for innovation, being only 90% Ofgem funded

Financial performance average over the duration of RIIO-T2 is 3.43% comprising of:

- +3.46% Debt performance; and
- - 0.03% tax performance

In operational performance, Totex outperformance of +1.16% for the RIIO-T2 period is driven from; +1.32% Totex performance and -0.16% Enduring Value Adjustments.

Enduring Value Adjustments show the impact on performance of projects crossing price control periods. These adjustments ensure that performance is only recognised when outputs are delivered:

+1.32% unadjusted Totex Performance:

- +1.32% RRP26 Totex performance reflects efficient delivery of Load Related investments, particularly Wider Works projects delivered below allowance and lower-cost network solutions, alongside ongoing efficiency improvements. This was partially offset by higher Asset Health, Network Operating Cost and IT-related expenditure driven by increased delivery activity, inflationary pressures, network incidents, and investment required to support RIIO-T2 outputs and future RIIO-T3 growth.

-0.16% Enduring Value Adjustments:

- +0.76% due to the deferral of allowances relating to load related projects initiated in RIIO-T1 but completing in RIIO-T2.
- -0.92% due to bringing RIIO-T2 performance in line with forecasts to: Reflect forecast PCD allowance adjustments at the end of RIIO-T2, remove bridging allowances relating to schemes delivering in T3 and adjust for spend incurred in RIIO-T2 for outputs in RIIO-T3 amongst others. Further details about enduring value adjustments can be found in Appendix 1.

2025/26 shows an operational performance of 6.08% which is 0.99% higher than the 2025/26 Allowed Return on Equity. The 0.99% outperformance comprises:

- 1.17% Totex outperformance; consisting of 0.56% performance per RRP26 and 0.61% performance from enduring value adjustments which, as mentioned above, reflect deferred RIIO-T1 allowances, and align RIIO-T2 performance to forecast outcomes.
- -0.01% non-Totex incentive performance; and
- -0.17% under performance arising from the Business Plan Incentive.

The operational RoRE values based on actual gearing are broadly aligned to their notional equivalents. Actual gearing is below the notional level of 55% at 50.6% for the period average and 51.1% for 2025/26.

The key financial performance measure within the RFPR256 submission is RoRE financial performance. The values quoted in this section focus on RoRE based on notional gearing of 55% unless otherwise stated.

NGET's RoRE financial performance across the period is an outperformance against regulatory cost of debt and tax allowances across the period by 3.43%, comprising 3.46% debt performance and a small amount of tax underperformance of -0.03%. Debt performance has benefitted from NGET's financing strategy, including choosing not to index a higher proportion of the debt book, and high recent levels of inflation which have reduced the reported real cost of fixed coupon nominal debt.

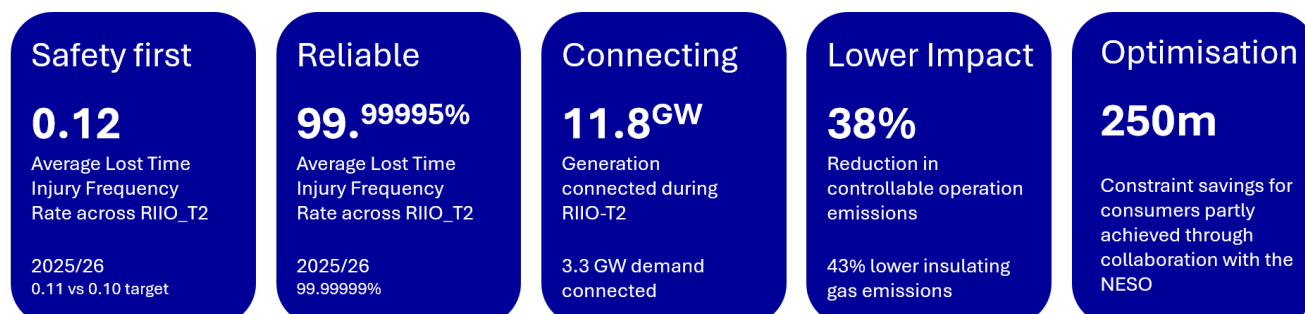
Financial performance in 2025/26 is 2.68%, comprising 2.62% debt performance and 0.05% tax performance. The comparatively lower FY26 debt performance is partly due to the high inflation the UK economy experienced in the earlier years of RIIO-T2 pushing up debt performance in those years as a result of the way the T2 cost of debt allowance and financial framework was structured.

The financial RoRE values based on actual gearing differ slightly to their notional equivalents with 2.42% debt performance and 0.05% tax performance in 2025/26 and RIIO-T2 average financial performance of 3.08% and slight tax underperformance of -0.02%.

The RIIO-T2 average actual gearing for NGET is 50.6%. It's predominantly this slightly lower actual gearing that drives the marginal reduction in actual debt performance due to the higher proportion of regulated equity of the RAV being used in this calculation.

Key Operational Performance Measures

RIIO-T2 performance at a glance;



Safety

Safety remains our highest priority, and we remain fully focused on ensuring all our employees and contractor return home safely every day. In FY26, we met all legal and health and safety requirements. Our overall injury frequency rate was 0.11 per million hours worked, an increase on previous year's rate of 0.05 and marginally above our RIIO-T2 target of 0.10.

Asset Health

NGET maintained a safe, reliable and resilient network throughout RIIO-T2 despite increasing network complexity, higher connection volumes and greater outage constraints. Asset health investment was targeted using a risk-based approach, continually reassessing asset condition and prioritising interventions that delivered the greatest reduction in network risk and best value for consumers. Asset health delivery exceeded Final Determination requirements overall, achieving 104% of target volumes when additional condition-driven interventions are included. Excluding this additional work, delivery was 81% of original intervention targets, reducing to 70% when measured solely against the original Final Determination scope. Network performance remained strong, with high reliability, stable fault levels, maintenance compliance above target and broadly stable asset risk profiles. Overall, asset health decisions focused on maintaining network resilience, managing risk effectively and ensuring investment was directed to the areas of greatest need.

Network Reliability

We have maintained world class network reliability over the T2 period. We are averaging 99.99995% across T2 and 99.99999% for FY26. This strong reliability performance reflects the dedication of our colleagues and partners who work every day to keep electricity flowing to homes, businesses and communities across England and Wales.

Generation and Demand

We are constructing the energy system for the future. During 2025/26, we connected 10 new generation and demand schemes adding 0.87GW of generation and 0.481GVA of demand capacity to the network. Across RIIO-T2 we delivered 11.8GW of generation capacity and 3.3GVA of demand capacity.

Customer Satisfaction

Measured in "Quality of Connections" survey and scored 7.0/10 versus a target of 7.7, an improvement from last year's score of 6.5. Plans are in place to close the gap to target, and actions are ongoing to improve all customers' journeys from pre-application through to commissioning their assets. We recognise the importance of continuing to improve customer experience and will build on the progress made while working with NESO and industry partners to address the wider challenges affecting connections delivery.

Customer Connections

Connection offers to NESO decreased to 519 in FY26 (417 fewer than FY25), primarily due to Connections Reform implementation, including the offer pause process and Gate 2 to Whole Queue transition. Six offers were delivered outside required timescales due to reform-related operational changes, with demand connections accounting for the majority of offers.

Environmental

We delivered a strong environmental performance in FY26, meeting all six Environmental Action Plan commitments and exceeding targets in three areas, delivering a year-end incentive position of £4.7m. Environmental performance remained strong in FY26, exceeding targets in several areas. Recycling reached 80.6%, well above the maximum reward threshold, environmental value on non-operational land continued to improve, and a further ten construction projects committed to delivering at least 15% Biodiversity Net Gain. Targets for business travel, office waste and water consumption were also achieved, demonstrating sustained environmental progress and strong foundations for RII0-T3.



Overview of Regulatory Performance

Return on Regulated Equity (RoRE)

Using the notional company gearing of 55%, RoRE for 2025/26 and the RIIO-T2 price control average comprise the following components:

	2025/26	RIIO-T2 Average
Allowed Return	5.09%	4.76%
Totex Performance	1.17%	1.16%
Output Delivery Incentives	0.03%	0.05%
Business Plan Incentive	-0.17%	-0.19%
Innovation and other	-0.04%	-0.02%
RoRE – Operational Performance	6.08%	5.76%
Debt performance	2.62%	3.46%
Tax performance	0.05%	-0.03%
RoRE including Financing and Tax	8.76%	9.18%
n.b. RoRE using actual gearing	8.06%	8.31%

The subsequent sections of this commentary cover performance against each of the individual components.

As NGET's actual gearing is lower than the Ofgem notional company gearing, when measured on this basis, the RoRE calculation includes a higher ratio of regulated equity which negates a comparative debt performance increase, resulting in a lower overall RoRE.

RoRE is not a reflection of customer bills, whereby a higher RoRE does not equate to higher customer bills. RoRE is intended as a reflection of Licensee performance whereby higher RoRE is likely to mean greater cost and performance efficiency which leads to lower customer bills while delivering better service levels.

Reconciliation to Revenue and Profit

(Financial values in 2025/26 price base unless otherwise stated)

The purpose of Table R2 is to report Allowed and Collected Regulated Network Revenue ("collected revenue") and to reconcile collected revenue to the turnover reported within the statutory accounts. Table R2 also provides a reconciliation for regulated network profit to profit as per the statutory accounts.

Within the regulatory accounts, collected revenue for 2025/26 of £2,385.7m is collected via Transmission Network Use of System (TNUoS) charges set by the National Energy System Operator (NESO) and based on Allowed Revenue for 2025/26 within the PCFM published in January 2025.

Turnover within the statutory accounts includes TNUoS related revenue as well as revenues received outside of TNUoS and the RIIO-T2 revenue frameworks. Turnover as per the 2025/26 statutory accounts is £2,896.7m, a difference to collected revenue of +£511.0m. The key reconciling items between collected revenue and turnover are:

- Directly Remunerated Services revenue of +£225.0m.

Directly Remunerated Services relate to services provided by NGET as part of its Licensed Activity but are not remunerated through TNUoS or Returned Royalty Income from RIIO NIC projects. Customers pay NGET directly for this work. Collected revenue specifically excludes Directly Remunerated Services as per SpC 2.1.7 whereas turnover includes all sources of revenue.

- De Minimis Business of the licensee and Other consented activities of +£272.8m.

De minimis activities are business activities carried out by NGET outside of the transmission business below a defined threshold and are therefore not included in collected revenue. Similarly, consented activities which are those outside of the transmission business for which the Authority has given its consent in writing are not included within collected revenue. Statutory turnover includes all sources of revenue including de minimis and consented revenues.

- Other Adjustments of +£13.2m.

De-minimis adjustment due to omission of Demetra revenue and duplication of Gas settlement resulted in +£15.4m adjustment. Capital contributions +£13.0m and connection terminations +£0.3m are then balanced off by ad-hoc reconciliation element for the Gas settlement due to the final legal separation - £11.4m and projects that have been reclassified from OpEx customer funded into CapEx customer funded -£4.0m.

The second purpose of R2 is to perform a reconciliation of our regulated network profit to our statutory accounts. For this reconciliation regulated network profit is a proxy definition of a regulatory profit measure as set by Ofgem. Net profit per the regulated business is £831.4m compared to the statutory accounts of £1,018.0m giving a difference of +£186.6m. This reconciliation comprises:

- +£279.8m for operating profit before interest and taxes. This comprises +£511.0m difference in revenues (explained above) and -£231.1m difference in operating costs which is explained in the Reconciliation to Totex section;
- +£276.8m for net interest which is explained in the financing section; and
- -£370m for tax which is the difference between our tax related to regulated business +£2.0m and the tax as per our statutory accounts -£372.0m which is explained in the Taxation and Tax Reconciliation section.

Totex – Reconciliation

RIIO-T2 Totex Performance

(Financial values in 2018/19 price base unless otherwise stated)

Table R3 Totex – Reconciliation includes two elements, calculation of Totex performance and reconciliation of regulatory Totex to the actual opex and capex costs incurred per NGET's statutory accounts with actual reported Totex. The average Totex outperformance impact on RoRE is +1.16% for the RIIO-T2 period. This is driven by the following factors (subject to rounding differences):

RIIO-T2 Performance	Totex Performance RIIO-T2 Average
Performance per RRP26	1.32%
T1 Deferral Adjustments	0.80%
T2 Allowance Adjustments	-0.96%
Total	1.16%

Performance per RRP26

RIIO-T2 average performance of +1.32% is primarily driven by the efficient delivery of Load Related investments, including Wider Works projects delivered below allowance and the adoption of lower-cost network solutions, together with ongoing efficiency initiatives. This was partially offset by increased Asset Health, Network Operating Cost and IT expenditure, driven by higher delivery volumes, inflationary pressures, network incidents and investments necessary to maintain delivery of RIIO-T2 outputs and facilitate anticipated RIIO-T3 network growth.

The Totex performance as per RRP in 2025/26 is slightly higher than the T2 average at +1.17% outperformance. Spend is also broadly aligned with allowances with no particular drivers to comment on specifically.

T1+2 Allowance

This adjustment relates to allowances for load related projects that were initiated in RIIO-T1 but are due to complete in RIIO-T2. The allowances have been reprofiled through enduring value adjustments to ensure that performance is recognised when the output is delivered. Appendix 1 includes additional detail.

T1 Non-Load

This adjustment rephases allowances for non-load projects that cross price control periods. These are rephased to ensure performance is recognised when the output is delivered. These adjustments relate to RIIO-T1 non-load and ISS projects. The T1/T2 offset adjustment reflects the net impact of recognising Load Related projects that transitioned between RIIO periods and the recovery of RIIO-T1 allowances for non-load outputs that were not required. This resulted in a positive contribution to RIIO-T2 performance through the reversal of a previously recognised allowance clawback. Appendix 1 includes additional detail.

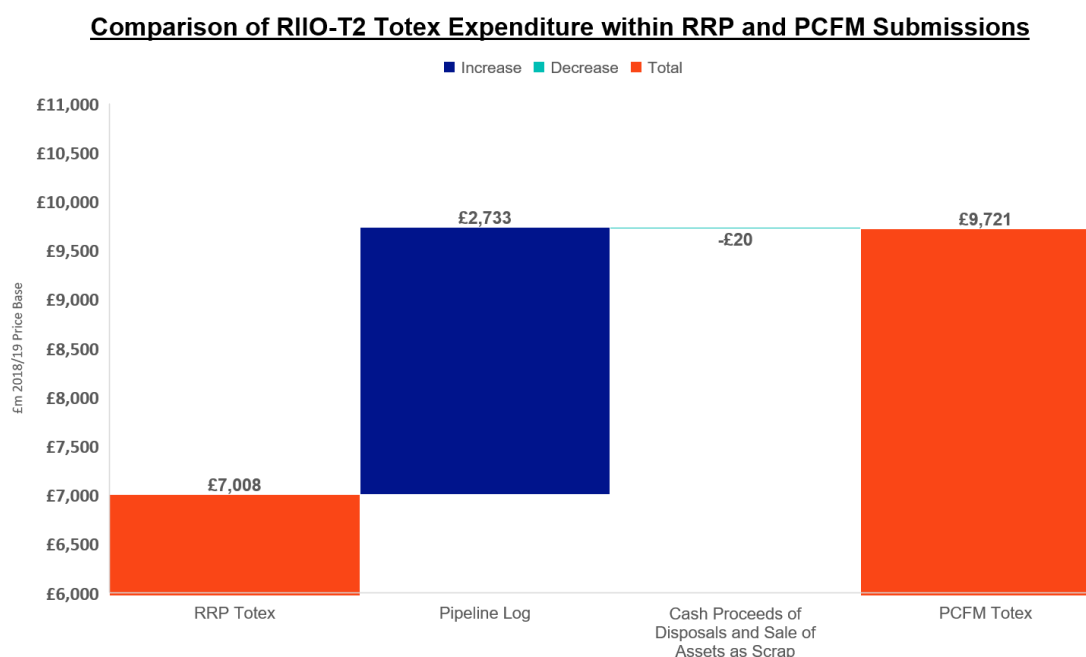
T2 Allowance Adjustments

These include: Adjustments to allowances for pre-construction and PCDs that cross price control periods to ensure performance is recognised when the output is delivered, an adjustment to reflect anticipated future adjustments to bridging allowances for schemes that deliver beyond the second year of RIIO-T3 and adjust for spend incurred in RIIO-T2 for outputs in RIIO-T3. Appendix 1 includes additional detail.

Reconciliation to Totex

(Financial values in a nominal price base unless otherwise stated)

For the purposes of the reconciliation, the regulatory Totex costs are as per the cost matrix in RRP26. There are a number of known and deliberate differences between the regulatory Totex costs as per the cost matrix in RRP25 and the Totex costs reported in the PCFM. The following waterfall details these differences for the RIIO-T2 period (2018/19 price base):



Pipeline Log re-opener spend of £2,733m (2018/19 price base) is included within the Price Control Financial Model as this provides our best forecast of future expenditure. The RRP26 only captures directed and submitted re-openers within the cost matrix, any unsubmitted re-openers are captured within the Pipeline Log. Additionally, per Ofgem's instruction, ASTI data is reported in the Pipeline Log rather than the cost & volumes tables therefore the Pipeline Log column is inclusive of, but not limited to, ASTI schemes. To generate cost reflective revenues, re-openers that are subject to competition have not been included in the PCFM. This is because there is a level of uncertainty as to whether NGET will carry out the works.

Cash proceeds of £20m (2018/19 price base) from disposals and sale of assets as scrap are included as negative Totex within the PCFM. This is to ensure that any proceeds received from the sale of assets as scrap and disposals are shared with consumers. Scrap and disposal proceeds are not included within the RRP26 cost matrix table.

In nominal price terms NGET's total reported expenditure incurred in 2025/26 on an accounting basis is £5,082m, comprising opex of £1,323m and capex of £3,759m. This compares with regulatory Totex as stated in Table R3 of £2,285m, a difference of -£2,797m.

The reconciling items fall into two categories, items that meet the definition of statutory opex and capex but are not included in total regulatory costs and regulatory costs which fall outside of the definition of Totex.

The key items which are defined differently for statutory and regulatory purposes are:

- £552m of statutory depreciation and amortisation which are included in statutory opex but don't form part of regulatory Totex;
- £264m of Excluded, Consented and De Minimis Services costs which are included in opex but don't form part of regulatory Totex
- £1,912m of NGET pipeline log costs (excluding ASTI prepayments) which are included in capex but not in regulatory Totex, and;
- £69m of various other small value items

The costs which fall outside of the Totex definition are:

- Directly Remunerated Services of £26m;
- Pass-through costs of £106m, predominantly business rates;
- Innovation costs of £25m;
- Scrap disposal proceeds of £2m; and
- Pipeline log costs of £2,245m

Incentives and Other Revenue

Financial Output Delivery Incentives (“ODI-Fs”) are an important component of the RIIO price control framework and incentivise Licensees to drive continuous performance and efficiency improvements relevant to customers and the environment.

Including the T2 adverse Business Plan Incentive performance, the RIIO-T2 average incentive and other revenue performance is -0.16%. The figure is -0.18% for the 2025/26 year.

RIIO-T2 Performance	2025/26	RIIO-T2 Average
Total Business Plan Incentive Performance (a)	-0.17%	-0.19%
Energy not supplied ODI	0.01%	0.01%
Insulation And Interruption Gas emissions ODI	0.02%	0.01%
Timely Connections ODI	0.00%	0.00%
Quality of connections satisfaction survey ODI	-0.06%	-0.05%
SO-TO Optimisation ODI	0.04%	0.07%
Environmental scorecard ODI	0.01%	0.01%
Total Output Delivery Incentive Performance (b)	0.03%	0.05%
Innovation Allowance including Carryover	-0.02%	-0.01%
Strategic Innovation Fund	-0.02%	-0.01%
Total Other Revenue Allowance Performance (c)	-0.04%	-0.02%
Total Incentive & Other revenue allowances (a + b + c)	-0.18%	-0.16%

Incentives:

(Financial values in 2018/19 price base unless otherwise stated)

NGET has continued to focus on delivery against the RIIO-T2 output areas: Safety, Meeting the needs of Consumers and Network Users, Customer Connections and the Environment. Incentive performance is based on the six output delivery incentives which support these output areas as well as the Business Plan Incentive, which is set at the start of the price control as detailed below. Further detail for each output incentive is detailed below.

Energy Not Supplied ODI

The purpose of the Energy Not Supplied (ENS) incentive is designed to encourage NGET to improve network reliability by efficiently managing short-term operational risk to minimise disruption to the network. This incentive will either reward or penalise NGET’s performance in relation to loss of supply events.

The incentivised loss of supply events volume target is set at 147 MWh. There was only one ENS event in 2025/26. This event was incentivised and was an ENS event of 28.9 MWh at Heysham 132kV substation on 27th April 2025, outperforming the target by 118 MWh.

This results in an increase to earned revenue of £0.8m for 2025/26 and RoRE impact of 0.01% for 2025/26.

The drivers behind the difference between actual performance and target are because of many reasons. Factors driving the initiation, duration and magnitude of incentivised ENS events are highly varied, so performance can only be assessed at a macro level over an extended period. Our sustained good performance is driven by effective management of the network and our asset management approach.

The impact of the Energy Not Supplied incentive on average RoRE for the RIIO-T2 period is +0.01%.

Insulation and Interruption Gas Emissions ODI

The purpose of the Insulation and Interruption Gas (IIG) Emissions incentive is to incentivise a reduction in leakage of SF₆ and other IIGs from assets on the transmission network, and to support the transition to low greenhouse gas alternative IIGs. The effect of this incentive is to reward or penalise NGET's performance in relation to CO₂ targets.

SF₆ is a potent Greenhouse Gas (GHG) with a global warming potential approximately 24,000 times that of carbon dioxide. We are pleased to report that we have delivered a 43% reduction in IIG emissions from the 2018/19 baseline position to 2025/26, which represents an outperformance against NGET's 33% Science Based Target by 10 percentage points. This performance is driven by targeted interventions on our highest leaking assets. Actual SF₆ emissions in 2025/26 were 171,166 tCO₂e, outperforming the target by 28,602 tCO₂e.

This gives rise to earned revenue of £1.8m for 2025/26 and RoRE impact of +0.02% for 2025/26.

The impact of the IIG incentive on average RoRE for the RIIO-T2 period is +0.01%.

Timely Connections ODI

The purpose of this incentive is to penalise the licensee for failing to deliver timely offers for connection to the licensee's Transmission System.

In 2025/26, NGET delivered 513 out of 519 Transmission Owner Connection Offers (98.84%) to the NESO within mandated timescales, leaving 6 'untimely' offers.

This gives a reduction to earned revenue of £0.1m for 2025/26 and RoRE impact of 0.00% for 2025/26.

The impact of the Timely Connections incentive on average RoRE for the RIIO-T2 period is 0.00%.

Quality of Connections Satisfaction Survey ODI

The purpose of this incentive is to incentivise NGET to improve the quality of service delivered to connection customers. The effect of this incentive is to reward or penalise NGET's performance in relation to customer connections.

In 2025/26 NGET achieved a mean performance score for quality of connections satisfaction survey of 7.0, an improvement of 0.5 on FY25 performance though below the performance neutral target of 7.7.

This gives a reduction to earned revenue of £4.1m for 2025/26 and RoRE impact of -0.06% for 2025/26.

Customer satisfaction improved across the connections process in FY26, driven by enhanced customer engagement, transparency, timely communication and tailored support throughout the application and offer journey. Performance strengthened across several connection milestones, particularly during pre-application, application and development stages, while the Outage and Connected milestones met or exceeded the Ofgem target score of 7.7, with the Connected milestone achieving 9.3. Although customer feedback continued to highlight challenges relating to connection timescales, delivery uncertainty and contractor performance, overall performance reflected continued progress in areas within NGET's direct control, with a Project Delivery score of 7.3 and ongoing collaboration with NESO and industry partners to address wider connections-related challenges.

The impact of the Quality of Connections Satisfaction Survey incentive on average RoRE for the RIIO-T2 period is - 0.05%.

SO-TO Optimisation ODI

SO-TO Optimisation is designed to encourage collaboration with the NESO to identify and provide additional solutions beyond business-as-usual activities to help reduce constraint costs.

In 2025/26 NGET delivered 20 enhanced services solutions successfully with the NESO, which has resulted in over £25.7m in actual constraint saving, taking cumulative savings across RIIO-T2 to £250.6m.

This gives rise to earned revenue of £3.0m for 2025/26 and RoRE impact of +0.04% for 2025/26.

The impact of the SO-TO Optimisation incentive on average RoRE for the RIIO-T2 period is +0.07%.

Environmental Scorecard ODI

The purpose of this incentive is to reward or penalise NGET's performance in relation to six environmental targets compared to annual thresholds. The six components of the environmental scorecard are:

- Business travel
- Operational and office recycling
- Office waste reduction
- Office water
- Environmental value of non-operational land
- Net gain on construction projects

NGET has delivered a strong environmental performance in FY26, meeting all six environmental commitments and exceeding targets in three areas.

This gives rise to earned revenue of £1.1m in 2025/26 and RoRE impact of +0.01% for 2025/26.

Performance was particularly strong for operational and office recycling, environmental value of Non-Operational land and Biodiversity Net Gain on construction projects. Recycling reached 80.6%, significantly above the highest reward threshold of 70%, while environmental value on Non-Operational land increased by 3.61% in the year, contributing to a cumulative RIIO-T2 improvement of 14.71%. We also met our targets for business travel, office waste reduction and office water consumption targets. While performance in these areas has normalised as business activity and office occupancy increased following Covid-19, FY26 reflects sustained environmental progress supported by strategic partnerships, targeted biodiversity activity and continued focus on travel, waste and water efficiency as we move into RIIO-T3.

The impact of the environmental scorecard incentive on average RoRE for the RIIO-T2 period was +0.01%.

Other Revenue Allowances:

RIIO-T2 Network Innovation Allowance

Innovation plays an important role in helping us deliver a safe, reliable and efficient electricity transmission network while supporting the transition to a cleaner and more secure energy system. As the pace of network investment increases and the energy system becomes more complex, innovation renewables us to develop new technologies, improve ways of working and identify opportunities to deliver better outcomes and greater value for consumers. Throughout RIIO-T2, our focus has been on developing practical solutions that improve reliability, accelerate network delivery, strengthen resilience and support the UK's energy transition.

The purpose of the RIIO-T2 Network Innovation Allowance (NIA) is to incentivise networks to take forward innovation projects that have the potential to address consumer vulnerability and/or deliver longer-term financial and environmental benefits for consumers, which may not have been undertaken within the price control.

The NIA allows NGET to recover 90% of total NIA expenditure capped at a maximum allowance of £49.3m over RIIO-T2. Therefore, at least 10% of NIA expenditure will impact operational RoRE, and thus create a negative RoRE performance impact in the short term before any future benefits from the innovation can be realised.

In 2025/26 NGET spent £14.5m on NIA projects, with the 90% allowance recovering £13.0m against this expenditure. This is an increase from £0.2m in 2024/25, driven by the increase in both the total number of NIA projects, and the increase in the NIA projects that have incurred spend. Overall, NGET invested 85% of the allowed NIA pot over RIIO-T2, with some projects being allowed as carry-over into RIIO-T3. NGET RoRE operational performance for 2025/26 is -0.02%.

13 NIA projects have been registered by NGET this year and we have made financial contributions through collaboration on a further three NIA projects led by other network licensees. This brings the total number of projects to 105 for RIIO-T2 (92 registered by NGET and 13 registered by other networks where NGET are collaborators). One of these projects has not incurred any costs in FY26 due to being in the contracting stage and work not yet being started.

Further information can be obtained from NIA annual summaries published on the National Grid Electricity Transmission website³.

Carry Over Network Innovation Allowance

The purpose of the Carry Over Network Innovation Allowance is to extend RIIO-T1 Network Innovation funding. This allowance ensures any unspent 2020-2021 RIIO-T1 NIA allowance was carried over into the first year of RIIO-T2 in 2021/2022, to spend on projects that had already been started by 31 March 2021.

The table for FY26 has been populated using the same information reported on last year's as no further costs have been incurred this financial year.

Strategic Innovation Fund

The Strategic Innovation Fund aims to determine and fund innovative projects with the potential to accelerate the transition to Net Zero whilst succeeding commercially where possible to ensure consumer affordability. Projects are listed as below:

- March 2024: NGET was successful in securing Discovery funding for 1 project, HIRE. The project was delivered from 1st March 2024 to 31st May 2024
- October 2024: NGET were successful in securing Alpha funding for 2 projects, LookNorthH2 and Assessment of Superconducting Technologies for Standards Development. These projects were delivered from 1st October 2024 to 30th April 2025
- December 2024: NGET was successful in securing Beta funding of £8,500,724 for one project, SF₆ Whole Life. The project started on the 1st December 2024 and was due to complete by the 30th December 2028. A 9-month extension has been approved by Ofgem, and the project will now complete in September 2029
- January 2025: NGET was successful in securing funding for 1 Discovery project, Switch Twin. This project started in February 2026 and was completed in April 2026. The project is expected to remain on budget at completion
- April 2025: NGET were successful in securing Discovery funding for 3 projects, DELLTA, RAPID and FoSMo. These were delivered between 1st February 2025 – January 2026
- May 2025: NGET was successful in securing funding for 1 Alpha project, DELLTA. This project started in November 2025 and was completed in April 2026

³[Electricity transmission innovation | National Grid ET](#)

NGET are partnering on several projects that were submitted and approved by other networks. These are Powering Wales Renewably Beta, SYSMET Alpha, REVISE Alpha, FOGSI Alpha, Consumer Centric Grid Discovery, WPT for Grid Discovery & REVISE Beta.

Spend to date is summarised in the following table:

Project name (£k) 18/19 Price Base	2022	2023	2024	2025	2026
SCADENT DP delivery	2	107			
SEGIL DP delivery	2	83			
Eye in the Sky DP delivery	5	74			
Eye in the Sky - Alpha Phase	0	309			
SCADENT - Alpha Delivery		445			
SCOHL			109		
SF6 Whole life			102		
Wellness			115		
SF6 Whole life -Alpha			342		
Wellness -Alpha			393		
Hire			1	104	-18
SF6 Whole Life - Beta					1580
Assessment of Superconducting Tech. for Standards Development				290	314
LookNorthH2				219	299
DELLTA				24	380
RAPID – Automated Routing Infrastructure					5
Foundation Source Model (FoSMo)					85
Consumer Centric Grid					11
SwitchTwin					51
WPT for grid discovery					3
REVISE – Revisiting and Evaluating Environmental Inputs online Ratings					21
SIF alpha FOGSI					17
Powering Wales Renewably (PWR) - Beta					36
Total (£k)	9	1,018	1,062	637	2,784

Financing and Net Debt position

Financing

The purpose of Table R5 is to report annual actual and forecast Net Interest as per the Regulatory (RIIO-T2) definition. This is then adjusted to remove inflation and include early redemption costs and amortisation of discount/premia on issue and compared against the cost of debt allowances published in the latest PCFM. This table also reconciles actual Net Interest with the interest charge included in the statutory accounts.

The Regulatory Net Interest including forecast new financing/refinancing costs definition is used as an input to calculate whether a tax clawback adjustment is required in the PCFM through the TNDI variable value. If both the net interest of the actual company as well as the actual gearing (see the Net Debt section) exceeds the notional company equivalents, then a tax clawback can arise. For NGET, the tax clawback is not triggered in RIIO-T2

Table R5 further analyses the performance of a notional and actual company. A notional company in this context is a hypothetical, but typical and efficient network company whereas the actual company is the actual performance during the price control. This can be demonstrated in gearing where notional gearing is 55.0% in RIIO-T2 whereas actual gearing in RIIO-T2 is on average 50.6%.

	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-T2 Average
Actual Regulatory Gearing	53.2%	50.3%	49.2%	49.3%	51.1%	50.60%
Notional Company Gearing	55.0%	55.0%	55.0%	55.0%	55.0%	55.00%

Net Interest Reconciliation

Table R5 also requires a reconciliation between actual Net Interest with the interest charge included in the statutory accounts.

Actual Net Interest for 2025/26 is £460.5m. Net interest as per the 2025/26 statutory accounts is £183.7m, giving a difference of +£276.8m. The key reconciling items are capitalised interest added back of +£230.4m, gains on a buy-back of +£47.2m and movements relating to pension fund liabilities of +£13.0m. The remaining items include: Fair value adjustments, swap termination costs paid, commitment fees, provision unwind, IFRS16 right of use lease liability, other income on prepayments, forward points and other interest income.

Net Debt

(Financial values in nominal price base unless otherwise stated)

The purpose of Table R6 is to report annual actual and forecast Net Debt as per the Regulatory (RIIO-T2) definition. The worksheet also reconciles the actual Net Debt with statutory accounts. The Net Debt Per Regulatory (RIIO-T2) Definition will continue to be used as an input to calculate any tax clawback.

Net debt per the 2025/26 statutory accounts is £12,773.0m and Total Net Debt closing average per Regulatory (RIIO-T2) definition is £12,728.5m, a difference to Statutory Accounts of -£44.5m. The key reconciling items between statutory accounts and the RIIO-T2 definition are Fair Value Adjustments +£384.7m, Cross Currency Swaps -£261.4m, Balancing Value on Cross Currency Swaps +£135.0m, Derivatives -£138.0m and Accrued Interest -£75.9m.

This year, there have been prior year restatements to align with Ofgem guidance. Updated guidance from OFGEM requires non-GBP debt to be presented at the swapped notional. This impacted both net debt and net interest. The impact to net debt includes changes in the bonds and swap pay/receive legs template calculations where the swaps were reduced by the notional value of CCY swaps now applied to bonds and bonds were impacted where the pay leg notional and discounted notional differ due to the discount. The bond calculation increased by the discount of £21.8m which was offset by a change in the adjusting line "Discounts (premiums) for fixed rate debt" in R6a. FY23 £3,588m, FY24 £3,858m FY25 £3,025m. The impact to net interest includes offsetting movements between calculated bonds interest charges and net derivative swap pay/receive legs with movement on bonds of FY22 £-1m, FY23 £20m, FY24 57m, FY25 £55m. which was added to the difference on bonds/loans adjustment.

Given the significant level of investment, we have included the latest capitalised interest forecast available for the group.

A number of rows (such as fair value gains and losses and net pension interest) are driven by fair value movements which are unpredictable. These rows do now flow into the regulatory definition and a default assumption of this remaining flat from the last actual year is used.

Intercompany financing is replaced by external debt when size justifies a significant issuance.

Regulated Asset Value (RAV)

The R7 – RAV table details the annual Regulatory Asset Value (RAV) position based on the actual RAV per the ET2 PCFM for the September 2026 submission. The closing RAV balance is used to derive actual gearing, and the NPV neutral equity element of RAV is then used to calculate RoRE.

The PCFM used in the September first dry run of the annual iteration process is adapted to include the impact of enduring value adjustments (EVAs) to give an adjusted closing RAV position. It is the closing RAV from the PCFM adjusted for EVAs that is used in the calculation of actual gearing and RoRE as the enduring value adjustments applied provide a more representative view of in year performance. Details of the enduring value adjustments are reported in Appendix 1.

The following table shows the difference between the adjusted closing RAV calculated in the R7 – RAV table and the closing RAV per the latest PCFM. The enduring value adjustments release deferred performance from RIIO-T1 to ensure performance is recognised when outputs are delivered, adjust performance in RIIO-T2 to reflect expected outcomes or simply re-phase performance in line with spend:

£m 18/19 Price Base	2022	2023	2024	2025	2026
Closing RAV per latest PCFM	14,173	14,392	14,885	15,973	17,843
Cumulative enduring value adjustments	52	83	55	19	-46
Adjusted Closing RAV	14,225	14,475	14,941	15,992	17,797

The adjusted closing RAV in 18/19 prices has increased by £1,806m in FY26 from FY25, reflecting an increase in the level of outputs NGET expects to deliver in response to Net Zero targets.

Taxation and Tax Reconciliation

(Financial values in £m 2018/19 price base unless otherwise stated)

The purpose of the taxation worksheet is to calculate the tax out or underperformance against the tax allowance at actual and notional levels of gearing.

The tax allowance for 2025/26 per the latest PCFM is £5.3m. For 25/26, forecast tax outperformance is £3.8m at actual gearing and £4.0m at notional gearing levels. The cause of the outperformance is the PCFM applying the tax trigger deadband to the tax allowance, which is higher than the forecast tax liability. The difference between actual and notional is caused by an adjustment to regulatory tax cost relating to variance from notional gearing of -£0.2m.

The primary objective of the R8a- Tax Reconciliation worksheet is to highlight differences between a licensee's CT600 actual corporation tax liability and the calculated tax allowance in the 'Finance & Tax' sheet of the latest PCFM. Due to the timing of the CT600 submissions to HMRC, this sheet is to be reported with a one-year lag (i.e. inputs will relate to the previous reporting period).

To reflect the FY25 position, given that the R8 table starts from the CT600 liability of £nil, it has been necessary to add two additional lines to the reconciliation within "Other Adjustments" to reflect the tax loss position generated by NGET in this period. These adjustments reflect the current year tax losses per the CT600 (which generate a tax credit) and the fact that NGET has a tax allowance of the deadband amount even though the company is also loss making for regulatory purposes. The tax credit adjustments associated with those losses is now presented within "Other Adjustments". As NGET does not recover the tax credit arising from these losses in cash tax terms, there is no adjusted regulated tax liability in the current year (per row 36). It is therefore necessary for the available 'excess' tax credit on this current year loss to be restricted to reduce the adjusted regulated tax liability to nil, as no repayment will arise, i.e. the adjusted regulated tax liability cannot be less than £nil as the tax losses are carried forward to future periods. Consequently, the reported outperformance being reflected primarily comprises the current Tax Allowance per the latest PCFM, of £5.4m (2018/19 prices). The additional lines added to R8 are; Row 30 - Tax credit on current year loss per CT600 (this reflects the tax credit, calculated at 25%, arising on the CT600 tax loss, as shown in tab R8a) & Row 31 - Tax loss restriction (this reflects the restriction required to cap the adjusted regulated tax liability at nil).

The differences between NGET's FY25 tax return (CT600) and the regulatory tax model (PCFM) are expected, fully explainable, and consistent with Ofgem guidance. They do not result from errors or tax planning; instead, they arise because the PCFM calculates a notional tax allowance for an efficient network company, while the CT600 reflects NGET's actual tax position.

Tax Reconciliation Summary		2025
Regulatory Tax allowance; PCFM for FY25		5.2
Timing: Regulated Revenue Collection		(54.5)
Notional vs. Actual accounting differences; Net Interest		12.1
Notional vs. Actual accounting differences; Capital Allowances		(7.0)
Accounting & modelling differences		56.0
Permanent differences; Activities outside the Regulatory framework		-12.0
Actual Statutory Tax liability (CT600) for FY25		0.0

The main differences fall into four categories:

Timing differences – These arise because the PCFM uses regulatory reporting rules, while the CT600 is based on IFRS statutory accounts. The resulting differences in revenue and cost recognition occur every year and are already explained through RFPR reconciliations.

Notional versus actual financing assumptions – The PCFM uses fixed assumptions (such as standard capitalisation rates and 55% target gearing), whereas the CT600 reflects NGET's actual expenditure, financing structure and interest costs.

Accounting & modelling treatment differences; Tax losses – NGET generated tax losses in FY25 due to significant capital allowance deductions under the UK's full expensing regime. Although the PCFM adjusts for tax law changes through the tax trigger mechanism, the T2 framework included a deadband, meaning NGET still received a notional tax allowance despite being in a statutory tax loss position.

Permanent differences, those that are outside of the regulatory framework – such as Directly Remunerated Services and De Minimis activities, and various smaller tax adjustments that Ofgem does not incorporate into the PCFM.

Overall, these variances are well understood within the regulatory framework and should not be unexpected to Ofgem. The PCFM is designed to estimate the tax an efficient regulated network business would pay, so it will naturally differ from NGET's actual statutory tax position.

Corporate Governance & Financial Resilience

The purpose of this worksheet, R9 – Corporate Governance - is to report the executive directors' remuneration in addition to the actual dividends paid by the regulated business. More information on this section can be found in the appendices of this report.

Corporate Ownership and Governance Framework

The corporate governance structure for NGET can be found in Appendix 2, including ownership stakes in the licensee expressed as a percentage and the names (both registered and trading) of all companies in the ownership structure between the NGET and National Grid plc.

Board of Directors

Reinforcing its commitment to sound corporate governance, the Board has continued to strengthen and develop both its composition and governance framework, implementing, as applicable, many of the best practice governance principles in operation at the National Grid plc level.

At the year end, the Board consisted of five Executive Directors, one National Grid Group-appointed Non-executive Director, two Sufficiently Independent Directors (SIDs) and one Non-executive Director, who between them provide a broad and diverse range of experience and technical skills from both within and external to the organisation, from the energy sector, other regulated industries and external bodies.

Directors who were in office during the financial year ending 31 March 2026 and up to the date of this report:

Name	Director Type	Appointment Date	Resignation Date	Role
Bennett, Christopher Paul	Executive	25/06/2016	01/09/2026	Group UK Regulation and Policy Director
Braovac, Matthew	Executive	01/08/2025		General Counsel ET
Delahunty, Alice Kyne	Executive	14/12/2020	01/09/2026	Electricity Transmission President
Grogan, Niamh	Sufficiently Independent	01/02/2026		SID
Lewis, Alexandra Morton	Group-appointed Non-executive	13/04/2018		Group Treasurer and Director of Tax, Pensions and Insurance
Long, Jeremy Paul Warwick	Sufficiently Independent	17/03/2022		SID
Mavor, Jeremy	Executive	01/07/2024	01/08/2025	Group General Counsel & Company Secretary
Ross, Cathryn	Sufficiently Independent	21/06/2019	31/01/2026	SID
Sheppard, Philip Graham	Non-executive	01/08/2021		Non-Executive
Thakrar, Sandip	Executive	17/11/2023		President of Electricity Transmission
Trowell, Carl Geoffrey	Executive	29/05/2023	01/09/2026	Strategic Infrastructure President
Salter-Church, Robert	Executive	01/09/2026		ET Regulation Director
Staley, Matthew Barrie	Executive	01/09/2026		Strategic Infrastructure President

Board committees

There are several committees within NGET, including:

Audit & Risk Committee

The Audit Committee's role is to monitor and review the Company's financial reporting and internal controls, assess their effectiveness, together with reviewing the Company's risk management processes. It also reviews the external audit plan and reviews the external auditors' findings. From 8th September 2026, the Committee is now named the Audit & Risk Committee. Membership of the Committee comprises:

- Jeremy Long (Sufficiently Independent Director)
- Alexandra Lewis (Shareholder-appointed non-executive Director)
- Niamh Grogan (Sufficiently Independent Director)
- Cathryn Ross (Sufficiently Independent Director, until 31/01/2026)

Business Separation Compliance Committee (BSCC)

The Business Separation Compliance Committee is responsible for overseeing the duties and tasks of the Compliance Officer (including the Business Separation Compliance Officer) and for overseeing compliance with the licence conditions relating to business separation.

Membership of the Committee is by appointment of the Board and comprises all Directors of the Company. The Committee was primarily chaired by Cathryn Ross (Senior Independent Director) during the reporting period, providing independent leadership. Niamh Grogan was appointed Chair following Cathryn Ross's resignation in January 2026. The Committee is supported by the Company Secretary.

Finance Committee

The Board delegates authority over matters related to Treasury, Tax, Pensions and Insurance to a Finance Committee made up of the National Grid plc Chief Financial Officer and Group Treasurer and Director of Tax, Pensions and Insurance, who provide dedicated expertise and input into these matters. These matters are governed in line with the Board's approved risk appetite, including in relation to financing decisions, credit exposure, hedging, foreign exchange transactions, guarantees and indemnities. At each meeting, updates on relevant matters are provided to the Board by the Group Treasurer and Director of Tax, Pensions and Insurance, who is also a member of the NGET Board. Membership of the Committee comprises:

- Andrew Agg (Chief Financial Officer of National Grid plc)
- Alexandra Lewis (Group-appointed non-executive Director and Group Treasurer and Director of Tax, Pensions and Insurance)

Electricity Transmission and Strategic Infrastructure Committees

These Committees direct the affairs of the Electricity Transmission and Strategic Infrastructure businesses on behalf of the Board. This performs an assurance role within the context of the overall RIIO networks governance framework and oversees the performance of sub-committees reporting to them. The Committees' remit extends to approving the strategies and business objectives for managing the RIIO contract and for approving opportunities to deliver value within that contract in accordance with Delegations of Authority limits.

The ET Executive Committee comprises the senior management of the ET business and is chaired by

- Sandip Thakrar (Executive Director) – Electricity Transmission (previously Alice Delahunty until 31 August 2026)

The SI Executive Committee comprises the senior management of the SI business and is chaired by

- Matt Staley (Executive Director) – Strategic Infrastructure (previously Carl Trowell until 31 August 2026)

The following Committee members form part of the Company's senior management team, as at 31 March 2026:

- Matthew Braovac (UK General Counsel)
- Simon Johnston (Chief Information & Digital Officer)
- Sharan Sandhar (Chief People Officer)
- Jon Davies (Director of Network Operations & Intelligence)
- Joe Northwood (Director of Portfolio Strategy and Development)
- John Twomey (Director of Customer and Network Development)
- Ciara Taberner (Director of Safety, Health, Environment, and Communities)
- Sandip Thakrar (Chief Financial Officer, NGET)

- Rob Salter-Church (Director of ET Regulation)
- Lydia Ogilvie (Director of Corporate Affairs)
- Kate Grant (Director of Asset Operations)

Decision Making

The following table explains the decision-making responsibilities that are reserved to a parent/group company and/or where the company consults with guidance given by the group:

Mission, values and strategy	Mission, values and strategy are matters reserved to the ultimate shareholder, National Grid plc. The Company works within the mission, values and strategy of National Grid and the Company's Board is responsible for the oversight of the Company's mission, values and strategy.
Board nominations	Changes to the structure, size and composition of the Board and Board Committees are matters reserved to the Company's Board. In accordance with the Company's Articles of Association, the Company's shareholder (being National Grid Holdings Limited) may appoint and remove directors by ordinary resolution.
Board evaluation	The Board evaluation process is a matter reserved for the Company's Board. Separately to the Company, the Board of National Grid plc complies with the provisions of the UK Corporate Governance Code in relation to its own evaluation.
Executive remuneration	Executive remuneration is a matter reserved to the Board of National Grid plc. Further information on this is available within the Remuneration Report of National Grid plc's 2025/26 Annual Report and Accounts on pages 107 to 126. ⁴
Dividend policy	Dividend policy is a matter reserved to the Company's Board. The Company will consult with the Board of National Grid plc to determine dividends, with final approval from the Company's Board.

Executive Remuneration Policies & Framework

Executive remuneration is controlled by the ultimate parent company, National Grid plc. The National Grid plc Remuneration Committee is responsible for recommending the remuneration policy for the National Grid plc executive directors, Group Executive Committee members and the Chair, and for implementing this policy. Further information on this is available within the Remuneration Report of National Grid plc's Annual Report and Accounts on pages 107 to 126. The aim of NGET's remuneration policy is to ensure that how we structure remuneration and how we make decisions on annual and long-term reward plans are compatible with and fully support:

- attracting, motivating, and retaining employees while not over-paying; the key elements of remuneration are targeted broadly at mid-market of our peer group of general industry and energy services organisations.
- ensuring we pay our employees in a way that incentivises stretching financial and operational performance, within the risk appetite set by the NGET leadership team.

⁴ [National Grid Annual Report and Accounts 2025/2026](#)

- being fully aligned to the fact that we are a Regulated company and our impact we have on the cost to the consumer; and
- actively supporting our strategy, ethics, values, and contribution to society in the areas where we operate.

NGET's remuneration policies are designed to ensure alignment with customer and stakeholder interests; our mission, culture and values; and long-term delivery of our strategy. Our management is incentivised through our target setting and remuneration policy to deliver the actions necessary to achieve our net zero objectives. Alignment of the Annual Performance Plan (APP) and the Long-Term Performance Plan (LTPP) to core financial Key Performance Indicators (KPIs) incentivise operational excellence and long-term value creation to ensure we deliver for our customers efficiently.

Remuneration Framework

Our remuneration policy weights executive and senior leadership compensation more heavily towards performance related pay, especially long-term share-based reward. The portion of reward at risk (linked to performance-based elements) accounts for more than half the total remuneration opportunity; and is linked to both business performance measures and individual performance. This typically comprises an annual element (APP) and a longer-term element (LTPP):

Band	Target APP (% of salary)	LTPP Maximum Award	Pension DC contribution*	Car Allowance	PMI	Holiday	Flexible Benefits
President	70%	Up to 275% of annual base salary	12%	£12,000	Uncapped	28 days annually (plus public holidays)	Range of benefits include; Sharesave scheme, SIP, employee assistance programme & flex benefits scheme
Leadership Team	40%	Up to 85% base salary**	12%	£12,000	Family		

**Externally hired employees will participate in a Defined Contribution (DC) arrangement with a maximum of 12% employer contributions; and receive Employee only private medical insurance (PMI) cover. New appointments and new hires will be appointed on the terms set above, however, there may be cases where employees have legacy terms and conditions that continue to apply based on their contractual arrangements.*

***Maximum up to 120% in some circumstances*

Annual Remuneration Increases

Base salary increases are generally reviewed annually and are targeted broadly at mid-market of our peer group. In addition, a number of other factors are taken into account:

- business performance and individual contribution;
- the individual's skills and experience;
- scope of the role, including any changes in responsibility; and
- market data, including base pay and total remuneration opportunity in the relevant comparator group.

The remuneration of the President NGET and other senior leaders are reviewed and approved annually at National Grid Group Executive Committee level. The budget for annual salary increases for Senior Managers and Managers is also set by the NG Executive Committee and allocated to individuals with reference to the factors outlined above.

Performance Related Remuneration

Short term incentives

The Annual Performance Plan (APP) comprises reward for achievement against National Grid and NGET scorecard measures and achievement against individual objectives. Performance measures and targets are normally agreed at the start of each financial year and are aligned with National Grid and NGET strategic business priorities. Targets are set with reference to the budget, which is reviewed and approved annually by the National Grid Group Executive Committee.

Individual performance will be determined by an assessment of the achievement of objectives set at the start of the financial year and their demonstration of leadership behaviours and National Grid values.

Operational performance of NGET during the year will be assessed against metrics and targets set at the start of the financial year.

The achievement of stretch performance across all measures will result in the maximum APP award of 200% of target at managerial levels. APP awards are paid in June and subject to malus and clawback provisions.

Long term incentives

NGET operates a share based Long Term incentive plan (LTPP) under which awards may be granted to senior managers each year, with the intention to provide an appropriate incentive to NGET employees and to encourage outstanding long-term performance. Awards are in the form of either Performance Shares or Restricted Shares.

Vesting occurs at the third anniversary of the award with the vesting value flexing with the value of the National Grid business during the vesting period. The Committee reserves the right to apply discretion on overall vesting outcome taking into consideration the underlying business, financial and operational performance. LTPP awards are subject to malus and clawback provisions.

2025/2026 Executive Remuneration

As at March 2026, NGET had five executive directors, Alice Delahunty (President of Electricity Transmission), Christopher Bennett (Group UK Regulation and Policy Director), Sandip Thakrar (Chief Financial Officer), Carl Trowell (President of Strategic Infrastructure) and Matthew Braovac (General Counsel ET).

Where executive directors are remunerated for services across multiple group companies, remuneration is allocated to the regulated business in accordance with the Unified Cost Allocations Methodology.

National Grid's Group structure means that Directors do not hold shares at a Licensee level. For this reason, NGET has agreed with Ofgem that we will not declare any shares/options as part of the remunerations package as information around Shares/Options and dividends paid becomes inapplicable. Any shares owned would be in National Grid plc and would not be allocated to the individual businesses. Shares owned will not be awarded by the rewards team and do not form part of the remuneration package.

CEO Pay Ratios

When making remuneration decisions for NGET senior leaders, NGET take into account the remuneration arrangements and outcomes for the wider workforce and statistical information, such as the pay ratio between senior management and the wider workforce. This compares the CEO/President of NGET's remuneration to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full-time equivalent basis) in accordance with the Companies (Miscellaneous Reporting) Regulations 2018 (as amended).

The 2025/2026 CEO Pay Ratio reports the 25th, 50th and 75th percentiles as 30.00, 23.42 and 18.29 respectively. The median pay ratio reported this year is consistent with our wider pay, reward and progression policies. For

reference, the National Grid plc Group-wide pay ratio and National Grid UK ratio are disclosed in the NG plc Group Annual report ⁵

Dividend policy

Dividends represent the return of profits to shareholders. Dividends are paid as an amount per ordinary share held. NGET retains part of the profits generated in the year to meet future growth plans and meet our target gearing. Interim dividends are recognised when they become payable to the Company's shareholders. Final dividends are recognised when they are approved by shareholders.

There was a final dividend paid to equity shareholders in respect of the prior year of £400m in FY26. The Directors are proposing a final dividend of £410 million for the year ended 31 March 2026. This was confirmed after the year end during the 22 July 2026 board meeting and will be reflected in the statutory accounts in the year 2025/26.

As per the Corporate Group Structure (see Appendix 2), National Grid Group plc, rather than NGET, maintains a dividend policy for shareholders and investors. The NGET Board is acutely aware that external investors in regulated utility companies, such as National Grid plc, value regular, stable dividends and invest on this basis. NGET has the advantage that it is owned by National Grid plc and, while National Grid plc needs to maintain a stable dividend, NGET has more flexibility in its dividend choices.

In determining what, if any, dividends to pay, the NGET Board adopts a multi-stage process:

- Determination of an appropriate dividend based on performance, followed by
- Consideration of issues associated with financial resilience, ensuring adequate financial resources and credit metrics considering both current and future price control investment requirements

Whilst acting on behalf of the Licensee, the NGET Board also recognises the efficiency benefits of being part of inter-Group financing arrangements.

With regard to the performance benchmark, the NGET Board takes into account the total return earned by NGET. This includes:

- The allowed return on equity,
- The impact of operational performance, i.e. Totex and ODI performance, and
- The impact of financial performance (e.g. cost of debt)

This first stage ensures that dividends take account of the performance of the company, and delivery on behalf of consumers.

With regard to financial resilience and resources, the Board considers:

- Current and future financial sustainability
- Current and future investment needs
- Current and projected gearing
- Current and projected credit metrics
- Previously deferred dividend

Financial Resilience

NGET is required by and has complied with its Electricity Transmission Licence obligation to provide Ofgem with annual certificates [Certificates for Operational Resources (1R), Financial Resources (1F), and compliance with standard conditions (1C)] by 31st July each year. NGET must also be compliant with certain standard conditions and consider whether it is appropriate to pay a dividend or not. The Licence requires the certificates to be approved by a resolution of the NGET Board and signed by a director. These requirements form part of NGET's annual Financial Ringfence compliance process.

National Grid as a group do not have securitisation requirements that limit or restrict cashflows or dividends across the group. NGET has no such covenants and no external financing in the ownership chain until National Grid Group

⁵ [National Grid Annual Report and Accounts 2025](#)

plc, see Appendix 2 for the Corporate Group Structure. At National Grid group level the balance of UK regulated, US regulated and unregulated activity ensures that the 50% threshold is not met and as such no companies within the corporate group have a material economic reliance on distributions and dividends from the Licensee.

Pensions and Other Activities

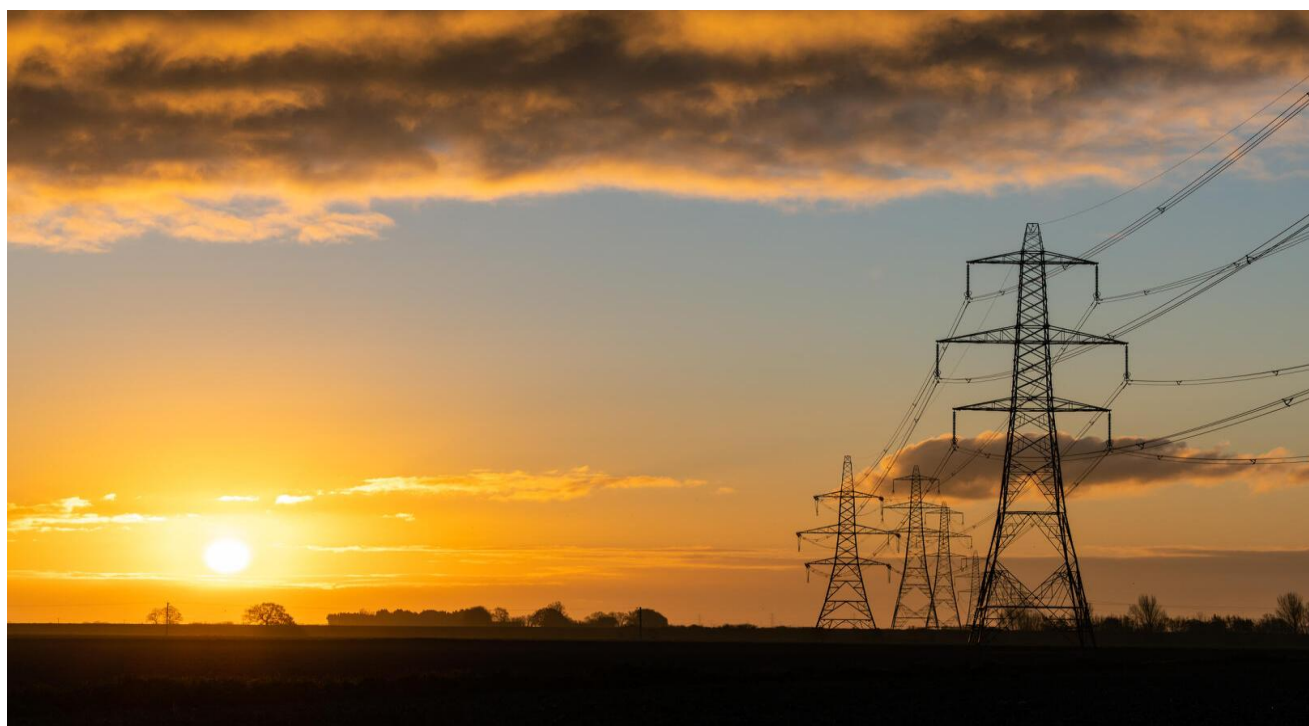
The purpose of the Pensions and Other Activities worksheet is to report a summarised position of NGET's pensions deficit for defined benefit schemes, and to capture any Ofgem related fines and penalties. The latter feeds into the calculation of RoRE.

The established deficit allowance less Pension Payment History (PPH) is -£0.4m.

The pension scheme valuation is performed tri-annually. Figures contained in this submission reflect the results of the most recent, officially recognised valuation exercise as at 31 March 2022. Results from the 31 March 2025 valuation exercise will be approved by Ofgem in November 2026 and will be included in the PCFM with effect from 1 April 2027, and deficit repair payments in row 12 of the R10 sheet will continue to be zero.

Pension deficit payments ceased in 2023/24, except for an Employer Deficit Contribution payment of £1.6m in lieu of excess ongoing contributions for transferred Section A members of the NGUK (Gas) Pension Scheme who transferred across as part of National Grid PLC's sale of National Gas Transmission.

Pension Deficit payments (and all associated allocations thereof) reduce to zero with effect from FY2025.



Data Assurance Statement

The RFPR submissions have been completed in line with the Ofgem Data Assurance Guidelines (DAG) process. This mandates a fully documented 2 level review process. The overall submission and regulatory judgments have been signed off at Director level.

In summary, the following assurances were completed:

1. Assurance Template completed by Data Provider
2. First Level Reviewer
3. Second Level Reviewer
4. Independent Expert Reviewer/ Internal Data Audit
5. Manager & Senior Manager
6. Director Sign Off

Basis of any Estimates and Allocations

Forecasts are based on the key principle that variable values remain unchanged from the published PCFM in January 2026 unless:

- Actual data is available;
- there is a clear external signal indicating change to values published through the published PCFM in January 2026; and
- there is an increase in the assurance of project costs compared with those published through the published PCFM in January 2026.

Where there is neither an external signal nor increased cost assurance, variable values remain unchanged from the published PCFM in January 2026.

These forecasting principles are specifically interpreted and applied to each category of variable values. On an annual basis the policies within this document are reviewed by NGET's Chief Financial Officer.

Contact Details

If you have any questions or comments on this document or the accompanying spreadsheet templates, please do not hesitate to contact a member of the team:

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Appendices

Appendix 1 - Enduring Value Adjustments

To provide a true view of RoRE, several enduring value adjustments have been applied to Totex. The enduring value is the true value of the regulated business over the course of the price control and factors in the financial impact of any decisions or events which are yet to be reflected in revenue and RAV but are known at the time of estimation. Where possible forecasting is utilised to give a view of the true value of the regulated business, however the RRP does not accommodate all required adjustments. Therefore, several adjustments are required to be overlaid after the completion of the RRP. These adjustments release deferred performance from RIIO-T1 to ensure performance is recognised when outputs are delivered, adjust performance in RIIO-T2 to reflect expected outcomes or simply re-phase performance in line with spend. A summary of the RoRE impact for these categories of adjustment can be seen below:

EV RoRE Impact	2022	2023	2024	2025	2026	RIIO-T2 Period
T1 Deferral Adjustments	1.78%	1.38%	0.27%	0.38%	0.16%	0.76%
T2 Adjustments	-0.73%	-0.73%	-0.78%	-1.03%	-1.25%	-0.92%
Re-Phasing Adjustments	-1.85%	-1.27%	-0.35%	1.35%	1.70%	0.00%
Total EV Impact	-0.81%	-0.63%	-0.86%	0.70%	0.61%	-0.16%

The following table details the individual enduring value adjustments applied and the reasoning behind the application. These items reconcile to worksheet R3 – Totex Reconciliation:

Enduring Value Adjustment £m 2018/19 Price Base	2025/26 Adjustment	Total RIIO-T2 Adjustment	Total RIIO-T1 Adjustment	Explanation
T1+2 Deferral	£8.1m	£269.5m	-£358.8m	Allowances deferred in RIIO-T1 relating to crossover schemes. Performance to be released in line with output delivery dates.
T1 Non Load	£12.3m	£376.6m	-£393.9m	Outstanding RIIO-T1 projects where work is expected to complete in RIIO-T2 without further funding. Deferral of allowances released in line with spend to ensure performance is recognised when outputs are delivered.

ISS Deferral	£0m	£46.0m	-£46.0m	Agreement with Ofgem for the late delivery of ISS sites, with no change to RIIO-T1 allowances.
T1/T2 Offset	£15.7m	£78.4m	-£78.4m	The net impact is driven by £87.4m positive adjustment for Load related projects between T1 & T2 offset by a negative £165.8m recovery of T1 allowances for Non Load outputs no longer required. As the clawback was recognised in T1 RoRE, the net adjustment is recorded as a positive value in T2.
Pre-Construction Adjustment + Easements	-£90.1m	-£192.2m	n/a	Deferral of pre-construction allowances that have pre-construction spend beyond RIIO-T2 to ensure performance is recognised when outputs are delivered. True-up of allowances to cost relating to permanent easements.
Bridging Allowance Adjustment	-£111.6m	-£248.5m	n/a	Removal of bridging allowances for schemes that won't deliver until RIIO-T3 to reflect accurate performance.
PCD Adjustment	-£70.5m	-£478.4m	n/a	Due to limitations within the RIIO-T2 licence we are unable to include a forecast certain PCD adjustments within the RRP. This adjusts allowances to provide a more accurate view of performance.
De Minimis	-£11.4m	-£11.4m	n/a	Excludes the £11.4m TSA settlement from Totex performance
Phasing Adjustment	£385.0m	£0.0m	n/a	Re-phasing of allowances compared to those in the PCFM. This re-phases allowances to match the spend profile to provide a more accurate view of in-year performance.
Total	£137.6m	-£160.0m	-£877.1m	

Appendix 2 - Corporate Ownership Structure



