National Grid

Half Year Results 2026/27

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Transcript

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Speakers

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Analysts:

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Mark Freshney	UBS
Rob Pulleyn	Morgan Stanley
Marcin Wojtal	Bank of America
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Zoë Yujnovich: Good morning, everyone, and welcome to National Grid's Half Year 2027 Results presentation.

Six months ago, I set a clear direction for National Grid: to build on our strong foundations, sharpen performance and advance us as a world-class business. Since then, we've simplified the organisation, enhanced accountability, accelerated delivery of our capital programme, and increasingly deployed technology to improve our business.

Today, I'd like to bring to life how the initiatives we're driving are already having an impact, through improving performance and underpinning our confidence in growth. I'll then hand over to Andy for our financial performance and outlook before we take questions.

Let me start with the key messages from the first half.

In May I introduced our new strategic framework, with the Brilliant Basics designed to drive better performance across the business through competitive benchmarking and continuous improvement. And the Big Shifts focusing our attention on the few transformations necessary to respond to the ever-changing external market.

We've made strong progress and I am pleased to say that our execution across the Brilliant Basics is already translating into sharpened delivery.

There are three key messages I'd like to highlight:

First, capital investment increased by one-third in the first half, with important project milestones completed. As a result, we're upgrading our capital investment guidance for the year. Our progress, together with some one-off fair value gains within National Grid Partners, supported strong first-half EPS growth and means we're also slightly upgrading our full-year EPS growth guidance.

Second, we're changing how National Grid operates as we drive the Big Shifts. Some highlights include simplifying the organisation to create clearer accountability and better-quality decision-making, scaling practical technology and AI tools to improve productivity and delivery and shaping policy outcomes that support affordability and resilience.

Third, we continue to build momentum in our Disciplined Growth. Here we're focused primarily on our core regulated businesses, as we continue to help shape the longer-term regulatory environment, with ED3 and our upcoming US rate cases as examples. While at the same time exploring adjacencies that will support longer-term growth, where there is a strong portfolio fit and opportunity to earn attractive returns, with our investment in Joulent as an example.

I am pleased with the increased pace of execution across our strategic framework in the past six months.

Taken together, this strengthens our confidence in delivering our five-year

growth targets.

And in turn this will support customer affordability, deliver better outcomes for our wider stakeholders and underpins our compelling investor proposition with double-digit investor returns.

Our capital delivery combined with our focus on sharpening performance is translating into strong financial outcomes. Capital investment increased 32% to 6.7 billion pounds, a new record for the first half.

We now expect full-year investment of 13.5 billion pounds, putting us firmly on the run-rate required to deliver at least 70 billion pounds by the end of FY31.

This is supported by continued supply chain progress in the past six months, as we've secured over 3 billion pounds of further delivery mechanisms, taking the total to over 80%.

Underlying EPS increased by 22% to 36.5 pence, reflecting stronger performance across the business and gains from two successful capital markets transactions within National Grid Partners.

We're therefore slightly upgrading our full-year EPS growth guidance, to 15-16%.

The Board has also declared an interim dividend of 16.97 pence per share, a year-on-year increase of 3.8%. This is in line with our policy that aims to deliver an inflation-protected progressive dividend.

Andy will come back to the financials in more detail later. For now, let me turn to how we're delivering our strategy.

The external environment continues to evolve rapidly, with many of the energy market drivers of change supporting growth in our business.

Geopolitics and the macroeconomic environment remain complex, with the Middle East conflict putting direct pressure on consumer energy bills.

Energy security and affordability are therefore amongst the most critical topics for Governments, regulators and our customers.

Meanwhile the pace of change in technology and customer needs is accelerating, presenting both an opportunity to evolve how we run our business and creating a large demand runway.

This is accentuated by the scale of electrification needed to support the energy transition.

We must therefore get more capacity from our existing networks through leveraging technology at scale, while at the same time investing to build the network capacity needed for the future.

Our strategic framework is designed to navigate this complex environment and leverage the structural growth it presents.

Importantly, we've now fully aligned the organisation behind this framework.

Through a simplified operating model, while reducing the Group Executive Committee from 13 members to 8.

This gives clear regional accountability to our newly formed UK and US businesses, supported by enterprise-wide capabilities across capital, technology & innovation, and our functions.

And by delivering our framework, we'll build a business that makes better quality-decisions at pace, drives stronger execution and solidifies a superior growth trajectory.

Let me start with capital and the delivery of our largest-ever investment programme.

Starting in the UK, capital investment increased strongly across both Electricity Transmission and Distribution. The structural drivers of our investment are diverse. Importantly, our investments will support lower consumer bills through reducing system constraint costs and is expected to create over 60,000 UK jobs.

In Electricity Transmission, investment rose by 71% to 2.9 billion pounds. This primarily reflects the ramp-up of ASTI investment to 1.5 billion pounds, along with other major projects to reinforce the network and connect new generation.

We're also using technology to improve our capital delivery. For instance, we're using Sensat's infrastructure visualisation mapping technology to test different construction options against real world constraints before we get to site, reducing in-person visits, enabling earlier decisions and reducing overheads.

We also connected 2.5 gigawatts of generation in the first half, including the Sofia Wind Farm and the UK's fourth-largest battery project in Newport. This is more than double the generation connected in the whole of FY26 and demonstrates our significant momentum.

We also see strong growth in Electricity Distribution, where our investment increased by 10% to 834 million pounds in the first half, as we continue to invest in asset health to enhance our resilience and support connections.

We're currently finalising our ED3 business plan, which is reaffirming our planned investment of 9 billion pounds over the coming five years.

This is 40% higher than the previous period and will support vital economic development in our Midlands, South West and Wales service areas, consistent with the Government's devolution agenda.

Let me give some additional detail on ASTI, which accounts for around 17 billion pounds of investment over the next five years, and underpins much of our UK growth.

Our timetable remains on schedule, with 100% of the critical primary supply chain already secured, and 500 million pounds of additional non-primary supply chain contracts signed in the first half.

All six of our Wave 1 ASTI projects are now in construction, with the majority of these projects due to complete by March 2031.

Of course, across a portfolio of this scale, not every project will go exactly to plan. For instance, we've learned from our experience of the ASTI framework and the Eagle 1 delay event, and we're applying those lessons to drive better performance across the programme.

That includes identifying a 100-day schedule improvement on Eagle 1 through generative scheduling as we work to get back on track, while Yorkshire GREEN and Eagle 2 are tracking ahead of schedule.

On Wave 2, our first two projects at Pentir to Trawsfynydd (*"traws-FIN-eth"*) are now in construction. With the remaining nine Wave 2 ASTI projects also progressing through the planning and consenting processes.

For instance, we secured the Development Consent Order for Sea Link last week, enabling us to move the project into its next phase, and the outcome on Norwich to Tilbury is due early next year.

Last week we also made our DCO submissions for Eagle 3 and 4, and expect to submit all remaining ASTI project planning submissions by the end of March 2027.

ASTI is therefore moving steadily from development into construction.

As you can see on the slide, we remain on track for our key delivery schedule dates and the ASTI-related RIIO-T3 investment, with 15% of Wave 1 and 5% of Wave 2 deployed in the first half.

Recent project milestones bring the progress to life.

At Grain to Tilbury, we've deployed a tunnel boring machine to create a cable route under the Thames River, replacing and upgrading infrastructure installed in the 1960s. The team completed the 2.2-kilometre Thames crossing in September, 49 days ahead of schedule.

Caroline, as the tunnel boring machine is known, was named by local schools in honour of Dame Caroline Haslett, who was a pioneer for women in the electrical engineering industry.

And this was a pioneering piece of equipment as well. With its vast scale requiring us to build a shaft at Tilbury using Europe's largest Vertical Shaft

Sinking Machine!

Elsewhere, our Yorkshire GREEN project is progressing well and is expected to be the first of our ASTI portfolio to go live on the system, and we also energised a 1.4-gigawatt offshore wind farm.

Cordi and Carl will provide more detail on our progress at the UK Transmission investor deep-dive event, which is planned for December.

Turning now to the US, where we've successfully grown our rate base by over 70% since 2020.

This growth is underpinned by multiple drivers including ongoing network resilience, accelerating industrial and consumer demand, and the need for additional system capacity.

Importantly, we're seeing that demand directly within our service territories, as we progress discussions with large-load customers in areas including advanced manufacturing and data centres.

As a result, first-half investment grew across both New York and New England.

New York investment increased by 11% to 1.8 billion pounds. Including around 800 million pounds in gas maintenance, principally through our decades-long leak-prone pipe replacement programme. As well as 800 million pounds across electric transmission and distribution.

In New England, investment increased by 14% to 1.1 billion pounds, underpinned by similar drivers across both gas and electricity, with local regulators supporting the need for modernisation.

During the first half of the year, work commenced on the first phase of the electricity connection for Micron's semiconductor chip manufacturing site in Upstate New York, supporting an initial 480 megawatts of demand.

At full build, it is expected to account for around 2 gigawatts of demand, equivalent to almost one-third of NIMO Electric's current peak demand, and Micron will become our largest single electric customer in New York.

Our connections will allow Micron to invest more than 100 billion dollars in Central New York and create approximately 9,000 direct jobs, in addition to almost 50,000 jobs across the broader regional economy and supply chain.

With the state now attracting a significant and growing semiconductor manufacturing ecosystem.

We also completed our Smart Path Connect transmission project and began refurbishing a major century-old transmission line in Massachusetts.

These projects show the significant growth in our regions and how investment is translating into additional capacity, reliability and economic

growth.

To this point, I've focused on capital delivery and how strong project management is enabling us to deliver to schedule and budget – a Brilliant Basic.

But a world-class network operator must also maximise the value of its existing infrastructure and enhance the customer experience.

That's why we're also focused on sharpening performance across our existing assets, our customer service and our corporate functions.

Our investment in asset health in the UK is supporting world-class transmission reliability, strong distribution performance and improved interconnector availability.

In the US, we've rolled out the "Lighthouse" frontline productivity pilot that I spoke about in May, across our 15 Downstate New York Gas business operations.

In some of our early locations, this is helping us to get crews to their first jobs 15% faster, reduce travel time between jobs by 25% and complete up to a third more valve inspections each day. It's also cut unplanned overtime on Long Island by 75%.

We're now rolling it out across our locations in Upstate New York Gas.

Our focus on assets is designed to help us maintain and enhance our strong reliability and safety KPIs.

These are the key performance indicators of our progress, supported by a suite of operational metrics that we track closely, to ensure we're driving the leading indicators of our asset health.

For customers, in the UK we're redesigning our processes to achieve best-in-class customer journeys, and in the US, we're deploying tools that make interactions simpler, increase self-service, and provide a better customer experience.

For instance, we've improved first time billing accuracy in our US businesses, with New England now over 96%, up 2 percentage points on last year, while delivering a tenfold increase in AMI meter deployment over the same period.

All of which is driving improved customer satisfaction scores across both the UK and US.

And in our functions, common data and new digital tools are improving productivity.

By sharpening performance across all of the Brilliant Basics we expect to deliver efficiencies, which can support customer affordability, provide

capacity to absorb downside risks and position us as a world-class operator with our regulators.

It will also help support us in delivering a regulated controllable cost growth CAGR that is below UK CPI-H over the five-year period to FY31.

Let me bring that together through a lens that is deeply important to us: our customers. We have three priorities.

First, supporting affordability.

That means getting more from our existing assets to avoid unnecessary investment, sharing value where our assets outperform, going beyond the regulatory framework where it matters, and providing targeted support for vulnerable customers.

Examples of this include using AI tools such as GridCare to unlock network capacity, and our focus on affordability helping to enrol over 65,000 more of our US customers onto low-income discount rates over the past year.

In the UK, our interconnectors both support increased energy security and directly benefit consumers when they outperform. With 400 million pounds in payments to consumers over the past three and a half years, and a further 300 million pounds forecast to be paid over the next two and a half years, subject to Ofgem approval.

Second, we want to improve the customer experience, which is a journey of better technology tools, and a change in culture about what good looks like.

We're already well on the way to digitising and simplifying our customer interactions, and are redesigning journeys end-to-end.

We're also strengthening our storm and winter response, for what is already turning out to be another challenging winter period.

Third, we want to enable faster connections to the grid.

Connections Reform is creating a clearer route for viable projects, but it has been a challenging and frustrating process for some our customers.

We're doing all that we can to support our customers through the process and we're leveraging innovation to move faster where we can, in a complex ecosystem.

However, the long-term solution does require whole-system change. We're therefore actively advocating for the steps needed to deliver connections and reduce costs for our customers.

Fortunately, the Government's recent budget announcement offered some clear policy directions that we embrace.

Together, these initiatives turn investment and operational improvement

into more affordable, reliable outcomes for customers, and ultimately translate into stronger performance for our investors.

It's also part of what will differentiate National Grid as a world-class operator.

The Big Shifts help us scale these improvements across National Grid.

The first is leadership, people and performance, led by Emma, where we're targeting clearer accountability and better-quality decisions at pace, while building stronger capabilities and attracting talent.

During the first half, we've simplified our operating model and hired more than 3,600 people, with 90% recruited into our operational businesses as we scale our delivery, including over 400 graduates and apprentices.

We've also committed 5 million pounds to support practical training and qualifications for 5,000 young people in the UK.

The second is technology and innovation, where we're scaling proven tools to strengthen cyber defences, accelerate capital delivery, unlock capacity, optimise asset reliability, and enhance the customer experience.

Alice is now bringing this together in her new role, leading the combined team.
Examples in the first half include Exodigo's underground-mapping technology, which has reduced change orders on several major projects, and Envelio's mapping analytics, which are helping us identify areas where capacity exists on our network to assist developers with site selection and speed-up customer connections.

For customers, we're beginning to roll out the market-leading Kraken platform across our 6.5 million US customers and have already deployed Amazon Connect in the UK to support our 8 million distribution customers, replacing legacy systems with more resilient, scalable and insight-led platforms.

Our third Big Shift is external positioning, where we're shaping policy and regulatory outcomes that support affordability, resilience and growth. Led by Cordi in the UK and Sally in the US.

As you'd expect, we've been progressing our price controls and rate cases in both the UK and the US.

This includes the one-year rate stabilisation submitted for KEDNY and KEDLI in downstate New York, keeping customer bills flat for one year in the current affordability environment.

Cordi has also led on the recently published UK Electricity Networks Sector Growth Plan and we've made our own supply chain commitment on the back of it.

With a new long-term ambition for 70 per cent of the value of our future UK supply chain spend to be delivered in the UK, supporting domestic jobs in manufacturing and services.

In the US, we've supported a range of policy initiatives, including the bipartisan effort that has led to a new Senate bill aimed at speeding up permitting and reducing the cost of delivering energy infrastructure.

These are targeted shifts. Each one is intended to help us move faster, raise productivity and deliver stronger outcomes for all of our stakeholders.

The third element of our framework is Disciplined Growth: growing our core, while building future optionality.

Our priority remains sustainable, long-term growth in our regulated networks, which means continuing to shape the future policy and regulatory frameworks that enable this growth.

For instance, we're finalising our ED3 Business Plan, responding to Ofgem's scenarios which point to further growth in capital investment across the next five-year price control.

We also expect to submit multi-year rate cases over the coming months in downstate New York gas, KEDNY and KEDLI, and our upstate NIMO businesses.

At the same time, the changing energy landscape is creating opportunities to use our capabilities beyond our existing footprint, through National Grid Ventures.

As I outlined in May, we'll pursue these selectively, focusing on areas where we've a competitive advantage, that deliver long-duration cash flows and can earn attractive risk-adjusted returns.

In the UK this could include interconnectors and Offshore Hybrid Assets; and in the US, competitive transmission and innovative solutions for large-load customers.

Joulent is a good example. It gives us exposure to growing data centre power demand beyond the US Northeast, while offering the potential for attractive risk-adjusted returns above our regulated businesses.

The majority of our 1.75 billion dollar investment will support the development of Project Kilby, a 2.7-gigawatt co-located data centre power facility in West Texas.

The project is already at an advanced stage. A 50:50 joint venture with Chevron has been established, EPC contracts are being finalised, and all the turbines and other critical equipment have been secured, with delivery expected over the next 12 months.

Importantly, a 20-year power purchase agreement has been signed with

Microsoft, providing long-term predictable cash flows with a AAA-rated customer.

The remaining development milestones are being progressed, with first power targeted for 2028.

And as you can see from this simplified view of the site, we bring more than capital.

Kilby involves kilometres of wires and substations to create a multi-gigawatt islanded “mini-grid”.

We bring deep power-system expertise, including energy management and high voltage substation development, as well as strong supply chain relationships for critical electrical equipment.

And through our US GenCo business on Long Island, we also have longstanding experience operating gas turbines.

So, Joulent is an exciting growth opportunity where we can put capabilities we already have to work in a new and growing market, while building new capabilities along the way.

So, to conclude before the financials:

We set a clear direction in May, and the first half shows we’re following through.

Capital investment is accelerating, major projects are progressing and the changes we’re making to the organisation are sharpening performance.

And I am pleased to have been able to share a number of examples that evidence our execution to date and how we’re delivering for our customers.

There is always more to do and you have my commitment to maintain this delivery focus and improvement.

This progress strengthens our confidence in the five-year plan and in the outcomes we can deliver for customers, shareholders and our wider stakeholders.

I’ll now hand you over to Andy, who will take you through our financial performance and outlook.

Andy Agg: Thank you, Zoë and good morning, everyone.

I’d like to highlight that as usual we’re presenting our results on an underlying basis, and at constant currency.

So, starting with our overall performance in the first half.

We’ve delivered strong results, with growth in underlying operating profit

to £2.6 billion, a 13% increase on the prior year, primarily driven by higher regulated revenues in UK Electricity Transmission, reflecting a step up in the scale of delivery under T3, higher revenues in our US regulated businesses reflecting the growing asset base, and two one-off fair value gains from successful capital markets transactions in our National Grid Partners investment portfolio.

Strong operating profit growth led to a 22% increase in earnings per share to 36.5 pence.

We've continued to make good progress with our capital programme, including the ongoing ramp-up in ASTI project delivery and continued growth across our US businesses.

As a result, capital investment was 32% higher at £6.7 billion, a record level for the first half.

In line with our progressive dividend policy, the Board has declared an interim dividend of 16.97 pence per share, representing 35% of last year's full year dividend.

Moving now to our business segments, and starting in the UK with Electricity Transmission.

We are now into the first year of execution under the RIIO-T3 framework, which will see us invest £31 billion over the next five years to double the network capacity across England and Wales, connect 35 GW of supply and 19 GW of demand, and help avoid significant constraint costs for consumers.

In the first half, capital investment was £2.9 billion, 71% higher than the prior period, as we deploy a higher level of capital from the step-up into the RIIO-T3 framework, enabled by the strong ASTI project delivery progress Zoë highlighted earlier. As well as ongoing investment across our asset health programmes.

Reflecting this faster pace of delivery, underlying operating profit was £1.2 billion, up 45% compared with the prior period, with higher allowed revenues partially offset by higher depreciation from the increased capital investment.

In our Electricity Distribution business, underlying operating profit was £550 million, broadly in line with the prior year,
Reflecting higher revenues from indexation, offset by higher depreciation and additional maintenance costs driven by the extreme heat over the summer.

Capital investment was £834 million in the first half, an increase of 10% compared to the prior period, primarily driven by increased asset health and connections investment, and higher load-related network reinforcement.

Turning now to the US, where, as usual, profitability in both businesses is weighted to the second half, reflecting the typical seasonality.

Underlying operating profit for New York was £487 million, 9% higher than the prior year, from higher net revenue, driven by asset base growth and the recovery of previously unremunerated costs.

This was partially offset by an increase in depreciation reflecting our ongoing investment programme, and higher costs, including property taxes.

Capital investment was £1.8 billion, 11% higher than the prior year, driven by increased investment in our upstate Transmission upgrade projects, and reinforcement of our distribution networks.

In New England, underlying operating profit was £266 million, 10% lower than the prior period.

Higher net revenues in the period were driven by asset base growth and our capital tracker mechanisms.

These were more than offset by higher costs, including a one-off provision, alongside higher depreciation and other investment-related costs from the increasing capital programme.

Capital investment was £1.1 billion, 14% higher than the prior year, driven by increased asset condition and system capacity investments, and our ongoing gas mains replacement activity.

Moving to National Grid Ventures, where the underlying contribution was £174 million, including joint ventures.

The year-on-year decrease of £53 million, was primarily due to the disposal of Grain LNG in the prior year partially offset by stronger interconnector performance.

Capital investment across National Grid Ventures was £100 million reflecting ongoing maintenance expenditure including refurbishment of the IFA 1 interconnector.

In addition, we have invested £941 million into the Joulent joint venture during the first half, and expect the remainder of the full £1.3 billion to be deployed in the coming months as we work towards a Final Investment Decision on project Kilby.

Other activities including joint ventures reported a loss of £24 million.

Centrally held corporate costs were partially offset by £84 million of one-off fair value gains within our National Grid Partners investment portfolio.

As a reminder, National Grid Partners is our corporate venture capital and innovation arm, investing in emerging technologies that can create strategic

and financial value for the Group.

Zoë has already mentioned a number of the portfolio businesses we are working with to accelerate and scale innovation across our businesses.

We also recognised one-off fair value gains in the period, related to two successful portfolio company capital market transactions with the cash sale of Dragos, a critical infrastructure focused cyber security company, to Accenture, and fair value gains arising from the IPO of E-Rock, which builds and operates modular power systems for industrial businesses.

Turning to cash flow and the balance sheet. Cash generated from operations was £4.1 billion, up 14% compared to the prior year. This increase is driven by improved Group cash generation.

Net debt increased by £4.5 billion in the period, to £48.6 billion, with cash inflows from operations being more than offset by strong capital investment, our investment in Joulent, interest and dividend payments.

For the full year, we now expect net debt to increase by a further £4 billion, including the remaining Joulent funding.

Net finance costs were £722 million, an increase of 6% compared with the prior year, due to higher average net debt, partially offset by higher capitalised interest as our investment programme ramps up.

I presented this slide in May and am repeating it because I think it is important to reiterate how resilient our regulated business model is, given the volatile macroeconomic environment.

In the UK, inflation protection across our regulated asset base supports real equity returns.

In the US, revenue indexation, cost recovery and the ability to pace investment help us manage inflation.

We also have limited exposure to the current volatility in wholesale energy costs, with full recovery of energy procured for US customers.

And we manage currency risk deliberately, hedging around 70% of our US assets with dollar-denominated debt.

Together, these protections limit volatility and reinforce the visibility of our long-term growth, supporting our differentiated investment case.

Moving specifically to interest rates, given their focus across the wider market and where our business has limited exposure.

Around 75% of our debt book is covered by operating company level recovery mechanisms.

In the UK, the RAV-weighted trailing debt tracker closely matches our actual

issuance profile, and we have a strong track record of financing outperformance.

In the US, actual debt costs are reflected in rates, as well as a forecast of debt costs in New York, while the regular rate case cycle provides opportunities to reset the allowed cost of debt.

We carefully manage the interest rate exposure on the remaining portion of the debt book, with only around 10% of our net debt being rate-sensitive.

And in the UK, indexation of allowed equity returns to real gilt yields provides a further partial hedge against higher rates.

In terms of our holding company debt, our average issuance tenor is seven to ten years, with maturities extending well into the 2030s. We can also access a range of global funding markets and currencies to issue efficiently.

Importantly, our five-year framework was based on the forward curve back in March, which had assumed a degree of rising rates.

Given the strong protections, even a sustained increase in rates of 100 basis points across the five-year framework, would only impact FY31 EPS by around 1 pence, including the benefit of capitalised interest.

Against that resilient backdrop, we remain firmly on track to deliver our five-year financial framework to FY31.

The upgrades to our FY27 guidance provide clear evidence of that progress. Capital investment is now expected to be higher, at around £13.5 billion, reflecting a slightly faster pace of supply chain delivery, and underlying EPS growth is now expected to be 15% to 16%.

As mentioned earlier, Net Debt will be around £4 billion higher including the remaining Joulent funding.

That near-term delivery strengthens our confidence in the five-year framework: with our capital investment programme of at least £70 billion underpinning around 10% annual asset growth and underlying EPS growth of 8% to 10% per annum from the FY26 baseline.

Alongside that growth, we continue to offer a progressive inflation-protected dividend policy, and expect to maintain credit metrics above our current thresholds to at least FY31.

Let me finish with what this means for investors.

Our investment programme is underpinned by multiple investment drivers providing high visibility growth, alongside a business model that is resilient to macroeconomic volatility, which provides a unique stability.

That combination supports our five-year framework, which is designed to deliver a compelling investor proposition with attractive and consistent

double-digit investor returns.

Thanks for listening, and we will now go to the audio Q&A. Andrew, over to you.

Andrew Downey: Thank you, Andy, and good morning everyone. My name's Andrew Downey. I'm Interim Director Investor Relations at National Grid. I'm joined by Zoë and Andy in the room, and we're now going to take questions. For those who are dialled into the conference call, just a reminder that you'll need to press *1 to let the operator know that you wish to ask a question. So with that, we're going to go to questions. We'll start with the conference call and then we'll go to any on the webcast. We'll start with Pavan first and then we'll go to Mark and Rob Pulleyn as the first three questions.

Pavan Mahbubani : Thank you, Andrew, and thank you guys for the presentations and for taking my questions. I'd like to ask two please. Firstly, in the UK, can you talk about your conversations with the energy ministry about your execution, how that's tying into affordability, and just maybe higher level comments on your UK plans and how you see the political backdrop and maybe a couple of words on GB Grid would be helpful as well. And then secondly, we had the midterm election results this week and I wondered, Zoë, if you have any comments on potential impacts to your investment in Joulent, Project Kilby, if you expect any changes to the timeline there or any update you can give. Thank you.

Zoë Yujnovich: Super. Thanks, Pavan. Very helpful. I think the conversations we've had broadly across government, both with the energy secretary, but also with number 10, have been very constructive. As you'd expect, they've been very focused on execution. We see that the conversation, and we saw this reinforced in the budget that was delivered, is very much focused on affordability, and you see some measures that the Government has taken around trying to provide relief for customers. I think what's always been clear for us, but has been reinforced is the importance of us delivering against the capital plans that we have. We know that if we deliver our capital plans, it helps us. Of course, we've talked before about constraint costs, and that's therefore a help for customers, but it's also about getting more out of the grid. And we talked before in our presentation about the work we're doing to also unlock capacity out of our existing assets.
In terms of Great British Grid, we support the ambition that sits behind that. We've been told that it's unlikely to have any impact in the near term, certainly probably under the existing rate cases that we have. However, we are very much supportive of the focus that the Government is bringing around pace and driving the right outcomes for customers. And we are completely willing to work with Great British Grid. We do have a site visit that we're planning to do with them in the near future to understand a little bit more as their plans start to evolve. I think the other question perhaps then to move to just around the US election, indeed, you didn't mention the Northeast, but in large part that's because of course we see stability in our Northeast area. There is a change in Texas. I think the key thing that we have been focusing on for Joulent is it's the conversations that have been evolving in the US around data centres have been very much around who

pays and are there any repercussions around data centres being on the grid?

I think in this regard, we see our investment in Joulent and the first project, Kilby, is a model example of how data centre development, I think, can be very constructive. It is of course located in a very remote part of Texas. It's in West Texas and it is also behind the meter. So there isn't congestion that gets added to the grid. And indeed the conversation around who pays is quite clear because the generation sits within the boundary of the Kilby development. And so I think most of the things that we hear, whether that be around either noise, water, impact to grid, who pays, are well accounted for. And of course we're working in a very strong partnership, the 50/50 JV with Chevron and under the long-term PPA with Microsoft. So I think some important partners that have longevity as well. Hopefully, Pavan, that gives you the response to your two questions.

Pavan Mahbubani : Yeah, super clear. Thank you very much, Zoë.

Andrew Downey: Great. We're going to head to Mark Freshney at UBS next. Mark, please go ahead.

Mark Freshney: Thank you. Thank you, Andrew. Apologies in advance for the tone of these questions, but firstly on community wind, you only got, I think, £75 million right back, but you had written off £400 million. And my understanding is that RWE recognised the capital gain on money that you'd put in or the right back, so to speak. So can you talk more about what's going on there? And further on Joulent, it's a lot of cash that you've put into this entity. What protections do you have in the contract with engine number one and Joulent so that if for whatever reason this project doesn't go ahead, you would be able to recover the funds that you have invested? And I'm going to take the liberty of asking a third question. It seems to me like you're progressing pretty heavily on interconnectors. I mean, these interconnectors are a lot, lot more expensive than they used to be and the returns are still quite lucrative.
Can you talk about the timeline of when you might be able to take an investment decision on one of those projects and how you would expect to be able to fund that? Thank you.

Zoë Yujnovich: I might say, Mark, I'll ask Andy to address your first question just on community wind, and then I might provide some strategic remarks because I think that gives me the chance to cover both Joulent and interconnectors and then ask Andy to provide some of the details around whether it be the protections or some of our hurdle rates or risk adjusted returns.

Andy Agg: Yeah. Thanks Mark, and thanks for the questions. Yes, just on community offshore wind, people may remember we took the decision a couple of years ago now, given the legislative changes with the Trump administration, that it was appropriate to impair our investment. As we've worked through with our partner, as you say, we've chosen to exit the arrangement with a view to redeploying the funds into opportunities elsewhere. I think our decision was based on the certainty of the agreement that we were able to reach rather than risking going into further uncertainty in terms of being

potentially elongated further legal activity within the US. So that was what was behind that decision to redeploy those funds. Zoë ,do you want to pick up the strategic point?

Zoë Yujnovich: Yeah, I think the first thing I think it's important to reinforce, Mark, is that our priority remains focused on the regulated core organic growth that we have. That said, we did talk about selectively looking beyond our existing footprint, but that there were some significant criteria which would need to be met in order for us to be comfortable. The interconnectors and any adjacencies in innovation around data centre development were two examples we gave on some potential adjacents through our National Grid Ventures vehicle. And we were still looking in our investment thesis for long duration cash flows and confidence that we could have attractive earnings on a risk adjusted basis. We did feel that Joulent meets that criteria because we can provide a solution to one of the significant problems that you see around data centre development around speed to power and the expertise that we can bring around things like power systems, procurement relationships and operating that mini grid, but given it's behind the metre and such a substantial 2.7 gigawatts is important.
We believe we've got very strong protections in the contract in the event that there isn't development related to either the first project or further subsequent projects. I don't think we've given substantial detail and I think as we come into more maturity around some of the projects, we can provide more clarity. But certainly we were very clear given the possible volatility around projects that we needed to be confident around the downside protections that we had in the Joulent negotiations. I think in interconnectors, maybe I'll ask Andy to say a few words, but it does still fit into that strategic bucket of needing to be delivering project economics, which we're comfortable with.

Andy Agg: Yeah, thanks Zoë. And maybe just one more comment on Joulent actually, Mark, given your concern. And you may have seen in the detail this morning that actually as we look for how we account for that investment in Joulent, we actually account for it as a financial asset and that's actually reflecting some of the very strong protections we do have around preferred distributions as well as obviously things you'd expect around the joint venture having right to the equipment if there are problems with any particular contracts. So I believe we have very strong protections around any downside case there. On interconnectors, I think a few things on the financial side. Firstly, all of these projects, we work very closely firstly with our partners, but also with regulators and other stakeholders to ensure that, as you said, costs are more expensive. We've seen that across our supply chain, but to make sure that the cost benefit analysis remains very strong, and we've seen that with our existing interconnector fleet as well. Over the last few years, the strength of that performance has enabled us to return over £400 million to consumers, and we'd expect to return a further £300 million subject to Ofgem approval over the next few years. So when these assets operate well, they benefit consumers because of the regulatory arrangements that Ofgem put in place. So I'd push back slightly on your term lucrative. I think the returns are set appropriately by the regulator. We perform as strong as we can against that and we share those benefits back with consumers. So in terms of timing, obviously that will be

very dependent on the projects themselves when we get to the point with our partners and regulators of believing that we're at an appropriate point.

Andrew Downey: Thanks, Mark.

Mark Freshney: Okay, thank you.

Andrew Downey: We're going to head to Rob Pulleyn at Morgan Stanley next. Rob, please go ahead.

Rob Pulleyn: Yeah, good morning and thank you for the comments so far and also taking two questions from me. So firstly, actually both on the US, but coming back to the US data centre topic and the Joulent JV, are we to understand that you remain positive that more projects can be undertaken in due course if they fulfil the criteria you mentioned, Zoë, on Kilby, i.e. In remote areas, behind the metre, limited impact to customers? And if so, when could we hear on future projects or is everything just going to take longer given the political changes in Texas? And secondly, this one to Andy, staying with the US, on the rate cases mentioned for coming months, may we ask whether higher nominal ROEs are possible in these rate cases to reflect obviously the bond market environment's very different to in the past. You mentioned other mitigations in your comments earlier. Could we see more of this instead of nominal ROE? It'd be great to just explore sort of how these rate filings may go. Thank you very much.

Zoë Yujnovich: Thanks, Rob. Yeah, to the first question, I think everything we see in the demand funnel, either in our regulated jurisdictions or indeed as we focus in the market around possible adjacencies like in the demand for Joulent, we do see substantial queues and that's in the US as well. Maybe there's a point just to reinforce that we haven't covered, but we mentioned it in our opening remarks. I think it's really positive to see in our New York business that we start to see some of the fabrication of semiconductors in our central New York region, which is covered under our NIMO footprint, because I think it starts to bring demand that has the potential to grow to two gigawatts that's outside of the typical data centre conversations that are being held across the US. That said, we do see that whilst not all data centres should be developed, there still is a significant number of data centres which we expect to go into construction.

But I do think it's important that we look at these things through two lenses. No doubt it has to meet the financial lens, and we've talked about the criteria that we have there, but increasingly, and we've always believed this is important. It's the consultation with the local communities about making sure that the way in which we engage satisfies the local community requirements. And that will vary depending on the community that we're operating in, no different to the consultation that we do across the UK. And similarly, it'll be the case as we look to data centre developments in the US. So in Joulent, there is a real pipeline that sits behind Kilby. It's at various levels of maturity, and until we actually have confidence that it meets those criteria on social licence and the financial hurdles that we're seeking, those won't be matured. When they hit those hurdles, we'll make sure that we come back with more information.

Andy Agg: Okay, thanks Zoë. And morning, Rob. Yes, on US rate cases, as you've alluded to, a busy time in the coming months. We're expecting the outcome on our Massachusetts gas rate case within the next month or so. And then we will follow that with filings across New York with our KEDNY KEDLI downstate gas rate cases and our upstate Niagara Mohawk rate case as well across both our electric and gas businesses. So in terms of ROEs, I think if I step back, what we have seen over the medium to long term is actually despite going through a period of very low risk-free rates, actually nominal returns have held up very well. So as a corollary to that, I'm not sat here expecting a sudden rebound off the back of higher interest rates. So we will file asking for an incremental step, as you might expect, reflecting that rate environment.

But I think as we've said in our remarks this morning, we also recognise the need to balance the funding of the required investment with the need to work with our regulators to address the affordability challenges. And I think you'll see that in the rate cases we file as we ask for what we believe is an appropriate return. So overall, I think we're at the mid-nines at the moment. I think that's a reasonable proxy going forward, but everything at the moment I see is in line with the five-year guidance that we've given.

Andrew Downey: Thanks, Rob. We're going to head to Marcin at Bank of America next. Marcin?

Marcin Wojtal: Yes, good morning. Thank you for taking my questions. The first one is on the numbers. I believe you are now guiding for growth in operating cash flow of 15% year on year, but previously there was a guidance for growth of 20%. So could you explain what has changed? My question number two is broader and relates to your review for UK distribution with Ofgem. Are you perhaps concerned at all that there could be a greater focus on affordability given the political developments in the UK and that could perhaps have an impact on the financial parameters of RIIO3 for distribution compared to what we saw for transmission? Thank you.

Zoë Yujnovich: Okay. I'm just trying to check. So the first question perhaps, Andy, on the growth in operating cash flow to 15% to the 20%, and then I'll come to your question on UK distribution, how that mirrors T3.

Andy Agg: Okay. Yeah, thanks. And morning, Marcin. Yes, I think our updated guidance on cash flow, and I'll come back to what we've guided to in terms of where we see net debt heading as a result, is all reflecting just the updates that we've given both around some of our working capital movements, but in particular the slightly higher interest charges that we expect and the levels of CapEx as you've seen. We've obviously increased our CapEx expectations for the full year and some of that will flow through to cash as well. What you'll see is we've guided our net debt to increase by a further £4 billion for the second half of the year. So that's all consistent. So that's what's behind that slight tick down in operating cash. It's the CapEx and interest rather than any deterioration in underlying operating performance.

Zoë Yujnovich: And I think on ED3, firstly, I'd say it's shaping up very constructively with Ofgem. Ofgem indicated that they would be using the T3 methodology as a starting point, and we will submit the ED3 business plan at the end of November using the sector specific methodology that they released earlier as the basis. The similarity to T3 is important, but the investment drivers are quite different. T3, of course, is very much driven by the large transmission and strong visibility that we have around the powerful delivery incentives. For ED3, we do expect CapEx to grow, but there'll need to be a little bit more flexibility because the pace of electrification may change. And we've been working very heavily with Ofgem as the way in which we look at affordability to make sure that we have the right incentives and therefore investments, particularly for the secondary low voltage system, is more linked to the uptake that we have on things like heat pumps or EV vehicle penetration.

So I think perhaps at the high level, I take reassurance that the framework will look quite similar to T3, but we are working quite closely with Ofgem around how we manage that flex versus build component and that we make sure that the incentives are appropriately rewarding those outcomes.

Andrew Downey: Great. Thanks Marcin. We will go to Peter Crampton at Barclays next. Peter, if you can go ahead when you're online.

Peter Crampton: Hello, Peter Crampton here from Barclays. Two questions, if I may. One relates to you reiterating your long-term 8 to 10% EPS CAGR guidance to FY31. Just a little bit of a question on whether the earnings impact of RIIO T3, you expect that to be rather front end loaded. And then maybe a little bit of a question around the UK budget. We did have some comments there around the importance of network CapEx, but maybe some of your thoughts on this. Thank you.

Zoë Yujnovich: Super. Why don't I ask Andy to take the first and then I'll take the second.

Andy Agg: Sure. Morning, Peter. Thanks for the question. Yes, so I think we've always said when we set out the five-year frame that we wouldn't necessarily expect the year-on-year to be entirely linear. And I think expecting the first year of T3 to see more of a step up, a number of reasons. I think firstly, obviously the step-up in investment, and you've seen that coming through in our numbers this morning, but also recognising some of the other mechanisms that Ofgem put in place around things like the semi-nominal cost of debt acceleration and some of the other sort of fast money aspects. So yes, we did anticipate a higher level and you saw that in our original guidance for FY27, which was the 13 to 15% that obviously we've slightly upgraded. So overall, no change in our overall five-year projections. We still believe that the 8 to 10% remains our best view over the five years from that FY26 jump off point.

Zoë Yujnovich: And Peter, I think to the UK budget, I don't think there's anything that we have heard from the Government that has changed our view on the 40 billion UK investment outlook over the next five-year period. I think we see the Government perhaps putting even stronger emphasis on affordability and faster grid development, but we've always said that the build out that

we have, including to the offshore wind, has had, of course, an energy transition benefit, but it's equally been very powerful around affordability given the reduction in constraint costs. We of course are supplementing that focus around getting more out of the grid today, and we touched on a number of the technology investments that we're doing that of course helps us to speed connections, but it also helps us to try and give customers benefits earlier as well. And then of course, just reinforcing Andy's point around making sure that the interconnector value that we bring, which is shared with consumers, is equally something that I think is a story that hasn't been told as well as we perhaps need to do.
So I think they're the primary focus areas very much for us around execution and making sure that we deliver the programme as we've promised.

Andrew Downey: Fantastic. Thanks, Peter. Just a reminder for those on the conference call again, if you do want to ask a question, it's *1. We've got two questions remaining. The first is from Jenny, Jenny at Citi. So Jenny, please go ahead.

Jenny Ping: Great. Thank you very much for taking my questions. Three, please. Just going back to the portfolio of non-regulated businesses that you are building up. I just wanted to understand, Zoë, how you are thinking about portfolio construction. Obviously to some of the previous questions, you talk about the potential for further investments in that business. How should we think about that portfolio as a percentage of the group? How sizable do you want to build that business? And Andy, just on the back of that, I don't think, apologies if I missed it, but I don't think you gave a risk adjusted equity return number in way of a hurdle rate. So if you can repeat, please. And then the third one I have, just very interested in the Micron details that you gave for NIMO. How much of network investment do you think is required from you on the back of that project, assuming it builds out in full scale?
And if you can give some commentary in terms of who you expect to pay for that investment, please. Thank you.

Zoë Yujnovich: Excellent. Thanks, Jenny. So let me start by, we've mentioned this a number of times. So firstly, I think it's important we continue to reiterate that the focus is very much on our organic delivery of our $70 billion programme. And then as we look to adjacencies, we do look to make sure that we deliver on those long duration cash flows and that we make sure that the returns are properly commensurate to the additional risk that we may be taking. I think we do not have a target size for that today, other than to say it will remain small relative to our regulated core. I think today we see our NGV portfolio sits at around the 5% mark, and I think that potentially could change a little bit, but our lion's share will remain in the regulated core. I think just on the hurdle rates, I think it's important to say that there isn't one number that will be in our mind. It'll need to be risk adjusted. And so that will, of course, depend on how we articulate the risks project by project. So I think there's no particular number in mind. It's a reason why we want it to make sure it's above that of our regulated business, but then on a risk adjusted basis would expect that to be higher. Is there anything further, Andy, you'd like to mention on that?

Andy Agg: No, I think just to confirm, Jenny, as Zoë said, we haven't put out any sort of specific numbers on that. So I'd echo exactly what Zoë said, that we'd expect those returns to be higher than our regulated business, but they will vary depending on the particular nature of the proposed investment.

Zoë Yujnovich: Super. And then I think in Micron, that falls within our Niagara Mohawk territory. And so we don't have a specific capital number yet. We're currently in the middle of preparing our rate case submission for NIMO. However, we are already under the prior NIMO case allocated capital to deliver against some of the early phases of the Micron development, and that's to deliver the first 480 megawatts. I'm not sure, do you have these specific capital numbers associated with that?

Andy Agg: No, we don't because some of the spend is specific connections. Some of it is general reinforcement work and therefore you wouldn't necessarily specifically allocate the costs. So it's included within our guidance for the US business and for New York in total.

Zoë Yujnovich: But I think the key message that I think is really important is that I think there may be some perceptions that the New York demand is much more driven by replacement or refurbishments. And I think that whilst there is some significant growth in our CapEx related to some of the reliability activity, we do still also see some structural demand, particularly as we see some of these fabrication facilities in the semiconductor industry pick up. And it's not just Micron, there's been a number of public announcements issued by a number of others, which is why we see that broader ecosystem that's being developed around the Micron facility as having quite significant growth beyond even the two gigawatts that Micron has put out.

Jenny Ping: So effectively that's being paid for by consumers as we stand?

Andy Agg: Some will be specifically recovered through what's called a CIAC, a connection charge levied on the Micron as we would with any big connection. If there's upstream reinforcement, then at the moment that would be put through the normal recovery mechanisms. But that's the sort of thing that if you look at New York, like in many other states, is going through a process of considering how best to structure rates of recovery mechanisms, not just for data centres, but I think that will be equally applicable for potentially other large loads as well. So that's the mechanism at the moment, but that may evolve as we go forward.

Jenny Ping: Brilliant. Thank you very much.

Zoë Yujnovich: I think the only thing I'd say is it links into this exactly to Andy's point is that there are a number of incentives that are being offered for reshoring of semiconductors. And I think Micron, of course, is taking advantage of some of those, both at the federal and at the state level. And that's because as we mentioned in the presentation a moment ago, the potential for that to link into a much bigger $100 billion broader capital investment for the region obviously has substantial benefits in economic development and prosperity for the region.

Andrew Downey: Great. Thanks, Jenny.

Jenny Ping: Thank you.

Andrew Downey: So we're going to our final question from Ahmed at Jefferies. So Ahmed, please go ahead.

Ahmed Farman: Yes. Thank you for taking my question. Just two quick ones from my side. The first one, you talked about a little bit of accelerated CapEx for this year due to, I think, better supply chain deliveries. I'm a little bit interested in what parts of the supply chain is that coming through and is there a broader point here about just more accelerated or front-loaded CapEx delivery across the plan vis-a-vis your previous assumptions? So that's my first question. Then my second question is just more interested in your thoughts on how you're managing the impact of inflation within the context of your £70 billion CapEx programme. I mean, obviously you have highlighted you have a lot of supply chain locked in, but I still assume there would be unit price pressure. So just helpful to understand how you're mitigating those effects. Thank you.

Zoë Yujnovich: Thanks, Ahmed. Let me take the first question. I'll pass you to Andy for the second. Yes, the uplift in our guidance for this year, it's largely related to faster supply chain de-risking on our EGL2 two project where we've secured the cables on an accelerated basis. And I think that the key point there is that we are getting better visibility of de-risking the projects as they go from planning to securing. We've got 100% of the primary supply chain for the ASTI projects now in place, and we've got 80% of the supply chain that underpins the broader £70 billion investment programme also in place. And so as we go through these various de-risking activities, it further strengthens our confidence in the five-year frame. I'd be careful to extrapolate that that therefore means that we'll be issuing new guidance. It's a bit early to do so, but it certainly is encouraging that the de-risking continues, but I wouldn't yet translate that into a higher five-year guidance.

Andy Agg: Thanks, Ahmed. And then on the inflation question, as we set the five-year frame, obviously we recognise both the environment we're in, in terms of the supply chain, but also expectations that that will continue to put pressure. So of course, we made allowances for future expected price increases as we flowed through that timeline. As you've seen this morning, we've now got 80% of the £70 billion under procurement mechanisms. So that's given us really good visibility over the life of the five years. There will inevitably be some areas where there further cost pressure emerges, but I think again, as Zoë touched on in elements of her presentation this morning, that's one of the reasons we continue to focus on how we deliver our capital programme as efficiently as possible, partly to ensure that we can offset cost headwinds as and when they do emerge. Nothing I've seen today would indicate that we need to move away from the £70 billion. So I think we've got a sensible level of cost inflation assumed within it.

Ahmed Farman: Thank you.

Andrew Downey: Great. Thank you. That's all the questions for today. So thanks very much everyone for your questions. If anybody's got further queries, please do reach out to the investor relations team. We'd be happy to engage. We'll end the call there now. Thanks.