

UK Electricity Distribution

RIO-ED2 Price Control Summary

Investor Relations | March 2023



Across the period 2023-28: RIO-ED2 will help further accelerate our delivery of smart, decarbonised electricity distribution networks in the UK, at the lowest cost to customers

Key highlights

Total investment (Totex):
£5.9bn
with embedded efficiency savings
of over £700m

Capex: **£4.6bn**

Average customer bill
to remain broadly flat
in real terms

All figures stated at 2020/21 prices

Financial highlights

Key parameters

Cost of equity	Cost of debt	Cost of Capital	Gearing
5.23 %	3.01 ¹ / 3.07 %	3.90% ¹ /3.93%	60%

Note: CPIH real, RIO-2 average. Will be updated as gilt rates change through the price control

¹ Our East Midlands network is deemed a frequent issuer by Ofgem, producing a marginally lower allowed debt funding than our three other networks

- Totex capitalisation rate: ex-ante 77-79% (Cap rate 1)
- 45-year straight line depreciation for new assets

Uncertainty Mechanisms (UMs)

- The price control has a total of 37 UMs
- Estimated additional spend: £290m (75% automatic/Vol driver)
- Capitalisation rate: 85% (Cap rate 2)

Return on Incentives

- Incentive mechanism RoRE range: 2.65 – 4.00%

Other key financial highlights

- £4.8m Business Plan Incentive (BPI) outcome

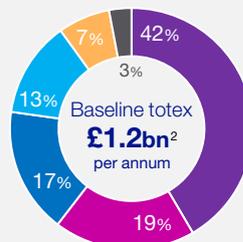
Delivering for our customers and communities

- To provide timely, affordable, low carbon connections, enabling:
 - up to an additional **1.5m EVs**
 - **360,000 new heat pumps**
- **1.2m** vulnerable customers to be offered a smart energy advice plan, every two years
- **£1m** 'Community Matters' support fund
- Target to reduce the average customer power cut to **22 minutes**



We own and operate electricity distribution networks in **The Midlands, South West** and in **Wales**, serving **c.8million customers**

UK-ED baseline totex



- Non Load Network Investment and Reinforcement
- Engineering Management
- Network Operating Costs
- IT & Telecoms
- Vehicles, Property & Engineering Equipment
- Other

² 2020/21 prices

Important notice

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'aims', 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. This document also references climate-related targets and climate-related risks which differ from conventional financial risks in that they are complex, novel and tend to involve projection over long term scenarios which are subject to significant uncertainty and change. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for as full an understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Internal control and risk factors' section on pages 253 to 256 of National Grid's most recent Annual Report and Accounts for the year ended 31 March 2022, as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2022, published on 10 November 2022. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Equiniti Limited. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document. The content of any website references herein do not form part of this document.

Further information

Investor Relations Team
e: Investor.relations@nationalgrid.com

@Grid_Media



nationalgrid.com/investors

nationalgrid