



National Grid Electricity Transmission plc Annual Report and Accounts 2024/25

Company number 2366977

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Overview

About National Grid Electricity Transmission plc

National Grid Electricity Transmission plc (National Grid Electricity Transmission, NGET, the Company) is a subsidiary of National Grid plc (National Grid, the Group), based in the United Kingdom (UK). We own and operate the regulated high-voltage electricity transmission network in England and Wales and play the crucial role of ensuring its safe, reliable and efficient operation and maintenance. We connect to industrial properties and distribution networks that deliver the electricity to homes and commercial properties. We also facilitate the connection of generation assets directly to the transmission system. We do not own the Scottish networks.

The governance of National Grid Electricity Transmission is the responsibility of its Board of Directors. Strategic direction is determined by our ultimate parent company, National Grid plc. Our Directors are listed on page 39.

More information on the management structure of National Grid can be found in the National Grid plc Annual Report and Accounts 2024/25 and on National Grid's website at www.nationalgrid.com.

The International Financial Reporting Standard (IFRS) as adopted by the UK make reporting some of the performance measures that we use as a regulated business more complex due to differences in standards used in their preparation. We provide additional information about both our assets and liabilities that do not form part of our audited accounts, to provide our investors with a fair, balanced and understandable view of our business.

Financial highlights

	2024/25	2023/24	Percentage change
	£m	£m	
Revenue	2,619	2,735	(4.2)%
Operating profit before exceptional items	1,253	1,651	(24.1)%
Exceptional items ¹	(12)	(3)	300.0 %
Operating profit	1,241	1,648	(24.7)%
Profit before tax	1,015	1,406	(27.8)%
Cash generated from operations	2,049	2,165	(5.4)%
Regulated Asset Value ²	20,570	18,462	11.4 %

¹ Relates to £11 million of settlement of net pension assets from the Group's sale of the NESO and £1 million of costs related to a major transformation programme across the National Grid Group. Prior year relates to £3 million of restructuring costs. For further detail refer to note 5 of the consolidated financial statements.

² The value ascribed to the capital employed in the NGET business for regulatory purposes. See page 38 for further details.

	2024/25	2023/24
	£m	£m
Return on equity ¹	8.3%	8.0%

¹ See page 38 for further details, and page 118 for definition and basis of calculation.

Non-financial highlights

	2024/25	2023/24
Number of employees ¹	6,102	5,328
Network reliability ²	99.999832%	99.999998%

¹ Increase driven primarily by workforce expansion required to deliver the Accelerated Strategic Transmission Investments (ASTI) programme of work.

² See pages 8 - 10 for further details on Key Performance Indicators (KPIs).

What we do – Regulation

Our business operates as a regulated monopoly. We are regulated by the Office of Gas and Electricity Markets (Ofgem). The regulator has established a price control regime to ensure our interests are aligned with those of wider stakeholders.

The purpose of the regulatory regime

Ofgem’s regulatory regime for the energy industry is RIIO, which stands for Revenue = Incentives + Innovation + Outputs. It is designed to encourage regulated energy companies to invest in efficiency and innovation, creating value that is shared through the regulatory mechanisms between the company and consumers. We are now in the second RIIO price control, known as RIIO-T2, which runs until the end of 2025/26. We submitted our five-year business plan to Ofgem for the RIIO-T3 period in December 2024.

Ofgem’s Draft Determination was published on 01 July 2025. The Draft Determination covers Ofgem’s proposed decisions on awarding allowances for a subset of the projects included in our submission, with the remainder expected to be confirmed through in-period processes.

We are pleased to see Ofgem continuing to recognise the need for significant levels of investment in networks, and the requirement for an investable framework to support its delivery. We will review the detail of the Draft Determination to assess whether it delivers an investable overall financial package. We note that progress is needed on incentive opportunities which are both good for consumers and support investability. We will work with Ofgem to provide further information where requested to support our capital investment plans.

As we move towards Final Determination in December 2025, we will continue working closely with Ofgem to agree a price control that ensures the reliable and affordable flow of clean electricity whilst also meeting the ramp-up in demand for power. A resilient, future-proofed network will be critical to economic competitiveness and growth for Britain in the years ahead.

Under RIIO-T2, the outputs we deliver are clearly articulated and are integrally linked to the calculation of our allowed revenue. We do not earn allowances if we do not deliver the associated output. These outputs reflect what our stakeholders have told us they want us to deliver and were determined through an extensive consultation process, which gave stakeholders a greater opportunity to influence the decisions.

How we manage our regulated assets

Our licence, established under the Electricity Act 1989, as amended (the Act), requires NGET to develop, maintain and operate an economic and efficient energy network. It also gives us statutory powers, including the right to bury our wires or cables under public highways and the authority to make compulsory purchases of land in the conduct of our business.

Ofgem has a statutory duty under the Act to protect the interests of consumers. Price controls in the regulatory framework limit the amount of revenue NGET can earn. In setting price controls, Ofgem must also have regard to ensuring that licence holders are able to finance their obligations under the Act. Licensees and other affected parties can appeal licence modifications which have errors, including in respect of the financial feasibility of licence requirements.

The price control includes financial incentives designed to encourage NGET to:

- efficiently deliver outputs that customers and stakeholders require through investment and maintenance of the

network, including a reliable supply of electricity, new connections and increases to network capacity; and

- innovate in order to continuously improve the service we give our customers, stakeholders and communities.

RIIO-T2 Price Control

The building blocks of the RIIO-T2 price control are broadly similar to the historical price controls set by Ofgem for the high-voltage electricity transmission network. RIIO-T2 covers the five-year period from 1 April 2021 to 31 March 2026.

Key parameters RIIO-T2

NGET	
Allowed return on equity ¹	4.25% (real terms, relative to CPIH), at 55% gearing (which is broadly equivalent to 4.55% at 60% gearing)
Allowed debt funding	Calculated and updated each year using an extending ‘trombone-like’ trailing average of iBoxx Utilities 10+ year index (increases from 10 years for 2021/22 to 14 years for 2025/26), plus 25 bps additional borrowing costs.
Depreciation of Regulatory Asset Value (RAV)	No change in policy: straight line depreciation over 45 years for post-2021 RAV additions, with pre-2021 RAV additions as per RIIO T1.
Notional Gearing	55%
Split between fast/slow money	Fast: Baseline 22%; Uncertainty mechanisms 15% Slow: Baseline 78%, Uncertainty mechanisms 85%
Sharing factor	33%
Core baseline totex in 2018/19 prices (cumulative for the 5 years of RIIO-T2)	£5.8 billion

¹ The cost of equity in RIIO-T2 is subject to annual adjustments calculated using the Capital Asset Pricing Model, through indexation of the ‘risk-free rate’ parameter. The 4.25% figure shown is Ofgem’s estimates of the average allowed Return on Equity over the five years of RIIO-T2, as given in the RIIO-T2 Price Control Financial Model published in November 2021.

Revenue under the RIIO-T2 price control

Under RIIO-T2, the outputs we deliver are clearly articulated and are integrally linked to the calculation of our allowed revenue, although some outputs and deliverables have only a reputational impact or are linked to legislation. We do not earn allowances if we do not deliver the associated output.

There are three main output categories for transmission under the current RIIO-T2 price controls:

- Meeting the needs of consumers and network users** - using outputs and a range of incentives to improve service quality and to encourage the efficient operation of the transmission network. This includes incentives aimed at encouraging us to provide fast access to high quality connections and high network reliability.
- Maintaining a safe and resilient network** - funding to replace ageing assets whilst ensuring costs to consumers are kept as low as possible. This includes funding for cyber resilience projects and IT investment. Uncertainty mechanisms are used to fund further upgrades where greater certainty around the scope of work is required.
- Supporting delivery of an environmentally sustainable network** - funding or uncertainty mechanisms to facilitate the connection of low carbon generation and by setting outputs and incentives to further reduce the harmful impact that the transmission network and related business activities can have on the environment.

Within each of these output categories there are a number of primary and secondary deliverables. The nature and number of these deliverables varies according to the output category, with some being linked directly to our allowed revenue, some linked to legislation, and others having only a reputational impact.

Totex

Ofgem, using information we have submitted, along with independent assessments, determines the efficient level of expected costs necessary for these deliverables to be achieved. Under RIIO-T2 this is known as 'totex', which is a component of total allowable expenditure and is broadly the sum of what was defined in previous price controls as operating expenditure (opex) and capital expenditure (capex).

A number of assumptions are necessary in setting the outputs, such as certain prices or the volumes of work required. Consequently, the uncertainty mechanisms within the RIIO-T2 framework can result in adjustments to totex allowances if actual volumes differ from the assumptions. These mechanisms protect us and our customers from windfall gains and losses.

Where we under-spend or over-spend against the allowed totex there is a "sharing" factor. This means we share the under- or over-spend with consumers through an adjustment to allowed revenues in future years. This sharing factor provides an incentive for us to provide the outputs efficiently, as we are able to keep a portion of savings we make, with the remainder benefiting consumers. Likewise, it provides a level of protection for us if delivery of the agreed outputs requires us to spend more than allowances.

Allowed revenue to fund totex costs is split between 'fast' and 'slow' money using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex we are able to recover in the year of expenditure. Slow money is added to our Regulated Asset Value (RAV) – effectively the regulatory "I Owe You" which is subsequently depreciated.

In addition to fast money, each year NGET recovers regulatory depreciation, i.e. a portion of the RAV, and a return on the outstanding RAV balance. The RAV is indexed to inflation using the Consumer Prices Index including Owner Occupiers' Housing Costs (CPIH). For RIIO-T2, regulatory depreciation for new additions to the RAV uses a straight-line depreciation methodology over 45 years. We are also allowed to collect additional revenues related to non-controllable costs and incentives. In addition to totex sharing, incentive mechanisms can increase or decrease our allowed revenue to reflect our performance against various other output-related measures.

Re-openers

Under RIIO-T2, there are several specific areas where we can submit further claims for new allowances within the period over and above our baseline funding. These are known as re-openers. These give NGET the opportunity to request funding when there is more certainty about project details.

In 2024/25, re-openers awarded includes c.£200m of funding for visual improvement projects, cyber and medium sized infrastructure projects. Further re-openers have been submitted for further medium size investment projects.

Accelerated Strategic Transmission Investment (ASTI)

The British Energy Security Strategy set out the Government's ambition to connect up to 50GW of offshore generation to the electricity network by 2030.

Ofgem established the ASTI funding mechanism in 2022, enabling an accelerated decision-making and project implementation process and streamlining the regulatory approval and funding process. Ofgem subsequently awarded delivery of 17 ASTI projects to NGET.

National Grid established a business unit, Strategic Infrastructure (SI) to deliver this work. SI operates under the NGET licence. This work represents the largest transmission growth the UK has seen in 50 years. It will help deliver net zero, lower consumer bills and underpin the UK's energy security by boosting home-grown renewable energy generation.

RIIO-T3 Price Control

The UK Government is accelerating the transition to a net zero, digital economy, with targets to achieve clean power by 2030 (known as Clean Power 2030, or CP2030), a net zero economy by 2050 and huge demand for connection of data centres and other strategic demand. These ambitions are driven both by the need to deliver on our international commitment to reduce global warming and other national priorities including security of energy supply, reducing the cost of living, economic growth, renewing the UK's industrial base and creating jobs across the country.

Under our proposed RIIO-T3 business plan, we will deliver the grid of tomorrow, today. We will build five times more electricity transmission infrastructure over the next six years than we have constructed over the past three decades, reorienting the once coal and gas-centric legacy system into one powered by renewable energy. The country will be less dependent on imported gas, less exposed to global price volatility and we'll create significant long-term value for consumers. The plan includes 35GW additional generation connections, 19GVA of demand connections and strategic investments to provide optionality for up to 26GW of further capacity through a future-proofing approach to investment.

The plan includes proposed investment of up to £35 billion, which is 2.5 times larger than our RIIO-T2 plan, supporting government goals for growth and prosperity, driving economic growth in sectors like AI and data centres, and creating 55,000 jobs by the end of the decade. The plan's costs are a small part of electricity bills, offset by £12 billion in avoided constraint costs. This aligns with government policies by promoting energy security, reducing dependence on imported gas, and supporting decarbonisation.

Delivering our plans will substantially increase the capacity to transfer electricity around the network. This will boost trade directly as we are deeply interconnected with neighbouring electricity grids; helping the Government realise its ambition to make the UK a significant exporter of green power. It will benefit trade indirectly by allowing new large loads (such as gigafactories and data centres) to connect to the grid creating new export opportunities.

Given Clean Power 2030 is a recent development, this plan is based on NESO's 2024 Future Energy Scenario 'Holistic Transition', in line with Ofgem's business plan guidance. However, it has the scope to meet the accelerated timetable and create the foundation for continued expansion in future decades, as the decarbonisation of heat and industry ramps up. We can adapt the plan to align with the ambition set out in NESO's Clean Power 2030 study, but we are clear that success also needs bold action by the UK Government and Ofgem on community acceptance and planning consent, reform of customer connections and development of supply chain skills.

We do not underestimate the size of this challenge. An unprecedented number of stakeholders and consumers have been involved in developing our plan, not just in terms of what we do but how we deliver it, to maximise value and minimise risks to those impacted. We will be working closely with Ofgem ahead of Final Determinations in the coming months.

Our purpose, vision, values and strategy

We work within the purpose, vision, values and strategy of National Grid to ensure we are well positioned to respond to changes in the operating environment.

Our purpose

Having a clear sense of what we stand for as a company and what it is that binds us all together is vitally important. This is what we call our purpose. In simple terms it is what drives our desire to serve our customers and makes us proud about the work we do.

Our purpose remains to **Bring Energy to Life**, providing the heat, light and power people and businesses rely on and supporting local communities to prosper.

Our vision

Our vision is to **Be at the heart of a clean, fair and affordable energy future**.

National Grid stands for more than profit. The Company is committed to making a positive contribution to society, whether that's helping the young people of today to become the energy problem-solvers of tomorrow, supporting customers to use energy more efficiently, or tackling climate change by targeting net zero for our own emissions by 2050.

Creating a clean, fair and affordable energy future is what society demands and what we demand of ourselves.

- **Clean:** because we have a critical role to play in tackling climate change, leading the way to net zero.
- **Fair:** because we want to enable the energy transition for all, making sure that no-one gets left behind.
- **Affordable:** because everyone should be able to pay for all their essential energy needs.

Our values

Every day we **Do the right thing, Find a better way** and **Make it happen**.

These values guide our actions and behaviours as a responsible business and help us create a culture where colleagues become less cautious and take greater ownership. At National Grid Electricity Transmission, we expect our leaders to be role-models and engage all colleagues to demonstrate our values:

Do the right thing - we create purpose and belonging; we keep each other safe and put our customers first.

Find a better way - we work together to drive innovation and find solutions for our customers.

Make it happen - we take bold steps and calculated risks to drive action, performance and results.

Our strategy

Our strategy is to build, own and operate large-scale, long-life energy assets that deliver fair returns and high societal value.

As we set out to achieve our ambitious objectives, we need to guide our plans and decision-making to define the direction for how we will transform our business and what we need to do. This will be delivered by our five strategic priorities:

1) Enable the energy transition for all

We have an important purpose and role to play in the energy industry. It is our responsibility to share our knowledge and experience with others and shape the future where it matters – enabling the UK's net zero transition. How we go about this is critical. It requires high levels of trust and strong relationships across the industry, regulators, and communities.

2) Build the networks of the future now

Our network requires a huge amount of new infrastructure to be built by 2050. This is a unique opportunity for us to design our network to a new technology standard. Our Network Design standard sets out our vision for the design of the transmission network of the future – to build an intelligent, adaptive customer-centric network and what that means in practice.

3) Deliver for our customers efficiently

Our business is unique – we own and operate a network of assets that powers everyday life for millions of people across England and Wales. We will develop long-term site and circuit strategies so we can optimise our network investment and critical resources and evolve the type of connections we offer so our product and services are offering what customers need in the right place and at the right time.

4) Operate safely and efficiently

Our network will become ever smarter and more complex – incorporating new High-Voltage Direct Current (HVDC) assets, more dynamic renewable generation and many more substations and circuits. Our customers expect a network that's always there when they need it with excellent availability, reliability, and resilience.

For us that means being able to predict and respond faster to system events, extreme weather and cyber threats. The electrification of heat and transport, together with society's greater reliance on electricity as an energy source, will only heighten those expectations. Given the new network's scale and complexity, we will need to control it faster, automatically, and intelligently.

5) Build tomorrow's workforce today

Our people and their deep expertise are the lifeblood of our business. We know that we're going to need a great pipeline of talent to keep pace with the growth ahead. We estimate NGET will support at least 55,000 new jobs in the sector by 2030. Many critical skills are already in short supply. We have a great opportunity ahead to grow our business and build an industry-leading, expert workforce that creates value across the sector.

Our Delivery Priorities

Each year, we set out our key strategic, operational and financial commitments for the year ahead in a Performance Contract aligned to our Strategic priorities. This is an agreement with the National Grid Group of what we will deliver in the year ahead and is underpinned by targets set out in KPIs and Critical Outcomes, or milestones. It provides us with the internal clarity and sense of what we want to achieve in the year ahead. Our 2024/25 priorities and how we performed against those priorities are set out below.

Enable the energy transition for all

Regulation & Policy: *We have worked to refine our 2050 network blueprint and act as a leading voice in the industry on the strategic investment required ahead of customer need, publish and promote our future network vision to influence industry policy, and develop and submit a RIIO-T3 investment plan that aligns with our strategic network goals and demonstrates consumer value.*

- Established our “**Ambition to Action**” programme, designed to test our internal transformation plans against external requirements and ensure we respond accordingly.
- Completed our **intelligent substation Protection & Control** trial.
- Defined and implemented a **network design committee** to ensure consistent design principles across ET and set the future strategy for Innovation.
- Submitted our £35 billion **RIIO-T3 business plan** to Ofgem. This proposal is 2.5 times larger than our T2 plan. Ofgem has commended the quality of our plan, noting a significant step-change on prior submissions.
- Developed a plan to **avoid approximately £12 billion of constraint costs** - equivalent to £40 per year for consumers.

Stakeholder: *We have worked to run national, regional, and local engagements to transparently share network investment plans, co-creating with government, Ofgem, NESO, industry, regional stakeholders, and consumers. Additionally, we worked with communities impacted by our infrastructure projects to deliver local and regional benefits.*

- Launched the ‘**Moving the grid forward**’ campaign with the Energy Networks Association and other UK Transmission Owners.
- Started the **Super Supergrid** concept, a strategic initiative aimed at enhancing the efficiency, stability, and capacity of the network to meet the evolving needs of our customers and supported the broader energy transition goals.
- Awarded two parts of a £59 billion **HVDC supply chain framework** to deliver the required works and equipment needed for key energy projects across the country to a number of cable suppliers.
- We held **34 public consultations** across the East of England, East Midlands, Lincolnshire, the South East and Yorkshire to raise awareness of our programme of works receiving over 10,000 responses and 4,600 attendees.

Build the networks of the future now

Electric Network: *We have worked to operationalise our future network design standards, define the integration strategy for existing and future assets, and set out the pathway for capital excellence to deliver at the required scale and quality. Additionally, we are contracting early for RIIO-T3 and establish our long-term supply chain strategy to 2030/35, while building an enduring strategic planning capability.*

- Launched **The Great Grid Upgrade**. The largest overhaul of the UK electricity grid in generations. Its primary objective is to connect more clean, affordable energy to the grid, ensuring it reaches UK homes and businesses where it is needed most.
- Initiated the **Great Grid Partnership** delivered major onshore ASTI projects, achieving the UK’s net zero target by 2035 and increasing offshore power capacity to 50GW by 2030.
- Kicked off **Eastern Green Link 1 & 2** (EGL1, EGL2) — the first flagship energy projects to launch under Ofgem’s new ASTI framework. These high-impact initiatives are central to The Great Grid Upgrade, our bold infrastructure strategy to supercharge the UK’s electricity network and unlock the full potential of renewable energy at scale.
- Launched the **Yorkshire Green project**. At £400 million this represents a significant investment in enhancing the electrical infrastructure in the region. The project involves the construction of the new Wren Hall Converter Station Site.
- Completed the **Hinkley Seabank** project, marking a significant milestone in our efforts to enhance the our network.
- Commenced site work on a new **Electricity Transmission Control Centre** (ETCC).

Environment and Society: *We have worked to define our sustainability strategy, and continue to deliver on our responsible business commitments and embed nature-based solutions and social value maximisation into programme delivery.*

- Achieved a **30% reduction in Scope 1 and 2 emissions** (excluding transmission losses) and a 10% reduction including transmission losses when compared to the 2018/19 baseline.
- Collaborated with Hyperion Robotics and the University of Sheffield to manufacture, install, and test **low-carbon, 3D-printed concrete foundations**. This UK-first trial aims to save time and waste in construction practices, reduce carbon emissions, and lower capital investment costs.

Deliver for our customers efficiently

Customer: *We have collaborated with government and industry stakeholders to reform connections, ensuring the right mix of technologies aligns with the UK’s 2030 and 2050 ambitions. We implemented queue management to reprioritise connections, identify capacity hub locations, and design a future connection ‘plug & play’ product. Additionally, we adopted a segmentation approach for generation, storage, and demand, resolve reputational risks and customer frustrations with lead-times, and embed a customer-centric culture across ET.*

- Completed works to connect 2.5GW **Dogger Bank** Windfarm (phases 1 & 3), the **Greenlink** interconnector between the UK and Ireland and connected **TagEnergy's 100MW battery storage** project at Drax substation in North Yorkshire, making it the UK's largest transmission-connected battery energy storage system (BESS) at the point of completion.
- Delivered our **first grid park** at 400kV Sundon substation in Bedfordshire. Grid parks are a new and innovative way to connect renewable energy to the network.
- Secured **industry alignment on connections reform** with consensus reached with the UK government and Ofgem on the need to reduce and reorder the queue to deliver the right technologies in the right places at the right time. Ofgem provided public approval for Transitional Offers, which were implemented for any new connection applications received from September. This approval was a key milestone in our efforts to streamline the connections process and improve efficiency.
- In Spring 2024, we partnered with market research experts Mintel Consulting on a survey of 2,000 consumers to understand attitudes across four themes linked to our network upgrade: environmental impact, net zero, the role of National Grid, and the presence of current and new infrastructure. The respondents highlighted: Preventing electricity bills from getting too high, Reducing the UK's reliance on imported gas and oil and Enabling us to generate more electricity in the UK were important to them.

- Committed to our social responsibility through **community engagement and workforce diversity initiatives** recording over 7,500 volunteering hours. Gender diversity in the workforce increased to 24.2% and ethnic diversity increased to 19.7%.

Workforce capability: We defined a plan to systematically onboard, train, and develop capabilities at pace, invest in digital tools to elevate our people from administrative tasks to insight and action, and implement service-level models for critical resources.

- Increased our directly employed workforce** by over 600 employees to end the year with a permanent, direct workforce of close to 4,000.
- Established a supply chain task force** to ensure that we have the necessary supply chain capacity, resilience and efficiency to meet our operational and strategic goals. The task force was instrumental in setting up a regional supply chain model known as the Electricity Transmission Partnership, which aims to streamline our supply chain processes and improve collaboration with our suppliers.

Operate safely and efficiently

Safety: We improved our safety culture across the business and with our contractor through joint initiatives and launch wellbeing in construction initiative on mental health.

- Enhanced our internal focus on **behavioural safety** ensuring our safety performance improved over the year with a notable improvement of our contractor performance following ongoing engagement with their senior leadership teams.

Opex and capex efficiency: We delivered planned opex efficiencies and secure productivity gains to scale work delivery for RIIQ-T3, right-size direct and indirect support functions to fit NGET, and define an Asset Management Strategy suitable for the future network.

- Delivered strong financial results securing **£14 million of totex synergies**, measuring the delivery of cumulative Totex savings related to the integration of Electricity Distribution. This covers both enduring savings and one-off (typically capex) savings primarily from Electricity Distribution integration, and **over £14 million of enduring opex savings** in 2024/25.
- Increased capital investment by 57%**, driven by increased activity in customer connections and a ramp up in Accelerated Strategic Transmission Investment (ASTI) projects.

Build tomorrow's workforce today

Inclusion and diversity: We implemented early outreach, attraction, development, and retention strategies to align with Strategic Workforce Plans and deliver best practice Diversity, Equity and Inclusion outcomes. Additionally, we defined minimum site standards and establish a funding route for the inclusion of current and future workforce.

Business Review

Highlights

National Grid Electricity Transmission is the backbone of the UK energy system, supporting the growth of British business and acting as a critical enabler in meeting the country's Clean Power 2030 aspirations. In 2024/25 we continued to deliver safely for our customers and stakeholders with strong operational and financial performance. We have delivered more network capacity, connected more renewable energy, innovated and improved on our excellent financial performance compared to the previous year. Our Strategic Infrastructure unit, set up in 2023 to focus on the ASTI projects, is now well established to deliver those major projects. Our Great Grid Upgrade is underway.

Enable the energy transition for all

In December, we submitted our five-year RIIO-T3 business plan to Ofgem. This plan is the largest overhaul of the UK electricity grid in generations and will significantly reduce the UK's reliance on fossil fuels. The plan sets out investment of up to £35 billion between 2026 and 2031, around two and a half times UK ET's investment over the previous period (RIIO-T2). This investment will transform our network, nearly doubling the amount of power we can transfer across the country, providing twice as many customer connections as in the last five years and avoiding approximately £12bn of constraint costs, where there is less capacity on the network than unconstrained market positions would seek to utilise.

Build the energy networks of the future now

We have commenced construction of six ASTI projects, including Eastern Green Link 1 and 2 comprising 700km of high voltage direct current (HVDC) subsea cables straddling the English and Scottish borders, which has an estimated investment of over £4 billion. We have secured primary delivery partners for eight of the remaining eleven ASTI projects with the remaining three projects in the final stages of procurement. Construction will commence once public consultations have completed and consents granted. We are working to deliver a number of other major infrastructure projects – we are re-wiring the capital in the London Power Tunnels project to improve network resilience, connecting the Hinkley Point C nuclear power station to help make net zero a reality, and delivering visual improvement projects in areas of natural beauty such as Snowdonia. We have taken a site strategy approach to consider multiple drivers for investments, including customer, infrastructure upgrade, asset failure risk and SF₆ (sulphur hexafluoride) emissions to identify substations to be rebuilt or decommissioned in RIIO-T3.

Our supply chain task force is collaborating closely across the industry and transforming how we think about procurement. This is in the context of competition for resource creating global supply chain constraints, with many countries upgrading their grids to connect renewable energy. While there is some inflationary risk around the evolving US Government position on tariffs, the impact of the US tariffs is not expected to be material relative to our spend. Over the last 12 months, we have launched three major initiatives to improve how we work in partnership with our supply chain – the Great Grid Upgrade, HVDC partnerships and a regional delivery model.

We remain committed to reducing our SF₆ emissions by 50% by 2030. To achieve this, we have collaborated closely with suppliers and universities, successfully trialling innovative leak repair technology, enabling us to avoid outages and keep electricity flowing while we work. Increased availability of SF₆ free technology will be critical to reducing future emissions and meeting this target.

Deliver for our customers

This year we have continued works to connect the world's largest offshore wind farm, Dogger Bank, connected the UK's largest transmission-connected battery energy storage unit (at the time of connection), connected the Greenlink interconnector between the UK and Ireland, and completed our first grid park at Sundon substation in Bedfordshire. Grid parks are a new and innovative way to connect renewable energy to the network, requiring fewer system outages and less commissioning resource, enabling more renewable energy to connect to the electricity grid more quickly at a lower cost.

We have collaborated closely with stakeholders across the industry to establish widespread agreement on the principles of the reforms needed to reduce connection timescales. The reforms are set to go-live in 2025 to address a connections pipeline (in excess of 420GW) that is more than three times the most ambitious net zero scenario published by the National Energy System Operator (NESO) and rapidly growing demand for data centre connections. Demand for data centre connections now totals 13.5GVA, the equivalent of connecting 4 Hinkley Point Cs to our network. Our T3 proposals will allow us to meet the increase in demand head on by ensuring that there is flexibility to respond to evolving customer requirements.

In July 2025, the NESO published its report investigating the outage following the fire at our North Hyde electrical substation in March 2025. We fully support the recommendations in NESO's report on the incident and are committed to working with NESO and others to implement them. Ofgem confirmed that they have opened an official enforcement investigation into National Grid Electricity Transmission plc and its compliance with obligations under Section 9(2) of the Electricity Act 1989 and SLC B7(1) of its Electricity Transmission Licence in relation to the North Hyde substation. We will also cooperate closely with Ofgem's investigation. There are important lessons to be learnt about cross-sector resilience and the need for increased coordination, and we look forward to working with government, regulators and industry partners to take these recommendations forward.

Operate safely and efficiently

Our Lost Time Injury Frequency Rate (LTIFR) was 0.07 for contractors and 0.07 for employees against a world-class safety standard of 0.10. This is an improvement in the safety performance of our contractors and follows a concerted effort on contractor safety, including embedding minimum contractor training standards in contracts.

Build tomorrow's workforce today

Our RIIO-T3 plans represent a step-change in how we invest in our people and plan our workforce. To deliver our commitments, we will expand our workforce, retain our experienced colleagues and upskill our people with the skills needed for the energy sector of tomorrow. We will continue to build a high-performance culture that embraces inclusion and that has safety at its core. We have already embarked on this journey, expanding our workforce by over 600 employees and closed the year at nearly 4,000 direct, permanent employees.

Looking ahead

The decisions we make in the next five years will shape the energy system, our economy and our society for generations to come. By the end of RIIO-T3, we will have nearly doubled the power that can flow across the country, reorienting the UK's once coal- and gas-centric legacy system into one based on renewable energy and delivering the energy infrastructure needed for a digital economy. 2025/26 and RIIO-T3 will see Electricity Transmission power the country through important changes, supporting economic growth and decarbonisation as we deliver the grid of tomorrow, today.

Progress against objectives – key performance indicators

Strategic Priority	Key Performance Indicator	Performance
Enable the energy transition for all	ET Investment re-opener funding secured This KPI shows the proportion of re-opener funding approved by Ofgem. This additional funding is critical to ensuring we deliver an energy network that is safe, secure and reliable. There was a 1% increase in amounts awarded as a proportion of requested allowances, compared to 2023/24. This includes c.£200m of funding related to visual improvement projects, cyber and medium sized infrastructure projects. We await further awards in 2025/26, having submitted re-openers for further medium size investment projects.	2024/25: 96% (target 95%) 2023/24: 95% (target 95%)
Build the networks of the future now	Delivery of funded asset interventions Asset health makes up approximately half of NGET's RIIO-T2 baseline capex allowances. Refurbishing, reconditioning and replacing existing assets is critical to maintaining a reliable network. Delivery was 9% adverse to 2023/24, affected by late outage cancellations, project clashes with Customer Connections work, resourcing challenges and issues with securing in-year outages. Meeting our FY25/26 target would equate to 71% delivery against our RIIO-T2 commitment.	2024/25: 1,101 (target 1,277) 2023/24: 1,213 (target 1,207)
	SF₆ emissions This measure tracks SF₆ leaks from our assets through a proxy of top-ups of SF₆. We are dedicated to cutting our SF₆ emissions by 50% by 2030. This year, we achieved an 18% year-on-year reduction compared to 2023/24 through proactive fix and repair activities. Our successful trials of innovative leak repair technology have allowed us to maintain electricity flow without outages in some instances. The future availability of SF₆-free technology will be crucial in further reducing emissions and achieving our goal.	2024/25: 7,998kg (target 8,600kg) 2023/24: 9,703kg (target 9,108kg)
	Energy not supplied Stable and secure supply of energy is at the heart of our existence. The RIIO-T2 agreement includes an incentive mechanism that rewards or penalises NGET for Energy not supplied. This KPI measures incentivised Energy not supplied. Network reliability remains high at over 99.999832%. We have responded effectively to some unusual events, including the transformer failure at Highbury and a WWII unexploded ordnance at Tilbury. However the North Hyde incident resulted in a loss of 340MWh and a penalty of £1.9 million (2024/25 prices) under the Energy not supplied incentive.	2024/25: 359MWh (target <103MWh) 2023/24: 0MWh (target <103MWh)
Deliver for our customers efficiently	Quality of Connections - Delivery Customers rate their satisfaction (out of 10) with the experience we provide across the end-to-end customer journey. Understanding customer sentiment, overall and at specific points, ensures we can target need and set up for success now and into the future. With a growing connections pipeline there is widespread agreement on the principle of Connections Reform to reduce connection timescales. We have driven change and collaborated closely with stakeholders across the industry. The Connection Reform programme is set to go-live in mid-2025, with a new connections process expected to deliver reduced connection timescales to customers.	2024/25: 8.1 (target 7.4) 2023/24: No KPI
	Network boundary increase To sustain a robust energy network ready for the renewable energy revolution, NGET needs to increase network capacity to avoid overloading transmission equipment and ensure stable supply of electricity to consumers. Delivery in 2024/25 was 2.8GW (350%) higher than 2023/24 and included energisation of Burwell MSC1 (525MW), Elstree-Sundon CCT1 (Circuit 1) (456MW), Harker SGT5 (Supergrid transformer) (550MW), Cottam-Keadby Double Circuit (1308MW), 4YM uprating (600MW) and the Hinkley Bridgewater uprating (110MW). Whilst the year-on-year increase is significant, this is partly due to the multi-year nature of large construction project delivery.	2024/25: 3,549MW (target 1,685MW) 2023/24: 768MW (target 768MW)
	Customer capacity connected (Generation) Connecting generators of electricity is central to meeting the government's CP2030 target of generating sufficient clean power to meet our total annual electricity demand by 2030. We have delivered an 18% increase from 2023/24. We completed works to connect the 2.5GW at Dogger Bank, the world's largest wind farm, and the 504MW Greenlink interconnector connecting the UK and Ireland using SF₆ free technologies. We also connected our first grid park at Sundon. However, a number of projects targeting delivery in 2024/25 were delayed into 2025/26.	2024/25: 4,125MW (target 4,517MW) 2023/24: 3,440MW (target 3,220MW)

Deliver for our customers efficiently	Customer capacity connected (Demand) Large businesses with high energy needs, such as electrified railway, need to be connected directly to the transmission network. Our performance in 2024/25 was 65% down compared to 2023/24 and delivery in year was below target, affected by system access in the south-east. The connections remain within our RIIO-T2 plan with revised connection dates in 2025/26 agreed.	2024/25: 254MVA (target 344MVA) 2023/24: 760MVA (target 760MVA)
Operate safely and efficiently	Lost Time Injury Frequency Rate (LTIFR) We want all our staff and contractors to go home safely at the end of each day. This KPI measures injuries leaving members of our directly employed workforce or contractors unable to work per 100,000 hours worked. Our target is world-class safety performance, which is generally considered to be an LTIFR of no more than 0.1. The LTIFR of our workforce has decreased to 0.07 (2023/24: 0.14). Safety remained a top priority, driving outperformance of the Lost Time Injury Frequency Rate (LTIFR) target, achieving a rate of 0.07.	2024/25: 0.07 (target 0.10) 2023/24: 0.14 (target 0.10)
	Serious Injury or Fatality Frequency Rate (SIFFR) This KPI measures incidents that result in serious injuries or fatalities. We reported no serious injuries or fatalities within the year. Notably there has been an improvement with one of our primary contractors following significant engagement with their senior leadership team.	2024/25: 0.000 (target 0.048) 2023/24: 0.053 (target 0.048)
	Return on equity Our shareholders expect a certain return on their investment, as they have a choice where to invest and expect compensation for the risks associated with our business. Performance in 2024/25 was 0.28% higher than 2023/24. Over the course of RIIO-T2, NGET is targeting a return of 100bps outperformance against the regulatory price control. In 2024/25 we achieved 100bps of outperformance at 8.30% return on equity.	2024/25: 8.30% (target 8.30%) 2023/24: 8.02% (target 8.00%)
	Underlying operating profit This non-IFRS KPI, which differs to statutory operating profit through the exclusion of timing, exceptional and corporate centre costs, demonstrates cost savings and maximising returns from unlicensed revenue and incentives. NGET ended 2024/25 with an underlying operating profit 8.6% higher than 2023/24 as a result of higher revenues driven by increased capital spend, inflation and higher allowed returns in addition to near-flat Controllable costs in spite of increasing our headcount by nearly 600 direct, permanent employees.	2024/25: £1,428 million (target £1,432 million) 2023/24: £1,314 million (target £1,218 million)
	Controllable costs This KPI covers spend that NGET can limit and is not subject to a regulatory true-up. Controllable costs have increased by only 2% year-on-year in spite of increasing direct, permanent headcount by 20%. This was possible through a laser-focus on cost efficiency throughout the year.	2024/25: £293 million (target £290 million) 2023/24: £286 million (target £288 million)
	Cost Performance Index & Schedule Performance Index These measures use Earned Value to assess project performance compared to both Cost and Time against our 4 Major Projects, Harker, Hinkley, London Power Tunnels 2 and Snowdonia. Both CPI and SPI performed well with CPI 0.02 and SPI 0.01 above previous year performance. This indicates good project controls over cost and time.	2024/25: CPI 0.97 (target 0.95) 2024/25: SPI 0.96 (target 0.95) 2023/24: CPI 0.95 (target 0.95) 2023/24: SPI 0.95 (target 0.95)
	Controllable Opex Efficiencies This measures opex efficiency savings associated with improving organisational efficiency. FY25 ended £1 million positive to target delivering £14 million of enduring opex efficiencies.	2024/25: £14 million (target £13 million) 2023/24: £17 million (target £14 million)
Build tomorrow's workforce today	Employee enablement This KPI is measured annually in the Grid:Voice survey. Empowered staff with the right tools and training to succeed in roles that make good use of their skills and abilities are more productive and reduces staff turnover. Whilst we have not moved forward as far as we would want in 2024/25, we have since launched the Ambition to Action programme to transform many of our systems, processes and ways of working ahead of the next regulatory period. This will provide more of our people with the skills and tools they will need to work more productively.	2024/25: 72% (target 71%) 2023/24: 72% (target 72%)

Build tomorrow's workforce today	Gender diversity of NGET headcount Our ambition is to create a work environment where, whatever their background, everyone has the ability and encouragement they need to thrive. This KPI measures the proportion of female colleagues within the NGET employee population.	2024/25 24.2% (target 20.0%) 2023/24: 19.4% (target: 16.7%)
	Ethnic diversity of NGET headcount Our ambition is to create a work environment where, whatever their background, everyone has the ability and encouragement they need to thrive. This KPI measures the proportion of ethnically and racially diverse colleagues in the NGET workforce.	2024/25: 19.7% (target 18.0%) 2023/24: 17.7% (target 15.2%)
	Safe to Say This KPI measures whether employees feel safe to raise ideas, questions, concerns or mistakes without being punished or humiliated for speaking up. This is a significant increase on 2023/24 and reflects our work on building an engaged workforce.	2024/25: 85% (target 85%) 2023/24: 79% (target 79%)
	Delivers Results The "Delivers Results" measures responses from our annual Grid:Voice survey, including "Decisions are made at the right level", "I have the tools to do my job" and "National Grid adapts quickly to changing customer needs". This strong performance reflects the ongoing effort to improve systems and focus on our customers.	2024/25: 64% (target 64%) 2023/24: 60% (target 54%)

Strategic Report

Our network strategy to 2030

We are transitioning to a net zero power system

The next five years will be critical for delivering the UK's decarbonisation commitments to be fully powered by green electricity by 2030 and on the pathway to net zero by 2050.

With the three elements of the energy trilemma (energy security, sustainability and affordability) now converging, we need to accelerate towards a low-carbon society. We need to transition away from fossil fuels to a secure, sustainable, and affordable energy supply in the near and long-term.

The power sector has made significant progress in decarbonising the UK to-date. Looking forward, the scale and pace required for 2030 poses a fundamentally different challenge, and our transmission network will be at the heart of the transformation.

The change in the external context is significant. Our customer base is already changing across both generation and demand and will continue to do so. They have different needs with respect to timeliness of connection and network availability, and they will expect the network to be available when they need it to be.

Consumers will continue to expect the network to be reliable and resilient, but as the environment changes around us, that means predicting and responding faster to system events, climate change and cyber threats. The electrification of heating and transportation, and a greater reliance on electricity as an energy source, will heighten those expectations.

Affordability will continue to be a top priority for consumers. We must get renewable generation connected to the network quickly to ensure there is access to the cleanest and lowest cost energy sources on the system. As the economics of demand decarbonisation continue to swing, our network must also allow consumers to electrify their transportation and heating in their homes or businesses at an appropriate time.

The works required to replace, reinforce, and grow our network are of a scale and pace we have not seen since the network was first built. But safety and sustainability will remain front and centre of our operations.

The core elements of what our stakeholders will expect of our network are the same as today: reliability and resilience, availability, affordability, safety and sustainability. What this means in practice, and the context we will be operating in, will be completely different and we will change how we design, plan, build and operate our network to respond to these changes.

Planning for the future

Anticipatory investment in network infrastructure, in advance of confirmed demand, are currently limited by the regulatory regime. We are currently regulated to deliver infrastructure 'just in time'. To deliver the energy transition, we need to plan the network differently. We will take a more strategic, programmatic approach, and find a reasonable balance between today's economic outcomes that are more certain and the longer-term facilitation of net zero.

To guide this different approach, we have laid out a set of three strategic planning principles:

- **Enabling investments** – we will move away from the current focus on "no regret" investments. We will instead plan and build a network platform today that is ready for future requirements, making sure we are not the blocker to the energy transition.
- **Do it once, do it right for the future** – we will plan the scope and timing of network investments to address multiple drivers at once. We will coordinate delivery to reduce system access requirements, increase efficiency and minimise disruption to communities.
- **Whole system network planning** – we will work with other utilities, across vectors, and with stakeholders at all levels to ensure planning and delivery of our future network is coordinated and optimised for the UK public.

Designing for the future

We will design tomorrow's network today, prioritising future customer and societal requirements over backwards compatibility.

Our design principles will stretch our thinking and force us to prioritise future requirements over backward compatibility. They will interact and reinforce each other, and we will need to consider them in the round, rather than prioritising any one over another. They will help define the technical capability of our investments; the specific solutions that we use to deliver them may evolve over time as technology advances, but the principles themselves will hold true.

For the sake of total clarity, safety by design will be a constant. This is intentionally not a design principle itself, as it is a fundamental and non-negotiable expectation that each design principle will reinforce, and never detract from.

Our design principles will be as follows:

Optionality and flexibility of connection – we will design our network with more optionality - using a set of standardised set of connection points to allow different customers to 'plug and play' into the network.

Maximising availability, minimising downtime – we will design our downtime of the network, to maximise network availability for our customers and minimise costs for consumers.

Sustainable construction and operations – we will build our network to be 'sustainable by design', leaving a positive legacy for the environment and communities.

Real-time intelligent and adaptive control – we will design a 'digitally native' network, able to predict, respond and adapt at scale and pace.

Now is the time for action, or we will miss the opportunity to deliver a generational shift in the UK's energy system. We have developed our vision and network strategy, as well as the planning and design principles that we will follow to deliver this vision. The work to turn this into a reality, and changing how we work to do that, has started.

Our commitment to being a responsible business

Responsible business underpins our core purpose, to Bring Energy to Life, and aligns to our Group vision to be at the heart of a clean, fair and affordable energy future. We continue to make progress against our Responsible Business Charter (RBC) commitments, both across the National Grid Group and specifically within NGET.

Responsibility at National Grid

NGET has a pivotal role in delivering the UK's ambitions by developing, maintaining and protecting our network to provide low carbon electricity to homes and businesses, safely, reliably and affordably, now and in the future. Through our Responsible Business commitments, we are investing in our assets, environment, colleagues and communities in the right way, generating social and economic value to leave a positive legacy.

Sustainability is integral to our business and embedded in our strategic priorities, with Responsible Business principles intrinsic across our core values; 'doing the right thing', 'finding a better way' and 'making it happen'.

Our Responsible Business commitments are built into our business plans and progress against each commitment is regularly reviewed.

This year, the Group's Responsible Business Review for 2024/25 has been published as part of our National Grid plc Annual Report and Accounts, with a supporting website providing supplementary information. The review is guided by internationally recognised reporting standards from the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). The Responsible Business Review contains information relating to our material focus areas and provides detail on our management approach, performance and the commitments set out in the Responsible Business Charter. (RBC). Certain metrics are subject to independent external assurance.

Our environment

NGET is playing a central role in delivering the UK Government's Clean Power 2030 ambition by facilitating the rapid decarbonisation of the energy system. We're building essential infrastructure and connecting low-carbon energy at pace to develop a network that is fit for the future.

The RBC sets out ambitious climate-related commitments, the most significant of which is to achieve net zero by 2050. In 2021/22, NGET's net zero targets were validated by the Science Based Targets Institute in line with limiting greenhouse gas emissions (GHG) to a 1.5°C warming scenario. A refreshed Climate Transition Plan (CTP) was published on 31 May 2024.

Fully aligned to the RBC, NGET's 2021-2026 Environmental Action Plan (EAP)¹, published in April 2021 and reviewed on an annual basis, articulates in more detail how we are operating in an environmentally sustainable way over the RII0-T2 regulatory period. In September 2024, our third Annual Environmental Report provided a progress update on how we are achieving our environmental commitments as set out in the EAP.

Investing in the decarbonisation of the future of energy

The UK has ambitions to transition to cleaner, greener, and more secure energy sources. We are responsible for building the electricity network that will help achieve the government's goal of connecting 50GW of offshore wind by 2030 and support a net zero economy by 2050.

This year, we connected over 4GW of generation and added 3.5GW capacity to the network. This included phases 1 and 3 of the world's largest offshore wind farm (Dogger Bank, 2.5GW), the UK's largest battery storage unit and the UK's first Grid park (Sundon).

The Great Grid Upgrade, launched in 2023, consists of 17 major infrastructure projects across England and Wales. It will both scale up the grid and update our existing networks, representing the largest growth in the UK transmission network in the last 50 years. It will enable us to carry more clean, secure energy from where it's generated – like out in the North Sea by wind turbines – to where consumers need it, boosting energy security and helping the nation become more self-sufficient.

Our progress on the Great Grid Upgrade this year includes:

- Obtaining approval on our Development Consent Order application on the Bramford to Twinstead Reinforcement from the Secretary of State for Energy Security and Net Zero
- Receiving planning permission from Thurrock Council and Gravesham Borough Council on the Grain to Tilbury project, negotiating the purchase of land, and signing contracts
- Completing the first stage of public consultation on the Chesterfield to Willington and Grimsby to Walpole projects
- Beginning construction on the Yorkshire GREEN Energy Enablement project
- Starting construction on Eastern Green Link 1 and Eastern Green Link 2 (incorporated joint ventures)
- Conducting the first stage non-statutory consultation on Eastern Green Link 3 and 4
- Carried out non-statutory consultation on a potential alternative corridor for a section of the North Humber to High Marnham project
- Consulted the public about our new substation proposals for Brinsworth, Chesterfield and High Marnham

This year, we energised our first 400 kV grid park at Sundon substation in Bedfordshire, introducing a new and innovative way for renewable energy schemes to connect to the transmission network. Sundon is a first of its kind design that plugs three projects at the same point into a single supergrid transformer, saving time and money. It is the first of several grid parks in development by National Grid to connect increasing volumes of renewable projects in a cost-effective way.

We also completed final commissioning and compliance works on Enso Energy and Cero Generation's 50 MW Larks Green solar farm near Bristol. Larks Green is the first solar array to connect directly to the transmission network in the UK. The project involved the installation of a new switchgear at the site and the running of a high-voltage cable between the substation and solar farm, as well as connection of a 99MWh battery storage system.

¹<https://www.nationalgrid.com/document/355131/download>

Our transition to net zero

Our business generates GHG emissions across Scopes 1, 2 and 3. This refers to:

- Scope 1 - Direct emissions from sources that a company owns or controls
- Scope 2 - Indirect emissions from electricity purchased by a company
- Scope 3 - Indirect emissions that occur in a company's value chain.

Scope 1 and 2 emissions

Our short-term target is to reduce our scope 1 and 2 emissions (excluding transmission loss emissions²) by 34% by 2026 from a 2018/19 baseline. This is our Environmental Action Plan target.

Our scope 1 and 2 emissions (excluding transmission loss emissions) totalled 208,104 tonnes CO₂e in 2024/25. This represents a 30% reduction from our 2018/19 baseline and outperforms our annual reduction target of 27%.

Our medium-term target is to achieve a 50% reduction in scope 1 and 2 emissions (including transmission loss emissions) from a 2018/19 baseline by 2030. This is our Science-Based Target (SBT) in line with keeping global warming to 1.5 degrees. A key dependency of NGET achieving this reduction target is the rate of decarbonisation of the electricity sector in the UK, with supporting policies and the development of associated regulatory allowances and planning systems required to support the delivery of our targets.

NGET's biggest contributor to climate change under our direct control is leakage of sulphur hexafluoride (SF₆), a very potent greenhouse gas used as an insulating gas in high-voltage equipment. We are committed to reducing Scope 1 SF₆ emissions from our operations by 50% by 2030 and we will no longer use SF₆ on newly installed assets where there is a commercial, technical and time-viable alternative.

We have actively managed our fix and repair activities throughout the year, including new innovative leak repair solutions, to achieve 17% year-on-year reduction from last financial year.

We recognise the tension between managing our own emissions and maintaining the pace of delivery, connecting customers to clean energy to enable decarbonisation of the wider economy. Our investment and operational decisions are therefore informed by the net impact and seek to deliver greatest reduction in emissions overall.

Case studies: Building an SF₆-free gas-insulated transmission substation

This year, NGET and our construction partner, Linxon, began installing high-voltage SF₆-free gas-insulated switchgear (GIS) at the new 400kV Bengeworth Road substation. This new substation is situated in the centre of the 32.5km London Power Tunnels 2 route. The installation of SF₆-free EconIQ GIS, developed by Hitachi Energy, is a crucial step towards reducing SF₆ emissions from our operations. The new EconIQ GIS contains an insulating gas which is a mixture of fluoronitriles, carbon dioxide and oxygen, and has a Global Warming Potential (GWP) of 298 which is significantly lower than the GWP of SF₆ (23,500).

"By using sustainable technology we're able to minimise the environmental impact of our operations to support the transition

to net zero." – Joe Senior, Project Director, London Power Tunnels 2

SF₆-free technology has been trialled on our network before, notably at our 400kV Richborough substation in Kent where engineers successfully removed SF₆ from an existing gas-insulated busbar and replaced it with EconIQ gas.

The remainder of scope 1 emissions (3%) result from operational transport and the combustion of fuels, such as diesel, on our substations. Operational transport emissions decreased by 8% from 2023/24. We have a National Grid Group-wide commitment to move to a 100% electric fleet by 2030 for our light-duty vehicles, and an associated EAP commitment to replace 60% of our commercial fleet by 2026. At the end of 2024/25, NGET had replaced 45% of the fleet (360 vehicles), achieving our annual target.

The majority of our Scope 2 emissions are due to energy losses on our network, which are largely out of our control. Electricity network losses occur when transferring energy across our transmission and distribution systems. They are a measure of the difference between the amount of electrical energy entering and leaving a network and occur for several reasons, predominantly due to the energy used by network equipment (e.g. transformers, overhead lines and cables), when transporting energy for consumption.

Energy losses from overhead transmission lines can increase as the distance that electricity needs to travel between supply (generation) and demand (customer use) increases. We expect our electricity network losses to grow in the near-term as our network expands. However, as new low carbon generation displaces existing fossil fuel plants, and by making proactive investments in more efficient networks now, we will see significant reductions in emissions over time.

With the reduction in the carbon intensity of electricity outweighing the growth in network losses, our emissions will fall. Despite the progress, the trajectory to 2030 is not expected to be linear as emissions from line losses are subject to annual volatility. This year we saw a 2% reduction in UK Electricity Transmission emissions from 2023/24.

NGET's Scope 2 emissions otherwise relate to electricity usage at operational and office sites and electric vehicle (EV) car charging. Emissions from electricity usage at our operational and office sites decreased by 2% and 10% respectively from 2023/24.

Switching to low-carbon energy sources in our existing substations and offices is critical to our efforts to achieve our climate targets. We invest in energy efficiency measures, such as LED lighting and adaptive heating, ventilation, air conditioning and lighting systems to match occupancy levels in our buildings.

Since 2023, we've had a Power Purchase Agreement (PPA) in place, which means that 100% of the energy we buy for our metered estate is renewable. The electricity delivered under the agreement is generated at Moray East, an offshore wind farm in Scotland.

Scope 3 emissions

Our Scope 3 target covers emissions across our entire value chain with a commitment to reduce absolute Scope 3 GHG emissions (excluding sold electricity) by 37.5% by 2033/34 (from a 2018/19 baseline). Across the Group, Scope 3 GHG emissions increased by 1% year-on-year. Our increased

² Transmission losses largely outside of our control and are predominantly determined by where electricity is generated (for example, electricity generated closer to where it is needed would result in lower losses across the network). Emissions with transmission losses are therefore not included in our short-term 2026 climate target.

investment in energy infrastructure requires greater procurement of goods and services.

We are working proactively with our supply chain to minimise our climate impacts whilst acknowledging that this scale of increased investment is likely to increase our total scope 3 emissions.

Low-carbon construction

As we grow our network to ensure that it is fit for purpose for a net zero future, we continue to focus on how we can reduce the carbon emissions of our construction projects.

In 2021 we set a target to achieve carbon neutrality across our construction and maintenance programmes by 2026. Since then, we have seen the standards and language around carbon neutral change and have significantly scaled up our investment plans to respond to government targets. Given this evolving landscape, now, we could not credibly achieve a carbon neutral position in 2026. We have therefore altered our commitment to deliver low carbon construction and fund compensation projects for the residual emissions associated with construction.

We have developed six strategic priority areas for action in net zero construction:

- Fit purpose tools, data and reporting
- Industry and project-level carbon reduction action plan
- PAS2080-aligned carbon management system
- Carbon knowledge and capability
- Carbon compensation delivery plan
- Whole life carbon beyond 2026

By delivering strongly against these priorities we are confident we can achieve our emissions goals whilst adding real value to the development of UK carbon markets through investing in compensation projects with near term benefits, helping to grow this nascent sector in line with UK Government ambitions. Today, we recognise that a more realistic longer-term net zero-aligned strategy would enable us to better utilise our influence within the infrastructure industry and adhere to best practice such as PAS 2080:2023.

Case study: Carbon compensation – Forest carbon and HACT

In 2024/25, we made two carbon compensation direct awards to organisations that adhered to our eight carbon compensation principles.

One allocation was awarded to Forest Carbon – an organisation specialising in the creation of forests and the restoration of peatlands. From this allocation, we bought around 14,000 pending issuance units or ‘promises’ of future carbon credits, provided through a bespoke portfolio of UK-based forested areas managed by Forest Carbon that deliver multiple co-benefits to the natural environment.

Our second allocation was made with HACT, an organisation offering an award-winning and new credit type that involves the implementation of energy efficiency initiatives in low-income households. We purchased around 1,000 credits of currently achieved carbon reduction.

HACT’s work also deliver multiple social benefits to communities. Moving forward we plan to build on the work achieved to date, creating a robust and diverse carbon compensation portfolio.

Nature positive

Biodiversity loss and climate change are interdependent crises; climate change negatively impacts habitats and species, and

biodiversity loss contributes to and exacerbates the impacts of climate change by degrading the natural assets that can remove CO₂ from our atmosphere. The impacts and solutions are inextricably linked, so it makes sense to tackle them both together.

NGET is committed to tackling biodiversity loss and climate change in tandem by minimising the nature and carbon impacts of construction projects. We are proud of what we have achieved so far, having set science-based decarbonisation targets and shown leadership by requiring biodiversity enhancements on our construction projects in advance of legislation.

We have a commitment to achieve at least 10% biodiversity net gain (BNG) when constructing our assets. This means leaving the environment in a better state than we found it and making sure these improvements are secured and managed for at least 30 years.

In 2024/25, all 21 sanctioned construction projects have committed to deliver a 10% net gain, with 12 committed to gains of 15% or above.

We also own around 1,800 hectares of non-operational land which is made up of a variety of natural habitats including hedgerows, ancient woodland, wildflower meadows, wetlands, grasslands and a peat bog. It is our duty to manage this land responsibly and proactively and therefore we have committed to improve the environmental value of our UK non-operational land by at least 10% by 2026.

Since 2020/21, we’ve achieved a 11.14% improvement in the environmental value of non-operational land. In 2024/25 alone, we were proud to introduce two new strategic partnership agreements and expanded 8 existing agreements to deliver more environmental value. We achieved a 3.27% improvement, equating to over £9.2 million of Natural Capital uplift and representing an average of 8,142 additional recreational and environmental education visits per annum and 15 hectares of habitats now managed for biodiversity.

The Kunming Global Biodiversity Framework agreed at COP15 sets out 4 goals for 2050 and 23 targets for 2030. Target 15 requires businesses to understand, disclose and take active steps to reduce the negative impacts to biodiversity of their operations and supply chain.

Historically, we’ve focused on minimising the impact of our construction activities and operations on biodiversity. In 2024/25, we initiated an innovation project in collaboration with the other Transmission Owners, Scottish and Southern Electricity Networks (SSEN) and Scottish Power Energy Networks (SPEN) to improve our understanding of the upstream biodiversity risks and dependencies within the sector’s supply chain, with a view to identifying areas of commonality and find opportunities to work together with our supply chain to reduce our collective impact on biodiversity.

Innovation

In 2024/25 we refreshed our innovation strategy as the work we need to do to support the transition to a low carbon economy has become far clearer. There’s also a renewed focus on the UK’s net zero goals with the introduction of the Government’s Clean Power 2030 agenda – notably the formation of Mission Control for Clean Power 2030, which seeks to accelerate the connection of new power infrastructure to the grid. We know that to deliver this highly ambitious target we need to embrace new technologies and better ways of working.

Our innovation strategy has four focus areas that support the journey to net zero:

- Build the Future Network

- Accelerate Customer Connections
- Enhance Sustainability
- Improve Resilience

Using resources responsibly

We are prioritising ways to improve our recycling rates, reduce our avoidable waste and ensure as much of our waste is diverted from landfill as possible. This is essential to preserving the Earth's natural resources.

In 2024/25 we diverted 99.8% of waste from landfill on our construction projects. We've committed to generating less waste and recycling more of the waste we do produce.

NGET uses an environmental management system to both understand and manage our environmental responsibilities. For several years, NGET has been part of an externally certified ISO14001 environmental management system. More recently, NGET has developed and implemented an Integrated Management System to ensure it works efficiently, in accordance with good practice, satisfying the requirements and expectations of its stakeholders and customers and improving the overall management of NGET. This includes the ISO14001 environmental management system, the ISO9001 quality management system, and ISO45001 occupational safety and health management system. In September 2024 we successfully received certification of all three ISO certificates we hold with no major non-conformance raised.

Building resilience and adapting to climate change

We take our job of 'keeping the lights on' very seriously and therefore ensure that our network of pylons, cables and substations are resilient to flooding, storm conditions and extreme heat, all of which are made more likely by climate change.

Our Climate Change Adaption strategy, published in line with ISO 14091, the standard for adaption to climate change, demonstrates our commitment to ensuring the reliability and sustainability of our electricity transmission network and builds upon climate resilience mitigations that are already in place (i.e. flood mitigation).

NGET's latest Climate Change Adaptation Report, published in December 2024, ranked coastal management policies and flooding from storm surges as our highest impact climate risks. To better manage the risks, we have developed a prototype severe weather alerts tool that gives clear visibility over potential flooding events and the risk to our sites. We're in the process of implementing this tool at NGET.

Our customers and communities

Public safety, network reliability and resilience, remain at the core of our work to enable a fair and affordable transition for our communities and customers.

Every day, millions of people trust us to keep their energy flowing as we build the energy networks of the future. In 2024/25 we achieved reliability of 99.999832%.

In delivering our ambitions to decarbonise the energy system, we must upgrade the electricity network at a pace and scale not seen for generations. We are investing in essential infrastructure and growing our networks to connect new renewable energy sources and clean technologies that will help decarbonise the economies in which we operate and support the clean energy transition.

There have been no public safety incidents attributable to NGET operations or assets this financial year.

Engaging with our communities

The intensifying scale and pace of our capital works, not only necessitates a fundamental shift in the way we think, plan and deliver infrastructure but also requires us to build a coalition of trust within the communities we work. We aim to deliver an industry-leading, integrated communications campaign that builds positive awareness, enhances National Grid's reputation and delivers The Great Grid Upgrade and major Electricity Transmission projects.

For example, during summer 2024, we carried out 34 public consultation events for six projects in just 18 days, covering the East of England (Norwich to Tilbury, Sea Link), East Midlands and Lincolnshire (Chesterfield to Willington, Eastern Green Link 3 & 4), the South East (Sea Link) and Yorkshire (North Humber to High Marnham, Brinsworth to High Marnham). Across all six project consultations, we received 4,659 attendees and 10,908 consultation responses.

Community Benefit

Our ambition is to support economic growth and maximise the social value we deliver in those areas touched by our construction and operations, ensuring that no-one is left behind.

We are leaving a positive legacy through our major projects:

Case study: Hinkley Connection

In 2023, we awarded £100,000 to The Key: Unlock Potential, a start-up charity in Bristol, created the Key Café, located adjacent to HMP Bristol, on the famous Gloucester Road, in the heart of the City. The charity aims to support people through their transition from prison back into employment, as well as their return to their families and local community.

NGET representatives joined Chief Secretary to the Treasury and local MP, Darren Jones, at the Key Café's launch event in April 2025.

The project will assist with prisoner integration into wider society, through supported work placements at the café, and wraparound rehabilitation services to help build self-confidence, life skills and employability. The Key Café will also provide a safe space for prison visitors, local residents and businesses, and the wider charity community to meet, and try some of the delicious food, made with real conviction in the kitchens of HMP Bristol.

We also support communities affected by our infrastructure projects via our Community Grant Programme (CGP), providing grants for local projects that bring social, economic or environmental benefits. The total value of CGP grants awarded in 2024/25 is £657,370, supporting 48 community organisations impacted by 18 different projects across England and Wales.

After three years of positive and extensive engagement with policymakers, March 2025 saw the publication of Government guidance on community benefits for transmission infrastructure. In line with this guidance, projects that are delivering new, onshore and above-ground transmission infrastructure will need to deliver community funds to benefit local areas that host it.

The guidance supports our strategy to deliver local and strategic benefits in areas hosting new infrastructure and will create a step change in how we deliver community benefits, with greater focus on community engagement and independent governance.

We have been working to understand local context and aspirations for our ASTI regions to identify a replicable set of project / regional socio-economic headlines, a menu of initiatives to enhance these socio-economic outcomes and a menu of community benefit options.

We also undertook extensive stakeholder engagement to inform our business plan for RIIO-T3. This includes engagement with combined authorities to identify whole system opportunities, such as New Talent and Transferable Skills, as part of our Regional Strategies.

Supporting an affordable energy transition

The technological and environmental benefits of the clean energy transition should benefit everyone, and we will play our role in ensuring that no-one is left behind. A fully decarbonised transportation infrastructure, for example, should be accessible to everyone across the communities we serve.

This year we have come to the end of our three-year £65 million Group energy support fund. This fund was used to assist some of the most vulnerable households and businesses struggling with energy costs. We worked with key charity partners in the UK and US to help provide emergency financial relief, fund energy efficiency measures, provide advisory services for households, support energy bill assistance, and emergency food support programmes for low-to-moderate-income customers.

National Grid remains committed to providing support for those that cannot meet energy costs and has established the new Grid for Good Energy Affordability Fund which will run for three years in the UK and US to help with energy advice, emergency funding and energy efficiency measures.

Accelerating social mobility in the communities we serve

We continue to contribute to the acceleration of social mobility in the communities we serve by developing new and long-standing partnerships with registered charities, not for profit organisations, social enterprises, educators and our supply chain.

In 2020, as a Group, we made a 10-year commitment to develop skills for the future for 45,000 people in our communities. As of 31 March 2025, 29,654 people have been positively impacted, made up of 5,132 in the UK and 24,522 in the US. Since Grid for Good launched in 2020, we have positively impacted the lives of 60,384 people, with 94 securing employment in National Grid alone this year.

Engaging directly in our communities through volunteering

Volunteering has the power to make a real difference to the communities we both work and live in. This year 604 colleagues across NGET have volunteered 7,509 hours, against a target of 4,729 in support of a variety of initiatives focused on science, technology, engineering, and mathematics (STEM) education, employability and the environment. We are continuing to grow our volunteering community, partnerships and programmes as we work to meet our 2030 commitment.

We recognise the importance of fostering interest and skills in STEM within our communities. Our employees actively participate in school outreach activities, STEM workshops, and career talks, sharing their expertise and enthusiasm with students of all ages. By engaging directly with young learners and educators, we help demystify STEM subjects, encourage curiosity, and build confidence in students who may not otherwise see a path into these industries. This form of volunteering not only contributes to the personal and academic growth of students but also strengthens our connection to the community and helps shape a more inclusive future workforce in STEM.

Over the last year we have formed a second partnership with STEM Learning to expand our reach into the North West. This is supported by our STEM Ambassador community, now consisting of 95 employees supporting our STEM outreach activities. We have also established a partnership with STEM

Governors to enable our STEM professionals to offer valuable insights and use their expertise to support school leadership and strategy. Their presence can strengthen careers education, inspire students through relatable role models, and enhance links between schools and the wider STEM community, ultimately raising aspirations and improving outcomes for young people.

Our efforts to inspire the younger generation have resulted in extremely positive feedback over the last year:

"Thank you so much for coming and delivering the session; the children were interested, engaged and enthused by all elements of the session, particularly the hands-on parts. They were certainly 'buzzing' about it afterwards."

"The support we received from National Grid made the whole event really successful. Judges were attentive and interested in the pupils' projects and the activities were loved by the children. We would love to work with National Grid again."

Acting on feedback we receive from our customers on the service we provide

Our NGET customer satisfaction incentive score in 2024/25 is 6.5 out of 10. We follow the Quality of Connections Incentive, which we anticipated to be challenging this year due to the rapidly growing connections pipeline and its impact on connection dates. Despite this being largely outside of NGET's direct control, we have seen an impact in our overall score as expected. We are working closely with others across the industry to address the challenges caused by the current connections pipeline.

As this measure of customer satisfaction consists of elements, including regulatory rules, which are outside of our control, we are also focusing our efforts on where we can drive value for our customers. For example, we have looked at how we are servicing the needs of customers who have established projects that are delivering against agreed milestones and are in the development or delivery stages of work.

Our people

Our people are our most valuable asset and we are committed to "Building tomorrow's workforce today". The safety and wellbeing of our people remains a top priority. In the past year, we have continued our commitment to fostering a culture where every colleague feels valued, respected and where they belong and are empowered to contribute their best.

Creating an inclusive culture

We are proud to have created a work environment where, whatever your background, you have the ability and encouragement to thrive.

Enhancing inclusivity in operational and field locations remains a priority and a challenge. We have reviewed our inclusion training with the aim of providing a more simplified, but enhanced offer, ensuring it is globally consistent and more accessible, providing a suite of specialist development opportunities. We have also developed a self-paced module called Inclusive Leadership at National Grid.

Inclusiveness (measured through our Safe to Say Index) remained steady and at target with an overall score of 80%.

Invest in our people and building the skills needed to deliver the clean energy future

Our strategic workforce plans are providing clarity on the capacity, skills and capabilities we need to deliver on the energy transition. We aim to attract and retain the best people and are leveraging our employer brand, to be recognized as an employer of choice.

We are broadening the approach to our talent pipeline, targeting people with different experiences and implementing a targeted recruitment campaign to reach passive candidates.

We are accelerating the development of our colleagues showing high potential, by putting them through our internal development programs, and identifying mentors and coaches.

We have transformed and modernised our Technical Training function and our global operating model means we are leveraging internal and external best practices and, in NGET, working on accelerating time to competence for critical roles.

Our internships are available to a range of students, including Mechanical, Electrical, Civil and Chemical Engineering, and cover several business areas, including Technical & Engineering, Business Support, and Non-Technical and Commercial. All of our Apprenticeship Programmes include a blend of academic study, on the job learning, and professional training at our centre in Eakring, Nottinghamshire. We also offer an 18-month graduate programme with three development pathways for our Commercial, IT & Digital or Engineering Graduates, which includes support towards professional registration with a relevant institution.

Our diversity of colleagues across NGET is increasing.

Ethnicity demographic as at 31 March 2025 - NGET

‘Minority’ refers to racial/ethnic heritage declarations as recorded in our system.

White	2,950
Minority	755
Prefer Not To Say/No Declaration	125
Total	3,830
White (%)	77.0 %
Minority (%)	19.7 %
Prefer Not To Say/No Declaration (%)	3.3 %

The % of Minority has increased by 2.0 percentage points (19.7% compared to 17.7% last year).

Gender demographic as at 31 March 2025 - NGET

	Male	Female	Total	Male	Female
Our Board	6	3	9	67%	33%
Whole Company	2,902	928	3,830	75.8%	24.2%

The % of Female population has increased by 4.8 percentage points (24.2% compared to 19.4% last year).

The tables above only provide data for permanent, direct business employees only and not all employees of NGET. Procurement population is also excluded.

Leading the industry on colleague health and wellbeing

As our construction and infrastructure workbook grows, it's important that we take care of the people working for us and with us on our projects. NGET has developed a new Mental Health Standard, *Mental Health Management in Construction* (based on ISO45003), in collaboration with 24 of our tier one contractors, promoting a systematic approach to mental health management across NGET and its contractors.

This year, Harker, Snowdonia, Wessex and Sealink are some of the first sites to have implemented the standard, which will help improve mental health provisions and provide support to colleagues working at our construction sites.

Ensuring all colleagues receive fair and equitable pay

We believe that everyone should be appropriately rewarded for their time and effort. We are accredited by the Living Wage Foundation, a commitment which extends to our contractors and the work they do on our behalf. We also go above the Living Wage requirements and voluntarily pay our trainees the Living Wage. We undertake a Living Wage review each year to ensure continued alignment and increase individual salaries as required and also promote the commitment to our suppliers.

Our policy also ensures that individuals identifying as having a disability receive fair consideration for all vacancies, with reasonable accommodations and additional resources provided whenever feasible. We are dedicated to equal opportunities in recruitment, training, promotion and career development for all our colleagues, including those with disabilities.

We review gender and ethnicity pay gaps annually and these are reported one year in arrears. With sustained focus over many years, our UK base gender pay gap continues to be minimal and we have also shown progress with pay and incentives gaps for ethnically diverse employees. We aim to continue to make progress on pay gaps within our operational teams where women are still a significant minority. Female representation in the NGET business has increased on prior year and our incentive pay gap remains in favour of women as it did in 2023 and 2024 respectively.

We will continually strive to ensure fair pay across all our employees, focusing our efforts on ensuring that we further drive down our pay gaps. A full breakdown of our latest UK Gender Pay Gap data is available on our website.

Responsible Business fundamentals

Colleague and contractor safety and wellbeing

We have a fundamental duty of care to ensure our employees and contractors are kept safe and that their health and wellbeing is not impacted by their work. Any safety, health or wellbeing incident is one too many, and we continue to work diligently to improve our performance through effective policies, standards, procedures and training.

Our safety performance is measured through a combination of leading and lagging indicators. Lost Time Injury Frequency Rate (LTIFR) is one of the core KPIs of the business (refer to page 9). We take a proactive, risk-based approach to managing health and wellbeing and have documented standards relating to Occupational Health and Safety, Process Safety and Wellbeing and Health. Incidents are reported to the highest level via the Group Incident Review Panel, and the Safety, Health & Sustainability Committee of the Board undertakes regular deep dives on safety-related topics.

This year, NGET delivered world-class safety performance with an LTIFR of 0.07 in ET and 0.04 in SI. Since the beginning of the financial year 2024/25, ET has reported 7 Lost Time Injuries (LTIs), SI has reported 1. While any LTI is unacceptable, this marks an improvement from 13 LTIs reported for NGET during the same period last year. We are committed to building a high-performance safety culture aiming to elevate awareness, empower individuals and build on our existing values and behaviours.

This year, we have refreshed our Fatal Risk Group packs, adding two new health risks: psychological health and respiratory disease.

A specialist team has been formed to enhance the safety culture within ET by embedding the four safety principles and promoting safety leadership excellence. Following a pilot phase, a comprehensive rollout is planned for all staff in early 2025/26.

Our multi-year 'POWER Up for Safety' programme focuses on "train the leader" to equip the workforce with the necessary mindset and behaviours to improve safety performance, aiming for the top tier of the Hudson Model Generative Safety Culture during this period of significant growth and change.

Cyber security and data protection

We are focusing on security and risks, both cyber and physical, ensuring they are appropriately monitored. We prioritise cyber security and data protection by implementing solutions which aim to protect our digital systems, manage vulnerabilities and focus on compliance with regulatory requirements. We report on cyber security as an operational risk, which is increasing due to heightened threats from global political conflicts.

We deploy data protection controls to comply with applicable data privacy laws and standards. We implement measures such as strong passwords, regular software updates and providing employee training on cyber security best practices. We have plans in place for containing cyber-attacks or data breaches and notifying affected parties.

Cyber Assessment Framework (CAF)

In May 2018, the UK government introduced into UK law the Network and Information Systems Regulations (NIS), setting out the need for organisations to take 'appropriate and proportionate' steps to raise their Cyber Maturity to manage their risks. Ofgem regulates the Energy sector's progress for cyber maturity, utilising a framework established by the National Cyber Security Centre (part of GCHQ): the Cyber Assessment Framework (CAF).

The first target for the sector was to achieve a 'basic' profile on the CAF framework which we achieved in 2023, protecting our network from rogue actors. In June 2023, Ofgem published the next stage of maturity, known as the 'Enhanced Profile', designed to enable organisations to withstand more sophisticated attacks, with a target for the sector to achieve this by December 2027.

We submitted plans to achieve this target in October 2023, with Ofgem awarding allowances for our Enhanced Profile mitigation plans in September 2024. This year we have focused on delivering the plans, achieving multiple outcomes that move us towards Ofgem's enhanced profile with further work through 2025/26 to raise our maturity to withstand sophisticated attacks

Partnership with our supply chain

We aim to build partnerships with suppliers who set clear ambitions related to the environment, workforce, customers and communities.

We have aligned our Global Supplier Code of Conduct to our RBC pillars and require suppliers to share our commitment to respecting, protecting and promoting human rights. We expect our suppliers to comply with all applicable local, national and international laws or regulations including the UK Bribery Act 2010. We also require them to adhere to the Principles of the United Nations Global Compact, the International Labour Organisation minimum standards, the Ethical Trading Initiative Base Code and the requirements of the Living Wage Foundation.

Social value is now embedded in our procurement processes and contractual terms and conditions, alongside environmental sustainability requirements, and we are providing greater transparency and accessibility in our sourcing system through our new procurement sustainability tool. Aligned to the Global Industry Classification Standards (GICS) and National Grid's Category Tree, the tool triggers a sustainability heatmap by pulling out bespoke questions to embed into sourcing events.

We are also a partner of the Supply Chain Sustainability School, enhancing the skills of our priority suppliers.

We are fair to our suppliers and committed to paying them promptly. We strictly adhere to the agreed payment terms set out in contracts or purchase orders and our finance team works diligently to ensure that all invoices are processed efficiently. We are signed up to the Prompt Payment Code and we encourage our suppliers to adopt the principles of this code.

Our economic contribution to society comes primarily through the delivery of safe and reliable energy but also through our role as an employer, a tax contributor, a business partner and community supporter. We help regional government formulate and manage their energy policies and commitments. Our approach to regulatory consultation is to seek a framework that puts consumers at the centre of our price control, while enabling secure, reliable energy supply and the clean energy transition, each of which are key in protecting future economic growth, safety and wellbeing in society.

We prioritise our responsibilities to our different but interrelated stakeholder groups and wider society. We have extensive and detailed processes to ensure we understand the interests of our stakeholders and reflect them in the decisions we make. Stakeholder engagement plays an important role in how our Board ensures responsibility in governance. This includes listening to our stakeholders' views, inviting external guests to meetings, and using independent research to bring the voice of the customer and other stakeholders into the boardroom.

Ethical business conduct

Adopting the right approach to governance and the highest ethical standards is critical to the success of our business.

We regard the potential for bribery and corruption as a significant risk to the business and have established policies and governance that set and monitor our approach to preventing financial crimes, fraud, bribery and corruption, including our Code of Ethics (covering anti-bribery and anti-corruption). We have a Company-wide framework of controls designed to prevent and detect bribery.

Our Code of Ethics applies to everyone at National Grid, from the Board and the Group Executive to all colleagues across the organisation. It sets out the expected standards and behaviours to help us ensure everything we do, every day, aligns with our values: Doing the right thing, Finding a better way and Making it happen.

Linked to the Code is our 'Speak up' policy which sets out in simple terms how our employees can report an ethical concern and the process for investigation. We have a confidential internal helpline, and an external 'Speak-Up' helpline that is available at all times in all the regions where we operate. We publicise the contact information to our colleagues and on our external website so concerns can be reported anonymously. Our policies make it clear that we will support and protect whistleblowers and any form of retaliation will not be tolerated.

A breach of the Code of Ethics can have different outcomes depending on the severity and detrimental impact to people and our organisation and may result in disciplinary actions up to and including dismissal, in line with our disciplinary procedures.

Following the implementation of the Workers Protection Act 2024, we have reviewed and updated our Respect at Work policy, Grievance policy, Code of Ethics and Supplier Code of Conduct to ensure sexual harassment in the workplace is included. Communications across the business have taken place to highlight our expectations and how colleagues can 'speak up' and report concerns. We have a communication and training programme which aims to promote a strong ethical

culture and is backed by mandatory e-learning for colleagues to understand and apply the Code.

We have a zero-tolerance stance on fraud, bribery and corruption of any kind and we regard the potential for bribery and corruption as a significant risk to the business. We have established policies and governance in place that set and monitor our approach to preventing financial crimes, fraud, bribery and corruption, including our Code of Ethics.

We have a communication and training programme which aims to promote a strong ethical culture and is backed by e-learning for colleagues to understand and apply the Code, including our zero-tolerance stance on fraud, bribery and corruption of any kind. We regularly monitor completion of this training against a 95% target.

We also have an Anti-Financial Crimes policy which applies to all employees and those working on our behalf. It sets out our zero-tolerance approach to bribery, fraud, money laundering, tax evasion and other corrupt business practices. To ensure compliance with the UK Bribery Act 2010 and other relevant legislation, we undertake a fraud and bribery risk assessment process across the Company on an annual basis and ensure adequate procedures are in place to address them.

Any cases alleging bribery are referred immediately to the relevant Ethics and Compliance Committees (ECC) so the members can satisfy themselves that cases are managed effectively, including ensuring any lessons learnt are communicated across the business. We investigate all allegations of ethical misconduct thoroughly and take corrective action and share learnings. We also record trends and metrics relating to such allegations.

We are required to consider specific risks and maintain a compliance framework, setting out the controls we have in place to detect and prevent bribery. We then self-assess the effectiveness of controls and provide evidence that supports reported compliance. Each year, all function heads are asked to certify the compliance in their area, and to provide details of any exceptions.

Human rights

Respect for human rights is incorporated into our employment practices and our values, which are integral to our Code of Ethics. This is vital in maintaining our reputation as a company that our stakeholders want to do business with, and that our employees want to work for.

In 2023, we introduced a separate Human Rights Policy to hold ourselves accountable to respect the rights of our workforce, our value chain and those impacted by our operations while providing a safe, secure and inclusive work environment. We also publish an annual Modern Slavery Statement, outlining our approach to mitigating the risk of modern slavery in our business and supply chains.

Internal control and risk management

The National Grid Electricity Transmission Board is committed to protecting and enhancing our reputation and assets, while safeguarding the interests of our stakeholders. It has overall responsibility for the Company's system of risk management and internal control.

Managing our risks

National Grid Electricity Transmission is exposed to a variety of uncertainties that could have a material adverse effect on its financial condition, its operational results, its reputation, and its value.

The National Grid Electricity Transmission Board oversees the Company's risk management and internal control systems. As part of the role, the Board sets and monitors the level of risk the Company is prepared to seek or accept in pursuing our strategic objective - our risk appetite. This is set in the context of the National Grid Group risk appetite. The Board assesses the Company's Principal Risks (PRs) and monitors the risk management process through risk review sessions at least twice a year.

Risk management process

Risk strategy, policy and processes are set at Group level with the business responsible for implementation. Our Enterprise Risk Management (ERM) process provides a framework to identify, assess, prioritise, manage, monitor and report risks. The established risk governance structure including the Group Executive Ethics, Risk and Compliance Committee (Group ERC), along with equivalent committees in the business units, provides enhanced oversight and governance of risk from top-down and bottom up across the Group.

Our risk profile, which is presented to NGET Board biannually, contains the principal risks that the NGET Executive considers to be the main uncertainties currently facing the Company as we endeavour to achieve our strategic objectives. These top risks are agreed through implementation of our top-down/bottom-up risk management process. The risks are reported and debated with the National Grid Electricity Transmission Ethics, Risk, and Compliance Committee on a quarterly basis.

The NGET risk profile informs our Group Principal Risk profile which is assessed annually to establish the impact on the Company's ability to continue operating and to meet its liabilities over a specified assessment period. We test the impact of these risks on a reasonable worst-case basis, alone and in clusters, over a five-year assessment period. This work informs our viability statement. The five-year period was carefully considered in light of the nature of our businesses, our business planning cycles, and risk profile.

The Board, Executive Committee and other leadership teams discuss the results of the annual principal risk testing at the end of the year.

Emerging risks

Emerging risks (ERs) are less defined than Group Principal Risks (GPRs) and typically do not pose an immediate threat. They are future focused, with greater uncertainty and are more difficult to quantify; however, they could threaten the future achievement of our strategy. Utilising future scenarios, horizon scanning and emerging risk assessments, we identify ERs that

could potentially threaten the achievement of our strategic objectives in the future. Our ongoing ER process includes the identification, assessment, response, and reporting of ERs.

Assessment includes the potential impact and velocity (time to impact) and our response is to then either watch, monitor or manage the risk that are reported to the Board and Company PRs using our emerging risk radar.

The NGET risks are currently discussed quarterly at the National Grid Electricity Transmission Ethics, Risk and Compliance Committee level including the Key Risk Indicators (KRIs), developed to help alignment to the risk appetite framework in the business and enhance the monitoring and mitigation of risks.

The NGET risk profile is presented in the following 'Principal Risks and Uncertainties' section.

Our principal risks and uncertainties

Accepting that it is not possible to identify, anticipate or eliminate every risk that may arise and that risk is an inherent part of doing business, our risk management process aims to provide reasonable assurance that we understand, monitor and manage the main uncertainties that we face in delivering our objectives. This aim includes consideration of inherent risks, which exist because of the nature of day-to-day operations in our industry, and financial risks, which exist because of our financing activities. Our most important risks and a summary of management and mitigation actions are provided in the table below.

Operational Risks	
Operational risks relate to the losses resulting from inadequate or failed internal processes, people and systems, or due to external events. These risks normally fall within our low-risk appetite level as there is no strategic benefit from accepting the risk, as it will not be in line with our vision and values. Our operational principal risks have a low inherent likelihood of occurring. However, should an event occur, without effective prevention or mitigation controls, it would be likely to have a high level of impact. The risk owners, executive leaders, and their teams develop and monitor actions to control the risks. Operational risks are managed through policy, standards, procedure-based controls, active prevention and monitoring. The operational risks link to our strategic priority to 'Deliver efficiently for our customers'. Principal risk assessment includes reasonable worst-case scenario testing i.e. electricity transmission asset failure, loss of licence to operate, cyber security attack – and the financial and reputational impact should a single risk or multiple risks materialise.	
Risks	Action taken by management
Delayed recovery from significant events due to lack of Business Continuity preparedness: The risk that we fail to respond effectively to a major event.	We continue to be committed to increasing our level of business resilience through the identification of risks, testing, and learning from incidents. We are prepared for initial response and recovery from network incidents through our framework for the management of, and recovery from, incidents, with our work planning and asset investment processes enabling full recovery.
Public safety due to asset failure impacting a public area: The risk of catastrophic asset failure on the electricity transmission system leading to a significant public safety event. Risk Trend: Neutral	We continue to focus on risk mitigation actions to reduce the risk of catastrophic asset failure or, in the event of this, to limit its impact. We have incorporated monitoring action status into various business processes and senior leadership including: • Implementation of asset management and data management standards with supporting guidelines to provide clarity around what is expected, with a strong focus on what we need in place to keep us safe, secure and legally compliant. • Where asset failures occur, we perform a full investigation to ensure causes are understood, and, if not an isolated incident, appropriate management actions are implemented on the rest of the network. • Development of a rigorous and consistent framework of risk management across our high-hazard asset portfolio, with safety-critical assets clearly identified on the asset register. • Established capability frameworks to make sure our workforce has the appropriate skills and expertise to meet the performance requirements in these standards.
Failure to predict, protect and recover from a cyber attack: The risk that we are unable to operate the network, bear damage to assets, loss of confidentiality, integrity and/or availability of system. Risk Trend: Increasing due to geopolitical uncertainty, potential threats from AI and the technology landscape.	We continue to commit significant resources and financial investment to maintain the integrity and security of our systems and our data by continually investing in strategies that are commensurate with the changing nature of the security landscape. This includes: • Collaborative working with UK Government agencies including the National Cyber Security Centre (NCSC), the Department for Energy Security and Net Zero (DESNZ) and the Centre for Protection of National Infrastructure (CPNI) on key cyber risks. • Development of an enhanced critical national infrastructure security strategy. • Our involvement in the development of Cyberspace Security Frameworks. • Awareness and training and control self-assessments; and Cyber response incident procedures and contingency planning.

Asset failure leading to a serious loss of supply: The risk that an asset or assets fail on the electricity transmission system and we sustain serious loss of supply or a higher number of smaller losses of supply than currently experienced. Risk Trend: Neutral	We continue to apply a holistic approach encompassing preventative and mitigating actions including pre-emptive measures to maintain network reliability such as: • Flood contingency plans for substations. • System operator supply and demand forecasting. Should energy flow disruptions occur: • Business continuity and emergency plans are in place and practised, including Electrical System Restart testing; and critical spares are maintained to ensure we can quickly and effectively respond to a variety of incidents - storms, physical and cyber-related attacks, environmental incidents and asset failures.
Data: The risk that we expose data that we shouldn't. Risk Trend: Neutral	We continue to progress and improve our data management processes including: • Implementation of our data and other related business management standards. • Privacy impact assessments carried out across business areas affected by General Data Protection Regulation (GDPR). • Access controls for our data and systems are underpinned by robust licence control, multi-factor user authentication and NG Data Business Management Standards.
Failure to protect our employees or contractors from physical or mental harm: The risk that NGET employees and/or contractors sustain a life changing injury / fatality, chronic ill health whilst at work. Risk Trend: Neutral	We are committed to ensuring a safe working environment for all our employees and partners when delivering our objectives. Our preventative and detective controls focus on the following areas: • Leadership – Director level safety visits. • Planning & Risk Assessing Work – A well established management framework of safety procedures and standards for NGET and contractor based work. • Behavioural Safety – Company wide programme to further develop the Company's safety maturity. • Competency and Training – Induction and ongoing training authorisation processes. • Increased safety engagement with our contractors, focusing on working collaboratively to improve our collective safety performance.
Major Project Delivery: The risk that we are unable to deliver on our major capital project programme within the required timeframes. Risk Trend: Increasing primarily due to supply chain challenges and resource availability.	To manage the risk of delivering our major* projects within the required timeframes, we are focusing controls in the following areas: • Organisational Structure • Cost, schedule and risk management • Contract Management • Senior Leadership oversight *Major projects defined as £300 million or of strategic importance
Failure to sustain operation of the network due to failure of our integrated Energy Management System (iEMS): The risk that we are not able to sustain operation of the transmission network in England and Wales. Risk Trend: Neutral	Ensuring the safe and reliable operation of the network is fundamental to the NGET business and its stakeholders. The replacement of the current ageing network control system will ensure continued reliable operation of the network in to the future. In conjunction with the National Electricity System Operator (NESO) we are working to replace the current system with two stand alone systems.

Strategic and regulatory risks	
Strategic risk is the risk of failing to achieve the Company's overall strategic business plans and objectives, as well as failing to have the 'right' strategic plan. We intentionally accept some risk so we can generate the desired returns from our strategy. Management of strategic risks focuses on reducing the probability that the inherent risk would materialise, while improving the Company's ability to effectively respond to the risk should it occur. The risk owners, executive leaders, and their teams develop and monitor actions to control the risks. These risks link to our strategic priorities of "Enable the energy transition for all" and "Deliver efficiently for customers". The political climate and policy decisions of our regulators were key considerations in assessing our risks. The climate change adaptation risk is a strategic and regulatory risk but also an operational risk, i.e. the impact of rising temperatures and widening temperature ranges on the performance and operation of our networks.	
Risks	Action taken by management
Business Transformation: The risk that we fail to transform ET and build the capabilities required to deliver our long term outcomes and ability to deliver the level of growth expected within the RIIO-T3 period. Risk Trend: Neutral	We have a clear set of priorities and defined transformation outcomes. Our Transformation scorecard with clear KPIs tracks progress. Key controls identified to manage the risk are being put in place, the control areas are: • Transformation Plan • Value Levers • Performance Reporting • Digitally Enabling the Business • Building Capability
Failure to anticipate and adapt to the impact of climate change. The risk that we fail to anticipate and adapt to the impacts of climate change. Risk Trend: Neutral	The impact that climate change may have on our assets is assessed and reported on a yearly basis through our Climate Change Adaptation Impact Strategy. We continue to engage with external stakeholders and groups to ensure the potential impacts of climate change are understood. Our Climate Change Adaptation Plan supports the delivery of short- and long-term requirements to fulfil our Climate Change Adaptation Strategy.
Failure to deliver net zero 2030 commitments: The risk that NGET does not provide the Transmission Network to enable the UK's decarbonisation commitments (Clean power by 2030, Net zero power by 2035 and Net zero society 2050). Risk Trend: Neutral	Enabling the energy transition is core to our strategic priorities and embedded in our processes and investment decision making. Our regional strategies and systems access strategies help to surface and manage any potential risks. The Strategic Infrastructure business unit, now operating under the same NGET licence as ET, is responsible for delivery of 17 major infrastructure (ASTI) projects in the UK, as well as other strategic projects that will help deliver our net zero ambitions and help the UK government meet its targets. Internally our environmental plan will enable us to meet our net zero commitments.
Failure to deliver regulatory commitments: The risk that we fail to deliver our RIIO-T2 regulatory outputs and do not manage implications and Ofgem relationships. Risk Trend: Neutral	To manage the risk of delivering our regulatory commitments, we are working to ensure we: • Have an effective resourcing strategy. • Monitor legislation & Government for any planned new, or changes to, legislation that may affect us under the new Labour government. • Plan system access and outage availability. • Have a detailed plan of the volumes we are expecting to deliver during the current regulatory period. • Have an awareness programme to help our employees understand the current regulatory deal and the consequences of our choices and deliverables. • Ensure data and processes are in place and available to enable timely and accurate regulatory reporting.
Price Control Opportunities - Failure to achieve price control opportunities (re-openers, incentives). Risk Trend: Neutral	To manage the risk of failing to achieve price control opportunities, we are working to ensure we: • Have in place a comprehensive business plan. • Submit timely and well supported re-opener requests. • Implement incentive and efficiency programmes to drive performance improvements. • Have in place robust mechanisms to monitor and report on performance. • Maintain open and transparent communication with the regulator and other stakeholders.

Political and Societal Expectations: The risk of not effectively managing positive relations and influencing stakeholders, from local communities through to government entities, and lacking a systematic approach to understanding and engaging with key stakeholders. Risk Trend: Increasing due to expectations to deliver net zero whilst still meeting competing demands of our customers and stakeholders.	Processes and resources are in place to review, monitor and influence perceptions of our business and our reputation including by: • Enhancing and consolidating our digital roadmap and social channels. • Managing stakeholder and media reputational issues. • Implementing holistic Stakeholder strategies across Government, regional and local levels. • Delivering on our commitment to be a responsible business. • Investing in delivering high standards of consultation with local communities and key stakeholders. • Implementing campaigns to recruit for the future. • Promoting partnerships and discussions of decarbonisation across the jurisdictions where we operate.
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People It is through the high-quality work of our employees that we will achieve our vision, respond to the changing needs of our stakeholders and create a competitive advantage. Building and fostering an engaged and talented team that has the knowledge, training, skills and experience to deliver our strategic objectives is vital to our success. We must attract, integrate and retain the talent we need at all levels of the business. These risks link to our strategic priority to "Empower colleagues for great performance".	
Risks	Action taken by management
Resource - Failure to recruit, develop and retain specialist roles: There is a risk of not recruiting, developing and retaining specialist roles across our NGET workforce . Risk Trend: Neutral	We are involved in a number of initiatives to help secure the future engineering talent we require, including industrial placements and internships, advanced and higher apprenticeships. We are focused on ensuring we have a wide pool of talent. Our entry-level talent development schemes (graduate training and apprenticeships) are a potential source of competitive advantage in the marketplace. We also continue to develop the rigour of our succession planning and development planning process, particularly at senior levels. We are now applying it deeper into the organisation.

Our internal control processes

We have a number of processes to support our internal control environment. These processes are managed by dedicated specialist teams, including risk management, ethics and compliance management, corporate audit and internal controls, and safety, environment and health. Oversight of these activities is provided through regular review and reporting to the Board and appropriate Board committees as outlined in the Corporate Governance section on pages 26 to 30.

Monitoring internal control is conducted through established boards and committees at different levels of the National Grid plc organisation. Deficiencies are reported and corrected at the appropriate entity-level. The most significant risk and internal controls issues are monitored at the Group Executive and National Grid plc Board level. The Company's Audit Committee is responsible for keeping under review and reporting to the Board on effectiveness of reporting, internal control policies, Bribery Act legislation, appropriateness of financial disclosures and procedures for risk and compliance management, business conduct and internal audit.

Reviewing the effectiveness of our internal control and risk management

The Board continually monitors and assesses the effectiveness of our internal control systems and risk management processes covering all material systems, including financial, operational and compliance controls, to make sure they remain robust. In this review, the Board considers the effectiveness of areas such as the control environment, risk management and internal control activities, including those described below.

Fostering a culture of integrity is an important element of our risk management and internal controls system. National Grid's values: 'do the right thing', 'find a better way' and 'make it happen' provide a framework for reporting business conduct issues, educating employees and promoting a culture of integrity at all levels of the business. We have policies and procedures in place to communicate behaviour expected from employees and third parties, and to prevent and investigate fraud and bribery and other business conduct issues. We monitor and address business conduct issues through several means, including a bi-annual review by the Audit Committee.

Overall compliance strategy, policy and frameworks are set at the National Grid plc Group-level with implementation owned by National Grid Electricity Transmission. The business is responsible for identifying compliance issues, continuous monitoring, and developing actions to improve compliance performance. We monitor and address compliance issues through several means including reviews, leadership meetings and a bi-annual review by the Audit Committee.

A feature of our internal controls system is our three lines of defence model. This model is a way of explaining the

relationship between functions and how responsibilities for risk and controls are allocated and monitored. Each business function owns and is responsible for managing its own particular risk and controls (the first line of defence). Central management teams (the second line of defence) act as an advisory function on implementing the principal risk assessments and actions taken to mitigate and manage those risks. Our internal audit function then audits selected controls to provide independent assessments of the effectiveness of our risk management and internal control systems (the third line of defence).

The Certificate of Assurance (CoA) from the National Grid plc CEO to the Board provides overall assurance around the effectiveness of our risk management and internal controls systems. The CoA process operates via a cascade system and takes place annually in support of the Company's full year results. The Audit Committee considers the CoA and provides a recommendation to the Board in support of its review.

NGET's Internal Management System was last audited by the external 3rd party certification body Lloyd's Register Quality Assurance Inc. (LRQA) in October 2024.

Internal control over financial reporting

Periodic Sarbanes-Oxley (SOX) reports regarding Management's opinion on the effectiveness of internal control over financial reporting are received by the Board. Reports conclude on the Group's compliance with the requirements of s404 of the Sarbanes-Oxley Act, and are received directly from the Group Controls Team; and through the Executive and Audit Committees. This is to satisfy the reporting requirements for National Grid plc.

We have specific internal mechanisms that govern the financial reporting process and the preparation of the Annual Report and Accounts. Our financial controls guidance sets out the fundamentals of internal control over financial reporting, which are applied across the Company. Our financial processes include a range of system, transactional and management oversight controls. In addition, our businesses prepare detailed monthly management reports that include analysis of their results, along with comparisons to relevant budgets, forecasts and prior year results. These are presented to, and reviewed by, senior management within our Finance function.

These reviews are supplemented by monthly business reviews attended by the Group CEO and CFO, during which financial and non-financial metrics are considered via analysis of performance contract scorecards. Deep dives on particular topics are driven by identified risks and opportunities.

Corporate Governance

Corporate Governance Statement

National Grid Electricity Transmission plc (the Company) aims to achieve high standards of leadership and governance. At National Grid plc level, the Company's ultimate shareholder, its board considers that it complied in full with the provisions of the UK Corporate Governance Code 2018 (the Code) during the year being reported on. The Company's Board applied the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles) for the year ended 31 March 2025. The Wates Principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to continue to improve the standards of corporate governance. They also support directors to meet the requirements of section 172 Companies Act 2006.

The Corporate Governance Statement sets out the principal areas of the Company's governance together with an explanation of areas where it considers it has operated consistently with the Wates Principles. For ease of reference, this is explained under the Wates Principles headings.

1. Purpose and Leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

Our purpose is to Bring Energy to Life. As described on page 4, we work within the purpose, vision, values and strategy set by the National Grid Group to ensure we are well positioned to respond to changes in the operating environment. The Board is responsible for oversight of the Company's strategy and has considered its development during the reporting period.

The Board is collectively responsible for its governance and its effective oversight of the Company and its business and compliance with its obligations under the Electricity Transmission Licence. To facilitate this, a comprehensive governance framework has been established. This governance framework forms part of the wider National Grid plc governance framework and is aligned, as required and is applicable, to the Company. The framework is described in further detail below.

2. Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient time to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

Balance and Diversity

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. Full details of the Directors who were in office during the year and up to the date of signing the financial statements can be found in the Directors' Report on page 39.

This depth and breadth of experience, together with the independence brought by the SIDs, enables the Board to work as a team to engage in constructive and challenging discussions, considering the perspectives and interests not only of the Company's shareholder but the wider range of stakeholders applicable to the Company.

The National Grid Group promotes a culture where every colleague feels valued and respected. Inclusivity is a vital part of the Group's efforts in building the talent and capabilities we need for the future to deliver on our purpose and strategic priorities. Our vision is to build and develop an inclusive culture where every employee can thrive. At the year end, the Board consisted of three female Directors and six male Directors.

Chair

Alice Delahunty, President of Electricity Transmission, continued to Chair the Board during the year. Alice has been a member of the Board since December 2020 and is a member of the Group Executive Committee. The Board has previously considered whether to separate the roles of Chair and President as per the Wates Principles' guidance, however, it determined that through her participation at a National Grid Group level as well as her role as President of Electricity Transmission and as Chair of the Company's Board, she is well placed to identify and facilitate understanding of the views of its ultimate shareholder. The Board believes this is a valuable part of the overall corporate governance framework and is appropriate for a subsidiary company which is part of a larger group.

Sufficiently Independent Directors

The appointment of two SIDs in April 2014 has provided the Board with independent challenge and contribution to the decision-making process. The SIDs bring to the Board a wealth of experience and knowledge in the utility sector, government and regulatory organisations and other business and organisations outside of the energy sector.

Cathryn Ross was appointed to the Board as a SID with effect from 21 June 2019. Jeremy Long was appointed to the Board as a SID on 17 March 2022. Cathryn and Jeremy fulfil the independence requirements of a SID set out in the Company's licence.

The SIDs' input and involvement in developing the governance framework is demonstrated through their leadership of two committees of the Board: the Audit Committee and Business Separation Compliance Committee. Within the boardroom, the constructive independent challenge and input brought by the SIDs support the Board in considering the wider range of stakeholders in the business.

Outside of the boardroom, as Chair of the Audit Committee, Jeremy Long holds an annual meeting with the Chair of the National Grid plc Audit & Risk Committee creating a formal information flow between the independent directors of the two committees. Cathryn Ross is also invited to attend this.

The SIDs attend site and operational visits as well as briefing sessions on key strategic matters outside of the Board meeting calendar, enabling them to strengthen their knowledge and understanding of the business. These activities also provide the opportunity to create further strong links between the business and the boardroom.

Non-executive Director

Phil Sheppard was appointed as a Non-executive Director of the Board on 1 August 2021. Phil brings a wealth of experience from the energy sector and in relation to his engineering expertise. Phil is a former employee of the National Grid Group and therefore is not deemed to be independent for the purposes of Condition B22 of the Company's Transmission licence.

Executive Directors

For the reporting period, the executive director membership of the Board consisted of five different members of the Electricity Transmission Executive Team: Alice Delahunty, Chris Bennett, Sandip Thakrar, Jeremy Mavor, and Carl Trowell. Jeremy Mavor was appointed to the Board on 1 July 2024 following Justine Campbell's resignation from the NGET Board on 30 June 2024.

All Board appointments are made in consultation with its shareholder and in accordance with National Grid's Procedure for the Appointment of Directors to Subsidiary Companies.

Group-appointed non-executive Director

Alexandra Lewis is the Group-appointed Non-executive Director. Alexandra Lewis is the Group Treasurer, and has continued as a member of the Board since her appointment in April 2018. Her attendance brings a Group perspective to the Boardroom.

Director induction and development

Director briefings on the statutory duties and responsibilities of directors have been presented during the reporting period; training has been made available to new directors and reference material has been placed in the online document library.

Continuing director training and development is delivered both within and outside of the boardroom. This is key to enabling Board effectiveness individually and as a whole. Jeremy Mavor received new director training following his appointment.

Within the boardroom, the Board receive updates and presentations on current operational matters and specific initiatives within the business and wider National Grid Group. These presentations also provide an opportunity to benefit from the input of other Board members on matters within their area of the business.

3. Director Responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

The Board maintains a schedule of matters specifically reserved for its consideration and decision. This is aligned, as appropriate, to that of the National Grid plc Board with additional responsibilities as required by licence obligations. The matters reserved cover matters categorised as: Strategy, Management and Finance, Director and Employee Issues, Corporate Governance, Financial and Regulatory Reporting and Shareholders and includes oversight of the relationship with the regulatory bodies, including Ofgem, Department for Energy

Security and Net Zero (DESNZ) and the Health and Safety Executive. This is reviewed annually.

To support the Board, there is an established framework of Committees, to which the Board delegates defined duties under Terms of Reference and within a framework of Delegations of Authority (DoA). Further detail on the work of the Committees can be found on page 28.

The Board's accountability for financial business reporting and risk management and internal control is undertaken within the wider Group governance framework and processes. As a regulated entity, the Board has responsibility for annual regulatory financial reporting requirements which it applies the same rigorous governance processes as that of the statutory accounts, and it involves the work of the Audit Committee. Reporting on the regulatory regime is overseen by the Board, and further detail can be found on pages 2 to 3.

Regular Board meetings are generally scheduled and communicated approximately 18 to 24 months in advance, providing all Directors with sufficient notice to attend meetings. Where possible, Directors who were unable to attend a meeting provided comments to the Chair or Company Secretary in advance of the meeting. The matters to be considered throughout the annual board meeting schedule fulfil the Board's responsibilities in line with its statutory duties, licence obligations, its matters reserved for the Board and its authority under the Group DoA from National Grid plc. The Board's supervision of the Company's operations is fulfilled through standing agenda items on safety matters, business overviews from the transmission owner, SI owner and financial performance. The Board's consideration of health and safety matters covers all parts of the operational business and considers the health and safety of the workforce and members of the public. In addition to this the Board receives a suite of management reports, in line with Group reporting, providing updates on different aspects of the business.

To enable the Board to be effective and efficient within the boardroom a number of procedures have been established: papers supporting each agenda item are distributed in advance, typically a week before the meeting; training and briefings on specific matters are scheduled outside of Board meetings; and the Chair holds a short meeting with the SIDs and Company Secretary before each meeting to share feedback and discuss the dynamics of the meeting, creating a culture of continuous improvement for the operation of future Board meetings.

Six regular Board meetings were scheduled during the year. In addition, in May 2024 the Board held a Strategy Day, allowing Directors to step-back and explore the key themes raised throughout the year. The strategic themes considered were safety and reliability, Customers, the Market & Shareholders, and delivery including people and supply chain. In addition, part of the agenda included a Board dinner with a speaker who focused on how to achieve net zero.

Eight meetings were also held to support and review the Company's RII0-T3 plan.

Committees

The Board has established a number of committees and sub-committees which assist in its activities and operate within agreed Terms of Reference and a framework of DoA. The Committees of the Board are listed below:

- Electricity Transmission Executive Committee
- Strategic Infrastructure Executive Committee
- Business Separation Compliance Committee
- Finance Committee
- Audit Committee

The Company does not have a Nomination Committee or Remuneration Committee as these functions are provided by National Grid plc – see the Annual Report and Accounts of National Grid plc for further information about these committees – pages 110 to 111 for the work of the People & Governance Committee (which covers the responsibilities of a typical Nomination Committee) and pages 121 to 149 for the work of the Remuneration Committee.

Safety, Health and Environmental (SHE) matters are a top priority for the Board. The Board does not have a specific Board sub-committee for SHE matters. Instead, it delegates the day-to-day management of safety matters to the Safety Committee within the Electricity Transmission and Strategic Infrastructure businesses. The work of this Committee is supported, and forms part of, the Group wide safety governance framework, which ensures there is strong interaction with the UK SHE Committee and Group SHE Committee. In turn, the UK SHE Committee provides regular reports to the Board, whilst ensuring a consistent delivery of safety through its interactions with the Group Executive Committee.

Electricity Transmission and Strategic Infrastructure Executive 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 Alice Delahunty, President, Electricity Transmission. The SI Executive Committee comprises the senior management of the SI business and is chaired by Carl Trowell, President, Strategic Infrastructure.

Business Separation Compliance Committee

The Business Separation Compliance Committee of the Board is responsible for overseeing the duties and tasks of the Business Separation Compliance Officer and for overseeing compliance with the business separation licence conditions.

Membership of the Committee is by appointment of the Board and comprises all directors of the licensee. For the reporting period, the Committee was chaired by Cathryn Ross, SID, providing independent leadership of the Committee and is supported by the Company Secretary.

The Business Separation Compliance Officer/Compliance Officer are in attendance and present reports on their duties, activities and compliance with the licence obligations.

Two Committee meetings were held during the year, with additional separate meetings taking place between the Chair of the Committee and the Business Separation Compliance Officer/Compliance Officer. Following the meetings, the Chair provided updates to the Board on matters considered at the meetings. Please refer to the separate sections on Business separation and the Company's Compliance Statement for further information.

Finance Committee

The Finance Committee of the Board is responsible for setting policy and grants authority for financing decisions, credit exposure, hedging and foreign exchange transactions, guarantees and indemnities, all subject to the risk appetite of the Board. It also approves other treasury, taxation, insurance and pension funding matters, as well as having responsibility for the governance of the Company's pension schemes and the Company's insurance strategies, and if appropriate, recommends these to the Board.

Membership of the Committee comprises the Chief Financial Officer of National Grid plc and the Group Treasurer, a Director of the Board. The Committee interfaces with the Finance Committee of National Grid plc and the Board. During the year, the Finance Committee met twice.

Each Board meeting considers a separate agenda item on the work of the Finance Committee. Financial reporting on the financing activities, taxation, insurance and financial costs and liabilities of the pension schemes is provided through the regular financial management reports discussed at each Board meeting.

Audit 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.

Membership of this Committee is comprised of three Board Directors: the two SIDs and a Group-appointed Non-executive Director, Alexandra Lewis. During the year, the Committee continued to be chaired by Jeremy Long, SID, providing independent leadership. Relevant financial experience is provided by all Committee members.

In addition to the members of the Committee, individuals such as representatives of the external auditors, the NGET CFO, Head of Internal Audit, Chief Compliance Officer, UK Chief Risk Officer and other representatives of the finance function may be invited to attend by the Committee and normally attend each meeting. Other Directors, representatives of the business and external advisers may be invited to attend as and when considered appropriate by the Committee and in respect of items that are relevant to them.

The Audit Committee provides the assurance required by the Board on matters within its authority. The Chair provides a report on the meeting to the following Board meeting, and where applicable makes recommendations to the Board. The Board considers these recommendations and, if required, seeks further assurance and details to be brought to the Board.

As noted above, to strengthen the governance links to National Grid, the Chair holds an annual meeting with the Chair of the National Grid plc Audit Committee.

The preparation and management of the Audit Committee's annual meeting schedule follows the same governance processes as those for the Board. Technical briefings and meetings with the NGET CFO and members of the finance function are held before meetings, as required, to provide further details on matters to be discussed during the meetings.

Areas of focus

The Audit Committee meetings considered a programme of matters comprising those which were aligned to that of the National Grid plc Audit & Risk Committee and specific matters as they related to the Company, as a listed and regulated entity and as defined in the Terms of Reference for the Committee. Examples of key areas of focus included:

- Statutory and regulatory accounting statements;
- Going concern statements;
- Fair, balanced and understandable statements;
- Financial reporting;
- Internal controls and processes;
- Regulatory accounting;
- Risk management processes;
- Compliance matters, including compliance with licence obligations;
- Internal (corporate) audit plan; and
- Business conduct, including whistleblowing.

Significant issues

The most significant issues the Audit Committee considered during the year were matters relating to internal controls and processes and judgements made in the preparation of the year-end financial statements.

Looking forward, the Committee will continue to focus on the effectiveness of the internal control environment, including SI controls for major upcoming projects.

External audit

The Audit Committee is responsible for overseeing relations with the external auditors, as part of the Group wide external audit arrangements. Each Committee meeting is preceded by a meeting between the SIDs and the external auditor, without management present, to allow independent discussions on any matters the auditors would like to bring to the attention of the Committee.

The Committee regularly reviews the audit plan and findings in respect of the audit of the statutory accounts. The Committee also engages on auditor recommendations for improvements around internal controls. Through regular management reporting on internal controls, the Committee is able to monitor progress of the actions being taken.

Internal (Corporate) audit

The Company does not have a separate internal audit function. This function is provided by National Grid's Corporate Audit function, which provides independent reports to Executive Committees on whether the existing control and governance

frameworks are operating effectively in order to meet National Grid's strategic objectives. Assurance work is conducted and managed in accordance with the IIA international standards for the Professional Practice of Internal Auditing and Code of Ethics.

Inputs to the audit plan include principal risks, risk registers, corporate priorities, and external research of emerging risks and trends. Discussions are held with senior management to make sure the plan aligns with the Committee and Company's view of risk. The audit plan is considered and approved by the Committee annually and progress against the plan is monitored throughout the year.

The Committee received regular controls updates from the Corporate Audit team. Management actions on audit findings have continued to be a focus at Executive meetings resulting in greater visibility of audit findings, increased ownership of actions and a reduction in the overall number of findings as a result.

Auditor's independence and objectivity

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presentation of the financial statements. Following consideration of the auditor's independence from NGET, their objectivity, the audit quality and the auditor's performance, the Committee was satisfied with the effectiveness, independence and objectivity of Deloitte. The audit report presents the results of Deloitte's own independence assessment on page 43.

A resolution to re-appoint Deloitte and giving authority to the Directors to determine their remuneration will be submitted to shareholders at the 2025 AGM.

4. Opportunity and Risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

Risk Management is fundamental to delivering the long-term success of the Company and for that reason a separate section of the Annual Report and Accounts has been dedicated to describing our internal controls and risk management process from page 20.

5. Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Executive remuneration is controlled by the ultimate parent company, National Grid plc. Further information on this is available within the Remuneration Report of National Grid plc's Annual Report and Accounts on pages 121 to 149.

6. Stakeholder Relationships and Engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Board's focus on stakeholder engagement has continued during the reporting period, including reviewing and mapping out key stakeholder groups and discussing the Board's current level

of engagement and incorporation of its views into decision-making. During the year, the Board took the opportunity to review stakeholder engagement, and has discussed its duty under section 172 of the Companies Act 2006.

Engaging with stakeholders to deliver long-term success is a key area of focus for the Board. Senior Executives within the business have regular interactions with Ofgem, DESNZ and the Health and Safety Executive. The Company also organises stakeholder forums and consultations with stakeholders, including members of the public, our suppliers and customers around specific projects. We work with other networks and organisations outside of the energy industry to identify good practice. The Board considers the interests of these various stakeholder groups through reports and presentations at Board meetings, allowing Directors to reflect their interests in the decision-making process. More information on the Group's stakeholder engagement initiatives is available on pages 22 to 24 of the National Grid plc Annual Report.

RIO-T3 Stakeholder Engagement

One of the Board's primary focuses during the year was the development of the RIO-T3 plan. During this process our engagement programme across eight regions reached more than 12,000 people and over 1,000 organisations. Through our engagement, we have heard from local and combined authorities, regional development bodies, distribution networks, and other customers. They have provided insights on key economic and sociodemographic changes and objectives for their communities. We also asked about their frustrations. We brought this insight together with our consumer research and site level and network engineering expertise to co-create regional Future Network Blueprints. These are the plans for how we will develop the network to address the needs of customers, consumers and impacted stakeholders, specific to each region. These blueprints are a live tool for us to use with our stakeholders on an ongoing basis. They will evolve, reflecting the dynamic, changing context within which we are operating. The Board will continue to work with our stakeholders on these throughout the next five years and beyond.

Stakeholder Advisory Group

In 2012, Ofgem introduced a funding framework for mitigating the visual impact of existing infrastructure in designated landscapes. National Grid's Visual Impact Provision (VIP) projects range from overhead line removal and replacement to smaller landscape improvement projects and are led by the VIP Stakeholder Advisory Group (SAG). This group is comprised of senior representatives from national organisations dedicated to conserving and enhancing the landscape throughout England and Wales. The Chair of the SAG regularly attends the Board meetings, where the Board discussed the learnings from the current VIP approach, and how the work completed on the VIP projects assisted with the creation of new wildlife habitats from disturbance through clear research and following advice from SAG. The Board supported the proposal to continue the current approach to VIP, including ensuring the role of the VIP SAG continues. The Board further supported the principles of the VIP projects to be extended for all future major projects to include conservation bodies given the strong stakeholder relationships already formed which have proven successful in delivering significant benefits to the environment and communities. National Grid and Ofgem's nine-year investment in VIP has resulted in shared learning, increasing mutual trust and professional respect across the SAG. To aid the continuation of building these vitally important relationships, the Board

nominated a Board member to champion and guide the future approach. The continued collaboration of the Company and SAG will provide a strong basis for sustainable success in the future and presents an opportunity that aligns to our values and commitments as a responsible business.

Workforce Engagement

The Board believes it is important that the Company builds on the extensive range of workforce engagement activities that are already in place and continues to consider workforce views in relevant decision-making processes. The Board will continue to review and adapt its approach during the 2025/26 financial year, considering new ways to engage with the workforce effectively.

Engagement with our people takes many forms, including employee engagement sessions, reviewing and implementing actions from the employee survey results, meetings with Trade Union representatives, leadership off-sites and site visits by Directors. The results of the annual employee survey are reported in depth to the Board, providing insight into how our employees are feeling about the business and its direction. The Board recognises the need to set the tone from the top. Action plans are developed to progress any areas of improvements that are identified. During the year, Directors have held a series of workforce engagement events, including town halls, smaller engagement events and leadership briefings. More information on the Group's workforce engagement activities can be found within the National Grid plc Annual Report on pages 51 to 54.

Investing in our People

We know that if we are to achieve our ambition to deliver net zero, we need to attract, hire and retain people from a wide array of backgrounds, who have different experiences and perspectives. We owe it to our colleagues, customers and stakeholders to be clear on our stance against discrimination. Our policy ensures that individuals identifying as having a disability receive fair consideration for all vacancies, with reasonable accommodations and additional resources provided wherever feasible. We are dedicated to equal opportunities in recruitment, training, promotion and career development for all our colleagues, including those with disabilities.

Eligible employees can participate in the Company's performance through employee share schemes.

Business separation

Business Separation Compliance Committee

The Board's Business Separation Compliance Committee is responsible for overseeing the duties and tasks of the Compliance Officer and for overseeing compliance with the licence conditions for business separation between the Company and National Grid's competitive businesses operating or bidding for activities in carbon capture and storage, interconnectors or offshore transmission. Membership of the Committee is by Board appointment and comprises all Directors of the Company. The Compliance Officer attends this Committee which is chaired by Cathryn Ross (Independent Director). Two meetings took place during the last financial year.

Special Condition 9.18 (Business separation requirements and compliance obligations) of our electricity transmission licence requires the Company to maintain business separation sufficient to ensure that no commercial advantage is given to any of the National Grid competitive businesses operating or bidding for activities in carbon capture and storage, interconnectors or offshore transmission. This Condition also requires NGET, in carrying out its licensed activities, to have in place and maintain systems of control and governance arrangements to ensure the Company complies with several licence conditions covering the prohibition of cross subsidies, Financial Ringfencing, prohibited activities and business conduct.

Our policy in respect of compliance with Special Condition 9.18 is set out in the Company's Compliance Statement. We have taken the following specific actions to comply with the requirements of Special Condition 9.18:

- Appointed a Compliance Officer and a Single Appointed Director who report on compliance to the Compliance Committee and the Company's Board of Directors.
- Put in place specific legal, managerial and functional architecture to ensure separation.
- Established specific policies and procedures to ensure that the Company does not give any unfair commercial advantage to any of its affiliates and that confidential information is kept confidential and secure.
- Implemented specific restrictions on premises, use of systems and transfer of employees between the Company and the competitive businesses.
- Established and maintained a Code of Ethical Business Conduct to ensure employees are aware of their obligations to protect confidential information relating to the Company.

Our stakeholders

Effective engagement with our stakeholders is key to successful achievement of our strategy in the long term.

Section 172(1) Statement

The Board ensures that the Directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. This is with regard to all its stakeholders and to the matters set out in the section 172(1) (a)-(f) of the Companies Act 2006 in the decisions taken during the year ended 31 March 2025. Examples of how Directors have had regard to these matters during the year are set out from page 33, which together with this page forms our section 172(1) statement.

As the Board of Directors, we prioritise our responsibilities for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our shareholders, stakeholders and wider society are met. We actively seek to understand the interests of our stakeholders and reflect these in the decisions that we make. We recognise that in balancing those different perspectives, it isn't always possible to achieve each stakeholder's preferred outcome and consideration of each stakeholder group depends on the matter at hand as well as the combined effect of these factors taken together. The Board strives to balance the different priorities and interests of our stakeholders in a way which is compatible with the long-term sustainable success of the business and which maintains a high standard of business conduct aligned to our values and purpose.

How our Board keeps up to date with stakeholder interests

Most engagement with key stakeholders is carried out at business level by management teams and takes place at business level and the Directors engage directly with stakeholders where possible. Active reporting mechanisms are in place to collate feedback and developments from this engagement and enable a flow of this information to the Board and Board Committees, to inform decision making. An overview of business-level engagement and outcomes is reported to the Board or appropriate Board Committee on a regular basis.

- **Reporting and monitoring:** Our Company-wide engagement collates information on stakeholder interests that informs business-level decisions, with an overview of developments being reported on a regular basis to the Board or its Committees.
- **Direct engagement:** In other instances, one or more members of the Board may be involved directly in the engagement. In each case, it is important for all members of the Board to gain sufficient understanding of the issues relating to every stakeholder, so their views are taken into account in Board discussions.

Details are in the following table:

Section 172	Overview
The likely consequence of any decision in the long term	The Board receives an annual update on the Company's forward business plan and how this aligns to the National Grid Group's purpose, vision, strategy and values. During the year, the forward business plan was enhanced to track and facilitate analysis of where the Board spends their time. This also allows a strong focus on key strategic priorities of a long-term nature. The Forward Business plan is also reviewed at every meeting to ensure that the Board is aware of future priorities and can provide suggestions on what areas should be discussed as well as ensuring there is a good balance of different discussions. During the year, the Board considered its strategic priorities in detail at the Strategy Day held in May 2024 as well as at specific RIIO-T3 focused meetings. Following an extensive engagement programme across eight regions which reached more than 12,000 people and over 1,000 organisations, the Board submitted the Company's RIIO-T3 business plan to Ofgem in December 2024. The Board was fully involved in developing the business plan and assurance approach to ensure that the plan was of a high quality and continued to be updated on the status of the plan as well as feedback received on it following its submission.
Interests of our colleagues	The Directors place great importance on the wellbeing of the Company's employees and the wider National Grid Group workforce providing support to the Company's business and operations. The Board considers wellbeing to be critical to the long-term success of the business. During the year the Board has received regular, detailed updates on the levels of employee engagement and satisfaction which is embedded as a standing item as part of the safety, health, environment and quality updates. The Board has monitored its workforce engagement activities during the reporting period and is committed to continually develop its consideration of the interests of the Company's employees. The annual Grid:Voice engagement survey provides insights into what is important to our colleagues and how they are feeling about the Company's strategy and leadership. The results of this survey were provided to the Board and discussed in depth. The plans to progress any areas of improvement were also identified and regular updates are debated and challenged. Further details can be found under 'Workforce Engagement' within the Corporate Governance Statement on page 30.
Fostering business relationships with suppliers, customers, regulators and others	The Board is fully committed to effective stakeholder engagement and regularly reviews the relationships the business maintains with all of its stakeholders, including suppliers, customers and others. During the year a supply chain deep dive was carried out during a Board strategy day and the Board heard directly from some stakeholders who had projects in the connections queue. The Board receives regular updates on our Customer Satisfaction scores and key business areas such as Customer Connections. Further, updates are received on the interactions between our Directors and key stakeholders, including Government, Ofgem, the HSE, customers and suppliers. The Independent Stakeholder Group (ISG) continues to provide oversight of the Company's activities from the perspective of our stakeholders and the Chair of the Board maintains open and regular dialogue with the ISG Chair. Further details of stakeholder engagement activities can be found on page 30.
Communities, government and environment	The Board is focused on the wider social context within which the business operates, including those issues related to climate change. The Board is committed to reducing the Company's environmental impact and achieving net zero. To support this work, the Board receives regular updates on environmental performance. This includes behavioural safety, including the wellbeing of our colleagues and updates on working with our environmental partners on playing our part to towards becoming a "nature positive" company. During a strategy day, the Board experienced a community focused event to allow them to engage with the discussions in affected communities around the Great Grid Upgrade. Further details on our commitment to being a responsible business can be found on page 12. The Executive Directors and other members of senior leadership have met directly with members of the UK government as part of the Company's ESG outreach to highlight our continuing efforts towards a clean energy transition. The Board has also received focused sessions on major projects such as the delivery of Ofgem's revised regulatory framework, ASTI. This has included in depth consideration of our impact on the environment, government and local communities impacted by these projects.
Maintaining a reputation for high standards of business conduct	The Board is committed to the National Grid values of 'do the right thing', 'find a better way' and 'make it happen', providing a framework for reporting business conduct matters, educating employees and promoting a culture of integrity at all levels of the business. Further details can be found on page 4. Through its Audit Committee, the Board monitors and addresses the Company's business conduct and has oversight of the compliance strategy, policy and frameworks set out at the National Grid Group level and implemented by the Company's Electricity Transmission business. The Board has also established a Business Separation Compliance Committee which is responsible for overseeing the duties and task of the Compliance Officer and compliance with our licence conditions for business separation. Further details can be found on page 31.
The need to act fairly as between members	The Company's ultimate shareholder is National Grid plc. The Board has developed a robust corporate governance framework which allows the Directors to understand the views of the shareholder and to report constructively to it. Further details can be found in the Corporate Governance Statement where we explain the role of our Chair and the annual activities of our SIDs.

Further details on how the Board has given this consideration to the issues, factors and stakeholders relevant in complying with section 172 can be found within the Corporate Governance Statement, and in particular, on page 29 where we explain our approach to 'Stakeholder Relationships and Engagement'.

Viability statement

The Board's consideration of the longer-term viability of the Company is an extension of our business planning process. This process includes financial forecasting, a robust risk management assessment and regular budget reviews. Our business strategy aims to enhance our long-term prospects by making sure our operations and finances are sustainable.

National Grid Electricity Transmission plc (NGET) is a wholly owned subsidiary of National Grid plc which performed a group wide business plan that was reviewed and approved by the National Grid plc Board and which included detail of the NGET operating segment. Details of the National Grid viability statements can be found in the National Grid plc Annual Report and Accounts 2024/25 on page 93, which details the worst case scenarios considered.

The assessment of the potential impact of our principal risks on the longer-term viability of the Company tests the significant solvency and liquidity risks involved in delivering our business objectives and priorities. After careful consideration of the risk landscape and other considerations including: our long-term business model, high-quality, long-term assets and stable regulatory arrangements; the Board's stewardship responsibilities; and the Company's ability to model a range of severe but plausible reasonable worst-case scenarios, the Board concluded that it remains appropriate to consider a five-year timeframe over which we should assess the long-term viability of the Company.

The business plan considers the significant solvency and liquidity risks involved in delivering our business model in light of our strategic priorities. We have set out the details of the principal risks facing our Company on page 21, described in relation to our ability to deliver our strategic objectives. We identify our principal risks through a robust assessment that includes a continuous cycle of bottom up reporting and review, and top down feedback.

The business model calls for significant capital investment to maintain and expand our network infrastructure. To deliver this, our business plan highlights that we will need to access capital markets to raise additional funds from time to time. We have a long and successful history in this regard. Although finance ability is formally assessed at a group level, the Board considers key funding from operations / net debt metrics used by lenders in assessing a company's credit worthiness.

The NGET plc Board review and approve the annual certificates in respect of compliance with certain licence conditions (including Financial Ring-fencing, and Availability of Resources). The Electricity Transmission Financial Ring-fencing certificate was approved by the Board in July 2024, and the Availability of Resources certificate was issued in July 2024.

In assessing the impact of the principal risks on the Company, the NGET plc Board has considered the fact that we operate in stable markets and the robust financial position of the Company, including the ability to raise capital, suspend or reduce the payment of dividends and seek financial support from National Grid plc. It has also considered Ofgem's legal duty to have regard to the need to fund licensed NGET activities and any initial considerations following the Draft Determination published on 01 July 2025 (see page 2).

Each Director was satisfied that they had sufficient information to judge the viability of the Company. Based on the assessment described above and on page 39, the Directors have a reasonable expectation that the Company will be able to continue operating and meet its liabilities over the period to July 2030.

Financial review

Operating profit decreased by £407 million in comparison to the prior year to £1,241 million, driven by the impact of a £116 million revenue decrease to £2,619 million and increased operating costs.

New accounting standards

The Group adopted the following amendments to accounting standards, which have had no material impact on the Group's or the Company's results or financial statement disclosures:

- amendment to IAS 1 'Presentation of financial statements - Non current liabilities with covenants';
- amendments to IFRS 16 'Leases on sale and leaseback'; and
- amendments to IAS 7 and IFRS 7 'Supplier finance arrangements'.

Use of adjusted profit measures

In considering the financial performance of our businesses and segments, we analyse each of our primary financial measures of operating profit, profit before tax, and profit for the year attributable to equity shareholders into two components.

The first of these components is referred to as an adjusted profit measure. Adjusted results exclude significant exceptional items, and financial derivative remeasurements, as defined in our accounting policies. These items are reported collectively as the second component of the financial measures. Note 5 of the financial statements explains in detail the items which are excluded from our adjusted profit measures.

Adjusted profit measures have limitations in their usefulness compared with total profit measures as they exclude important elements of our financial performance. However, we believe that using adjusted profit to monitor financial performance aids the comparability of our reported financial performance from year to year. We exclude items from adjusted profit because, if included, these items could distort understanding of our performance for the year.

The presentation of these two components of financial performance is additional to, and not a substitute for, the comparable total profit measures presented.

Management uses adjusted profit measures, exclusive of timing differences, as the basis for internal monitoring of financial performance. These measures are also used by National Grid in communicating financial performance to its investors in certain external presentations and announcements of financial results.

Internal financial reports, budgets and forecasts are primarily prepared on the basis of adjusted profit measures, although planned exceptional items, such as significant restructuring, are also reflected in budgets and forecasts. We separately monitor and disclose the excluded items as a component of our overall financial performance.

Reconciliations of adjusted profit measures

Reconciliation of adjusted operating profit to total operating profit

There are exceptional items included within operating profit for the year ended 31 March 2025, relating to a settlement of net pension assets from the NG plc Group's sale of the NESO and a major transformation programme across the Group, and in the prior year relating to a restructuring programme that commenced in FY20/21 across the Group.

	Years ended 31 March	
	2025	2024
	£m	£m
Adjusted operating profit	1,253	1,651
Exceptional items ¹	(12)	(3)
Total operating profit	1,241	1,648

¹ Additional detail is provided in note 5 of the financial statements.

Reconciliation of adjusted operating profit to adjusted earnings and earnings

	Years ended 31 March	
	2025	2024
	£m	£m
Adjusted operating profit	1,253	1,651
Adjusted net finance costs ¹	(222)	(261)
Adjusted profit before tax	1,031	1,390
Adjusted taxation	(264)	(360)
Adjusted earnings	767	1,030
Exceptional items after tax	(15)	12
Profit for the year	752	1,042

¹ Adjusted net finance costs exclude the impact of remeasurements.

Reconciliation of adjusted profit excluding timing differences to total operating profit

Underlying operating profit and adjusted profit excluding timing differences are presented below. Timing differences relate to the over or under collection of revenue in-year; this is explained in detail on page 38.

	Years ended 31 March	
	2025	2024
	£m	£m
Underlying operating profit	1,428	1,314
Corporate centre costs	(24)	(26)
Adjusted operating profit excluding timing differences	1,404	1,288
Timing differences	(151)	363
Adjusted operating profit	1,253	1,651
Exceptional items ¹	(12)	(3)
Total operating profit	1,241	1,648

¹ Details of exceptional items can be found in note 5 of the financial statements.

Consolidated income statement

	Years ended 31 March	
	2025	2024
	£m	£m
Revenue	2,619	2,735
Operating costs	(1,366)	(1,084)
Adjusted operating profit	1,253	1,651
Exceptional items	(12)	(3)
Total operating profit	1,241	1,648
Finance income	59	90
Finance costs:		
Before exceptional items and remeasurements	(281)	(351)
Exceptional items and remeasurements	(4)	19
Profit before tax	1,015	1,406
Taxation:		
Before exceptional items and remeasurements	(264)	(360)
Exceptional items and remeasurements	1	(4)
Profit after tax	752	1,042

Revenue

Revenue for the year ended 31 March 2025 decreased by £116 million to £2,619 million. This movement primarily reflects a negative timing difference variance of £514 million (refer to page 38), lower super-deduction tax recovery of £84 million and lower scores against Quality of Connections and Energy Not Supplied incentives of £8 million, partially offset by an increase in passthrough costs of £230 million, increased Totex allowances of £117 million, inflationary uplift of £95 million and increased allowed returns of £46 million.

Operating costs

Operating costs for the year ended 31 March 2025 of £1,366 million were £282 million higher than the prior year, mainly driven by a £230 million increase in pass-through and unlicensed revenue costs, £19 million increased depreciation, amortisation and impairment driven by a higher asset base, increased payroll and pension costs due to an increase in workforce of 24% and wage inflation of 5.25%, inflation associated with procurement of goods and services, and one-off costs of £15 million (including £1 million for immediate clean up and £14 million for environmental remediation costs) from the North Hyde substation incident. This is partially offset by synergies from integration with Electricity Distribution of £14 million and efficiencies from a major transformation programme of £14 million.

Adjusted operating profit

Adjusted operating profit decreased by £398 million to £1,253 million, as a result of the impact of the reduction in revenue and increases in operating costs described above.

Exceptional operating items

Exceptional operating costs of £12 million in the year ended 31 March 2025 related to a settlement loss of £11 million in the net pension assets for employees of NESO that were derecognised on sale and a major transformation programme across the Group of £1 million. Classification as such is in line with policy and ensures that the costs are treated in a consistent manner with similar costs incurred previously. In the prior year, exceptional operating items wholly related to costs of £3 million for completed restructuring projects.

Net finance costs

For the year ended 31 March 2025, net finance costs before exceptional items and remeasurements decreased by £39 million to £222 million. This is primarily an impact of reduced accretion on inflation linked liabilities and higher capitalised interest.

Remeasurements

Remeasurements decreased by £23 million to a £4 million loss for the year ended 31 March 2025. Remeasurements represent net gains or losses on derivative financial instruments.

Taxation

Total taxation was £101 million lower than the prior year. This is driven by decreased profit before tax.

Consolidated statement of financial position

	Year ended 31 March	
	2025	2024
	£m	£m
Non-current assets	19,774	17,530
Current assets	699	1,316
Total assets	20,473	18,846
Current liabilities	(2,461)	(1,638)
Non-current liabilities	(12,209)	(12,051)
Total liabilities	(14,670)	(13,689)
Net assets	5,803	5,157

Non-current assets

Non-current assets increased by £2,244 million to £19,774 million as at 31 March 2025. This was principally due to an increase of £2,212 million in property, plant and equipment (PPE). The most significant individual projects within tangible capital expenditure of £2,749 million were ASTI projects Eastern Green Link 1 and Eastern Green Link 2.

Non-current prepayments increased by £146 million from £270 million to £416 million, driven by capacity reservation agreement (CRA) payments and other downpayments to suppliers to secure manufacturing capacity.

Current assets

Current assets decreased by £617 million to £699 million at 31 March 2025, driven primarily by a decrease of £508 million in financial assets and other investments. Most of this movement relates to a reduction of £531 million in an overnight facility loan with National Grid plc.

Current liabilities

Current liabilities increased by £823 million to £2,461 million at 31 March 2025, driven by an increase of £193 million in Trade and other payables due to an increase in purchases aligned with business growth and operating cost accruals, and an increase of £597 million in derivatives and short-term borrowings.

Non-current liabilities

Non-current liabilities increased by £158 million to £12,209 million at 31 March 2025, principally driven by an increase in the net deferred tax liability of £286 million driven by accelerated capital allowances movements in the year, partially offset by a decrease of £165 million in derivatives and long-term borrowings.

Net pensions asset

The movements of the IAS 19 *Employee Benefits* accounting during the year was net actuarial losses of £181 million, comprising actuarial loss on buy in of £200 million, residual return on plan assets of £166 million less than interest, partially offset by net actuarial gains on plan obligations of £185 million. Employer contributions totalled £19 million. The overall movement in the net asset was a decrease of £170 million to show a net closing pension asset of £252 million. Further information on our pensions benefit obligations can be found in note 20 of the consolidated financial statements.

Off balance sheet items

There were no significant off balance sheet items other than the contractual obligations shown in note 27 (b) to the consolidated financial statements, and the commitments and contingencies discussed in note 25.

Consolidated cash flow statement

Cash inflows and outflows are presented to allow users to understand how they relate to the day-to-day operations of the business (operating activities); the money that has been spent or earned on assets in the year, including acquisitions of physical assets or other businesses (investing activities); and the cash raised from debt or share issues and other loan borrowings or repayments (financing activities).

Reconciliation of cash flow to net debt

	2025	2024
	£m	£m
Cash generated from operations	2,049	2,165
Net capital expenditure ¹	(2,636)	(1,638)
Business net cash inflow from continuing operations	(587)	527
Net interest paid	(285)	(233)
Tax received/(paid)	27	(153)
Net disposals/(acquisition) of short term financial investments	507	460
Net (repayments) / proceeds from long-term borrowings	(615)	(273)
Net movements in short term borrowings and derivatives	964	(24)
Dividends paid to shareholders	—	(300)
Increase/(decrease) in cash and cash equivalents	11	4
Decrease in financial investments	(507)	(460)
(Increase)/decrease in borrowings and related derivatives	(397)	290
Other net cash flows from investing and financing transactions	55	6
Net interest paid on the components of net debt	285	233
Changes in fair value of financial assets and liabilities and exchange movements	31	45
Net interest charge on the components of net debt	(384)	(401)
Other non-cash movements	(47)	(30)
Net debt increase	(953)	(313)
Opening net debt	(9,403)	(9,090)
Closing net debt	(10,356)	(9,403)

¹ Cash flows for capital expenditure prepayments are included within net capital expenditure.

For the year ended 31 March 2025 cash generated from operations decreased by £116 million to £2,049 million, primarily driven by the reduced operating profit result.

Net capital cash investment

Net capital cash investment increased by £998 million to £2,636 million in the year to date 31 March 2025, in line with the increase in fixed asset additions, and driven by the continued ramp up in NGET's capital expenditure programme.

Dividends paid

The comparative period's £300 million dividend paid was in respect of the year ended 31 March 2023. No interim or final dividend was paid in respect of the year ended 31 March 2024.

It was agreed at the 28 July 2025 board meeting that a final dividend of £400 million would be paid in respect of the year ended 31 March 2025. No interim dividend was paid in the year.

Net debt and other non-cash movements

Net debt increased by £953 million in the year ended 31 March 2025, with the major movements outlined in the above table.

Other non-cash movements relate to changes in fair values of financial assets and liabilities, interest accretions, accruals and foreign exchange movements arising on net debt held in currencies other than sterling.

Regulated financial performance

Timing and Regulated Revenue Adjustments

Our allowed revenues are set in accordance with our regulatory price control. We calculate the tariffs we charge our customers based on the estimated volume of energy we expect will be delivered during the coming period. The actual volumes delivered will differ from this estimate. Therefore, our total actual revenue will be different from our total allowed revenue. These differences are commonly referred to as timing differences.

If we collect more than the allowed level of revenue, the balance must be returned to customers in subsequent periods, and if we collect less than the allowed level of revenue we may recover the balance from customers in subsequent periods.

The amounts calculated as timing differences are estimates and subject to change until the variables that determine allowed revenue are finalised. Our operating profit for the year includes £172 million in repayments of prior year over-recoveries, and £21 million of under-recoveries to be collected in future periods (2023/24: £202 million collections of prior year under-recoveries, and £161 million of in year under-recoveries to be collected in future periods). Opening balances include true ups and adjustments for the time value of money.

In addition to the timing adjustments described above, as part of the RIIO price controls, outperformance against allowances as a result of the totex incentive mechanism, together with changes in output-related allowances included in the original price control, will almost always be adjusted in future revenue recoveries, typically starting in two years time. We are also recovering revenues in relation to certain costs incurred (for example pension contributions made) in prior years.

Our current IFRS revenues and earnings will therefore include these amounts that will need to be repaid or recovered in future periods. Such adjustments will form an important part of the continuing difference between reported IFRS results and underlying economic performance based on our regulatory obligations.

Return on Equity

Return on Equity for the year, normalised for a long-run CPIH inflation rate of 2%, was 8.3% (2024: 8.0%).

RoE performance above base return has been driven by the delivery of capital projects in RIIO-T2. The principal components of the differences are shown in the table below:

Year ended 31 March	2025	2024
Base return ¹	7.3 %	7.0 %
Totex incentive mechanism	1.1 %	1.1 %
Other revenue incentives	(0.1)%	(0.1)%
Return including in year incentive performance	8.3 %	8.0 %
Pre-determined additional allowances and other income	0.0 %	0.0 %
Return on Equity	8.3 %	8.0 %

¹ Normalised for a long-run CPIH inflation rate of 2% and assuming regulatory gearing at 55%.

Totex incentives contributed 110 basis points, largely reflecting the delivery of capital projects during RIIO-T2 connecting customers to our network and growing the capacity of our network to transport power.

We aim to deliver the outputs and essential maintenance required by the RIIO framework in a sustainable and efficient way to deliver best value for consumers and shareholders.

We continued to deliver good performance on reliability and continue to work to identify opportunities for future outperformance.

Regulated Financial Position

In the year, RAV grew by 11.4%, up on last year's growth rate due to increased investment.

£m	2025	2024
Opening Regulated Asset Value (RAV) ¹	18,388	17,150
Regulated asset additions (actual)	2,586	1,660
Performance RAV or assets created	65	68
Inflation adjustment (actual CPIH)	646	658
Depreciation and amortisation	(1,115)	(1,074)
Closing RAV	20,570	18,462

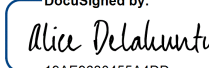
£m	2025	2024
Opening balance of other regulated liabilities ²	(536)	(159)
Movement	256	(363)
Closing balance	(280)	(522)

Closing Regulated Financial Position	20,290	17,940
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¹ The 2025 opening balance has been restated by £74 million in order to align to regulatory returns and the regulatory time value of money impact where appropriate.

² The 2025 opening balance has been restated by £14 million in order to align to regulatory returns and the regulatory time value of money impact where appropriate.

The Strategic Report was approved by the NGET plc Board of Directors on **28 July 2025** and signed on its behalf by:

DocuSigned by:

 19AE9630455A4DD...
Alice Delahunty
 Director

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Company for the year ended 31 March 2025. In accordance with the requirements of the Companies Act 2006 the following sections describe the matters that are required for inclusion in the Directors' Report and were approved by the Board. Further details of matters required to be included in the Directors' Report are incorporated by reference into this report, as detailed below.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Chris Bennett	
Justine Campbell***	Resigned 30 June 2024
Alice Delahunty	
Alexandra Lewis ***	
Jeremy Long *	
Jeremy Mavor	Appointed 01 July 2024
Cathryn Ross *	
Phil Sheppard **	
Sandip Thakrar	
Carl Trowell	

* Sufficiently Independent Director ** Non-executive Director

*** Group-appointed Non-executive Director

The Company has arranged, in accordance with the Companies Act 2006 and the Articles, qualifying third party indemnities against financial exposure that Directors may incur in the course of their professional duties. Equivalent qualifying third party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board during the year ended 31 March 2025. Alongside these indemnities, the Company places Directors' and Officers' liability insurance cover for each Director.

Wates Principles

The Directors chose to apply the Wates Corporate Governance Principles for 2024/25. Further details are on pages 26 to 30.

Principal activities and business review

A full description of the Company's principal activities, business, key performance indicators and principal risks and uncertainties is contained in the Strategic Report on pages 21 to 24 which is incorporated by reference into this report. Our engagement with suppliers, customers and other key stakeholders is disclosed in the Corporate Governance Report on pages 26 to 30.

Material interests in shares

National Grid Electricity Transmission plc is a wholly owned subsidiary undertaking of National Grid Holdings Limited. The ultimate parent company of National Grid Electricity Transmission plc is National Grid plc.

Dividends

A decision to pay a final dividend of £400 million was ratified after the year end on 28 July 2025 (2023/24: no final dividend).

Share capital

Share capital remains unchanged. See note 22 to the consolidated financial statements for further details.

Research and development

Expenditure on research and development was £35 million during the year (2023/24: £14 million).

Financial instruments

Details on the use of financial instruments and financial risk management are included in note 12 to the consolidated financial statements.

Streamlined energy and carbon reporting

Details pertaining to the Company's Streamlined Energy and Carbon Reporting are included within the Strategic Report on page 13.

Future developments

Details of future developments are noted in the Strategic Report.

Post balance sheet events

Details of post balance sheet events are included in note 31 to the consolidated financial statements.

Employee involvement

Details of how the Company involves its employees are contained on page 30, which is incorporated by reference into this report.

Diversity

Details of how the Company approaches diversity can be found on page 10 which is incorporated by reference into this report.

Audit information

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Information about how the Company engages with its key stakeholders, suppliers and customers can be found on page 32.

Annual General Meeting

Notice of the Company's Annual General Meeting for 2025 will be issued separately to the shareholder.

Going concern

Having made enquiries and reviewed management's assessment of the going concern assumption, as detailed within note 1(a) of the financial statements, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. More detail on our financial risks, including liquidity and solvency, is provided in note 27 to the consolidated financial statements. The Company expects to need to utilise borrowings from other group entities within the going concern assessment period and has therefore been provided with a Letter of Support from National Grid Holdings One plc. See note 1 to the accounts for further details.

Although not assessed over the same period, the viability of National Grid Electricity Transmission plc has been assessed on page 34.

By order of the Board

DocuSigned by:

19AE9630455A4DD
Alice Delahunty
Director

28 July 2025

National Grid Electricity Transmission plc
1-3 Strand, London WC2N 5EH
Registered in England and Wales Number 2366977

Introduction to the financial statements

Throughout these financial statements, we have provided explanations of the disclosures and why they are important to the understanding of our financial performance and position.

Notes

Notes to the financial statements provide additional information required by statute, accounting standards or other regulations to assist in a more detailed understanding of the primary financial statements. In many notes, we have included an accounting policy that describes how the transactions or balance in that note have been measured, recognised and disclosed. The basis of preparation section provides details of accounting policies that apply to transactions and balances in general.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, including the NGET consolidated financial statements and the Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the consolidated financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the UK. The financial statements also comply with IFRS as issued by the IASB. In addition, the Directors have elected to prepare the Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company on a consolidated and individual basis, and to enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this Report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Each of the Directors, whose names and functions are listed on pages 26 to 27 confirms that:

- to the best of their knowledge, the Group financial statements and the Parent Company financial statements, which have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the UK and UK GAAP FRS 101 respectively, give a true and fair view of the assets, liabilities, financial position and profit of the Company on a consolidated and individual basis;
- to the best of their knowledge, the Strategic Report contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- they consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Responsibilities Statement was approved by the Board and signed on its behalf.

Directors' Report

The Directors' Report on page 39, prepared in accordance with the requirements of the Companies Act 2006 and the UK Listing Authority's Listing Rules, and Disclosure Guidance and Transparency Rules, was approved by the Board and signed on its behalf.

Strategic Report

The Strategic Report, comprising pages 11 to 38, was approved by the Board and signed on its behalf.

By order of the Board

DocuSigned by:

Alice Delahunty
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Alice Delahunty

Director

28 July 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of National Grid Electricity Transmission plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 31 to the consolidated financial statements; and
- the related notes 1 to 19 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 4(e) to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: Capital Expenditure Accounting Within this report, key audit matters are identified as follows:  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £60.1m which was determined on the basis of 5% of two-year average adjusted profit before tax (being profit before tax excluding the impact of reported exceptional items and remeasurements).
Scoping	We focused our group audit scope on the parent company which accounts for substantially all of the group's revenue, profit before tax and net assets.
Significant changes in our approach	In the current year we have identified accounting for capital expenditure as a key audit matter. This aligns with the continued expansion of the parent company's capital programme and associated complexities which led to a significant allocation of resource to this area; there is also increased judgement involved in determining the appropriate accounting treatment for some of these items. We previously identified valuation of Level 3 derivatives accounting as a key audit matter. As the control environment has stabilised and no new complex instruments were entered into in the period we assessed a lower level of risk in this area and there was a reduced level of audit effort relative to the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing the financing facilities including the nature of facilities, repayment terms and covenants including the availability of the NG plc group loan facility disclosed in note 1(a);
- obtaining the letter of support and assessing the intent and ability of the group to provide any support that is required;
- enquiring of management regarding the assumptions used in the going concern models;
- assessing the assumptions used in the forecasts;
- assessing management's identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment;
- assessing the historical accuracy of forecasts prepared by management;
- evaluating whether the group's disclosures in respect of going concern within the financial statements are appropriate and meet the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Capital Expenditure Accounting

Key audit matter description	The group has a substantial capital programme which is agreed with the regulator ('Ofgem') and therefore incurs significant expenditure in relation to the development and maintenance of its infrastructure network. During the year, the group invested £2,749 million (2024: £1,606 million) in capital expenditure on tangible assets, and £111 million (2024: £79 million) on intangible assets. Of this, £133 million (2024: £117 million) relates to capitalised borrowing costs on qualifying assets. Depreciation of £501 million (2024: £478 million) has been charged in the year on commissioned tangible assets, and amortisation of £58 million (2024: £40 million) has been charged in the year on commissioned intangible assets. Additions to property, plant and equipment ('PPE'), intangible assets, capitalised interest and depreciation or amortisation and their associated accounting policies are disclosed in notes 9 and 10 of the financial statements. As the determination of whether expenditure is capitalised or expensed in the period directly affects the group's reported financial performance, and due to the significant allocation of resource and audit effort in this area, we identified a key audit matter relating to the accounting for capital expenditure in accordance with the requirements of IAS 16 'Property, Plant and Equipment'. There is a high degree of judgement involved in determining whether a project is capital in nature and whether costs, including internal expenditure and overheads, meet the relevant criteria for capitalisation. Audit effort has also been allocated to other areas of accounting for capital expenditure, including the timeliness of asset commissioning and commencement of depreciation, value of work accrued at the balance sheet date and accuracy of the borrowing costs capitalised.
How the scope of our audit responded to the key audit matter	In response to this matter, we have performed the following procedures: • obtained an understanding of, and tested, the relevant controls over the classification of capital expenditure; • reviewed the group's capitalisation policy to understand any changes in the current year and to determine compliance with the relevant accounting standards; • tested a sample of costs capitalised in the year to confirm these meet the criteria for capitalisation by inspecting invoices or other supporting documents, making direct enquiries of project managers, and understanding the nature of the items selected to determine the appropriate accounting treatment including the level of estimation associated with accruals at the balance sheet date; • recalculated the expected capitalised borrowing costs in the year, based on the value of qualifying assets and average cost of debt, to assess whether the group's figure was reasonable; • tested the timeliness of asset commissioning on completion of projects and the resulting manual adjustments arising from assets under construction which have been operationally commissioned but not yet been commissioned in the fixed asset register; this included testing estimates of the associated catch up depreciation, by obtaining supporting evidence for the inputs and reperforming calculations on a sample of items; and • recalculated the expected depreciation charge in the year based on the value of each asset class and weighted average useful economic life, to assess whether the group's figure was reasonable.
Key observations	Based on the work performed, we are satisfied that capitalised expenditure in the year has been appropriately accounted for in accordance with the requirements of IAS 16.

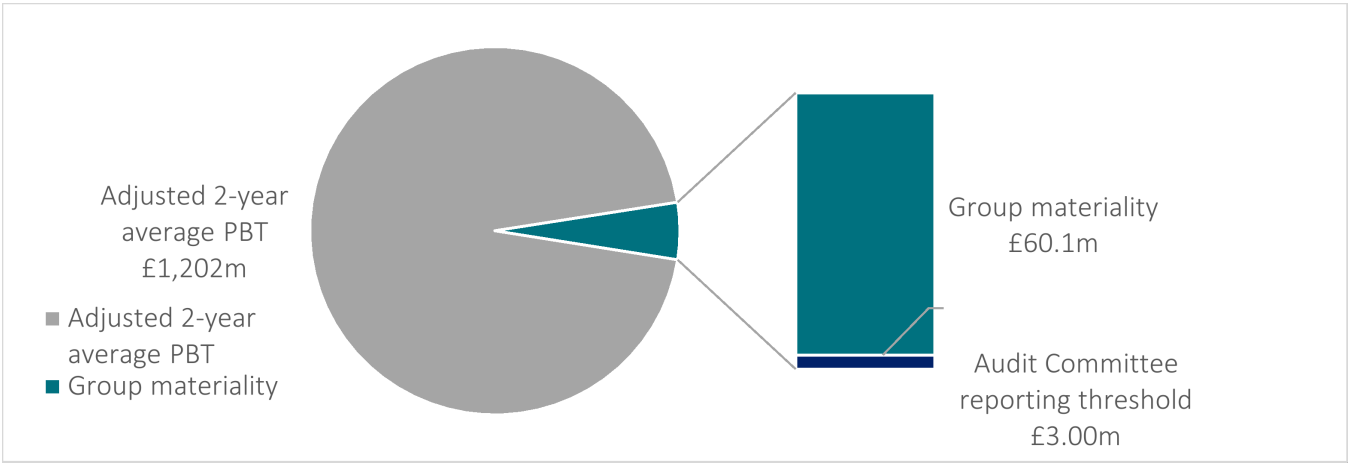
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£60.1m (2024: £40.4m)	£60.1m (2024: £40.4m)
Basis for determining materiality	Our determined materiality represents 5% (2024: 5%) of adjusted profit before tax on a two-year (2024: three-year) average basis. Adjusted profit before tax is profit before tax, certain exceptional items and remeasurements as disclosed in the note 5 in the notes to the consolidated financial statements.	Materiality was determined on the same basis as the group materiality, being 5% of adjusted profit before tax, which is profit before tax, certain exceptional items and remeasurements as disclosed in the note 5 in the notes to the consolidated financial statements. The parent company financial statements are derived by deconsolidating from the group financial statements the 100% holding in National Grid Electricity Group Trustee Limited, which is a pension nominee company and has no transactional activity.
Rationale for the benchmark applied	Profit before tax is the benchmark ordinarily considered when auditing listed entities. Whilst it provides comparability against other companies across all sectors, it has limitations when auditing companies whose earnings are impacted by items which can be volatile from one period to the next, and therefore may not be representative of the volume of transactions and the overall size of the business in a given year, or where the impact of volatility may result in the recognition of material income or charges in a particular year. Therefore, we have used an average of two years' profit before tax as the benchmark. We consider it appropriate to adjust the profit before tax for items which management have defined as exceptional items as these items are volatile and not reflective of the underlying performance of the group. Whilst not an IFRS measure, adjusted profit is one of the key metrics communicated by management in National Grid plc's results announcements. It excludes some of the volatility arising from changes in fair values of financial assets and liabilities as well as exceptional items. It was also the key measure applied in the prior year. We changed from a three-year to two-year average basis to reflect the change in the revenue mechanism from 1 April 2023.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2024: 70%) of group materiality	70% (2024: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: - Our cumulative experience from prior year audits; - The level of corrected and uncorrected misstatements identified; - Our risk assessment, including our understanding of the entity and its environment; and - Our assessment of the group's overall control environment.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £3m (2024: £2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. We focused our group audit scope on the parent company, as the single subsidiary, National Grid Electricity Group Trustee Limited has no transactional activity. Our audit of the entire financial information of the parent company therefore provided coverage of nearly 100% of the group profit before tax and net assets.

We used data analytics tools and specialists to help inform our understanding of the business, identify key risk areas and evaluate the level of audit coverage required.

Audit work to address the identified risks of material misstatement was performed directly by the audit engagement team and no component auditors were engaged.

7.2. Our consideration of the control environment

Our audit approach was generally to place reliance on management's relevant controls over all business cycles affecting in scope financial statement line items.

Having evaluated the control environment, we placed reliance on the operating effectiveness of controls in the following areas: Revenue, Property, Plant and Equipment, Intangibles, Operating Costs, Trade Payables, Accruals and other receivables.

The group's financial systems environment relies on a high number of applications. In the current year, we scoped eleven IT systems as relevant to the audit. These systems are all directly or indirectly related to the entity's financial reporting process.

We relied on the General IT Controls (GITCs) associated with these systems, where the GITCs were appropriately designed and implemented, and these were operating effectively. To assess the operating effectiveness of GITCs our IT audit specialists performed testing on access security, change management, data centre operations and network operations.

7.3. Our consideration of climate-related risks

Climate Change impacts National Grid Electricity Transmission plc's business in a number of ways as set out in the Net Zero section in the strategic report on page 12 of the Annual Report. It represents a key strategic consideration of management.

As a part of our audit procedures we have reviewed management's climate change risk assessment and evaluated the completeness of identified risks and the impact on the financial statements and have read the disclosures in the strategic report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We also considered the impact of climate change in our own risk assessment procedures. For National Grid Electricity Transmission plc, we have not identified any key audit risks as a result of climate change.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, pensions, IT and treasury specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence, as set out by the energy regulator Ofgem, and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Shareholders at the Annual General Meeting on 31 July 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 31 March 2018 to 31 March 2025.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Kate Hadley

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Kate Hadley FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

28 July 2025

Consolidated income statement

for the years ended 31 March

	Notes	2025 £m	2025 £m	2024 £m	2024 £m
Revenue	3		2,619		2,735
Operating costs	4		(1,366)		(1,084)
Operating profit					
Before exceptional items	2 (b)	1,253		1,651	
Exceptional items	5	(12)		(3)	
Operating Profit	2 (b)		1,241		1,648
Finance income	6		59		90
Finance costs					
Before exceptional items and remeasurements	6	(281)		(351)	
Remeasurements	5, 6	(4)		19	
Finance costs	6		(285)		(332)
Profit before tax					
Before exceptional items and remeasurements		1,031		1,390	
Exceptional items and remeasurements	5	(16)		16	
Total profit before tax			1,015		1,406
Tax					
Before exceptional items and remeasurements	7	(264)		(360)	
Exceptional items and remeasurements	5	1		(4)	
Tax	7		(263)		(364)
Profit after tax/Profit for the year attributable to owners of the parent					
Before exceptional items and remeasurements		767		1,030	
Exceptional items and remeasurements	5	(15)		12	
Profit for the year			752		1,042

Consolidated statement of comprehensive income

for the years ended 31 March

	Notes	2025 £m	2024 £m
Profit for the year		752	1,042
Other comprehensive (loss)/income			
Items that will never be reclassified to profit or loss			
Remeasurement losses on net pension asset	20	(181)	(88)
Net losses in respect of cash flow hedging of capital expenditure	23	(24)	(26)
Tax on items that will never be reclassified to profit or loss	7	45	22
Total items that will never be reclassified to profit or loss		(160)	(92)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Net gains in respect of cash flow hedges and cost of hedging	23	54	53
Tax on items that may be reclassified subsequently to profit or loss	7, 23	(11)	(4)
Total items that may be reclassified subsequently to profit or loss		43	49
Other comprehensive loss for the year, net of tax		(117)	(43)
Total comprehensive income for the year		635	999

Consolidated statement of financial position

as at 31 March

	Notes	2025 £m	2024 £m
Non-current assets			
Intangible assets	9	319	242
Property, plant and equipment	10	18,648	16,436
Prepayments	14	416	270
Other non-current assets	14	6	2
Pensions asset	20	280	453
Derivative financial assets	12	105	127
Total non-current assets		19,774	17,530
Current assets			
Inventories	13	49	39
Trade and other receivables	14	230	358
Financial assets and other investments	11	405	913
Derivative financial assets	12	—	2
Cash and cash equivalents	15	15	4
Total current assets		699	1,316
Total assets		20,473	18,846
Current liabilities			
Borrowings	16	(1,222)	(718)
Derivative financial liabilities	12	(208)	(115)
Trade and other payables	17	(976)	(783)
Contract liabilities	18	(13)	(14)
Provisions	21	(42)	(8)
Total current liabilities		(2,461)	(1,638)
Non-current liabilities			
Borrowings	16	(9,087)	(9,147)
Derivative financial liabilities	12	(364)	(469)
Other non-current liabilities	19	(60)	(54)
Deferred tax liabilities	7	(2,064)	(1,778)
Pensions benefit obligations	20	(28)	(31)
Provisions	21	(74)	(67)
Contract liabilities	18	(532)	(505)
Total non-current liabilities		(12,209)	(12,051)
Total liabilities		(14,670)	(13,689)
Net assets		5,803	5,157
Equity			
Share capital	22	44	44
Retained earnings		5,697	5,075
Other reserves	23	62	38
Total equity		5,803	5,157

The consolidated financial statements set out on pages 51 to 104 were approved by the Board of Directors and authorised for issue on 28 July 2025. They were signed on its behalf by:

Sandip Thakrar Director

DocuSigned by:
Sandip Thakrar
48DFF56157E2440...

Alice Delahunty Director

DocuSigned by:
Alice Delahunty
19AE9630455A4DD...

National Grid Electricity Transmission plc
Registered number: 2366977

Consolidated statement of changes in equity

	Notes	Called up share capital £m	Retained earnings £m	Other equity reserves ¹ £m	Total equity £m
At 1 April 2023		44	4,393	16	4,453
Profit for the year		—	1,042	—	1,042
Total other comprehensive (loss)/income for the year		—	(66)	23	(43)
Total comprehensive income for the year		—	976	23	999
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	(1)	(1)
Equity dividends	8	—	(300)	—	(300)
Share-based payments		—	6	—	6
At 31 March 2024		44	5,075	38	5,157
Profit for the year		—	752	—	752
Total other comprehensive (loss)/income for the year		—	(136)	19	(117)
Total comprehensive income for the year		—	616	19	635
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	5	5
Share-based payments		—	6	—	6
At 31 March 2025		44	5,697	62	5,803

¹ Analysis of other equity reserves is provided within note 23.

Consolidated cash flow statement

for the years ended 31 March

	Notes	2025 £m	2024 £m
Cash flows from operating activities			
Operating profit	2 (b)	1,241	1,648
Adjustments for:			
Exceptional items	5	12	3
Cash flow from exceptional items		(1)	—
Depreciation, amortisation & impairment		544	525
Share-based payment charge		6	6
Changes in working capital		217	(4)
Changes in pension obligations		(7)	(10)
Changes in provisions		34	(3)
Loss on disposal of property, plant and equipment		3	—
Cash generated from operations		2,049	2,165
Tax received/(paid)	7	27	(153)
Net cash inflow from operating activities		2,076	2,012
Cash flows from investing activities			
Purchases of intangible assets		(136)	(80)
Purchases of property, plant and equipment		(2,513)	(1,567)
Disposals of property, plant and equipment		13	9
Interest received		30	63
Decrease in short-term financial investments		507	460
Net cash flow used in investing activities		(2,099)	(1,115)
Cash flows from financing activities			
Repayment of loans		(591)	(254)
Payments of lease liabilities		(24)	(19)
Net movements in short-term borrowings		1,012	(17)
Cash inflows on derivatives		1	—
Cash outflows on derivatives		(49)	(7)
Interest paid		(315)	(296)
Dividends paid to shareholders	8	—	(300)
Net cash flow from/(used in) financing activities		34	(893)
Net increase in cash and cash equivalents	24 (a)	11	4
Cash and cash equivalents at the start of the year		4	—
Net cash and cash equivalents at the end of the year	15	15	4

Notes to the consolidated financial statements - analysis of items in the primary statements

1. Basis of preparation and recent accounting developments

Accounting policies describe our approach to recognising and measuring transactions and balances in the year. The accounting policies applicable across the financial statements are shown below, whereas accounting policies that are specific to a component of the financial statements have been incorporated into the relevant note.

This section also shows areas of judgement and key sources of estimation uncertainty in these financial statements. In addition, we have summarised new International Accounting Standards Board (IASB), amendments and interpretations and whether these are effective for this year end or in later years, explaining how significant changes are expected to affect our reported results.

National Grid Electricity Transmission's principal activities involve the transmission of electricity in Great Britain. The Company is a public limited liability company limited by shares, incorporated and domiciled in England and Wales, with its registered office at 1-3 Strand, London, WC2N 5EH.

These consolidated financial statements were approved for issue by the Board of Directors on 28 July 2025.

These consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations as issued by the IASB and IFRS as adopted by the UK. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for the period ended 31 March 2025 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

The consolidated financial statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities, the revaluation of derivative financial instruments and certain commodity contracts, share-based payments and certain financial assets and liabilities measured at fair value.

These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company.

The notes to the financial statements have been prepared on a continuing basis unless otherwise stated.

Our income statement and segmental analysis separately identify financial results before and after exceptional items and remeasurements. This is consistent with the way that financial performance is measured by management and reported to the Board and Executive Committee, and assists users of the financial statements to understand the results. The inclusion of total profit for the period before exceptional items and remeasurements forms part of the incentive target set annually for remunerating certain Executive Directors and accordingly we believe it is important for users of the financial statements to understand how this compares to our results on a statutory basis and period on period.

a) Going concern

The Directors considered it appropriate to prepare the financial statements on a going concern basis, having considered the Company's cash flow forecasts with respect to business planning and treasury management activities. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. The Directors have assessed the principal risks, including by modelling both a base case and a reasonable worst-case scenario. The main cash flow impacts identified in the reasonable worst-case scenario are:

- adverse impacts of inflation impacting the revenue we can collect;
- adverse impact in volumes reducing collectible revenue; and
- controllable cost risks as a result of an unprecedented increase in electricity prices and inflation.

As part of their analysis the Board also considered the following potential levers at their discretion to improve the position identified by the reasonable worst-case scenario in the event that the debt capital markets are not accessible:

- changes in the phasing of the capital programme with elements of non-essential works and programmes delayed; and
- a number of further reductions in operating expenditure across the Group primarily related to workforce cost options.

As part of their analysis the Board gave consideration to the financing available to the Company, including the ongoing support of the National Grid Group. Under base case cashflow forecasts as of the date of these financial statements, the Company is anticipated to require the use of its Intra Group loan facility (see note 16) within the going concern period. A Letter of Support has therefore been obtained from National Grid Holdings One plc committing to ensure that National Grid Electricity Transmission is at all times in a position to meet its liabilities for the foreseeable future and in any event for a period of not less than twelve months from the date of approval of these financial statements, provided that the Company remains within the National Grid Group. Based on the strategic importance of National Grid Electricity Transmission to Group strategy and the Board's visibility over Group financial resources, the Board consider it appropriate to place reliance on the Letter of Support provided, and to determine that the Company has adequate resources to meet its liabilities as they fall due for the 12 months following the approval of these financial statements.

1. Basis of preparation and recent accounting developments (continued)

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. A subsidiary is defined as an entity controlled by the Company. Control is achieved where the Company has the power to affect the returns of an entity to which it is exposed or to which it has rights.

Where necessary, adjustments are made to bring the accounting policies used in the individual financial statements of the Company and its subsidiaries into line with those used by the Company in its consolidated financial statements under IFRS. Inter-company transactions are eliminated.

Both the Group and Company financial statements have been prepared in accordance with the accounting policies set out in the below section of this note 1.

c) Foreign currencies

Transactions in currencies other than the functional currency of the Company or subsidiary concerned are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value.

Gains and losses arising on the retranslation of monetary assets and liabilities are included in the income statement, except where the application of hedge accounting requires inclusion in other comprehensive income - note 23.

d) Areas of judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimations is contained in the notes to the financial statements, and the key areas are summarised below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follows:

- application and categorisation of asset useful economic lives (UELS) as detailed in notes 9 and 10.

Key sources of estimation uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- the valuation of liabilities for pensions and other post-retirement benefits – note 20; and
- valuation of financial instruments - note 27.

In order to illustrate the impact that changes in assumptions for the valuation of pension assets and liabilities and financial instruments could have on our results and financial position, we have included sensitivity analysis in note 28.

e) Accounting policy choices

IFRS provides certain options available within accounting standards. Choices we have made, and continue to make, include the following:

- Presentational formats: we use the nature of expense method for our income statement and aggregate our statement of financial position to net assets and total equity. In the income statement, we present subtotals of total operating profit, finance income and costs, profit before tax, total tax and profit after tax, together with additional subtotals excluding exceptional items and remeasurements. Exceptional items and remeasurements are presented separately on the face of the income statement.
- Financial instruments: we normally opt to apply hedge accounting in most circumstances where this is permitted.

1. Basis of preparation and recent accounting developments (continued)

f) New IFRS accounting standards effective for the year ended 31 March 2025

The Group has this year adopted the following new standards and amendments to standards, which have had no material impact on the Group's results or financial statement disclosure:

- amendments to IAS 1 'Non-current Liabilities with Covenants' and 'Classification of Liabilities as Current or Non-current';
- amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'; and
- amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements'.

g) New IFRS accounting standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK:

- amendments to IAS 21 'Lack of exchangeability';
- IFRS 18 'Presentation and Disclosure in Financial Statements';
- IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments';
- amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature dependent Electricity';
- Annual Improvements to IFRS Accounting Standards – Volume 11; and
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'.

Effective dates will be subject to the UK endorsement process.

The Group is currently assessing the impact of the above standards, but they are not expected to have a material impact other than in respect of IFRS 18.

IFRS 18 replaces IAS 1 and requires that companies classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Management-defined performance measures will be disclosed in a single note and enhanced guidance is provided on the aggregation and disaggregation of information which will be presented in the financial statements. The Group is in the process of assessing the impact of IFRS 18 and anticipates changes to certain presentational and disclosure-related matters in its consolidated financial statements in future periods.

The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

2. Segmental analysis

This note sets out the financial performance for the year split into the different parts of the business (operating segments). The performance of these operating segments is monitored and managed on a day-to-day basis.

Revenue and the results of the business are analysed by operating segment, based on the information the Board of Directors uses internally for the purposes of evaluating the performance of each operating segment and determining resource allocation between them. The Board of Directors is National Grid Electricity Transmission plc's chief operating decision-making body (as defined by IFRS 8 'Operating Segments') and assesses the profitability of operations principally on the basis of operating profit before exceptional items and remeasurements (see note 5). The main activity for the operating segment is electricity transmission. Other activities not included within the above segment relate to other commercial operations and corporate activities. There have been no changes to our reporting structure for the year ended 31 March 2025.

All of the Group's sales and operations take place within the UK, and are generated from Electricity Transmission activity.

(a) Revenue

Analysis of revenue by major customer, greater than 10% revenue contribution:

The principle revenues for NGET, being Transmission Network Use of System (TNUoS) charges and post vesting connection charges, have all been invoiced to and collected from National Energy System Operator (NESO). Amounts are invoiced and settled equally each month of the financial year. NESO acts as agent for the collection of such charges for all GB Transmission Owners.

No other single customer contributed 10% or more to the Group's revenue in either 2025 or 2024.

(b) Operating profit

A reconciliation of the operating segment's measure of profit to profit before tax is provided below. Further details of the exceptional items and remeasurements are provided in note 5.

	Before exceptional items and remeasurements		After exceptional items and remeasurements	
	2025	2024	2025	2024
	£m	£m	£m	£m
Operating profit - Electricity Transmission segment	1,253	1,651	1,241	1,648
Reconciliation to profit before tax:				
Finance income	59	90	59	90
Finance costs	(281)	(351)	(285)	(332)
Profit before tax	1,031	1,390	1,015	1,406

(c) Capital expenditure and depreciation

	Net book value of property, plant and equipment and intangible assets		Capital expenditure ¹		Depreciation, impairment and amortisation	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Electricity Transmission segment	18,967	16,678	2,860	1,685	544	525
By asset type						
Property, plant and equipment	18,648	16,436	2,749	1,606	498	485
Intangible assets	319	242	111	79	46	40
Total	18,967	16,678	2,860	1,685	544	525

¹ Represents additions to property, plant and equipment and non-current intangibles.

3. Revenue

Revenue of £2,619 million (2024: £2,735 million) arose in the course of the ordinary activities, principally comprising transmission services.

Transmission services fall within the scope of IFRS 15, 'Revenue from Contracts with Customers'. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties and valued added tax. The Group recognises revenue when it transfers control over a product or service to a customer. It excludes value added (sales) tax & intragroup sales.

Revenue in respect of regulated activities is determined by regulatory agreements that set the price to be charged for services in a given period based on pre-determined allowed revenues. Variances in service usage can result in actual revenue collected exceeding (over-recoveries) or falling short (under-recoveries) of allowed revenues. Where regulatory agreements allow the recovery of under-recoveries or require the return of over-recoveries, the allowed revenue for future periods is typically adjusted. In these instances, no assets or liabilities are recognised for under- or over-recoveries respectively, because the adjustment relates to future services that have not yet been delivered.

The UK Electricity Transmission segment principally generates revenue by providing electricity transmission services.

Our business operates as a monopoly regulated by Ofgem, which has established price control mechanisms that set the amount of annual allowed returns our business can earn. We work with our regulators to obtain robust regulatory agreements that balance the risks we face with the opportunity to deliver reasonable returns for our investors. Our regulated business earns revenue for the transmission services it has provided during the year.

The transmission of high-voltage electricity encompasses the following principal services:

- the supply of high-voltage electricity – revenue is recognised based on usage. Our performance obligation is satisfied over time as our customers make use of our network. We bill monthly in advance and our payment terms are up to 60 days. Price is determined prior to our financial year end with reference to the regulated allowed returns and estimated annual volumes; and
- construction work (principally for connections) – revenue is recognised over time, as we provide access to our network. Customers can either pay over the useful life of the connection or upfront. Where the customer pays upfront, revenues are deferred as a contract liability and released over the life of the asset.

For other construction where there is no consideration for any future services, for example diversions, revenues are recognised as the construction work is completed. For other services provided under service agreements, revenue is recognised as the service is provided.

Contract liabilities (see note 18) primarily represent revenue to be recognised in future periods relating to contributions in aid of construction of £545 million (2024: £519 million). Revenue is recognised over the life of the asset. The asset lives for connections in UK Transmission are 40 years. The weighted average amortisation period is 40 years.

Future revenues in relation to unfulfilled performance obligations not yet received in cash amount to £1.5 billion (2024: £1.9 billion) relating to connection contracts which will be recognised as revenue over a weighted average of 26 years.

The amount of revenue recognised for the year ended 31 March 2025 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to the changes in the estimate of the stage of completion, is £nil (2024: £nil).

Total revenue is generated from operations based in the UK.

4. Operating costs

Below we have presented separately certain items included in our operating costs. These include a breakdown of payroll costs (including disclosure of amounts paid to key management personnel) and fees paid to our auditors.

	Before exceptional items and remeasurements		Exceptional items and remeasurements		After exceptional items and remeasurements	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Depreciation, impairment and amortisation	544	525	—	—	544	525
Payroll costs	183	185	—	—	183	185
Rates and property taxes	104	98	—	—	104	98
Other ¹	535	276	12	3	547	279
	1,366	1,084	12	3	1,378	1,087

¹ Included in Other operating costs is expenditure related to contractor costs, consultancy spend and IT related costs.

Operating costs include:

Research and development expenditure	35	14
Inventory consumed	8	8

(a) Payroll costs

	2025	2024
	£m	£m
Wages and salaries	351	275
Social security costs	47	37
Defined contribution scheme costs	43	35
Defined benefit pension costs	10	11
Share-based payments	6	6
	457	364
Less: payroll costs capitalised	(274)	(179)
Total payroll costs expensed	183	185

Table presents the payroll costs of both the National Grid Electricity Transmission plc Group and the parent company on a standalone basis.

(b) Number of employees, including Directors

	31 March 2025	31 March 2024	Monthly average 2025	Monthly average 2024
	Number	Number	Number	Number
Direct employees	4,252	3,104	3,714	2,589
Indirect employees	1,850	2,224	1,909	1,964
	6,102	5,328	5,623	4,553

The vast majority of both direct and indirect employees are engaged in the transmission of electricity. Of these, 545 (2024: 631) are contractors or agency staff.

(c) Key management compensation

	2025	2024
	£m	£m
Salaries and short-term employee benefits	3	2
Share-based payments	1	2
	4	4

Key management comprises the Board of Directors of the Company together with the Executive Directors of National Grid plc who have managerial responsibility for National Grid Electricity Transmission plc.

4. Operating costs (continued)

(d) Directors' emoluments

	2025	2024
	£m	£m
Salaries and short-term employee benefits	3.1	3.3
Share-based payments	0.7	2.0
Company contributions to a pension scheme	0.2	0.1
	4.0	5.4

The aggregate amount of emoluments for the highest paid Director for 2025 were salaries and short-term employee benefits of £0.6 million (2024: £0.9 million), share-based payments of £0.4 million (2024: £1.2 million) and total pension contributions of £0.1 million (2024: £nil million).

During 2025 three Directors, including the highest paid Director exercised share options (2024: five Directors).

A number of the current Directors are also Directors and employees of fellow subsidiary undertakings of National Grid plc and are paid by these companies.

As at 31 March 2025, retirement benefits were accruing to one Director (2024: one Director) under a defined benefit scheme and three Directors (2024: one Director) under a money purchase scheme.

The Sufficiently Independent Directors each receive a director fee of £40,000 (2024: £40,000) per annum.

No loss of office payments to Directors were paid in either the current or prior year.

(e) Auditor's remuneration

	2025	2024
	£m	£m
Audit services		
Audit of the Company's individual and consolidated financial statements	0.4	0.4
Other services supplied		
Fees payable to the Company's auditors for audit related assurance services ¹	2.0	1.2

¹ Other services supplied represent fees payables for audit services which are required to be carried out by auditors in relation to the Group's reporting requirements to National Grid plc. In particular, this includes fees for reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley), and assurance fees in relation to regulatory returns.

5. Exceptional items and remeasurements

To monitor our financial performance, we use a profit measure that excludes certain income and expenses. We call that measure 'adjusted profit'. Adjusted profit (which excludes exceptional items and remeasurements as defined below) is used by management to monitor financial performance as it is considered that it aids the comparability of our reported financial performance from year to year. We exclude items from adjusted profit because, if included, these items could distort understanding of our performance for the year and the comparability between periods. This note analyses these items, which are included in our results for the year but are excluded from adjusted profit.

Exceptional items and remeasurements

	2025 £m	2024 £m
Within operating profit:		
Exceptional items:		
Loss on pension scheme settlement for NESO employees	(11)	—
Major transformation programme	(1)	—
Cost efficiency and restructuring programmes	—	(3)
	(12)	(3)
Included within finance income and costs:		
Remeasurements:		
Net (losses)/gains on derivative financial instruments	(4)	19
Total included within profit before tax	(16)	16
Included within tax		
Tax on exceptional items and remeasurements	1	(4)
Total exceptional items and remeasurements after tax	(15)	12
Analysis of total exceptional items and remeasurements after tax:		
Total exceptional items after tax	(12)	(1)
Total remeasurements after tax	(3)	13
Total exceptional items and remeasurements after tax	(15)	12

Exceptional items

Management uses an exceptional items framework that has been discussed and approved by the National Grid Electricity Transmission Audit & Risk Committee. This follows a three-step process which considers the nature of the event, the financial materiality involved and any particular facts and circumstances. In considering the nature of the event, management focuses on whether the event is within the Group's control and how frequently such an event typically occurs. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, the precedent for similar items, the number of periods over which costs will be spread or gains earned, and the commercial context for the particular transaction. The exceptional items framework was last updated in March 2022.

Items of income or expense that are considered by management for designation as exceptional items include such items as significant restructuring, write-downs or impairments of non-current assets, significant changes in environmental provisions, integration of acquired businesses, gains or losses on disposals of businesses or investments and significant debt redemption costs as a consequence of transactions such as significant disposals or issues of equity, and the related tax as well as deferred tax arising on changes to corporation tax rates.

Costs arising from restructuring programmes include redundancy costs. Redundancy costs are charged to the income statement in the year in which a commitment is made to incur the costs and the main features of the restructuring plan have been announced to affected employees.

Further details of exceptional items specific to 2025 and 2024:

Loss on pension scheme settlement for NESO employees

As part of the agreement for the NG plc Group's sale of the National Energy System Operator (NESO), the net pension assets related to participating members of the National Grid Electricity Group of the Electricity Supply Pension Scheme (NGEG or ESPS) were derecognised leading to a net loss on settlement of £11 million. Fair value of scheme assets of £84 million were derecognised, offset by the settlement of £68 million of present value of funded obligations. This loss was recognised as exceptional in line with our exceptional items policy, partially offset by the derecognition of the related deferred tax position.

5. Exceptional items and remeasurements (continued)

Major transformation programme

Following the announcement of new strategic priorities in May 2024, the National Grid plc Group entered into a new four-year transformation programme designed to implement our refreshed strategy to be a pre-eminent pureplay networks business. In the period, the NGET plc Group incurred £1 million of costs in relation to the programme. The costs recognised primarily relate to employee costs and professional fees incurred in delivering the programme. While the costs incurred since the commencement of the programme do not meet the quantitative threshold to be classified as exceptional on a standalone basis, when taken in aggregate with the costs expected to be incurred over the duration of the programme and to allow fair comparison to National Grid plc Group results, we have concluded that the costs should be classified as exceptional in line with our exceptional items policy.

Cost efficiency and restructuring programmes

£3 million was incurred in the year ended 31 March 2024 in relation to the design and implementation of our new operating model and the major cost efficiency programmes announced in November 2021. The costs recognised relate to integration costs and redundancy provisions. We have concluded that the costs should be classified as exceptional in line with our exceptional items policy, in order to ensure that the costs are treated in a consistent manner with similar costs incurred previously. The project was completed during the year ended 31 March 2024.

Remeasurements

Remeasurements comprise unrealised gains or losses recorded in the income statement arising from changes in the fair value of certain of our financial assets and liabilities accounted for at fair value through profit and loss. Consistent with prior periods, these assets and liabilities comprise derivative financial instruments. These fair values increase or decrease because of changes in foreign exchange or other financial indices over which we have no control.

Net gains/(losses) arising on derivative financial instruments are reported in the consolidated income statement in relation to our debt financing. These exclude gains and losses for which hedge accounting has been effective, and have been recognised directly in other comprehensive income or are offset by adjustments to the carrying value of debt (see notes 12 and 27).

Once the fair value movements are realised (for example, when the derivative matures), the previously recognised fair value movements are then reversed through remeasurements and recognised within earnings before exceptional items and remeasurements. These assets and liabilities include financing derivatives to the extent that hedge accounting is not available or is not fully effective.

6. Finance income and costs

This note details the interest income generated by our financial assets and interest expense incurred on our financial liabilities, primarily our financing portfolio (including our derivative financial instruments). It also includes the net interest on our pensions and other post-retirement benefits. In reporting business performance, we adjust net financing costs to exclude any net gains or losses on financial instruments included in remeasurements (see note 5).

Finance income and costs remeasurements include certain unrealised gains and losses on certain assets and liabilities now treated at fair value through profit and loss. The interest income and interest expense on these items are included in finance income and finance costs before remeasurements, respectively.

	2025 £m	2024 £m
<i>Finance income</i>		
Interest income on financial instruments:		
Bank deposits and other financial assets	29	59
Net interest on pension asset	21	27
Other Income	9	4
	59	90
<i>Finance costs</i>		
Interest expense on financial liabilities held at amortised cost:		
Bank loans and overdrafts	(56)	(65)
Other borrowings	(286)	(347)
Lease liability interest	(3)	(2)
Interest on derivatives	(68)	(50)
Unwinding of discount on provisions	(1)	(2)
Less: interest capitalised ¹	133	117
	(281)	(349)
<i>Discount rate changes - Finance costs</i>		
Change in discount rate on environmental provision	—	(2)
	—	(2)
<i>Remeasurements - Finance costs</i>		
Net (losses)/gains on derivative financial instruments ²		
Derivatives designated as hedges	11	6
Derivatives not designated as hedges or ineligible for hedge accounting	(15)	13
	(4)	19
Total remeasurements - Finance income and costs	(4)	17
Finance income	59	90
Finance costs³	(285)	(332)
Net finance costs	(226)	(242)

¹ Interest on funding attributable to assets in the course of construction in the current year was capitalised at an average rate of 3.9 % (2024: 5.2 %). Capitalised interest qualifies for a current year tax deduction with tax relief claimed of £33 million (2024: £29 million).

² Includes a net foreign exchange gain on financing activities of £123 million (2024: £108 million) offset by foreign exchange gains and losses on derivative financial instruments measured at fair value.

³ Finance costs include principle accretion on inflation linked liabilities of £109 million (2024: £158 million).

7. Tax

This note gives further details of the total tax charge and tax liabilities, including current and deferred tax. Current tax charge is the tax payable on this year's taxable profits. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences in accounting and tax bases.

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax. Cash taxes are paid to or received from HMRC via another group company.

Current tax assets and liabilities are measured at the amounts expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided for using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor taxable profit or loss.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and joint arrangements except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle their current tax assets and liabilities on a net basis.

The current and deferred tax charge includes £1 million (2024: £4 million) that relates to exceptional items and/or remeasurements.

Tax charged to the income statement.

	2025	2024
	£m	£m
Tax before exceptional items and remeasurements	(264)	(360)
Tax on total exceptional items and remeasurements (note 5)	1	(4)
Total tax charge	(263)	(364)

Tax as a percentage of profit before tax

	2025	2024
Before exceptional items and remeasurements	25.6%	25.9%
After exceptional items and remeasurements	25.9%	25.9%

7. Tax (continued)

The tax charge for the year can be analysed as follows:

	2025 £m	2024 £m
<i>Current tax</i>		
Corporation tax at 25% (2024: 25%)	(49)	172
Corporation tax adjustment in respect of prior years	(11)	1
Total current tax	(60)	173
<i>Deferred tax</i>		
Deferred tax	310	191
Deferred tax adjustment in respect of prior years	13	—
Total deferred tax	323	191
Total tax charge	263	364

Tax charged/(credited) to equity and other comprehensive income

	2025 £m	2024 £m
<i>Current tax</i>		
Share-based payments	(1)	(1)
<i>Deferred tax</i>		
Cash flow hedges	11	4
Share-based payments	1	1
Remeasurements of net retirement benefit obligations	(45)	(22)
	(34)	(18)
Analysed as:		
Total tax recognised in the statement of other comprehensive income	(34)	(18)
	(34)	(18)

The tax charge for the year after exceptional items and remeasurements is higher than (2024: higher than) the standard rate of corporation tax in the UK of 25% (2024: 25%):

	Before exceptional items and remeasurements 2025 £m	After exceptional items and remeasurements 2025 £m	Before exceptional items and remeasurements 2024 £m	After exceptional items and remeasurements 2024 £m
Profit before tax				
Before exceptional items and remeasurements	1,031	1,031	1,390	1,390
Exceptional items and remeasurements (note 5)	—	(16)	—	16
Profit before tax after exceptional items and remeasurements	1,031	1,015	1,390	1,406
Profit before tax multiplied by UK corporation				
Tax rate of 25% (2024: 25%)	258	254	348	352
Effect of:				
Adjustments in respect of prior years	1	1	1	1
Expenses not deductible for tax purposes	10	13	11	11
Impact of share-based payments	(5)	(5)	—	—
Total tax charge	264	263	360	364
Effective tax rate	25.6%	25.9%	25.9%	25.9%

7. Tax (continued)

Factors that may affect future tax charges

The main UK corporation tax rate is 25% with effect from 1 April 2023. Deferred tax balances as at 31 March 2025 have been calculated at 25%.

The mandatory exception to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar Two income taxes has been applied as required by IAS 12. The Pillar Two global minimum corporation tax rate of 15% introduced by the Organisation for Economic Co-operation and Development (OECD) was enacted into UK law on 11 July 2023 and was applicable to National Grid from 1 April 2024. Exposure to additional taxation under Pillar Two is immaterial to the Group.

Tax included within the statement of financial position

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the current and prior reporting periods:

Deferred tax liabilities/(assets)

	Accelerated tax depreciation	Share- based payments	Pensions	Financial instruments	Other net temporary differences	Total
	£m	£m	£m	£m	£m	£m
Deferred tax assets at 01 April 2023	—	(7)	—	—	—	(7)
Deferred tax liabilities at 01 April 2023	1,487	—	119	5	—	1,611
At 1 April 2023	1,487	(7)	119	5	—	1,604
Charged to income statement	182	—	9	—	1	192
Charged/(credited) to other comprehensive income	(1)	1	(22)	4	—	(18)
At 31 March 2024	1,668	(6)	106	9	1	1,778
Deferred tax assets at 31 March 2024	—	(6)	—	—	—	(6)
Deferred tax liabilities at 31 March 2024	1,668	—	106	9	1	1,784
At 1 April 2024	1,668	(6)	106	9	1	1,778
Disposal	—	—	(4)	—	—	(4)
Charged/(credited) to income statement	325	(4)	7	—	(5)	323
Charged/(credited) to other comprehensive income	—	1	(45)	11	—	(33)
At 31 March 2025	1,993	(9)	64	20	(4)	2,064
Deferred tax assets at 31 March 2025	—	(9)	—	—	—	(9)
Deferred tax liabilities at 31 March 2025	1,993	—	64	20	(4)	2,073
At 31 March 2025	1,993	(9)	64	20	(4)	2,064

The deferred tax balances (after offset) for statement of financial position purposes consist solely of deferred tax liabilities of £2,064 million (2024: £1,778 million).

8. Dividends

Dividends represents the return of profits to shareholders. Dividends are paid as an amount per ordinary share held. We retain part of the profits generated in the year to meet future growth plans and meet our gearing target, and pay out the remainder in accordance with our dividend policy.

Interim dividends are recognised when they become payable to the Company's shareholders. Final dividends are recognised when they are approved by shareholders.

The following table shows the dividends paid to the equity shareholder:

	2025		2024	
	pence (per ordinary share)	£m	pence (per ordinary share)	£m
Ordinary dividends				
Final dividend paid in respect of the prior year	—	—	68.61	300

The Directors are proposing a final dividend of £400 million for the year ended 31 March 2025. This was confirmed after the year end during the 28 July 2025 board meeting.

9. Intangible assets

Intangible assets relate to software and software under construction, which is written down (amortised) over the period we expect to receive a benefit from the asset.

Identifiable intangible assets are recorded at cost less accumulated amortisation and any provision for impairment. Intangible assets are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired.

Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and are disclosed separately. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

Internally generated intangible assets, such as software, are recognised only if: an asset is created that can be identified; it is probable that the asset created will generate future economic benefits; and that the development cost of the asset can be measured reliably. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred.

Cloud computing arrangements are reviewed to determine who has control of the software intangible asset. Control is considered to exist where the Company has the right to take possession of the software and run it on its own or a third party's computer infrastructure or if the Company has exclusive rights to use the software such that the supplier is unable to make the software available to other customers.

Costs relating to configuring or customising the software in a cloud computing arrangement are assessed to determine if there is a separate intangible asset over which the Company has control. If an asset is identified, it is capitalised and amortised over the useful economic life of the asset. To the extent that no separate intangible asset is identified, the costs are either expensed when incurred or recognised as a prepayment and spread over the term of the arrangement if the costs are concluded to not be distinct.

Intangible assets under development are not amortised. Other non-current intangible assets are amortised on a straight-line basis over their estimated useful economic lives. The amortisation period for software is between five and ten years.

	Software	Assets in the course of construction	Total
	£m	£m	£m
Cost at 1 April 2023	403	69	472
Additions	1	78	79
Reclassifications ¹	61	(68)	(7)
Cost at 31 March 2024	465	79	544
Additions	—	111	111
Reclassifications ¹	71	(47)	24
Cost at 31 March 2025	536	143	679
Accumulated amortisation at 1 April 2023	(262)	—	(262)
Amortisation charge for the year	(40)	—	(40)
Accumulated amortisation at 31 March 2024	(302)	—	(302)
Amortisation charge for the year ²	(58)	—	(58)
Accumulated amortisation at 31 March 2025	(360)	—	(360)
Net book value at 31 March 2025	176	143	319
Net book value at 31 March 2024	163	79	242

¹ The amounts include adjustments to reflect reclassifications between Intangible assets and Property, plant and equipment (note 10) for commissioned assets.

² Amortisation charge for the year includes capitalised amortisation of £12 million which is not included in the operating result of the Group.

10. Property, plant and equipment

The following note shows the physical assets controlled by us. The cost of these assets primarily represents the amount initially paid for them. A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (useful economic life) and charging the cost of the asset to the income statement equally over this period.

We operate an energy networks business and therefore have a significant physical asset base. We continue to invest in our networks to maintain reliability, create new customer connections and ensure our networks are flexible and resilient. Our business plan envisages these additional investments will be funded through a mixture of cash generated from operations and the issue of new debt.

Property, plant and equipment is recorded at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price of the asset, construction costs, any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment, the cost of any associated asset retirement obligations as well as any other costs associated with getting them ready for operation.

Property, plant and equipment includes assets in which the Group’s interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction except maintenance costs which are expensed.

No depreciation is provided on freehold land or assets in the course of construction. Other items of property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. The assessments of estimated useful economic lives and residual values of assets are performed annually. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are, in general, as shown in the table below:

	Years
Freehold and Leasehold buildings	Up to 50
Plant and Machinery	
- Electricity Transmission plant	Up to 100
Motor vehicles and office equipment	Up to 15

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the income statement.

Items within property, plant and equipment are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired. Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and if immaterial are included within depreciation charge for the year. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

10. Property, plant and equipment (continued)

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 April 2023	1,291	18,272	2,504	128	22,195
Additions	10	4	1,572	20	1,606
Disposals	(3)	(29)	(13)	(7)	(52)
Reclassifications ¹	65	799	(893)	36	7
Impact of change in assumptions on provisions (note 21)	—	4	—	—	4
Cost at 31 March 2024	1,363	19,050	3,170	177	23,760
Additions	37	3	2,686	23	2,749
Disposals	(12)	(98)	(9)	(13)	(132)
Reclassifications ¹	52	1,075	(1,164)	13	(24)
Impact of change in assumptions on provisions (note 21)	—	7	—	—	7
Cost at 31 March 2025	1,440	20,037	4,683	200	26,360
Accumulated depreciation at 1 April 2023	(184)	(6,549)	(59)	(91)	(6,883)
Depreciation charge for the year	(24)	(429)	—	(25)	(478)
Disposals	—	30	9	6	45
Reclassifications ¹	(1)	11	(12)	1	(1)
Impairment	—	(4)	(3)	—	(7)
Accumulated depreciation at 31 March 2024	(209)	(6,941)	(65)	(109)	(7,324)
Depreciation charge for the year ²	(25)	(448)	—	(28)	(501)
Disposals	3	92	9	11	115
Impairment	—	(6)	4	—	(2)
Accumulated depreciation at 31 March 2025	(231)	(7,303)	(52)	(126)	(7,712)
Net book value at 31 March 2025	1,209	12,734	4,631	74	18,648
Net book value at 31 March 2024	1,154	12,109	3,105	68	16,436

¹ The amounts include adjustments to reflect reclassifications between Intangible assets (note 9) and Property, plant and equipment for commissioned assets, and in the prior year also between cost and accumulated depreciation.

² Depreciation charge for the year includes capitalised depreciation of £5 million which is not included in the operating result of the Group.

Right-of-use assets

National Grid Electricity Transmission plc leases various properties, land, equipment and motor vehicles. New lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term. The lease payments include fixed payments, any variable lease payments dependent on an index or a rate, and any break fees or renewal option costs that we are reasonably certain to incur. The discount rate applied is the rate implicit in the lease or, if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), National Grid Electricity Transmission plc continues to recognise a lease expense on a straight-line basis.

10. Property, plant and equipment (continued)

The table below shows the movements in the net book value of right-of-use assets included within property, plant and equipment at 31 March 2025 and 31 March 2024, split by category. The associated lease liabilities are disclosed in note 16.

	Land and Buildings	Motor vehicles and office equipment	Total
	£m	£m	£m
Net book value at 1 April 2023	51	9	60
Additions	6	20	26
Disposals	(4)	(1)	(5)
Depreciation charge for the year	(6)	(9)	(15)
Net book value at 31 March 2024	47	19	66
Additions	21	23	44
Disposals	(7)	(1)	(8)
Depreciation charge for the year	(6)	(11)	(17)
Net book value at 31 March 2025	55	30	85

The following balances have been included in the income statement in respect of right-of-use assets:

	2025 £m	2024 £m
<i>Included within net finance costs:</i>		
Interest expense on lease liabilities	(3)	(2)

National Grid Electricity Transmission plc receives financial contributions from customers towards the cost of construction of certain assets. Liabilities in relation to such contributions received in advance for the construction of property, plant and equipment are presented in the table below. These liabilities are reported in note 18.

	2025 £m	2024 £m
Contributions to cost of property, plant and equipment included within:		
Contract liabilities - current	13	14
Contract liabilities - non-current	532	505
	545	519

11. Financial and other investments

Financial and other investments primarily comprises of an overnight facility loan with National Grid plc, in addition to collateral receivable, representing cash pledged against derivative holdings and other borrowings; it also includes restricted cash balances in relation to Network Innovation Competition (NIC) projects.

The classification for each investment is dependent on its contractual cash flows and the business model it is held under.

Debt instruments that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is to collect contractual cash flows, are held at amortised cost. This category includes all investments held in the current and prior year.

Financial investments at amortised cost are initially recognised on trade date at fair value less transaction costs and expected losses. Interest income is recognised using the effective interest method. Interest income, together with gains and losses when the loans and receivables are derecognised or impaired, is recognised in the income statement. In the current year, the transaction value equals fair value.

	2025	2024
	£m	£m
Current:		
Financial assets at amortised cost	381	889
Restricted cash	24	24
	405	913
Financial assets at amortised cost comprise the following:		
Loans and receivables - amounts due from ultimate parent	—	531
Loans and receivables - restricted cash balances ¹	381	358
NIC restricted cash deposits	24	24
	405	913

¹ Refers to collateral placed with counterparties with whom we have entered into a credit support annex to the ISDA (International Swaps and Derivatives Association) Master Agreement.

The carrying value of current financial assets at amortised cost approximates their fair values, primarily due to short-dated maturities. The exposure to credit risk at the reporting date is the fair value of the financial investments. For further information on our credit risk, refer to note 27(a).

For the purposes of impairment assessment, collateral receivable and other financial assets at amortised cost are investment grade. All financial assets held at fair value through other comprehensive income or amortised cost are therefore considered to have low credit risk and have an immaterial impairment loss allowance equal to 12-month expected credit losses.

In determining the expected credit losses for these assets some or all of the following information has been considered: credit ratings, the financial position of counterparties, the future prospects of the relevant industries and general economic forecasts.

No fair value through other comprehensive income or amortised cost financial assets have had modified cash flows during the period. There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for these financial assets. There were no significant movements in the gross carrying value of financial assets during the year that contribute to changes in the loss allowance. No collateral is held in respect of any of the financial investments in the above table. No balances are more than 30 days past due, and no balances were written off during the year.

12. Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rates, foreign exchange rates, credit spreads, equity or other indices. Derivatives are transacted in accordance with the National Grid plc board approved policies. These policies have been deemed applicable at NGET by their respective Board of Directors. Derivatives are transacted by NGET generally to manage our exposure to fluctuations in interest rates and foreign exchange rates. Specifically we use these derivatives to manage our financing portfolio, and contractual operational cash flows.

Derivatives are initially recognised at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair values are recorded in the period they arise, in either the income statement or other comprehensive income as required by IFRS 9. Where the gains or losses recorded in the income statement arise from changes in the fair value of derivatives to the extent that hedge accounting is not applied or is not fully effective, these are recorded as remeasurements, detailed in note 5 and 6. Where the fair value of a derivative is positive it is carried as a derivative asset, and where negative as a derivative liability.

12. Derivative financial instruments (continued)

We calculate the fair value of derivative financial instruments by taking the present value of future cash flows, primarily incorporating market observable inputs. The various inputs include foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate and inflation curves, and for those positions that are not fully cash collateralised the credit quality of the counterparties.

Further information on how derivatives are valued and used for risk management purposes is presented in note 27.

The fair values of derivative financial instruments by type are as follows:

	2025			2024		
	Asset	Liabilities	Total	Asset	Liabilities	Total
	£m	£m	£m	£m	£m	£m
Interest rate swaps	36	(108)	(72)	41	(98)	(57)
Cross-currency interest rate swaps	37	(326)	(289)	49	(358)	(309)
Foreign exchange forward contracts ¹	1	(45)	(44)	—	(26)	(26)
Inflation linked swaps	31	(93)	(62)	39	(102)	(63)
	105	(572)	(467)	129	(584)	(455)

¹ Included within the foreign exchange forward contracts balance is £44 million of derivative liabilities (2024: £26 million) in relation to hedging of capital expenditure.

The maturity profile of derivative financial instruments is as follows:

	2025			2024		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£m	£m	£m	£m	£m	£m
Current						
Less than 1 year	—	(208)	(208)	2	(115)	(113)
	—	(208)	(208)	2	(115)	(113)
Non-current						
In 1 - 2 years	11	(14)	(3)	—	(3)	(3)
In 2 - 3 years	11	(18)	(7)	13	(13)	—
In 3 - 4 years	5	(10)	(5)	11	(14)	(3)
In 4 - 5 years	4	(23)	(19)	5	(19)	(14)
More than 5 years	74	(299)	(225)	98	(420)	(322)
	105	(364)	(259)	127	(469)	(342)
	105	(572)	(467)	129	(584)	(455)

The notional contract amounts of derivative financial instruments by type are as follows:

	2025	2024
	£m	£m
Interest rate swaps	(2,411)	(1,564)
Cross-currency interest rate swaps	(3,025)	(3,588)
Foreign exchange forward contracts	(1,669)	(1,816)
Inflation linked swaps	(2,366)	(2,366)
	(9,471)	(9,334)

13. Inventories

Inventories represent assets that we intend to use in order to generate revenue in the short-term by using it to fulfil a service to a customer or to maintain our network (spares & consumables).

Inventories are stated at the lower of weighted average cost and net realisable value.

Where applicable, cost comprises direct materials and direct labour costs as well as those overheads that have been incurred in bringing the inventories to their present location and condition.

	2025	2024
	£m	£m
Raw materials, spares and consumables	30	31
Work in progress	19	8
	49	39

The closing balance includes a £1 million provision for obsolescence against raw materials, spares and consumables at 31 March 2025 (2024: £1 million).

14. Trade and other receivables

Trade and other receivables are amounts which are due from our customers for services we have provided.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

Trade receivables and amounts owed by fellow subsidiary undertakings are non-interest-bearing and generally have a term of up to 60 days and 90 days respectively. Due to their short maturities, the fair value of trade and other receivables approximates their carrying value. All other receivables are recorded at amortised cost. The provision for expected credit losses as at 31 March 2025 was £nil (2024: £1 million).

	2025	2024
	£m	£m
Current		
Trade receivables	86	21
Amounts owed by fellow subsidiary undertakings	25	168
Social security and other taxes ¹	—	74
Accrued income	66	35
Prepayments	20	33
Other receivables	33	27
	230	358
	2025	2024
Non-current	£m	£m
Prepayments ²	416	270
Lease receivables	6	2
	422	272

¹ At 31 March 2025, the position was a net payable (see note 17).

² Included within non-current prepayments are capital expenditure prepayments made to suppliers to secure production capacity for certain capital projects. The associated cash flows for capital expenditure prepayments are included within purchases of property, plant and equipment within the consolidated cashflow statement.

14. Trade and other receivables (continued)

Provision for impairment of receivables

A provision for expected credit losses is recognised at an amount equal to the expected credit losses that will arise over the lifetime of the trade receivables and accrued income.

A provision matrix is not used to assess expected loss rates as an assessment is performed on individual debtors and the provision is not expected to be material. There are no retail customers (see note 2 explaining that most revenues are invoiced and cash received monthly from NESO). For further information on our wholesale and retail credit risk, refer to note 27(a).

	2025	2024
	£m	£m
At 1 April	1	2
Released for the year	(1)	(1)
At 31 March	—	1

Lease receivables

National Grid Electricity Transmission plc has entered into various sub-lease arrangements for sections of a leased property. These sub-lease arrangements are classified as finance leases, as we transfer substantially all of the risks and rewards incidental to ownership for those sections of the underlying asset. Lease receivables are included in other receivables.

The maturity analysis of the total current and non-current lease receivables, including the undiscounted lease payments to be received, are as follows:

	2025	2024
	£m	£m
Gross lease payments are received as follows:		
Less than 1 year	2	1
1 to 5 years	5	2
More than 5 years	2	—
	9	3
Less: finance income allocated to future periods	(1)	—
	8	3

15. Cash and cash equivalents

Cash and cash equivalents include cash balances, together with short-term investments with an original maturity of less than three months that are readily convertible to cash.

Net cash and cash equivalents reflected in the cash flow statement are gross of bank overdrafts, which are reported in borrowings. The carrying amounts of cash and cash equivalents and bank overdrafts approximate their fair values.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

Net cash and cash equivalents held in currencies other than sterling have been converted into sterling at year-end exchange rates. For further information on currency exposures, refer to note 27(c).

	2025	2024
	£m	£m
Cash at bank and short-term deposits	15	4

16. Borrowings

We borrow money primarily in the form of bonds, bank loans and an overnight facility loan with National Grid plc. These are for a fixed term and may have fixed or floating interest rates or are linked to the retail price index (RPI). We use derivatives to manage risks associated with interest rates and foreign exchange.

As we continue to invest in our networks, the value of debt is expected to increase over time. To maintain a strong balance sheet and to allow us to access capital markets at commercially acceptable interest rates, we balance the amount of debt we issue with the value of our assets, and take account of certain other metrics such as retained cash flow/net debt (RCF), regulatory gearing and interest cover.

Borrowings, which include interest-bearing and inflation-linked debt, overdrafts and collateral payable, are initially recorded at fair value which normally reflect the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost; any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

Further information on how we manage the rates and currency risk of our borrowings portfolio is presented in note 27. Information on our net debt is presented in note 24.

	2025	2024
	£m	£m
Current		
Bank loans and overdrafts	112	118
Bonds	67	583
Lease liabilities	22	17
Borrowings from the ultimate parent company	1,021	—
	1,222	718
Non-current		
Bank loans	1,277	1,336
Bonds	7,737	7,757
Lease liabilities	73	54
	9,087	9,147
Total borrowings	10,309	9,865

Total borrowings are repayable as follows:

	2025	2024
	£m	£m
Less than 1 year	1,222	718
In 1 - 2 years	1,022	14
In 2 - 3 years	492	926
In 3 - 4 years	580	396
In 4 - 5 years	537	484
More than 5 years:		
by instalments	337	736
other than by instalments	6,119	6,591
	10,309	9,865

The fair value of borrowings at 31 March 2025 was £9,317 million (2024: £9,102 million). Where market values were available, fair value of borrowings (Level 1) was £4,248 million (2024: £4,819 million). Where market values are not available, fair value of borrowings (Level 2) was £5,069 million (2024: £4,283 million), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio as at 31 March 2025 was £10,632 million (2024: £10,199 million).

Collateral is placed with or received from any counterparty where we have entered into a credit support annex to the ISDA Master Agreement once the current mark-to-market valuation of the trades between the parties exceeds an agreed threshold. Included in current bank loans is £18 million (2024: £27 million) in respect of cash received under collateral agreements refer to note 11.

At 31 March 2025, we had committed credit facilities of £965 million (2024: £965 million) of which £965 million was undrawn (2024: £965 million undrawn). All of the facilities at 31 March 2025 and at 31 March 2024 are available for liquidity purposes.

None of the Group's borrowings are secured by charges over assets of the Group.

16. Borrowings (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method.

	2025	2024
	£m	£m
Gross lease liabilities are repayable as follows:		
Less than 1 year	22	17
1 to 5 years	53	33
More than 5 years	62	59
	137	109
Less: finance charges allocated to future periods	(42)	(38)
	95	71
The present value of lease liabilities are as follows:		
Less than 1 year	22	17
1 to 5 years	48	31
More than 5 years	25	23
	95	71

17. Trade and other payables

Trade and other payables include amounts owed to suppliers, tax authorities and other parties which are due to be settled within 12 months. The total also includes deferred amounts, some of which represents monies received from customers but for which we have not yet delivered the associated service. These amounts are recognised as revenue when the service is provided. Amounts owed to fellow subsidiary undertakings are non-interest-bearing and generally have a term of up to 90 days.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

	2025	2024
	£m	£m
Trade payables	861	660
Amounts owed to fellow subsidiaries of National Grid plc	29	37
Deferred income	39	28
Social security and other taxes ¹	17	—
Other payables	30	58
	976	783

¹ At 31 March 2024, the position was a net receivable (see note 14).

Due to their short maturities, the fair value of trade payables approximates their carrying value.

18. Contract liabilities

Contract liabilities primarily relate to the advance consideration received from customers for construction contracts, mainly in relation to connections, for which revenue is recognised over the life of the asset.

	2025	2024
	£m	£m
Current	13	14
Non-current	532	505
	545	519

Significant changes in the contract liabilities balances during the year are as follows:

	2025	2024
	£m	£m
As at 1 April	519	441
Revenue recognised that was included in the contract liability balance at the beginning of the period	(13)	(13)
Increase due to cash received, excluding amounts recognised as revenue during the period	41	91
Other movements	(2)	—
At 31 March	545	519

19. Other non-current liabilities

Other non-current liabilities include deferred income which will not be recognised as income until after 31 March 2026. It also includes payables that are not due until after that date.

Non-current liabilities are initially recognised at fair value and subsequently measured at amortised cost. There is no material difference between the fair value and the carrying value of other payables.

	2025	2024
	£m	£m
Deferred income	1	1
Other payables	59	53
	60	54

20. Pensions and other post-retirement benefits

All of our employees are eligible to participate in a pension plan. We have defined benefit ('DB') and defined contribution ('DC') pension plans in the UK. The fair value of associated plan assets and present value of DB obligations are updated annually in accordance with IAS 19 'Employee Benefits'. Below we provide a more detailed analysis of the amounts recorded in the primary financial statements and the actuarial assumptions used to value the DB obligations.

Defined contribution plans

Employees of National Grid's UK businesses are eligible to join the National Grid UK Retirement Plan (NGUKRP), a section of a Master Trust arrangement managed by Legal & General. National Grid pays contributions into the NGUKRP to provide DC benefits on behalf of its employees, generally providing a double match of member contributions up to a maximum company contribution of 12% of salary.

Investment risks are borne by the member and there is no legal or constructive obligation on National Grid to pay additional contributions in the instance that investment performance is poor. Payments to this DC plan are charged as an expense as they fall due (see note 4).

Defined benefit plan

National Grid Electricity Transmission plc is the principal employer of the National Grid Electricity Group of the Electricity Supply Pension Scheme (NGEG of ESPS), a defined benefit pension plan which is now closed to new members, except in very rare circumstances. The plan is managed by a Trustee company with a board consisting of company- and member-appointed directors and holds its assets in separate Trustee administered funds. The net defined pension asset is reflected within the Group and Company's statement of financial position. The Company also has certain unfunded supplementary pension obligations.

National Energy System Operator Ltd (NESO) transferred out of the Group during the year. The sale was completed on 1 October 2024, with NESO's share of DB pension assets and liabilities leaving the National Grid Electricity Transmission plc balance sheet on that date. The impact of the transfer resulted in a £16 million settlement loss included in the consolidated income statement.

The pension plan is subject to independent actuarial funding valuations every three years. Following consultation and agreement with the Company, the qualified actuary certifies the employers' contributions, which, together with the specified contributions payable by the employees and proceeds from the plans' assets, are expected to be sufficient to fund the benefits payable. The latest completed full actuarial valuation for NGEG of ESPS was as at 31 March 2022 and disclosed a funding shortfall of £60 million which was funded by a deficit payment in September 2022, with no further deficit payments scheduled. The results for the actuarial valuation as at 31 March 2025 are yet to be agreed.

Separately, the Company continues to fund the cost of the future benefit accrual in NGEG of ESPS (over and above member contributions). In the year to 31 March 2025, the aggregate level of ongoing contributions was £19 million (2024: £27 million). Normal contributions are expected to be £17 million in the year to 31 March 2026.

The Company has also established contingent security provided to NGEG of ESPS in the form of surety bonds, letters of credit or cash payments which are implemented if certain trigger events occur in respect of National Grid Electricity Transmission plc. The security, which is currently capped at £180 million, would become payable to the plan on certain company-related events, such as loss of licence or insolvency.

Pensioner buy-in transaction

During the year, the Trustee of the NGEG of ESPS entered into a bulk annuity policy with Aviva covering pension benefits for most of the plan's pensioner and dependant members. This was funded by approximately £1.7 billion of plan assets. Under IAS 19 the methodology for calculating the value of the buy-in as an asset held by the pension plan differs from the price paid. This transaction resulted in the recognition of an actuarial loss of £200 million recorded within the consolidated statement of other comprehensive income. As part of this transaction, the longevity swap previously held by the Trustee of the NGEG of ESPS was novated to the insurer and is no longer a plan asset.

Actuarial assumptions

On retirement, members of DB plans receive benefits whose value is dependent on factors such as salary and length of pensionable service. The Company's obligation in respect of NGEG of ESPS is calculated by projecting the estimated amount of future benefit payments that employees have earned for their pensionable service in the current and prior periods. These future benefit payments are discounted to determine the present value of the liabilities.

Advice is taken from independent actuaries relating to the appropriateness of the key assumptions applied, including life expectancy, expected salary and pension increases, and inflation. Comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the consolidated income statement, the consolidated statement of other comprehensive income and the net liability recognised in the consolidated statement of financial position. The sensitivities to significant risks are disclosed in note 28. Remeasurements of pension assets and post-retirement benefit obligations are recognised in full in the period in which they occur in the consolidated statement of other comprehensive income.

20. Pensions and other post-retirement benefits (continued)

The Company has applied the following financial assumptions in assessing DB liabilities:

	2025	2024
	%	%
Discount rate - past service	5.79	4.89
Discount rate - future service	5.95	4.92
Rate of increase in RPI - past service	2.96	3.01
Rate of increase in RPI - future service	2.86	2.91
Salary increases	3.08	3.10

Single equivalent financial assumptions are shown above for presentational purposes, although full yield curves have been used in our calculations. The discount rate is determined by reference to high-quality UK corporate bonds at the reporting date. In addition to the general salary increases shown above, there are also allowances for a promotional scale to apply. The rates of increases stated are not indicative of historical increases awarded or a guarantee of future increase, but merely an appropriate assumption used in assessing DB liabilities. The NGEg of ESPS provides for pension increases that are generally linked to Retail Price Index (RPI), subject to relevant caps and floors.

The table below sets out the projected life expectancies adopted for the UK pension arrangements:

	2025	2024
	Years	Years
Assumed life expectations for a retiree age 65:		
Males	22.3	22.3
Females	24.3	24.3
In 20 years:		
Males	23.2	23.2
Females	25.5	25.5

The weighted average duration of the DB obligation for NGEg of ESPS is 12 years.

As at the reporting date, the present value of the funded obligations split according to member status, was approximately 15% active members (2024: 19%); 7% deferred members (2024: 7%); 78% pensioner members (2024: 74%);

For sensitivity analysis see note 28.

Amounts recognised in the consolidated statement of financial position

	2025	2024
	£m	£m
Present value of funded obligations	(1,737)	(2,004)
Fair value of scheme assets	2,017	2,457
	280	453
Present value of unfunded obligations	(28)	(31)
Net defined benefit asset	252	422
Represented by:		
Asset	280	453
Liability	(28)	(31)
	252	422

The recognition of the pension asset in the NGEg of ESPS reflects legal and actuarial advice that we have taken regarding recognition of surpluses under IFRIC 14. The Company has an unconditional right to a refund in the event of a winding up.

20. Pensions and other post-retirement benefits (continued)

Amounts recognised in the consolidated income statement and the consolidated statement of other comprehensive income.

The expense or income arising from pension arrangements recognised in the income statements is shown below:

	2025 £m	2024 £m
Included within operating costs		
Administration costs	4	4
Loss on settlements	16	—
Operating costs	20	4
Included within payroll costs		
Defined benefit scheme costs:		
Current service cost	10	12
Past service cost - redundancies	1	3
	11	15
Amounts charged to fellow National Grid group undertakings	(1)	(4)
Total amount included within payroll costs	10	11
Total of operating costs	30	15
Included within finance income and costs		
Net interest income	(21)	(27)
Total included in the consolidated income statement	9	(12)
Remeasurement losses of pension assets and obligations ¹	181	88
Total included in the consolidated statement of other comprehensive income	181	88

¹ For the year ended 31 March 2025, this includes an actuarial loss from the purchase of buy-in policy of £200 million.

Reconciliation of the net defined benefit asset

	2025 £m	2024 £m
Opening defined benefit asset	422	473
Costs recognised in the income statement	(9)	12
Amounts charged to National Grid group undertakings	(1)	(4)
Remeasurement effects recognised in the statement of other comprehensive income	(181)	(88)
Employer contributions	19	27
Other movements	2	2
Closing net defined benefit asset¹	252	422

¹ £16 million of the net pension asset relating to NESO has been transferred on the sale of that business by the National Grid plc Group.

20. Pensions and other post-retirement benefits (continued)

Changes in the present value of defined benefit obligations (including unfunded obligations).

The table below shows the movement in defined benefit obligations over the year.

	2025 £m	2024 £m
Opening defined benefit obligations	(2,035)	(2,127)
Current service cost	(10)	(12)
Interest cost	(102)	(105)
Actuarial (losses)/gains - experience	(27)	4
Actuarial gains - demographic assumptions	3	44
Actuarial gains - financial assumptions	209	39
Past service cost - redundancies	(1)	(3)
Liabilities transferred on settlements	68	—
Benefits paid	130	125
Closing defined benefit obligations	(1,765)	(2,035)

The table below shows the movement in defined benefit assets over the year.

	2025 £m	2024 £m
Changes in the fair value of scheme assets		
Opening fair value of scheme assets	2,457	2,600
Interest income	123	132
Return on assets less than interest ¹	(366)	(169)
Change in longevity swap value ²	—	(6)
Administration costs	(4)	(4)
Employer contributions	19	27
Assets transferred on settlements	(84)	—
Benefits paid	(128)	(123)
Closing fair value of scheme assets	2,017	2,457
Actual return on scheme assets	(245)	(43)
Expected contributions to scheme in the following year	17	18

¹ For the year ended 31 March 2025, this includes an actuarial loss from the purchase of the buy-in policy of £200 million.

² The longevity swap that was in place in NGEG of ESPS at the year ending 31 March 2024 was novated to Aviva over the year as part of the purchase of the buy-in policy.

20. Pensions and other post-retirement benefits (continued)

Asset allocations

The allocation of assets by asset class is set out below. Within these asset allocations there is significant diversification across regions, asset managers, currencies and bond categories.

	2025			2024		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Corporate bonds	—	—	—	204	—	204
Government securities and liability driven investments ¹	—	434	434	—	2,023	2,023
Property	—	16	16	—	54	54
Diversified alternatives	—	231	231	—	264	264
Longevity swap ²	—	—	—	—	(94)	(94)
Liability-matching policies ³	—	1,333	1,333	—	—	—
Cash and cash equivalents	—	—	—	2	—	2
Other (including net current assets and liabilities)	—	3	3	—	4	4
	—	2,017	2,017	206	2,251	2,457

¹ Included within government securities and liability driven investments above is £269 million (2024: £135 million) of repurchase agreements. These are used to increase the market exposure of the liability-matching portfolios.

² The longevity swap that was in place in NGEG of ESPS at the year ending 31 March 2024 was novated to Aviva over the year as part of the purchase of the buy-in policy.

³ Includes the value of the buy-in policy at 31 March 2025.

Main defined benefit risks

The Company underwrites the financial and demographic risks associated with the plan. Although the Trustee has sole responsibility for setting investment strategies and managing risks, the Company closely works with and supports the Trustee, to assist in mitigating the risks associated with the plan and to ensure that the plan is funded to meet its obligations.

The most significant risks associated with the DB plan are:

- Investment risk – The plan invests in a variety of asset classes, with actual returns likely to differ from the underlying discount rate adopted, impacting on the funding position of the plan through the net balance sheet asset or liability. The plan seeks to balance the level of investment return required with the risk that it can afford to take, to design the most appropriate investment portfolio.
- Changes in bond yields – Liabilities will fluctuate as yields change. Volatility of the net balance sheet asset or liability is controlled through a liability-matching investment strategy. The investment strategy allows for the use of synthetic as well as physical assets to be used to hedge interest rate risk. This risk is also partially mitigated through the bulk annuity policy.
- Inflation risk – Changes in inflation will affect current and future pensions but are partially mitigated through investing in inflation matching assets and hedging instruments. The investment strategies allow for the use of synthetic as well as physical assets to be used to hedge inflation risk. This risk is also partially mitigated through the bulk annuity policy.
- Member longevity – Improvements in life expectancy will lead to pension payments being paid for longer than expected and benefits ultimately being more expensive. This risk has been partly mitigated by the plan's decision to hold a bulk annuity policy which covers exposure to improvement in longevity, providing long-term protection in the event that members live longer than expected.
- Counterparty risk – This is managed by having a diverse range of counterparties and through having a strong collateralisation process. Measurement and management of counterparty risk is delegated to the relevant investment managers. The bulk annuity policy taken out by the Trustee during the year includes various termination provisions that help to manage exposure to counterparty risk. The insurer's operational performance and financial strength is monitored on a regular basis.
- Default risk - Debt investments are predominantly made in regulated markets in assets considered to be of investment grade. Where investments are made either in non-investment grade assets or outside of regulated markets, investment levels are kept to prudent levels and subject to agreed control ranges, to control the risk.

20. Pensions and other post-retirement benefits (continued)

- Liquidity risk - The pension plan holds sufficient cash to meet benefit requirements, with other investments being held in liquid or realisable assets to meet unexpected cash flow requirements. These could include collateral calls relating to the plan's liability-matching assets which could result from extreme market movements. Should the plan not have sufficient liquidity to meet cash flow requirements, they could be forced to take sub-optimal investment decisions such as selling assets at a reduced price. The plan does not borrow money, or act as guarantor, to provide liquidity to other parties (unless it is temporary).
- Currency risk – Fluctuations in the value of foreign denominated assets due to exposure to currency exchange rates are managed through currency hedging overlay and currency hedging carried out by some of the investment managers.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited versus NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. A subsequent appeal was dismissed in July 2024 by the Court of Appeal. The Company has performed its review of past significant changes made to NGEN of ESPS and it has concluded that there is no financial impact from the ruling of the case, although the Company will monitor the impact of future developments.

Investment strategies

The Trustee, after taking advice from professional investment advisors and in consultation with the Company, set their key principles, including expected returns, risk and liquidity requirements. They formulate an investment strategy to manage risk through diversification, taking into account expected contributions, maturity of the pension liabilities, and the strength of the covenant. These strategies allocate investments between return-seeking assets such as diversified alternatives and property, and liability-matching assets such as government securities and corporate bonds which are intended to protect the funding position.

The approximate investment allocations of our plan at 31 March 2025 and 31 March 2024 are as follows:

	2025	2024
	%	%
Return - seeking assets	12	13
Liability - matching assets	88	87
	100	100

The Trustee generally delegates responsibility for the selection of specific bonds, securities and other investments to appointed investment managers, who are selected based on the required skills, expertise in those markets, process and financial security to manage the investments. Their performance is regularly reviewed against measurable objectives, consistent with the pension plan's long-term objectives and accepted risk levels.

The pension plan has a Responsible Investment (RI) Policy, which takes into account Environmental, Social and Governance (ESG) factors and incorporates the six UN-backed Principles for Responsible Investment (UNPRI). While the Trustee board understands its fiduciary responsibility to maximise return on investments based on an appropriate level of risk, it also recognises that ESG factors can be material to financial outcomes and can have a potential impact on the quality and sustainability of long-term investment returns. The Company's DC pension arrangement, the NGUKRP, embeds ESG factors in the investment options offered to members. As well as offering a range of self-select ethical funds, it directly incorporates its Climate Impact Pledge into the default investment option, which acts to align the fund to a carbon net zero future.

21. Provisions

We make provisions when an obligation exists, resulting from a past event and it is probable that cash will be paid to settle it, but the exact amount of cash required can only be estimated.

The main estimates relate to environmental remediation for various sites we own, decommissioning costs relating to certain transmission assets and other provisions. The evaluation of the likelihood of the contingent events has required best judgement by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, the likelihood could alter.

Provisions are recognised where a legal or constructive obligation exists at the reporting date, as a result of a past event, where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable.

Provision is made for decommissioning and environmental costs, based on future estimated expenditures, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Where a decommissioning provision relates to an asset measured using the cost model (which applies to all our assets), any subsequent change in the provision (arising from revised estimates, discount rates or changes in the expected timing of expenditures) is recognised as an adjustment to the cost of the asset. Where the decrease in the liability exceeds the carrying amount of the asset, the excess is recognised in the income statement. Where the adjustment results in an addition to the cost of the asset, we consider whether this is an indication of whether the carrying amount of the asset is fully recoverable.

Changes in the environmental provision arising from revised estimates, discount rates or changes in the expected timing of expenditure are recognised in the income statement.

The unwinding of the discount is included within the income statement as finance costs.

	Decommissioning	Environmental	Other	Total
	£m	£m	£m	£m
At 1 April 2023	22	34	12	68
Additions	—	—	1	1
Unwinding of discount	—	2	—	2
Utilised	—	(2)	—	(2)
Impact of change in assumptions on provisions	4	2	—	6
At 31 March 2024	26	36	13	75
Additions	—	18	22	40
Unused amounts reversed	—	—	(5)	(5)
Unwinding of discount	—	1	—	1
Utilised	—	(2)	—	(2)
Impact of change in assumptions on provisions	7	—	—	7
At 31 March 2025	33	53	30	116

	2025	2024
	£m	£m
Current	(42)	(8)
Non-current	(74)	(67)
	(116)	(75)

21. Provisions (continued)

Decommissioning provision

The decommissioning provision represents a present value of £33 million (2024: £26 million) of expenditure relating to asset retirement obligations estimated to be incurred in 2059 (discounted at a real rate of 1.0%). This relates to our share of the decommissioning of the Western Link HVDC cable laid on the seabed owned by the Crown estate.

Environmental provision

The environmental provision represents the estimated restoration and remediation costs relating to a number of sites owned and managed by the Group.

The remediation expenditure relates to electricity transmission sites, including £14 million related to environmental remediation costs at the North Hyde substation. Cash flows are expected to be incurred until 2070, with £20 million expected to be incurred in the next 10 years. A number of estimation uncertainties affect the calculation of the provision, including the impact of regulation, the accuracy of site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and changes in the real discount rate. This provision incorporates our best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision. The undiscounted amount is the best estimate of the liability, having regard to these uncertainties. The undiscounted cashflow projection at 31 March 2025 was £61 million (2024: £42 million). The provision has been booked based on a 1.0% real discount rate (2024: 1.0%).

Other provisions

Included within other provisions at 31 March 2025 are the following amounts:

- £20 million (2024: £nil) related to other claims and litigation where matters are ongoing and amounts recognised represent the best estimate of expected outflow at 31 March 2025.
- £3 million (2024: £5 million) in relation to software licence claims.
- £2 million (2024: £3 million) in relation to employer liability claims. In accordance with insurance industry practice, the estimate of employer liability claims is based on experience from previous years and there is therefore no identifiable payment date.

22. Share capital

Ordinary share capital represents the total number of shares issued.

Share capital is accounted for as an equity instrument. An equity instrument is any contract that includes a residual interest in the consolidated assets of the Company after deducting all its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

	Number of shares 2025 millions	Number of shares 2024 millions	2025 £m	2024 £m
At 31 March 2025 and 2024 - ordinary shares of 10p each				
Allotted, called-up and fully paid	437	437	44	44

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

23. Other equity reserves

Other equity reserves are different categories of equity as required by accounting standards and represent the impact of a number of our historical transactions.

Other equity reserves comprise the cash flow hedge reserve and the cost of hedging reserve. The cash flow hedge represents the Group's cash flow hedging activities (see note 27).

As the amounts included in other equity reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

23. Other equity reserves (continued)

	Cost of hedging £m	Cash flow hedge £m	Total £m
At 1 April 2024	(6)	44	38
Net losses taken to equity	(8)	(15)	(23)
Net losses in respect of cash flow hedging of capital expenditure	—	(24)	(24)
Transferred to profit or loss	(1)	78	77
Cash flow hedges transferred to the statement of financial position, net of tax	—	5	5
Tax	2	(13)	(11)
At 31 March 2025	(13)	75	62

24. Net debt

Net debt represents the amount of borrowings, overdrafts and net derivative financial instruments less cash and current financial investments.

Funding and liquidity risk management is carried out by the National Grid plc Treasury function under policies and guidelines approved by the Finance Committee of the National Grid plc Board. These policies have been deemed applicable for NGET companies by their respective Boards of Directors. The Finance Committee is responsible for the regular review and monitoring of treasury activity and for the approval of specific transactions, the authority for which fall outside the delegation of authority to management.

The primary objective of the Treasury function is to manage our funding and liquidity requirements. A further important objective is to manage the associated financial risks, in the form of interest rate risk and foreign exchange risk, to within pre-authorised parameters. Details of the main risks arising from our activities can be found in the risk factors discussion in note 27 to the consolidated financial statements.

Investment of surplus funds, usually in short-term fixed deposits is subject to our counterparty risk management policy.

Composition of net debt

Net debt is summarised as follows:

	2025 £m	2024 £m
Cash, cash equivalents and financial investments	420	917
Borrowings and bank overdrafts	(10,309)	(9,865)
Derivatives	(467)	(455)
	(10,356)	(9,403)

24. Net debt (continued)

Analysis of changes in net debt

	Borrowings	Financing Derivatives Used To Hedge Debt	Total Liabilities From Financing Activities	Cash and Cash Equivalents	Financial Investments	Other Financing Derivatives	Total Debt
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2023	(10,047)	(417)	(10,464)	—	1,373	1	(9,090)
Net increase in cash and cash equivalents	—	—	—	4	—	—	4
Included within financing cash flows:							
Repayment of loans	254	—	254	—	—	—	254
Payments of lease liabilities	19	—	19	—	—	—	19
Net movements in short-term borrowings	17	—	17	—	—	—	17
Cash outflows on derivatives	—	7	7	—	—	—	7
Interest paid	227	69	296	—	—	—	296
Included within investing cash flows:							
Net movements in short-term financial investments	—	—	—	—	(460)	—	(460)
Derivative cashflows included in capital expenditure	—	—	—	—	—	(1)	(1)
Interest received	—	—	—	—	(63)	—	(63)
Fair value gains and losses	1	(39)	(38)	—	—	(25)	(63)
Foreign exchange movements	108	—	108	—	—	—	108
Interest (charges)/income	(414)	(49)	(463)	—	63	(1)	(401)
Other non-cash movements	(30)	—	(30)	—	—	—	(30)
At 1 April 2024	(9,865)	(429)	(10,294)	4	913	(26)	(9,403)
Net increase in cash and cash equivalents	—	—	—	11	—	—	11
Included within financing cash flows:							
Repayment of loans	591	—	591	—	—	—	591
Payments of lease liabilities	24	—	24	—	—	—	24
Net movements in short-term borrowings	(1,012)	—	(1,012)	—	—	—	(1,012)
Cash inflows on derivatives	—	(1)	(1)	—	—	—	(1)
Cash outflows on derivatives	—	49	49	—	—	—	49
Interest paid	235	80	315	—	—	—	315
Included within investing cash flows:							
Net movements in short-term financial investments	—	—	—	—	(507)	—	(507)
Derivative cashflows included in capital expenditure	—	—	—	—	—	7	7
Interest received	—	—	—	—	(30)	—	(30)
Fair value gains and losses	(13)	(55)	(68)	—	—	(24)	(92)
Foreign exchange movements	123	—	123	—	—	—	123
Interest (charges)/income	(345)	(67)	(412)	—	29	(1)	(384)
Other non-cash movements	(47)	—	(47)	—	—	—	(47)
At 31 March 2025	(10,309)	(423)	(10,732)	15	405	(44)	(10,356)
Non-current assets	—	104	104	—	—	1	105
Current assets	—	—	—	15	405	—	420
Current liabilities	(1,222)	(203)	(1,425)	—	—	(5)	(1,430)
Non-current liabilities	(9,087)	(324)	(9,411)	—	—	(40)	(9,451)
Total	(10,309)	(423)	(10,732)	15	405	(44)	(10,356)

25. Commitments and contingencies

Commitments are those amounts that we are contractually required to pay in the future as long as the other party meets its obligations. These commitments primarily relate to operating lease rentals, energy purchase agreements and contracts for the purchase of assets which, in many cases, extend over a long period of time. We also disclose any contingencies, which include guarantees that companies have given, where we pledge assets against current obligations that will remain for a specific period.

	2025	2024
Future capital expenditure	£m	£m
Contracted for but not provided	2,844	1,629

Other commitments, contingencies and guarantees

Guarantees of certain obligations of Eastern Green Link joint operations amount to £2,296 million (2024: £2,465 million). These have various expiry dates. Guarantees in respect of a former associate amount to £13 million (2024: £13 million).

Other commitments, contingencies and guarantees in the normal course of business and entered into on normal commercial terms amounted to £6 million (2024: £7 million). There is an additional £21 million (2024: £17 million) contingency for the portion of decommissioning costs of Western Link HVDC not recognised in the provision (see note 21).

Security arrangements in favour of NGEN Trustees are disclosed separately in note 20.

Contingent liabilities

Through the ordinary course of our operations, we are party to various litigation, claims and investigations, including Ofgem's investigation into the North Hyde substation incident. These investigations are ongoing. In the case of the North Hyde incident, based on the available information, we consider that there is no present obligation which could ultimately lead to a cash outflow, following the outcome of the investigation. The potential maximum penalty for a licence breach following an Ofgem investigation is 10% of turnover. We continue to monitor this position and engage with ongoing investigations.

26. Related party transactions

A related party is a company or individual who also has an interest in us, for example a company that provides a service to us with a director who holds a controlling stake in that company and who is also a director of National Grid Electricity Transmission plc. The related parties identified include fellow subsidiaries, joint ventures, associated undertakings, investments and key management personnel.

The following significant transactions with related parties were in the normal course of business. Amounts receivable from and payable to related parties are due on normal commercial terms:

	2025	2024
	£m	£m
Income:		
Goods and services supplied ¹	1,299	2,677
Net finance income	4	41
	1,303	2,718
Expenditure:		
Services received	21	25
Corporate services received	24	25
	45	50
Outstanding balances at 31 March in respect of income, expenditure and settlement of corporation tax:		
Amounts receivable ²	26	168
Amounts payable ²	(29)	(37)
Borrowings (from)/to ultimate parent (amounts due within one year)	(1,021)	531

Outstanding balances at 31 March in respect of leases:

Lease liabilities to fellow subsidiary undertakings	28	23
Lease receivables from associate entity	—	3

¹ Includes TNUoS charges and post vesting connection charges invoiced to and collected from National Grid Electricity System Operator Ltd of £1,175 million (2024: £2,570 million), £51 million billed under Transitional Service Arrangement agreements with National Gas Transmission plc (2024: £63 million), £68 million billed to other National Grid group companies for corporate shared services (2024: £41 million) and £5 million in respect of joint ventures (2024: £3 million).

² There is £1 million due from (2024: £nil) and £nil due to (2024: £nil) joint ventures.

Amounts receivable from or payable to related parties in respect of income and expenditure are ordinarily settled one month in arrears. Advances to and borrowings from the ultimate parent are repayable on demand and bear interest at commercial rates. Details of key management compensation are provided in note 4(c) and information relating to pension fund arrangements is disclosed in note 20.

27. Financial risk management

Our activities expose us to a variety of financial risks including credit risk, liquidity risk, capital risk, currency risk, interest rate risk and inflation risk. Our risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential volatility of financial performance from these risks. We use financial instruments, including derivative financial instruments, to manage these risks.

Risk management related to financing activities is carried out by the National Grid plc central Treasury department under policies approved by the Finance Committee of the National Grid plc Board. These policies have been deemed applicable for the NGET companies by their respective Board of Directors. The objective of the Treasury department is to manage funding and liquidity requirements, including managing associated financial risks, to within acceptable boundaries. The Finance Committee provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Details of key activities in the current year are set out in the Finance Committee report on page 120 of National Grid plc Annual Report and Accounts.

We have exposure to the following risks, which are described in more detail below:

- credit risk;
- liquidity risk;
- currency risk;
- interest rate risk; and
- capital risk.

Where appropriate, derivatives and other financial instruments used for hedging currency and interest rate risk exposures are formally designated as fair value or cash flow hedges as defined in IFRS 9. Hedge accounting allows the timing of the profit or loss impact of qualifying hedging instruments to be recognised in the same reporting period as the corresponding impact of hedged exposures. To qualify for hedge accounting, documentation is prepared specifying the risk management objective and strategy, the component transactions and methodology used for effectiveness measurement.

Hedge accounting relationships are designated in line with risk management activities further described below. Categories designated at NGET are:

- currency risk arising from our forecasted foreign currency transactions (capital expenditure) is designated in cash flow hedges;
- currency and interest rate risk arising from borrowings are designated in cash flow or fair value hedges.

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Hedge ineffectiveness can nonetheless arise from inherent differences between derivatives and non-derivative instruments and other market factors including credit, correlations, supply and demand, and market volatilities. Ineffectiveness is recognised in the remeasurements component of finance income and costs (see note 6). Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting.

Certain hedging instrument components are treated separately as costs of hedging with the gains and losses deferred in a component of other equity reserves, and released systematically into profit or loss to correspond with the timing and impact of hedged exposures, or released in full to finance costs upon an early discontinuation of a hedging relationship.

Refer to sections (c) currency risk and (d) interest rate risk below for further details about hedge accounting.

(a) Credit risk

We are exposed to the risk of loss resulting from counterparties' default on their commitments including failure to pay or make a delivery on a contract. This risk is inherent in our commercial business activities. Exposure arises from derivative financial instruments, deposits with banks and financial institutions, trade receivables and committed transactions with customers.

Treasury credit risk

Counterparty risk arises from the investment of surplus funds and from the use of derivative financial instruments.

The maximum limit applies to all transactions, including long-term transactions. The long-term limit applies to transactions which mature in more than 12 months' time.

27. Financial risk management (continued)

As at 31 March 2025 and 2024, we had a number of exposures to individual counterparties. In accordance with our treasury policies, counterparty credit exposure utilisations are monitored daily against the counterparty credit limits. Counterparty credit ratings and market conditions are reviewed continually with limits being revised and utilisation adjusted, if appropriate. Management does not expect any significant losses from non-performance by these counterparties. Further information on financial investments subject to impairment provisioning is included in note 11.

Offsetting financial assets and liabilities

The following tables set out financial assets and liabilities which are subject to offset and to enforceable master netting arrangements or similar agreements. The tables show the amounts which are offset and reported net in the statement of financial position. Amounts which cannot be offset under IFRS, but which could be settled net under terms of master netting agreements if certain conditions arise, and with collateral received or pledged, are shown to present NGET's net exposure.

Financial assets and liabilities on different transactions would only be reported net in the balance sheet if the transactions were with the same counterparty, a currently enforceable legal right of offset exists and the cash flows were intended to be settled on a net basis.

Amounts which do not meet the criteria for offsetting on the statement of financial position, but could be settled net in certain circumstances, principally relate to derivative transactions under ISDA agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

NGET has no offsetting arrangements in relation to bank account balances and bank overdrafts as at March 2025 (nil as at March 2024).

The gross amounts offset for trade payables and receivables, which are subject to general terms and conditions, are insignificant.

Related amounts available to be offset but not offset in statement of financial position

	Gross carrying amounts	Gross amounts offset	Related amounts available to be offset but not offset in statement of financial position			
			Net amount presented in statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
As at 31 March 2025	£m	£m	£m	£m	£m	£m
Assets						
Derivative financial instruments	105	—	105	(96)	(8)	1
	105	—	105	(96)	(8)	1
Liabilities						
Derivative financial instruments	(572)	—	(572)	96	375	(101)
	(572)	—	(572)	96	375	(101)
Total	(467)	—	(467)	—	367	(100)

27. Financial risk management (continued)

	Gross carrying amounts	Gross amounts offset	Related amounts available to be offset but not offset in statement of financial position			
			Net amount presented in statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
As at 31 March 2024	£m	£m	£m	£m	£m	£m
Assets						
Derivative financial instruments	129	—	129	(99)	(23)	7
	129	—	129	(99)	(23)	7
Liabilities						
Derivative financial instruments	(584)	—	(584)	99	351	(134)
	(584)	—	(584)	99	351	(134)
Total	(455)	—	(455)	—	328	(127)

(b) Liquidity risk

Our policy is to determine our liquidity requirements by the use of both short-term and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding requirements for at least a 24-month period and maintain adequate liquidity for a continuous 12-month period.

We believe our contractual obligations, including those shown in commitments and contingencies in note 25, can be met from existing cash and investments, operating cash flows and other financings that we reasonably expect to be able to secure in the future, together with the use of committed facilities if required.

Our debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, restrictions on disposal and financial covenants such as restrictions on the level of subsidiary indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of our debt and may restrict our ability to draw upon our facilities or access the capital markets.

The following is a payment profile of our financial liabilities and derivatives:

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due 3 years and beyond	Total
At 31 March 2025	£m	£m	£m	£m	£m
<i>Non-derivative financial liabilities</i>					
Borrowings, excluding finance lease liabilities	(1,125)	(1,014)	(495)	(7,903)	(10,537)
Interest payments on borrowings ¹	(212)	(213)	(190)	(1,981)	(2,596)
Lease liabilities	(22)	(19)	(16)	(80)	(137)
Other non-interest bearing liabilities	(920)	(59)	—	—	(979)
<i>Derivative financial liabilities</i>					
Derivative contracts - receipts ²	1,016	677	1,095	653	3,441
Derivative contracts - payments ²	(1,257)	(751)	(1,250)	(1,049)	(4,307)
<i>Derivative financial assets</i>					
Derivative contracts - receipts ²	201	462	305	216	1,184
Derivative contracts - payments ²	(187)	(437)	(248)	(204)	(1,076)
Total at 31 March 2025	(2,506)	(1,354)	(799)	(10,348)	(15,007)

¹ The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.

² The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received (paid) exceeds the amount to be paid (received), the net amount is presented within derivative receipts (payments).

27. Financial risk management (continued)

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total £m
At 31 March 2024					
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	(624)	—	(925)	(8,580)	(10,129)
Interest payments on borrowings ¹	(223)	(215)	(215)	(2,215)	(2,868)
Lease liabilities	(17)	(15)	(11)	(66)	(109)
Other non-interest bearing liabilities	(755)	(53)	—	—	(808)
Derivative financial liabilities					
Derivative contracts - receipts ²	946	1,324	698	1,702	4,670
Derivative contracts - payments ²	(1,140)	(1,603)	(773)	(2,181)	(5,697)
Derivative financial assets					
Derivative contracts - receipts ²	242	44	501	321	1,108
Derivative contracts - payments ²	(215)	(32)	(479)	(251)	(977)
Total at 31 March 2024	(1,786)	(550)	(1,204)	(11,270)	(14,810)

¹ The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.

² The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received (paid) exceeds the amount to be paid (received), the net amount is presented within derivative receipts (payments).

(c) Currency risk

We are exposed to foreign exchange risk arising from non-sterling future commercial transactions and non-sterling recognised assets and liabilities. Currency risk arises from funding activities and capital investment. This risk is managed using financial instruments including derivatives as approved by policy, typically cross-currency interest rate swaps, foreign exchange swaps and forwards.

Funding activities - Our policy is to borrow in the most advantageous market available. Foreign currency funding gives rise to risk of volatility in the amount of functional currency cash to be repaid. This risk is reduced by swapping principal and interest back into the functional currency of the issuer. All foreign currency debt and transactions are hedged except where they provide a natural offset to assets elsewhere in the Group.

Capital investment - Capital projects often incur costs in a foreign currency, most often euro transactions done by the UK business. Our policy for managing foreign exchange transaction risk is to hedge contractually committed foreign currency cash flows over a prescribed minimum size, typically by buying euro forwards to hedge future expenditure. For hedges of forecast cash flows our policy is to hedge a proportion of highly probable cash flows.

As at 31 March 2025 and 2024, derivative financial instruments were used to manage foreign currency risk as follows:

	2025				
	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Cash and cash equivalents	15	—	—	—	15
Financial investments	405	—	—	—	405
Borrowings	(7,746)	(1,326)	(66)	(1,171)	(10,309)
Pre-derivative position	(7,326)	(1,326)	(66)	(1,171)	(9,889)
Derivative effect	(4,662)	2,749	72	1,374	(467)
Net debt position	(11,988)	1,423	6	203	(10,356)

27. Financial risk management (continued)

	2024				Total £m
	Sterling £m	Euro £m	Dollar £m	Other £m	
Cash and cash equivalents	4	—	—	—	4
Financial investments	913	—	—	—	913
Borrowings	(6,692)	(1,777)	(68)	(1,328)	(9,865)
Pre-derivative position	(5,775)	(1,777)	(68)	(1,328)	(8,948)
Derivative effect	(5,378)	3,257	81	1,585	(455)
Net debt position	(11,153)	1,480	13	257	(9,403)

The exposure to euros largely relates to hedges for our future non-sterling capital expenditure.

Hedge accounting for currency risk

Where available, derivatives transacted for hedging are designated for hedge accounting. Economic offset is qualitatively determined because the critical terms (currency and volume) of the hedging instrument match the hedged exposure. If a forecast transaction was no longer expected to occur, the cumulative gain or loss previously reported in equity would be transferred to the income statement. This has not occurred in the current or comparative years.

Cash flow hedging of currency risk of capital expenditure is designated as either hedging the exposure to movements in the spot or forward translation risk. Gains and losses on hedging instruments arising from forward points and foreign currency basis spreads are excluded from designation and are recognised immediately in profit or loss, along with any hedge ineffectiveness. Where a non-financial asset or a non-financial liability results from a forecast transaction or firm commitment being hedged, the amounts deferred in reserves are released directly to the initial measurement of that asset or liability. Hedges of foreign currency funding are designated as cash flow hedges or fair value hedges of forward exchange risk (hedging both currency and interest rate risk together, where applicable). Hedge accounting for funding is described further in the interest rate risk section below.

(d) Interest rate risk

National Grid Electricity Transmission plc's interest rate risk arises from our long-term borrowings. Our interest rate risk management policy is to seek to minimise total financing costs (being interest costs and changes in the market value of debt). Hedging instruments principally consist of interest rate and cross-currency swaps that are used to translate foreign currency debt into functional currency and to adjust the proportion of fixed-rate and floating-rate in the borrowings portfolio to within a range set by the Finance Committee of the National Grid plc Board. The benchmark interest rates hedged are currently based on Sterling Overnight Index Average (SONIA) for GBP.

We also consider inflation risk and hold some inflation-linked borrowings. We believe that these provide a partial economic offset to the inflation risk associated with our UK inflation-linked revenues.

The table in note 16 sets out the carrying amount, by contractual maturity, of borrowings that are exposed to interest rate risk before taking into account interest rate swaps.

As at 31 March 2025 and 2024, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	2025			Total £m
	Fixed rate £m	Floating rate £m	RPI £m	
Cash and cash equivalents	—	15	—	15
Financial investments	—	405	—	405
Borrowings	(5,762)	(1,345)	(3,202)	(10,309)
Pre-derivative position	(5,762)	(925)	(3,202)	(9,889)
Derivative effect	1,127	(1,533)	(61)	(467)
Net debt position	(4,635)	(2,458)	(3,263)	(10,356)

27. Financial risk management (continued)

	2024			
	Fixed	Floating	RPI	Total
	rate £m	rate £m	£m	£m
Cash and cash equivalents	—	4	—	4
Financial investments	—	913	—	913
Borrowings	(6,358)	(333)	(3,174)	(9,865)
Pre-derivative position	(6,358)	584	(3,174)	(8,948)
Derivative effect	1,280	(1,673)	(62)	(455)
Net debt	(5,078)	(1,089)	(3,236)	(9,403)

Hedge accounting for interest rate risk

Borrowings paying variable or floating rates expose National Grid Electricity Transmission plc to cash flow interest rate risk, partially offset by cash held at variable rates. Where a hedging instrument results in paying a fixed rate, it is designated as a cash flow hedge because it has reduced the cash flow volatility of the hedged borrowing. Changes in the fair value of the derivative are initially recognised in other comprehensive income as gains or losses in the cash flow hedge reserve, with any ineffective portion recognised immediately in the income statement.

Borrowings paying fixed rates expose National Grid Electricity Transmission plc to fair value interest rate risk. Where the hedging instrument pays a floating rate, it is designated as a fair value hedge because it has reduced the fair value volatility of the borrowing. Changes in the fair value of the derivative and changes in the fair value of the hedged item in relation to the risk being hedged are both adjusted on the balance sheet and offset in the income statement to the extent the fair value hedge is effective, with the residual difference remaining as ineffectiveness.

Both types of hedges are designated as hedging the currency and interest rate risk arising from changes in forward points. Amounts accumulated in the cash flow hedge reserve (cash flow hedges only) and the deferred cost of hedging reserve (both cash flow and fair value hedges) are reclassified from reserves to the income statement on a systematic basis as hedged interest expense is recognised. Adjustments made to the carrying value of hedged items in fair value hedges are similarly released to the income statement to match the timing of the hedged interest expense.

When hedge accounting is discontinued, any remaining cumulative hedge accounting balances continue to be released to the income statement to match the impact of outstanding hedged items. Any remaining amounts deferred in the cost of hedging reserve are released immediately to the income statement as finance costs.

27. Financial risk management (continued)

(e) Hedge accounting

In accordance with the requirements of IFRS 9, certain additional information about hedge accounting is disaggregated by risk type and hedge designation type in the tables below:

	Fair value hedges of foreign currency and interest rate risk	Cash flow hedges of foreign currency and interest rate risk	Cash flow hedges of foreign currency risk
Year ended 31 March 2025	£m	£m	£m
Consolidated statement of comprehensive income			
Net losses in respect of:			
Cash flow hedges	—	(15)	(24)
Cost of hedging	(5)	(3)	—
Transferred to profit or loss in respect of:			
Cash flow hedges	—	78	—
Cost of hedging	—	(1)	—
Consolidated statement of changes in equity			
Other equity reserves - cost of hedging balances	(9)	(7)	—
Consolidated statement of financial position			
Derivatives - carrying value of hedging instruments ¹			
Assets - current	—	—	—
Assets - non-current	19	30	1
Liabilities - current	(199)	(5)	(5)
Liabilities - non-current	(179)	(41)	(40)
Profiles of the significant timing, price and rate information of hedging instruments			
Maturity range	Sep 2026 - Sep 2044	Dec 2025 - Nov 2040	Apr 2025 - Jun 2031
Spot FX range			
GBP USD	n/a	1.30	1.25 - 1.27
GBP EUR	1.11 - 1.24	1.10 - 1.19	1.11 - 1.21
Interest rate range			
GBP	SONIA +96bps / +374bps	1.33% - 6.27%	n/a

¹ The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

27. Financial risk management (continued)

	Fair value hedges of foreign currency and interest rate risk	Cash flow hedges of foreign currency and interest rate risk	Cash flow hedges of foreign currency risk
Year ended 31 March 2024	£m	£m	£m
Consolidated statement of comprehensive income			
Net (losses)/gains in respect of:			
Cash flow hedges	—	(31)	(26)
Cost of hedging	4	12	—
Transferred to profit or loss in respect of:			
Cash flow hedges	—	69	—
Cost of hedging	—	(1)	—
Consolidated statement of changes in equity			
Other equity reserves - cost of hedging balances	(4)	(2)	—
Consolidated statement of financial position			
Derivatives - carrying value of hedging instruments ¹			
Assets - current	—	—	—
Assets - non-current	20	44	—
Liabilities - current	(78)	(29)	(3)
Liabilities - non-current	(290)	(50)	(23)
Profiles of the significant timing, price and rate information of hedging instruments			
Maturity range	Jan 2025 - Sep 2044	Jan 2025 - Nov 2040	Apr 2024 - Feb 2030
Spot FX range			
GBP USD	n/a	1.3	1.25 - 1.27
GBP EUR	1.11 - 1.24	1.10 - 1.19	1.11 - 1.18
Interest rate range			
GBP	SONIA +96bps / +374 bps	1.33% - 5.09%	n/a

¹ The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

The following tables show the effects of hedge accounting on financial position and year-to-date performance for each type of hedge.

(i) Fair value hedges of foreign currency and interest rate risk on recognised borrowings:

As at 31 March 2025	Balance of fair value hedge adjustments in borrowings			Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings ¹	(1,789)	468	(35)	38	(32)	6

¹ The carrying value of the hedged borrowings is £1,499 million, all of which is non-current.

27. Financial risk management (continued)

As at 31 March 2024	Balance of fair value hedge adjustments in borrowings			Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings ¹	(1,846)	451	(28)	53	(42)	11

¹ The carrying value of the hedged borrowings is £1,375 million, of which £23 million is current and £1,352 million is non-current.

(ii) Cash flow hedges of foreign currency and interest rate risk:

As at 31 March 2025	Balance in cash flow hedge reserve			Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(2,923)	143	—	19	(15)	4
Foreign currency risk on forecasted cash flows	(1,663)	(43)	—	19	(19)	—

As at 31 March 2024	Balance in cash flow hedge reserve			Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(2,504)	80	—	25	(31)	(6)
Foreign currency risk on forecasted cash flows	(1,805)	(24)	—	26	(26)	—

(f) Fair value analysis

Included in the statement of financial position are financial instruments which have been measured at fair value. These fair values can be categorised into hierarchy levels that are representative of the inputs used in measuring the fair value. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

	2025				2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Derivative financial instruments	—	74	31	105	—	90	39	129
	—	74	31	105	—	90	39	129
Liabilities								
Derivative financial instruments	—	(479)	(93)	(572)	—	(482)	(102)	(584)
	—	(479)	(93)	(572)	—	(482)	(102)	(584)
	—	(405)	(62)	(467)	—	(392)	(63)	(455)

27. Financial risk management (continued)

Level 1: Financial instruments with quoted prices for identical instruments in active markets.

Level 2: Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are based directly or indirectly on observable market data.

Level 3: Financial instruments valued using valuation techniques where one or more significant inputs are based on unobservable market data.

Our Level 2 derivative financial instruments include cross-currency, interest rate and foreign exchange derivatives. We value these derivatives by discounting all future cash flows by externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties. These derivatives can be priced using liquidly traded interest rate curves and foreign exchange rates, therefore we classify our vanilla trades as Level 2 under the IFRS 13 framework.

Our Level 3 derivative financial instruments include inflation linked swaps where the inflation curve is illiquid. In valuing these instruments we use in-house valuation models and obtain external valuations to support each reported fair value.

While there have been significant movements in market indices, all of our financial instruments are traded in markets that continue to be active and therefore, we are satisfied that there has been no significant impact on the fair values of our financial instruments measured at fair value, and that any impact is reflected in the fair values in the table above.

The changes in value of our Level 3 derivative financial instruments are as follows:

	Derivative financial instruments	
	2025	2024
	£m	£m
At 1 April	(63)	(100)
Net gain for the year ¹	1	37
At 31 March	(62)	(63)

¹ Gain of £1 million (2024: £37 million) is attributable to Level 3 derivative financial liabilities held at the end of the reporting period and has been recognised in finance costs in the income statement.

The impacts on a post-tax basis of reasonably possible changes in significant Level 3 assumptions are as follows:

	Derivative financial instruments	
	2025	2024
	£m	£m
+20 basis points change in LPI (Limited Price Inflation) market curve ¹	(33)	(41)
-20 basis points change in LPI market curve ¹	33	41
+20 basis points increase between Retail Price Index & Consumer Price Index ¹	25	30
-20 basis points decrease between Retail Price Index & Consumer Price Index ¹	(23)	(27)

¹ A reasonably possible change in assumption of other Level 3 derivative financial instruments is unlikely to result in a material change in fair values.

The impacts disclosed above were considered on a contract by contract basis with the most significant unobservable inputs identified.

(g) Capital risk management

The capital structure of the Group consists of shareholders' equity, as disclosed in the consolidated statement of changes in equity, and net debt (note 24). National Grid's objectives when managing capital are: to safeguard our ability to continue as a going concern; to remain within regulatory constraints of our regulated operating companies; and to maintain an efficient mix of debt and equity funding thus achieving an optimal capital structure and cost of capital. We regularly review and manage the capital structure as appropriate in order to achieve these objectives.

Maintaining appropriate credit ratings for our regulated company is an important aspect of our capital risk management strategy and balance sheet efficiency. We monitor our balance sheet efficiency by regulatory asset value (RAV) gearing calculated as net debt expressed as a percentage of RAV, which indicates the level of debt employed to fund our regulated business. It is compared with the level of RAV gearing indicated by Ofgem as being appropriate for our business, at around 55%. The RAV gearing ratio at 31 March 2025 was 50% (2024: 51%).

27. Financial risk management (continued)

The Company is subject to certain restrictions on the payment of dividends by administrative order, contract and/or licence. The types of restrictions that a company may have that would prevent a dividend being declared or paid unless they are met include:

- liquidity risk;
- the subsidiary must have at least two recognised rating agency credit ratings of at least investment grade;
- dividends must be limited to cumulative retained earnings, including pre-acquisition retained earnings;
- the securities of National Grid Electricity Transmission plc must maintain an investment grade credit rating and if that rating is the lowest investment grade bond rating it cannot have a negative watch/review for downgrade notice by a credit rating agency;
- the subsidiary must not carry on any activities other than those permitted by the licences;
- the subsidiary must not create any cross-default obligations or give or receive any intra-group cross-subsidies; and
- the percentage of equity compared with total capital of the subsidiary must remain above certain levels.

These restrictions are subject to the normal licence review process.

As most of our business is regulated, at 31 March 2025 the majority of our net assets are subject to some of the restrictions noted above. These restrictions are not considered to be significantly onerous, nor do we currently expect they will prevent the planned payment of dividends in the future in line with our dividend policy.

All the above requirements are monitored on a regular basis in order to ensure compliance. The Company has complied with all externally imposed capital requirements to which it is subject.

28. Sensitivities

In order to give a clearer picture of the impact on our results or financial position of potential changes in significant estimates and assumptions, the following sensitivities are presented. These sensitivities are based on assumptions and conditions prevailing at the year-end and should be used with caution. The effects provided are not necessarily indicative of the actual effects that would be experienced because our actual exposures are constantly changing.

The sensitivities in the tables below show the potential impact in the income statement (and consequential impact on net assets) for a reasonably possible range of different variables each of which have been considered in isolation (i.e. with all other variables remaining constant). There are a number of these sensitivities which are mutually exclusive and therefore if one were to happen, another would not, meaning a total showing how sensitive our results are to these external factors is not meaningful.

The sensitivities included in the tables below broadly have an equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated.

(a) Sensitivities on areas of judgement and key sources of estimation uncertainty

The table below sets out the sensitivity analysis for each of the areas of estimation uncertainty. These estimates are those that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next year.

	2025			2024		
	Assumptions	Income	Net	Assumptions	Income	Net
	used	statement	assets	used	statement	assets
		£m	£m		£m	£m
Pensions obligations benefit (pre-tax) ¹						
Discount rate change ²	1.0%	4	182	1.0%	4	233
RPI rate change ³	1.0%	1	133	1.0%	1	173
Long-term rate of increase in salaries change	1.0%	—	10	1.0%	1	23
Change of one year to life expectancy at age 65	One Year	—	55	One Year	—	63

¹ The changes shown are a change in the annual pension or other post-retirement benefit service charge and change in the defined benefit obligations.

² A change in the discount rate is likely to occur as a result of changes in bond yields and as such any change in defined benefit obligations would be expected to be offset to a significant degree by a change in the value of the bond assets held by the Scheme. There would also be an offsetting impact from the buy-in policy held by the Scheme Trustee covering a large proportion of pensioner liabilities.

³ The projected impact on defined benefit obligations resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant increases in salary assumptions. There would also be an offsetting impact from the buy-in policy held by the Scheme Trustee covering a large proportion of pensioner liabilities.

28. Sensitivities (continued)

Pensions and post retirement benefits assumptions

Sensitivities have been prepared to show how the defined benefit obligations and annual service costs could potentially be impacted by changes in the relevant actuarial assumption that were reasonably possible as at 31 March 2025. In preparing sensitivities the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary is recognised.

(b) Sensitivities on financial instruments

We are further required to show additional sensitivity analysis under IFRS 7 and these are shown separately in the subsequent table due to the additional assumptions that are made in order to produce meaningful sensitivity disclosures.

Our net debt as presented in note 24 is sensitive to changes in market variables, being UK interest rates and the UK RPI. These impact the valuation of our borrowings, deposits and derivative financial instruments. The analysis illustrates the sensitivity of our financial instruments to reasonably possible changes in these market variables.

The following main assumptions were made in calculating the sensitivity analysis:

- the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio, and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2025 and 2024 respectively;
- the statement of financial position sensitivity to interest rates relates to items presented at their fair values: derivative financial instruments and our investments measured at fair value through profit and loss and fair value through other comprehensive income. Further debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- changes in the carrying value of derivatives from movements in interest rates of designated cash flow hedges are assumed to be recorded fully within equity.

Assumptions	2025			2024		
	Used	Income statement	Other equity reserves	Used	Income statement	Other equity reserves
		£m	£m		£m	£m
Financial risk (post-tax)						
UK inflation change ¹	1 %	24	—	1 %	24	—
UK Interest rate changes of 1%	1 %	19	84	1 %	9	96
EUR exchange rate change	10 %	4	90	10 %	8	95

¹ Excludes sensitivities to LPI curve. Further details on sensitivities are provided in note 27.

Additional sensitivities in respect to our derivative fair values are as follows:

	2025		2024	
	Income statement	Net assets	Income statement	Net assets
	£m	£m	£m	£m
Assets and liabilities carried at fair value (post-tax):				
10% fair value change in derivative financial instruments ¹	(35)	(35)	(34)	(34)

¹ The effect of a 10% change in fair value assumes no hedge accounting.

29. Ultimate parent company

This note shows the immediate and ultimate parent companies for these consolidated financial statements.

National Grid Electricity Transmission plc's immediate parent company is National Grid Holdings Limited. The ultimate parent company, and controlling party, is National Grid plc. Both companies are incorporated in Great Britain and are registered in England and Wales. National Grid plc consolidates the financial statements of National Grid Electricity Transmission plc. Copies of the consolidated financial statements of National Grid plc may be obtained from the Company Secretary, 1-3 Strand, London WC2N 5EH, or on our company website, <http://investors.nationalgrid.com>.

30. Subsidiary undertakings, joint ventures and associates

While we present consolidated results in these financial statements as if we were one company, our structure is such that there are a number of subsidiaries and joint ventures that contribute to the overall result.

Subsidiary undertakings

The list below contains the subsidiary included within the National Grid Electricity Transmission plc Group.

	Principal activity	Holding
National Grid Electricity Group Trustee Limited 1 - 3 Strand, London, WC2N 5EH	Pension nominee company	100 %

The Company's subsidiary is incorporated in England and Wales and shares the same address as the parent company. The subsidiary's share capital is made up only of ordinary shares, and the effective percentage holding represents both the Group's voting rights and equity holding. The subsidiary is consolidated in the Group's financial statements.

Joint ventures

The list below contains all joint ventures included within the National Grid Electricity Transmission plc Group. All joint ventures are included in the Group's Financial Statements using the equity method of accounting.

	Principal activity	Holding
NGC Employee Shares Trustee Limited 1 - 3 Strand, London, WC2N 5EH	Trustee of the NGC profit sharing scheme and NGC Employee Trust	50 %

Joint operations

A list of the Group's incorporated joint operations as at 31 March 2025 is given below. All joint operations are included in the Group's financial statements under IFRS 11 Joint arrangements.

	Principal activity	Holding
NGET/SPT Upgrades Limited 1 - 3 Strand, London, WC2N 5EH	Construction services England-Scotland interconnector	50 %
Eastern Green Link 1 Limited 1 - 3 Strand, London, WC2N 5EH	Construction services England-Scotland interconnector	50 %
Eastern Green Link 2 Limited No. 1 Forbury Place 43 Forbury Road Reading RG1 3JH	Construction services England-Scotland interconnector	50 %

Other equity investments

The list below contains all other equity investments included within the National Grid Electricity Transmission plc Group.

	Principal activity	Holding
Joint Radio Company Limited (incorporated in England and Wales) Friars House, Manor House Drive, Coventry, CV1 2TE	Consultancy services	25 %

31. Events after the reporting period

On 13 June 2025, we signed an Export Credit Agency facility for 1,054 million US dollars tied to spend on the Eastern Green Link 2 ASTI project. Final maturity is December 2044. As at 28 July 2025, the facility remains undrawn.

On 2 July 2025, Ofgem confirmed that they have opened an official enforcement investigation into National Grid Electricity Transmission plc and its compliance with obligations under Section 9(2) of the Electricity Act 1989 and SLC B7(1) of its Electricity Transmission Licence in relation to the North Hyde substation (see note 25). As at 28 July 2025, any possible impact is deemed to be a contingent liability.

There were no other events after the reporting period.

Company balance sheet

as at 31 March

	Notes	2025 £m	2024 £m
Fixed assets			
Intangible assets	5	319	242
Property, plant and equipment	6	18,648	16,436
		18,967	16,678
Current assets			
Cash and cash equivalents		15	4
Stocks	7	49	39
Debtors (amounts falling due within one year)	8	230	357
Debtors (amounts falling due after more than one year)	8	422	272
Derivative financial instruments (amounts falling due within one year)	9	—	2
Derivative financial instruments (amounts falling due after more than one year)	9	105	127
Financial assets and other investments	10	405	913
Net pension asset	15	252	422
Total current assets		1,478	2,136
Borrowings	13	(1,222)	(718)
Derivative financial instruments	9	(208)	(115)
Other creditors	11	(989)	(797)
Creditors (amounts falling due within one year)	11	(2,419)	(1,630)
Net current assets		(941)	506
Total assets less current liabilities		18,026	17,184
Creditors (amounts falling due after more than one year)	12	(10,043)	(10,174)
Provisions for liabilities	14	(2,180)	(1,853)
Net assets		5,803	5,157
Capital and reserves			
Share capital	16	44	44
Other equity reserves	17	62	38
Profit and loss account		5,697	5,075
Total shareholders' equity		5,803	5,157

The Company's profit after tax for the year was £752 million (2024: £1,042 million profit). The financial statements on pages 105 to 116 were approved by the Board of Directors on 28 July 2025 and were signed on its behalf by:

Sandip Thakrar Director

DocuSigned by:
Sandip Thakrar
48DFF56157E2440...

Alice Delahunty Director

DocuSigned by:
Alice Delahunty
19AE9630455A4DD...

National Grid Electricity Transmission plc
Registered number: 2366977

Company statement of changes in equity

for the years ended 31 March

	Called up share capital	Other equity reserves	Profit and loss account	Total equity
	£m	£m	£m	£m
At 1 April 2023	44	16	4,393	4,453
Profit for the year	—	—	1,042	1,042
Total other comprehensive income/(loss) for the year ¹	—	23	(66)	(43)
Total comprehensive income for the year	—	23	976	999
Equity dividends	—	—	(300)	(300)
Share-based payments	—	—	6	6
Cash flow hedges transferred to the statement of financial position, net of tax	—	(1)	—	(1)
As at 31 March 2024	44	38	5,075	5,157
Profit for the year	—	—	752	752
Total other comprehensive income/(loss) for the year ¹	—	19	(136)	(117)
Total comprehensive income for the year	—	19	616	635
Share-based payments	—	—	6	6
Cash flow hedges transferred to the statement of financial position, net of tax	—	5	—	5
At 31 March 2025	44	62	5,697	5,803

¹ Components of other comprehensive income are presented in the consolidated statement of comprehensive income.

The Company has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006.

For further details of dividends paid and payable to shareholders, refer to note 8 in the consolidated financial statements.

Notes to the Company financial statements

1. Company accounting policies

We are required to include the stand-alone balance sheet of our parent Company, National Grid Electricity Transmission plc, under the Companies Act 2006. The following disclosures provide additional information to users of these financial statements.

Basis of preparation of individual financial statements under FRS 101

National Grid Electricity Transmission plc's principal activities involve the transmission of electricity in Great Britain. The Company is a public limited company incorporated and domiciled in England, with its registered office at 1-3 Strand, London, WC2N 5EH.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements. Accordingly, the Company has elected to apply FRS 101 Reduced Disclosure Framework. The recognition and measurements requirements of UK adopted IFRS have therefore been applied within these financial statements, with amendments where necessary in order to comply with the Companies Act 2006.

Where required, equivalent disclosures are given in the Group financial statements of National Grid plc, which are available to the public and can be obtained as set out in note 29 of the consolidated financial statements.

The individual financial statements of the Company have been prepared on a historical cost basis, except for the revaluation of financial instruments and pension assets and liabilities, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The comparative financial information has also been prepared on this basis.

The individual financial statements have been prepared on a going concern basis following the assessment made by the Directors as set out on page 39.

As described further in note 1 to the consolidated financial statements, the Directors have concluded that the Company will have adequate resources to continue in operation for at least 12 months from the signing date of these financial statements. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account or statement of comprehensive income.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements of the Company in accordance with FRS 101:

- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- comparative information in respect of Intangible Assets, Property, Plant and Equipment and Right-of-use Assets; and
- the effects of new but not yet effective IFRS standards.

As the consolidated financial statements of the Company are available from the registered office, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 in respect of certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'. The Company's accounting policies are the same as the Group's accounting policies under IFRS, namely IAS 32 'Financial Instruments: Presentation', IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'. The Company applies these policies only in respect of the financial instruments that it has, namely investments, derivative financial instruments, debtors, cash at bank and in hand, borrowings and creditors. The policies are set out in notes 11, 12, 14, 15, 16 and 17 to the consolidated financial statements. The Company is taking the exemption for financial instruments disclosures, because IFRS 7 disclosures are given in notes 27 and 28 to the consolidated financial statements.

The areas of judgement or key sources of estimation uncertainty that are considered to have a significant effect on the amounts recognised in the financial statements are shown in the consolidated financial statements on page 57.

The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board.

2. Auditor's remuneration

Auditor's remuneration in respect of the Company is set out below:

	2025 £m	2024 £m
Audit services		
Audit of the Company's individual and consolidated financial statements	0.4	0.4
Other services supplied		
Fees payable to the Company's auditors for audit related assurance services ¹	2.0	1.2

¹ Other services supplied represent fees payables for audit services which are required to be carried out by auditors in relation to the Group's reporting requirements to NG plc. In particular, this includes fees for reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley), and assurance fees in relation to regulatory returns.

3. Number of employees, including Directors

	2025 Monthly Average number	2024 Monthly average number
Electricity Transmission	5,623	4,553

4. Key management compensation and Directors' emoluments

Key management comprises the Board of Directors of the Company together with those Executive Directors of National Grid plc who have managerial responsibility for National Grid Electricity Transmission plc. Details of key management personnel compensation are provided in note 4(c) to the consolidated financial statements.

Details of Directors' emoluments are provided in note 4(d) to the consolidated financial statements.

5. Intangible assets

	Software £m	Assets under construction £m	Total £m
Cost at 1 April 2024	465	79	544
Additions	—	111	111
Reclassifications ¹	71	(47)	24
Cost at 31 March 2025	536	143	679
Accumulated amortisation at 1 April 2024	(302)	—	(302)
Amortisation charge for the year ²	(58)	—	(58)
Accumulated amortisation at 31 March 2024	(360)	—	(360)
Net book value at 31 March 2025	176	143	319
Net book value at 31 March 2024	163	79	242

¹ The amounts include adjustments to reflect reclassifications between Intangible assets and Property, plant and equipment (note 6) for commissioned assets.

² Amortisation charge for the year includes capitalised amortisation of £12 million which is not included in the operating result of the Company.

6. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 April 2024	1,363	19,050	3,170	177	23,760
Additions	37	3	2,686	23	2,749
Disposals	(12)	(98)	(9)	(13)	(132)
Reclassifications ¹	52	1,075	(1,164)	13	(24)
Impact of change in assumptions on provisions (note 14)	—	7	—	—	7
Cost at 31 March 2025	1,440	20,037	4,683	200	26,360
Accumulated depreciation and impairment at 1 April 2024	(209)	(6,941)	(65)	(109)	(7,324)
Depreciation charge for the year ²	(25)	(448)	—	(28)	(501)
Disposals	3	92	9	11	115
Impairment	—	(6)	4	—	(2)
Accumulated depreciation and impairment at 31 March 2025	(231)	(7,303)	(52)	(126)	(7,712)
Net book value at 31 March 2025	1,209	12,734	4,631	74	18,648
Net book value at 31 March 2024	1,154	12,109	3,105	68	16,436

¹ The amounts include adjustments to reflect reclassifications between Intangible assets (note 5) and Property, plant and equipment for commissioned assets.

² Depreciation charge for the year includes capitalised depreciation of £5 million which is not included in the operating result of the Company.

Included within creditors (amounts falling due within one year) and creditors (amounts falling due after more than one year) are contributions to the cost of tangible fixed assets amounting to £13 million (2024: £14 million) and £532 million (2024: £505 million) respectively.

Right-of-use assets

National Grid Electricity Transmission plc leases various properties, equipment and cars. New lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term, plus any other costs. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), National Grid Electricity Transmission continues to recognise a lease expense on a straight-line basis.

Cash outflows for leases in the year ended 31 March 2025 were £24 million (2024: £19 million).

The table below shows the movements in the net book value of right-of-use assets included within property, plant and equipment at 31 March 2025, split by category. The associated lease liabilities are disclosed in note 13.

	Land and Buildings £m	Motor vehicles and office equipment £m	Total £m
Net book value at 31 March 2024	47	19	66
Additions	21	23	44
Disposals	(7)	(1)	(8)
Depreciation charge for the year	(6)	(11)	(17)
Net book value at 31 March 2025	55	30	85

6. Property, plant and equipment (continued)

The following balances have been included in the income statement for the year ended 31 March 2025 in respect of right-of-use assets:

	Total £m
<i>Included within net finance costs:</i>	
Interest expense on lease liabilities	(3)

7. Stocks

	2025 £m	2024 £m
Raw materials, spares and consumables	30	31
Work in progress	19	8
	49	39

Raw materials are stated after provisions for obsolescence of £1 million (2024: £1 million).

8. Debtors

	2025 £m	2024 £m
<i>Amounts falling due within one year:</i>		
Trade debtors	86	20
Amounts owed by fellow subsidiary undertakings	25	168
Social security and other taxes ¹	—	74
Other debtors	33	27
Accrued income	66	35
Prepayments	20	33
	230	357
<i>Amounts falling due after one year:</i>		
Lease receivables	6	2
Prepayments ²	416	270
	422	272
Total debtors	652	629

¹ At 31 March 2025, the position was a net payable (see note 11).

² Included within non-current prepayments are capital expenditure prepayments made to suppliers to secure production capacity for certain of our capital projects. The associated cash flows for capital expenditure prepayments are included within purchases of property, plant and equipment within the consolidated cashflow statement.

Debtors are stated after provisions for impairment of £nil (2024: £1 million).

Lease receivables

National Grid Electricity Transmission has entered into various sub-lease arrangements for sections of a leased property. These sub-lease arrangements are classified as finance leases, as we transfer substantially all of the risks and rewards incidental to ownership for those sections of the of the underlying asset.

The maturity analysis of the total current and non-current lease receivables, including the undiscounted lease payments to be received, are as follows:

	2025 £m	2024 £m
Gross lease payments are received as follows:		
Less than 1 year	2	1
1 to 5 years	5	2
More than 5 years	2	—
	9	3
Less: finance income allocated to future periods	(1)	—
	8	3

9. Derivative financial instruments

The fair values of derivative financial instruments are:

	2025			2024		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	—	(208)	(208)	2	(115)	(113)
Amounts falling due after more than one year	105	(364)	(259)	127	(469)	(342)
	105	(572)	(467)	129	(584)	(455)

Further information relating to the recognition and measurement of derivative financial instruments is included in note 12 of the consolidated financial statements.

For each class of derivative the notional contract amounts¹ are as follows:

	2025 £m	2024 £m
Interest rate swaps	(2,411)	(1,564)
Cross-currency interest rate swaps	(3,025)	(3,588)
Foreign exchange forward currency	(1,669)	(1,816)
Inflation linked swaps	(2,366)	(2,366)
	(9,471)	(9,334)

¹ The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the balance sheet date.

10. Financial assets and other investments

	2025 £m	2024 £m
Loans and receivables - amounts due from the ultimate parent ¹	—	531
Loans and receivables - restricted cash balances ²	381	358
Loans and receivables - NIC restricted cash deposits	24	24
	405	913

¹ Refers to overnight facility loan to National Grid plc.

² Refers to collateral placed with counterparties with whom we have entered into a credit support annex to the ISDA Master Agreement.

The names of the subsidiary undertakings are included in note 30 to the consolidated financial statements.

11. Creditors (amounts falling due within one year)

	2025	2024
	£m	£m
Derivative financial instruments (note 9)	208	115
Borrowings (note 13)	1,222	718
Trade creditors	796	597
Amounts owed to fellow subsidiary undertakings	29	37
Social security and other taxes ¹	17	—
Other creditors	28	54
Accruals and deferred income	119	109
	2,419	1,630

¹ At 31 March 2024, the position was a net receivable (see note 8).

12. Creditors (amounts falling due after more than one year)

	2025	2024
	£m	£m
Derivative financial instruments (note 9)	364	469
Borrowings (note 13)	9,087	9,147
Other creditors	60	53
Accruals and deferred income	532	505
	10,043	10,174

13. Borrowings

The following table analyses the Company's total borrowings:

	2025	2024
	£m	£m
Bank loans and overdrafts	112	118
Bonds	67	583
Lease liabilities	22	17
Borrowings from the ultimate parent company	1,021	—
Current	1,222	718
Bank loans	1,277	1,336
Bonds	7,737	7,757
Lease liabilities	73	54
Non-current	9,087	9,147
Total borrowings	10,309	9,865
Less than 1 year	1,222	718
In 1 - 2 years	1,022	14
In 2 - 3 years	492	926
In 3 - 4 years	580	396
In 4 - 5 years	537	484
More than 5 years by instalments	337	736
More than 5 years, other than by instalments	6,119	6,591
	10,309	9,865

The notional amount outstanding of the Company's debt portfolio at 31 March 2025 was £10,632 million (2024: £10,199 million).

None of the Company's borrowings are secured by charges over assets of the Company.

13. Borrowings (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method.

	2025	2024
	£m	£m
Gross lease liabilities are repayable as follows:		
Less than 1 year	22	17
1 to 5 years	53	33
More than 5 years	62	59
	137	109
Less: finance charges allocated to future periods	(42)	(38)
	95	71
The present value of lease liabilities are as follows:		
Less than 1 year	22	17
1 to 5 years	48	31
More than 5 years	25	23
	95	71

14. Provisions for liabilities

	Decommissioning	Environmental	Deferred taxation	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2024	26	36	1,778	13	1,853
Charged to profit and loss	—	18	323	22	363
Transferred to reserves	—	—	(33)	—	(33)
Derecognition on pension scheme settlement	—	—	(4)	—	(4)
Released	—	—	—	(5)	(5)
Utilised	—	(2)	—	—	(2)
Unwinding of discount	—	1	—	—	1
Impact of change in assumptions on provisions	7	—	—	—	7
At 31 March 2025	33	53	2,064	30	2,180

Details of the environmental provision and other provisions are shown in note 21 to the consolidated financial statements. Further details on deferred tax including a table showing the movement by each type of temporary difference are shown in note 7 to the consolidated financial statements.

Deferred tax

Deferred tax provided in the financial statements comprises:

	2025	2024
	£m	£m
Accelerated capital allowances	1,993	1,668
Other timing differences	7	4
Pensions liability (note 15)	64	106
	2,064	1,778

15. Pensions

National Grid Electricity Transmission plc's employees are members of either the National Grid Electricity Group of the Electricity Supply Pension Scheme (NGEG of ESPS), which is a defined benefit pension plan, or of a defined contribution plan.

Further details of the NGEG of ESPS and the actuarial assumptions used to value the associated assets and pension obligations are provided in note 20 to the consolidated financial statements.

Amounts recognised in the Company balance sheet

	2025	2024
	£m	£m
Present value of funded obligations	(1,737)	(2,004)
Fair value of scheme assets	2,017	2,457
	280	453
Present value of unfunded obligations	(28)	(31)
Net defined benefit pension asset	252	422
Related deferred tax liability	(64)	(106)
Net pension asset	188	316
Changes in the present value of defined benefit obligations (including unfunded obligations)		
Opening defined benefit obligations	(2,035)	(2,127)
Current service cost	(10)	(12)
Interest cost	(102)	(105)
Actuarial gains/(losses) - experience	(27)	4
Actuarial gains - demographic assumptions	3	44
Actuarial gains - financial assumptions	209	39
Past service cost - redundancies	(1)	(3)
Liabilities extinguished on settlements	68	—
Benefits paid	130	125
Closing defined benefit obligations	(1,765)	(2,035)
Changes in the fair value of scheme assets		
Opening fair value of scheme assets	2,457	2,600
Interest income	123	132
Return on assets less than assumed	(366)	(169)
Change in longevity swap value	—	(6)
Administration costs	(4)	(4)
Employer contributions	19	27
Assets distributed on settlements	(84)	—
Benefits paid	(128)	(123)
Closing fair value of scheme assets	2,017	2,457

16. Share capital

	Number of shares 2025 millions	Number of shares 2024 millions	2025 £m	2024 £m
At 31 March 2025 and 2024 - ordinary shares of 10p each				
Allotted, called-up and fully paid	437	437	44	44

National Grid Electricity Transmission plc's immediate parent company is National Grid Holdings Limited. See note 29 of the consolidated accounts for further details.

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

17. Other equity reserves

Other equity reserves comprise the cash flow hedge reserve and the cost of hedging reserve. The cash flow hedge reserve will amortise as the committed future cash flows from borrowings are paid or capitalised in fixed assets (as described in note 27 to the consolidated accounts). As the amounts included in other equity reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

	Cost of hedging £m	Cash flow hedge £m	Total £m
At 1 April 2024	(6)	44	38
Net losses taken to equity	(8)	(15)	(23)
Net losses in respect of cash flow hedging of capital expenditure	—	(24)	(24)
Transferred (from)/to profit or loss	(1)	78	77
Cash flow hedges transferred to the statement of financial position, net of tax	—	5	5
Tax	2	(13)	(11)
At 31 March 2025	(13)	75	62

18. Commitments and contingencies

(a) Future capital expenditure

	2025 £m	2024 £m
Contracted for but not provided	2,844	1,629

(b) Other commitments, contingencies and guarantees

Guarantees of certain obligations of Eastern Green Link Joint Operations amount to £2,296 million (2024: £2,465 million). These have various expiry dates. Guarantees in respect of a former associate amount to £13 million (2024: £13 million).

Other commitments, contingencies and guarantees in the normal course of business and entered into on normal commercial terms amounted to £6 million (2024: £7 million). There is an additional £21 million (2024: £17 million) contingency for the portion of decommissioning costs of Western Link HVDC not recognised in the provision (see note 21).

Security arrangements in favour of NGEN Trustees are disclosed separately in note 20.

Contingent liabilities

Through the ordinary course of our operations, we are party to various litigation, claims and investigations, including Ofgem's investigation into the North Hyde substation incident. These investigations are ongoing. In the case of the North Hyde incident, based on the available information, we consider that there is no present obligation which could ultimately lead to a cash outflow, following the outcome of the investigation. The potential maximum penalty for a licence breach following an Ofgem investigation is 10% of turnover. We continue to monitor this position and engage with ongoing investigations.

19. Related party transactions

The following transactions are with joint ventures and associates of the ultimate parent company, and are in the normal course of business. Other related party transactions with wholly owned members of the National Grid Group are not disclosed, in accordance with the exemptions available under FRS 101.

	2025	2024
	£m	£m
Goods and services supplied	56	66
Services received	—	2
Amounts receivable at 31 March	1	8
Amounts payable at 31 March	—	1

Amounts payable or receivable are ordinarily settled one month in arrears. £nil (2024: £nil) has been provided at 31 March 2025 and £nil (2024: £nil) expense has been recognised during the year in respect of bad or doubtful debts from the above related party transactions.

Glossary and definitions

References to the 'Company', 'we', 'our' and 'us' refer to National Grid Electricity Transmission plc itself or to National Grid Electricity Transmission plc and its subsidiaries collectively, depending on context.

ASTI

Accelerated Strategic Transmission Investment

CDP

Carbon Disclosure Project

CoA

Certificate of Assurance

CPIH

The UK Consumer Prices Index including Owner Occupiers' Housing Costs, as published by the Office for National Statistics.

DEI

Diversity, Equity and Inclusion

Delivery Body

Under the Energy Act 2013, and secondary legislation which came into force in August 2014, National Grid Electricity Transmission's system operator function became the EMR Delivery Body. In this role National Grid Electricity Transmission provides independent evidence and analysis to the UK Government to inform its decisions on the key rules and parameters to achieve the Government's policy objectives under EMR. National Grid Electricity Transmission also administers the capacity mechanism, including running the annual capacity auctions, manages the allocation of contracts for difference to low carbon generators and reports to the Government annually on performance against the Government's delivery plan.

DESNZ

Department for Energy Security and Net Zero

Diversity

Unless otherwise stated, when we use the term diversity in relation to our workforce, we are referring to the following characteristics - gender, disability, sexuality, and ethnic and racial background

DLR

Dynamic Line Rating

DNO

Distribution Network Operator

EAP

Environment Action Plan

ED

Electricity Distribution

ER

Emerging Risk

ERM

Enterprise Risk Management

EU

European Union

FRS

Financial Reporting Standard

FSO

Future System Operator

GAAP

Generally accepted accounting principles

GHG

Greenhouse gas

GPR

Group Principal Risk

GRI

Global Reporting Institute

GW

Gigawatt, 10⁹ watts

GWh

Gigawatt hours

HSE

Health and Safety Executive

IAS

International Accounting Standard

IASB

International Accounting Standards Board

IFRIC

The International Financial Reporting Interpretations Committee, which provides guidance on how to apply accounting standards.

IFRS

International Financial Reporting Standard

IUG

Independent User Group

KPI

Key Performance Indicator

KRI

Key Risk Indicator

Lost time injury (LTI)

A work-related injury which causes a person to be away from work for at least one normal shift after the shift on which the injury occurs, because the person is unfit to perform his or her duties.

LTIFR

Lost time injury frequency rate

National Grid

National Grid plc (NG plc), the ultimate parent company of National Grid Electricity Transmission plc and its controlling party.

NESO

National Energy System Operator, the new independent company responsible for planning Britain's electricity and gas networks and operating the electricity system after separation from National Grid.

Ofgem

The Office of Gas and Electricity Markets

PC26

Regulatory period due to commence in 2026.

PR

Principal Risk

RBC

Responsible Business Charter

RBR

Responsible Business Report

Regulatory asset value (RAV)

The value ascribed by Ofgem to the capital employed in the licensed business. It is an estimate of the initial market value of the regulated asset base at privatisation, plus subsequent allowed additions at historic costs, less the deduction of annual regulatory depreciation. Deductions are also made to reflect the value realised from the disposal of certain assets that formed part of the regulatory asset base. It is also indexed to the CPIH to allow for effects to inflation.

Regulated controllable operating costs

Total operating costs under IFRS less depreciation plus / minus certain regulatory costs where, under our regulatory agreements, mechanisms are in place to recover such costs in current or future periods.

RIIO

Revenue = Incentives + Innovation + Outputs, the regulatory framework for energy networks issued by Ofgem which started on 1 April 2021.

RoE

A performance metric measuring returns from the investment of shareholders' funds.

Regulated return on equity is a measure of how a business is performing operationally against the assumptions used by Ofgem. These returns are calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure of 55% gearing, at the assumed cost of debt, and that inflation is equal to a long-run assumption of 2% CPIH under RIIO-2.

RPI

UK Retail Price Index

SASB

Sustainability Accounting Standards Board

SF₆

Sulphur hexafluoride

SI

Strategic Infrastructure

SOx

Sarbanes Oxley Act

tonnes CO₂ equivalent

Measure of greenhouse gas emissions in relation to the impact of carbon dioxide

TW

Terawatt, 10¹² watts

TWh

Terawatt hours