



Regulatory Financial Performance Reporting

2024-25

September 2025

**Electricity
Distribution**

nationalgrid

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Purpose of this report

We present the 2024/25 Regulatory Financial Performance Report (RFPR) for National Grid Electricity Distribution (NGED).

Ofgem introduced the Regulatory Financial Performance Report (RFPR) in October 2018, and is an annual reporting obligation for licensed network companies.

The purpose of the RFPR is to provide Ofgem, and other interested stakeholders, with transparent, accurate and consistent regulatory financial performance information.

The RFPR is both officially submitted to Ofgem, and also published on NGED's website by 30th September each year.

This document contains information for NGED's four licensed Distribution Networks: NGED West Midlands (WMID), NGED East Midlands (EMID), NGED South Wales (SWALES) and NGED South West (SWEST).

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

Regulatory reporting years run from 1 April until 31 March, for example regulatory year 2024/25 runs from 1 April 2024 until 31 March 2025, and is labelled as 2025 in charts.

Price controls operate in a fixed price, with revenues converted to nominal terms using an inflation index. For RIIO-ED2 the base year for inflation indexation is 2020/21. We present tables and charts in a way that supports traceability to the accompanying spreadsheet templates, specifying the price base in each instance.

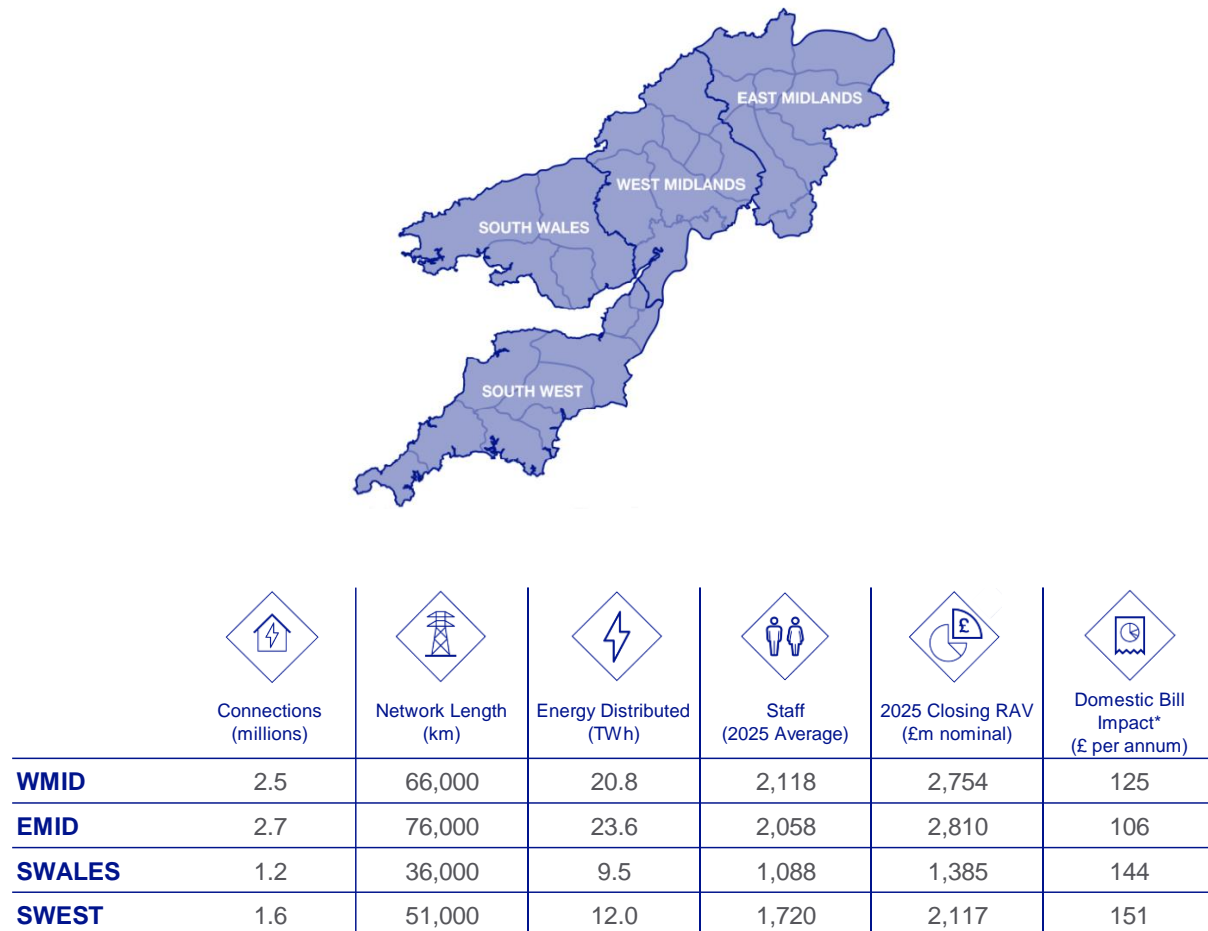
We provide any points of technical commentary for Ofgem's use in highlighted boxes.

¹ <https://www.ofgem.gov.uk/decision/decision-2025-modifications-regulatory-financial-performance-reporting-rfpr-riio-2>

About Us

NGED is the largest DNO group in the UK, with a network of over 230,000 km of overhead lines and underground cables. With 8.1 million homes and businesses connected to our network, we power the lives of over 20 million customers.

Figure 1: NGED DNO areas and key statistics



**at Typical Domestic Consumption Value (TDCV) of 2,700 kWh per annum*

Every day we connect people to the power they need by looking after a network of poles, pylons, cables and substations, delivering energy to homes and businesses in our regions.

We are also committed to supporting the UK's ambition to grow the economy, build more homes, develop industry, and transition to a clean power system. In doing so, we have developed new Distribution System Operator ("DSO") roles in addition to our traditional role as Distribution Network Operator (DNO). The DSO role allow us to anticipate growth, develop and utilise flexibility markets, unlock capacity, and instruct investment in the network of the future.

The NGED Group is owned by National Grid Electricity Distribution plc, which is a public limited company registered in England and Wales. The ultimate controlling parent of the Company is National Grid plc ("National Grid"), registered in England and Wales. National Grid plc is one of the world's largest investor-owned energy utilities, operating in the UK and the US.

Executive Summary

2024/25 was a year of continued mobilisation for NGED, which has significantly progressed the delivery of our RIIO-ED2 commitments in spite of the most challenging storm period to hit our region in decades, requiring the restoration of power to over 750,000 customers in Storm Darragh alone.

We have delivered our customer focussed outcomes efficiently connecting nearly 100,000 low carbon technologies to our network, with a step up in our Totex costs in 2024/25, a 12% increase from 2023/24, and we are forecasting that investment levels will continue to grow over the remaining years of RIIO-ED2.

Our plans reflect the need to build enduring capacity, drive efficiency and activate plans to build and develop enhanced capabilities to enable local decarbonisation pathways to net zero by 2050.

2024/25 performance highlights

- We continue to provide excellent customer satisfaction for our customers, with an average customer satisfaction score of 8.98/10 and network reliability of 99.983%;
- We powered growth across the Midlands, South West and South Wales, connecting new homes and businesses, over 40,000 electric vehicle charge points, 40,000 domestic solar PV installations and 16,000 heat pumps. 87% of our direct Low Carbon Technology enquiries were approved on the same day;
- The launch of our DSO strategy continued to drive participation in flexibility markets, utilising network capacity and making room for growth. The new, independent DSO Panel, comprising industry experts representing a broad range of stakeholder views, is adding strategic value by scrutinising DSO outputs, resulting in strong performance in DSO incentives;
- Our network successfully navigated a challenging storm period, including responding to Storm Darragh, the largest storm NGED has faced in decades, with 96mph winds and two red weather warnings. Over 4,000 incidents impacted around 750,000 customers, three times more than Storm Arwen in 2021, we restored power to 95% of customers within 48 hours;
- Throughout 2024/25, we have continued to focus on customer affordability and are proud of the support provided to our most vulnerable customers. Our first Customer Vulnerability Report in 2024/25 sets out how we helped 21,000 customers to save a total of £22 million through our fuel poverty programmes, as well as how we have continued to grow our Priority Services Register;
- 2024/25 Return on Regulated Equity (RoRE) for NGED overall is 7.56% at notional gearing, comprised of 5.59% base equity return, 0.02% operational performance, and 1.95% financing performance;
- We remain on track to deliver our ambitious target of £7.7bn investment in ED2

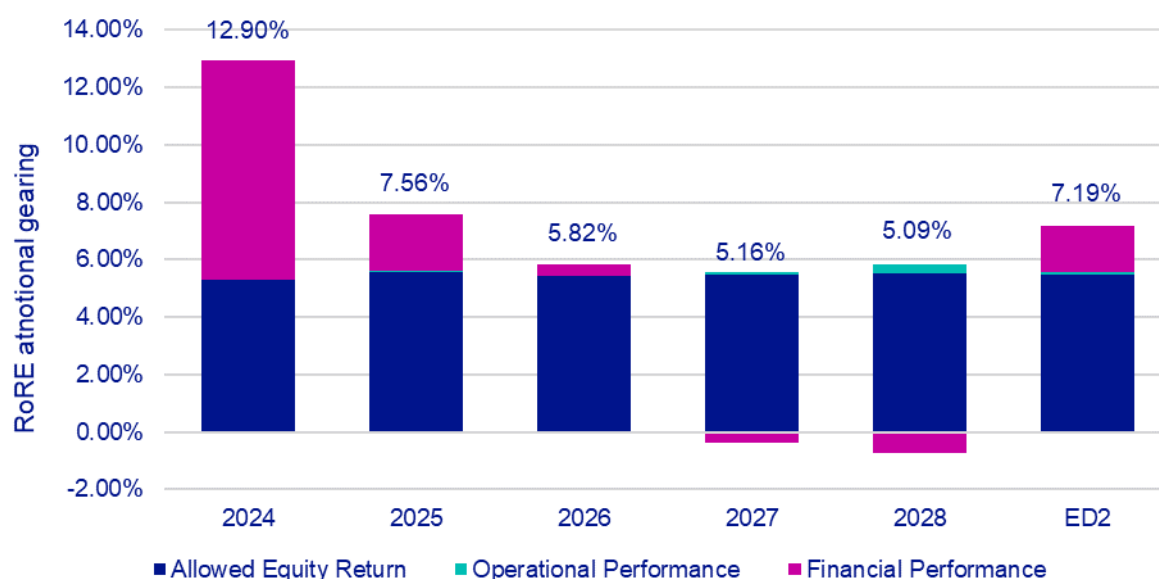
Key Financial Performance Measures

Return on Regulated Equity

Return on Regulated Equity (RoRE) is Ofgem's measure of the financial return achieved by shareholders from a licensee during a price control period. RoRE is comprised of the allowed baseline cost of equity for the price control period, operational performance (incentives, innovation and fines and penalties) and financial performance (debt and tax).

The chart below shows annual and average RoRE across the five-year RIIO-ED2 price control period at a total NGED level.

Figure 2: NGED Average RoRE Summary at notional gearing



Forecast RIIO-ED2 RoRE at notional gearing is 7.19% at NGED level. This is 77 basis points (bps) lower than the five-year forecast included in our 2023/24 RFPR submission, primarily driven by reductions to totex allowances arising from downturn in the Real Price Effects (RPEs) mechanism.

- **Operational performance** adds 8 bps to RoRE, which is made up of net Output Delivery Incentive (ODI) performance of +31 bps, offset by Totex underperformance of -20bps, and the impact of Guaranteed Standards payments mainly as a result of Storm Darragh of -3bps.
- **Financial performance** adds 165 bps to RoRE, comprised on 161 bps arising from debt financing performance, and 4 bps from tax allowance performance.

Further detail on RoRE performance at DNO level is provided in later sections.

Revenue Forecasting Accuracy

Distribution Use of System (DUoS) tariffs are set 15 months in advance of the charging year, meaning that DNOs must base prices on forecasts for allowed revenue and chargeable volumes. The RIIO-ED2 framework includes two measures of revenue forecasting accuracy designed to drive accuracy, reliability and stability in charge setting:

- **Base revenue forecasting:** compares forecast base revenue at the point of charge setting to the updated final position in Ofgem's RIIO-ED2 Price Control Financial Model (PCFM).
- **Recovered revenue forecasting:** compares forecast allowed revenue at the point of charge setting to final collected revenue for the reporting year.

Commencing from 2025/26, where either of the two measures exceed a 6% over-or-under threshold, a penalty interest charge is levied on DNOs. Although the penalty adjustment does not apply to the first two years of RIIO-ED2, we report on the two measures below for stakeholder interest.

Table 1: Revenue forecasting accuracy

		WMID	EMID	SWALES	SWEST	NGED
2024/25 Base Revenue (£m 2020/21 prices)	At charge setting	426.5	427.1	212.1	304.6	1,370.3
	Final	414.6	414.6	207.2	304.0	1,340.4
	% difference	(2.8%)	(2.9%)	(2.3%)	(0.2%)	(2.2%)
2024/25 Revenue Recovery (£m nominal)	At charge setting	753.1	710.6	351.1	502.4	2,317.1
	Final	752.1	717.9	351.5	502.6	2,324.1
	% difference	(0.1%)	1.0%	0.1%	0.0%	0.3%

For both measures, all DNOs are well within the 6% penalty threshold for 2024/25. The revenue recovery measure, which essentially tests chargeable volume forecasting, demonstrates a particularly high degree of accuracy in the charge setting process.

Financial Health

Within our Statutory Accounts, NGED monitors two key indicators of financial health which are strongly linked to our licence obligation to maintain an investment grade credit rating:

- **Gearing:** calculated as the ratio of net debt to Regulatory Asset Value (RAV), and is a measure of debt serviceability and financial leverage. NGED monitors the gearing ratio in relation to the covenants on bond issuances. To comply with covenants, the gearing ratio for the NGED Group must not exceed 85%. Ofgem assumes a notional gearing of 60% in the RIIO-ED2 price control.
- **Interest cover:** calculated as the ratio of interest payable to EBITDA, and is a measure of an entity's ability to meet its interest obligations. NGED aims for the interest cover ratio to not fall below 3:1, which is consistent with credit rating agency expectations for regulated networks.

The figure below summarises the 2024/25 position for each of our DNOs against these measures.

Table 2: Financial health indicators

	Target Banding		WMID	EMID	SWALES	SWEST
	Lower	Upper				
Gearing	60%	85%	42.1%	52.1%	53.8%	52.0%
Interest cover	3.0	-	6.8	6.0	6.0	5.0

Gearing is lower than Ofgem's notional assumption of 60%, and significantly lower than the 85% upper limit required by our debt covenants.²




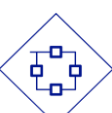

Interest cover exceeds our internal policy threshold, indicating a sufficient level of earnings to cover interest payments.

² Please note that the gearing positions will vary slightly between Statutory Accounts, and the equivalent determinations calculated in RFPR templates. These arise from price basing differences in the valuation of the RAV, and methodological differences between the valuation of net debt between statutory and regulatory views.

Key Operational Performance Measures

The operational performance measures below are as summarised in our Strategic Performance Overview (SPO) submission to Ofgem in July 2025. Where possible, RAG statuses have been applied as per Ofgem guidance, and where no guidance was available these are based on an internal review based on specific targets within the measure.

Figure 3: Operational Performance Summary

Measure	DNO	2025	2024	Commentary
 Safety	WMID	●	●	There continues to be a significant focus on safety culture in NGED. We have initiated companywide behavioural safety training and encouraged an increase in our near-miss reporting. Lost Time Injury Frequency Rate is 0.18 against a target of 0.10, however the severity of incidents has fallen.
	EMID	●	●	
	SWALES	●	●	
	SWEST	●	●	
 Reliability and availability	WMID	●	●	The IIS Targets established for RIIO-ED2 are significantly tighter than ED1. Whilst major storms, such as Storm Darragh, are classified as exceptional events and excluded from these results, not all storms reach exceptionality thresholds, and their impact is included in the performance results.
	EMID	●	●	
	SWALES	●	●	
	SWEST	●	●	
 Environment	WMID	●	●	NGED has appointed a new Sustainability team tasked with improving environmental performance. We have a number of ongoing projects running that we expect to improve environmental performance through ED2.
	EMID	●	●	
	SWALES	●	●	
	SWEST	●	●	
 Connections	WMID	●	●	We outperformed targets for Time to Quote and no penalties have been incurred for Time to Connect. We are focussed on delivering connections that meet our customers' expectations.
	EMID	●	●	
	SWALES	●	●	
	SWEST	●	●	
 Customer Service	WMID	●	●	We continue to maintain a focus on customer service and we have launched a major customer service initiative with the aim of improving customer insight and customer satisfaction.
	EMID	●	●	
	SWALES	●	●	
	SWEST	●	●	

Return on Regulatory Equity (RoRE)

Please refer to table 'R1 – RoRE' in the accompanying RFPR spreadsheet templates.

The purpose of this table is to produce a view of the licensee's Return on Regulatory Equity (RoRE) which uses a consistent approach across sector and regulated network operators.

The RoRE is presented using both the notional and actual gearing. It presents actual and forecast RoRE at annual, cumulative actual to date and RIIO-ED2 average levels.

Table 3: Return on Regulated Equity Summary

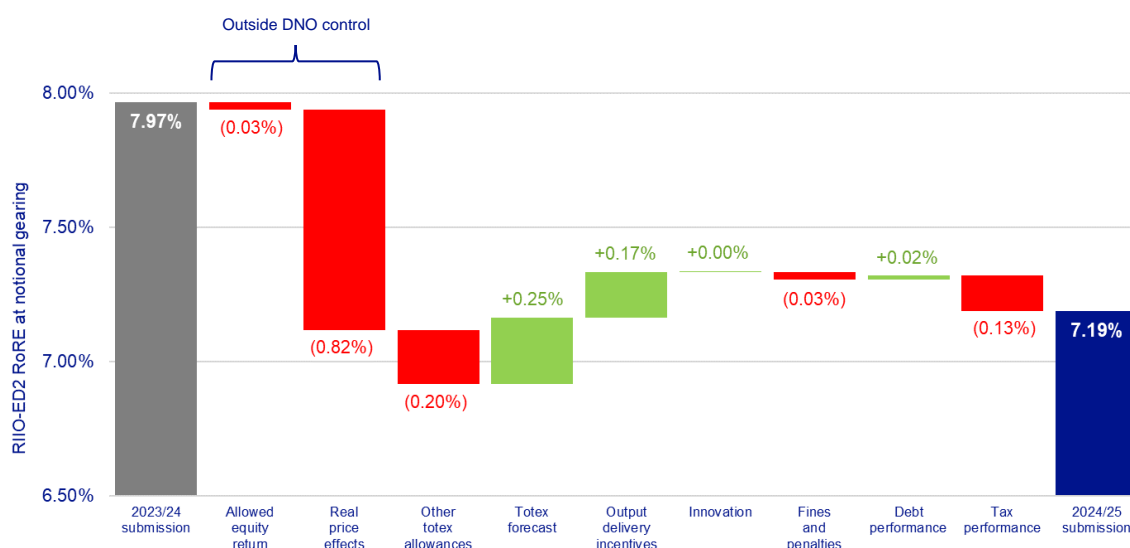
	WMID		EMID		SWALES		SWEST		NGED	
	2025	ED2	2025	ED2	2025	ED2	2025	ED2	2025	ED2
Allowed Equity Return	5.59%	5.47%	5.59%	5.47%	5.59%	5.47%	5.59%	5.47%	5.59%	5.47%
Totex outperformance	(0.31%)	(0.31%)	0.56%	0.55%	0.38%	0.35%	(1.45%)	(1.40%)	(0.20%)	(0.20%)
Business Plan Incentive	-	0.03%	-	0.02%	-	0.02%	-	0.03%	-	0.03%
Time to connect ODI	0.05%	0.05%	0.07%	0.07%	0.13%	0.09%	0.04%	0.05%	0.07%	0.06%
Broad Measure of Customer Service ODI	(0.06%)	0.00%	(0.01%)	0.05%	0.02%	0.07%	(0.25%)	(0.06%)	(0.08%)	0.01%
Interruptions incentive scheme ODI	(0.18%)	(0.07%)	(0.03%)	(0.07%)	(0.12%)	(0.11%)	(0.54%)	(0.21%)	(0.21%)	(0.11%)
Major connections ODI	-	-	-	-	-	-	-	-	-	-
Consumer Vulnerability ODI	0.12%	0.05%	0.17%	0.06%	0.06%	0.07%	0.20%	0.07%	0.14%	0.06%
Distribution System Operator ODI	0.42%	0.26%	0.42%	0.26%	0.43%	0.26%	0.43%	0.26%	0.43%	0.26%
Network innovation input for RORE	(0.00%)	(0.00%)	(0.00%)	(0.00%)	(0.00%)	(0.00%)	(0.00%)	(0.00%)	(0.00%)	(0.00%)
Carry-over Network innovation input for RORE	-	(0.00%)	-	(0.00%)	-	(0.00%)	-	(0.00%)	-	(0.00%)
Strategic innovation input for RORE	-	(0.00%)	(0.01%)	(0.00%)	-	-	-	-	(0.00%)	(0.00%)
Penalties and fines (Other Activities)	(0.04%)	(0.01%)	(0.02%)	(0.00%)	(0.62%)	(0.12%)	(0.13%)	(0.03%)	(0.14%)	(0.03%)
RoRE - Operational performance	5.59%	5.46%	6.74%	6.40%	5.88%	6.10%	3.89%	4.17%	5.60%	5.54%
Debt performance - at notional gearing	(0.07%)	0.17%	2.02%	1.84%	3.84%	3.72%	2.39%	1.80%	1.73%	1.61%
Tax performance - at notional gearing	0.45%	0.01%	0.16%	0.02%	0.02%	(0.00%)	0.14%	0.11%	0.23%	0.04%
RoRE - including financing and tax	5.98%	5.65%	8.92%	8.26%	9.74%	9.82%	6.41%	6.08%	7.56%	7.19%
RoRE at actual gearing	4.92%	4.87%	7.82%	7.51%	8.65%	9.04%	5.70%	5.64%	6.49%	6.47%

- **Forecast RIIO-ED2 RoRE at notional gearing** is 7.19% at NGED level. This is 77 basis points (bps) lower than the five-year forecast included in our 2023/24 RFPR submission.
- Because NGED's actual gearing is lower than Ofgem's notional assumption, when measured on this basis, the RoRE calculation includes a higher ratio of regulated equity which negates a comparative debt performance increase, resulting in a lower RoRE at actual gearing of 6.47%
- The chart below summarises the movement in forecast RIIO-ED2 RoRE from our 2023/24 submission.
 - **Allowed equity return (-3 bps)**: the risk-free rate component of the cost of equity calculation is updated annually against an index, giving rise to variations to the baseline allowed return.
 - **Real price effects (-82 bps)**: Totex allowances include a variable component designed to emulate the effect of external influences on input prices, and which are distinct from the effects of general inflation ("real price effects" or RPEs). The mechanism is driven by the annual movement in specific economic and construction industry indices. Since our 2023/24 RFPR submission, the annual update to the RPE mechanism showed a significant downward shift in the structural steelwork

component which was the primary contributor to a reduction to Totex allowances of over £200m (2020/21 prices).

- **Other Totex allowances (-20 bps)**: includes the effect of Ofgem's decision on the Storm Arwen re-opener mechanism in December 2024³, updates to actual and forecast volume driven allowances, and updated expectations for re-openers for the remainder of RIIO-ED2.
- **Totex forecast (+25 bps)**: reflects our updated expectations for Totex expenditure for RIIO-ED2, which shows a £25m reduction (2020/21 prices) compared to our 2023/24 submission. Please also see the 'Totex – Reconciliation' section of this document for further information on actual and forecast Totex performance.
- **Output delivery incentives (+0.17%)**: reflecting expected 2024/25 performance outcomes (some of which are subject to future Ofgem determination), and updated expectations for the remainder of the price control period. Please see the 'Incentives and Other Revenue' section for further information on output delivery incentive performance.
- **Innovation (<+1 bps)**: DNOs fund 10% of innovation related expenditure. Reductions to our Network Innovation Allowance forecast, pending Ofgem's review of the mechanism, result in a very small movement in RoRE.
- **Fines and penalties (- 3 bps)**: primarily driven by the impact of Storm Darragh on Guaranteed Standards payments.
- **Debt performance (+2 bps)**: please see the 'Financing and Net Debt' section for further information.
- **Tax performance (-13 bps)**: please see the 'Taxation' section for further information.

Figure 4: Movement in RIIO-ED2 RoRE



³ <https://www.ofgem.gov.uk/decision/final-determinations-riio-2-re-opener-applications-2024-electricity-transmission-electricity-distribution-and-gas-distribution>

Reconciliation to Revenue & Profit

Please refer to table 'R2 – Rec to Revenue and Profit' in the accompanying RFPR spreadsheet templates.

The purpose of table R2 is for the licensee to report allowed and actual revenue and reconcile this to its statutory accounts. Additionally, the table also provides a reconciliation of regulated network profits to statutory accounts.

Differences between the statutory and regulatory determinations of revenue and profit arise from routine recurring sources each year. The table below summarises the outcome reflected in table R2 for 2024/25.

Table 4: Statutory to regulatory net profit trace

	WMID £m	EMID £m	SWALES £m	SWEST £m
Net profit per statutory accounts	331	312	133	183
Revenue: directly remunerated services, de minimis, legacy metering and customer contributions	(48)	(51)	(17)	(34)
Operating costs: non cash and other adjustments per table R3	(10)	(9)	(13)	(17)
Interest: difference between statutory and regulatory determinations of net interest	(11)	(14)	(3)	(7)
Tax: impact of adjustments above	17	19	8	14
Tax: timing differences primarily relating to revenue collection and pension costs and deferred tax	54	50	25	41
Net profit related to regulated business	333	306	133	181

All £m values in nominal prices

Technical Notes

Population of table R2 requires a non-cash adjustment in respect of atypical costs. However, R2 also interfaces with 'R3 – Totex Reconciliation' which already includes non-cash adjustments to operating costs. The cells in R2 have there been set at zero to ensure no double count.

Totex

Please refer to table 'R3 – Totex Reconciliation' in the accompanying RFPR spreadsheet templates.

This table has two key purposes:

1. For licensees to report actual and forecast Totex performance against allowances. This also provides the licensee with the ability to make 'enduring value' adjustments to better enable stakeholders to understand underlying performance – for example to take account of workload delivery profiling adjustments. Please see appendix 2 for further information on the enduring value adjustments included in our submission.
2. For licensees to reconcile its actual costs per statutory accounts with reported actual annual Totex.

Population of the table requires reconciliation with the latest Regulatory Reporting Pack (RRP), which was submitted to Ofgem in July 2025.

Totex Performance

Under RIIO-ED2, NGED's costs are assessed on a Total Expenditure (Totex) basis for its regulated business activities which includes both capital and operating expenditure.

Roughly 20% of NGED licensees' Totex allowance is received in the year incurred - this is known as "Fast pot expenditure". The remaining 80% is added to the Regulatory Asset Value (RAV) and depreciated over a useful economic life, which is set at 45 years for RIIO-ED2.

The Totex Incentive Mechanism (TIM) is a major component of the RIIO framework, designed to encourage network operators to deliver outputs as efficiently as possible. Under this mechanism, performance against allowances is shared between NGED and consumers. The performance sharing factor is set as part of the price control determination process, and for RIIO-ED2, this was decided at 50/50 for NGED's DNOs.

The table below summarises 2024/25 actual, RIIO-ED2 to date and RIIO-ED2 five-year forecast Totex performance for each DNO.

Table 5: NGED Totex breakdown excluding Enduring Value adjustments

		WMID	EMID	SWALES	SWEST	NGED
2024/25	Spend (£m)	304.6	320.6	191.9	289.3	1,106.4
	Variance to allowances (£m)	13.4	27.6	(3.6)	(18.1)	19.4
	Variance to allowances (%)	4.2%	7.9%	(1.9%)	(6.7%)	1.7%
RIIO-ED2 to date	Spend (£m)	582.9	619.7	349.8	544.6	2,097.0
	Variance to allowances (£m)	50.7	74.5	28.3	(4.1)	149.4
	Variance to allowances (%)	8.0%	10.7%	7.5%	(0.8%)	6.7%
RIIO-ED 5-year forecast	Spend (£m)	1,577.0	1,621.9	929.1	1,481.4	5,609.5
	Variance to allowances (£m)	(34.2)	61.5	19.7	(120.4)	(73.3)
	Variance to allowances (%)	(2.2%)	3.7%	2.1%	(8.8%)	(1.3%)

All £m values in 2020/21 prices

- Overall NGED's Totex spend for 2024/25 was £19.4m (1.7%) lower than allowances.
- Cumulatively, underspend against allowance is £149.4m (6.7%).
- Delivery mobilisation has been slower than Totex allowances assumed for the first two years of the price control, and we expect this to be restored over the remaining three years. Consequently, our five-year forecast shows an overspend of £73.3m by the end of RIIO-ED2.
- One of the objectives of the RFPR is to provide insights that enable the reader to better understand network performance. Of particular note in this regard is the effect of real price effects (RPEs) on Totex allowances. RPEs are influences to input prices over which networks have no direct control, and that move distinctly from general inflation. The RIIO-ED2 framework includes a mechanism that adjusts Totex allowances against a suite of specific economic and construction industry indices relating to labour and materials costs. Ofgem updates the RPE index annual each October for actual movements in indices, and uses assumptions for forecast years. Application of the mechanism as at October 2024 results in an overall reduction to Totex allowances of £158m (in 2020/21 prices). Owing to DNO inability to control RPEs, and the volatility exhibited in the indices used, the effect to totex allowances is not a reflection of performance. The table below shows a restatement of actual, cumulative and five-year forecast totex performance with the effect of RPEs removed.

Table 6: NGED Totex breakdown excluding Enduring Value adjustments and RPEs

		WMID	EMID	SWALES	SWEST	NGED
2024/25	Spend (£m)	304.6	320.6	191.9	289.3	1,106.4
	Variance to allowances (£m)	26.4	40.5	3.3	(8.0)	62.2
	Variance to allowances (%)	8.0%	11.2%	1.7%	(2.9%)	5.3%
RIIO-ED2 to date	Spend (£m)	582.9	619.7	349.8	544.6	2,097.0
	Variance to allowances (£m)	78.0	104.4	44.6	19.1	246.1
	Variance to allowances (%)	11.8%	14.4%	11.3%	3.4%	10.5%
RIIO-ED 5-year forecast	Spend (£m)	1,577.0	1,621.9	929.1	1,481.4	5,609.5
	Variance to allowances (£m)	10.0	110.1	46.6	(81.7)	85.1
	Variance to allowances (%)	0.6%	6.4%	4.8%	(5.8%)	1.5%

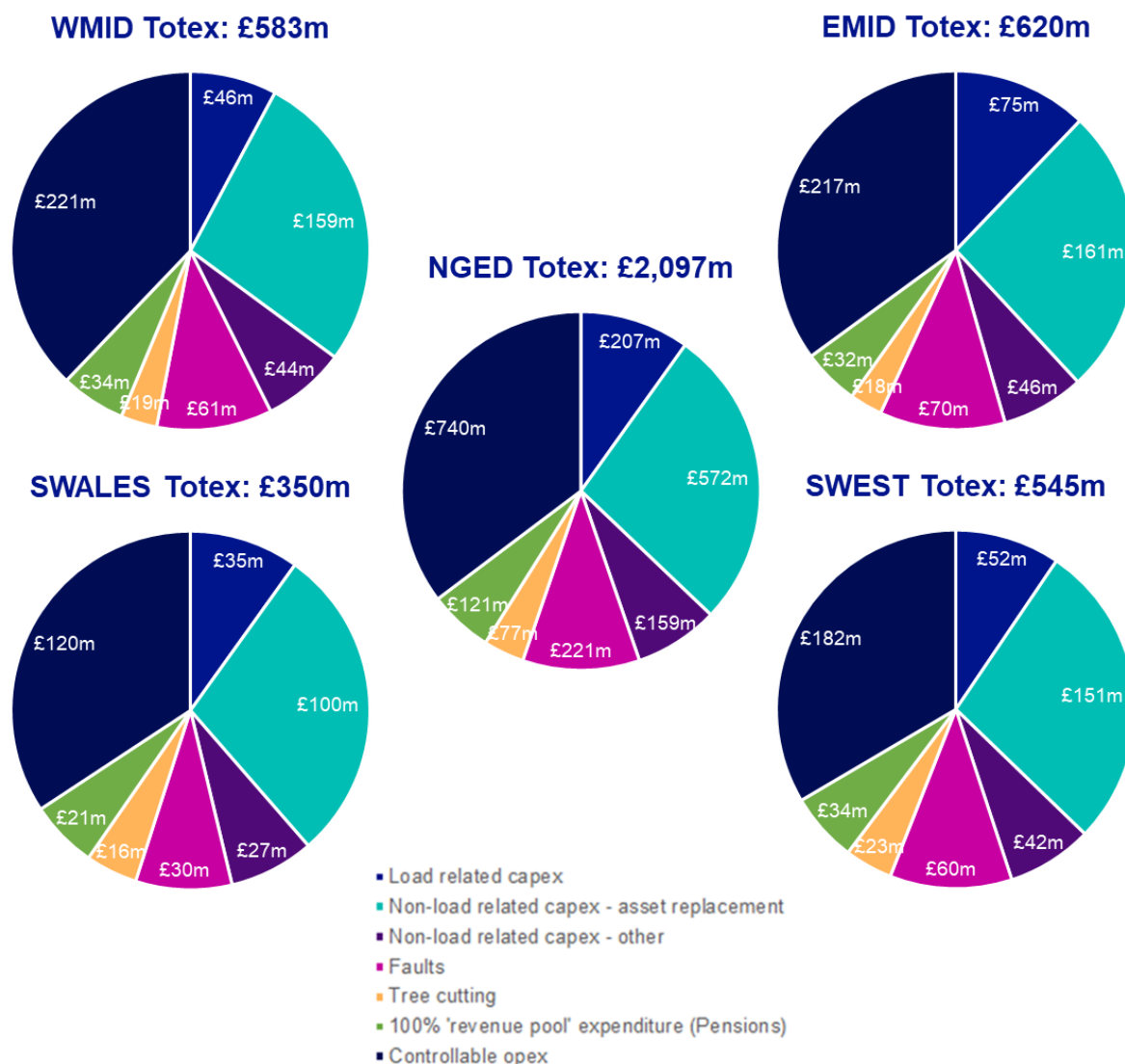
All £m values in 2020/21 prices

- With the effect of RPEs removed, our five-year forecast shows underlying Totex performance of £85.1m (1.5%) underspend by the end of RIIO-ED2.
- The challenge to deliver against allowances is greatest in the South West network. This was a known issue through the ED2 Determinations process, where South West was an outlier in terms of its assessed inefficiency, despite the business plan for this network being prepared, and the licence area being operated on, a consistent basis to all other NGED DNOs. Cost assessment modelling approaches, including the consideration of sparsity and density and the use of MEAV as a cost driver, will require further review ahead of RIIO-ED3, and we are starting discussion with Ofgem on this through the ED3 Cost Assessment Working Groups.

Totex Spend Analysis

NGED has invested over £2bn in our networks in the first two years of RIIO-ED2. The charts below sub-analyse our cumulative Totex spend into Ofgem's headline reporting categories.

Figure 5: Cumulative Totex Spend (2020/21 prices)



Totex Reconciliation

Separately to the RFPR submission, DNOs are required by licence to engage an independent auditor to undertake a set of Agreed Upon Procedures (AUPs) specified by Ofgem which validate all reported data points used in the regulatory Allowed Revenue calculation.

The 2025 AUP submission to Ofgem was the first for the RIIO-ED2 price control, and required validation of data for the 2023/24 and 2024/25 reporting years.

The 2025 AUP submission was completed alongside the preparation of the RRP submitted to Ofgem in 2025. This approach provides an additional layer of assurance to the RRP, and the subsequent submissions that draw from this data set, notably the RFPR submission, and also the Annual Iteration Process which determines DNO allowed revenues.

The AUPs specified by Ofgem included a new requirement for DNOs to reconcile reported Totex to total capital expenditure and operating costs as reported in Statutory Accounts, and to demonstrate that Totex has been calculated in accordance with the Price Control Financial Handbook, and Electricity Distribution Licence associated document. This is value adding to the formulation of the RFPR submission, as the Totex Reconciliation section of table R2 can be based on the same reconciliation submitted under the AUP process.

The new processes adopted by NGED in 2025 to support the AUP submission have enabled an enhanced level of precision and granularity for the Totex reconciliation included in the RFPR. The RFPR spreadsheet templates provide the full detail of the reconciliation, however, the vast majority of differences arise from a relatively small number of sources, as summarised in the table below.

Table 7: 2024/25 Summary Totex Reconciliation

	WMID £m	EMID £m	SWALES £m	SWEST £m
Total expenditure per Statutory Accounts	593.7	616.3	349.8	564.6
Less: Depreciation and amortisations (including capitalisations)	(108.2)	(118.8)	(59.3)	(94.6)
Less: Capital stock accounting adjustments	(0.2)	(6.1)	0.2	(16.8)
Less: Non cash provisions and pensions movements	8.1	8.1	7.0	7.3
Less: Pass through costs	(59.9)	(58.3)	(31.1)	(40.1)
Less: Directly Remunerated Services and De Minimis activities	(29.6)	(23.4)	(7.2)	(13.3)
Less: Other costs excluded from Totex	(6.7)	0.1	(10.6)	(2.6)
Less: Related party profit margin	(1.1)	(0.8)	(0.2)	(2.8)
Less: Cash disposal proceeds	(1.5)	(1.2)	(0.9)	(2.8)
DNO transfers	5.4	5.7	2.5	(13.6)
Other adjustments	2.7	2.3	3.4	(2.9)
Totex as reported	402.6	423.7	253.7	382.4

All £m values in nominal prices

Technical Notes

The Totex reconciliation for both 2023/34 and 2024/25 is based on that used for our 2025 AUP submission. Consequently, 2023/34 includes a restatement of the reconciliation compared to the 2023/24 RFRP submission, which includes a high degree of line-item granularity, and some changes to descriptors intended to provide greater clarity.

We have elected to show profit / loss on disposals as per the Statutory Accounts as an operating cost adjustment rather than utilise the cash disposals row in the RFPR template, as this enables a clearer trace from statutory positions, through to total net costs including allocations, and ultimately to reported Totex.

Review of the 2023/24 positions highlighted a group entity fixed asset transfer which is yet to be reflected in the RRP Cost, Volume and Revenue templates. Currently this shows as a difference to the South West network, but correction will involve allocation across all four DNOs. Our intention is to submit updated CVR packs to Ofgem during the AIP Dry Run Process, inclusive of any feedback received from Ofgem on the 2025 RRP submission, such that any updates can be handled holistically.

Incentives and Other Revenue

Please refer to table 'R4 – Incentives and Other Rev' in the accompanying RFPR spreadsheet templates.

The purpose of table R2 is for the licensee to report its annual actual and forecast performance against the RIIO-ED2 Output Delivery Incentives (ODIs) well as its Other Revenue Allowances (ORAs).

Output Delivery Incentives (ODIs)

For NGED's DNOs, the RIIO-ED2 framework includes a suite of Output Delivery Incentives that are designed to drive positive outcomes for customers and consumers across six themes. The table below summarises the financial impact of our 2024/25 ODIs, including the percentage of maximum available award, performance trend against 2023/24.

Table 8: 2024/25 Output Delivery Incentive Performance

	WMID			EMID			SWALES			SWEST		
	2025 £m	% of max reward	Trend vs 2023/24	2025 £m	% of max reward	Trend vs 2023/24	2025 £m	% of max reward	Trend vs 2023/24	2025 £m	% of max reward	Trend vs 2023/24
Time to connect	0.6	33%	↓	0.8	45%	↓	0.7	83%	↑	0.3	23%	↑
Broad Measure of Customer Service	(0.6)	(13%)	↓	(0.1)	(3%)	↓	0.1	4%	↓	(2.0)	(58%)	↓
Interruptions incentive scheme	(2.0)	(12%)	↓	(0.3)	(2%)	↑	(0.6)	(7%)	↓	(4.4)	(33%)	↓
Major connections	-	-	→	-	-	→	-	-	→	-	-	→
Consumer Vulnerability	1.3	29%	↑	1.8	39%	↑	0.3	14%	↑	1.6	45%	↑
Distribution System Operator	4.5	100%	↑	4.6	100%	↑	2.3	100%	↑	3.5	100%	↑
Total Incentive Payments	3.8	12%	↑	6.8	21%	↑	2.8	17%	↑	(1.0)	(4%)	↑

All £m values in 2020/21 prices

- **Time to Connect:** 2024/25 has been a year of meaningful progress for Connections within NGED. Through structural reform, digital innovation, and proactive engagement, NGED has positioned itself as a leader in the connections space - ready to meet the challenges of decarbonising the energy system and the expectations of a diverse and growing customer base.
- **Broad Measure of Customer Service:** whilst we continue to deliver good customer service, and enhance the experience our customers receive, the evolving expectations of customers mean that there is a continued need to invest in the customer experience.
- **Interruptions Incentive Scheme:** performance against RIIO ED2 targets for Customer Interruptions (CIs) and Customer Minutes Lost (CMLs) has continued to prove challenging for 2024/25. The targets established for RIIO-ED2 are significantly harder than the targets in the previous regulatory period, and we consider the targets did not adequately consider storm impacts having only looked at a couple of preceding years' weather. Improving performance for the year ahead is a key priority and analysis of past performance will identify opportunities to target investment. A range of initiatives have been identified with the express purpose of improving IIS performance in 2025/26.
- **Major Connections:** this a penalty only incentive mechanism. All of our DNOs have performed above the penalty threshold for 2024/25, and hence there is no financial adjustment in respect of this mechanism.
- **Customer Vulnerability:** we have maintained our focus on the customers we served and are proud of our response to supporting vulnerable customers through these challenging times.

- **Distribution System Operator:** during the year we delivered against our DSO strategic action plan and continued to drive participation in energy flexibility programmes to better utilise network capacity and make room for growth. Our independent DSO Panel, comprising industry experts representing a broad range of stakeholder views, is adding strategic value by scrutinising DSO outputs. The recent decision of Ofgem's DSO panel was warmly welcomed, recognising the strong performance of our DSO activities and the benefits it has delivered to a wide range of customers.

The table below summarises RIIO-ED2 cumulative and five-year forecast ODI performance.

Table 9: 2024/25 Output Delivery Incentive Performance

	WMID			EMID			SWALES			SWEST		
	To date £m	RIIO-ED2 forecast £m	Forecast % of max reward	To date £m	RIIO-ED2 forecast £m	Forecast % of max reward	To date £m	RIIO-ED2 forecast £m	Forecast % of max reward	To date £m	RIIO-ED2 forecast £m	Forecast % of max reward
Time to connect	1.4	3.0	36%	1.6	3.8	44%	1.1	2.5	57%	0.6	2.2	33%
Broad Measure of Customer Service	(1.0)	0.1	0%	0.4	2.9	12%	0.5	1.9	16%	(2.7)	(2.4)	(14%)
Interruptions incentive scheme	(2.8)	(4.0)	(5%)	(2.8)	(4.0)	(5%)	(1.2)	(3.0)	(7%)	(7.4)	(9.2)	(14%)
Major connections	-	-	-	-	-	-	-	-	-	-	-	-
Consumer Vulnerability	1.3	2.9	25%	1.8	3.4	29%	0.3	1.9	32%	1.6	3.1	36%
Distribution System Operator	6.3	14.2	66%	6.5	14.5	66%	3.2	7.2	66%	4.9	11.0	66%
Total Incentive Payments	5.2	16.1	11%	7.4	20.5	13%	3.9	10.4	14%	(3.0)	4.7	4%

All £m values in 2020/21 prices

Other Revenue Allowances (ORAs)

For the purposes of RFPR table R4, Other Revenue Allowances relate to RIIO-ED2 innovation funding mechanisms. DNOs fund 10% of innovation expenditure, which drives a small negative adjustment to RoRE.

Through our innovation work, we aim to find the most efficient ways of addressing the technical challenges of the future electricity network, while at the same time keeping electricity affordable and reliable for everyone.

We want to understand how we can best support our customers and our communities so that no one is left behind in the energy transition. To achieve this, our projects are targeted towards the key priority areas of decarbonisation and net zero, heat and transport, data, communities, and consumer vulnerability.

A summary of our innovation stimulus expenditure is shown below.

Table 10: 2024/25 Innovation expenditure

Funding Mechanism	DNO	£m awarded to date in RIIO-ED2	£m spent to date in RIIO-ED2	Number of projects RIIO-ED2 to date
Network Innovation Allowance (NIA)	WMID	0.3	0.4	9
	EMID	0.3	0.4	
	SWALES	0.2	0.2	
	SWEST	0.2	0.3	
Network Innovation Competition (NIC)	WMID		0.0	1
	EMID		2.9	
	SWALES		0.0	
	SWEST		0.0	
Carry-over Network Innovation Allowance (CNIA)	WMID	0.7	0.8	13
	EMID	0.7	0.8	
	SWALES	0.3	0.4	
	SWEST	0.5	0.5	
Strategic Innovation Fund (SIF)	WMID		1.0	14
	EMID		1.1	
	SWALES		0.0	
	SWEST		0.0	

All £m values in nominal prices

Financing and Net Debt position

NGED's 2024/25 gearing, calculated in the RFPR as average net debt/average RAV, ranges from 43% in WMID, to 53% in EMID, 55% in SWALES and 54% in SWEST. Ofgem's notional gearing assumption for RIIO-ED2 is 60% in RIIO-ED2.

NGED does not undertake transactions in financial derivative instruments for speculative purposes. During 2024/25, WMID raised 1bn of NOK (Norwegian Krone) denominated and 8bn of JPY (Japanese Yen) denominated new debt (the latter was issued in Mar 25, proceeds received in Apr 25).

In relation to currency risk exposure, where long-term debt is denominated in a currency which is not sterling, NGED's policy is to swap 100% of the foreign currency denominated principal and interest cash flows into sterling through the use of cross-currency interest rate swaps. Under a currency swap, the Company agrees with another party to exchange the principal amount of the two currencies, together with interest amounts in the two currencies agreed by reference to a specific interest rate basis and principal amount. The principal of these instruments reflects the extent of the Company's involvement in the instruments but does not represent its exposure to credit risk, which is assessed by reference to the fair value.

The table below shows our forecast regulatory gearing over the RIIO-ED2 period, in which we assume a glide up to the notional level of 60% by the end of the price control.

Table 11: Forecast regulatory gearing (average regulatory net debt / average RAV)

	2024	2025	2026	2027	2028
WMID	45%	43%	49%	54%	57%
EMID	52%	53%	55%	58%	59%
SWALES	54%	55%	56%	58%	60%
SWEST	55%	54%	56%	58%	59%

This assumption will to a great extent drive the change in debt performance over time observed in the RFPR reporting spreadsheets, which is summarised below.

Table 12: Debt performance at notional and actual gearing

		2024	2025	2026	2027	2028	RIIO-ED2
WMID	Notional gearing	6.47%	(0.07%)	(1.72%)	(1.13%)	(2.33%)	0.17%
	Actual gearing	4.42%	0.90%	(0.40%)	(0.51%)	(1.79%)	0.63%
EMID	Notional gearing	8.10%	2.02%	0.46%	(0.20%)	(0.69%)	1.84%
	Actual gearing	6.37%	1.98%	0.70%	(0.01%)	(0.61%)	1.74%
SWALES	Notional gearing	9.73%	3.84%	3.05%	1.63%	1.20%	3.72%
	Actual gearing	7.96%	3.46%	2.90%	1.65%	1.21%	3.40%
SWEST	Notional gearing	7.89%	2.39%	0.71%	(0.79%)	(0.31%)	1.80%
	Actual gearing	6.71%	2.28%	0.90%	(0.56%)	(0.19%)	1.75%

Note that debt performance in 2023/24, as reported in our previous RFPR submission, was strongly influenced by the recent increases to inflation observed in the economy. The downward trajectory in forecast performance is driven by the combination of increasing gearing coupled with a projected increase to the cost of new debt issuance.

Regulatory Asset Value (RAV)

Please refer to table 'R7 – RAV in the accompanying RFPR spreadsheet templates.

The purpose of this table is to identify an annual Regulatory Asset Value (RAV) position using the annual actual and forecast RAV as per the latest Price Control Financial Model (PCFM). For the purposes of the RFPR submission, the latest PCFM is the version submitted to Ofgem for the 2025 PCFM Dry Run 1 process.

This table also reconciles the closing RAV balance per the latest PCFM to the calculated closing RAV. The average of this adjusted closing RAV is used in deriving actual gearing percentage reported within the RFPR, which then enables calculation of the NPV neutral equity element which is the denominator in the RoRE calculation.

The table below shows the adjusted closing RAV uplifted to year-end prices, for each of NGED's DNOs with an overall total. This view of RAV includes the impact of Enduring Value adjustments on RAV additions and regulatory depreciation – please see Appendix 2 for further information.

Table 13: Adjusted Closing RAV

	2024 £m	2025 £m	2026 £m	2027 £m	2028 £m
WMID	3,571	3,777	3,980	4,180	4,357
EMID	3,571	3,777	3,980	4,180	4,357
SWALES	1,697	1,808	1,929	2,052	2,199
SWEST	2,604	2,799	3,018	3,216	3,417
NGED	11,442	12,161	12,907	13,628	14,330

All £m values in nominal prices

Taxation

Please refer to tables 'R8 –Tax' in the accompanying RFPR spreadsheet templates.

Tax Performance

The purpose of table R8 is to calculate the tax out or underperformance against the PCFM tax allowance at actual and notional levels of gearing.

The calculates tax performance against the adjusted tax allowance and the tax impact of financing performance at actual and notional gearing levels.

To provide a comparable basis on which to assess performance against the PCFM tax allowance, the table adjusts the actual tax liability as submitted to HMRC for business activities that are excluded from the allowed revenue calculation (for instance De Minimis activity) and timing differences relating to revenue collection and pensions.

After adjusting for the above, tax performance is primarily influenced by differences between actual interest costs versus those assumed in the PCFM tax calculation. Whilst the RFPR templates distinguish between performance at notional and actual levels, net debt levels and debt costs thereon will vary between DNOs, meaning that calculated tax performance is not uniform.

We do not expect tax performance to be a material component of the RoRE determination across the price control, although we may observe a degree of year-on-year profiling. For instance, 2023/24 was strongly influenced by the recent increases to inflation observed in the economy. Additionally, actual gearing levels have been lower that the notional assumption in the PCFM in the first two years of RIIO-ED2, with our forecast assuming a glide up to the notional level by the end of the price control.

The table below summarise actual and forecast tax allowance performance for each of NGED's DNOs. Note that actual performance relates to 2023/24 because returns to HMRC are lagged, with 2024/25 due for submission later this year.

Table 14: Tax performance summary

		WMID		EMID		SWALES		SWEST		NGED	
		2023/24 actual	RIIO-ED2 forecast	2023/24 actual	RIIO-ED2 forecast	2023/24 actual	RIIO-ED2 forecast	2023/24 actual	RIIO-ED2 forecast	2023/24 actual	RIIO-ED2 forecast
Notional Gearing	Tax performance £m	(7.7)	0.6	(0.5)	1.4	0.2	(0.0)	2.8	4.6	(5.2)	6.6
	RoRE impact	(0.73%)	0.01%	(0.04%)	0.02%	0.03%	(0.00%)	0.35%	0.11%	(0.15%)	0.04%
Actual Geaing	Tax performance £m	(6.5)	(7.8)	0.8	0.1	0.8	0.2	3.3	3.3	(1.6)	(4.1)
	RoRE impact	(0.45%)	(0.11%)	0.06%	0.00%	0.14%	0.01%	0.38%	0.07%	(0.04%)	(0.02%)

All £m values in 2020/21 prices

Tax reconciliation

Our submissions to Ofgem include a reconciliation between actual corporation tax liabilities (as per the CT600 tax submissions to HMRC) and the calculated tax allowance in the PCFM. Licensees are required to provide commentary on any material differences between the two calculations.

Alongside the RFPR submission, licensees have a licence obligation to provide Ofgem with a Board approved tax reconciliation assurance statement confirming that there are no material unexplained variances in the reconciliation. Licensees are also required to provide Ofgem with copies of each DNO's CT600 submission to HMRC, latest published tax strategy, and Senior Accounting Officer certifications.

For the 2025 RFPR submission, the tax reconciliation relates to 2023/24, because HMRC submissions are made of a lagged basis.

Both the CT600 and PCFM tax calculations are highly complex. However, the reconciliation can be distilled into headline categories as summarised in the table below.

Table 15: Tax reconciliation summary

	WMID £m	EMID £m	SWALES £m	SWEST £m	NGED £m
2023/24 Tax allowance per PCFM	41.8	32.6	15.2	14.4	104.0
Timing differences					
Regulated revenue collection	(15.3)	(15.6)	(8.4)	(7.7)	(47.0)
Notional vs actual company differences					
Capital allowances	0.3	0.2	0.5	(0.6)	0.4
Net interest charge	10.2	6.4	5.2	6.1	27.9
Other tax differences					
Activities and adjustments outside scope of Allowed Revenue	(4.8)	(3.4)	(3.1)	(6.1)	(17.4)
2023/24 actual tax liability per CT600	32.2	20.2	9.4	6.1	67.8

All £m values in nominal prices

- **Timing differences** – these are non enduring variances that resolve over time. The most significant of these relates to collected Distribution Use of System (DUoS) revenue. NGED is required to set its DUoS charges 15 months in advance, with the allowed revenue calculation continuing to evolve in the intervening period. This means that for any year, there will be differences between actual revenue collection (included in our tax returns) and the PCFM's current view of allowed revenue, with the variance trued up in future periods. Other activities that are subject to accrual or provision (for example pension costs) can also be a source of timing difference, but are lower in magnitude.
- **Notional company differences** – these are enduring differences that are caused by the design of the regulatory regime. The most notable of these relates to gearing (the proportion of debt-to-equity financing), which is consequential to the net debt and interest charge that the PCFM assumes. The PCFM assumes a sector level target gearing assumption based on expectations for an efficient notional company. Actual company gearing will differ – in the case of NGED's DNO legal entities, it is lower than the notional assumption meaning that the tax-deductible interest charge is lower. Other aspects of the regulatory regime can also give rise to differences where the regulatory definitions of revenues and costs are not aligned to the statutory definitions included in tax returns.

- **Other differences** – some business activities fall outside the scope of the allowed revenue calculation and/or the PCFM deals with these in a simplified manner for tax purposes. Key examples of these are Directly Remunerated Services (paid for directly by the requesting party and not socialised through DUoS charges, for example contestable connections) and De Minimis business activities (which are capped by Licence, but entirely excluded from the PCFM). There are also other lower-level sources of “actual tax only” adjustment that are excluded from the PCFM.

Technical Notes

‘Adjustments to remove non regulated tax liabilities’ in table R8 take revenues for Legacy Metering, De Minimis and Directly Remunerated Services from table RFPR table R2, net off against the corresponding cost components from the ‘C1 – Cost Matrix 2024’ tables from the Cost, Volume and Revenue reporting templates submitted to Ofgem in July 2025. The corporation tax rate of 25% is then applied to the net position to derive the adjustments by category. Note that DRS adjustments exclude the ‘Connections Outside of Price Control’ element given the capitalisation of costs and customer contributions.

The ‘Collected revenue adjustment’ in the ‘Other Adjustments’ section of table R8 is calculated as comparing total allowed revenue from the latest PCFM to ‘Collected Regulated Network Revenue’ as reported in RFPR table R2, with the 25% corporation tax rate applied to the difference.

The ‘Pension – timing difference’ adjustment in the ‘Other Adjustments’ section of table R8 is calculated by comparing total pension costs included in the July 2025 RRP to the pensions related deduction included in RFPR table 8a, with the 25% corporation tax rate applied to the difference.

The forecast regulatory tax liability included in table R8 is taken from a variant of the 2025 PCFM Dry Run 1 submission which includes Enduring Value adjustments.

To ensure consistency with the basis of the forecast values, and Enduring Value adjustment has been included in the ‘Other Adjustments’ section of the 2023/24 reported values. This is derived by comparing the tax allowance in the latest version of the PCFM to the same value in an Enduring Value adjusted variant of the PCFM.

Financial Resilience & Corporate Governance

Financial Resilience

National Grid as a group does not have securitisation requirements that limit or restrict cashflows or dividends across the group. Taken over from Western Power Distribution, NGED has legacy covenants which limit gearing at 85% embedded in each regulated licenced entity. In addition, an intermediary holding company (National Grid Electricity Distribution plc) holds a single piece of external debt in the ownership chain. No entity within the Corporate Group structure has material economic dependencies given the number of operating companies in the group.

Furthermore, a facility exists with NG plc to remove any reliance on operating company dividends. Financing of NGED plc since acquisition has been undertaken from National Grid plc through an intercompany facility (including the refinancing of a second piece of external debt as part of the acquisition) and this is anticipated to continue until 2028 when the last remaining bond matures. Once matured this will be re-financed at NG plc.

Dividends paid

The NGED Group is structured such that a proportion of the NGED Group's debt is issued by group companies other than WMID, EMID, SWALES and SWEST. Interest payments on this debt, together with other items, are funded primarily through dividend payments from WMID, EMID, SWALES and SWEST.

The table below summarises 2024/25 dividend payments, showing total dividends per our statutory accounts, the proportions of these related to the regulated business, and an expression of regulated business dividends as a proportion of regulated equity at actual gearing.

Table 16: Dividend payments

	WMID	EMID	SWALES	SWEST	NGED
Dividend paid (£m)	75	120	55	40	290
Dividend allocated to regulated business (£m)	69	114	54	39	276
Reg business dividend / regulated equity	3%	7%	7%	3%	5%

All £m values in nominal prices

Note that the RFPR requires an adjustment to remove the element of dividends not related to the Regulatory business. NGED's apportionment methodology is set out in Appendix 3.

Dividend policy

From 14 June 2021, NGED has been part of National Grid plc, which generates value for investors through a combination of dividend yield and asset growth. National Grid plc's dividend policy is to deliver annual dividend per share growth in line with the rate of CPIH inflation.

In considering capital distributions, NGED's Board is mindful of stakeholders' views and takes account of our latest financial position, and the long-term sustainability of the company, in addition to the allowed rate of return and any incentive rewards received. In its capacity of providing oversight for the operational performance of the business, the Board also takes account of the prevailing performance against customer performance targets, other RIIO-ED2 output commitments and future requirements such as DSO, to assess investment requirements.

As shown in the RFPR, we reinvest a significant portion of our profits back into the network to ensure an efficient, reliable and environmentally sustainable network. The Board ensures that it understands and takes account of shareholder views in order to preserve positive investor relations. The Board acts in the shareholder's best interests by proposing an amount of dividend in accordance with the financial parameters of our regulatory allowance whilst maintaining strong financial health metrics.

The 'R9 - Corporate Governance' table also contains a table showing the executive director's remuneration. As each of the four NGED DNOs has the same set of directors, an allocation of their salary is applied, the methodology for which is detailed in Appendix 3.

Ofgem has requested that DNO answer specific questions relating to corporate governance, board composition, decision making and the corporate ownership structure. These are provided in Appendix 4.

The ratio of CEO remuneration in comparison to the company's employees is also given, this has been done using the same methodology as in the statutory accounts and is based upon NGED payroll data.

Pensions & Other Activities

Pensions

NGED operates two defined benefit schemes which fall within Ofgem's price control pension principles:

- The WPD Group of the Electricity Supply Pension Scheme (WPD Group), for which SWALES and SWEST are sponsoring companies; and
- The Central Networks Group of the Electricity Supply Pension Scheme (CN Group), for which WMID and EMID are sponsoring companies.

As at 31 March 2022, the deficit on the WPD Group of the ESPS was £66.9m, and the deficit on the CN Group of the ESPS was £39.0m. For regulatory monitoring and funding purposes, pension schemes are subject to triennial reviews by Ofgem, the next of which will take place in 2026.

Table 'R10 – Pensions' shows a summarised position of the pension deficit for the defined benefit schemes attributable to NGED's DNOs. The deficit for the WPD Group of the ESPS has been reported in table R10 for both SWALES and SWEST, and similarly the deficit for the CN Group of the ESPS has been reported in table R10 for both WMID and EMID.

Ofgem Fines

There are no Ofgem fines to report.

Guaranteed Standard payments

We have recorded higher than normal numbers of failures against the Guaranteed Standards of Performance this year due to the impact of Storm Darragh which was the largest storm faced by our regions in recent memory. 93% of these failures fall within the severe weather category.

Data Assurance Statement

This document and the accompanying spreadsheet templates have been produced in accordance with Ofgem's published RFPR Regulatory Instructions and Guidance (RIGs) inclusive of the additional guidance provided by Ofgem on 4th September 2025 in respect of population of the 'F6 – Debt Dataset' table.

Cost and incentive data reported in the RFPR is fully aligned to the positions reported to Ofgem in the July 2025 RRP submission. The RRP process itself is subject to rigorous assurance.

In 2025 we submitted our first Revenue Agreed Upon Procedure (AUP) reports to Ofgem covering the 2023/24 and 2024/25 reporting period. The Revenue AUP submission requires licensees to engage an independent auditor to undertake a set of tests specified by Ofgem which validate all reported data points used in the regulatory Allowed Revenue calculation. There were no material issues identified for any of NGED's DNOs for either reporting year. The AUP process provides an additional layer of assurance to the data reported in the RRP, which is subsequently utilised in the RFPR.

Where the RFPR reporting templates extract information from the RIIO-ED2 PCFM, this is either taken from the latest published version, or the update version submitted to Ofgem under the 2025 PCFM Dry Run 1 process, as specified by the RFPR RIGs.

RFPR data table production has been subject to a rigorous internal assurance process. Each table has nominated and separate compiler, business expert, independent reviewer and senior manager review roles who are required to document and sign off on the assurance activities undertaken. The individuals involved in the production and review of the data tables are suitably experienced for the nature of each table.

The overall submission is reviewed and approved at Director level.

Contact details

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

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Appendices

1. Reconciliation if licensees have a different statutory year from the Regulatory Year

This section is not applicable as NGED's DNOs have a 31 March year end.

2. Enduring Value adjustments

Ofgem's RFR Regulatory Instructions and Guidance define Enduring Value as: "The true value of the regulated business over the course of the price control. The enduring value of the business factors in the financial impact of any decisions or future events, which have yet to be reflected in Revenue and RAV but are known at the time of estimation. The enduring value represents the establishment of sustained long-term value to the regulatory network or to its operation."

2024/25 Enduring Value adjustments

Enduring value adjustments have been included to rephase Totex allowances in line with our projected spend profile. This reflects the lower spend in the first two years of the price control which is primarily driven by slower mobilisation.

The tables below show the impacts to Totex Allowances, RAV and RoRE of the enduring value adjustments. Note that these are neutral from an overall performance perspective.

Table A1: Enduring Value Totex Timing Adjustments

Enduring Value Totex Timing Adjustments, 20/21 prices

	2024	2025	2026	2027	2028	Total
WMID	(43.3)	(20.0)	28.7	59.9	(25.3)	-
EMID	(35.6)	(15.4)	18.6	22.1	10.2	-
SWALES	(28.6)	7.7	(0.2)	25.0	(3.8)	-
SWEST	(34.7)	(5.4)	8.7	31.1	0.3	-
NGED Total	(142.2)	(33.2)	55.8	138.2	(18.6)	-

Table A2: Net RAV additions plus depreciation impact

	2024	2025	2026	2027	2028	Total
WMID	(15.9)	(7.1)	11.3	22.9	(9.8)	1.4
EMID	(13.2)	(5.5)	7.5	8.7	4.0	1.5
SWALES	(10.6)	3.1	0.1	9.8	(1.5)	0.8
SWEST	(12.3)	(1.8)	3.7	12.3	0.1	2.0
NGED Total	(52.0)	(11.3)	22.5	53.7	(7.3)	5.7

Table A3: Enduring Value impact on RoRE

Total RoRE Impact of EV Adjustments

	2024	2025	2026	2027	2028	Average
WMID	(2.0%)	(0.9%)	1.3%	2.7%	(1.1%)	-
EMID	(1.7%)	(0.7%)	0.8%	1.0%	0.4%	-
SWALES	(2.8%)	0.7%	(0.0%)	2.1%	(0.3%)	-
SWEST	(2.2%)	(0.3%)	0.5%	1.7%	0.0%	-
NGED Total	(2.1%)	(0.5%)	0.8%	1.8%	(0.2%)	-

3. Basis of any estimates and allocations

Use of RRP data

Note that much of the data in the RFPR tables is sourced from the Cost, Volume and Revenue templates reported to Ofgem in the July 2025 RRP. We have not yet received feedback from Ofgem on this submission.

Details of areas of allocation processes and estimation methodologies used to derive RRP data submission are reported in the Strategic Performance Overview accompanying the RRP data submitted to Ofgem in July 2025.

Allocation processes and estimation methodologies

Allocation methodologies are provided for the following areas, for which no specific guidance is provided:

- **Allocation of dividends**

The RFPR requires an adjustment to remove the element of dividends not related to the Regulatory business. Ofgem has not prescribed a method of calculating this, therefore NGED's apportionment methodology uses RRP data in table C1 and takes:

$$\frac{\text{Total Net Costs after Non Price Control allocation outside the price control}}{(\text{Total Net Costs after Non Price Control allocation outside the price control, **PLUS** Total Net Costs after Non Price Control allocation inside the price control})}$$

Calculated as a percentage for each regulatory year.

The dividend paid per the statutory accounts is then multiplied by this percentage to calculate the element paid not related to the Regulated business.

- **Allocation of Director's Remuneration**

Since 2012/13, shared costs have been allocated across the four NGED DNOs as follows:

<u>Allocation of Director's Remuneration</u>	
WMID	30%
EMID	30%
SWALES	15%
SWEST	25%

The allocation of directors' costs has been done using a tested methodology based on drivers of the network's share within the group. Internal review in 2024/25 has confirmed that this allocation remains appropriate.

Pensions reporting

As set out above in relation to table R10 – Pensions, information for the Central Networks Group of the ESPS is reported in table R10 for WMID and EMID, and the WPD Scheme is reported in table R10 for SWALES and SWEST. As the RIGs for table R10 require that the total pension deficit repair payment made by the licensee for its share of any defined benefit schemes is reported, the non-regulated amount of any deficit repair payments into these schemes has been apportioned to arrive at the licensee share. The basis of this allocation for 2024/25 is as follows.

Total deficit repair payment for the CN scheme has been split between pre cut-off deficit repair and post cut-off deficit repair amounts based on the pre cut-off and post cut-off proportions in the last Pensions Deficit Allocation Methodology (PDAM) submission to Ofgem. These amounts are then multiplied by the respective pre cut-off and post cut-off Regulatory Fractions for WMID and EMID from the 2022 PDAM submission to derive the Established and Incremental deficit repair amounts for WMID and EMID. This then leaves a non-regulated element of both the pre and post cut-off payments to be apportioned between WMID and EMID. This is calculated by pro-rating the pre cut-off non-regulated amount between WMID and EMID depending on their relative shares of the Established deficit repair payment for the scheme, and the post cut-off non-regulated amount based on relative shares of the Incremental deficit repair repayment for the scheme.

The same approach is followed for the apportionment of the deficit repair payments into the WPD Scheme between SWALES and SWEST.

4. Corporate Governance

NGED's board composition as at 31st March 2025

Name	Director Type	Appointment Date	Role
Cordelia O'Hara	Executive	01/04/2023	Electricity Distribution President
Paul Branston	Executive	15/12/2023	Director of Regulation
Jennifer Dillon	Executive	01/04/2024	Chief Financial Officer
Graham Halladay	Executive	14/01/2019	Director of ED3
Tanya Sharma	Executive	01/07/2024	General Council Electricity Distribution
Darren Pettifer	Group-appointed non-executive Director	17/08/2022	Group Financial Controller
Lindsey Fussel	Independent non-executive Director	21/08/2023	Sufficiently Independent Director
Janette Mitchell	Group-appointed non-executive Director	01/04/2025	Sufficiently Independent Director

The same Board composition applies to each of:

- National Grid Electricity Distribution (East Midlands) plc;
- National Grid Electricity Distribution (South Wales) plc;
- National Grid Electricity Distribution (South West) plc; and
- National Grid Electricity Distribution (West Midlands) plc.

Decision Making

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

Purpose, values and strategy	Purpose, values and strategy are matters reserved to the ultimate shareholder, National Grid plc. The Company works within the purpose, values and strategy of National Grid and the Company's Board is responsible for the oversight of the Company's purpose, values and strategy.
Board nominations	Changes to the structure, size and composition of the Board and Board Committees are matters reserved to the Company's Board. In accordance with the Company's Articles of Association, the respective Company's shareholder (being National Grid Electricity Distribution Network Holdings Limited) may appoint and remove directors by ordinary resolution.
Board evaluation	The Board evaluation process is a matter reserved for the Company's Board. Separately to the Company, the Board of National Grid plc complies with the provisions of the UK Corporate Governance Code in relation to its own evaluation.
Executive remuneration	NGED does not have a Nominations Committee or Remuneration Committee as these functions are provided by National Grid plc – see the Annual Report and Accounts of National Grid plc (page 98) for information about the National Grid Group People & Governance Committee (which covers the responsibilities of a typical Nominations Committee) and the Remuneration Committee. https://www.nationalgrid.com/investors/resources/reports-plc

Dividend policy	Dividend policy is a matter reserved to the Company's Board. The Company will consult with the Board of National Grid plc to determine dividends, with final approval from the Company's Board.
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Corporate Ownerships Structure:



Affiliates Holding Ofgem Licences

- National Grid Electricity Transmission plc

5. Other relevant information

Useful links and further information

Further information on NGED's Financial Performance can be found in NGED's Statutory Accounts:

<https://www.nationalgrid.co.uk/about-us/annual-reports-and-financial-statements>

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