nationalgrid

National Grid Electricity Transmission plc
Annual Report and Accounts 2025/26

Company number 2366977

Contents

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 ensure its safe, reliable and efficient operation and maintenance. We connect the network to demand customers such as data centres, industrial facilities, and rail networks and distribution networks that deliver the electricity to homes and commercial properties. We also connect generation and large energy storage assets directly to the transmission system.

The governance of National Grid Electricity Transmission plc 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 40.

More information on the management structure of National Grid can be found in the National Grid plc Annual Report and Accounts 2025/26 and on National Grid's website at www.nationalgrid.com.

The International Financial Reporting Standards (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

	2025/26 £m	2024/25 £m	Percentage change
Revenue	**2,896**	2,619	**10.6 %**
Operating profit before exceptional items	**1,573**	1,253	**25.5 %**
Exceptional operating items[1]	**—**	(12)	**(100.0)%**
Operating profit	**1,573**	1,241	**26.8 %**
Profit before tax	**1,389**	1,015	**36.8 %**
Cash generated from operations	**2,162**	2,049	**5.5 %**
Regulated Asset Value[2]	**23,847**	20,570	**15.9 %**
Capital Investment	**4,383**	2,999	**46.1 %**

1 2024/25 amounts relate to £11 million of settlement of net pension assets from the Group's sale of the National Energy System Operator (NESO) and £1 million of costs related to a major transformation programme across the National Grid Group. 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.

	2025/26	2024/25
Return on equity[1]	**8.2%**	8.3%

1 See page 38 for further details, and page 114 for definition and basis of calculation.

Non-financial highlights

	2025/26	2024/25
Network reliability[1]	**99.99999%**	99.99983%

1 See pages 9 to 10 for further details on Key Performance Indicators (KPIs).

What we do and how we are regulated

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. FY26 marked the final year of the second RIIO price control (RIIO-T2), which ended on 31 March 2026. The third RIIO Price control, RIIO-T3, commenced on 1 April 2026 and runs until 31 March 2031.

Under the RIIO framework, 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 regulate 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 provide our customers, consumers and stakeholders.

RIIO-T2 Price Control

Key parameters RIIO-T2

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)	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 delivered were clearly articulated and were integrally linked to the calculation of our allowed revenue, although some outputs and deliverables had only a reputational impact or were linked to legislation. We did not earn allowances if we do not deliver the associated output.

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

- Meeting the needs of customers, consumers and network users.
- Maintaining a safe and resilient network.
- Supporting delivery of an environmentally sustainable network.

Within each of these output categories there were a number of primary and secondary deliverables. The nature and number of these deliverables varied 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

In RIIO-T2, Ofgem determined the efficient level of expected costs necessary for these deliverables to be achieved. Under RIIO-T2 this was known as totex, which was a component of total allowable expenditure and was broadly the sum of what was defined in previous price controls as operating expenditure (opex) and capital expenditure (capex).

Where we under- or over-spent against the allowed totex, there was a "sharing" factor. This meant we shared the under- or over-spend with consumers through an adjustment to allowed revenues in future years. This sharing factor provided an incentive for us to deliver outputs efficiently, as we were able to keep a portion of savings we made, with the remainder benefiting consumers. Likewise, it provided a level of protection for us if delivery of the agreed outputs required us to spend more than allowances.

Re-openers

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

In 2025/26, we received the Final Determinations for medium sized infrastructure projects (MSIPs) and the Electricity Transmission Control Centre (ETCC) project, with £375 million of funding awarded to deliver these schemes.

Accelerated Strategic Transmission Investment (ASTI)

In 2022, Ofgem established the Accelerated Strategic Transmission Investment (ASTI) framework to enable faster decision-making and to streamline regulatory approval and funding for system-critical, nationally significant transmission projects. The framework was established to connect large volumes of renewable energy generation and meet the UK's 2030 decarbonisation and energy security targets, principally the Government's commitment to 'connect 50GW of offshore wind capacity by 2030'. Under this framework, Ofgem subsequently designated 17 projects for delivery.

We established the Strategic Infrastructure (SI) business unit to deliver this programme of work, operating under the NGET transmission licence. The SI business was expanded in 2025/26 to incorporate wider capital delivery projects alongside ASTI projects, bringing together all major project delivery within a single business unit. This change will strengthen how we work together to build a world class delivery organisation, helping us to better leverage our expertise, experience and resources so we can deliver more effectively and meet the expectations of our customers and consumers.

The ASTI portfolio represents the largest expansion of the UK's transmission network in over 50 years. Delivering transmission capacity when it is needed reduces system constraint costs, supports long-term affordability and resilience for consumers, and is critical to achieving net zero. In turn, it strengthens UK energy security by enabling increased volumes of home-grown renewable generation.

ASTI has become an established and integral part of the overall regulatory framework for transmission delivery, and we have made significant progress across several areas:

- Construction – All our six 'Wave 1' major construction projects (2 offshore and 4 onshore) have started construction on schedule. We are leveraging the ASTI regulatory mechanisms to secure early funding, lock in supply chain capacity and provide greater delivery certainty. In parallel, we are actively mitigating risks for the 11 'Wave 2' projects progressing through development, planning, procurement and regulatory approval activities, exploring the possibility of commencing early enabling works to continue delivering at pace across the portfolio.
- Consenting – Following extensive consultation with communities, we have submitted two major Development Consent Orders (DCOs) for Wave 2 projects, a 400kV transmission connection between Norwich and Tilbury and the Sea Link project (a new high-voltage transmission link reinforcing the electricity network in the east of England). These submissions are critical to enabling timely delivery and providing value for consumers. In addition, we have submitted seven Town and Country Planning Act (TCPA) applications and are undertaking statutory consultations on several projects as we prepare for further DCO and TCPA submissions over the coming year.
- Supply Chain – We have secured the supply chain on several of our major projects and programmes. Given the scale and pace of delivery required, we have evolved our procurement approach to secure supply-chain capacity early, to respond to increasingly challenging market conditions. We established the £9 billion Great Grid Partnership (GGP). The GGP enables earlier engagement with delivery partners and provides a stable framework to build the capacity and capability needed for timely delivery. It is now facilitating effective collaboration between the seven partners and National Grid, enabling the conditions necessary to successfully deliver the next wave of Onshore major transmission projects at pace. This has included significant programmatic call-off contracts for overhead line equipment, representing a commitment of approximately £74 million to the supply chain, covering over 10,330km of conductor, 619km of optical wire, and 21,647 400kV composite insulators.

Along with our continued constructive relationship with Ofgem, these developments represent a significant step forward in enabling the timely delivery of critical network infrastructure to support a secure, affordable, and low-carbon electricity system.

RIIO-T3 Price Control

The UK Government is accelerating the transition to a net zero, digital economy. This includes a commitment to decarbonise the electricity system by 2030 (known as Clean Power 2030, or CP2030), achieve a net zero economy by 2050, and meet the rapidly growing demand for electricity connections from data centres and other strategic demand. These ambitions are driven both by the need to deliver on our international greenhouse gas emissions commitments and other national priorities including security of energy supply, reducing the cost of living, supporting 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. Over the next five years, we will nearly double the amount of power we can transfer across the country, and more than double the rate of connecting our customers. This will require us to invest up to £31 billion, around two and a half times our investment in RIIO-T2. This investment will transform a legacy system historically centred on coal and gas into one powered predominantly by renewable energy. As a result, the country will be less dependent on imported gas, less exposed to global price volatility and we will create significant long-term value for consumers.

Our RIIO-T3 plan includes connection of an additional 35GW of generation capacity, 19GVA of demand connections alongside strategic investments that provide optionality for up to 26GW of further capacity through a future-proofed approach to investment. The cost of delivering the plan represents a small portion of consumers electricity bills (currently c.£25, increasing to c.£36 under our RIIO-T3 plan), and is offset by £12 billion in avoided constraint costs.

We do not underestimate the scale of this challenge. An unprecedented number of stakeholders and consumers have been involved in developing our plan, influencing not only what we deliver, but how we deliver it. The engagement has enabled us to maximise value and minimise risks to those impacted. RIIO-T3 represents the largest contract we have ever made with consumers, enabling us to continue delivering world leading reliability while almost doubling the amount of power that can be transferred around the country.

Overview of the RIIO-T3 Regulatory Framework

In December 2025 we received Ofgem's Final Determinations on our five-year business plan for the RIIO-T3 period on the awarded allowances and in-period mechanisms. The statutory licence for this period was effective from 1 April 2026.

As part of the Final Determination, NGET was awarded £5.2 billion baseline allowance and a series of in-period mechanisms that allow flexibility in the price control to invest in large scale projects. Over the five-year period of RIIO-T3, our business plan includes spend in the region of £31 billion to maintain, upgrade and expand the network.

The RIIO-T3 price control enables investment at the pace and scale needed to meet the ramp up in power demand, with plans to nearly double the amount of power that can flow across the country, avoiding constraint costs and ensuring a resilient, clean, future-proofed network that will be critical to underpinning economic competitiveness and growth for Britain in the years ahead.

RIIO-T3 contains new incentives linked to timely completion of strategic projects, meaning that on-time delivery is more important than ever. We will also be incentivised for how we are deploying innovation and the value of constraint costs we save consumers. We will only be rewarded in line with our commercial goals when we deliver extra value for consumers.

Key parameters RIIO-T3

	NGET
Allowed return on equity	5.70% (real terms, relative to CPIH) at 55% gearing (which is broadly equivalent to 6.12% at 60% gearing)
Allowed debt funding	5.39% on a semi-nominal basis, plus 26bps additional borrowing costs Ofgem has introduced a RAV weighted cost of debt for RIIO-T3 that accounts for the need to raise substantial new debt and higher market rates. Ofgem has also introduced a semi-nominal cost of debt mechanism to reduce or remove the correlation of shareholder real returns to inflation.
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 30%; Uncertainty mechanisms 15% Slow: Baseline 70%, Uncertainty mechanisms 85%
Sharing factor	25% (before application of stepped TIM)
Core baseline totex in 2023/24 prices (cumulative for the 5 years of RIIO-T3)	£5.2 billion

Reopeners

In RIIO-T3, the use of reopeners to obtain additional allowances represents almost 70% of our forecast spend over the five years. Across the first reopener window in May 2026 we made 25 submissions to Ofgem for network reinforcements and upgrades across England and Wales. The reopener process is staged to approve need and then costs. A number of our submissions were targeting approval of the first phase and the cost submission will be made in future reopener windows. In total the projects comprise investment in excess of £4.5 billion.

Our mission, values and strategy

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

In April 2026, National Grid introduced an updated strategic framework, focused on operational excellence, strengthening organisational capability, and scaling technology, data and AI, against which we will report from 2026/27.

At the heart of our refreshed strategic framework is a clear and enduring new mission: **we bring energy to power possibilities**. This is not a shift in direction, but a sharper focus on how we translate ambition into consistent delivery across a complex organisation.

Having a clear sense of what we stand for and how we create value is fundamental to our success. Our mission brings together our people, guiding how we serve customers and communities and shaping the pride we take in our work.

We are strengthening our focus on the operational fundamentals with what we call the **“brilliant basics”**, including delivering our capital programme on time and on budget, maximising asset reliability, providing a consistently strong customer experience, and ensuring our functions effectively support the business. These foundations are critical to building credibility and trust, turning investment into tangible impact.

Alongside this, we are driving a set of targeted **"big shifts"** to improve performance and scale delivery. This includes strengthening leadership and capability, harnessing technology, data and AI to unlock productivity and accelerate connections, and taking a more active role in shaping policy and regulatory outcomes that support affordability, resilience and growth.

Our focus is also on getting more from the networks we have, investing efficiently, making trade-offs transparent and delivering **"disciplined growth"**.

Together, this approach ensures we deliver for customers today while building a smarter, more flexible and resilient network for the future.

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 take 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

This report primarily reflects progress delivered against the strategic priorities in place for 2025/26.

In 2025/26, we have been guided by 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 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

We have been guided by five strategic priorities in 2025/26, with some significant achievements.

Enable the energy transition for all

- Agreed the RIIO-T3 price control, securing the regulatory framework for April 2026 to March 2031 and enabling up to £31 billion of investment to support delivery at scale.
- Progressed the RIIO-T2 re-opener programme, securing £375 million of MSIPs and final determinations for the ETCC.
- Worked through a reputationally challenging phase of Connections Reform, issuing protected offers and managing customer impacts, with several key dependencies sitting outside Electricity Transmission's direct control.
- Progressing several ASTI and other major projects through statutory planning consultations.

Build the networks of the future now

- Delivered nearly £4.4 billion of capital investment, up 46% on 2024/25.
- Launched the Electricity Transmission Partnership (ETP) to work with strategic supply chain partners to deliver substation infrastructure at scale. This complements our wider supply chain model including the Great Grid Partnership (GGP).
- Installed the first permanent transmission tower on Yorkshire GREEN Energy Enablement Project.

Deliver for our customers efficiently

- Maintained strong network reliability of 99.99999%, with only one Energy Not Supplied event, the lowest number in ten years.
- Returned one of the two damaged Supergrid transformers to service at North Hyde, with the Environment Agency rating the site clean-up as "Gold Standard".
- Energised the first Microsoft data centre connection, connected Britain's largest solar array in Kent, and connected the nation's largest battery energy storage system (300MW) at Tilbury substation.
- Supported government development of Artificial Intelligence (AI) Growth Zones, with four zones announced targeting around 500MW of AI-related demand, and worked with government to accelerate strategic connections including Blyth.
- Worked with the National Energy System Operator (NESO), Ofgem and other stakeholders and secured approval of Connections Reform to prioritise the energy projects that are most ready and most needed to meet the country's clean power targets.

Operate safely and efficiently

- Delivered ~100bps Return on Equity outperformance against allowed returns.
- Underlying operating profit up ~18% year-on-year at nearly £1.7bn.

Build tomorrow's workforce today

- Increased our directly employed workforce through over 712 permanent external hires, bringing our total permanent workforce to 4,718, up 24%.

Business Review

Highlights

Over the course of 2025/26, we have agreed the RIIO-T3 price control, securing the regulatory framework for April 2026–March 2031 and enabling up to £31 billion of capital investment. In addition, we have delivered financial results in line or ahead of expectations, with underlying operating profit up 18% year on year and capital investment up 46%. Our capital investment has included, for example, starting construction of three new or significantly expanded substations, including Uxbridge Moor, which is supporting multiple data centre connections and is expected to be the largest capacity substation in the UK.

Investment

Over the course of 2025/26, we have delivered £4.38 billion of capital investment. We are working to deliver up to £31 billion capital investment in our RIIO-T3 investment plan, acting as an engine for growth and powering the country through the shift to a cleaner economy.

The volume of investment planned over RIIO-T3 will stretch our supply chain, with transmission owners around the world upgrading their grids. Following on from the launch of the Great Grid Partnership (GGP) in 2024/25 to support the delivery of major infrastructure, we launched our Electricity Transmission Partnership (ETP) regional model for delivery of substation works in July. We have already allocated c.£1.7 billion to partners under the framework. This is designed to unlock long-term supply chain capacity and skills across England and Wales. The ETP remodels how we engage with suppliers, moving to a longer-term collaborative approach that builds strong regional partnerships and rewards partners for high quality performance over time. It will accelerate the delivery of vital substation infrastructure across England and Wales and support the UK's clean energy transition, with c.£8 billion of substation construction work to be awarded over the RIIO-T3 period across c.130 projects.

Work on our ASTI projects continues at pace and the primary supply chain is now in place for all 17 ASTI projects. We have made good progress on the 6 ASTI projects where construction commenced in 2024/25. Our ASTI portfolio is crucial to a lower carbon energy future and we are working to minimise the carbon emissions from construction whilst balancing that with the cost to the customer and delivery at speed. We now model future emissions so that we can take action to reduce our impact on the environment without delaying programmes.

Innovation

We are building a brand new, state-of-the-art control centre to manage the transmission network of tomorrow. This will reinforce network resilience, uphold our world-class reliability standards and power the clean energy transition. The control centre will use our new Supervisory Control and Data Acquisition (SCADA) system, expected to go-live in June 2027, providing real-time visibility and control of our assets and allowing us to respond quickly to changing network conditions and customer needs.

We are systematically testing new technologies and ways of working. Over the course of 2025/26, we have worked with Hyperion Robotics and the University of Sheffield on a UK-first trial of low-carbon 3D-printed concrete substation foundations. If deployed across all substations, this technology could save over 700 tons of concrete and over 300 tons of CO_2 over ten years. In addition, we energised over 300km of Dynamic Line Rating (DLR) technology in 2025/26 and installed a further 300km to enable the flow of more renewable generation. Digital (weather-based) and sensor-based DLR has saved consumers over £23 million over the year and £230 million over RIIO-T2. We plan to install a further 260km of DLR in 2026/27.

Customers

We are connecting new energy users as well as new sources of renewable and flexible power to deliver secure, reliable and increasingly decarbonised energy. Over the course of 2025/26, we connected Britain's largest solar array in Kent and the nation's biggest battery energy storage system at Tilbury substation. This was part of over 1,400MW of customer generation and 700MVA of demand projects completed in the year, in addition to multiple multi-year projects are in development or in delivery to connect renewable energy, data centres and other demand to the network.

We have long advocated for reform as critical to achieving the UK Government's Clean Power 2030 ambition. However, there are key dependencies outside NGET's direct control. This year Ofgem has approved proposals from the National Energy System Operator (NESO) to reform Britain's connection arrangements and prioritise the energy projects that are most ready and most needed to meet the country's clean power targets. In addition, NESO has now published the new connections pipeline, including details of the strategic alignment of generation technologies to the UK Government's Clean Power 2030 capacity targets. We continue to work closely with NESO to support the implementation of Connections Reform and are now taking major steps towards having a better view of the future needs of the transmission network.

We continue to see strong and accelerating demand for electricity connections driven by electrification of the economy including transport, heat and industry and rapid growth in digital infrastructure driving a demand for data centre connections. In response, we have taken a series of actions to improve the efficiency, transparency and deliverability of the connections process. We have now re-baselined the connections queue through the implementation of a new connections process, removed speculative projects, improved the distribution of technology and implemented queue management reforms so that we can sustain the new pipeline of connections. Over RIIO-T3, we will apply the new connections process to new offers and continue to assess and iterate the new connections process.

Reliability and safety

The reliability of our network remains world-class. Network reliability was 99.99999%, with just one Energy Not Supplied event, the lowest number in ten years. This is underpinned by delivery of asset health interventions and maintenance compliance. Our new Enterprise Asset Management (EAM) platform will support the transformation of our asset management capabilities and management of an intelligent network with granular asset data and a shared view of risk and total cost of ownership.

As we grow, maintaining a strong safety culture and ensuring everyone is competent and confident in their roles is essential. We narrowly missed our Lost Time Injury Frequency Rate (LTIFR) target (0.11 vs a 0.10 target) but have worked with our supply chain to enable growth and delivery whilst embedding safety compliance, best practice and innovation.

People

Delivery of the energy network of tomorrow will require a significant expansion of our workforce. We've made great progress in attracting new talent. Our permanent headcount is now 4,718, up 24% and up 78% over RIIO-T2, with 712 experienced hires and 261 graduates and trainees joining over the year. We're investing in the future and expanding our training and authorisation programmes. This year we have created new pathways for colleagues to build critical skills, gain the right authorisations, and take on work that matches their experience. In 2025/26, colleagues achieved 200 new authorisations to carry out the work needed on the network to deliver net zero and maintain a safe and secure supply of electricity to consumers.

In 2025/26, we established a skills collaboration with SSEN, SPEN and our supply chain to address the critical skills gaps in the industry, attract talent to the sector, set skills standards, and work together on workforce planning for the industry. This includes over 20 active members and is expected to grow further in the year ahead. In addition, we have worked with industry stakeholders as part of the Electricity Networks Sector Growth Plan to deliver an interim energy industry skills report, with a full report to follow in 2026/27. We expect this to lead to collective industry action to build the skills needed across the industry to upgrade and expand our electricity network at speed and create the foundations for growth, jobs and a resilient economy powered by secure and clean energy.

Looking ahead

In 2026/27, we expect to:

- Make submissions to Ofgem across the various stages of the reopeners process for up to £14 billion of additional funding to deliver new connections and system reinforcements.
- Work closely with customers and industry partners to deliver Connections Reform.
- Connect up to 19GVA of demand through RIIO-T3 to meet the rapid growth of digital services, cloud computing, and AI applications.
- Connect up to 35GW of generation, including renewables and battery storage, supporting economic growth and decarbonisation.
- Implement Connections Reform, provide improved transparency to customers and deliver a step change in our management of strategic customers.
- Continue delivery of the ASTI portfolio, enabling power flows from 50GW of offshore wind across our network.
- Roll out our T-minus process to deliver the volume of outages needed to meet our RIIO-T3 commitments. This is a countdown to the start of an outage to test readiness and provide earlier visibility of emerging risks.
- Work with NESO and other industry stakeholders to remove the system access bottleneck to delivery.
- Expand our use of AI across the business, including to drive portfolio decisions and delivery.
- Go live with our next generation ETCC and SCADA system to manage the network and go live with our new Maximo Manage enterprise asset management and work data platform.
- Develop the leaders, digital capabilities and high-performance culture to underpin a revamp of our performance management system.
- Continue the expansion of our workforce and recruitment into critical roles to deliver RIIO-T3.

Progress against objectives – key performance indicators

During 2025/26, we continued to deliver against the strategic priorities in place at the time. From April 2026, National Grid Group has introduced a refreshed strategic framework, including a new mission, which will underpin our reporting from 2026/27 onwards.

The Board has reviewed the key performance indicators in the year to focus on those most relevant to understanding performance.

Strategic Priority	Key Performance Indicator	Performance
Enable the energy transition for all	**ET Investment re-opener funding secured** This KPI shows the proportion of requested re-opener funding approved by Ofgem. This additional funding is critical to ensuring we deliver an energy network that is safe, secure and reliable. ET continued to secure the substantial majority of reopener funding requested, following particularly strong performance in FY25. While approval rates moderated year-on-year, performance remains high overall and continues to demonstrate strong regulatory engagement. Ofgem imposed disallowances related to elements including Risk, Real price effects and Closely associated Indirects following Ofgem's assessment, as they challenge us to find ways to deliver further consumer value. We are continuing to consider lessons learned and are embedding these into our programme of work for future reopeners.	2025/26: 89% (Target: 95%) 2024/25: 96% (Target: 95%)
Build the networks of the future now	**SF_6 emissions** This measure tracks SF_6 leaks from our assets through a proxy of top-ups of SF_6. We are dedicated to cutting our SF_6 emissions by 50% by 2030. Strong performance following pro-active intervention to address leaks and continued investment in innovation to detect and repair leaks on a timely basis.	2025/26: 7,056 kg (Target: 7,986 kg) 2024/25: 7,998 kg (Target: 8,600 kg)
	Capital investment This KPI measures Total annual capital investment delivered to build, replace and reinforce the electricity transmission network. Capital investment is up 46% vs 2024/25 and comfortably above target, driven by major strategic programmes (including EGL4, Sea Link and North London Reinforcement) and mobilisation of large new connection projects such as Margam and Letchmore Heath.	2025/26: £4,383 million (Target: £4,156 million) 2024/25: £2,999 million (Target: £3,254 million)
	Network reliability (Energy not supplied incentive) 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 (ENS). There was one incentivised loss of supply event in April. This equates to 99.99999% reliability.	2025/26: 28.9 MWh (Target: <103 MWh) 2024/25: 359 MWh (Target: <103 MWh)
Deliver for our customers efficiently	**Quality of Connections - Delivery** Customers rate their satisfaction (out of 10) with the experience we provide across the connections journey, making this our primary measure of customer experience for connection services. Monitoring feedback at key stages enables us to identify areas for improvement and enhance service delivery. This KPI is focused on the delivery phase of projects and is therefore not directly aligned to the full regulatory incentive. Performance was below target during the year, reflecting the impact of industry-wide Connections Reform and the impact of increased demand for system access on delivery timelines and certainty. We continue to support the implementation of Connections Reform, which prioritises projects that are ready and with the highest consumer benefit, and is expected to improve outcomes for customers. The Quality of Connections - Delivery KPI is a subset of the Quality of Connections regulatory incentive, which covers the full customer connection journey. We track the Quality of Connections - Delivery KPI internally as this is based on those areas of the customer connections journey that National Grid Electricity Transmission has greatest influence over. In 2025/26, the score on the full incentive was 7.0 (2024/25: 6.5).	2025/26: 7.6 (Target: 8.1) 2024/25: 8.1 (Target: 7.4)

Strategic Priority	Key Performance Indicator	Performance
Operate safely and efficiently	**Lost Time Injury Frequency Rate (LTIFR)** This KPI measures the frequency of incidents resulting in time away from work due to injury for colleagues or contractors. We narrowly missed target. We are working to maintain a strong safety culture and ensuring everyone is competent and confident in their role.	2025/26: 0.11 (Target: 0.10) 2024/25: 0.07 (Target: 0.10)
	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. Whilst down on 2024/25, this equates to ~100bps outperformance versus allowed returns, demonstrating that higher investment has translated into earnings rather than dilution. The 100bps outperformance is driven from the company's outperformance of Totex limits. Year-on-year variance reflects change in cost of equity reflecting a lower allowed return.	2025/26: 8.20% (Target: 8.20%) 2024/25: 8.30% (Target: 8.30%)
Operate safely and efficiently	**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. Further details on adjusted profit measures are provided in the Financial Review on page 36. Operating profit was above target and up ~18% year-on-year, reflecting higher allowed revenues driven by increased investment, growing connections activity and inflation, while maintaining financial discipline.	2025/26: £1,682 million (Target: £1,677 million) 2024/25: £1,428 million (Target: £1,432 million)
Build tomorrow's workforce today	**Leadership of change** This KPI is as reported in the annual Grid:voice survey. It is measured as the average score across the following three Grid:voice questions: • When changes are made where I work, communications are clear. • I am encouraged to come up with new or better ways of doing things. • I have trust and confidence in the company's senior leadership team. Colleagues feel encouraged to innovate and find better ways of doing things. We are focused on improving communications around change (down 4%) and building confidence in the senior leadership team (down 2%).	2025/26: 68% (Target: N/A) 2024/25: 69% (Target: N/A)

Strategic Report

Our network strategy to 2035

Delivering a clean, fair and affordable energy system

The UK stands at a pivotal moment in its energy transition, energy networks are central to meeting the country's ambitions for a fully decarbonised energy system and are a critical enabler of the wider electrification of our economy. Delivering on these will require not just incremental progress, but a fundamental transformation in how we plan, build and operate our electricity network to meet the needs of our customers, consumers and society.

We have already made significant strides in delivering against these ambitions. We connected a total of 14 GW of new generation and 3.8 GW of new demand across the 5-year RIIO-T2 price control.

However, as an industry we must go further and faster. Through RIIO-T3 we will invest at the pace and scale needed to meet the ramp up in power demand, with plans to nearly double the amount of power that can flow across the country, avoiding constraint costs and ensuring a resilient, clean, future-proofed network that will be critical to underpinning economic competitiveness and growth for Britain in the years ahead.

Alongside this, we are innovating at pace to maximise the use and availability of the existing transmission network and designing a standardised system that allows customers to connect more quickly and efficiently. This includes deploying advanced technologies such as Dynamic Line Rating to unlock additional capacity, alongside a broader suite of digital and operational innovations evolving over time.

Innovation is not limited to technology. We are increasingly exploring how flexibility can be used not just in real-time operation, but at planning timescales – helping to optimise investment, accelerate connections and improve overall system utilisation. We are also embedding sustainability into every stage of design and construction, and harnessing digital technologies to create a more intelligent, adaptive network that can respond to change at scale. We are collaborating across National Grid and with external delivery partners to bring together the capabilities required to scale delivery at pace.

Looking ahead, we are taking a more proactive and strategic approach to network development through future strategic energy planning. This means investing ahead of need where appropriate, coordinating network development across the whole energy system across different industry processes (e.g. Connections Reform, Centralised Strategic Network Planning) and designing infrastructure that can accommodate a range of future scenarios.

Through the plans we have set out, and by working closely with our customers and stakeholders, we can build an electricity network that supports economic growth, accelerates electrification and continues to deliver a reliable, resilient and affordable energy system for the UK.

Our commitment to being a responsible business

Responsible business underpins our core purpose and our values; 'doing the right thing', 'finding a better way' and 'making it happen'. 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 Clean Power 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. We are investing in our assets, environment, colleagues and communities, generating social and economic value to leave a positive legacy.

Sustainability is integral to our business and embedded in our strategic priorities. Our RBC commitments are built into our business plans and reviewed annually.

Looking ahead to RIIO-T3, the scale, pace and complexity of delivery will increase significantly. During 2025/26 we focused on strengthening the foundations required to deliver responsibly at scale, including clearer enterprise governance, more consistent data and assurance, and enhanced capability across safety, environment, quality and social impact. These actions are designed to ensure that responsible business outcomes remain integral to decision-making as investment accelerates, providing confidence that performance can be sustained as we transition into RIIO-T3.

The Group's Responsible Business Review for 2025/26 has been published as part of our National Grid plc Annual Report and Accounts; a supporting website provides supplementary information[1]. The review is guided by internationally recognised reporting standards from the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) and certain metrics are subject to independent external assurance.

Our environment

NGET is facilitating rapid decarbonisation of the energy system through 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)[2], 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 RIIO-T2 regulatory period. In September 2025, our fourth 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

We are 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 have connected 1.2 GW of generation capacity to the network. All connected projects include battery storage, with some being solely battery-based and others hybrid configurations, such as the Thornton project, which is a co-located Battery and Solar PV project.

Launched in 2023, our ASTI portfolio - 17 major projects, across England and Wales - are being delivered as part of the Great Grid Upgrade. This is both scaling up the grid and updating 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 to where consumers need it, boosting energy security and helping the nation become more self-sufficient.

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 emissions[3]) 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 184,901 tonnes CO2e in 2025/26. This represents a 38% reduction from our 2018/19 baseline.

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 (SF_6), a very potent greenhouse gas used as an insulating gas in high-voltage equipment. We are committed to reducing Scope 1 SF_6 emissions from our operations by 50% (from our 2018/19 baseline) by 2030, and we will no longer use SF_6 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 11.6% year-on year reduction from last financial year.

We recognise the tension between managing our own emissions and maintaining the pace of delivery needed to connect clean energy. Our investment and operational

[1] https://www.nationalgrid.com/responsibility

[2] https://www.nationalgrid.com/document/355131/download

[3] 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.

decisions are therefore informed by net impact and seek to deliver the greatest reduction in emissions overall.

Case studies: Reducing SF_6 Emissions through Innovation, Asset Stewardship and Collaboration

At the start of RIIO-T2, a dedicated commercial and portfolio team was established to tackle SF_6 emissions.

The team focused on repairing the largest leaks and implementing preventative measures, including innovative leak detection and repair techniques, collaboration with original equipment manufacturers on major refurbishments, and palliative coatings to slow deterioration. This has resulted in outperforming this year's emissions reduction target, achieving a 41% reduction from the baseline and positions the business strongly to meet the 2030 target.

As the business moves into RIIO-T3 the team will continue these interventions and add targeted retro-filling (replacing SF_6 with lower-impact alternatives at selected sites) and installation of gas density monitoring across assets to provide live condition data and faster response to changing conditions.

The remainder of scope 1 emissions (4%) result from operational transport and the combustion of fuels, such as diesel, on our substations. Operational transport emissions decreased by 17% from 2024/25. NGET has successfully replaced 60% of our commercial fleet of light- and medium-duty vehicles with zero emission vehicles (ZEVs), putting us on-track for our National Grid Group-wide commitment to move to a 100% electric fleet by 2030.

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 are the difference between the amount of electrical energy entering and leaving a network and arise mainly from the energy used by network equipment used to transport energy for consumption.

Energy losses from overhead transmission lines can increase as the distance between supply (generation) and demand (customer use) increases. We expect network losses to grow in the near-term as our network expands, but as new low carbon generation displaces fossil fuel plants and we invest in more efficient networks, emissions will reduce 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 22% reduction in UK Electricity Transmission emissions from 2024/25.

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 15% and 56% respectively from 2024/25.

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). Total Scope 3 emissions increased from 1,358,334 tCO2e in 2025 to 1,957,370 tCO2e in 2026, representing a 44.1% year-on-year rise. This reflects the carbon implications of a growing capital delivery programme, combined with a more accurate attribution of emissions to NGET activity.

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

We continue to focus on how we can reduce the carbon emissions of our construction projects as our network grows.

In 2021, we set a target to achieve carbon neutrality across our construction and maintenance programmes by the end of FY2026. Since setting this target, the standards and terminology relating to carbon neutrality have continued to evolve. There is now broader recognition across the industry that achieving carbon neutral construction within a regulatory period (i.e. RIIO-T2) is not currently credible, as some carbon compensation projects — such as tree planting — require more time to mature in order to absorb carbon emissions. Whilst the landscape has evolved, we remain committed to low carbon construction and to funding compensation projects, such as tree planting and energy efficiency schemes to abate residual emissions associated with construction.

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

- Fit for 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

During 2025/26, NGET continued to develop a portfolio of carbon credits and pending issuance units aligned to our eight bespoke carbon compensation principles. Over the RIIO-T2 period, we allocated £3 million of our regulated Use It Or Lose It fund to projects delivered by five organisations across England and Scotland, spanning a range of landscapes and interventions, including energy retrofitting in low-income households, tree planting and peatland restoration. These investments generate wider co-benefits, from social value to biodiversity enhancement. Looking ahead to RIIO-T3, we will continue to build a diversified and resilient portfolio, working with strategic partners to further evolve and strengthen our carbon compensation investment.

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 CO_2 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 deliver net gain of at least 10% in environmental value (including biodiversity) on all construction projects (including those delivered by third parties building on our land). 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 2025/26, all 14 sanctioned construction projects have committed to deliver a 10% net gain, with 10 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 committed to improve the environmental value of our UK non-operational land by at least 10% by March 2026.

Since 2020/21, we've achieved a 14.71% improvement in the environmental value of non-operational land. In our final delivery year of RIIO-T2 for our Environmental Incentive target (2025/26), we were proud to introduce nine new strategic partnership agreements and expanded one existing agreement to deliver more environmental value. We achieved a 3.61% improvement, equating to over £10 million of Natural Capital uplift and representing an average of 4,650 additional recreational and environmental education visits per annum. Approximately 50 hectares of additional habitats are 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, our biodiversity efforts have focused on minimising impacts from construction and operations. In 2024/25, we expanded this by working with Scottish & Southern Energy Networks (SSEN) and Scottish Power Energy Networks (SPEN) to identify nature-related risks in the transmission supply chain, using procurement data, advanced analytics and AI. The analysis found that 10% of global biodiversity loss pressures are linked to the energy and utilities sector, with 29% of relevant mines located in Key Biodiversity Areas and nearly half classified as high-risk due to poor environmental practices. This work strengthens our understanding of supply-chain biodiversity risk and provides a stronger basis for targeted action with suppliers.

Innovation

In 2024/25 we refreshed our innovation strategy to support the transition to a low carbon economy and the Government's Clean Power 2030 agenda. Delivering this ambition will require 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

This year, the largest Vertical Shaft Sinking Machine in Europe began work at our Tilbury site in Essex, marking a major milestone for the Grain to Tilbury project. This innovative approach replaces the 1960s Thames Cable Tunnel and enables safer, faster and more sustainable construction, supporting the connection of more home-grown renewable energy to homes and businesses.

This landmark achievement underpins our low-carbon construction commitment and positions us to lead confidently into RIIO-T3, with carbon considerations fully embedded throughout how we plan, build and operate the electricity transmission network. We have further strengthened this approach through the implementation of Moata, a digital carbon management tool that streamlines project-level carbon calculations, enables the identification and targeting of carbon hot spots across our construction programme, and ensures continued alignment with PAS 2080.

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 2025/26 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.

To ensure our activities are in line with environmental legislation and current good practice, NGET has an environmental management system certified to ISO 14001. Integrated with our ISO 9001 quality management system and ISO 45001 occupational health and safety management system, certification to all three standards was maintained with no major non-conformances in September 2025.

Case study: 3D-printed concrete foundations - Yorkshire Green pilot

NGET has developed innovative 3D-printed concrete foundations for substation assets, replacing traditional mass concrete pads with a digitally controlled, fully automated process that uses around 70% less concrete, incorporates recycled aggregates, and reuses excavated soil on-site as backfill, reducing waste and transportation emissions.

In 2025/26 these were piloted on low-risk assets at the Yorkshire Green project in Overton. The pilot demonstrated operational viability and saved approximately 240 tonnes of concrete, reduced embodied carbon by 60%, cut excavated soil removal by up to 80%, as well as shortening installation times by a factor of two.

Each foundation is supported by a material passport and Environmental Product Declaration, providing full material traceability and enabling future reuse or recycling in line with circular economy principles.

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 Adaptation 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 are central to our role in supporting the energy transition for customers and communities.

Millions of people rely on our networks every day and we take this responsibility seriously as we continue to develop the energy system the UK needs for the future. In 2025/26, we delivered network reliability of 99.99999%, reflecting the robustness of our assets and the strength of our day-to-day operations.

This year, there have been three incidents resulting in injuries to members of the public, attributable to our business.

Engaging with our communities

The increasing pace and scale of our capital works calls for a step change in how we plan and deliver infrastructure, supported by ongoing engagement with the communities where we work. This helps us deliver our electricity transmission projects sensitively, while creating a lasting local legacy.

This year saw our highest level of consultation and engagement across our portfolio. Our first wave of projects is now in construction, including Bramford to Twinstead, Eastern Green Link 1 and Eastern Green Link 2, Yorkshire GREEN, North London Reinforcement and Grain to Tilbury.

We consulted on 13 major projects across England and Wales, reaching communities in the East of England, Midlands, Lincolnshire, South East, North East, North West and Wales. Across 92 events, 4,891 people attended and we received 4,499 responses. Our consultations are designed to build trust and awareness, improve understanding of our proposals and help inform routeing and design.

Investing in communities

Communities are at the heart of the UK's transition to a more secure, cleaner and resilient energy system built on homegrown sources. We want to ensure the people and places that host new energy infrastructure see lasting benefits through local skills, opportunities and community outcomes.

Community funds

In line with government guidance, we provide dedicated community funds in areas where new above-ground electricity transmission infrastructure is being built.

We work closely with residents, community and voluntary organisations, and elected representatives to understand what matters most locally. This helps us make funding decisions that are clear and accessible, and that leave a lasting positive impact.

In 2025/26, we launched Local Funds on our first three Accelerated Strategic Transmission Investment (ASTI) projects: Eastern Green Link 1, Eastern Green Link 2 and Yorkshire GREEN.

By year end, we had awarded approximately £317,000 across 28 initiatives, supporting projects such as:

- Creative Youth Opportunities CIC - awarded £9,800 to deliver an arts-based youth club in Horden. Shaped by young people, the initiative provides a safe, creative space to explore the issues they face and supports their mental health and wellbeing. (EGL1)

- The Dollywood Foundation UK - awarded £8,460 to provide over 400 children in Bridlington with free books for a year. The project supports early education and STEM opportunities by building strong literacy and numeracy foundations. (EGL2)

- South Milford Royal British Legion - granted £19,800 to install solar panels on a community building serving the local veteran community, improving an important community space while supporting long-term energy efficiency and sustainability. (Yorkshire GREEN)

Feedback from funded organisations includes:

"Big Green Heart are delighted to have secured funding through Yorkshire GREEN to help us equip local primary schools in our transformational forgiving practice. Our vision is to train, resource and support schools to improve mental health and champion a life skill that will benefit classrooms, homes and communities." - Founder and CEO, Big Green Heart.

Local insight and engagement are shaping community funds across our projects. For Bramford to Twinstead, input from more than 180 individuals and organisations (plus 137 survey responses) helped identify priorities including the environment, community spaces, wellbeing, cost of living, opportunities for young people and rural isolation. On Uxbridge Moor, focus groups with Uxbridge College students - capturing perspectives not always reached through traditional engagement - highlighted priorities including improvements to public spaces, cleanliness and safety, youth facilities, and skills and employability.

Community benefit

Alongside Community Funds, we are working with our partners to maximise the social value we deliver in areas hosting our projects, including:

Case study: Eastern Green Link 2 (EGL2)

The Eastern Green Link 2 (EGL2) project team and its partners delivered a programme of community engagement, educational outreach and volunteering across the region.

Across 14 events, the team engaged 109 participants, demonstrating a strong commitment to environmental stewardship and inspiring the next generation of engineers. 62 volunteers supported activities including nature reserve and beach clean-ups, and conservation tasks such as planting, pathway repairs, habitat creation and car-park improvements.

Since opening in November 2025, the EGL2 Visitor Hub has hosted educational events, welcoming 47 external visitors. Selby College attended the opening and returned in January 2026 for a podcast-style panel session where 16 engineering students questioned a panel from National Grid Electricity Transmission, SSEN, BAM and Murphy Group to inform their EGL2 case study. In March 2026, 17 Construction and Engineering T-Level students from Wakefield College took part in a site visit that included a guided tour of the Wren Hall converter station, a careers panel discussion, and an overview of apprenticeship and graduate pathways.

Our collaborative approach, bringing together National Grid Electricity Transmission, SSEN and contractor partners including BAM, Hitachi, Prysmian, Balfour Beatty, Copper and

Murphy Group has delivered activity across multiple sites in the region, from conservation areas to local schools and colleges.

Community Grant Programme

Alongside community funds for new infrastructure, we have continued to operate our Community Grant Programme (CGP), which funds local projects in areas affected by works to existing assets.

During 2025/26, the CGP awarded over £601,000 in grants, supporting 40 community organisations linked to 14 NGET projects across England and Wales. Projects focused primarily on improving community health, wellbeing and safety, enhancing inclusion for under-represented groups, and supporting education and skills development, particularly in STEM.

Together, our community funds and the CGP are helping us to deliver consistent, meaningful benefits across our portfolio, reflecting the differing impacts of our projects and needs of the communities we work alongside.

Supporting an affordable energy transition

National Grid remains committed to supporting those who are unable to meet energy costs, and we continue to operate the Grid for Good Energy Affordability Fund. The fund supports vulnerable households through energy efficiency upgrades, emergency financial support and the provision of energy advice, delivered with key charity partners in the UK. Our partners estimate that the fund has supported more than 28,000 households in the UK to date. The current Grid for Good Energy Affordability Fund will run until 2027/28, enabling us to continue supporting organisations that assist vulnerable households. Further information is available on our website.

Accelerating social mobility in the communities we serve

We continue to support social mobility in the communities we serve through new and existing partnerships with registered charities, not-for-profit organisations, social enterprises, educators and our supply chain.

Together with these organisations, we have created skills and employability pathways that help ensure everyone has the opportunity to reach their potential, regardless of background - providing energy education programmes to disadvantaged young people and work-ready adults, and offering coaching for potential future talent.

National Grid Group has exceeded its commitment to upskill 45,000 people in our communities, and we remain dedicated to supporting these programmes and building the workforce our industry will need in the future.

We ranked 8th out of the top 75 employers in the 2025 UK Social Mobility Index (SMI), rising 34 places from the previous year. This demonstrates our leadership in building an inclusive, representative and successful workplace that supports upward social mobility.

People and communities impact

In 2025/26, 929 colleagues (20% of our workforce) volunteered 9,849 hours, exceeding our 4,729-hour target. Volunteering focused on supporting local communities, strengthening employability and skills, and delivering STEM outreach that helps build understanding of energy, engineering and sustainability.

We improved the quality and consistency of our outreach by introducing a curriculum-linked 'Teacher Toolkit' and interactive science show and by providing volunteers with briefings, training and resources, helping colleagues feel confident and well prepared when engaging with schools and community groups. Alongside volunteering, our partnerships and programmes continue to support social mobility and skills development in the communities we serve, contributing to National Grid Group's progress in upskilling people in our communities.

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

Our NGET customer satisfaction score on the delivery phase of our work in 2025/26 was 7.6 out of 10. Whilst this was a decline on the previous financial year (8.1), 2025/26 was a year marked by significant industry reform and rapid change. During the year, we strengthened our workforce, invested in digital transformation and embedded customer-centric principles, driving measurable improvements for our customers.

The Quality of Connections - Delivery KPI is a subset of the Quality of Connections regulatory incentive, which covers the full customer connection journey. We track the Quality of Connections - Delivery KPI internally as this is based on those areas of the customer connections journey that National Grid Electricity Transmission has greatest influence over. In 2025/26, the score on the full incentive was 7.0 (2024/25: 6.5).

Our people

Our people are our most valuable asset. Safety is a core value and the health 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 81%.

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 recognised as an employer of choice.

In April 2025, we set out how we will prepare the organisation to deliver a step-change in scale, complexity and performance. We are focusing on changing how we work – strengthening the basics while making bold shifts in capability, technology and ways of working – so we can meet growing stakeholder expectations and succeed in RIIO-T3 and beyond.

We are transforming our workforce so that we have the right capacity, capabilities and ways of working for the future. We aim to free up capacity, redesign work, and build a flexible, resilient, digitally enabled workforce that delivers the right work, in the right way, at the right time.

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 New Talent intake has been consistent and during 2025/2026, 261 graduates and trainees joined NGET.

We aim to create an inclusive and equitable culture, where everyone feels that they belong.

Our Female Population has been increasing consistently, and in the last fiscal year went up from 24.2% to 25.5%.

Gender demographic as at 31 March 2026 - NGET

	Male	Female	Total	Male	Female
Our Board	6	3	9	67%	33%
All NGET Employees	3,515	1,203	4,718	74.5%	25.5%

*The table above provides the data for NGET permanent employees. Procurement, temporary and non-employee workforce are excluded.

Leading the industry on colleague health and wellbeing

We are committed to protecting, promoting and enhancing the health and wellbeing of our workforce, recognising that healthy employees are fundamental to a responsible, resilient and high-performing business. Our approach focuses on prevention, early intervention and creating an inclusive culture where people feel supported to thrive both at work and beyond.

Our health and wellbeing strategy is called ‘Future Health’ and is aligned to our values, our people strategy, guided by risk and legal obligations. It is endorsed at senior leadership level, with clear roles and responsibilities at all levels to achieve continuous improvement.

We prioritise safe and healthy working environments through robust health and safety standards, proactive risk assessments and ongoing training to manage Musculoskeletal (MSK) risks and physical health management. Alongside this, we invest in mental health support to help employees manage stress, build resilience and seek help early when challenges arise.

Key initiatives during the year included:

- Access to confidential wellbeing and mental health support services
- Mental health awareness training for managers and teams
- Flexible and hybrid working arrangements to support work–life balance
- Wellbeing campaigns focused on sleep, physical activity, primary care screening and healthy habits

We aim to create a culture in which wellbeing conversations are normalised and stigma is reduced. Employee networks, wellbeing champions and trained mental health advocates play an important role in fostering peer support and signposting resources. We also work to ensure that reasonable adjustments and tailored support are available for colleagues with long-term health conditions or disabilities.

We monitor the effectiveness of our wellbeing approach through employee engagement surveys, absence data, utilisation of support services and qualitative feedback. Insights from these measures help us identify emerging risks, understand what matters most to our people and shape future priorities. Our Wellbeing Index currently is 85%, which has seen an 11% increase over 3 years.

By investing in the health and wellbeing of our people, we are supporting not only individual outcomes but also the long-term sustainability and responsible growth of our business.

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. We also promote this 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 2024 and 2025 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, engagement activities and development of a safe and well culture.

Our safety performance is measured through a combination of leading and lagging indicators. LTIFR is one of the core KPIs of the business. We take a proactive, risk-based approach to managing health and wellbeing and have documented standards relating to Occupational Health & Safety and Wellbeing & 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 0.11. Since the beginning of the financial year 2025/26, NGET has reported 17 Lost Time Injuries (LTIs). We are committed to building a high-performance safety culture aiming to elevate awareness, empower individuals and build on our existing values and behaviours.

The 'Safe & Well' strategy is rooted in our core value of 'Do the right thing' and fundamentally brings together how we lead, how we investigate and how we learn. We are evolving our Safety, Health and Wellbeing culture by incorporating Human and Organisational Performance (HOP) principles.

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 our tier one contractors, promoting a systematic approach to mental health management across NGET and its contractors. This is now a supplier requirement, setting clear expectations to risk assess and manage mental health at project commencement, setting out a clear commitment charter with the aim of reducing stigma and signposting to support throughout our supply chain - all helping to tackle poor mental health in the construction industry.

Our Health, Safety and Wellbeing team have also been involved in the development and promotion of the BS30480 Suicide Risk in the workplace at a national level and are currently completing an internal gap analysis and raising awareness with our supply chain.

We have formed a partnership with the Lighthouse charity, a dedicated charity for the construction industry, particularly benefiting our Tier 2 and smaller contractors who may not have access to support or guidance demonstrating our leadership in improving industry standards in managing mental health

We have established a quarterly forum with our supply chain which combines site visits, shared learnings and networking opportunities. Focus topics have been on innovation, MSK and ways of working to create a collaborative learning environment for partnership working and improved health, safety and wellbeing outcomes.

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. We have made significant progress in delivering the plans, achieving most of the outcomes that move us towards Ofgem’s enhanced profile. We continue to deliver on our plans through 2026/27 to raise our maturity to withstand sophisticated attacks and we are closely following the progress of the development of the Cyber Security Resilience Bill to ensure we continue to lead the way in the sector.

Partnership with our supply chain

Through frameworks such as the ETP and GGP, 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.

In 2025/26, we adopted EcoVadis as our core supply chain ESG assessment platform, aligning with best practice across the UK and US utility sectors. This provides consistent, risk-based insight across environmental, labour and human rights, ethics and sustainable procurement. With over 50% of our key suppliers now assessed and an average score of 62, we will use EcoVadis to expand supplier coverage, set clearer sustainability expectations and target improvements in environmental and social performance across our value chain.

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

As a responsible business, we are committed to treating our employees, and those working on our behalf, fairly and to fostering a respectful, safe, and inclusive working environment. This commitment is underpinned by our policies, procedures, and ongoing efforts to promote high standards of ethical conduct.

Delivering against our Human Rights Policy

Human rights are integral to our Code of Ethics. We aim to be an ethical company that stakeholders want to do business with, and colleagues want to work for.

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

Details of these policies can be found in our Responsible Business reporting centre[4] on our website.

As a signatory member of the United Nations Global Compact (UNGC), we participated in its Business and Human Rights Accelerator programme to increase our awareness of key considerations in this area, while also gaining guidance on how an organisation can develop its strategy for managing any actual or potential risks associated with modern slavery.

Being a compliant and ethical business in everything we do

We are committed to maintaining high standards of compliance and ethical conduct. We have established rigorous internal incident reporting to drive the right behaviours, identify and monitor themes and trends, and facilitate learning.

A breach of the Code of Ethics can have different outcomes depending on the severity and detrimental impact on people and our organisation, which include disciplinary actions up to and including dismissal.

Sexual harassment prevention and response is included in our Respect at Work policy, Grievance policy, Code of Ethics, and Supplier Code of Conduct. 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 for colleagues, which aims to promote a strong ethical culture and is backed by mandatory e-learning for colleagues to understand and apply our Code of Ethics. We take a zero-tolerance approach to fraud, bribery and corruption of any kind, and view the potential for bribery and corruption to be a significant risk to the business. We have established policies and governance that set and monitor our approach to preventing financial crimes, fraud, bribery and corruption, including our Code of Ethics.

To ensure compliance with relevant anti-fraud and bribery legislation, including but not limited to UK Economic Crime and Corporate Transparency Act (ECCTA) and US Foreign Corrupt Practices Act (FCPA), we conduct a periodic risk assessment and continuous monitoring of ethical conduct across our operations and ethics processes. This includes regular fraud and ethics risk assessments and dashboard-driven monitoring. These processes provide systematic verification of ethical behaviour, detection of potential misconduct, and timely response to ethics incidents.

Ethics, compliance, and business conduct are discussed quarterly at the Ethics, Risk & Compliance Committee (ERCC) and twice a year at the Audit Committee. Serious issues that meet our escalation criteria are reported in line with our escalation process to the General Counsel, Litigation, and Chief Compliance Officer, Chief Legal Officer, Chief Executive Officer, Audit & Risk Committee, and the Board as appropriate. Investigations are conducted promptly and thoroughly, and, where appropriate, acted upon.

Whistleblowing

We operate confidential internal and external helplines that are always available in all the regions where we operate, for individuals to raise concerns about breaches of the Code of Ethics. This is supported by our 'Speak-up' policy which sets out how we protect anonymity and have zero-tolerance for any form of retaliation.

Whistleblowing is regularly discussed in the ERCC and at the Audit Committee.

[4] https://www.nationalgrid.com/responsibility/our-reporting-centre/approach-and-policies

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

NGET is exposed to a variety of uncertainties that could have a material adverse impact 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 assesses the Company's Principal Risks (PRs) and monitors the risk management process through risk review sessions.

The National Grid Plc Board establishes and oversees the level and types of risk that the National Grid Group is willing to accept in pursuit of its strategic objectives through the National Grid Group's risk appetite framework. This framework is applicable to NGET in all instances, unless explicitly stated otherwise.

Risk management process

Risk strategy, policy and processes are set at National Grid Group level with National Grid Electricity Transmission responsible for implementation. Our Enterprise Risk Management (ERM) process provides a framework to identify, assess, prioritise, manage, monitor and report risks.

Our risk profile contains the principal risks that the National Grid Electricity Transmission 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 a combination of top-down risk management, including insights from the Board and Audit Committee and bottom-up risk management. The risks are reported and debated with the National Grid Electricity Transmission Ethics, Risk, and Compliance Committee on a quarterly basis.

Emerging risks

Emerging risks (ERs) are less defined than Principal Risks (PRs) and typically do not pose an immediate threat. They are future focused, with greater uncertainty and are therefore 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.

The risk profile is presented in the following 'Principal Risks and Uncertainties' section. Risks are listed in alphabetical order.

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.The risk owners, executive leaders, and their teams develop and monitor actions to control the risks. The operational risks link to several of our strategic priorities. Principal risk assessment includes reasonable worst-case scenario assessment e.g. electricity transmission asset failure, loss of licence to operate, significant security incident – and the financial and reputational impact should a single risk or multiple risks materialise.

Risks	Action taken by management
Loss of supply: The risk that an asset or assets fail on the electricity transmission system causing a significant loss of supply or a higher number of smaller losses of supply beyond our risk appetite. **Risk Trend:** Neutral	We continue to apply a holistic approach encompassing preventative and mitigating controls including pre-emptive measures to maintain network reliability such as: • Implementation of ISO 55001 accredited asset management standard and data management standard with supporting guidelines to provide clear expectations, with a strong focus on what we need in place to keep us safe, secure and legally compliant. • Implemented processes to undertake asset condition assessment, undertake condition monitoring and regular asset health reviews to understand asset intervention and risk mitigation requirements. • 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. • Established capability frameworks to make sure our workforce has the appropriate competence to meet the performance requirements in these standards. • Emergency plans including flood contingency plans for substations. • 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.
Major Project Delivery: The risk that we are unable to deliver on our major capital project programme within the required timeframes. **Risk Trend:** Reducing primarily due to contract placement which has de-risked supply chain challenges, although constraints remain in relation to resource availability.	To manage the risk of delivering our major projects within the required timeframes, our control framework includes: • Governance Model and processes • Scope management • Cost and schedule management • Risk management • Supply chain and commercial management • Lessons learned and continuous improvement • Performance reviews and second line assurance • Stakeholder and consents / permitting management • Regulatory framework Appropriate organisational structure and governance • Cost, schedule, quality and risk management • Supply chain partnerships to deliver committed workload • Contract Management • Competent project management capability

Network Operability: There is a risk that the network experiences unanticipated operability issues as the electricity system undergoes rapid technical and operational change. Drivers include new connections and technologies, evolving operational practices, and instances where planning assumptions do not fully reflect operational realities. This may lead to increased system complexity, unclear interactions and failure modes, network incidents/maloperation, reduced operational flexibility (including outage access), and higher operational intervention and cost. **Risk Trend:** Neutral	NGET has developed comprehensive preventative and corrective controls to manage Network Operability: Controls in relation to this risk include: • Earlier operability focus in investment and design governance – embedding operability-led review points and clearer criteria within early project gates, supported by cross-functional review with operability specialists. • Improved visibility and metrics – developing clearer operability measures (e.g., control room constraints, outage/access limitations, commissioning issues) and using these insights to inform standards, archetypes and investment choices. • Enhanced modelling and assurance – expanding simulation/modelling capability and applying operability risk assessment routinely to new/non standard connections and technologies. • Technology integration and testing – strengthening integration protocols and testing frameworks for new technologies and interfaces. • Operational monitoring and learning – using real-time monitoring, incident logging/analysis and structured feedback loops to drive corrective actions and continuous improvement. • Response and contingency – maintaining incident response/recovery plans and stakeholder communication/contingency arrangements for emerging operability events. • Cross-industry alignment – improving transparency and ways of working with NESO to align assumptions, clarify accountabilities and support timely operability decisions.
Occupational Safety: The risk that NGET employees and/or contractors sustain a life changing injury / fatality or 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 include: • Leadership commitment to safety culture – Director level safety visits. • Planning & Risk Assessment – A well established management framework of safety procedures and standards for NGET and contractor based work. • Reporting and monitoring of 'good catches' and safety incidents enables thematic analysis helps to identify emerging risks. A thorough investigations process is in place to identify local or systemic remedial or improvement actions following incidents. • 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.
Public safety: 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 ISO 55001 accredited asset management standard and data management standard with supporting guidelines to provide clear expectations, 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.
Resource: The risk of not recruiting, developing and retaining specialist roles across our NGET workforce to deliver on our commitments. **Risk Trend:** Neutral	We are collaborating across the electricity transmission industry to rapidly attract, develop and retain talent, while providing a unified voice to policy makers. Every year we intake new talent, including industrial placements and internships, advanced and higher apprenticeships, career changers and Graduates. We continue to develop the rigour of our succession planning and development planning process, particularly at senior levels and for specialist roles where there is competition for key capabilities across the industry and beyond.

Security: The risk that NGET will suffer a compromise of critical infrastructure disruption, cyber enabled fraud, Data Breach or IT Service disruption, due to inadequate security controls resulting in NGET being unable either to operate the electricity transmission network, bear damage to assets, financial penalties, loss of license and loss of customer and regulator trust. **Risk Trend:** This is a dynamic threat landscape which has increased over the last year, driven by geopolitical events and the evolution of technology. We continue to evolve our controls and response in response to these evolving threats and in line with our risk appetite and regulatory expectations as an operator of essential services.	We employ technical, administrative and physical cyber security controls for both information technology (IT) and operational technology (OT) that align to the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF) v1.1, as well as all applicable laws and regulations. Controls are verified and validated through internal and external audits and risk assessments, penetration tests, adversary simulation, incident response exercises, compromise assessments, continuous control measurements and other assessment methods, including: • National Institute of Standard Cybersecurity Framework (First-Line Assessment); • IT Control Set Effectiveness (Second-Line Testing); and • Corporate Audit and Third-Party Inspections/Assessments. NGET has been independently assessed against Network & Information Systems (NIS) Regulations and the Cyber Assurance Framework (CAF) by external parties and the Competent Authority (CA). We continue to focus on our IT and OT security improvements and human factors. Notably, we have focused on control improvements recommended by government and private intelligence associated with the increasing threat landscape. This has resulted in strengthened controls for ‘perimeter’ (internet facing) infrastructure and fundamental improvements in identity account access (especially around privileged accounts) and credential hygiene. Additional internal resilience exercises have been conducted with both our Group Executive team (‘live play’ event) and within NGET.
Supply Chain competition and performance: The risk that there is insufficient capacity in NGET's construction supply chain to deliver all our major project commitments and that ET and SI are competing for the same limited capacity Due to increased demand for construction capability from both NGET and wider industry Leading to increased costs, delays or failure to deliver projects and regulatory commitments or compromised quality, safety standards and reputational damage. **Risk Trend:** Neutral	NGET is developing a comprehensive set of controls to manage its Supply Chain risk: Controls in relation to this risk include: • Supplier Engagement Programme • Effective collaboration to develop supply chain competency • Act as an intelligent client • Advanced procurement Mechanism / Programmatic Procurement • Integrated NGET workload / capacity planning and change management e.g. outage management • Contractual clause Protection • Effective contract management • Adaptive cost forecasting • Regulatory framework controls / recovery mechanisms in customer contracts • Coordinated procurement / supply chain strategy across NGET • Effective contract strategy • Lobby government on industrial strategy / skills working group • Project / Programme / Portfolio management control • Timely escalation of issues for resolution • Regulatory mechanisms for deferring work / allowing for cost increases • Clauses that allow re-tendering / exit in advance of additional costs / delays • Operational resilience controls • Network planning controls
Sustain operation of the network: The risk that we are not able to sustain operation of the transmission network in England and Wales due to failures in the iEMS system **Risk Trend:** Increasing as the system continues to age	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 - go live planned for June 2027, will ensure continued reliable operation of the network in to the future. In conjunction with NESO we are working to replace the current system with two stand alone systems.

System Access: The risk that a lack of access to the high voltage electricity transmission network ('the system') may prevent or delay delivery of our commitments. **Risk Trend:** Neutral	NGET has a comprehensive framework of preventative and corrective controls in place to manage system access risk and support safe and efficient delivery: • Process reform and transformation – We are reforming system access and connections arrangements through targeted cross industry programmes and internal business transformation initiatives - creating a single portfolio of work, improved planning & optimisation, deliverability risk management and better performance management. • Capability and capacity management – The Enterprise Digital Management suite of products (Portfolio, Planning, Work Management) provides the digital first capability which can be supplemented with people capacity and AI agents. • Improved planning and data quality – Integrated planning tools, strengthened data governance and performance monitoring enhance visibility of workloads and enable better long term decision making. • Operational oversight and performance monitoring – Routine tracking of completion rates, maintenance deferrals and delivery readiness and performance provides early warning of emerging issues and supports timely intervention. • Governance and escalation – Clear programme governance, risk ownership and escalation routes ensure that significant issues are identified early and addressed at the appropriate level.
Timely Customer Connections: There is a risk that customers do not receive timely connections due to a combination of broader industry and external factors This may lead to failure to meet commitments, lack of confidence in NGET, negative impact on reputation, financial penalties and potential loss of licence. **Risk Trend:** Increasing	NGET has implemented a framework of preventative and corrective controls to manage Customer Connections. We continue to support the development of industry wide reforms to the connections process which will be reflected in our control framework as the process develops. Controls in relation to this risk include: • Customer needs assessment and engagement • Resource & Capability Assessment • Strategic Sourcing Process • Strategic Sourcing Workbook • Dynamic Purchasing System • Continuous improvement & learning culture • Investment Plan • Financial Planning & Risk Management • Portfolio Planning • Management of Development Milestones • Regulatory Regime Advocacy

Strategic and regulatory risks

Strategic risk is the risk of failing to achieve the Company's longer term strategic objectives, as well as failing to have the 'right' strategic plan. Regulatory risks are those which may cause us to breach regulatory obligations or damage our reputation with our regulators, which is key to our continued success and ability to operate.

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 milestones and performance measures tracks progress regularly. Key controls identified to manage the risk include: • Coordinated NGET Transformation Strategy and Plan • Clear value levers and benefits case • Performance Reporting • Digitally enabling the business • Dedicated change managers assigned to key projects • Executive sponsorship and governance
Political & Societal Expectations: There is a risk that we do not position ourselves appropriately to political and societal expectations. **Risk Trend:** Neutral	In an increasingly dynamic world, we must remain abreast of developments and changes in political and societal expectations to ensure we remain aligned to customer and stakeholder expectations and identify potential threats to our brand value. Controls to manage this risk include: • Stakeholder mapping and engagement • Proactive campaigning and advocacy • Dedicated Corporate Affairs Teams • Horizon scanning processes • Media monitoring and brand management • Crisis management response
Satisfactory regulatory outcomes: There is a risk that we fail to influence future energy policies and secure satisfactory regulatory agreements. **Risk trend:** Reduced	As a regulated business, it is essential that we secure a regulatory deal that allows us to deliver for our customers and stakeholders and that we successfully influence key policy outcomes. Controls in relation to this risk include: • Dedicated regulatory and legal teams to manage regulatory submissions and interactions. • Business planning and performance management reporting and controls to ensure that potential regulatory issues are identified and managed. • Clear accountability and governance for managing key industry changes e.g. Connections Reform and System Access Reform.

Financial risks

Under our risk management framework, each risk is assessed in terms of its financial impact, whether that be direct or indirect. Our Finance Team manage a suite of financial risks, but none of these have been escalated to the Principal risk level. Our key financial risks are described in note 27 to the financial statements on page 89.

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 27 to 32.

Monitoring internal control is conducted through established boards and committees at different levels within National Grid plc, including specific committees at the NGET level. 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. These committees are mirrored at the NGET level to ensure that the NGET Board are fully apprised of relevant issues.

Reviewing the effectiveness of our internal control and risk management

The Board 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 biannual 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 review by the Audit Committee.

A feature of our internal controls system is our adoption of the internationally recognised Three Lines Model. Each business function owns and is responsible for managing its own particular risks and controls ('first line' management). Centres of expertise ('second line' teams) act as advisory and assurance functions. Our internal audit function then independently reviews the effectiveness of our risk management and internal control systems (the 'third line' team).

The Certificate of Assurance (CoA) cascades from the NG plc CEO to the NGET President annually to report back any additional compliance issues or control weaknesses in support of the Company's full year results.

External accreditation

NGET has maintained ISO accreditation in environmental, safety, business continuity and asset management.

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 CFO and Controller, 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 reported against the 2024 UK Corporate Governance Code (the '2024 Code') for the first time in 2025/26. The Company's Board applied the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles) for the year ended 31 March 2026. The Wates Principles provide a corporate governance framework 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.

As described on page 5, we work within the mission, values and strategy set by the National Grid Group to ensure we are well positioned to respond to changes in the operating environment. National Grid Group introduced a refreshed strategic framework effective from April 2026. At its core is our mission: we bring energy to power possibilities. Throughout this report, we present our performance against the strategy that was in effect until 31 March 2026. 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 40.

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

Complying with Ofgem's licence conditions, NGET has two SIDs on its Board, who provide independent challenge and contribute to the decision-making process. The SIDs bring to the Board a wealth of operational experience and knowledge in regulated industries, regulated infrastructure, legal, risk and governance.

Niamh Grogan was appointed to the Board as a SID with effect from 1 February 2026, following Cathryn Ross's resignation on 31 January 2026. Jeremy Long was appointed to the Board as a SID on 17 March 2022. Niamh 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. Niamh Grogan may also attend this meeting.

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 combines deep energy-sector experience with robust engineering expertise bringing practical insight into the operation and stewardship of critical infrastructure. 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 Company's Executive Team: Alice Delahunty, Chris Bennett, Sandip Thakrar, Matthew Braovac, and Carl Trowell. Matthew Braovac was appointed to the Board on 1 August 2025 following Jeremy Mavor's resignation from the Board on 1 August 2025.

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 Director of Tax, Pensions and Insurance, and has continued as a member of the Board since her appointment in April 2018. Her attendance brings a Group perspective to the Boardroom, complemented by deep expertise in finance matters.

Director induction and development

The Board was supported throughout the year by briefings on pertinent corporate governance matters, and relevant updates on directors statutory duties and responsibilities. The newly appointed directors were supported by an extensive induction programme and easily accessible guidance, historic and reference materials available via 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. Matthew Braovac and Niamh Grogan received new director training following their appointments.

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 Financial oversight, Corporate Governance, and Financial and Regulatory Reporting, together with matters relating to the appointment and oversight of directors. The schedule includes oversight of the Company's regulatory and stakeholder relationships, including engagement with Ofgem, and 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 29.

The Board is accountable for financial reporting, risk management and the system of internal control, which are delivered within the wider Group governance framework and associated processes. As a regulated entity, the Board is responsible for meeting its annual regulatory financial reporting requirements and applies the same rigorous governance standards as those used for the statutory accounts. This work is supported by the Audit Committee. Oversight of reporting under the regulatory regime is provided by the Board, with further detail set out on pages 2 to 4.

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 and SI owners, 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 support effective and efficient decision-making, a number of established procedures are in place. Board papers supporting each agenda item are circulated in advance, typically one week before meetings. Training sessions and briefings on specific topics are arranged outside the formal Board meeting cycle. These arrangements support a culture of continuous improvement in the conduct and effectiveness of Board meetings.

Six regular Board meetings were held during the year. In addition, in October 2025 the Board held a Strategy Day, allowing Directors to step-back and explore the key strategic themes raised throughout the year. The strategic themes considered were the Company's strategic context, the RIIO-T3 settlement, and continuing capital delivery excellence.

Two ad hoc meetings were also held during the year.

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 98 to 99 for the work of the Nomination Committee and pages 107 to 126 for the work of the People & Remuneration Committee.

Safety, Health, Environment and Quality (SHEQ) matters are overseen by the Board, which retains ultimate accountability for SHEQ governance. Supporting this oversight, day-to-day management and monitoring of safety matters is undertaken through the Safety Committee within the Electricity Transmission and Strategic Infrastructure businesses. The Safety Committee operates within the Group-wide safety governance framework and maintains close interaction with the UK SHE Committee and the Group SHE Committee. Through regular reporting from the UK SHE Committee, the Board receives updates on SHEQ performance, ensuring appropriate oversight while day-to-day management remains delegated within the business.

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

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

The Business Separation Compliance Officer attends meetings and presents reports on their duties, activities and compliance with licence obligations.

Two Committee meetings were held during the year, both chaired by Cathryn Ross, with additional meetings taking place between the Chair and the Business Separation Compliance Officer. Following these meetings, the Chair provided updates to the Board.

The Committee oversees compliance with Special Condition 9.18 of the electricity transmission licence (Business separation requirements and compliance obligations), which requires the Company to maintain sufficient business separation to ensure that no commercial advantage is given to National Grid's competitive businesses operating or bidding for activities in carbon capture and storage, interconnectors or offshore transmission.

This includes maintaining appropriate systems of control and governance arrangements to ensure compliance with licence conditions covering, among other matters, the prohibition of cross-subsidies, financial ring-fencing, prohibited activities and business conduct.

The Company's policy in respect of compliance with Special Condition 9.18 is set out in its 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.
- Updated the e-learning course for Competition Law and Business Separation to reflect the strategic repositioning of the National Grid Group. The course is assigned to all UK employees with completion rates being maintained at the 95% standard.

Finance Committee

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

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, Group 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 Board with assurance on matters within its delegated authority. Following each meeting, the Chair of the Audit Committee reports to the next Board meeting and makes recommendations where appropriate. The Board considers these recommendations and, where necessary, seeks further assurance or additional information.

To strengthen governance links with National Grid plc, the Chair also holds an annual meeting with the Chair of the National Grid plc Audit & Risk Committee.

The Audit Committee's annual programme of meetings is planned and managed using the same governance processes as those applied to the Board. Technical briefings and meetings with the NGET CFO and members of the finance function are held in advance of meetings, as required, to support informed discussion of matters under consideration.

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 the financial reporting judgements on provisions and contingent liabilities of ongoing matters, including the associated regulatory and legal considerations. The Committee also focused on the effectiveness of the Company's internal control environment and reviewed the Company's principal risk framework and risk management processes to support ongoing business resilience.

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 the relationship with the external auditors within the Group's external audit framework. Prior to each meeting, the SIDs meet privately with the external auditor, without management present, to enable independent discussion of any matters the auditor wishes to raise.

The Committee reviews the audit plan and considers the auditor's findings on the statutory accounts. it also considers recommendations for improvements to internal controls and monitors the implementation of agreed actions through regular reporting from management.

Internal audit

The Company does not maintain a separate internal audit function. Internal audit services are provided by National Grid's Internal Audit function, which delivers independent assurance to Executive Committees on the effectiveness of the control and governance frameworks in place to support delivery of National Grid's strategic objectives. Audit work is planned and conducted 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 analysis of emerging risks and trends. The Internal Audit team engages with senior management to ensure the plan reflects the Committee's and Company's view of risk. The audit plan is reviewed and approved annually, with progress monitored throughout the year.

The Committee received regular updates from the Internal Audit team on the effectiveness of key controls. Management actions arising from audit findings continue to be a focus of Executive Committee discussions, resulting in increased visibility and ownership of actions, and a reduction in the overall number of findings.

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 44.

A resolution to re-appoint Deloitte and giving authority to the Directors to determine their remuneration will be submitted to the shareholder at the 2026 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 People & Remuneration Report of National Grid plc's Annual Report and Accounts on pages 107 to 126.

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.

Engagement with stakeholders to support long-term success is a key area of focus for the Board. Senior Executives maintain regular dialogue with key regulators, including Ofgem, the Department of Energy Security and Net Zero (DESNZ) and the Health and Safety Executive. The Company also undertakes stakeholder forums and consultations in connection with specific projects 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 23 to 25 of the National Grid plc Annual Report.

RIIO-T3 Stakeholder Engagement

During the year, engagement with stakeholders formed a central part of the development and commencement of RIIO-T3. The Company undertook national, regional and local engagement to support the preparation of its RIIO-T3 business plan and its transition into the new price control period, working with government, Ofgem, NESO, industry bodies, regional stakeholders, communities and consumers. This included extensive consultation and collaborative working to share proposed network investment plans, gather insight on regional priorities, system needs and delivery impacts, and co-create approaches to network development and delivery. Engagement activity took place across multiple regions, including formal public consultations and structured discussions with system partners and local authorities, with feedback used to inform the evidence supporting the RIIO-T3 plan and the approach to implementing the framework.

Independent Stakeholder Group

In line with Ofgem's framework for stakeholder engagement, National Grid Electricity Transmission is supported by an Independent Stakeholder Group (ISG), comprised of representatives with experience across consumer, environmental, industry and regional perspectives. The ISG provides independent challenge and insight on the development and delivery of the Company's plans and performance across the electricity transmission sector. During the year, the Chair of the ISG attended the March Board meeting to share feedback from the Group's ongoing work and discussions, supporting structured, two-way engagement between the Company and its stakeholders. Discussions reflected the ISG's role in providing external perspective on matters relevant to the transition into RIIO-T3, delivery confidence and the evolving priorities of stakeholders. Engagement through the ISG forms part of the Company's established approach to stakeholder engagement, supporting transparency, openness and the consideration of a broad range of stakeholder views. Ongoing collaboration with the ISG provides a structured basis for engagement on issues of importance to stakeholders and supports the Company's approach to responsible governance.

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 2026/27 financial year, considering new ways to engage with the workforce effectively.

The Board engages with the workforce through a range of channels, including employee engagement sessions, employee survey feedback, meetings with Trade Union representatives, leadership off-sites and site visits by Directors. During the January 2026 Board meeting held at the EGL2 Wren Hall converter station, one of the Company's key strategic infrastructure projects, Directors undertook a site tour and participated in an engagement session with operational staff, including informal discussions and a meet-and-greet with employees working on the project. This provided an opportunity for the Board to hear directly from the workforce on day-to-day operations, project delivery challenges and working environment, supporting a deeper understanding of employee perspectives. Detailed results from the annual employee survey are reported to the Board, providing insight into employee sentiment and perspectives on the business and its strategic direction.

The Board recognises its role in setting the tone from the top, and where opportunities for improvement are identified, action plans are developed and monitored. During the year, Directors also participated directly in workforce engagement through town halls, smaller engagement sessions and leadership briefings. Further information on the Group's workforce engagement activities can be found within the National Grid plc Annual Report on page 95.

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

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 considers that, during the year ended 31 March 2026, the Directors have acted both individually and collectively, in good faith, in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Board has had regard to the interests of stakeholders and to the matters set out in section 172(1) (a)-(f) of the Companies Act 2006. Examples of how Directors have had regard to these matters during the year are set out from page 33, which together with this page form the Company's section 172(1) statement.

The Board recognises its responsibility to uphold the culture, values, standards, ethics and reputation, and to set an appropriate tone from the top. In making decisions, the Board seeks to understand and balance the interests of shareholders, stakeholders and wider society, recognising that it may not always be possible to achieve each stakeholder's preferred outcome. The Board therefore considers the specific circumstances of each decision and the combined effect of relevant factors, with the aim of supporting the long-term sustainable success of the business and while maintaining high standards of business conduct aligned to the Company's 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 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. For example, at the September 2025 Board meeting, Directors participated in a pre-meeting coffee session with employees from across the Electricity Transmission and Strategic Infrastructure businesses. This informal meet-and-greet brought together a cross-section of colleagues from different functions and seniority levels, enabling direct dialogue on the projects they were working on and providing the Board with first-hand insight into workforce perspectives. 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 its time. Alongside this a site visit schedule was developed to help facilitate the Board's engagement with the Company's most important projects. 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 also considered its strategic priorities in detail at the Strategy Day held in October 2025. During the year, an extensive programme of engagement across eight regions, reaching more than 12,000 people and over 1,000 organisations, informed the Company’s approach to RIIO-T3. The Board was closely involved throughout the development of the business plan and associated assurance approach, and continued to receive updates on stakeholder feedback and the refinement of the plan as the Company prepared for the transition into the new price control period.
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 31.

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 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. Engagement with the ISG informed the Board's oversight of RIIO-T3 delivery, highlighting the need for strengthened deliverability assurance, clearer Board-led governance of reopeners and more transparent, outcome-focused engagement on ASTI projects to build stakeholder confidence and community trust. Further details of stakeholder engagement activities can be found on page 31.
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 towards becoming a "nature positive" company. During a strategy day, the Board reflected on the external environment, reaffirming its commitment to ongoing engagement with communities, government and regulators in the delivery of the energy transition. 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 5. 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. Committee review of ethics and compliance reporting provided assurance over a strong speak-up culture and effective case management, while supporting continuous improvement through enhanced guidance, targeted training, timely breach reporting and clearer assurance arrangements to strengthen governance, regulatory compliance and organisational preparedness. The Board has also established a Business Separation Compliance Committee which is responsible for overseeing the duties and tasks of the Compliance Officer and compliance with our licence conditions for business separation. Further details can be found on page 29.
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 31 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 2025/26 on page 86, which details the worst case scenarios considered.

The Board has assessed the potential impact of the Company's principal risks on its longer-term viability, with particular focus on the significant solvency and liquidity risks associated with delivery of the business plan. In undertaking this assessment, the Board considered the Company's long-term business model, its high-quality, long-term asset base, the regulatory environment in which it operates and the Board's stewardship responsibilities. Based on this analysis, the Board concluded that a five-year time horizon remained appropriate for assessing the Company's viability.

The business plan addresses 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. Principal risks are identified through an established risk management framework incorporating both bottom-up risk identification and top-down review.

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 financeability 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 2025, and the Availability of Resources certificate was issued in July 2025.

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 Final Determination published on 4th December 2025 (see page 3).

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 40, the Directors have a reasonable expectation that the Company will be able to continue operating and meet its liabilities over the period to July 2031.

Financial review

Operating profit increased by £332 million in comparison to the prior year to £1,573 million, driven by the impact of a £277 million revenue increase to £2,896 million and decreased operating costs.

New accounting standards

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

- amendments to IAS 21 'Lack of exchangeability'.

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 plc 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 no exceptional items included within operating profit for the year ended 31 March 2026. For the year ended 31 March 2025, exceptional items related 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.

	Years ended 31 March	
	2026	2025
	£m	£m
Adjusted operating profit	**1,573**	1,253
Exceptional operating items[1]	**—**	(12)
Total operating profit	**1,573**	1,241

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	
	2026	2025
	£m	£m
Adjusted operating profit	**1,573**	1,253
Adjusted net finance costs[1]	**(178)**	(222)
Adjusted profit before tax	**1,395**	1,031
Adjusted taxation	**(373)**	(264)
Adjusted earnings	**1,022**	767
Exceptional items and remeasurements after	**(5)**	(15)
Profit for the year	**1,017**	752

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	
	2026	2025
	£m	£m
Underlying operating profit	**1,682**	1,428
Corporate centre costs	**(32)**	(24)
Adjusted operating profit excluding timing differences	**1,650**	1,404
Timing differences	**(77)**	(151)
Adjusted operating profit	**1,573**	1,253
Exceptional operating items[1]	**—**	(12)
Total operating profit	**1,573**	1,241

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

Consolidated income statement

	Years ended 31 March	
	2026	2025
	£m	£m
Revenue	**2,896**	2,619
Operating costs	**(1,323)**	(1,366)
Adjusted operating profit	**1,573**	1,253
Exceptional operating items	**—**	(12)
Total operating profit	**1,573**	1,241
Finance income	**31**	59
Finance costs:		
Before exceptional items and remeasurements	**(209)**	(281)
Exceptional items and remeasurements	**(6)**	(4)
Profit before tax	**1,389**	1,015
Taxation:		
Before exceptional items and remeasurements	**(373)**	(264)
Exceptional items and remeasurements	**1**	1
Profit after tax	**1,017**	752

Revenue

Revenue for the year ended 31 March 2026 increased by £277 million to £2,896 million. This movement primarily reflects an increase in our revenue due to the repayment of tax allowance over-recoveries of £149 million in 2024/25, increased Totex allowances of £125 million, increased allowed returns of £61 million, and inflationary uplift of £19 million. This is partially offset by net reduction in revenues under transitional and general service agreements of £67 million.

Operating costs

Operating costs for the year ended 31 March 2026 of £1,323 million were £43 million lower than the prior year. This movement primarily reflects a £65 million decrease in pass-through and unlicensed revenue costs, indirect efficiencies of £13 million and workload mix resulting in more staff costs being capitalised. This decrease in operating costs is partially offset by £8 million increased depreciation, amortisation and impairment driven by a higher asset base, increased payroll and pension costs due to an increase in workforce of 26% and increases to total compensation, and inflation associated with procurement of goods and services.

Adjusted operating profit

Adjusted operating profit increased by £320 million to £1,573 million, as a result of the impact of the increase in revenue and reduction in operating costs described above.

Exceptional operating items

Exceptional operating costs were £nil for the year ended 31 March 2026. In the prior year, exceptional operating items 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.

Net finance costs

For the year ended 31 March 2026, net finance costs before exceptional items and remeasurements decreased by £44 million to £178 million. This is primarily an impact of higher capitalised interest partially offset by increased accretion on inflation linked liabilities.

Taxation

Total taxation was £109 million higher than the prior year. This is driven by increased profit before tax.

Consolidated statement of financial position

	Year ended 31 March	
	2026	2025
	£m	£m
Non-current assets	**23,569**	19,774
Current assets	**653**	699
Total assets	**24,222**	20,473
Current liabilities	**(5,546)**	(2,461)
Non-current liabilities	**(12,242)**	(12,209)
Total liabilities	**(17,788)**	(14,670)
Net assets	**6,434**	5,803

Non-current assets

Non-current assets increased by £3,795 million to £23,569 million as at 31 March 2026. This was principally due to an increase of £3,297 million in property, plant and equipment (PPE). The most significant individual projects within tangible capital expenditure in the year were ASTI projects Eastern Green Link 1 and Eastern Green Link 2.

Non-current prepayments saw a net increase of £363 million from £416 million to £779 million, driven by capacity reservation agreement (CRA) payments and other downpayments to suppliers to secure manufacturing capacity.

Current assets

Current assets decreased by £46 million to £653 million as at 31 March 2026, driven primarily by a decrease of £21 million in trade and other receivables and £26 million in financial assets and other investments. These movements are driven by reduced receivables related to transitional service agreements and a reduction in the restricted collateral receivables pledged against derivative holdings and other borrowings.

Current liabilities

Current liabilities increased by £3,085 million to £5,546 million as at 31 March 2026, driven by an increase of £236 million in Trade and other payables due to an increase in purchases aligned with business growth and operating cost accruals, and an increase of £2,841 million in short-term borrowings and derivatives driven by the level of cash capital expenditure in the business.

Non-current liabilities

Non-current liabilities increased by £33 million to £12,242 million at 31 March 2026, principally driven by an increase in the net deferred tax liability of £461 million driven by accelerated capital allowances movements in the year, partially offset by a decrease of £447 million in derivatives and long-term borrowings. 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.

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

	2026	2025
	£m	£m
Cash generated from operations	**2,162**	2,049
Net capital expenditure[1]	**(3,790)**	(2,636)
Business net cash outflow from continuing operations	**(1,628)**	(587)
Net interest paid	**(449)**	(285)
Tax received	**74**	27
Net disposals of short term financial investments	**26**	507
Net proceeds/(repayments) from long-term borrowings and lease liabilities	**310**	(615)
Net movements in short term borrowings and derivatives	**2,052**	964
Dividends paid to shareholders	**(400)**	—
(Decrease)/increase in cash and cash equivalents	**(15)**	11
Decrease in financial investments	**(26)**	(507)
Increase in borrowings and related derivatives	**(2,354)**	(397)
Other net cash flows from investing and financing transactions	**(4)**	55
Net interest paid on the components of net debt	**449**	285
Changes in fair value of financial assets and liabilities and exchange movements	**(9)**	31
Net interest charge on the components of net debt	**(419)**	(384)
Other non-cash movements	**(39)**	(47)
Net debt increase	**(2,417)**	(953)
Opening net debt	**(10,356)**	(9,403)
Closing net debt	**(12,773)**	(10,356)

1 Cash flows relating to capital expenditure and proceeds from disposals of fixed assets.

For the year ended 31 March 2026 cash generated from operations increased by £113 million to £2,162 million, primarily driven by the increased operating profit result.

Net capital cash investment

Net capital expenditure increased by £1,154 million to £3,790 million in the year to date 31 March 2026 in line with the increase in fixed asset additions, and driven by the continued ramp up in NGET's capital expenditure programme.

Dividends paid

Dividends paid in the year were £400 million, wholly in respect of the year ended 31 March 2025. No dividends were paid in the year ended 31 March 2025.

It was agreed at the 22 July 2026 board meeting that a final dividend of £410 million would be paid in respect of the year ended 31 March 2026. No interim dividend was paid in the year.

Net debt and other non-cash movements

Net debt increased by £2,417 million in the year ended 31 March 2026, 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 £15 million in repayments of prior year over-recoveries, and £62 million of under-recoveries to be collected in future periods (2024/25: £172 million repayments of prior year over-recoveries, and £21 million of in year over-recoveries to be repaid 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 (RoE)

RoE for the year, normalised for a long-run CPIH inflation rate of 2%, was 8.2% (2025: 8.3%).

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	**2026**	2025
Base return[1]	**7.2 %**	7.3 %
Totex incentive mechanism	**1.0 %**	1.1 %
Other revenue incentives	**0.0 %**	(0.1)%
Return including in year incentive performance	**8.2 %**	8.3 %
Pre-determined additional allowances and other income	**0.0 %**	0.0 %
Return on Equity (RoE)	**8.2 %**	8.3 %

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

Totex incentives contributed 100 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 16%, up on last year's growth rate due to increased investment.

£m	**2026**	2025
Opening Regulated Asset Value (RAV)[2]	**20,525**	18,388
Regulated asset additions (actual)	**3,711**	2,586
Performance RAV or assets created	**76**	65
Inflation adjustment (actual CPIH)	**707**	646
Depreciation and amortisation	**(1,172)**	(1,115)
Closing RAV	**23,847**	20,570

£m	**2026**	2025
Opening balance of other regulated liabilities[2]	**(338)**	(536)
Movement	**277**	256
Closing balance	**(61)**	(280)
Closing Regulated Financial Position	**23,786**	20,290

[1] The 2026 opening balance has been restated by £45 million in order to align to regulatory returns and the regulatory time value of money impact where appropriate.

[2] The 2026 opening balance has been restated by £58 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 **22 July 2026** and signed on its behalf by:

DocuSigned by:
Alice Delahunty
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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 2026. 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	
Matthew Braovac	Appointed 1 August 2025
Alice Delahunty	
Niamh Grogan*	Appointed 1 February 2026
Alexandra Lewis ***	
Jeremy Long *	
Jeremy Mavor	Resigned 1 August 2025
Cathryn Ross *	Resigned 31 January 2026
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 2026. 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 2025/26. Further details are on pages 27 to 32.

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 39 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 27 to 32.

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 £410 million was ratified after the year end on 22 July 2026 (2024/25: £400 million 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 £32 million during the year (2024/25: £35 million).

Financial instruments

Details on the use of financial instruments and financial risk management are included in notes 12 and 27 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 pages 12 to 13.

Future developments

Details of future developments are noted in the Strategic Report.

Post balance sheet events

There are no post balance sheet events.

Employee involvement

Details of how the Company involves its employees are contained on page 31, which is incorporated by reference into this report.

Engagement with suppliers, customers and others

Details of the Company's engagement activities with our stakeholders can be found in our section 172 statement on pages 33–34.

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.

Annual General Meeting

Notice of the Company's Annual General Meeting for 2026 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 utilise borrowings from other group entities during the going concern assessment period and has therefore obtained a Letter of Support from National Grid Holdings One plc. Refer to note 1 to the accounts for further information. Although not assessed over the same period, the viability of National Grid Electricity Transmission plc has been assessed on page 35.

By order of the Board

Alice Delahunty

Alice Delahunty
Director

22 July 2026

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 page 40, 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 40, 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 39, 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

22 July 2026

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’, the '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 2026 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 company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 30 to the consolidated financial statements; and
- the related notes 1 to 19 to the 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 the 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 This key audit matter is consistent with the prior year.
Materiality	The materiality that we used for the group financial statements was £69m which was determined on the basis of 5% of profit before tax.
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	There are no significant changes to our approach.

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 the 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 National Grid plc group loan facility disclosed in note 1(a);
- obtaining the letter of support from National Grid Holdings One plc and assessing the intent and ability of that entity and the wider National Grid plc 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 management's forecasts and evaluating their historical accuracy;
- assessing management's identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment;
- 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 the 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 year 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 £3,851 million (2025: £2,749 million) in capital expenditure on tangible assets, and £169 million (2025: £111 million) on intangible assets. Depreciation of £526 million (2025: £501 million) has been charged in the year on commissioned tangible assets, and amortisation of £50 million (2025: £58 million) has been charged in the year on commissioned intangible assets. Additions to property, plant and equipment, intangible assets, capitalised interest and depreciation or amortisation and the 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' and IAS 38 'Intangible Assets'. 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. Other areas of complexity include the timeliness of asset commissioning and commencement of depreciation, the assessment of accruals for the value of work completed but not invoiced at the balance sheet date and recognition and amortisation of prepayments.
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; • 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 where depreciation had not yet commenced 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; • 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; and • tested the unwind of material advance payments.
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 and IAS 38. We are satisfied that the other areas of complexity included within the key audit matter have been accounted for appropriately.

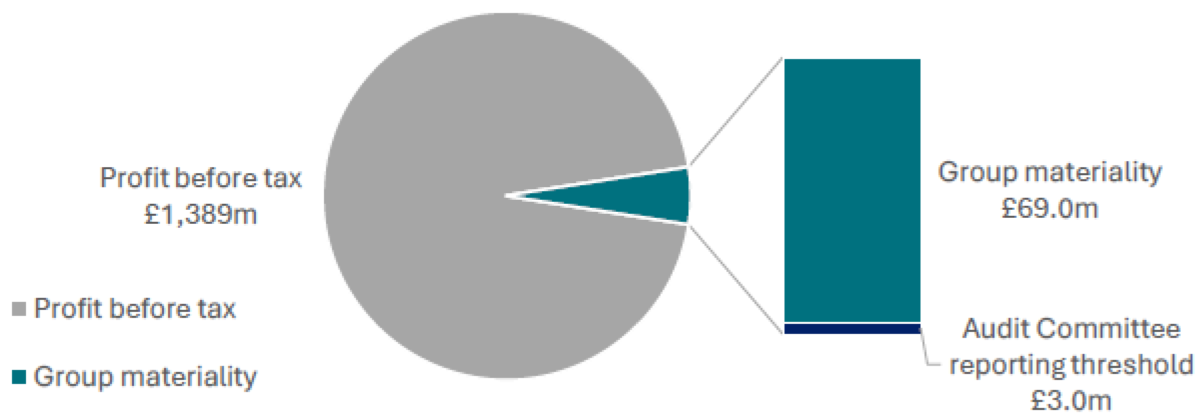
6. Our application of materiality

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	£69m (2025: £60.1m)	£69m (2025: £60.1m)
Basis for determining materiality	Our determined materiality represents 5% of profit before tax (2025: 5.9% of two-year average adjusted profit before tax).	Materiality was determined on the same basis as the group materiality, being 5% of profit before tax. 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. In prior periods we have responded to this volatility by taking an average benchmark and adjusting for those items which management have defined as exceptional items, or not reflective of the underlying performance of the group. As the extent of volatility has significantly reduced we are satisfied profit before tax is an appropriate benchmark.	



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% (2025: 70%) of group materiality	70% (2025: 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 (2025: £3m), 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 identify 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's profit before tax and net assets.

We used data analytics tools and specialists to help inform our understanding of the business and identify key risk areas, as set out in 7.4 below.

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 15 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.

7.4. Use of audit technology

The controls and systems in place throughout the Group enable us to deploy and utilise process and data analytics. We embed technology throughout our audit to improve the quality and effectiveness of our audit, including planning and scoping, project management, risks and controls assessment, substantive testing and reporting insights to management and the Audit Committee.

In our testing of the IT environment and relevant systems, we utilised our Automated Controls Testing Tool. The tool enabled the effective collection and evaluation of information, supporting our assessment of the relevant automated business controls.

We also used process analytics to scrutinise selected large transactional data sets as part of our risk assessment procedures and generated a data-driven visualisation of all transactions within the Procure to Pay process. Analysing the complete flow of transactions allowed us to corroborate our understanding of the process, identify and investigate anomalies, and provide insight on the internal control environment.

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 statement of directors' responsibilities, 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 of 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 National Grid plc 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 nine years, covering the years ending 31 March 2018 to 31 March 2026.

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

22 July 2026

Consolidated income statement

for the years ended 31 March

	Notes	2026 £m	2026 £m	2025 £m	2025 £m
Revenue	3		**2,896**		2,619
Operating costs	4		**(1,323)**		(1,366)
Operating profit					
Before exceptional items	2 (b)	**1,573**		1,253	
Exceptional items	5	**—**		(12)	
Operating profit			**1,573**		1,241
Finance income	6		**31**		59
Finance costs					
Before exceptional items and remeasurements	6	**(209)**		(281)	
Remeasurements	5, 6	**(6)**		(4)	
Finance costs			**(215)**		(285)
Profit before tax					
Before exceptional items and remeasurements		**1,395**		1,031	
Exceptional items and remeasurements	5	**(6)**		(16)	
Total profit before tax			**1,389**		1,015
Tax					
Before exceptional items and remeasurements	7	**(373)**		(264)	
Exceptional items and remeasurements	5	**1**		1	
Tax			**(372)**		(263)
Profit after tax/Profit for the year attributable to owners of the parent					
Before exceptional items and remeasurements		**1,022**		767	
Exceptional items and remeasurements	5	**(5)**		(15)	
Profit for the year			**1,017**		752

Consolidated statement of comprehensive income

for the years ended 31 March

	Notes	**2026** **£m**	2025 £m
Profit for the year		**1,017**	752
Other comprehensive income/(loss)			
Items that will never be reclassified to profit or loss			
Remeasurement losses on net pension asset	20	**(6)**	(181)
Net gains/(losses) in respect of cash flow hedging of capital expenditure	23	**22**	(24)
Tax on items that will never be reclassified to profit or loss	7	**1**	45
Total items that will never be reclassified to profit or loss		**17**	(160)
Items that may be reclassified subsequently to profit or loss			
Net (losses)/gains in respect of cash flow hedges		**(32)**	63
Net gains/(losses) in respect of cost of hedging		**8**	(9)
Tax on items that may be reclassified subsequently to profit or loss	7, 23	**—**	(11)
Total items that may be reclassified subsequently to profit or loss		**(24)**	43
Other comprehensive loss for the year, net of tax		**(7)**	(117)
Total comprehensive income for the year		**1,010**	635

Consolidated statement of financial position

as at 31 March

	Notes	2026 £m	2025 £m
Non-current assets			
Intangible assets	9	**429**	319
Property, plant and equipment	10	**21,945**	18,648
Other non-current assets	14	**783**	422
Pensions asset	20	**298**	280
Derivative financial assets	12	**114**	105
Total non-current assets		**23,569**	19,774
Current assets			
Inventories	13	**47**	49
Trade and other receivables	14	**209**	230
Current tax asset		**9**	—
Financial and other investments	11	**379**	405
Derivative financial assets	12	**9**	—
Cash and cash equivalents	15	**—**	15
Total current assets		**653**	699
Total assets		**24,222**	20,473
Current liabilities			
Borrowings	16	**(4,198)**	(1,222)
Derivative financial liabilities	12	**(73)**	(208)
Trade and other payables	17	**(1,212)**	(976)
Contract liabilities	18	**(14)**	(13)
Provisions	21	**(49)**	(42)
Total current liabilities		**(5,546)**	(2,461)
Non-current liabilities			
Borrowings	16	**(8,554)**	(9,087)
Derivative financial liabilities	12	**(450)**	(364)
Other non-current liabilities	19	**(81)**	(60)
Deferred tax liabilities	7	**(2,525)**	(2,064)
Pensions benefit obligations	20	**(29)**	(28)
Provisions	21	**(78)**	(74)
Contract liabilities	18	**(525)**	(532)
Total non-current liabilities		**(12,242)**	(12,209)
Total liabilities		**(17,788)**	(14,670)
Net assets		**6,434**	5,803
Equity			
Share capital	22	**44**	44
Retained earnings		**6,327**	5,697
Other equity reserves	23	**63**	62
Total equity		**6,434**	5,803

The consolidated financial statements set out on pages 52 to 101 were approved by the Board of Directors and authorised for issue on 22 July 2026. They were signed on its behalf by:

Sandip Thakrar Director

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Sandip Thakrar
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Alice Delahunty Director

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Alice Delahunty
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National Grid Electricity Transmission plc
Registered number: 2366977

Consolidated statement of changes in equity

	Notes	Share capital £m	Retained earnings £m	Other equity reserves[1] £m	Total equity £m
At 1 April 2024		44	5,075	38	5,157
Profit for the year		—	752	—	752
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	23	—	—	5	5
Share-based payments	4	—	6	—	6
At 31 March 2025		**44**	**5,697**	**62**	**5,803**
Profit for the year		—	1,017	—	1,017
Other comprehensive loss for the year		—	(5)	(2)	(7)
Total comprehensive income/(loss) for the year		**—**	**1,012**	**(2)**	**1,010**
Cash flow hedges transferred to the statement of financial position, net of tax	23	—	—	3	3
Equity dividends	8	—	(400)	—	(400)
Share-based payments	4	—	14	—	14
Tax on share-based payments	7	—	4	—	4
At 31 March 2026		**44**	**6,327**	**63**	**6,434**

[1] For further details of other equity reserves, see note 23.

Consolidated cash flow statement

for the years ended 31 March

	Notes	**2026 £m**	2025 £m
Cash flows from operating activities			
Operating profit	2 (b)	**1,573**	1,241
Adjustments for:			
Exceptional items	5	**—**	12
Cash flow from exceptional items		**—**	(1)
Depreciation, amortisation & impairment	2 (c)	**552**	544
Share-based payment charge	4	**14**	6
Changes in working capital		**17**	217
Changes in pension obligations		**(10)**	(7)
Changes in provisions		**19**	34
(Gain)/loss on disposal of property, plant and equipment		**(3)**	3
Cash generated from operations		**2,162**	2,049
Tax received		**74**	27
Net cash inflow from operating activities		**2,236**	2,076
Cash flows from investing activities			
Purchases of intangible assets		**(153)**	(136)
Purchases of property, plant and equipment		**(3,669)**	(2,513)
Disposals of property, plant and equipment		**32**	13
Interest received		**18**	30
Net movements in short-term financial investments		**26**	507
Net cash flow used in investing activities		**(3,746)**	(2,099)
Cash flows from financing activities			
Proceeds received from loans		**556**	—
Repayment of loans		**(213)**	(591)
Payments of lease liabilities		**(33)**	(24)
Net movements in short-term borrowings		**2,044**	1,012
Cash inflows on derivatives		**8**	1
Cash outflows on derivatives		**—**	(49)
Interest paid		**(467)**	(315)
Dividends paid to shareholders	8	**(400)**	—
Net cash flow from financing activities		**1,495**	34
Net (decrease)/increase in cash and cash equivalents	24	**(15)**	11
Cash and cash equivalents at the start of the year		**15**	4
Net cash and cash equivalents at the end of the year	15	**—**	15

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 22 July 2026.

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 2026 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:

- low-probability events that could have a material impact on cash flows;
- adverse impacts of inflation impacting the revenue we can collect;
- adverse impact in volumes and reopeners reducing collectible revenue; and
- cost risks as a result of an increases in costs on capital project.

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
- access to non-capital market debt facilities, including placing additional reliance on group and other loan facilities.

As part of their analysis the Board gave consideration to the financing available to the Company, including the ongoing support of the National Grid plc 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 plc 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 plc to the National Grid plc Group strategy and the Board's visibility over the National Grid plc Group's financial resources, the Board considers it appropriate to place reliance on access to group funding and 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 results, assets and liabilities of the Company and its subsidiaries, together with a share of the results, assets and liabilities of joint operations. 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.

The Group accounts for joint ventures and associates using the equity method of accounting, where the investment is carried at cost plus post-acquisition changes in the share of net assets of the joint venture or associate, less any provision for impairment. Losses in excess of the consolidated interest in joint ventures and associates are not recognised, except where the Company or its subsidiaries have made a commitment to make good those losses.

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) Critical accounting judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that have a significant impact on 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 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 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 and interpretations effective for the year ended 31 March 2026

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

- Amendments to IAS 21 'Lack of exchangeability'.

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:

- IFRS 18 'Presentation and Disclosure in Financial Statements';
- IFRS 20 'Regulatory Assets and Regulatory Liabilities';
- 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 and IFRS 20.

IFRS 18 replaces IAS 1 and the Group will apply the new standard from 1 April 2027, with retrospective application. 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. The adoption of IFRS 18 will not affect the Group's profit after tax; however, it will result in changes to the presentation of the primary financial statements and to certain disclosures. In particular, income and expenses will be grouped into five categories in the Consolidated income statement, namely the operating, investing, financing, discontinued operations and income tax categories. There will also be an additional mandatory subtotal for 'Profit before financing and income taxes' and the 'useful structured summary' concept will necessitate certain changes to line items presented in the Consolidated income statement, although the overall impact is not expected to be significant. Management-defined performance measures will also require disclosure in a single note. Preparatory work is currently underway to support adoption, including updates to reporting systems and the chart of accounts.

IFRS 20 'Regulatory Assets and Regulatory Liabilities' was issued on 27 May 2026. The Standard (and consequential narrow scope amendments to existing IFRS standards) will be effective for reporting periods beginning on or after 1 January 2029, with earlier adoption permitted.

The standard affects companies subject to rate regulation which determines how much a company can charge customers and when it can charge them. This can lead to timing differences where revenue recognised in a period does not fully reflect the company's performance in that period as it may include compensation for performance delivered in a prior or future period. IFRS 20 sets out the requirements for the recognition, measurement, presentation and disclosure of:

- regulatory assets
- regulatory liabilities
- regulatory income
- regulatory expense

This information will allow users of the financial statements to understand the total allowed compensation for regulatory goods or services supplied in each reporting period, together with the associated rights and obligations. The income statement information required by IFRS 20 supplements, rather than replaces, the information provided under IFRS 15 'Revenue from Contracts with Customers' and other IFRS accounting standards. The evaluation of the effect of adopting IFRS 20 is ongoing but it is currently anticipated that IFRS 20 will have a significant impact on the financial statements and related disclosures.

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 performance and determining resource allocation. 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 relate to other commercial operations and corporate activities. There have been no changes to our reporting structure for the year ended 31 March 2026.

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 principal revenues for National Grid Electricity Transmission plc, 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 in equal monthly instalments throughout 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 2026 or 2025.

(b) Operating profit

A reconciliation of the operating segment's measure of operating 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	
	2026	2025	**2026**	2025
	£m	£m	**£m**	£m
Operating profit - Electricity Transmission segment	**1,573**	1,253	**1,573**	1,241
Reconciliation to profit before tax:				
Finance income	**31**	59	**31**	59
Finance costs	**(209)**	(281)	**(215)**	(285)
Profit before tax	**1,395**	1,031	**1,389**	1,015

(c) Capital expenditure and depreciation

	Net book value of property, plant and equipment and intangible assets		Capital investment[1]		Depreciation, impairment and amortisation[2]	
	2026	2025	**2026**	2025	**2026**	2025
	£m	£m	**£m**	£m	**£m**	£m
Electricity Transmission segment	**22,374**	18,967	**4,383**	2,999	**552**	544
By asset type						
Property, plant and equipment	**21,945**	18,648	**3,851**	2,738	**511**	498
Intangible assets	**429**	319	**169**	111	**41**	46
Movements in capital expenditure prepayments	**—**	—	**363**	150	**—**	—
Total	**22,374**	18,967	**4,383**	2,999	**552**	544

1 Represents additions to property, plant and equipment excluding right of use assets with other group companies, intangible assets and prepayments to suppliers to secure production capacity in relation to our capital projects. The comparative has been re-presented (2024/25: £2,999 million, previously reported as capital expenditure of £2,860 million), reflecting the inclusion of £150 million of capital expenditure prepayment movements to provide a more complete view of capital investment in the year.

2 Represents income statement charge for the year. The charge is stated net of depreciation and amortisation capitalised.

3. Revenue

Revenue of £2,896 million (2025: £2,619 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 and 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 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 £539 million (2025: £545 million). Revenue is recognised over the life of the asset. The asset lives for connections in UK Transmission are up to 40 years. The weighted average amortisation period over which revenue for contract liabilities is recognised is 39 years.

Future revenues in relation to unfulfilled performance obligations not yet received in cash amount to £1.4 billion (2025: £1.5 billion) relating to connection contracts which will be recognised as revenue over a weighted average of 25 years (2025: 26 years).

The amount of revenue recognised for the year ended 31 March 2026 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 (2025: £nil).

Total revenue is generated from operations based in the UK.

4. Operating costs

We have presented separately certain items included in our operating costs deemed to be material. 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	
	2026	2025	**2026**	2025	**2026**	2025
	£m	£m	**£m**	£m	**£m**	£m
Depreciation, impairment and amortisation	**552**	544	**—**	—	**552**	544
Payroll costs	**212**	183	**—**	—	**212**	183
Rates and property taxes	**106**	104	**—**	—	**106**	104
Other[1]	**453**	535	**—**	12	**453**	547
	1,323	1,366	**—**	12	**1,323**	1,378

[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	**32**	35
Inventory consumed	**4**	8

(a) Payroll costs

	2026	2025
	£m	£m
Wages and salaries	**472**	351
Social security costs	**70**	47
Defined contribution scheme costs	**57**	43
Defined benefit pension costs	**7**	10
Share-based payments	**14**	6
	620	457
Less: payroll costs capitalised	**(408)**	(274)
Total payroll costs expensed	**212**	183

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	31 March	**Monthly average**	Monthly average
	2026	2025	**2026**	2025
	Number	Number	**Number**	Number
Direct employees	**5,350**	4,252	**4,825**	3,714
Indirect employees	**2,334**	1,850	**2,048**	1,909
	7,684	6,102	**6,873**	5,623

The vast majority of both direct and indirect employees are engaged in the transmission of electricity. Of these, 982 (2025: 545) are contractors or agency staff.

(c) Key management compensation

	2026	2025
	£m	£m
Salaries and short-term employee benefits	**3**	3
Share-based payments	**1**	1
	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. As none of the executive directors of National Grid plc have managerial responsibility over the Company, no apportionment of their remuneration has been included in key management compensation.

4. Operating costs (continued)

(d) Directors' emoluments

	2026 £m	2025 £m
Salaries and short-term employee benefits	**3.3**	3.1
Share-based payments	**0.7**	0.7
Company contributions to a pension scheme	**0.2**	0.2
	4.2	4.0

The aggregate amount of emoluments for the highest paid Director for 2026 were salaries and short-term employee benefits of £0.8 million (2025: £0.6 million), share-based payments of £0.5 million (2025: £0.4 million) and total pension contributions of £0.1 million (2025: £0.1 million).

During 2026, three Directors, including the highest paid Director, exercised share options (2025: three 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 2026, retirement benefits were accruing to one Director (2025: one Director) under a defined benefit scheme and two Directors (2025: three Directors) under a money purchase scheme.

The effective annual fee to each sufficiently independent director for the year ended 31 March 2026 was £48,333 (2025: £40,000) per annum.

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

(e) Auditor's remuneration

	2026 £m	2025 £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]	**1.9**	2.0

[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

	2026 **£m**	2025 £m
Within operating profit:		
Exceptional items:		
Loss on pension scheme settlement for NESO employees	—	(11)
Major transformation programme	—	(1)
	—	(12)
Included within finance income and costs:		
Remeasurements:		
Net losses on derivative financial instruments (note 6)	**(6)**	(4)
Total included within profit before tax	**(6)**	(16)
Included within tax:		
Tax on exceptional items and remeasurements (note 7)	**1**	1
Total exceptional items and remeasurements after tax	**(5)**	(15)
Analysis of total exceptional items and remeasurements after tax:		
Total exceptional items after tax	—	(12)
Total remeasurements after tax	**(5)**	(3)
Total exceptional items and remeasurements after tax	**(5)**	(15)

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.

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.

5. Exceptional items and remeasurements (continued)

Further details of exceptional items specific to 2025:

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 2025, the National Grid Electricity Transmission plc Group incurred £1 million of costs in relation to the programme. The costs recognised primarily related to employee costs and professional fees incurred in delivering the programme. While the costs incurred since the commencement of the programme did 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 concluded that the costs should be classified as exceptional in line with our exceptional items policy.

Loss on pension scheme settlement for NESO employees

As part of the agreement for the National Grid 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 of ESPS) were derecognised leading to a net loss on settlement of £11 million in 2025. 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 the prior year in line with our exceptional items policy, partially offset by the derecognition of the related deferred tax position.

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.

	2026 **£m**	2025 £m
Finance income		
Interest income on financial instruments:		
Bank deposits and other financial assets	**18**	29
Net interest on pension asset	**13**	21
Other income	**—**	9
	31	59
Finance costs		
Interest expense on financial liabilities held at amortised cost:		
Bank loans and overdrafts	**(52)**	(56)
Other borrowings	**(330)**	(286)
Lease liability interest	**(3)**	(3)
Interest on derivatives	**(52)**	(68)
Unwinding of discount on provisions	**(2)**	(1)
Less: interest capitalised[1]	**230**	133
	(209)	(281)
Remeasurements - Finance costs		
Net (losses)/gains on derivative financial instruments [2]		
Derivatives designated as hedges	**—**	11
Derivatives not designated as hedges or ineligible for hedge accounting	**(6)**	(15)
	(6)	(4)
Total remeasurements - Finance income and costs	**(6)**	(4)
Finance income	**31**	59
Finance costs[3]	**(215)**	(285)
Net finance costs	**(184)**	(226)

1 Interest on funding attributable to assets in the course of construction in the current year was capitalised at an average rate of 4.20% (2025: 3.9%). The increase year-on-year is due to higher average rates coupled with growth in the assets in the course of construction base. Capitalised interest qualifies for a current year tax deduction with tax relief claimed of £58 million (2025: £33 million).

2 Includes a net foreign exchange loss on financing activities of £91 million (2025: gain of £123 million) offset by foreign exchange gains and losses on derivative financial instruments measured at fair value.

3 Finance costs include principal accretion on inflation linked liabilities of £128 million (2025: £109 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 (2025: £1 million) that relates to exceptional items and/or remeasurements.

Tax charged to the income statement

	2026	2025
	£m	£m
Tax before exceptional items and remeasurements	**(373)**	(264)
Tax on total exceptional items and remeasurements (note 5)	**1**	1
Total tax charge	**(372)**	(263)

Tax as a percentage of profit before tax

	2026	2025
Before exceptional items and remeasurements	**26.7%**	25.6%
After exceptional items and remeasurements	**26.8%**	25.9%

7. Tax (continued)

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

	2026	2025
	£m	£m
Current tax		
Corporation tax at 25% (2025: 25%)	**(88)**	(49)
Corporation tax adjustment in respect of prior years	**(4)**	(11)
Total current tax	**(92)**	(60)
Deferred tax		
Deferred tax	**457**	310
Deferred tax adjustment in respect of prior years	**7**	13
Total deferred tax	**464**	323
Total tax charge	**372**	263

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

	2026	2025
	£m	£m
Current tax		
Share-based payments	**—**	(1)
Deferred tax		
Cash flow hedges	**—**	11
Share-based payments	**(4)**	1
Remeasurements of net retirement benefit obligations	**(1)**	(45)
	(5)	(34)
Analysed as:		
Total tax recognised in the statement of other comprehensive income	**(1)**	(34)
Total tax relating to share-based payments recognised directly in equity	**(4)**	—
	(5)	(34)

The tax charge for the year after exceptional items and remeasurements is higher than (2025: higher than) the standard rate of corporation tax in the UK of 25% (2025: 25%):

	Before exceptional items and remeasurements	**After exceptional items and remeasurements**	Before exceptional items and remeasurements	After exceptional items and remeasurements
	2026	**2026**	2025	2025
	£m	**£m**	£m	£m
Profit before tax				
Before exceptional items and remeasurements	**1,395**	**1,395**	1,031	1,031
Exceptional items and remeasurements (note 5)	**—**	**(6)**	—	(16)
Profit before tax after exceptional items and remeasurements	**1,395**	**1,389**	1,031	1,015
Profit before tax multiplied by UK corporation				
Tax rate of 25% (2025: 25%)	**349**	**347**	258	254
Effect of:				
Adjustments in respect of prior years	**3**	**3**	1	1
Expenses not deductible for tax purposes	**20**	**21**	10	13
Impact of share-based payments	**1**	**1**	(5)	(5)
Total tax charge	**373**	**372**	264	263
Effective tax rate	**26.7%**	**26.8%**	25.6%	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 2026 have been calculated at 25% (2025: 25%).

Tax included within the statement of financial position

The following are the major deferred tax liabilities and assets 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 1 April 2024	—	(6)	—	—		(6)
Deferred tax liabilities at 1 April 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 and equity	—	1	(45)	11	—	(33)
At 31 March 2025	1,993	(9)	64	20	(4)	2,064
Deferred tax assets at 31 March 2025	—	(9)	—	—	(4)	(13)
Deferred tax liabilities at 31 March 2025	1,993	—	64	20	—	2,077
At 1 April 2025	1,993	(9)	64	20	(4)	2,064
Reclassification	—	1	(1)	—	—	—
Charged/(credited) to income statement	474	—	6	—	(16)	464
Charged/(credited) to other comprehensive income and equity	—	(4)	(1)	—	—	(5)
Other	—	—	—	1	1	2
At 31 March 2026	2,467	(12)	68	21	(19)	2,525
Deferred tax assets at 31 March 2026	—	(12)	—	—	(19)	(31)
Deferred tax liabilities at 31 March 2026	2,467	—	68	21	—	2,556
At 31 March 2026	2,467	(12)	68	21	(19)	2,525

The deferred tax balances (after offset) for statement of financial position purposes consist solely of deferred tax liabilities of £2,525 million (2025: £2,064 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:

	2026		2025	
	pence (per ordinary share)	**£m**	pence (per ordinary share)	£m
Ordinary dividends				
Final dividend paid in respect of the prior year	91.53	400	—	—

The Directors are proposing a final dividend of £410 million for the year ended 31 March 2026. This was confirmed after the year end during the 22 July 2026 board meeting.

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 and ability 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 2024	465	79	544
Additions	—	111	111
Reclassifications[1]	71	(47)	24
Cost at 31 March 2025	536	143	679
Additions	—	169	169
Reclassifications[1]	92	(101)	(9)
Cost at 31 March 2026	628	211	839
Accumulated amortisation at 1 April 2024	(302)	—	(302)
Amortisation charge for the year[2]	(58)	—	(58)
Accumulated amortisation at 31 March 2025	(360)	—	(360)
Amortisation charge for the year[2]	(50)	—	(50)
Accumulated amortisation at 31 March 2026	(410)	—	(410)
Net book value at 31 March 2026	**218**	**211**	**429**
Net book value at 31 March 2025	**176**	**143**	**319**

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 £9 million (2025: £12 million) which is not included in the operating segment results of the Group.

10. Property, plant and equipment

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.

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.

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, along with the weighted average remaining useful economic life (UEL) for each class of property, plant and equipment (which is calculated by dividing the net book value of that class of asset by the respective annual depreciation charge).

	Years	Weighted average remaining UEL
Freehold and Leasehold buildings	Up to 65	36
Plant and Machinery		
- Electricity Transmission plant	Up to 100	29
Motor vehicles and office equipment	Up to 15	2

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. No material impairment charges or reversals have been recognised in the year.

10. Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Assets in the course of construction	Motor vehicles and office equipment	Total
	£m	£m	£m	£m	£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 21)	—	7	—	—	7
Cost at 31 March 2025	1,440	20,037	4,683	200	26,360
Additions	63	5	3,763	20	3,851
Disposals	(1)	(57)	(28)	(7)	(93)
Reclassifications[1]	86	993	(1,106)	42	15
Transfers	—	3	(3)	—	—
Impact of change in assumptions on provisions (note 21)	—	(8)	—	—	(8)
Cost at 31 March 2026	1,588	20,973	7,309	255	30,125
Accumulated depreciation 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 at 31 March 2025	(231)	(7,303)	(52)	(126)	(7,712)
Depreciation charge for the year[2]	(27)	(458)	—	(41)	(526)
Disposals	—	56	—	6	62
Reclassifications[1]	—	—	(6)	—	(6)
Impairment	—	2	—	—	2
Accumulated depreciation at 31 March 2026	(258)	(7,703)	(58)	(161)	(8,180)
Net book value at 31 March 2026	**1,330**	**13,270**	**7,251**	**94**	**21,945**
Net book value at 31 March 2025	**1,209**	**12,734**	**4,631**	**74**	**18,648**

1 The amounts include adjustments to reflect reclassifications between Intangible assets (note 9) and Property, plant and equipment for commissioned assets.

2 Depreciation charge for the year includes capitalised depreciation of £13 million (2025: £5 million) which is not included in the operating segment results 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. The total charge to operating costs in the year was £1 million (2025: £nil).

Cash outflows for leases in the year ended 31 March 2026 were £33 million (2025: £24 million).

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 2026 and 31 March 2025, split by category. The associated lease liabilities are disclosed in note 16.

	Land and buildings £m	**Motor vehicles and office equipment £m**	**Total £m**
Net book value at 1 April 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**
Additions	15	20	35
Disposals	—	(1)	(1)
Depreciation charge for the year	(8)	(15)	(23)
Net book value at 31 March 2026	**62**	**34**	**96**

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

	2026 £m	2025 £m
Included within net finance costs:		
Interest expense on lease liabilities	**(3)**	(3)

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.

	2026 £m	2025 £m
Contributions to cost of property, plant and equipment included within:		
Contract liabilities - current	**14**	13
Contract liabilities - non-current	**525**	532
	539	545

11. Financial and other investments

Financial and other investments primarily comprises of 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.

	2026	2025
	£m	£m
Current:		
Financial assets at amortised cost	**354**	381
Restricted cash	**25**	24
	379	405
Financial assets at amortised cost comprise the following:		
Loans and receivables - restricted cash balances[1]	**354**	381
NIC restricted cash deposits	**25**	24
	379	405

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 National Grid Electricity Transmission plc by their respective Board of Directors. Derivatives are transacted by National Grid Electricity Transmission plc 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 notes 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:

	2026			2025		
	Asset	**Liabilities**	**Total**	Asset	Liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Interest rate swaps	**42**	**(104)**	**(62)**	36	(108)	(72)
Cross-currency interest rate swaps	**50**	**(312)**	**(262)**	37	(326)	(289)
Foreign exchange forward contracts[1]	**5**	**(25)**	**(20)**	1	(45)	(44)
Inflation linked swaps	**26**	**(82)**	**(56)**	31	(93)	(62)
	123	**(523)**	**(400)**	105	(572)	(467)

1 Included within the foreign exchange forward contracts balance is £20 million of derivative liabilities (2025: £44 million) in relation to hedging of capital expenditure.

The maturity profile of derivative financial instruments is as follows:

	2026			**2025**		
	Assets	**Liabilities**	**Total**	Assets	Liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Current						
Less than 1 year	**9**	**(73)**	**(64)**	—	(208)	(208)
	9	**(73)**	**(64)**	—	(208)	(208)
Non-current						
In 1 - 2 years	**11**	**(11)**	**—**	11	(14)	(3)
In 2 - 3 years	**5**	**(15)**	**(10)**	11	(18)	(7)
In 3 - 4 years	**1**	**(1)**	**—**	5	(10)	(5)
In 4 - 5 years	**16**	**(3)**	**13**	4	(23)	(19)
More than 5 years	**81**	**(420)**	**(339)**	74	(299)	(225)
	114	**(450)**	**(336)**	105	(364)	(259)
	123	**(523)**	**(400)**	105	(572)	(467)

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

	2026	2025
	£m	£m
Interest rate swaps	**(2,002)**	(2,411)
Cross-currency interest rate swaps	**(3,589)**	(3,025)
Foreign exchange forward contracts	**(2,431)**	(1,669)
Inflation linked swaps	**(2,366)**	(2,366)
	(10,388)	(9,471)

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.

	2026 £m	2025 £m
Raw materials, spares and consumables	**39**	30
Work in progress	**8**	19
	47	49

The closing balance includes a £1 million provision for obsolescence against raw materials, spares and consumables at 31 March 2026 (2025: £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 2026 was £1 million (2025: £nil).

	2026 £m	2025 £m
Current		
Trade receivables	**32**	86
Amounts owed by fellow subsidiary undertakings	**36**	25
Accrued income	**35**	66
Prepayments	**19**	20
Other receivables	**87**	33
	209	230

	2026 £m	2025 £m
Non-current		
Prepayments[1]	**779**	416
Lease receivables	**4**	6
	783	422

1 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 considering their specific circumstances. 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).

	2026	2025
	£m	£m
At 1 April	**—**	1
Charged/(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:

	2026	2025
	£m	£m
Gross lease payments are received as follows:		
Less than 1 year	**2**	2
1 to 5 years	**4**	5
More than 5 years	**1**	2
	7	9
Less: finance income allocated to future periods	**(1)**	(1)
	6	8

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).

	2026	2025
	£m	£m
Cash at bank and short-term deposits	**—**	15

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.

	2026	2025
	£m	£m
Current		
Bank loans	**709**	112
Bonds	**392**	67
Lease liabilities	**28**	22
Borrowings from the ultimate parent company	**3,069**	1,021
	4,198	1,222
Non-current		
Bank loans	**610**	1,277
Bonds	**7,869**	7,737
Lease liabilities	**75**	73
	8,554	9,087
Total borrowings	**12,752**	10,309

Total borrowings are repayable as follows:

	2026	2025
	£m	£m
Less than 1 year	**4,198**	1,222
In 1 - 2 years	**503**	1,022
In 2 - 3 years	**595**	492
In 3 - 4 years	**544**	580
In 4 - 5 years	**386**	537
More than 5 years:		
by instalments	**264**	337
other than by instalments	**6,262**	6,119
	12,752	10,309

The fair value of borrowings at 31 March 2026 was £11,838 million (2025: £9,317 million). Where market values were available, fair value of borrowings (Level 1) was £4,395 million (2025: £4,248 million). Where market values are not available, fair value of borrowings (Level 2) was £7,443 million (2025: £5,069 million), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio as at 31 March 2026 was £13,097 million (2025: £10,632 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 £14 million (2025: £18 million) in respect of cash received under collateral agreements refer to note 11.

At 31 March 2026, we had committed credit facilities of £965 million (2025: £965 million) of which £965 million was undrawn (2025: £965 million undrawn). All of the facilities at 31 March 2026 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.

	2026	2025
	£m	£m
Gross lease liabilities are repayable as follows:		
Less than 1 year	**28**	22
1 to 5 years	**56**	53
More than 5 years	**59**	62
	143	137
Less: finance charges allocated to future periods	**(40)**	(42)
	103	95
The present value of lease liabilities are as follows:		
Less than 1 year	**28**	22
1 to 5 years	**51**	48
More than 5 years	**24**	25
	103	95

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.

	2026	2025
	£m	£m
Trade payables	**1,060**	861
Amounts owed to fellow subsidiaries of National Grid plc	**15**	29
Deferred income	**48**	39
Social security and other taxes	**27**	17
Other payables	**62**	30
	1,212	976

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

	2026	2025
	£m	£m
Current	**14**	13
Non-current	**525**	532
	539	545

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

	2026	2025
	£m	£m
As at 1 April	**545**	519
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	**8**	41
Other movements	**(1)**	(2)
At 31 March	**539**	545

19. Other non-current liabilities

Other non-current liabilities include deferred income which will not be recognised as income until after 31 March 2027. 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.

	2026	2025
	£m	£m
Deferred income	**4**	1
Other payables	**77**	59
	81	60

20. Pensions and other post-retirement benefits

All of our employees are eligible to participate in a pension plan. We have a defined benefit ('DB') and a defined contribution ('DC') pension plan 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 plan

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 statement of financial positions. The Company also has certain unfunded supplementary pension obligations.

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

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 employer's contributions, which, together with the specified contributions payable by the employees and proceeds from the plan's 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 2025 and no funding shortfall was identified.

During the year, the NGEG of ESPS Trustee completed a bulk transfer of assets and liabilities relating to NESO employees who had transferred out of the plan in the prior year into NESO's DB pension plan. In recognition of the commercial terms reached between National Grid and NESO for this bulk transfer resulting in a funding strain for the plan, the Company made a special contribution of £4 million into the plan in October 2025.

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 2026, the aggregate level of ongoing contributions was £21 million (2025: £19 million). Normal contributions are expected to be £7 million in the year to 31 March 2027.

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 would become payable to the plan on certain company-related events, such as loss of licence or insolvency. Following completion of the 2025 actuarial valuation, the potential level of security that would be implemented is capped at £nil (2025: £180 million) for the next three years given the strong funding position of the plan.

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 asset 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.

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

	2026	2025
	%	%
Discount rate - past service	**6.07**	5.79
Discount rate - future service	**6.34**	5.95
Rate of increase in RPI - past service	**3.14**	2.96
Rate of increase in RPI - future service	**3.06**	2.86
Salary increases	**3.32**	3.08

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 NGEG of ESPS:

	2026	2025
	Years	Years
Assumed life expectations for a retiree age 65:		
Males	**22.8**	22.3
Females	**24.7**	24.3
In 20 years:		
Males	**23.8**	23.2
Females	**26.1**	25.5

The weighted average duration of the DB obligations for NGEG of ESPS is 11 years.

As at the reporting date, the present value of the funded obligations split according to member status, was approximately 14% active members (2025: 15%); 6% deferred members (2025: 7%); 80% pensioner members (2025: 78%);

For sensitivity analysis see note 28.

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

Amounts recognised in the consolidated statement of financial position

	2026 £m	2025 £m
Present value of funded obligations	**(1,728)**	(1,737)
Fair value of scheme assets	**2,026**	2,017
	298	280
Present value of unfunded obligations	**(29)**	(28)
Net defined benefit asset	**269**	252
Represented by:		
Asset	**298**	280
Liability	**(29)**	(28)
	269	252

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.

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:

	2026 £m	2025 £m
Included within operating costs		
Administration costs	**5**	4
Loss on settlements[1]	**—**	16
Operating costs	**5**	20
Included within payroll costs		
Defined benefit scheme costs:		
Current service cost	**8**	10
Past service cost - redundancies	**—**	1
	8	11
Amounts charged to fellow National Grid group undertakings	**(1)**	(1)
Total amount included within payroll costs	**7**	10
Total of operating costs	**12**	30
Included within finance income and costs		
Net interest income	**(13)**	(21)
Total (income)/cost included in the consolidated income statement	**(1)**	9
Remeasurement losses of pension assets and obligations[2]	**6**	181
Total losses included in the consolidated statement of other comprehensive income	**6**	181

1 For the year ended 31 March 2025, a £16 million settlement loss arose from the sale of the National Energy System Operator Ltd during the year.

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

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

Reconciliation of the net defined benefit asset

	2026	2025
	£m	£m
Opening defined benefit asset	**252**	422
Income/(costs) recognised in the income statement	**1**	(9)
Amounts charged to National Grid group undertakings	**(1)**	(1)
Remeasurement effects recognised in the statement of other comprehensive income	**(6)**	(181)
Employer contributions	**21**	19
Other movements	**2**	2
Closing net defined benefit asset	**269**	252

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.

	2026	2025
	£m	£m
Opening defined benefit obligations	**(1,765)**	(2,035)
Current service cost	**(8)**	(10)
Interest cost	**(84)**	(102)
Actuarial (losses) - experience	**(12)**	(27)
Actuarial (losses)/gains - demographic assumptions	**(21)**	3
Actuarial gains - financial assumptions	**7**	209
Past service cost - redundancies	**—**	(1)
Liabilities transferred on settlements	**—**	68
Benefits paid	**126**	130
Closing defined benefit obligations	**(1,757)**	(1,765)

Changes in the value of plan assets

The table below shows the movement in defined benefit assets over the year.

	2026	2025
	£m	£m
Opening fair value of scheme assets	**2,017**	2,457
Interest income	**97**	123
Return on assets in excess of/(less than) interest[1]	**20**	(366)
Administration costs	**(5)**	(4)
Employer contributions	**21**	19
Assets transferred on settlements	**—**	(84)
Benefits paid	**(124)**	(128)
Closing fair value of scheme assets	**2,026**	2,017
Actual return on scheme assets	**117**	(245)
Expected contributions to scheme in the following year	**7**	17

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

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.

	2026			2025		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Government securities and liability driven investments[1]	**—**	**488**	**488**	—	434	434
Property	**—**	**8**	**8**	—	16	16
Diversified alternatives	**—**	**214**	**214**	—	231	231
Liability-matching policies[2]	**—**	**1,313**	**1,313**	—	1,333	1,333
Other (including net current assets and liabilities)	**—**	**3**	**3**	—	3	3
	—	**2,026**	**2,026**	—	2,017	2,017

1 Includes £173 million (2025: £269 million) of repurchase agreements. These are used to increase the market exposure of the liability-matching portfolios.

2 Includes the value of the buy-in policy entered into in the prior year.

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 pension 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 prior 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.
- 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, the Trustee 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.

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

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 NGEG 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 2026 and 31 March 2025 are as follows:

	2026	2025
	%	%
Return - seeking assets	**11**	12
Liability - matching assets	**89**	88
	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.

21. Provisions (continued)

	Decommissioning £m	Environmental £m	Other £m	Total £m
At 1 April 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
Additions	—	12	42	54
Unused amounts reversed	—	—	(3)	(3)
Unwinding of discount	—	2	—	2
Utilised	—	(9)	(23)	(32)
Impact of change in assumptions on provisions	(8)	(2)	—	(10)
At 31 March 2026	**25**	**56**	**46**	**127**

	2026 £m	2025 £m
Current	**49**	42
Non-current	**78**	74
	127	116

Decommissioning provision

The decommissioning provision represents a present value of £25 million (2025: £33 million) of expenditure relating to asset retirement obligations estimated to be incurred in 2059 (discounted at a real rate of 2.0%). 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 £19 million related to environmental remediation costs at the North Hyde substation. Cash flows are expected to be incurred until 2070, with £38 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 2026 was £66 million (2025: £61 million). The provision has been booked based on a 1.39% real discount rate (2025: 1.0%).

Other provisions

Included within other provisions at 31 March 2026 are the following amounts:

- £20 million (2025: £20 million) related to other claims and litigation where matters are ongoing and amounts recognised represent the best estimate of the expected outflow.
- £11 million (2025: £nil) related to obligations to deliver at least 10% net gain in biodiversity associated with our infrastructure projects.
- £3 million (2025: £3 million) in relation to software licence claims.

22. Share capital

Ordinary share capital represents the value of 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.

22. Share capital (continued)

	Number of shares 2026 millions	Number of shares 2025 millions	**2026 £m**	2025 £m
At 31 March 2026 and 2025 - 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.

	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 1 April 2025	(13)	75	62
Net gains taken to equity	9	29	38
Net gains in respect of cash flow hedging of capital expenditure	—	22	22
Transferred to profit or loss	(1)	(61)	(62)
Cash flow hedges transferred to the statement of financial position, net of tax	—	3	3
Tax	(2)	2	—
At 31 March 2026	**(7)**	**70**	**63**

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 Audit & Risk Committee of the National Grid plc Board. These policies have been deemed applicable for National Grid Electricity Transmission plc by its Board of Directors. The Audit & Risk 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:

24. Net debt (continued)

	2026 £m	2025 £m
Cash, cash equivalents and financial investments	**379**	420
Borrowings and bank overdrafts	**(12,752)**	(10,309)
Derivatives	**(400)**	(467)
	(12,773)	(10,356)

Analysis of changes in net debt

	Borrowings £m	Financing derivatives used to hedge debt £m	Total liabilities from financing activities £m	Cash and cash equivalents £m	Financial investments £m	Other financing derivatives £m	Total debt £m
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 1 April 2025	**(10,309)**	**(423)**	**(10,732)**	**15**	**405**	**(44)**	**(10,356)**
Net decrease in cash and cash equivalents	—	—	**—**	(15)	—	—	**(15)**
Included within financing cash flows:							
Proceeds received from loans	(556)	—	**(556)**	—	—	—	**(556)**
Repayment of loans	213	—	**213**	—	—	—	**213**
Payments of lease liabilities	33	—	**33**	—	—	—	**33**
Net movements in short-term borrowings	(2,044)	—	**(2,044)**	—	—	—	**(2,044)**
Cash inflows on derivatives	—	(8)	**(8)**	—	—	—	**(8)**
Interest paid	408	59	**467**	—	—	—	**467**
Included within investing cash flows:							
Net movements in short-term financial investments	—	—	**—**	—	(26)	—	**(26)**
Derivative cashflows included in capital expenditure	—	—	**—**	—	—	4	**4**
Interest received	—	—	**—**	—	(18)	—	**(18)**
Fair value gains and losses	20	42	**62**	—	—	22	**84**
Foreign exchange movements	(93)	—	**(93)**	—	—	—	**(93)**
Interest (charges)/income	(385)	(51)	**(436)**	—	18	(1)	**(419)**
Other non-cash movements	(39)	—	**(39)**	—	—	—	**(39)**
At 31 March 2026	**(12,752)**	**(381)**	**(13,133)**	**—**	**379**	**(19)**	**(12,773)**
Non-current assets	**—**	**110**	**110**	**—**	**—**	**4**	**114**
Current assets	**—**	**8**	**8**	**—**	**379**	**1**	**388**
Current liabilities	**(4,198)**	**(63)**	**(4,261)**	**—**	**—**	**(10)**	**(4,271)**
Non-current liabilities	**(8,554)**	**(436)**	**(8,990)**	**—**	**—**	**(14)**	**(9,004)**
Total	**(12,752)**	**(381)**	**(13,133)**	**—**	**379**	**(19)**	**(12,773)**

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.

	2026	2025
Future capital expenditure	**£m**	£m
Contracted for but not provided	**5,724**	2,844

The increase in commitments reflects the advancement of the company's capital investment programme and the timing of contractual commitments as projects progress into delivery.

Other commitments, contingencies and guarantees

Guarantees of certain obligations of Eastern Green Link joint operations amount to £4,827 million (2025: £2,296 million). These have various expiry dates. Guarantees in respect of a former associate amount to £13 million (2025: £13 million).

Other commitments, contingencies and guarantees in the normal course of business and entered into on normal commercial terms amounted to £4 million (2025: £6 million). There is an additional £22 million (2025: £21 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 NGEG 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. 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. We do not expect the ultimate resolution of any other proceedings, including the Ofgem investigation, to have a material adverse effect on our results of operations, cash flows or financial position.

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:

	2026	2025
	£m	£m
Income:		
Goods and services supplied[1]	**94**	1,299
Net finance income	**—**	4
	94	1,303
Expenditure:		
Services received	**20**	21
Corporate services received	**32**	24
Interest paid on borrowings from ultimate parent and fellow subsidiary undertakings	**83**	—
	135	45
Outstanding balances at 31 March in respect of income, expenditure and settlement of corporation tax:		
Amounts receivable[2]	**37**	26
Amounts payable[2]	**(15)**	(29)
Borrowings from ultimate parent (amounts due within one year)	**(3,069)**	(1,021)
Outstanding balances at 31 March in respect of leases:		
Lease liabilities to fellow subsidiary undertakings	**22**	28

1 Includes £88 million billed to other National Grid group companies for corporate shared services (2025: £68 million) and £6 million in respect of joint ventures (2025: £5 million). In 2025 this also included TNUoS charges and post vesting connection charges invoiced to and collected from National Grid Electricity System Operator Ltd of £1,175 million and amounts billed under Transitional Service Arrangement agreements with National Gas Transmission plc of £51 million.

2 There is £1 million due from (2025: £1 million) and £nil due to (2025: £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 and fellow subsidiary undertakings 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 Audit & Risk Committee of the National Grid plc Board. These policies have been deemed applicable for the National Grid Electricity Transmission plc 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 Audit & Risk 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 Audit & Risk Committee report on page 100 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 2026 and 2025, 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 2026 (nil as at March 2025).

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

				Related amounts available to be offset but not offset in statement of financial position		
As at 31 March 2026	Gross carrying amounts £m	Gross amounts offset £m	Net amount presented in statement of financial position £m	Financial instruments £m	Cash collateral received/ pledged £m	Net amount £m
Assets						
Derivative financial instruments	**123**	**—**	**123**	**(106)**	**(11)**	**6**
	123	**—**	**123**	**(106)**	**(11)**	**6**
Liabilities						
Derivative financial instruments	**(523)**	**—**	**(523)**	**106**	**337**	**(80)**
	(523)	**—**	**(523)**	**106**	**337**	**(80)**
Total	**(400)**	**—**	**(400)**	**—**	**326**	**(74)**

27. Financial risk management (continued)

			Related amounts available to be offset but not offset in statement of financial position			
As at 31 March 2025	Gross carrying amounts £m	Gross amounts offset £m	Net amount presented in statement of financial position £m	Financial instruments £m	Cash collateral received/ pledged £m	Net amount £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)

(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:

At 31 March 2026	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
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	**(4,096)**	**(492)**	**(601)**	**(7,805)**	**(12,994)**
Interest payments on borrowings[1]	**(230)**	**(207)**	**(192)**	**(1,904)**	**(2,533)**
Lease liabilities	**(28)**	**(24)**	**(18)**	**(73)**	**(143)**
Other non-interest bearing liabilities	**(1,136)**	**(77)**	**—**	**—**	**(1,213)**
Derivative financial liabilities					
Derivative contracts - receipts[2]	**1,200**	**1,290**	**521**	**959**	**3,970**
Derivative contracts - payments[2]	**(1,331)**	**(1,473)**	**(591)**	**(1,467)**	**(4,862)**
Derivative financial assets					
Derivative contracts - receipts[2]	**327**	**362**	**225**	**1,225**	**2,139**
Derivative contracts - payments[2]	**(313)**	**(318)**	**(222)**	**(1,225)**	**(2,078)**
Total at 31 March 2026	**(5,607)**	**(939)**	**(878)**	**(10,290)**	**(17,714)**

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)

At 31 March 2025	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
Non-derivative financial liabilities					
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)
Derivative financial liabilities					
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)
Derivative financial assets					
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).

(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 2026 and 2025, derivative financial instruments were used to manage foreign currency risk as follows:

	2026				
	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Cash and cash equivalents	—	—	—	—	—
Financial investments	**379**	—	—	—	**379**
Borrowings	**(9,563)**	**(1,949)**	**(61)**	**(1,179)**	**(12,752)**
Pre-derivative position	**(9,184)**	**(1,949)**	**(61)**	**(1,179)**	**(12,373)**
Derivative effect	**(5,916)**	**3,973**	**66**	**1,477**	**(400)**
Net debt position	**(15,100)**	**2,024**	**5**	**298**	**(12,773)**

27. Financial risk management (continued)

	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)

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 Audit & Risk 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 2026 and 2025, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	2026			
	Fixed rate £m	Floating rate £m	RPI £m	Total £m
Cash and cash equivalents	—	—	—	—
Financial investments	—	**379**	—	**379**
Borrowings	**(6,357)**	**(3,384)**	**(3,011)**	**(12,752)**
Pre-derivative position	**(6,357)**	**(3,005)**	**(3,011)**	**(12,373)**
Derivative effect	**1,468**	**(1,812)**	**(56)**	**(400)**
Net debt position	**(4,889)**	**(4,817)**	**(3,067)**	**(12,773)**

27. Financial risk management (continued)

	2025			
	Fixed rate £m	Floating rate £m	RPI £m	Total £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)

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 subsequent changes in the fair value of derivatives are recognised directly in the income statement in full and as they arise, with no offset. 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:

Year end 31 March 2026	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency risk £m
Consolidated statement of comprehensive income			
Net gains in respect of:			
Cash flow hedges	—	29	22
Cost of hedging	4	6	—
Transferred to profit or loss in respect of:			
Cash flow hedges	—	(62)	—
Cost of hedging	—	(1)	—
Consolidated statement of changes in equity			
Other equity reserves - cost of hedging balances	(6)	(2)	—
Consolidated statement of financial position			
Derivatives - carrying value of hedging instruments[1]			
Assets - current	4	3	2
Assets - non-current	14	49	4
Liabilities - current	(61)	(2)	(10)
Liabilities - non-current	(304)	(41)	(15)
Profiles of the significant timing, price and rate information of hedging instruments			
Maturity range	Sep 2026 - Sep 2044	Dec 2026 - Nov 2040	Apr 2026 - Jun 2031
Spot FX range			
GBP USD	n/a	1.30	1.26 - 1.36
GBP EUR	1.11 - 1.24	1.10 - 1.19	1.11 - 1.19
Interest rate range			
GBP	SONIA -240bps / +374bps	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.

27. Financial risk management (continued)

Year end 31 March 2025	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency risk £m
Consolidated statement of comprehensive income			
Net (losses)/gains 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 - 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.

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 2026		Balance of fair value hedge adjustments in borrowings		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument nominal £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Foreign currency and interest rate risk on borrowings[1]	(2,303)	450	(31)	(14)	12	(2)

1 The carrying value of the hedged borrowings is £1,881 million, of which £93 million is current and £1,788 million is non-current.

27. Financial risk management (continued)

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.

(ii) Cash flow hedges of foreign currency and interest rate risk:

As at 31 March 2026		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	(2,563)	110	—	(27)	28	1
Foreign currency risk on forecasted cash flows	(2,430)	(18)	—	(25)	25	—

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)	—

(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.

	2026				2025			
	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	**—**	**97**	**26**	**123**	—	74	31	105
	—	**97**	**26**	**123**	—	74	31	105
Liabilities								
Derivative financial instruments	**—**	**(441)**	**(82)**	**(523)**	—	(479)	(93)	(572)
	—	**(441)**	**(82)**	**(523)**	—	(479)	(93)	(572)
	—	**(344)**	**(56)**	**(400)**	—	(405)	(62)	(467)

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	
	2026	2025
	£m	£m
At 1 April	**(62)**	(63)
Net gain for the year[1]	**6**	1
At 31 March	**(56)**	(62)

1 Gain of £6 million (2025: £1 million) is attributable to Level 3 derivative financial liabilities held at the end of the reporting period and has been recognised in net 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	
	2026	2025
	£m	£m
+20 basis points change in LPI (Limited Price Inflation) market curve[1]	**(32)**	(33)
-20 basis points change in LPI market curve[1]	**30**	33
+20 basis points increase between Retail Price Index & Consumer Price Index[1]	**21**	25
-20 basis points decrease between Retail Price Index & Consumer Price Index[1]	**(20)**	(23)

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 2026 was 54% (2025: 50%).

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 25%.

These restrictions are subject to the normal licence review process.

As most of our business is regulated, at 31 March 2026 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 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.

	2026			2025		
	Assumptions used	**Income statement £m**	**Net assets £m**	Assumptions used	Income statement £m	Net assets £m
Pensions obligations benefit (pre-tax)[1]						
Discount rate change[2]	**1.0%**	**3**	**176**	1.0%	4	182
RPI rate change[3]	**1.0%**	**—**	**123**	1.0%	1	133
Long-term rate of increase in salaries change	**1.0%**	**—**	**9**	1.0%	—	10
Change of one year to life expectancy at age 65	**One Year**	**—**	**55**	One Year	—	55

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 assumptions that were reasonably possible as at 31 March 2026. 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 2026 and 2025 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.

	2026			2025		
	Assumptions Used	**Income statement £m**	**Other equity reserves £m**	Assumptions Used	Income statement £m	Other equity reserves £m
Financial risk (post-tax)						
UK inflation change[1]	**1.0 %**	**23**	**—**	1.0 %	24	—
UK interest rate changes of 1%	**1.0 %**	**39**	**98**	1.0 %	19	84
EUR exchange rate change	**10.0 %**	**1**	**138**	10.0 %	4	90

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:

	2026		2025	
	Income statement £m	**Net assets £m**	Income statement £m	Net assets £m
Assets and liabilities carried at fair value (post-tax):				
10% fair value change in derivative financial instruments[1]	**(30)**	**(30)**	(35)	(35)

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	Pension nominee company	100 %
1 - 3 Strand, London, WC2N 5EH, UK		

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	Trustee of the NGC profit sharing scheme and NGC Employee Trust	50 %
1 - 3 Strand, London, WC2N 5EH, UK		

Joint operations

A list of the Group's incorporated joint operations as at 31 March 2026 is given below. All joint operations are proportionally consolidated in the Group's financial statements under IFRS 11 Joint Arrangements.

	Principal activity	Holding
NGET/SPT Upgrades Limited	Construction services England-Scotland interconnector	50 %
1 - 3 Strand, London, WC2N 5EH, UK		
Eastern Green Link 1 Limited	Construction services England-Scotland interconnector	50 %
1 - 3 Strand, London, WC2N 5EH, UK		
Eastern Green Link 2 Limited	Construction services England-Scotland interconnector	50 %
No. 1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH, UK		
Eastern Green Link 3 Limited	Construction services England-Scotland interconnector	50 %
No. 1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH, UK		
Eastern Green Link 4 Limited	Construction services England-Scotland interconnector	50 %
1 - 3 Strand, London, WC2N 5EH, UK		

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)	Consultancy services	25 %
Friars House, Manor House Drive, Coventry, CV1 2TE		

Company balance sheet

as at 31 March

	Notes	2026 £m	2025 £m
Fixed assets			
Intangible assets	5	**429**	319
Property, plant and equipment	6	**21,945**	18,648
		22,374	18,967
Current assets			
Cash at bank and in hand		**—**	15
Stocks	7	**47**	49
Debtors (amounts falling due within one year)	8	**218**	230
Debtors (amounts falling due after more than one year)	8	**783**	422
Derivative financial instruments (amounts falling due within one year)	9	**9**	—
Derivative financial instruments (amounts falling due after more than one year)	9	**114**	105
Financial and other investments	10	**379**	405
Net pension asset	15	**269**	252
Total current assets		**1,819**	1,478
Borrowings	13	**(4,198)**	(1,222)
Derivative financial instruments	9	**(73)**	(208)
Other creditors	11	**(1,226)**	(989)
Creditors (amounts falling due within one year)	11	**(5,497)**	(2,419)
Net current liabilities		**(3,678)**	(941)
Total assets less current liabilities		**18,696**	18,026
Creditors (amounts falling due after more than one year)	12	**(9,610)**	(10,043)
Provisions for liabilities	14	**(2,652)**	(2,180)
Net assets		**6,434**	5,803
Capital and reserves			
Share capital	16	**44**	44
Profit and loss account		**6,327**	5,697
Other equity reserves	17	**63**	62
Total shareholders' equity		**6,434**	5,803

The Company has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006.

The Company's profit after tax for the year was £1,017 million (2025: £752 million). The financial statements on pages 102 to 113 were approved by the Board of Directors on 22 July 2026 and were signed on its behalf by:

Sandip Thakrar Director

DocuSigned by:
Sandip Thakrar
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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

	Share capital	Profit and loss account	Other equity reserves[2]	Total equity
	£m	£m	£m	£m
At 1 April 2024	44	5,075	38	5,157
Profit for the year	—	752	—	752
Other comprehensive (loss)/income for the year[1]	—	(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**
Profit for the year	—	1,017	—	1,017
Other comprehensive loss for the year[1]	—	(5)	(2)	(7)
Total comprehensive income/(loss) for the year	**—**	**1,012**	**(2)**	**1,010**
Cash flow hedges transferred to the statement of financial position, net of tax	—	—	3	3
Equity dividends	—	(400)	—	(400)
Share-based payments	—	14	—	14
Tax on share-based payments	—	4	—	4
At 31 March 2026	**44**	**6,327**	**63**	**6,434**

1 Components of other comprehensive income are presented in the consolidated statement of comprehensive income.

2 For further details of other equity reserves, see note 23 in the consolidated financial statements.

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 40.

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;
- disclosures in respect of impairment of assets;
- disclosures in respect of key management personnel compensation;
- disclosures in respect of share based payments;
- 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, including 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, 17 and 19 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 58.

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:

	2026	2025
	£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]	**1.9**	2.0

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.

3. Number of employees, including Directors

	2026	2025
	Monthly Average	Monthly average
	number	number
Electricity Transmission	**6,873**	5,623

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. As none of the executive directors of National Grid plc have managerial responsibility over the Company, no apportionment of their remuneration has been included in key management compensation. 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	**Assets under construction**	**Total**
	£m	**£m**	**£m**
Cost at 1 April 2025	536	143	679
Additions	—	169	169
Reclassifications[1]	92	(101)	(9)
Cost at 31 March 2026	628	211	839
Accumulated amortisation at 1 April 2025	(360)	—	(360)
Amortisation charge for the year[2]	(50)	—	(50)
Accumulated amortisation at 31 March 2026	(410)	—	(410)
Net book value at 31 March 2026	**218**	**211**	**429**
Net book value at 31 March 2025	**176**	**143**	**319**

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 £9 million which is not included in the operating segment results 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 2025	1,440	20,037	4,683	200	26,360
Additions	63	5	3,763	20	3,851
Disposals	(1)	(57)	(28)	(7)	(93)
Reclassifications[1]	86	993	(1,106)	42	15
Transfers	—	3	(3)	—	—
Impact of change in assumptions on provisions (note 14)	—	(8)	—	—	(8)
Cost at 31 March 2026	1,588	20,973	7,309	255	30,125
Accumulated depreciation at 1 April 2025	(231)	(7,303)	(52)	(126)	(7,712)
Depreciation charge for the year[2]	(27)	(458)	—	(41)	(526)
Disposals	—	56	—	6	62
Reclassifications[1]	—	—	(6)	—	(6)
Impairment	—	2	—	—	2
Accumulated depreciation at 31 March 2026	(258)	(7,703)	(58)	(161)	(8,180)
Net book value at 31 March 2026	**1,330**	**13,270**	**7,251**	**94**	**21,945**
Net book value at 31 March 2025	**1,209**	**12,734**	**4,631**	**74**	**18,648**

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 £13 million which is not included in the operating segment results of the Company.

Included within creditors (amounts falling due within one year) (note 11) and creditors (amounts falling due after more than one year) (note 12) are contributions to the cost of tangible fixed assets amounting to £14 million (2025: £13 million) and £525 million (2025: £532 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 plc continues to recognise a lease expense on a straight-line basis. The total charge to operating costs in the year was £1 million (2025: £nil).

Cash outflows for leases in the year ended 31 March 2026 were £33 million (2025: £24 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 2026, 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 2025	55	30	85
Additions	15	20	35
Disposals	—	(1)	(1)
Depreciation charge for the year	(8)	(15)	(23)
Net book value at 31 March 2026	**62**	**34**	**96**

6. Property, plant and equipment (continued)

The following balances have been included in the income statement for the year ended 31 March 2026 in respect of right-of-use assets:

	Total £m
Included within net finance costs:	
Interest expense on lease liabilities	**(3)**

7. Stocks

	2026 £m	2025 £m
Raw materials, spares and consumables	**39**	30
Work in progress	**8**	19
	47	49

Raw materials are stated after provisions for obsolescence of £1 million (2025: £1 million).

8. Debtors

	2026 £m	2025 £m
Amounts falling due within one year:		
Trade debtors	**32**	86
Amounts owed by fellow subsidiary undertakings	**36**	25
Current tax asset	**9**	—
Other debtors	**87**	33
Accrued income	**35**	66
Prepayments	**19**	20
	218	230
Amounts falling due after one year:		
Prepayments[1]	**779**	416
Lease receivables	**4**	6
	783	422
Total debtors	**1,001**	652

1 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 £1 million (2025: £nil).

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.

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

	2026 £m	2025 £m
Gross lease payments are received as follows:		
Less than 1 year	**2**	2
1 to 5 years	**4**	5
More than 5 years	**1**	2
	7	9
Less: finance income allocated to future periods	**(1)**	(1)
	6	8

9. Derivative financial instruments

The fair values of derivative financial instruments are:

	2026			2025		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£m	£m	£m	£m	£m	£m
Amounts falling due within one year	**9**	**(73)**	**(64)**	—	(208)	(208)
Amounts falling due after more than one year	**114**	**(450)**	**(336)**	105	(364)	(259)
	123	**(523)**	**(400)**	105	(572)	(467)

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 amounts[1] are as follows:

	2026	2025
	£m	£m
Interest rate swaps	**(2,002)**	(2,411)
Cross-currency interest rate swaps	**(3,589)**	(3,025)
Foreign exchange forward contracts	**(2,431)**	(1,669)
Inflation linked swaps	**(2,366)**	(2,366)
	(10,388)	(9,471)

1 The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the balance sheet date.

10. Financial and other investments

	2026	2025
	£m	£m
Loans and receivables - restricted cash balances[1]	**354**	381
Loans and receivables - NIC restricted cash deposits	**25**	24
	379	405

1 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)

	2026 £m	2025 £m
Derivative financial instruments (note 9)	**73**	208
Borrowings (note 13)	**4,198**	1,222
Trade creditors	**999**	796
Amounts owed to fellow subsidiary undertakings	**15**	29
Social security and other taxes	**27**	17
Other creditors	**62**	28
Accruals and deferred income	**123**	119
	5,497	2,419

12. Creditors (amounts falling due after more than one year)

	2026 £m	2025 £m
Derivative financial instruments (note 9)	**450**	364
Borrowings (note 13)	**8,554**	9,087
Other creditors	**81**	60
Accruals and deferred income	**525**	532
	9,610	10,043

13. Borrowings

The following table analyses the Company's total borrowings:

	2026 £m	2025 £m
Bank loans	**709**	112
Bonds	**392**	67
Lease liabilities	**28**	22
Borrowings from the ultimate parent company	**3,069**	1,021
Current	**4,198**	1,222
Bank loans	**610**	1,277
Bonds	**7,869**	7,737
Lease liabilities	**75**	73
Non-current	**8,554**	9,087
Total borrowings	**12,752**	10,309
Less than 1 year	**4,198**	1,222
In 1 - 2 years	**503**	1,022
In 2 - 3 years	**595**	492
In 3 - 4 years	**544**	580
In 4 - 5 years	**386**	537
More than 5 years by instalments	**264**	337
More than 5 years, other than by instalments	**6,262**	6,119
	12,752	10,309

The notional amount outstanding of the Company's debt portfolio at 31 March 2026 was £13,097 million (2025: £10,632 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.

	2026	2025
	£m	£m
Gross lease liabilities are repayable as follows:		
Less than 1 year	**28**	22
1 to 5 years	**56**	53
More than 5 years	**59**	62
	143	137
Less: finance charges allocated to future periods	**(40)**	(42)
	103	95
The present value of lease liabilities are as follows:		
Less than 1 year	**28**	22
1 to 5 years	**51**	48
More than 5 years	**24**	25
	103	95

14. Provisions for liabilities

	Decommissioning	**Environmental**	**Deferred taxation**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 1 April 2025	33	53	2,064	30	2,180
Charged to profit and loss	—	12	464	42	518
Transferred to reserves	—	—	(5)	—	(5)
Other	—	—	2	—	2
Released	—	—	—	(3)	(3)
Utilised	—	(9)	—	(23)	(32)
Unwinding of discount	—	2	—	—	2
Impact of change in assumptions on provisions	(8)	(2)	—	—	(10)
At 31 March 2026	**25**	**56**	**2,525**	**46**	**2,652**

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:

	2026	2025
	£m	£m
Accelerated capital allowances	**2,467**	1,993
Other timing differences	**(10)**	7
Pensions liability (note 15)	**68**	64
	2,525	2,064

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

	2026	2025
	£m	£m
Present value of funded obligations	**(1,728)**	(1,737)
Fair value of scheme assets	**2,026**	2,017
	298	280
Present value of unfunded obligations	**(29)**	(28)
Net defined benefit pension asset	**269**	252
Related deferred tax liability	**(68)**	(64)
Net pension asset	**201**	188
Changes in the present value of defined benefit obligations (including unfunded obligations)		
Opening defined benefit obligations	**(1,765)**	(2,035)
Current service cost	**(8)**	(10)
Interest cost	**(84)**	(102)
Actuarial (losses) - experience	**(12)**	(27)
Actuarial (losses)/gains - demographic assumptions	**(21)**	3
Actuarial gains - financial assumptions	**7**	209
Past service cost - redundancies	**—**	(1)
Liabilities extinguished on settlements	**—**	68
Benefits paid	**126**	130
Closing defined benefit obligations	**(1,757)**	(1,765)
Changes in the fair value of scheme assets		
Opening fair value of scheme assets	**2,017**	2,457
Interest income	**97**	123
Return on assets in excess of/(less than) interest	**20**	(366)
Administration costs	**(5)**	(4)
Employer contributions	**21**	19
Assets distributed on settlements	**—**	(84)
Benefits paid	**(124)**	(128)
Closing fair value of scheme assets	**2,026**	2,017

16. Share capital

	Number of shares 2026 millions	Number of shares 2025 millions	**2026 £m**	2025 £m
At 31 March 2026 and 2025 - 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 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 1 April 2025	(13)	75	62
Net gains taken to equity	9	29	38
Net gains in respect of cash flow hedging of capital expenditure	—	22	22
Transferred to profit or loss	(1)	(61)	(62)
Cash flow hedges transferred to the statement of financial position, net of tax	—	3	3
Tax	(2)	2	—
At 31 March 2026	**(7)**	**70**	**63**

18. Commitments and contingencies

(a) Future capital expenditure

	2026 £m	2025 £m
Contracted for but not provided	**5,724**	2,844

The increase in commitments reflects the advancement of the company's capital investment programme and the timing of contractual commitments as projects progress into delivery.

(b) Other commitments, contingencies and guarantees

Guarantees of certain obligations of Eastern Green Link Joint Operations amount to £4,827 million (2025: £2,296 million). These have various expiry dates. Guarantees in respect of a former associate amount to £13 million (2025: £13 million).

Other commitments, contingencies and guarantees in the normal course of business and entered into on normal commercial terms amounted to £4 million (2025: £6 million). There is an additional £22 million (2025: £21 million) contingency for the portion of decommissioning costs of Western Link HVDC not recognised in the provision (see note 21 of the consolidated accounts).

Security arrangements in favour of NGEG Trustees are disclosed separately in note 20 of the consolidated accounts.

18. Commitments and contingencies (continued)

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. 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. We do not expect the ultimate resolution of any other proceedings, including the Ofgem investigation, to have a material adverse effect on our results of operations, cash flows or financial position.

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.

	2026	2025
	£m	£m
Goods and services supplied	**6**	56
Amounts receivable at 31 March	**1**	1

Amounts payable or receivable are ordinarily settled one month in arrears. £nil (2025: £nil) has been provided at 31 March 2026 and £nil (2025: £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

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

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

EAP

Environmental Action Plan

EGL

Eastern Green Link

ER

Emerging Risk

ERM

Enterprise Risk Management

FRS

Financial Reporting Standard

GAAP

Generally accepted accounting principles

GHG

Greenhouse gas

GRI

Global Reporting Initiative

GW

Gigawatt, 10^9 watts

HSE

Health and Safety Executive

IAS

International Accounting Standards

IASB

International Accounting Standards Board

IFRS

International Financial Reporting Standards

KPI

Key Performance 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

The number of lost time injuries (LTIs) per 100,000 hours worked in a 12-month period.

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 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

PR

Principal Risk

RBC

Responsible Business Charter

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

SF_6

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