

Registered number : 02366985

National Grid Electricity Distribution (South Wales) plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2025

nationalgrid

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Strategic report

For the year ended 31 March 2025

The directors present their annual report and the audited financial statements of National Grid Electricity Distribution (South Wales) plc (the "Company" or "NGED South Wales"), company number 02366985, for the year ended 31 March 2025.

Overview

NGED South Wales is an electricity Distribution Network Operator ("DNO") delivering electricity to approximately 1.2 million (2024: 1.2 million) homes and businesses in the South Wales and employing on average 1,088 (2024: 1,071) staff.

Every day we connect people to the power they need by looking after a network of poles, pylons, cables and substations, delivering energy to homes and businesses in our region. We are also committed to supporting the UK's ambition to grow the economy, build more home, develop industry, and transition to a clean power system. In doing so, we have developed new roles as Distribution System Operator ("DSO"), in addition to our traditional role as DNO. The DSO allows us to anticipate growth, develop and utilise flexibility markets, unlock capacity, and instruct investment in the network of the future.

Ownership

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

More information on the National Grid Group can be found in the National Grid plc Annual Report and Accounts 2024/25 and on the National Grid website: <https://www.nationalgrid.com/>

Group background

National Grid Electricity Distribution plc is the parent of a group ("NGED Group" or "NGED" or "the Group") whose principal operating activity is conducted by the four DNOs; National Grid Electricity Distribution (South West) plc, ("NGED South West"), National Grid Electricity Distribution (South Wales) plc ("NGED South Wales"), National Grid Electricity Distribution (East Midlands) plc ("NGED East Midlands"), and National Grid Electricity Distribution (West Midlands) plc ("NGED West Midlands"). Where appropriate the four DNOs share engineering control and other systems.

In addition to the DNOs, the Group also consists of a number of other smaller subsidiaries including National Grid Telecoms Limited, National Grid Electricity Distribution Generation Limited and National Grid Helicopters Limited. The primary purpose of these businesses is to support the DNOs and network related activities of the Group. The Group also owns property companies to facilitate the management of non-network and investment properties of the Group.

Financial highlights

	2024/25	2023/24	%change
	£m	£m	
Turnover	368.3	267.8	38 %
Profit before tax	178.0	87.7	103 %
Cash generated from operations	211.5	191.3	11 %
	2024/25	2023/24	
Regulatory asset value ("RAV")	1,878.7	1,724.1	
Return on equity ("ROE")	7.1 %	10.7 %	

Refer to pages 11-13 for further details on our financial highlights.

Non-financial highlights (NGED Group)

	2024/25	2023/24
Customer satisfaction score (out of 10)*	9.12	9.10
Network reliability	99.983 %	99.993 %

See pages 19- 24 for further details on our key performance indicators ("KPIs").

Strategic report (continued)

For the year ended 31 March 2025

What we do - Industry

The electricity industry connects generation sources to homes and businesses through transmission and distribution networks. Companies that pay to use transmission and distribution networks buy electricity from generators and sell it to consumers. The UK electricity industry has five main sectors:

Generation

Generation is the production of electricity from fossil fuel and nuclear power stations, as well as renewable sources such as wind and solar. NGED and the rest of the National Grid Group do not own or operate any commercial electricity generation facilities.

The UK is moving away from a historical reliance on large thermal power generation and there is now a greater diversity of supply and flexible demand than ever before, with significant growth in distributed renewable generation installations across the UK networks. The electricity distribution network has a pivotal role to play in the future energy mix, with evolving roles enabling a range of possible energy futures for the long-term benefit of consumers.

Interconnectors

Transmission grids are often interconnected so that energy can flow from one country or region to another. This helps to provide a safe, secure, reliable and affordable energy supply for citizens and society across the region. Interconnectors also allow power suppliers to sell their energy to customers in other countries. Great Britain is linked via interconnectors with Ireland, Northern Ireland, France, Belgium, Norway, Denmark and Netherlands. The National Grid Group is continuing to work on developing additional interconnector projects, which will include multi-purpose interconnectors.

National Grid plc, through separate companies held outside of NGED, sells capacity on its UK interconnectors through auctions.

Transmission

National Grid plc, through a separate company outside of NGED, owns and operates the high-voltage electricity transmission network in England and Wales. Electricity transmission ensures electricity is transported safely and efficiently from where it is produced, to reach homes and businesses reliably. Transmission systems generally include overhead lines, underground cable and substations and connect to industrial properties and distribution networks who deliver the electricity on to homes and commercial properties. They also facilitate the connection of generation assets to the transmission system.

Distribution

NGED South Wales is a distribution network and system operator and our distribution network connects customers to the National Grid electricity transmission network. We convert the high voltage electricity generated by large power generation sites, such as power stations, and delivered through the National Grid transmission network, to lower voltages that can be used by customers. We deliver it safely into homes and businesses in our regions, via our safe and reliable network. As the country drives towards decarbonisation, the traditional, one-way flow of energy is changing, with many smaller-scale renewable generation installations connecting directly into our network, bypassing transmission and creating a two-way, dynamic distribution network. We are currently undergoing an unprecedented change in our industry, including a rise in electric vehicles, heat pumps and battery storage. We aim to deliver transformation efficiently, while continuing to provide a resilient electricity supply.

Supply

The supply of electricity involves the buying of electricity and selling it on to customers. It also involves customer services, billing and the collection of customer accounts.

We do not sell electricity or bill directly to our consumers. Our customers are registered with licensed electricity suppliers, who in turn pay us for use of the network. This is managed by a separate publically owned organisation, National Energy System Operator ("NESO").

Strategic report (continued)

For the year ended 31 March 2025

What we do - NGED Business model

Our core activities are:



Keep the power flowing

by operating and protecting our assets



Maintain equipment

so that the network remains reliable



Fix the network

if the equipment gets damaged or is faulty



Connect customers

by utilising existing capacity or upgrading our network



Operate a smart system

by managing two way power flows and flexibility services

Our network comprises approximately 18,000km (2024: 18,000km) of overhead lines, 18,000km (2024: 18,000km) of underground cables and 41,000 (2024: 41,000) transformers. In the current year NGED South Wales distributed 1,739 (2024: 1,790) megawatts of electricity.

Our costs are regulated and based on an agreed allowance set by the Office of Gas and Electricity Markets ("Ofgem"); on average (based on an annual consumption of 3,100 kilowatt hours), NGED domestic customers pay £132.18 per annum (2024: £104.01 per annum) for electricity distribution costs. Our costs form part of the bill to customers from the electricity suppliers. The increase in the average cost during the year is mainly due to inflation. The impact of inflation is retrospective as tariffs are set 15 months in advance. Thus any impact of inflation since 2021, following the Ukraine war, is being included within the tariffs for the year ended 31 March 2025, contributing to an increase in the average cost in the current year as compared to the last year.

Our focus is providing a safe and reliable network that represents good value for our customers. We also play an important role providing support to the most vulnerable people in the areas we serve. We are a regional business and believe in the power of our regional, in-house workforce. Our local teams understand their local network, providing efficient and knowledgeable service to the customers and communities we serve.

In addition to keeping the power flowing, we are also committed to supporting economic and regional growth whilst enabling a more sustainable future. We are facilitating growth and responding to the changing energy landscape, playing our part to support the UK's ambition of achieving a clean power energy system.

Strategic report (continued)

For the year ended 31 March 2025

What we do - Regulatory framework

DNOs are natural monopolies and, to ensure value for money for consumers, are regulated by the Gas and Electricity Markets Authority, which operates through Ofgem. The operations are regulated under the Electricity Distribution license which sets the requirements that NGED South Wales needs to deliver for its customers. Ofgem has a statutory duty under the Electricity Act 1989 ("the Act") to protect the interests of consumers. Ofgem also has responsibility to enable competition and innovation and to protect consumers from the ability of companies to set unduly high prices. Ofgem has established price controls that limit the amount of revenue our regulated business 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.

The regulatory framework is based on sustainable network regulation, known as the "RIIO" model where $\text{Revenues} = \text{Incentives} + \text{Innovation} + \text{Outputs}$. Under the RIIO model there is an emphasis on companies playing a full role in developing a more sustainable energy sector and delivering value for money network services for customers. The outputs we deliver are clearly articulated and are integrally linked to the calculation of our allowed revenue, although some outputs and deliverables have only a reputational impact or are linked to legislation. A substantial proportion of our allowances are dependent on the delivery of specified outputs. A key feature of the RIIO model is that the expected outputs delivered by network companies are influenced by its stakeholders through extensive engagement. In the development of our current RIIO business plan, we engaged with over 25,000 stakeholders to develop our business outcomes.

Ofgem, using information we have submitted, along with independent assessments, determines the efficient level of expected costs necessary for these deliverables to be achieved. Under RIIO this is known as total expenditure ("totex"), which is broadly the sum of operating expenditure ("opex") and capital expenditure ("capex").

A number of assumptions are necessary in setting the outputs, such as certain prices or the volumes of works that will be needed. Consequently, there are a number of uncertainty mechanisms within the RIIO framework that can result in adjustments to totex allowances if actual volumes differ from the assumptions. These mechanisms protect us and our customers from windfall gains and losses. Under or overspends against allowed totex are shared between DNOs and consumers at a level determined through the price control setting process - this is known as the "totex sharing factor". This mechanism provides symmetrical protection to DNOs and consumers, and encourages networks to deliver outputs efficiently by rewarding the achievement of savings, but conversely penalising overspends.

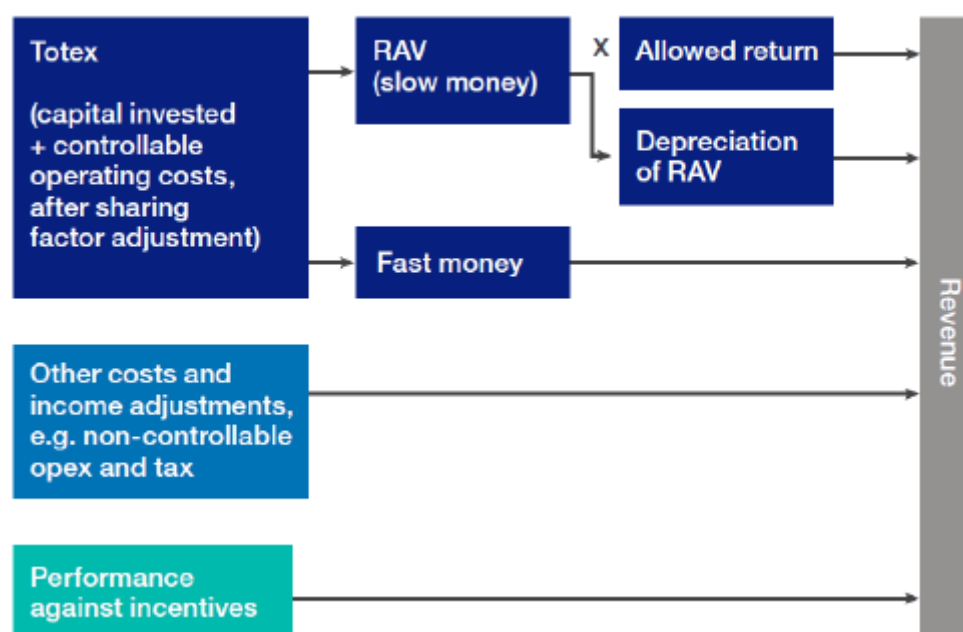
Allowed revenue to fund totex costs is split between 'fast' and 'slow' money categories using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex we are able to recover in the year of expenditure. Slow money is added to the Regulatory Asset Value ("RAV") and recovered through revenue over the long term through regulatory depreciation. In addition to fast money and regulatory depreciation, our allowed revenue includes a return on the outstanding RAV balance at a level set by Ofgem. Over time, the RAV is indexed by Ofgem's chosen measure of general inflation - RIIO-ED2 involves a phased transition from RPI to CPIH as the chosen inflationary measure. We are also allowed to collect additional revenues related to non controllable costs, output delivery incentives, and a notional allowance for the tax we pay on our regulated activities. In addition to the Totex Incentive Mechanism, the RIIO framework includes a package of additional output delivery incentives designed to deliver positive outcomes for consumers - our performance against these attract rewards or penalties that flow into our allowed revenue. Allowed revenue is recovered from network users through Distribution Use of System ("DUoS") charges.

Strategic report (continued)

For the year ended 31 March 2025

What we do - Regulatory framework (continued)

Simplified illustration of RIIO regulatory building blocks:



The current price control (known as RIIO-ED2) runs for the five-year period April 2023 to March 2028, against which NGED has been granted £5.9bn (in 2020/21 prices) of totex allowance. As a result of the Government legislating for net zero carbon by 2050, DNOs will be at the forefront of its delivery, enabling the transition to a smart, flexible, low cost and low carbon energy system for all consumers and network users. Our business plan was co-created with our stakeholders following an enhanced and robust approach to stakeholder engagement and outlines the network investment we propose to deliver over the five year period, how much it will cost and the benefits to customers and stakeholders.

Ofgem has set a demanding price control and we are required to be ambitious and significantly improve our services for our customers with a challenging incentive package in terms of rewards and penalties. Our strong track record of delivering excellent levels of performance for customers underpins confidence that we can build on the successes of RIIO-ED1 to deliver our holistic plans for RIIO-ED2. As we plan for the challenges of a rapidly changing energy market, we are more ambitious than ever. We want to exceed our customers' expectations and deliver a sustainable, reliable and innovative network for everybody.

Key parameters from Ofgem's RIIO-ED2 determination are as follows:

Allowed return on equity	5.3%-5.6% real, relative to CPIH The cost of equity is subject to annual adjustments that are calculated using the Capital Asset Pricing Model, through indexation of the 'risk-free rate' parameter. The range shown above is Ofgem's estimate of the allowed RoE over the five years of RIIO-ED2, as updated in the RIIO-ED2 Price Control Financial Model published in January 2025.
Allowed debt funding	Calculated and updated each year using 17 year trailing average of iBoxx Utilities 10+ year index, plus 55bps calibration adjustment 25bps additional cost of borrowing and 6bps small issuer premium.
Depreciation of RAV	Straight line 45 year depreciation.
Notional gearing	60%
Split between fast/slow money	Capitalisation Rate 1 - 77%-79% capitalisation rate, being slow money. Capitalisation Rate 2 - 85% capitalisation rate, being slow money (used for specific categories of totex).
Sharing factor	50%
Core baselines totex in 2020/21 prices (cumulative for RIIO-ED2)	£1.0bn

Strategic report (continued)

For the year ended 31 March 2025

Our purpose, vision, values and strategy

In delivering our RIIO-ED2 commitments and achieving our net-zero targets, we work within the purpose, vision, values and strategic priorities of the National Grid Group to ensure we are well positioned to respond to the changes in our operating environment.

The NGED Group is the largest electricity distribution network group in the UK, providing a great platform from which to play our role in the energy transition to net-zero.

Our purpose

To bring energy to life.

Our vision

To be at the heart of a secure, affordable and clean energy future.

Our values

Our values underpin everything we do at NGED:

Our values

Every day we:

Do the right thing

- ◆ **Stand up for safety** every day
- ◆ **Put our customers** first
- ◆ **Be inclusive**, supporting and caring for each other
- ◆ **Speak up**, challenge and act where something doesn't feel right

Find a better way

- ◆ **Embrace the power** and opportunity of diversity
- ◆ **Increase efficiency** to help with customer affordability
- ◆ **Work with others** to find solutions for customers
- ◆ **Commit to learning** and new ideas

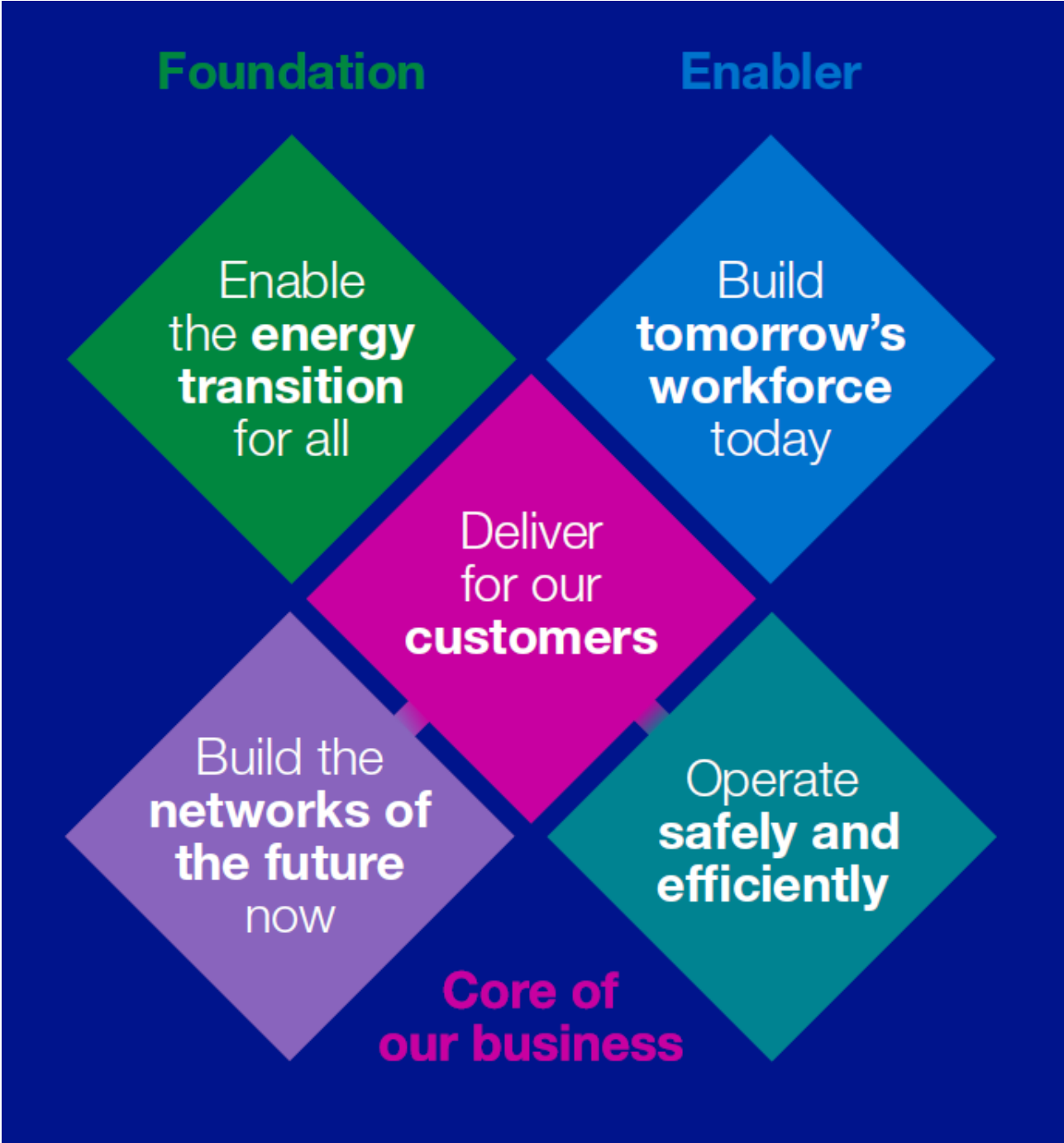
Make it happen

- ◆ **Take personal ownership** for delivering results
- ◆ **Be bold** and act with passion and purpose
- ◆ **Focus on progress** over perfection
- ◆ **Follow the problem** through to the end

Our values shape our Group and how our customers and communities experience us. They inform our decisions, how we show up and the way we treat each other. Our values hold great importance. As a company at the heart of a secure, affordable and clean energy future, we know the work we do is important but how we do it is just as important.

Strategic report (continued)
For the year ended 31 March 2025
Our strategic priorities

As we deliver our vision of a secure, affordable and clean energy future, we are guided by our five strategic priorities:



Strategic report (continued)

For the year ended 31 March 2025

Our strategic priorities (continued)

Enabling the energy transition for all: At National Grid, we are at the heart of a structural shift in how energy is produced and used. This will mean moving from centralised, fossil-fuel based systems to a more decentralised grid with higher renewable generation and storage. The areas we serve are at different points in this transition. Our goal is to build the networks needed in our jurisdictions, working with governments, regulators and communities to ensure the conditions for success are in place.

Operating safely and efficiently: Nothing is more important than the safety of our colleagues and the people in our communities. By embedding behavioural safety principles at all levels – across all business units and within our supply chain – we are shaping a proactive safety culture where everyone has the confidence, skills and environment to work safely every day. We also know efficiency is central for us in playing our part to keep energy bills down. Our goal is to be industry-leading on efficiency.

Building the networks of the future now: Our ambition is to deliver a once-in-a-generation increase in capacity on our networks. We continue to invest in the safety and reliability of our electric network. This will ensure we can deliver for our customers while we prepare for growing demand and electric load growth, and cleaner generation technologies.

To achieve this, we are growing our supply chain, capital delivery and network operations capabilities to deliver an unprecedented volume of capital investment. But our goal is not as simple as building more infrastructure. We are deploying better, more efficient technology to maximise the value of our existing and new assets, ensuring customers benefit from innovation on our networks and we maintain the affordability of our networks.

Delivering for our customers: In today's digital world, the benchmark for excellent customer experience is not necessarily within our sector. Customers are used to streamlined, digital service in almost all their daily activities, from online shopping to booking appointments. They expect rapid resolution of any problems. We know our customers expect the best possible experience from us, whether they are residential and commercial customers relying on our networks to transport energy to their homes and businesses, or industrial and generator customers seeking a connection to our grid. We are committed to meeting today's needs and anticipating tomorrow's.

Building tomorrow's workforce today: Ultimately, our people deliver our strategy. From apprentices to senior leaders, we are focused on attracting and developing a workforce equipped with the skills of the future. This helps us deliver our strategic priorities, but also ensures we're creating high value employment opportunities and economic impact in the communities we serve.

Our strategic priorities are also aligned to our core business plan commitments. For RIIO-ED2 we aim to achieve four crucial outcomes for our customers as follows:

Sustainability: We will support the UK's ambitions to achieve net zero carbon emissions by 2050, driving crucial changes in energy usage and customer green behaviour. We will set the benchmark by achieving net zero in our own operations by 2043 (excluding scope 3 emissions). This is in line with our 1.5°C Science Based Targets.

Connectability: A lack of network capacity should not be a barrier for our customers. NGED will ensure customers are able to connect low carbon technologies quickly and easily with the network ready to support over a million electric vehicles and 600,000 heat pumps by 2028.

Vulnerability: NGED will deliver a first class programme of inclusive support. This will include offering smart energy action plans for vulnerable customers each year, ensuring no one is left behind in a smart future. We will also more than double our fuel poverty support to deliver over £60m of savings for 113,000 fuel poor customers over the course of RIIO-ED2.

Affordability: We will continue to deliver the highest standards of safety, reliability and customer service that customers have come to expect from us. We aim to keep power cuts at their lowest ever levels and crucially we will achieve all of this while keeping our portion of the average domestic customer bill affordable.

Our strategic priorities enable us to deliver our business plan outputs by investing our allowance efficiently. For further details on our RIIO-ED2 business plan commitments and our progress against those commitments please refer to our business plan commitments report at the link below:

<https://yourpowerfuture.nationalgrid.co.uk/performance-reporting-riio-ed2>

Strategic report (continued)

For the year ended 31 March 2025

Business Review

We continue to play a vital role in unlocking economic growth by ensuring reliable electricity delivery to homes and businesses throughout our regions. Over the last year, we have recorded strong operational and financial performance as we expanded our network, connected new demand and generation customers, and provided a safe and reliable service across four licence areas. We continue to provide an excellent service for our customers, with a customer satisfaction score of 9.12/10 and network reliability of 99.983% across the Group.

With a change of Government and an ever increasing focus on the future role of networks, we have delivered a step change in our external engagement, shaping policy and ensuring we are supporting stakeholders with their growth and net zero agendas. We engaged extensively with National Infrastructure Commission in the development of their report into electricity networks. We were also proactive in early engagement on the ED3 regulatory framework. Over 4,500 stakeholder interactions took place through the year, making sure National Grid's voice is heard on the issues that matter, such as the future development of electricity networks, the ongoing development of Regional Energy System Planners, Local Area Energy Plans, and Connections Reform.

NGED powered growth across all its regions, connecting new homes and businesses, over 40,000 electric vehicle charge points, 40,000 domestic solar PV installations and 16,000 heat pumps. 87% of our direct Low Carbon Technology ("LCT") enquiries were approved on the same day. In addition, the Group connected 595MW of clean, renewable electricity to the grid, and through our Major Connections Strategy accelerated timelines for 2.9GW of Distributed Energy Resources by an average of 5.8 years in support of local net zero ambitions. This included the Horsey Levels solar farm project in Somerset, which won us the Network & Connections award at the Solar & Storage Awards. This programme, which is part of the Energy Network Association's ("ENA") three-point plan, facilitates generation schemes to connect prior to the completion of large-scale transmission reinforcement work, thereby accelerating connection times for clean energy infrastructure.

The launch of our DSO strategy continued to drive participation in flexibility markets, utilising network capacity and making room for growth. The new, independent DSO Panel, comprising industry experts representing a broad range of stakeholder views, is adding strategic value by scrutinising DSO outputs, resulting in strong performance in DSO incentives.

Our new connections Directorate has taken a leading role in Connections Reform, forming strategic partnerships with customers, stakeholders and industry organisations. Our first-ever 'Connections Hackathon' in partnership with Octopus Energy facilitated collaboration to enhance the connections process. We are also at the forefront of policy and process development, such as the introduction of the Gate 1 process into the distribution connections journey to enable successful implementation of reformed connections framework. This includes mapping the end-to-end customer experience and designing the operational framework that will underpin the new staged connection model. We made targeted propositions to the Planning & Infrastructure ("P&I") bill, including advocating for amendments to permitted development rights that would streamline network upgrades. At the same time, we are also mapping the end-to-end customer experience and designing the operational framework that will underpin the new staged connection mode. These changes are critical to accelerating connections for low-carbon technologies, especially in rural areas where infrastructure upgrades are most needed.

We continue to monitor our Business Carbon Footprint ("BCF"), including fluid-filled cable losses and SF₆ emissions, as part of our commitment to achieving net zero by 2043 (excluding scope 3 emissions). Our BCF increased by 12.9% compared to the previous year. To address this, we have restructured our Environment and Sustainability function, appointing a new Head of Environment and Sustainability to lead the integration of sustainability across the business. This team will strengthen governance, risk management, and operational delivery of our Science-Based Targets ("SBT") programme, ensuring alignment with our long-term decarbonisation goals.

The Group's network successfully navigated a challenging storm period, including responding to Storm Darragh, the largest storm NGED has faced in decades, with 96mph winds and two red weather warnings. Over 4,000 incidents impacted around 750,000 customers across the Group, three times more than Storm Arwen in 2021. Responding to the storm required a full scale response from the whole business and, through prompt deployment of colleagues and contractors and a fleet of five helicopters, the Group restored power to 95% of customers within 48 hours. Customers were kept informed through broadcast media interviews, regular website update, and deploying direct engagement volunteers and welfare provisions into impacted communities. In addition, we also supported other DNOs in Ireland, Northern Ireland, and Scotland in the form of field crews and helicopters during Storm Éowyn.

Strategic report (continued)

For the year ended 31 March 2025

Business Review (continued)

However, despite this strong operational response, we recorded underperformance against our Interruption Incentive Scheme ("IIS") targets during the year, exceeding Ofgem thresholds for Customer Minutes Lost ("CML"). This reflects the scale and severity of the weather events and highlights areas where further improvement is needed. To enhance future performance, we are actively progressing our ED2 asset health programme. This includes the targeted replacement and refurbishment of deteriorating and ageing assets across our network, aimed at reducing fault rates and improving overall reliability. In addition we were successful in securing funding through the Storm Arwen Reopener, which will further enhance network resilience through undergrounding HV overhead lines in wooded areas and introducing pre-fix technology.

We have continued to focus on customer affordability and are proud of the support provided to our most vulnerable customers. Our first Customer Vulnerability Report in 2024/25 sets out how the Group helped 21,000 customers to save a total of £22 million through our fuel poverty programmes, as well as how we have continued to grow our Priority Services Register. NGED also awarded £1 million to 250 grassroots organisations through our Community Matters Fund and the Group's new colleague volunteering programme enabled our people across the Group to volunteer over 10,000 hours to support local causes. NGED won the Corporate Community Local Involvement Award for impactful partnerships at the Charity Times Awards. Through the Group's Solar for Schools initiative, NGED installed solar panels on five schools, and launched new safety education resources for around 5,000 schools, educating over 85,000 children on electrical safety.

Ensuring every employee's safety is our top priority. This year, a group-wide behavioural safety training programme was designed and delivered, training to over 6,000 colleagues to date. Although the Group's Long Term Injury Frequency Rate ("LTIFR") increased to 0.180 against the target of less than 0.10, the severity of recorded incidents has fallen.

We continue to invest in our workforce, hiring over 670 people in the current year boosting our workforce to over 7,000 people working to ensure a safe, reliable and growing regional network. It's not just our direct workforce, but our work also supports thousands more jobs throughout the supply chain. Further, we have continued to enhance our workforce capability by focusing on developing effective leadership through targeted development interventions and implementing a strategic workforce plan that provides a clear and forward-looking view of our future needs. We have also continued to hire a significant number of apprentices and promote social inclusion through our entry level Craft Attendant role, which is reducing barriers to talent entering our sector.

We prioritise the safety, health, and wellbeing of our people aligned with our strong focus on enhancing diversity, equity and inclusion ("DE&I"). In the current year we have conducted comprehensive training programmes that align with national and international standards. We have also placed focused on targeted development interventions for our leaders, sourcing from diverse talent pools and increasing Employee resource Group ("ERG") membership. We partner with our four recognised trade unions on key areas of safety, health, policy changes and DE&I to ensure that our employees thrive at work.

Looking ahead

We will continue to scale up our operations, delivering significant investments in groundbreaking projects that will expand our networks and enable a secure, affordable and clean energy future. Building a culture of innovation at NGED ensures the delivery of high-quality infrastructure efficiently. Policy support will be translated into full-scale construction programmes that create jobs, uplift communities, and ensure flexible and resilient energy systems for the future. Delivering affordable energy and enabling economic growth will remain a focus, with critical infrastructure projects completed on time and within budget.

We will continue to work closely with regional, devolved and national governments to ensure our voice is heard on key public policy issues, such as planning reform, devolution, and the renewed industrial strategy. The role of energy networks sits at the heart of multiple government priorities but we must also ensure the policy environment allows us to respond at pace. The Government's recent response to the National Infrastructure Commission's recommendations, and consultation on permitted development rights and land access, are key topics for continued engagement in the coming year.

The ED3 Framework Consultation Open Letter, submitted on 15th January 2025, outlines our strategy for the forthcoming regulatory price control. It highlights the exciting opportunity for a transformative approach to electricity distribution networks, which will play a crucial role in achieving the UK's ambitious net zero targets by 2050. Our contributions to the National Infrastructure Commission study help shape the future of distribution networks. We will continue with engagement to influence and shape the Ofgem Sector Specific Methodology Consultation ("SSMC") alongside the ENA, expected in Q3 2025. We will empower our people to deliver safe, effective, and efficient performance for customers through our Integration Synergy and Efficient Work programmes.

Strategic report (continued)

For the year ended 31 March 2025

Business Review (continued)**Financial highlights**

Financial measure				Performance and comments
Turnover	2024/25 £m	2023/24 £m	% change	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 increase in revenue is due to higher tariffs as a result of inflation. The impact of inflation is retrospective as tariffs are set 15 months in advance. Thus any impact of inflation since 2021, following the Ukraine war, is being included within the tariffs for the year ended 31 March 2025, contributing to an increase in the average cost in the current year as compared to the last year.
	368.3	267.8	38 %	
Profit before taxation ("PBT")	2024/25 £m	2023/24 £m	% change	As part of the regulatory process Ofgem sets the allowed rate of return within each price control. As evident from the level of capital expenditure below, we invest profits back into the networks to ensure that we continue to provide an efficient, reliable and secure service to our customers.
	178.0	87.7	103 %	
Fixed asset additions	2024/25 £m	2023/24 £m	% change	The Company operates in a capital intensive industry and thus invests a major proportion of profits into replacing and adding electricity infrastructure, as is evident from the overall extent of our capital expenditure and increase during the year. Due to the age of the network and technological advancements significant investment is required in capital related activities. During the current year, there was a notable increase in fixed asset additions, primarily driven by an acceleration in capital work to meet the delivery requirements of the RIIO-ED2 business plan. This increase reflects our strategic commitment to enhancing network resilience, supporting decarbonisation, and delivering long-term value for consumers.
	231.2	175.9	31 %	
Cash generated from operations	2024/25 £m	2023/24 £m	% change	Cash generated from operations has increased due to increased customer contributions received for capital projects.
	211.5	191.3	11 %	

Strategic report (continued)

For the year ended 31 March 2025

Business Review (continued)**Financial highlights (continued)**

Financial measure			Performance and comments
RAV <i>Because of timing, the 2024/25 RAV used in these calculations is the latest draft and not the finalised value. As directed by Ofgem, the RAV is calculated using an average of March 2025 and April 2025 inflation (using Ofgem's splice index, reflecting the transition from RPI to CPIH in RIIO-ED2).</i>	2024/25	2023/24	RAV is a regulatory concept to represent assets with a long term life. It is essentially equivalent to the net book value of the fixed assets of the business calculated in regulatory terms using methodology provided by Ofgem. It is an important measure for all DNOs as the allowed revenue in any year includes a return on RAV and amortisation of RAV as determined by Ofgem. Other important measures, such as gearing ratios and recoverable amounts of DNOs with respect to impairment calculations, are calculated using RAV. The movement in RAV is largely driven by additions to our RAV during the year which are based on a percentage of our totex calculated in accordance with methodology provided by Ofgem and after application of the totex incentive. <i>The differences in the carrying value of our fixed assets based on IFRS methodology and RAV based on regulatory guidance have accumulated over time and as such cannot be reconciled.</i>
	£m	£m	
	1,878.7	1,724.1	
Gearing ratio Net debt* (£m) RAV (£m) Net debt to RAV <i>* The calculation of net debt has been amended during the year due to accounting policy alignment with the ultimate parent, National Grid Plc. Refer note 26 on page 108 for the calculation of net debt.</i>	2024/25	2023/24	Gearing is calculated as the ratio of net debt to RAV. The gearing ratio is monitored in relation to the covenants for several bond issuances and is used as a key internal measure. To comply with covenants, the gearing ratio for the NGED Group does not exceed 85%. The regulatory gearing target is 60% for RIIO-ED2. The gearing has reduced due to increase in cash flows resulting in decline of net debt and an increase in RAV due to increasing capital investment.
Interest cover PBT (£m) Finance cost (£m) Depreciation (£m) Amortisation (£m) EBITDA (£m) Interest payable (£m) Interest cover	2024/25	2023/24	A minimum ratio of earnings before interest, tax, depreciation and amortisation ("EBITDA") to interest payable is used as a key internal indicator of the financial health of the DNOs. The Company aims for the interest cover ratio to not fall below 3:1. Our interest cover ratio is at an acceptable level and shows a sufficient level of earnings to cover interest payments.

Strategic report (continued)
For the year ended 31 March 2025

Business Review (continued)
Financial highlights (continued)

Financial measure			Performance and comments
Return on equity ("ROE")	2024/25	2023/24	Our ROE is based on the allowed regulated return on equity. 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, at the assumed cost of debt and that UK taxation paid is at the level assumed by Ofgem. As part of the regulatory process Ofgem sets the allowed rate of return which fluctuates based on the risk free rate. For RIIO-ED2 this is set five months prior in advance of commencing the next financial year. For the year ended 31 March 2025, this was set at 5.6%, normalised for a long-run inflation rate of 2%, base ROE was at 7.7%. Totex outperformance relates to the totex incentive mechanism under which we share in any under or over spend on our allowances through our adjustment to allowed revenue in future years. Incentives can increase or decrease our allowed revenues to reflect our performance against various other measures related to our outputs. Totex outperformance has reduced due to the impacts of Storm Darragh and reductions in allowed revenue due to the impact of real price effects on allowances which are not fully reflected in the businesses costs. There has been an increase in incentive revenues earned due to improved performance on the DSO incentive and performance on the Customer Vulnerability Incentive (which is only available in 2025 and 2028) under RIIO-ED2. This increase is offset by penalties awarded under Interruption Incentive Scheme ("IIS"). ROE is a performance measure based on the allowed regulated return on equity and cannot be reconciled to any statutory measure. ROE has been included as an APM to reflect our performance within the regulatory regime and to align with performance reporting by our ultimate parent company, National Grid plc.
	%	%	
Base return	7.7 %	7.4 %	
Totex (underperformance)/ outperformance	(1.1)%	3.1 %	
Incentives	0.5 %	0.2 %	
ROE	7.1 %	10.7 %	

Strategic report (continued)
For the year ended 31 March 2025
Succeeding with our strategy

Enable the energy transition for all

KPI link: *Business carbon footprint, SF6 emissions and Fluid cable losses (pages 19 - 20)*

What this means

We have an important role in the energy transition across all sectors of the economy through our networks. We work with the regulators and the wider industry to shape policy and regulatory frameworks needed to reach shared energy objectives.

2024/25 achievements

- Our flexibility services provide cost-effective alternatives to conventional network reinforcement, managing constraints and saving customers money. We are committed to using flexibility services where feasible. This year, NGED has led in DSO procurement through its Market Gateway, more than doubling flexible assets from 70,000 to over 160,000. The Group placed additional contracts totalling 158MW and dispatched over 3.0GWh, deferring over £105 million in reinforcement costs.
- NGED concluded its five-year Hinkley Point connection project, a £65 million investment providing a new high-voltage connection between Bridgwater and Seabank. This project enhances the region's electricity network, enabling new low-carbon energy sources. It involved commissioning 13km of dual circuit 132kV cable, erecting 15 new 132kV towers and diverting sections of the 33kV, 11kV and LV network. NGED also facilitated National Grid Nuclear's connection of their 400kV network to the new Hinkley Point Nuclear Power Station.
- NGED is investing £13 million to install 176 EV charger bays across 84 primary substation sites and 13 additional bays at strategic office locations, bringing the total to 444. This makes NGED one of the UK's largest privately-owned charging networks. The locations were selected based on frequently travelled routes of our workforce, ensuring our front-line staff can operate 24/7 with an increasingly electrified fleet.
- This year, the Group adopted a strategic approach to Community Energy, joining organisations in South Wales, the Midlands, and the South West to collaborate and address sector challenges. NGED is working with the government to highlight these challenges and have joined Community Energy England, Community Energy Wales, and continue our membership with Regen. These memberships drive systemic change, empowering communities to meet future energy challenges. NGED also commissioned a State of the Sector report and, in partnership with Regen, hosted 5 events attended by around 300 stakeholders focusing on developing community-owned renewable generation.

Strategic report (continued)

For the year ended 31 March 2025

Succeeding with our strategy (continued)

Build the networks of future now

KPI link: [Interruption Incentive Scheme \(page 21\)](#)

What this means

We will scale a once-in-a-generation increase in capacity to connect to, and transport electricity across, our networks. We will modernise our electricity networks to improve capacity, visibility, security and reliability.

2024/25 achievements

- Across the Group, we delivered record investment, with a 14% increase on the previous year.
- We continue to transform our network to accommodate significant growth in distributed generation. To date, 13.9GW of distributed generation is connected to our Group network, including 9.8GW of low-carbon generation, a 18.3% increase from last year. This includes wind, solar, hydro and storage.
- We have expanded our flexibility market capabilities, increasing the market response to flexibility opportunities from 34.6% to 37.7%. As a DSO, we lead in flexibility by using a 'whole system' approach to create new market opportunities and reduce barriers to entry. Our partnership with Piclo max allows flexibility service providers ("FSPs") to register for flexibility directly with the Market Gateway or through Piclo's website, accessing multiple flexibility markets. This partnership helps manage network constraints by dispatching flexibility through multiple routes simultaneously.
- We have continued to push boundaries through our Flexible Power Portal collaboration with Scottish & Southern Electricity Networks and Northern Powergrid, a game changing dispatch platform for flexibility services. Working together, we have unified flexibility signals across DSOs and improved market compatibility for FSPs, and by quickly adopting and implementing Open Networks metering and settlement standards, we have simplified operational onboarding.
- This year marks the first year of operation for our DSO panel. The panel has provided crucial scrutiny and guidance, challenging us on strategic workforce planning to ensure National Grid DSO is resilient and well-prepared for the future. They have also pushed for a more robust approach to performance measurement and key performance indicators.
- Providing a reliable, affordable, and easy-to-connect network is a top priority. As part of the Group's asset replacement programme, the Rhos Grid substation rebuild and refurbishment in South West Wales is now complete. The reinforcement work is now underway with completion expected by October 2025. Upgrades include installing a second 132/33kV transformer and enhancing the 33kV bus bar for future loading demand and simplifying and improving protection systems to quickly identify and disconnect faulty network sections.

Strategic report (continued)

For the year ended 31 March 2025

Succeeding with our strategy (continued)

Deliver for our customers

KPI link: *Customer satisfaction score and network reliability (pages 21 and 23)*

What this means

We aspire to provide excellent service to all our customers, ensuring they can connect to the network in a timely fashion, that their energy provision is reliable and that we are easy to do business with.

2024/25 achievements

- We have mapped some of our end-to-end connections processes and launched several initiatives to standardize and optimize these processes across the Group, delivering a more efficient and consistent connections experience for our customers. These initiatives include enhancing customer service at the pre-application stage, providing self-serve online tools, and issuing meter point administration numbers more quickly, addressing customer feedback.
- This year, our 'self-serve' connections service went live for heat pumps. Additionally, we launched the "move my meter" self-serve tool for service alterations. These tools enhance efficiency and automation while improving the customer experience. We now offer a full suite of self-serve tools for domestic customers and installers connecting low carbon technologies. Customers can self-serve online to connect electric vehicles, solar, wind generation, battery storage, and heat pumps, often obtaining auto-approval real-time. Applications requiring network analysis are referred to a planner for supporting the customer with their connection request.
- The Energy Network Association ("ENA") has unveiled a three-step plan aimed at expediting grid connections. The plan focuses on three key areas: reforming the distribution network connections queue, prioritizing mature projects that are closer to delivery over those that may be causing delays, and enhancing the coordination between transmission and distribution networks. NGED has made significant progress in these areas, including connecting 137 embedded generation projects (totaling 654MW), removing 384 projects from the connections queue (totaling 4.9MW) and introducing the agreed changes to application process to reduce the number of speculative applications being raised with DNOs. We have also been able to accelerate timelines for 2.9GW of embedded generation by adopting innovative solutions such as Technical Limits to accelerate the connections by average of 5.8 years in support of the local and national net zero ambitions.
- The Local Electric Vehicle Infrastructure ("LEVI") fund aims to provide on-street EV charging for those without off-street parking. This central government funding could support the deployment of around 45,000 on-street chargers in NGED's license area. To manage the expected influx of applications and connections, we launched the LEVI Portal. The portal offers information on connection types, application routes, and support for applicants, as well as historical data on on-street charging connections and costs. We will continue to develop our LEVI offering next year, including a connect and notify process for lamp post installations.

Strategic report (continued)

For the year ended 31 March 2025

Succeeding with our strategy (continued)

Operate safely and efficiently

KPI link: *Connections and Level of work related injuries (pages 22 - 23)*

What this means

To deliver our part in a changing energy system, we are transforming our internal processes, strengthening our customer focus and sharpening our commercial edge. We are investing in the capabilities we will need in future and our ability to operate safely remains our top priority.

2024/25 achievements

- This year, we launched our safety campaign "See it, Sort it, Report it" to ensure all near misses and good catches related to safety incidents are recorded and reported. This helps us learn from these incidents and prevent more serious ones in the future. Since the campaign's launch, near miss reports across the Group have increased from 144 last year to over 1,500 this year. We have also made our reporting app user-friendly to facilitate quick and easy reporting of potential hazards and good catches.
- NGED designed and delivered a group-wide behavioural safety training programme: living our safety values, training over 6,000 colleagues to date. NGED also designed and delivered a group-wide leadership behavioural safety training programme: leading our safety values, training over 350 leaders to date.
- We are proactively reducing risks and keeping children safe by undergrounding, insulating or diverting overhead lines that cross school playing areas. An initial survey identified over 700 assets across all of the NGED Group's regions requiring action. Each pole near a school has been risk assessed and categorized from 0 (very low risk) to 5 (high risk). These assets are logged in our asset management systems to monitor progress throughout RIIO-ED2. This year, NGED removed 49 overhead hazards, bringing the total to 160 hazards. We intend to increase the pace in the last three years of RIIO-ED2 to ensure that we complete the school risk removal programme by the end of RIIO-ED2.
- We have commenced safety inspections at customer properties as part of our safety inspection programme. The Group aims to complete 400,000 inspections of cut-outs in homes and small businesses across the Midlands, South West, and South Wales annually over the next 20 years. Inspectors will visually examine cut-outs, take photos and notes for our records, and NGED engineers will repair any defective cut-outs at no cost to the customer. These visits also help us confirm the types of LCTs connected to our network, aiding future load growth planning and quicker LCT connections.
- As part of it's efficiency delivery programme, NGED is implementing new methodologies for fault response activities across all regions. Our primary objectives include enhancing our service delivery during network faults, minimizing the duration of power outages for our customers, and reducing the overall cost of our response efforts. At this stage, the Group has achieved a 12.5% reduction in unit costs compared to last year.
- NGED exceeded it's current year synergy target across the National Grid Group, delivering £88 million of cumulative benefit since acquisition, with high confidence to exceed the £100 million target by the end of 2025/26.

Strategic report (continued)

For the year ended 31 March 2025

Succeeding with our strategy (continued)

Build tomorrow's workforce today

KPI link: [Employee turnover ratio and Employee gender pay gap \(page 24\)](#)

What this means

Our colleagues shape the delivery of outcomes that exceed the expectations of all our stakeholders. By attracting high-quality talent and developing our people, we will ensure our colleagues are best placed to deliver our future energy system.

2024/25 achievements

- To future-proof the organisation, we are investing in both our existing workforce and external talent. We continue to develop our people through regular technical training, targeted development programmes, upskilling initiatives, coaching, mentoring and bite-size learning. Since April 2024, the Group has onboarded over 600 external hires, including early career hires, strengthening our workforce with diverse skills to drive the transition to net zero.
- We are committed to bringing in entry level talent through our apprenticeship and graduate programmes to ensure a sustainable workforce for the future. Currently, the Group has over 400 apprentices and graduates on scheme and plan to recruit an additional 200 in September 2025, reinforcing our investment in the next generation of talent and providing opportunities for career progression.
- Our Technician development scheme offers employees the chance to develop their knowledge and apply for Technician roles when available. The 12-month scheme includes a structured development plan with work within the depot, other business locations, and formal training courses. Participants gain exposure to various departments, including spending time in the Control Centre and an overview of financial awareness relevant to a Technician role. This year, 31 employees across the NGED Group were enrolled in the scheme.
- We have expanded our leadership development interventions, with around 160 new Team Leaders across the Group completing our Team Leader Development Programme, equipping them with the necessary skills for future success. Aspiring leaders have attended our Future Leaders Development Programme, designed for those with leadership potential. Additionally, existing leaders have participated in various leadership programmes aimed at different levels of leadership. As a result, the 2025 Employee survey (Grid Voice) saw a Leadership Index score of 76%.
- Utilising the Lencioni model of Team Effectiveness, all senior leadership teams and their teams are immersed in this process. Our ambition is to embed this within leadership teams to ensure healthy and productive teams across the business.

Strategic report (continued)

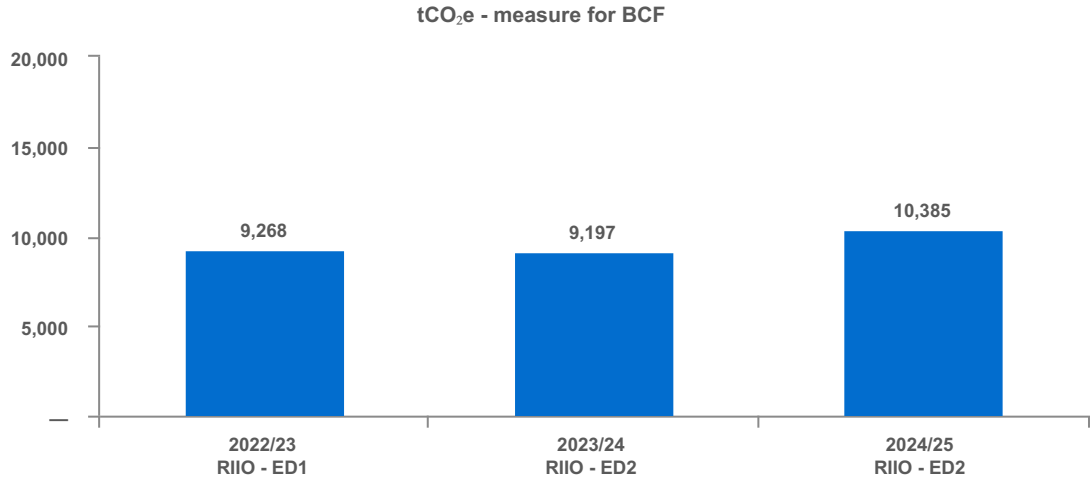
For the year ended 31 March 2025

Key performance indicators ("KPIs")

We utilise KPIs to assess progress against our overall purpose and strategic priorities.

Business carbon footprint ("BCF")

Strategy link: Enable the energy transition for all



The above represents our BCF performance excluding losses. For full details on our BCF performance refer to our environment report at the link below:

Performance and comments: Our BCF details the impact that our operational activities have on the environment in terms of associated carbon dioxide ("CO₂") emissions. We report our BCF using equivalent tonnes of carbon dioxide ("tCO₂e"). NGED follows a recognised methodology as described within international business carbon footprint standards, the Greenhouse Gas ("GHG") carbon reporting guidance, the 2020 UK Government GHG Conversion Factors for company reporting and ISO14064-3.

Our Business Carbon Footprint has increased as compared to last year by 12.9%. The increase is primarily due to Scope 1 emissions, driven by an increase in SF6 fugitive emissions, which are attributed to an increase in top ups required, due to switchgear assets being predominantly outdoors and exposed to the elements. Long lead times are also being experienced in obtaining spares from manufacturers and conducting repairs to address leaks. There has been an increase in Scope 2 emissions as well due to emissions associated with electricity consumption increasing due to an increase in office electricity consumption and an increase in the number of communication locations and telecom masts brought online during the current year. The target is in line with our verified 1.5°C Science Based Target ("SBT").

To ensure that we remain on track to deliver our sustainability and regulatory commitments, we have restructured our Environment and Sustainability function by appointing a new Head of Environment and Sustainability during the current year, which will be followed by expanding the team by 2.8 Full Time Equivalents ("FTEs") in 2025/26. This team will enhance oversight of the SBT programme and support business functions in embedding sustainability into their delivery plans through improved governance, risk management and operational integration.

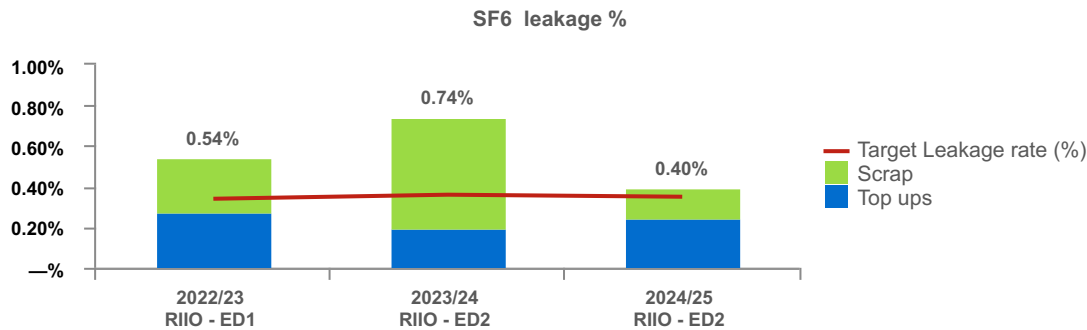
Strategic report (continued)

For the year ended 31 March 2025

Key performance indicators ("KPIs") (continued)

SF6 emissions (emissions as % of SF6 bank)

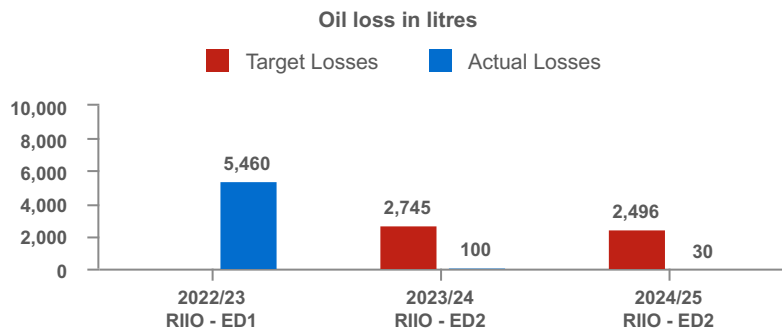
Strategy link: Enable the energy transition for all



Performance and comments: SF6 gas is used throughout our industry as an insulating medium in switchgear. Although it provides many benefits it is a potent greenhouse gas. There are currently no viable alternatives to SF6. Therefore, we continuously monitor our SF6 emissions. The amount of SF6 emitted is expressed as a percentage of the overall 'bank' of SF6 contained within our switchgear. Older units are being replaced with new units which also contain lower levels of SF6. When replacing switchgear we give priority to the switchgear with the highest leak rates. When a leak becomes apparent we locate its source so that a strategy can be developed to manage the situation taking into account the potential for repairs and the lead times for replacement switchgear.

Fluid cable losses

Strategy link: Enable the energy transition for all



Performance and comments: The design of very high voltage underground cables has evolved over many years and our new cables all use a solid plastic-like insulation. Old designs of 33kV and higher voltage cables used an insulating oil in ducts inside the cable. Whilst these cables are normally very reliable, in the event of a fault or damage by third parties, this oil may leak. In common with other DNOs, NGED works to an operating code agreed with the Environment Agency and assesses both the condition and the environmental risk posed by the fluid filled cables which the NGED Group owns.

The losses from NGED's fluid filled cables can vary from year to year generally dependent on the number of small leaks at disparate locations. Older styles of electricity cables containing oil occasionally leak when equipment is damaged, seals deteriorate or as a result of changing ground conditions. Replacement programmes for the older styles of cables have been planned.

It is our commitment to reduce fluid filled cable losses by 50% over the course of RIIO-ED2. The baseline is the average fluid filled cable losses over the last three years of RIIO-ED1 for each licence area., There are nil litres of losses in the current year.

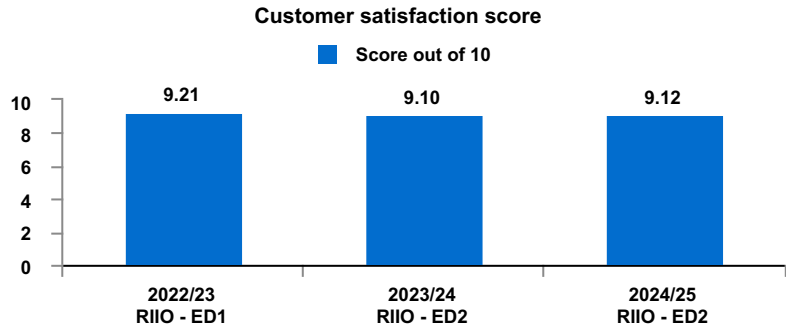
Strategic report (continued)

For the year ended 31 March 2025

Key performance indicators ("KPIs") (continued)

Overall customer satisfaction

Strategy link: *Grow our organisational capability*



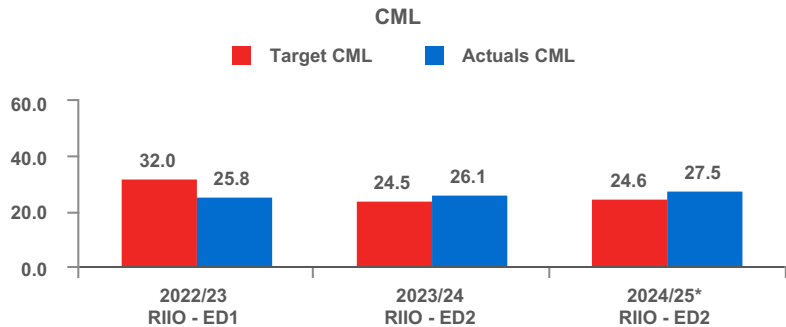
Performance and comments: As part of Ofgem’s Broad Measure of Customer Satisfaction ("BMCS") Incentive, a research agency undertakes a monthly satisfaction survey assessing customers' satisfaction for connection quotations and delivery, power interruptions and general enquiries. The customer satisfaction score is given out of 10. For NGED’s four licence areas around 19,000 customers are surveyed per year.

For RIIO-ED2, a score of 8.90 or lower results in penalty and a score of 9.12 or higher generates a reward under the Ofgem's incentive scheme. The Company has scored within the reward band. We continue to investigate areas of good practice across our licence areas, developing actions to deliver year-on-year improvement toward our targets and hence our performance scores.

Interruption Incentive Scheme ("IIS")

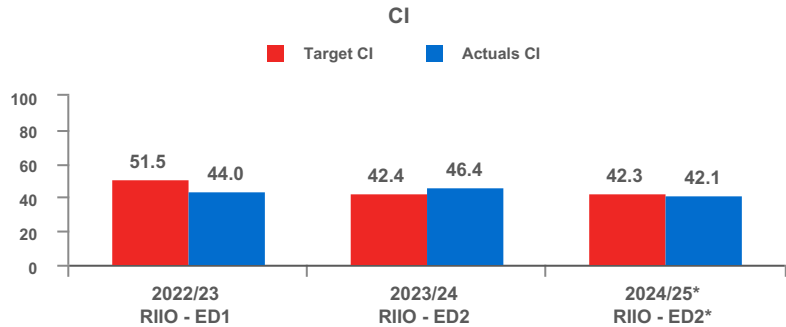
Strategy link: *Deliver for our customers efficiently*

Customer minutes lost ("CML")



*The 2024/25 actuals are subject to Ofgem confirmation.

Number of customer interruptions ("CI")



*The 2024/25 actuals are subject to Ofgem confirmation.

Strategic report (continued)

For the year ended 31 March 2025

Key performance indicators ("KPIs") (continued)

Interruption Incentive Scheme ("IIS") (continued)

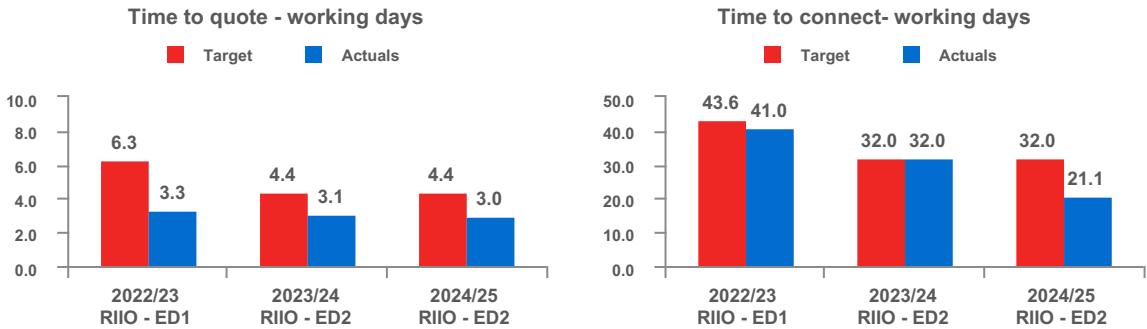
Performance and comments: CML represents the average time a customer is without power during the year. It is calculated by taking the sum of customer minutes lost for all incidents divided by customers connected. CI represents supply interruptions experienced by connected customers per 100 customers. Adjustment for exceptional one off events that are outside the control of DNOs is allowed by Ofgem. The targets are defined by Ofgem at each DNO level.

We have under performed on this KPI and exceeded the regulatory target for CML. The above results are currently subject to Ofgem review and confirmation. Once the regulatory performance results are finalised, performance under this metric could result in a negative financial impact in respect of our allowed revenue.

The current targets are significantly more challenging than the previous regulatory period and reflect the increased performance challenge that RIIO-ED2 poses compared to RIIO-ED1. Over recent years, we have seen an increase in weather and environment related incidents on our networks, with eight named storms occurring nationally during the current year. While certain major storms such as Storm Darragh are classified as exceptional events and excluded from the above results, these exclusions do not fully capture the operational challenges and residual impacts that such events impose on the network. Even when a storm is excluded, it can still indirectly affect performance metrics. Storm-related damage often restricts access to fault sites, delays restoration efforts for unrelated faults, and stretches field resources beyond normal operating capacity. This means that non-storm-related faults may also experience extended resolution times, further deteriorating overall performance. Additionally, the cumulative effect of multiple storms throughout the year compounds these challenges.

Connections (time to quote and time to connect)

Strategy link: Deliver for our customers efficiently



Performance and comments: For RIIO-ED1, this performance measure was an incentive only measure. For RIIO-ED2, this performance measure is an incentive and penalty measure. The above targets are based on the reward threshold scores set by Ofgem for the overall "time to quote" and "time to connect" for single domestic connections and small commercial connections. LVSSA customers are those seeking single domestic connections requiring no mains work at low voltage. LVSSB customers are those seeking two to four domestic connections or one-off commercial connections at low voltage requiring no network reinforcement work. LVSSA and LVSSB actuals are reported separately against separate targets. The above actuals and targets are an average for LVSSA and LVSSB.

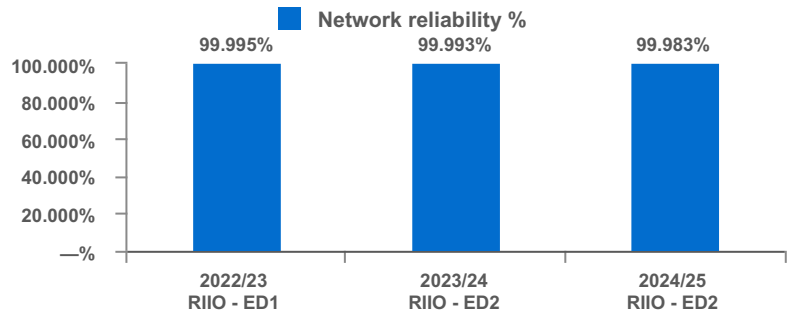
Strategic report (continued)

For the year ended 31 March 2025

Key performance indicators ("KPIs") (continued)

Network reliability (NGED Group)

Strategy link: *Deliver for our customers efficiently*

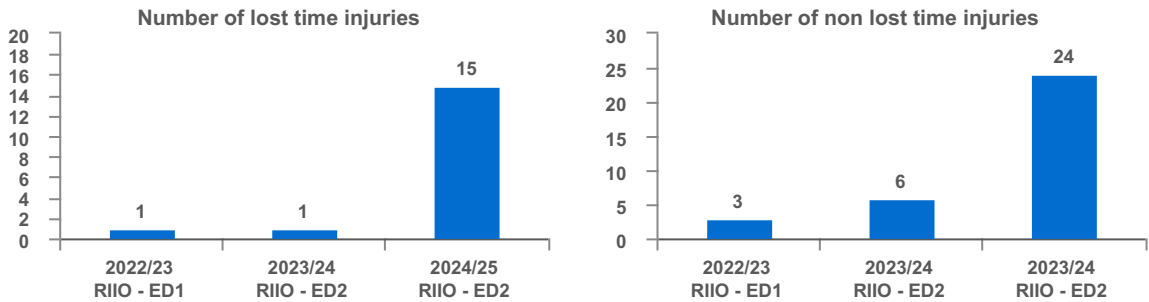


Performance and comments: There has been a slight decline in our network reliability as compared to last year but we still continue to maintain high levels of reliability. This KPI does not carry a direct financial penalty or reward. Instead, it serves as an overarching indicator of quality of service performance under the IIS. While the KPI itself is not directly incentivised, the IIS framework, within which it sits, does include mechanisms for both rewards and penalties based on overall service performance. Refer to page 21.

We aim to continue delivering highest level of reliability by planning our capital investments to meet challenging demand and supply patterns, designing and building robust networks, having risk-based maintenance and replacement programmes, and detailed and tested incident response plans.

Level of work related injuries

Strategy link: *Grow our organisational capability*



Performance and comments: Ensuring every employee's safety is our top a priority. This year, a group-wide behavioural safety training programme was designed and delivered, training to over 6,000 colleagues to date. Although the Group's Long Term Injury Frequency Rate ("LTIFR") increased to 0.180 against the target of less than 0.10, the severity of recorded incidents has fallen.

The total number of accidents reported across the Company has increased during the current year, but we remain below the National Grid Group target. We remain committed to the highest levels of safety in all areas and in order to reduce accidents to a minimum, all accidents and near misses are investigated so that causes and lessons can be learned to help prevent a recurrence.

Efforts to improve the reporting of incidents has resulted in the current year witnessing an increase in non-lost time and lost time injuries being reported compared to previous years. Thus many such incidents are reported that may not have been previously reported. This approach is crucial to enhancing safety culture, ensuring due investigation focusing on actual or potential for harm and allowing us to be more effective in our analysis of accidents to avoid future occurrence.

Strategic report (continued)

For the year ended 31 March 2025

Key performance indicators ("KPIs") (continued)

Level of work related accidents (continued)

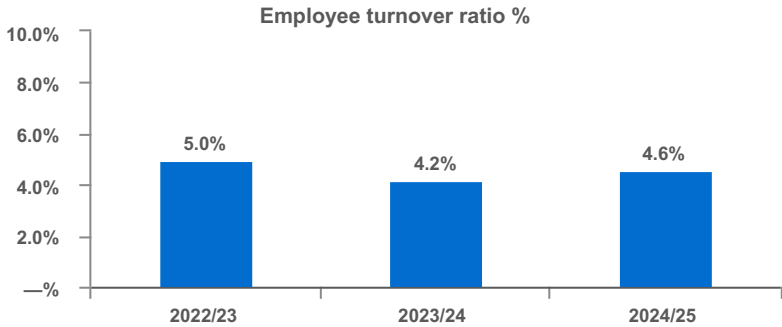
In terms of the severity of lost time injuries, a reduction of the % of specified injuries as defined by UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR") has occurred in the current year. In the current year severe incidents have reduced to 11% from 15% in 2023/24 and 44% in 2022/2023. In addition to this, no Serious Injury or Fatality ("SIF") incidents occurred in the current year, as compared to two SIF incidents last year.

We will continue to ensure all planned safety inspection and maintenance programmes are completed during the year and, in an effort to reduce injuries a new behavioural safety programme will be implemented to ensure staff are reminded of their training, the need to consider all the hazards in the vicinity of their work area and their safety responsibilities to themselves and to others.

NGED also monitors the all accidents rate per 100 employee. The accident rate for the NGED Group for 2024/25 is 1.95 (2023/24: 1.13).

Employee turnover ratio (NGED Group)

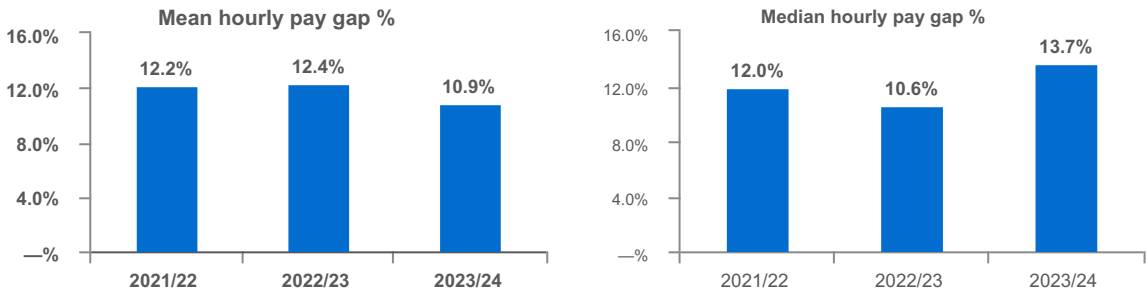
Strategy link: *Empower our people for great performance*



Performance and comments: On an overall basis, NGED has a low employee turnover ratio, reflecting high retention and indicating a positive working environment for our colleagues.

Employee gender pay gap

Strategy link: *Empower our people for great performance*



*2023/24 are the latest available results and is for data on the snapshot date of 5 April 2024. The report for the snapshot date of April 2025 will be available by April 2026.

Performance and comments: Whilst the Company's median hourly pay gap has shown a decline year on year, improvement has been noted in the Company's mean hourly pay gap. The female representation has increased from 14.2% to 15.6%

Our full gender pay gap report can be found at link below:

<https://www.nationalgrid.com/careers/understanding-our-uk-gender-pay-gap>

Strategic report (continued)
For the year ended 31 March 2025

Our business environment

Our business environment is shaped by governments’ drive to deliver economic growth amid a major shift in how we produce and consume energy. Against a backdrop of political and technological change, we are delivering the energy infrastructure of the future, enabling the energy transition and economic growth in our communities. In response to the changing business environment, we have refreshed our strategic priorities and transformation activities which underpin them.

	Impact on our industry	Our response
Energy transition Growth in renewable and low carbon energy continues to be a major driver of growth for our portfolio. Smarter and larger networks are needed to connect these new sources of generation and storage, at new locations, to customers	• The energy supply mix in our areas of operation is continuing to shift towards low carbon generation, renewables and storage, with generation connected to our distribution. • Demand for electricity also continues to grow, driven partly by the electrification of conventionally fossil fuel-based technologies. Across the UK, we expect electricity demand to increase by almost 50% from 2024 levels by 2035. • Our networks will need to adapt and grow to facilitate these changes. • The UK Government has set out ambitious energy targets in the Clean Power 2030 report, calling for 95% of Great Britain’s generation to be produced by clean sources by 2030.	• We have collaborated with the Science Based Targets initiative ("SBTi") to align our greenhouse gas emissions reduction targets with their 1.5°C pathway. • Our journey of fleet electrification continues, with 15.6% of our commercial fleet now electric where an EV option is available, up from 12% last year. Additionally, our leased fleet has increased to 67% electric, up from 50% previously. • In partnership with Skoda and vehicle conversion company Strongs, we developed a fully electric 4x4 utility vehicle. Skoda’s Enyaq has been converted into a light commercial vehicle with all-terrain capability, using high-strength, low-weight plastic materials to ensure safety and maximum driving range. The Enyaq has been adapted to provide the necessary stowage for specialist equipment used by our engineers. Each Enyaq will remove 241g/km of CO2e or 4,820t CO2e per year from our fleet, equivalent to planting around 200 trees. • We continue to work with our waste management partners to significantly reduce landfill waste. In 2024/25, nil waste from our operations was sent to landfill. • As part of the ENA, we are collaborating with other DNOs to develop a common approach to measuring and implementing biodiversity net gain across the network. Using the Department for Environment, Food and Rural Affairs ("DEFRA") biodiversity net gain metric tool and working with our biodiversity and ecology partners, we have established Biodiversity Management Plans at operational sites throughout our four licence areas. • We are working with the wider National Grid Group to transform our supply chain, focusing on circular economy principles, addressing scope 3 emissions, and reducing unnecessary waste. • Replacing SF6 gas in our asset base with an alternative is technically complex, but we are committed to moving away from installing apparatus containing SF6 where technology allows. We aim to stop using technical grade SF6 as soon as practicable and will, where possible, only utilize equipment that does not contain environmentally harmful gases as an insulation medium.

Strategic report (continued)

For the year ended 31 March 2025

Our business environment (continued)

	Impact on our industry	Our response
Affordability and economic development Governments are focused on driving economic growth and development in our jurisdictions. Some of our customers continue to struggle with the cost of living.	• Energy affordability is a challenge for communities in all the areas we serve. We are focused on ways to lower energy costs for our customers and consumers. • Economic growth agendas at national level mean continued need for grid investments, as AI-enabling data centres and other industrial infrastructure seek to connect or electrify.	• NGED has awarded £1 million to grass-roots organisations that focus on fuel poverty, employability or skills through our shareholder-funded Community Matters Fund. This includes: – £500,000 to tackle fuel poverty: Supported 117 local organisations by providing warm packs, energy efficiency advice, and welcoming spaces for customers struggling with energy affordability; – £250,000 for skills and employability: Grants to 62 groups helping people develop key professional skills, networking, and placements, including resume masterclasses and interview coaching; – £250,000 to inspire young people in science, technology, engineering and maths ("STEM"): Supported 67 charities and community groups with funding for hands-on STEM workshops, after school clubs, and interactive activities to introduce young people to careers in science, technology, engineering, and maths. • Working alongside governments and regulators, we ensure that prudent long-term planning leads us to the best overall solution for the customer. Our Distribution Future Energy Scenarios ("DFES") forecast how customers will use our network, guiding our investment decisions to ensure sufficient network capacity as the country transitions to net zero. This year, we published our DFES Customer Behaviour Report, providing open-access datasets on customer load profiles, seasonal energy projections, and distributed generation forecasts, enhancing transparency and planning support for local authorities and energy planners. • To play our part in delivering affordable energy and enabling economic growth, we are focused on delivering our critical infrastructure projects as quickly and affordable as possible while avoiding both premature investment and delays to critical projects. • NGED's Smart Energy Affordability Fund will enable six innovative projects to support low carbon transitions for customers in vulnerable situations. Two projects have already delivered £16,000 savings, helping 50 customers access home measures such as solar panels and heat pumps, in the first three months alone. Four more partners are now on board and the two early trials are set to ramp up support in coming months. • We launched a new partnership with Solar for Schools to deliver our £2.7 million commitment to fund solar panel installations in schools in economically deprived areas. Our grant funding has unlocked projects for schools that might not otherwise afford solar panels. Five schools have completed installations, reducing approximately 80 tons of Co2 emissions annually and delivering projected savings of over £2.2 million over the lifetime of the solar panels.

Strategic report (continued)

For the year ended 31 March 2025

Our business environment (continued)

	Impact on our industry	Our response
Technological change The past year has seen a rapid shift in the technological landscape, impacting both energy supply and demand. The most significant change has been the rapid rise of generative Artificial Intelligence ("AI"), and the associated impact of data centre development.	• Customers are increasingly demanding the same smooth digital experience provided by consumer technologies and online retail in other areas of their life, including how they produce and consume energy. • They are seeking ways to optimise their energy bill, including through flexible tariffs and in some instances, compensated demand reduction or selling energy back to the grid from their own generation and storage. • As more of our lives become digital, the importance of protecting against cyber risk is increasing. • The rise of AI and associated data centre infrastructure is likely to be a significant driver of new energy demand. There is still uncertainty around the scale of AI-driven demand growth, although we believe efficiency gains could mitigate this impact. • AI advancements also present deployment opportunities for the energy industry to improve efficiency and resilience, including through supply demand balancing, infrastructure planning, predictive maintenance and physical safety improvements.	• The rapid changes in the energy landscape have transformed the type and volume of projects seeking to connect to our network, necessitating technological advancements to contribute meaningfully to the industry Connections Reform. NGED has collaborated with Octopus Energy to explore options for accelerating grid connections utilising AI tooling to test potential solutions, which was demonstrated at an industry event led by NGED. • Our recently launched ClearView products enhance data transparency for customers at the pre-application stage. ClearViewConnect offers a comprehensive view of capacity headroom at all our licence area Grid Supply Points ("GSPs") and the connections queue at each GSP. This information helps prospective developers identify the GSPs with the earliest and lowest-cost generation connection opportunities. ClearViewCharge provides a view of the DUoS tariffs across all our licence areas for Low Voltage ("LV") and High Voltage ("HV") assets connected or looking to connect to our network. • By leveraging smart meter data, we optimized our Low Voltage ("LV") Monitoring Rollout across the Group, reducing the planned deployment from 15,500 monitors to 11,000 while maintaining the same level of network visibility. • To provide stakeholders with accessible and accurate network data, we developed a new Network Opportunity Map, unifying our existing Network Capacity Map and EV Map. This tool improves user experience and offers detailed insights into available headroom at both primary and secondary network levels, enhancing capacity data accuracy and informed decision-making. • This year, we piloted a new internal application designed to improve customer response times. The tool enables operational managers to identify and dispatch the nearest appropriately skilled engineer, allowing for more accurate estimated arrival times to be shared with customers. Hosted on company-issued iPads, the application provides real-time location data, supporting faster service delivery and more efficient use of resources. Subject to a successful trial, we plan to expand its use across our network in the coming years. • We continue to monitor cyber risks and implement control improvements recommended by government and private intelligence to manage the increasing threat landscape.

Strategic report (continued)

For the year ended 31 March 2025

Our business environment (continued)

	Impact on our industry	Our response
Global uncertainty Today's world is characterised by economic uncertainty posing challenges to business planning. In the face of this uncertainty, resilient and secure energy supplies have never been more important.	• While energy supply chains have adjusted to the cessation of Russian gas imports to Europe, geopolitical conflicts and trade tensions pose an ongoing risk. Armed conflict is the biggest risk identified in the World Economic Forum's Global Risks 2025 report. • The return to a more protectionist global economic order, with a focus on domestic economic growth and security, creates challenges and opportunities for the energy sector. Supply chains have been stressed since the pandemic, and may tighten further if trade disagreements escalate. At the same time, there is renewed focus on the importance of energy networks in delivering domestic energy security and prosperity. • For governments, organisations and communities, resilient and secure energy supplies are crucial in adapting to disruptions in this more uncertain world.	• This year, we established a new Commercial Management function within Asset Management to actively manage supply chain risks and collaborate on National Grid Group initiatives, including Strategic Supplier Engagement and Global tender opportunities. Efforts are underway to identify and mitigate both short and long-term supply constraints. This includes increasing our supplier base through National Grid Group framework agreements, enhancing forecasting capabilities linked to long-term strategic asset management plans, and reviewing our current asset management approach to identify synergies and optimize our workbook, reducing the short-term burden on the supply chain. • We are collaborating closely with industry and government to implement reforms that support government goals amidst global uncertainty, particularly in Connections Reform. • As part of the National Grid Group, we actively participate in the broader UK energy sector ecosystem to establish policies that facilitate a smooth energy transition. This engagement helps us to evolve regulatory frameworks together and to provide more certainty through price controls and rate cases that reflect a healthy balance of risk, returns and incentives. • Our strategy is continually reviewed in response to changes in the business environment, with close monitoring of geopolitical and economic shifts. We focus on developing equitable relations with our supply chain to grow and thrive together, becoming a client of choice. • Innovation in supply chains remains a priority to ensure we can deliver infrastructure efficiently amidst global uncertainty. Our commercial Management function is dedicated to establishing a supply chain that supports our future growth trajectory. • We remain focused on delivering resilient and secure infrastructure, playing our part to help the communities we serve avoid disruption and adapt to a changing global environment.

Strategic report (continued)

For the year ended 31 March 2025

Distribution System Operator ("DSO") Function

The DSO function focuses on developing and operating a smarter, more flexible electricity system. This requires investment in data, systems, and processes to enable and exploit these capabilities. Over the past two years, we have implemented a meaningful functional separation of the DSO from the DNO while keeping the DSO within NGED's licensed DNO business. This approach balances mitigating potential conflicts of interest, facilitating transparent decision-making, sharing data and services between DNO and DSO functions, and keeping consumer costs down while delivering quality service.

Although the price control incentive for the DSO function commenced in RIIO-ED2, our DSO has been delivering benefits since 2016. We ran the first UK distribution flexibility trials, created Distribution Future Energy Scenarios ("DFES"), led the creation of flexibility markets via the Market Gateway, launched domestic flexibility trials, and deferred significant network reinforcement costs. Throughout our DSO journey, we have shared and developed our learning with industry peers, stakeholders, and customers, driving a collaborative and customer-focused DSO model. Our consistent engagement makes our DSO unique, involving stakeholders from the beginning in building the Market Gateway, issuing the first DFES, and co-creating our DSO vision and action plan.

Key achievements for our DSO this year include:

- Publishing our 8th Distribution Network Options Assessment ("DNOA") report, identifying over 1,000 network constraints and recommending 24.4% flexible options.
- Facilitating whole system coordination to improve operational decision-making, developing dynamic network modeling techniques to minimize generation curtailment during planned outages, preventing 241GWh of renewable generation curtailment, and lowering network costs for customers.
- Progressing site strategies at key Grid Supply Points ("GSPs") through collaboration with National Grid Electricity Transmission, National Energy System Operator ("NESO"), and adjoining DNOs to ensure coordinated transmission reinforcement.
- Collaborating with Local Authority stakeholders by publishing Network Development Plans, providing detailed analysis of network constraints, future capacity requirements, and proposed solutions, with 140 technical reports offering unmatched transparency and granularity.
- Receiving responses across more than 500 flexibility zones in our long-term procurement for eight different flexibility service providers, growing the number of assets on our Market Gateway to over 162,000, including approximately half of the EV charge points on our network.
- Introducing a conflict identification framework to systematically evaluate and resolve potential conflicts between the DNO and DSO, enhancing systems to share more information with NESO, and strengthening stakeholder trust through independent oversight and improved governance and transparency.

Our independent DSO panel has provided crucial scrutiny and guidance, driving transparent governance and decision-making processes for greater customer assurance. The panel has constructively challenged DSO activities, such as mapping conflicts of interest and investment assessment plans, ensuring high quality and stakeholder-focused outcomes. They have also pushed for greater collaboration with other DSOs, standardizing key interfaces for Market Flexibility portals, and improving general data availability.

For further details in relation to our DSO strategic plan and our performance against our DSO KPIs, please refer to the following link:

<https://www.nationalgrid.co.uk/dso>

Strategic report (continued)

For the year ended 31 March 2025

Innovation and Development

NGED, through Ofgem's Network Innovation Funding Incentives, is developing innovative projects to make energy networks smarter, accelerate the development of a net zero carbon energy sector, and deliver financial benefits to communities and consumers, including vulnerable customers. These projects help develop crucial knowledge and expertise, which is shared across the industry. Large projects are funded by the Ofgem Strategic Innovation Fund ("SIF") and are broken down into Discovery, Alpha, and Beta phases to identify potential issues early before significant costs are committed.

The Planning Regional Infrastructure in a Digital Environment ("PRIDE") project was the first NGED SIF project to progress to the Alpha phase with £4.1 million in funding, following the successful completion of the Discovery phase. PRIDE focuses on using data and digital demand planning across multiple levels of the energy system to facilitate, manage, and integrate demands across heat, transport, and energy demand reduction. It aims to support local area energy planning and network investment decisions to fast-track low-carbon technology deployment at a regional level. The project includes developing a "whole systems digital planning tool" and testing its use across different regional energy planning stakeholders and broader governance structures. PRIDE is delivered collaboratively with West Midlands Combined Authority, Advanced Infrastructure Technology Limited, Regen, and NESO.

Two innovation projects, Rural Energy and Community Heat ("REACH") and Road to Power, have secured nearly £1 million combined through the SIF, enabling them to move from Discovery to Alpha phases. The REACH project works with innovative suppliers to develop shipping container-sized rural energy centres containing standardized equipment for connecting heat pumps, EV chargers, and renewable generation. This project uses a staged approach, beginning with community engagement to understand local needs and feasibility studies for selected communities. The SIF funding also supports creating a community guidance tool to interpret techno-economic data and make cost-effective choices. Currently, high-level feasibility studies with seven community groups are underway, with interviews and 11kV network studies being performed.

The Road to Power project addresses increased power requirements for roadworks and construction due to the decarbonisation of mobile machinery. A self-serve tool for construction temporary supplies is being developed, offering interruptible and flexible options in addition to a standard HV connection. This tool aims to automate network analysis and avoid delays associated with reinforcement. Data collection and development for stakeholder review are ongoing, with profiles for selected trial construction sites completed and alignment with NGED connection processes in progress.

This year, we launched a £3.4 million SIF Beta project, Phase Switch System ("PSS"), to address potential load imbalance across phases in the distribution network as more customers connect to low carbon technologies. PSS aims to prove a device that reduces phase imbalance on LV networks, maximising network capacity and allowing more low carbon technology to be added before network reinforcement is required. Additional benefits include fewer outages caused by phase imbalance, reduced service visits, and improved customer experience. The project will run for three years, engaging partners including UK Power Networks ("UKPN"). It will involve field trials following extensive lab trials of the PSS device, with a tool built to optimize device locations for maximum benefit.

For further information on the innovation and development activities being undertaken by NGED, please refer to the following link:

<https://www.nationalgrid.co.uk/innovation>

Strategic report (continued)

For the year ended 31 March 2025

Internal controls and risk management

The NGED plc Board has overall responsibility for NGED's system of risk management and internal control across the NGED Group. The NGED Board is committed to protecting and enhancing our reputation and assets, while safeguarding the interests of our stakeholders.

Managing our risks

NGED is exposed to a range of uncertainties that could have a material effect on achieving its strategic objectives, financial condition, operational results, reputation, and value. The National Grid plc Board establishes and oversees the level of the 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 NGED in all instances, unless explicitly stated otherwise.

The NGED Board reviews its Principal Risks ("PRs") and Emerging Risks ("ERs") at least annually, with any urgent risks being escalated to the Board as necessary. The Board will be supported in this work by the new Risk and Audit Committee, which is a Committee of the Board designed to provide additional focus on risk management and internal control that met for the first time in April 2025. Additionally, there is a bi-monthly NGED Ethics, Risk & Compliance Committee ("ERCC"), which includes the senior leadership team and focuses on monitoring both PRs and ERs. ERs are defined as risks that do not present an immediate threat or opportunity but have the potential for significant impact. There are additional 'management' level risk committees which help surface and manage risks at a slightly more granular level than NGED's PR level, including some risks which feed into the overall PRs. Further details regarding the risk management framework and processes can be found in our Code of Corporate Governance statement on page [48](#).

Actions during the year

Our risk profile continues to be managed by drawing upon the insights of the leadership teams, their subject matter experts and National Grid Group guidance; considering NGED's strategic objectives and business plan commitments and undertaking regular reviews of the appropriateness of key controls. Over the course of the year our Risk and Controls team has focused on further strengthening the 'bottom-up' risk identification processes, complementing existing risk identification channels.

Overall our risk profile remains broadly in line with last year, albeit with a few additional risk areas identified at the PR level. (Refer to the key risks section on page [32](#) below). There is also increasing focus on both the threat and opportunity to be derived from artificial intelligence and further consideration of emerging risk areas such as wildfire risks.

Our control design and testing programmes ensures we are managing risks in the most effective and efficient way possible, in line with the risk appetite set by the National Grid Group, and building on best practice learnings from other parts of National Grid as appropriate. For controls helping to manage our PRs, this involves the second line team annually testing those controls assessed as 'effective' by the control owner through sample based testing and walkthroughs to check both the design and operation of the control. We have rolled out usage of the Group risk management system, enabling greater transparency and consistency across our risk and controls landscape. We also set up a dedicated Risk and Audit Committee, which met for the first time in April 2025. This Committee will allow additional, independent review of NGED's risk and controls landscape.

Internal controls 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 in advance of the full year results. Reports conclude the Group's compliance with the requirements of Section 404 of the US Sarbanes-Oxley Act of 2002 and are received directly from the Group Controls & SOX team and through the Executive and Audit Committees. This is to satisfy the reporting requirements for our parent company, National Grid plc.

We have specific internal mechanisms that govern the financial reporting process. Our financial controls guidance sets out the fundamentals of internal control over financial reporting, which are applied across the Group. 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 National Grid Group CEO and CFO, during which financial and non-financial metrics are considered via analysis of performance contract scorecards. Deep dives on particular topics are driven by identified risks and opportunities.

Strategic report (continued)

For the year ended 31 March 2025

Internal controls and risk management (continued)**Key risks**

Strategic risks	
Risk	Actions taken by management
Organisational capability & capacity: There is a risk that the NGED business does not have a sufficiently diverse and engaged workforce, or leadership with the appropriate skills and capabilities, to meet our long-term strategic priorities. <u>Strategic Objective: Build tomorrow's workforce today.</u>	To effectively manage this risk, we are: • Utilising strategic workforce planning to gain insights into the capabilities required for the future, enabling us to proactively develop these skills within our workforce, and creating talent pipelines to build capability in the future (e.g. apprentices); • Utilising our SuperPowered branding to create diverse / broad talent pools, combined with internal development programmes for existing employees; • Providing comprehensive training across leadership and technical skills areas; • Creating an inclusive environment that encourages all colleagues to actively contribute to the growth and success of our business.
Political & societal expectations and perceptions: There is a risk of unfavourable public/regulatory policy or negative societal perception. <u>Strategy link: Enable the energy transition for all.</u>	To effectively manage this risk, we have a comprehensive suite of well-established controls, which include: • An annual programme of stakeholder engagement initiatives designed to gain insights into stakeholder needs and ensure that our priorities are aligned effectively with their expectations; • Continuous and thorough horizon scanning for political, policy, or social changes, with findings reported monthly to our Policy, Regulation, and Reputation Committee to facilitate informed decision-making; • Corporate Affairs awareness and tone of voice training roadshows.
Energy transition role and delivery of net zero: There is a risk that we fail to enable the UK's transition to net zero, or meet our own net zero commitments. <u>Strategy link: Enable the energy transition for all.</u>	To effectively manage this risk, we concentrate on the following areas: • Maintaining a comprehensive understanding of stakeholder requirements through long-term forecasting and ongoing monitoring of local growth and load requirements; • Working closely with upstream partners to allow us to release capacity on the network as effectively and efficiently as possible; • Maintaining a strategic investment plan that aligns with the needs of key stakeholders throughout the entire energy system.
Delivering the RIIO-ED2 price control: There is a risk that we fail to deliver the ED2 price control commitments to the strategic business plan and cost. <u>Strategy link: Deliver for our customers.</u>	To effectively manage this risk, we have: • Strategic business plans covering what we have to deliver, when and to what price during the ED2 price control; • Governance structures to provide oversight of progress versus ED2 price control deliverables; • A restructured leadership team set up to support the business to operate as effectively and efficiently as possible; • Investment management and planning processes.

Strategic report (continued)

For the year ended 31 March 2025

Internal controls and risk management (continued)**Key risks (continued)**

Strategic risks (continued)	
Risk	Actions taken by management
Business transformation: There is a risk that we fail to identify and/or implement appropriate transformational initiatives to future proof the business. <u>Strategy link: Enable the energy transition for all.</u>	To effectively manage this risk, we have: • A comprehensive multi-year business transformation plan that is aligned with NGED's strategic priorities, developed collaboratively with input from, and approved by, the NGED Executive; • Consistent reporting against the transformation plan to monitor progress and ensure accountability; • Clear and transparent communication to support the successful implementation of the plan across all levels of the organisation; • The necessary capacity and capability to effectively execute the transformation plan, ensure that resources are aligned with strategic objectives; • Engaged in horizon scanning to assess external factors and ensure that the transformation plan remains relevant and responsive to changing circumstances.
Satisfactory regulatory outcomes : There is a risk that we fail to influence future energy policies and secure sufficient funding from regulatory agreements to deliver customer outputs. <u>Strategy link: Enable the energy transition for all and Deliver for our customers.</u>	To effectively manage this risk, we have: • A dedicated and experienced Regulation team in place who lead on engagement with Ofgem; • Regular horizon scanning for potential changes to the regulatory landscape and impacts; • Governance mechanisms to support effective preparation for future price control negotiations; • Dedicated resources to support with all regulatory submissions and reopener claims.

Operational risks	
Risk	Actions taken by management
Major occupational health & safety event: There is a risk of unsafe employee/contractor behaviour whilst undertaking NGED activities. <u>Strategy link: Operate safely and efficiently.</u>	To effectively manage this risk, our preventative and detective safety controls concentrate on the following key areas: • A well-established risk management framework that encompasses safety policies, procedures, standards, risk assessments, and action plans to ensure a systematic approach to safety; • Continued delivery of the Annual Safety Plan, which includes robust executive-level oversight aimed at fostering a strong organisational safety culture, clarifying safety accountabilities, enhancing control measures, and improving incident management processes; • Providing safety training to meet all safety requirements within relevant roles.
Asset failure: There is a risk of a catastrophic asset failure or bulk power system failure. <u>Strategy link: Operate safely and efficiently.</u>	To effectively manage this risk, we have implemented extensive controls and mitigating measures across our assets, systems, and broader infrastructure, which include: • Robust asset/network design processes; • Purchasing and construction quality control mechanisms; • Detailed asset health risk assessment processes; • A policy-led, planned asset inspection and maintenance programme; • Training and authorisation processes for operating assets; • Asset failure investigation procedures.

Strategic report (continued)

For the year ended 31 March 2025

Internal controls and risk management (continued)

Key risks (continued)

Operational risks (continued)	
Risk	Actions taken by management
Significant disruption of energy : There is a risk that we fail to predict, and respond effectively to, a significant disruption of energy resulting from asset failure, severe weather event or other emergency events leading to significant customer harm, lasting reputational damage and material financial losses. <u>Strategy link: Deliver for our customers.</u>	To effectively manage this risk, we have implemented extensive controls and mitigating measures across our assets, systems, and broader infrastructure, which include: • Robust governance processes to review how, when and to what level we add connections to our network; • A policy-led, planned asset inspection and maintenance programme; • Physical and cyber security controls; • Advanced warning mechanisms for adverse weather; • Business resilience activities.
Supply chain management: There is a risk of NGED being unable to secure key equipment/services within required timeframes. <u>Strategy link: Build the networks of the future now.</u>	To effectively manage this risk, our key mitigation strategies include: • Dedicated governance structures to oversee procurement activities and ensure alignment with NGED's strategic objectives and business plan; • Proactive horizon scanning to identify potential upstream supply issues (covering both equipment and services) and long-term forecasting; • Supply chain risk identification and stress testing activities to evaluate our readiness and response capabilities under various scenarios.
Customer connections: There is a risk that we are unable to connect customers when or where they want (within a reasonable timeframe) – or are perceived as being unable to do so - and are unable to make significant improvements soon. <u>Strategy link: Deliver for our customers.</u>	To effectively manage this risk, we are: • Actively working to reduce connection queue times, including embracing Connections Reform to streamline processes and became the first DNO to accelerate a customer under Technical Limits; • Continuously evaluating and testing our forecasting assumptions to ensure their robustness, utilising these insights to enhance our long-term procurement and human resources planning; • Enhancing digital tools to improve visibility for customers so that they can explore connections opportunities in terms of both location and timescales; • Committing to significant investments in network expansion to adequately meet both current and future demand, ensuring our infrastructure is prepared for growth; • Strategically engaging with industry to develop innovative solutions that continuously improve outcomes for our customers.
Data quality & management : There is a risk of failure to adequately identify, collect, and optimize data to support NGED operations and future growth. <u>Strategy link: Deliver for our customers.</u>	To effectively manage this risk, we are: • Implementing robust data governance frameworks to ensure accountability and ownership across the organisation; • Enhancing data quality processes through validation, standardisation, and automated tracking mechanisms; • Improving data accessibility and integration to support operational efficiency and regulatory compliance.

Strategic report (continued)

For the year ended 31 March 2025

Internal controls and risk management (continued)**Key risks (continued)**

Operational risks (continued)	
Risk	Actions taken by management
Major cyber security incident: There is a risk that we are unable to adequately prevent, detect or manage disruptive forces on our systems resulting from a cyber attack. <u>Strategy link: Deliver for our customers.</u>	To effectively manage this risk, we are: • Adopting a Comprehensive Risk Methodology: NGED has aligned to the group cyber risk methodology that takes account of threat intelligence, business impact assessments, business architecture, controls and any vulnerabilities. NGED is operating 'within appetite' against the Board's 'Averse' cyber-Risk Appetite Statement; • Leveraging Layered Security and Continuous Monitoring: Improved on the implementation of a 'defence in depth' strategy with layered security measures, continuous 24x7 monitoring, and integration with global incident response plans to detect, contain, and recover from cyber incursions; • Making Targeted Investments: Continue to make specific investments in cyber security to address regulatory compliance requirements and emerging risks we are monitoring through our partnerships with government and private intelligence sources.

Compliance risk	
Risk	Actions taken by management
Legal & regulatory compliance governance : <i>There is a risk that NGED's compliance programme, if identified mitigations are not implemented fully, may be ineffective.</i> <u>Strategy link: Operate safely and efficiently.</u>	To effectively manage this risk, we have: • Dedicated compliance team supported by assurance activity focused on key compliance areas; • Agreed compliance training plans, communications, and assurance activities for the business; • Horizon scanning mechanisms in place to ensure new and changing regulations are appropriately resourced and implemented; • An effective governance framework for reporting to senior leadership and respective boards and committees.

Financial risks

While all risks have a direct or indirect financial impact, financial risks are those which relate to financial objectives and performance. Financial risk management is a critical process used to make investment decisions and aims to maximise investment returns and earnings for a given level of risk. None of our financial risks are currently classified as principal risks.

Refer to page [55](#) in the Director's report for details on our financial risks. The NGED Group's financial risks are described in the NGED Group consolidated annual report for March 2025, available on our website.

Strategic report (continued)

For the year ended 31 March 2025

Our commitment to being a responsible business

The energy sector is experiencing a period of significant and exciting transformation. Delivering this change responsibly in our region is crucial, as we strive to meet the evolving expectations of our customers. This commitment is encapsulated in our purpose: Bring Energy to Life. We prioritize our customers and communities, ensuring responsible engagement and interaction with our stakeholders.

NGED Established in 2021 and updated annually, our Social Contract outlines our commitment to conducting business in a manner that benefits our region and its people, both now and in the future. It focuses on three key areas: our customers and communities, our people, and our environment. This contract is our pledge to listen actively to our communities and colleagues, act with integrity, and provide positive, locally-tailored solutions to the challenges they face.

Our Social Contract can be accessed on our website at the link:

<https://www.nationalgrid.co.uk/about-us/our-social-contract>

While the Social Contract provides a framework for making a local impact, our alignment with the United Nations Sustainable Development Goals highlights the essential role our communities play in the global society.

Customers and community

We are deeply committed to supporting the diverse communities we serve. Our dedication is reflected in our efforts to deliver broader benefits through grassroots organisation support, employee volunteering, and Science, Technology, Engineering, and Maths ("STEM") outreach.

Some of the key outcomes in 2024/2025 were as follows:

- Beyond the Community Matters Fund, highlighted on page 26, NGED provided over £12,000 in donations and around £136,000 in sponsorships, aiding local charities and community groups. Additionally, our colleagues' personal fundraising efforts resulted in £32,500 in company-matched funding for charities this year.
- NGED's safety education programme reached more than 85,000 young people through school visits, 'Crucial Crew' events, permanent safety centers, and interactive stands at regional county shows and STEM festivals during the summer.
- In April 2024 NGED launched its employee volunteering platform, allowing all employees to volunteer up to three working days annually for good causes across our region. This initiative resulted in 10,000 volunteering hours across the NGED Group, supporting 50 organisations, including Cornwall Wildlife Trust, St David's Hospice, and Your Parks Bristol and Bath.
- NGED's STEM ambassador programme continues to thrive, with 30 colleagues delivering outreach and education to students across our region. Promoting careers in STEM and 'green jobs' to young people is crucial for meeting the challenges of decarbonisation. Our colleagues, who are at the forefront of this transition, play a vital role by sharing their passion for STEM careers with the next generation, thereby building relationships with schools and communities and fulfilling our purpose to Bring Energy to Life.
 - NGED has continued to support the Engineering Education Scheme Wales ("EESW") Sixth Form Project, which provides students with a broader understanding of STEM careers. This project partners with schools to set teams of students a STEM-based task, which they solve by researching, designing, and building a prototype.
 - NGED has expanded its support for the Greenpower Challenge, collaborating with a school in South West and a community group in the East Midlands. This project involves teams of students (aged 11-16) designing, building, and racing their own electric cars. This year, 51 students participated with assistance from our STEM ambassadors. The initiative promotes low-carbon transport, the use of recycled materials, and varied career opportunities in engineering.
 - Pylon to Power is a project which educates students about the future of renewable energy. Over the year, 80 students learned about renewables and the history of coal energy. They also received a presentation from NGED about the distribution network and participated in an activity led by the EESW, where they designed and built their own towers.

Strategic report (continued)

For the year ended 31 March 2025

Our commitment to being a responsible business (continued)***Customers and community (continued)***

- Working with 2B Enterprising NGED has partnered with five primary schools to deliver 'The Bumbles of Honeywood' enterprise education programme to 450 students. This programme includes resources for students and teachers and covers themes of diversity, sustainability, and wellbeing, focusing on skills such as communication, teamwork, and leadership.
- We have successfully embedded a process to ensure that maximum decommissioned company electronic devices, mainly iPads, are repurposed and donated to local community charities and schools. This year, NGED donated more than 2,000 devices, reducing electronic waste by extending the lifespan of these devices through refurbishment and donation.

These initiatives underscore our unwavering commitment to making a positive impact on the communities we serve.

Customer vulnerability and fuel poverty

Our Priority Services Register ("PSR") offers essential support during power outages for individuals who may struggle due to age, health conditions, or reliance on medical equipment. Currently, we support 335,000 customers on our PSR, providing tailored assistance when they contact us or experience supply interruptions. Our dedicated team proactively contacts customers and updates their details at least every two years to ensure the register remains current.

In the current year, our PSR team conducted a roadshow at Kidney Care UK, the UK's leading kidney patient support charity. This event aimed to engage with kidney patients on dialysis or those expecting to be, to understand how power cuts might affect them. We provided information on the PSR and its benefits during power outages, distributed crisis packs, and handed out merchandise to attendees.

NGED collaborates with industry partners to develop processes for sharing data about vulnerable customers, adhering to data protection laws. We share PSR data monthly with all participating water companies in our region and work towards an automated standard industry approach to PSR data sharing. NGED already shares established links with numerous organisations acting as 'referral partners,' such as the British Red Cross, to better understand the needs of vulnerable customers. These 223 referral partners (up from 197 last year) include charities, local authorities, and health organisations that sign customers up to the PSR and provide power cut resilience advice.

During 2024/25, NGED supported over 21,000 customers, helping them save over £22m on their energy bills. Our fuel poverty programme, is delivered through the "Power Up" and "Affordable Warmth" projects. By partnering with trusted external organisations, we address fuel poverty strategically and cost-effectively. Our goal is to ensure that customers living in cold homes or struggling to afford their energy bills receive tailored support to make long-term improvements. These projects offer free, independent, and confidential income and energy efficiency advice on various interventions, including benefits and grant applications, energy-saving schemes, and low-carbon technologies.

Keeping customers informed about energy-saving methods and effective consumption management remains vital. NGED continues to work with its Customer Panel and interested stakeholders. This year, two Social Obligations workshops (covering fuel poverty and the smart transition) highlighted ongoing concerns about the cost of living crisis and the financial burden of energy bills. The high demand for support presents challenges such as stretched resources, lack of trust, and difficulty accessing smart technologies. We offer long-term contracts to partners, providing guaranteed, consistent funding to support customers struggling to heat their homes.. NGED collaborates with over 100 partner agencies to provide fuel poverty support and advice. In addition, NGED delivers a comprehensive annual Winter Campaign, which helps customers prepare for the colder months, and broadens awareness of the PSR register and encourages sign ups.

For more details on our work in customer vulnerability and fuel poverty, please refer to the "Affordability and economic growth" section on page [26](#).

Strategic report (continued)

For the year ended 31 March 2025

Our commitment to being a responsible business (continued)***Our people***

We are dedicated to being a standout employer, attracting new talent to the electricity sector. Whilst prioritising safety, health, and wellbeing, we focus on enhancing diversity, equity, and inclusion, as well as upskilling and empowering our people to thrive in their careers. Our ambitions include:

- Support colleagues to ensure they remain safe and healthy in the workplace and beyond;
- Reflect the diversity of our communities and ensure an inclusive culture, where all colleagues have equal opportunities to succeed;
- Prepare our organisation for the future by investing in the development of our colleagues.

Health and Safety

The health and safety of our employees is paramount. Our commitment is demonstrated through comprehensive training programmes, policies, processes, and procedures that align with national and international standards. Our safety management system is ISO 45001 certified and independently audited by National Quality Assurance annually. Monitoring level of injuries within the business is one of our key KPIs. Please see page [23](#) for details on this.

We implement an annual safety improvement plan that addresses key topics identified from incident and near-miss statistics, employee feedback, safety culture surveys, and National Grid Group standards. We collaborate with contractor organisations to share best practices and ensure uniform safety standards.

We foster a proactive safety culture through regular communication and bi-annual safety culture surveys, allowing colleagues to share their views on the Group's safety culture. Managers and colleague representatives meet regularly to discuss, agree, and implement safety initiatives. These efforts embed a 'safety first' approach within all teams. Our "Safe to Say" initiative empowers staff to voice concerns, raise issues, and offer ideas without fear. Following the safety culture survey, a three-year action plan has been created to identify improvements and further mature our safety culture.

Diversity, equity and inclusion ("DE&I")

Reflecting the communities and customers we serve while fostering a more equitable and inclusive culture is of great importance to us. We are dedicated to building on our approach to further our growth in DE&I. In the current year 38.2% of the new hires within NGED Group were diverse. We have also continued to run Inclusion training for all people managers.

We recognise that diversity remains a key challenge for our business, as the electricity distribution industry continues to lag behind other sectors in colleague diversity. However, we are committed to making significant changes to see a real and sustained difference. Our dedicated DE&I strategy, aligned with the National Grid Group, is built around three pillars: increasing DE&I awareness, increasing and retaining diversity in our workforce, and enhancing leadership skills and knowledge to create an inclusive culture.

We believe in improving social mobility by providing people from all backgrounds with opportunities for rewarding careers. 'Earn and learn' positions, such as apprenticeships and on-the-job traineeships, offer an accessible alternative to higher education, boosting skill sets and providing paid routes to higher education and training.

We monitor and report on our gender pay gap. Please refer to page [24](#) for further details.

Examples of how we're actioning DEI within NGED include:

- **BIG Respect Training Days:** We delivered in-person training for leaders in operations on handling difficult conversations, recent changes to UK legislation (Worker Protection Act), and addressing inappropriate behaviour at work. We conducted two training days per license area, reaching over 200 leaders.
- **"It's Not Okay" Campaign:** We embedded a group-wide conduct campaign addressing inappropriate behaviour in the workplace through team briefs, powerful videos and panel discussions during all-hands calls on respect.
- **Women in Operations Conference:** Based on employee feedback, we hosted our first-ever conference, bringing together over 150 women and male allies to discuss barriers faced by female staff in the field and identify necessary improvements to working conditions.

Strategic report (continued)

For the year ended 31 March 2025

Our commitment to being a responsible business (continued)

Our people (continued)

Diversity, equity and inclusion ("DE&I") (continued)

- **Power Network Craft Assistant ("PNCA") Scheme:** This scheme targets individuals who have left school with minimal qualifications but possess the skills to thrive at NGED. It offers a paid 12-15 month training programme, followed by a craft assistant job. This year, we appointed 12 employees under this scheme.
- **Enhanced DEI Resources:** We transformed DEI content on our internal intranet, making resources more accessible. This includes inclusion moments, educational videos, ERG materials, and LinkedIn learning pathways.
- **Quiet Rooms:** We introduced quiet rooms across various offices for prayer, meditation, rest, or for neurodivergent colleagues, disabled colleagues, staff experiencing menopause, or anyone needing a moment of quiet when feeling overwhelmed.
- **Grid for Good:** This National Grid Group-wide programme supports skills development and employability opportunities for socio-economically disadvantaged and under-represented young people. NGED colleagues volunteer to share their career journeys and experiences with young people at masterclass and career coaching sessions.
- **10,000 Black Interns:** This programme facilitates paid work experience, training, and professional development for young Black people in the UK. This year NGED employed 12 interns through this programme, eight of whom secured longer-term roles within the business.
- **Change 100:** This programme aims to remove workplace barriers experienced by disabled people through paid summer work placements, professional development, and mentoring. This year, NGED employed one intern through this programme, who has now taken on a full-time role within the business.

By implementing these initiatives, we are committed to fostering a diverse, equitable, and inclusive culture where everyone feels they belong at NGED.

Supporting colleagues to thrive at work

We empower our teams to perform their best by prioritising their physical, mental, and emotional wellbeing. Our comprehensive wellbeing strategy ensures colleagues have seamless access to high-quality support and resources whenever needed. Key highlights of our support initiatives include:

- **Enhanced Mental Health Support:** We have refined our mental health care pathways and strengthened our Employee Assistance Programme ("EAP") to provide a broader range of mental health support. Our partnership with Thrive Mental Wellbeing offers clinically effective app-based support, extensive self-help resources, direct one-to-one sessions with qualified therapists, and newly launched 24/7 in-app counsellor support.
- **Dedicated Drug & Alcohol Support:** We've introduced clear and supportive pathways for colleagues proactively seeking help with drug and alcohol dependencies, enabling discreet and effective support tailored to individual needs.
- **In-House Occupational Health Expertise:** Our internal Occupational Health team provides legislative compliance screening and case management. Being in-house allows us to closely align our support with business needs, effectively keeping our people well and safe in the workplace.

For team members nearing retirement, we offer in-house retirement courses, pension support, and pre-retirement leave to help individuals transition smoothly out of the workplace. We also provide childcare vouchers, adoption leave, enhanced maternity leave, shared parental leave arrangements, and keeping in touch days to encourage eligible colleagues to continue their careers while caring for their families.

We ensure all colleagues receive fair and equitable pay, regardless of location, gender, ethnicity, or disability. We review gender and ethnicity pay gaps annually. In the UK, we are an accredited Living Wage Foundation employer, demonstrating our commitment to going beyond the Living Wage requirements. In addition to fair pay, we offer a range of competitive benefits, including shared parental arrangements in the UK that exceed statutory minimums. By fostering a supportive and inclusive work environment, we empower our colleagues to thrive both personally and professionally.

Strategic report (continued)

For the year ended 31 March 2025

Our commitment to being a responsible business (continued)***Our environment***

We play a vital role enabling the UK's clean power ambitions, and we also want to lead by example in our operations. That's why we have set ourselves the target of becoming a net zero business by 2043. By rapidly reducing emissions in our operations, demonstrating excellent environmental performance, and improving biodiversity at our sites, we are also helping our communities achieve their own net zero ambitions. Business carbon foot print, SF6 emissions, and fluid cable losses are reported and monitored as our key KPIs. Refer to pages [19](#) - [20](#) for details on our progress on our key KPIs.

Since 2011, we have adhered to the internationally agreed environmental standard ISO 14001 to enhance our environmental performance. Certification to this standard requires consideration of all environmental issues relevant to our operations, including air pollution, water and sewage issues, waste management, soil contamination, climate change mitigation and adaptation, and resource use and efficiency. Continued certification ensures our commitment to continual improvement and innovation while maintaining legal compliance.

We collaborate with local organisations to achieve a net gain in biodiversity by improving and restoring habitats around our operational sites. Key sites in Cheltenham, Cambridge, and Stroud are monitored and surveyed, with adaptations made to the grounds maintenance regime to achieve the best possible biodiversity outcomes. We aim to roll out successful changes to site maintenance across our region for greater benefits. We have conducted desktop feasibility studies at 40 proposed Biodiversity Net Gain sites at primary substation locations. Recently, we recruited an Environment Advisor with specific expertise in biodiversity to carry out baseline surveys and produce site management plans.

As part of partnership with the Heart of England Forest, we are funding the management and maintenance of a 700-acre forest hub area, "The Lenches." Our support has enabled orchard planting for agroforestry, wetland restoration, deer fence checks, tree guard maintenance, species and habitat surveys, weed elimination, and tree health assessments. These efforts ensure the sustainability of The Lenches and maximise its benefits to the environment, wildlife, and people.

As members of the National Grid Supply Chain Sustainability Working Group, we are actively working towards three sustainable procurement goals: improving understanding and reporting of Scope 3 carbon emissions, reducing material for landfill, and reducing/removing single-use plastics. Our procurement team is implementing sustainability measures throughout the tender process and across various contracts to procure sustainable products and services while meeting our goals.

As a member of the Energy Networks Association, we collaborate with other UK Distribution Network Operators and our common supply chain to develop an industry-wide carbon calculator tool. This tool, building on the NGED innovation project ALPACA (Approach for Long-term Planning Accounting for Carbon Assessment), helps us understand and measure the embodied carbon associated with our network activities and the products and services we procure. The collaborative nature of the tool involves suppliers and manufacturers, ensuring a consistent and efficient approach to calculating embodied carbon emissions across our supply chain and the lifecycle of the products we procure.

For further details on our energy transition activities refer to page [25](#) of our Strategic report.

Taxation

As part of the National Grid Group, NGED adopts a responsible approach to taxation aiming to comply with applicable tax legislation. Details of the approach are included in the National Grid tax strategy that is published annually and covers all businesses within the group. The tax strategy can be found on the National Grid website or using the link below:

<https://www.nationalgrid.com/about-us/corporate-information/corporate-governance>

For details of the Company's effective tax rate see note 7 on [87](#).

Strategic report (continued)

For the year ended 31 March 2025

Our commitment to being a responsible business (continued)**Human rights**

At NGED we are committed to ensuring decent and fair working conditions for all our employees and those working on our behalf. Our Code of Ethics covers our approach to Human Rights and we work closely with organisations such as the Slave Free Alliance and Action Sustainability to continually review and enhance our approach to addressing potential modern slavery risks. Our policies and due diligence processes are designed to safeguard human rights across our operations and supply chains, ensuring ethical labour practices. We are dedicated to promoting diversity, equity, and inclusion, and we support our employees through various health and wellbeing programmes.

For our modern slavery statement, refer to the National Grid website or using the link below:

<https://www.nationalgrid.com/modern-slavery-statement>

Anti-corruption and anti-bribery

NGED maintains a zero-tolerance approach to bribery and corruption, ensuring all operations are conducted fairly and transparently. We are committed to preventing financial crimes, including bribery, through rigorous internal procedures, systems, and controls, and by promoting a culture of openness and integrity. All employees and associated parties are educated on our ethical standards and are required to report any suspicious activities. Our compliance with anti-bribery and anti-corruption legislation is continuously monitored and reviewed to uphold the highest standards of ethical behaviour.

Task Force on Climate-related Financial Disclosures ("TCFD")

Refer to the Annual Report and Accounts of National Grid plc, pages 59-77 for TCFD disclosures, including climate related risks of National Grid Group.

<https://www.nationalgrid.com/investors/resources/reports-plc>

Non-financial and sustainability information statement

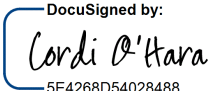
Refer to the Annual Report and Accounts of National Grid plc, page 78 for the National Grid Group's Non-financial and sustainability information statement.

<https://www.nationalgrid.com/investors/resources/reports-plc>

Section 172 Statement

Refer to pages [52-54](#) for our Section 172 statement.

Approved and authorised for issue by the Board and signed on its behalf by:

DocuSigned by:

 5E4268D54028488...
 Cordelia O'Hara, Director
 Director
 24 July 2025

National Grid Electricity Distribution (South Wales) plc
 Avonbank, Feeder Road, Bristol BS2 0TB.

Corporate governance statement

For the year ended 31 March 2025

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

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

1. Purpose and leadership

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

Our purpose is to Bring Energy to Life, driven by our vision to enable a secure, affordable, and clean energy future. This commitment benefits our people, business, customers, and the planet. Our values — doing the right thing, finding a better way, and making it happen — underpin our purpose and ensure that our culture aligns with our vision. Our five strategic priorities are: enabling the energy transition for all, operating safely and efficiently, building the networks of the future now, delivering for customers, and building tomorrow's workforce today. These priorities position us to thrive in the rapidly changing energy sector. For more details on our purpose, vision, values, and strategic priorities, refer to page [6](#) of the Strategic report.

The Board focuses our strategic priorities and ensures alignment with our values. These key messages are reinforced through regular engagement between senior leadership and the wider workforce. The President, along with the senior leadership team, conducts regular all-colleague calls to update on achievements and highlight ongoing focus areas. Additionally, the President visits smaller workforce groups and operational sites to ensure alignment with the Company's purpose. Other executive directors engage with the workforce through both informal and formal methods, including intranet news updates and direct emails. Leadership conferences, presented by the President and other executive directors, support open dialogue between executives and management. This year, sufficiently independent directors from individual DNO Boards also attended the senior leadership conference, strengthening feedback and cascading key messages throughout the organisation.

An example of the Board promoting a culture aligned with our values is the safety conversations held during the year. Over 700 people attended our Safety, Health, and Environment ("SHE") conferences, led by the Director of Field Operations in conjunction with the safety team. Topics included our safety refresh programme, near miss reporting, fair culture, mental toughness, water and flood awareness, and environmental challenges. Directors emphasised learning from near misses to prevent future incidents, treating employees fairly, and addressing compliance issues proactively through coaching, mentoring, or retraining. As a result our near miss reporting has increased 10 times compared to last year.

The directors actively support the annual peer-to-peer recognition campaign 'Living our Values,' celebrating colleagues who embody our values of doing the right thing, finding a better way, and making it happen. This campaign demonstrates the directors' unwavering commitment to our values, confirming that living our values represents National Grid at its best.

Our strategic priorities guide the development of our business plans and performance contract, reportable to our parent company, National Grid plc. Our business plans define long-term initiatives and change roadmaps, while the performance contract sets annual outcomes for business transformation and routine goals. This contract aligns team and individual objectives with our strategic priorities, ensuring a clear line of sight between individual work and organisational goals. Regular performance reports are provided to the Board.

Our leadership is driving the transformation in the energy sector, moving towards a smart, low-carbon network to enable communities to reach net zero by connecting renewable generation, electric vehicles, and heat pumps. As part of the National Grid Group, the largest electricity transmission and distribution business in the UK, we are well-positioned to play a significant role in the energy future. At NGED, we care about all our stakeholders, fulfilling our purpose by listening and taking decisive action based on their feedback. The proactive involvement of the Board and the Company with our stakeholders is detailed in the 'stakeholder relationships and engagement' section on pages [49-51](#).

Corporate governance statement (continued)

For the year ended 31 March 2025

2. Board composition

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

Balance and diversity

Reinforcing its commitment to sound corporate governance, 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 Group-appointed non-executive director and two Sufficiently Independent Directors ("SIDs"). The non-executive director is part of the senior management team of the NGED Group shareholder, National Grid plc, and provides a broad and diverse range of experience and technical skills from both within and external to the organisation, from the energy sector and external bodies. The size of the Board is appropriate for the operations of the Company and to enable an effective oversight of the Company.

As at the year end, the designation of the executive director roles are the President, Chief Financial Officer, Director of Regulation, Director of RIIO-ED3 and General Counsel. All the executive directors are experienced in their respective roles and responsibilities.

Oversight responsibilities lie with the Group-appointed non-executive director and SIDs, who possess the necessary skills and experience of the utility sector and wider business sectors to provide oversight of the Company and constructive challenge in relation to the implementation of strategy in accordance with the framework of governance and risk appetite. The Group-appointed non-executive director fulfils their responsibility by regularly attending the board meetings of the Company.

The SIDs provide the Board with independent challenge and input to the decision making process. The SIDs bring to the Board a wealth of experience and knowledge in the utility and regulatory sector and other business and organisations outside of the energy sector. In addition to regularly attending Board meetings, the SID's regularly attend the Group's holding company board meetings and in doing so gain an understanding of matters at the group level and the views of the Shareholder.

Outside of formal meetings, the SIDs and the Group-appointed non-executive directors are provided with timely information and given access to relevant updates, including invitations to meetings, where they are encouraged to offer constructive feedback.

The SIDs and the Group-appointed non-executive directors have access to the Company Secretary and to legal advisors funded by the NGED Group. As with all Board members, the SIDs and Group-appointed non-executive directors have the authority to request Board meetings.

Currently, the ratio of female directors on the board is 63% (2024: 50%).

Chair

There is no permanent appointment of the Board's Chair, however, it is usual practice for the President to be appointed the Chair at each Board Meeting. The Board have considered separating the roles of Chair and President as per the Wates Principles' guidance, however, it determined that through the President's participation at a National Grid Group level as well as their role as President of NGED and as Chair of the Company's Board, the President 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 which is appropriate for a subsidiary company that is part of a larger group and provides greater benefits than separating the roles of the Chair and President.

Corporate governance statement (continued)

For the year ended 31 March 2025

2. Board composition (continued)**Appointments**

The President of NGED is appointed by the Group ultimate shareholder, National Grid plc. The appointment of directors follows the National Grid plc policy on the "Appointment of Directors of Subsidiary Companies Procedure" (the "Appointments Procedure").

Other executive directors, SIDs, and Group-appointed non-executive director nominations and appointments are recommended and approved with the support of the President in line with the Appointments Procedure. The process followed for the nomination of these directors involves the consideration of the relevant skills, expertise, experience, professional background and various other personal attributes. The People & Governance Committee of the ultimate parent, National Grid plc, is responsible for succession planning within the NGED Group.

Newly appointed directors undertake an induction programme which is tailored to their specific needs.

The Board ensures their knowledge is current and relevant through a variety of means such as attending training programmes and appropriate industry conferences, holding memberships of relevant institutes, completing technical training updates and attending meetings with various industry participants e.g. regulators and investors. The executive directors adopt a hands on leadership style and regularly meet with the senior leadership and management teams to ensure that they are updated on the latest business developments and have immediate access to current information. During the year, the Board conducted a comprehensive review of its effectiveness. This review highlighted several opportunities for further enhancement. Consequently, the Board has developed a detailed action plan cover the next 12 months, aiming to further enhance it's effectiveness.

3. Directors' 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.

Accountability and discharge of responsibilities

The Board maintains a schedule of matters specifically reserved for its consideration and decision, aligned with the National Grid plc Board and additional responsibilities required by licence obligations. Well-defined policies, approved by the Board, establish the overall duties and liabilities of the directors, areas of responsibility, and the process for delegation of authority. These policies define the framework within which managers and the workforce operate, ensuring decisions on stakeholder interests are enacted. A robust process is in place for the regular review and update of policies to ensure they remain relevant and fit for purpose.

Four principal Board meetings are scheduled each year, communicated well in advance to provide sufficient notice for all directors. These meetings fulfill the Board's responsibilities in line with statutory duties, licence obligations, and matters reserved for the Board. Additional meetings can be called by the directors at any time, organised through the Company Secretary. The Board receives and is updated on all key business information by the executive directors during these meetings.

The President holds overall operational responsibility for the Group, working in conjunction with and overseeing the directors and senior leadership. Regular meetings with the executive directors and senior leadership team serve as forums for discussing business performance, strategic considerations, risk, and identifying matters for the Board. Key items are communicated to the Board in a timely manner.

Each senior leader is responsible for the performance of their directorate and is accountable to the President and the Board. They regularly meet with their teams to discuss matters impacting the Group. KPI monitoring is delegated to senior leaders who report directly to the Board and President. To operate efficiently and maintain oversight, the Board empowers the senior leadership team to make operational decisions, apply their knowledge, and utilise their industry experience in daily management.

The directors are committed to fulfilling their responsibilities effectively by regularly refreshing and updating their skills and knowledge. The Group's established code of ethics is adhered to by all employees, including directors. The directors lead with integrity, disclosing any potential conflicts of interest at each Board meeting, when appropriate. The Company Secretary administers an annual process for directors to disclose interests in related parties or transactions.

Corporate governance statement (continued)

For the year ended 31 March 2025

3. Directors' responsibilities (continued)***Accountability and discharge of responsibilities (continued)******Board Committees***

To support the Board, several committees have been established, each with defined duties under Terms of Reference and within the National Grid plc Delegation of Authority ("DoA"). These committees assist in discharging the Board's responsibilities.

Finance Committee

The Finance Committee sets policy and is delegated authority for financing decisions, credit exposure, hedging, foreign exchange transactions, guarantees and indemnities, all within the Board's risk appetite. It also oversees treasury, taxation and pension funding matters and governs the Company's pension schemes and insurance strategies, recommending these to the Board when appropriate. The Committee comprises of the Finance Director of National Grid plc and the Group Treasurer and Director of Pensions of National Grid plc. It interfaces with the Finance Committee of National Grid plc and the Board. Each Board meeting includes an agenda item on the Finance Committee's work, with reports on financing, taxation, insurance and pension activities provided by the National Grid plc Group Treasurer or their representative.

Risk and Audit Committee

As of 31 March 2025, the DNO Corporate Governance Committee, was disbanded. Its responsibilities have been mapped across to the Risk and Audit Committee, effective 1 April 2025 which is responsible for internal controls, risk management, compliance, and corporate governance principles across the NGED Group. The Committee comprises two members and a chair, who is not the chair of the Board. Independence is ensured by having two Sufficiently Independent Directors ("SIDs") of the DNOs as members and one of the SIDs as chair. The Committee members possess the skills and experience necessary for high-quality governance oversight. Senior leadership may attend meetings by invitation. The Committee meets at least three times a year and ensures efficiency by focusing on risk, controls and governance matters. Annually, the SIDs meet with corporate and external auditors without management present.

The Board and its Committees are supported by the Company Secretary who is available to all Board and Committee members to provide guidance as required on all governance matters.

Management Committees

In addition to Board Committees, Management Committees comprising executive directors and senior leadership team members support the Board.

- **Ethics, Risk and Compliance Committee ("ERCC"):** The ERCC includes the NGED President, four executive directors, and other senior leadership team members. The NGED General Counsel responsible for risk and compliance chairs the Committee. It oversees NGED's risk, ethics, and compliance processes, and implements effective frameworks, including an internal control framework.
- **Safety, Health and Environment ("SHE") Committee:** The SHE Committee includes four executive directors, the President, and other senior leadership team members. The NGED President and Director of SHE chair the Committee. It ensures NGED functions with a focus on safety, health, and the environment.
- **Policy, Regulation and Reputation Committee:** This executive committee, attended by all executive directors and the wider executive leadership team, is co-chaired by the Director of Corporate Affairs and Director of Regulation. It reviews and monitors regulatory and public policy changes impacting NGED, ensures compliance with policies and regulations, and develops plans to address any gaps. The Committee also manages the Company's reputational risks through ongoing risk assessments and mitigations.

NGED does not have a Nominations Committee or Remuneration Committee as these functions are provided by National Grid plc – see the Annual Report and Accounts of National Grid plc (page 98) for information about the National Grid Group People & Governance Committee (which covers the responsibilities of a typical Nominations Committee) and the Remuneration Committee.

<https://www.nationalgrid.com/investors/resources/reports-plc>

Corporate governance statement (continued)

For the year ended 31 March 2025

3. Directors' responsibilities (continued)***Integrity of information***

The Company does not have a separate internal audit function. Instead, this function is provided by National Grid's Corporate Audit team, which offers independent, objective assurance to the Board on the effectiveness of control and governance frameworks in meeting National Grid's strategic objectives. Assurance work is conducted in accordance with the IIA international standards for the Professional Practice of Internal Auditing and Code of Ethics.

The audit plan is informed by principal risks, risk registers, corporate priorities, external research on emerging risks and trends and discussions with senior management to ensure alignment with the Risk and Audit Committee and the Company's view of risk. The Board considers and approves the audit plan annually, with progress monitored throughout the year. Regular updates on controls are provided by the Corporate Audit team. Management actions on audit findings are a focus at executive meetings, enhancing visibility, ownership, and engagement by senior management.

At Board meetings, information on key aspects of the business, including safety, environmental matters, risks (such as cyber security threats), opportunities, financial performance, strategic and regulatory matters, operational issues, market conditions, political changes and technological developments, is reviewed.

Key financial information is sourced from financial systems, with the finance team ensuring its integrity through appropriate qualifications and ongoing training. NGED operates a SOX compliance programme aligned with the parent company's needs. Management conducts an annual assessment of internal controls over financial reporting, documenting key financial processes and periodically reviewing and testing key controls with the Corporate Audit team.

Regulatory information is prepared annually for submission to Ofgem, supported by extensive internal data assurance and governance procedures. Data is compiled from validated source systems and reviewed and approved by NGED's senior management.

Key Performance Information is available to management through dashboards that interface directly with source systems. These dashboards, implemented after extensive testing for data accuracy, provide insights into business performance, risk management and governance processes. Relevant business information is reported to the Board as necessary.

The independence of the external auditor is crucial for providing an objective opinion on the financial statements. After evaluating Deloitte's independence, objectivity, audit quality and performance, the Board is satisfied with their effectiveness. Deloitte's independence assessment is presented in the audit report on page [62](#). A resolution to their reappointment and giving authority to the Directors to determine their remuneration has been approved by the shareholders at the 2025 Annual General Meeting.

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.

Opportunity

We strive to create and preserve long-term value by consistently providing outstanding customer service at an efficient cost, combining technical excellence and innovation within a clear organisational structure. Operating within a regulated environment, the Board identifies and evaluates opportunities to create long-term value for the Group and its stakeholders.

The UK electricity industry is undergoing significant transformation, with a national commitment to net zero by 2050 and a target to decarbonise the grid by 2035. At NGED, the Board aligns with Ofgem's view that distribution networks are key to this transformation. Changes must be made to how networks are planned and operated locally. Our government and regulatory stakeholders expect us to deliver infrastructure that offers long-term value to consumers, enables economic growth and aligns with emissions reduction plans. The Board is committed to adapting to the changing needs of our customers and stakeholders, which is why NGED established a functionally separate DSO in the first year of RIIO-ED2. We have created separate DSO teams within the NGED structure and Board-level accountability for DSO responsibilities.

Corporate governance statement (continued)

For the year ended 31 March 2025

4. Opportunity and risk (continued)***Opportunity (continued)***

As technology advances and consumer preferences change, electricity demand is expected to increase significantly. Decarbonisation of transport, heating, and localised electricity generation will result in increased connections of low carbon technologies ("LCTs") at lower voltages. NGED is responsible for ensuring sufficient capacity to facilitate these connections. As part of our RIIO-ED2 Business Plan, the Board committed to the following outputs:

- Drive the achievement of net zero across our regions sooner than 2050 by ensuring network capacity is available;
- Ensure customers can connect low carbon technologies quickly and easily;
- Deliver a network that meets the evolving needs of our customers by aligning future energy forecasts with local regions and the National Energy System Operator ("NESO"), updating NGED's Future Distribution Energy Scenarios ("DFES") annually.

In response to these commitments, we develop DFES annually to identify how customers will interact with our network in the future. We gather region-specific information to identify the types of technology and customer behaviours that may need to be accommodated. We support local authorities with the development and publication of Local Area Energy Plans ("LAEPs") and include data from published LAEPs within our DFES. By reflecting local authorities' ambitions within our DFES, we ensure our strategic network planning provides sufficient capacity for the transition to net zero. Supporting LAEPs allows us to utilise local knowledge and plans within our license areas to provide high-certainty forecasts. Using the DFES, we develop Network Development Plans ("NDPs") to forecast and identify future network constraints. We use optioneering to develop our Distribution Network Options Assessment ("DNOA"), outlining how we plan to invest in our network to solve constraints, either through flexibility services or conventional reinforcement where flexibility is not an option.

We have established a dedicated Connections Directorate, led by a Director of Connections, to focus grid connections and support the energy transition. This directorate is built around six key pillars: connections strategy, policy and reform, strategic connections engagement, decarbonisation of transport, optimising connections operations, digitalisation of connections, and connections pricing and forecasting. The rapid increase in connections projects has led to an oversubscribed grid connections pipeline, making it difficult to assess necessary network upgrades effectively.

The current 'first come, first served' regime has long enabled earlier applicants to block later customers with viable projects in the connections queue. In response, the National Energy System Operator ("NESO") launched the Connections Reform ("the Reform") programme to accelerate and strategically align grid connections. The reform, now approved by Ofgem, as of April 2025, will deliver the necessary changes by focusing on the introduction of new principles to existing contracted connections in scope for the Reform. At NGED, we have been active and influential participants in shaping the Reform. Our phrase "first ready, first needed, first connected," introduced in our summer 2024 consultation response, has been adopted by NESO and widely referenced across industry materials. We proposed a code modification alternative for the Connection and Use of System Code ("CUSC") Modification Proposals ("CMPs"), tailored for distribution implementation — an approach NESO incorporated into its final reform package. Our leadership in CMP workgroups has driven tangible changes to DNO processes. We have also championed distribution equity within the transmission-level connection process and led DNO alignment on key policies critical to the Reform's success, such as introduction of Gate 1 for distribution connections to align with the new transmission processes.

We continue to chair three key ENA groups, sponsor two of NESO's five Connections Reform Hubs, and actively participate in industry Working Groups, fostering collaboration across DNOs, transmission owners, and NESO. We have been a leading voice on the legal and regulatory changes required for the Reform implementation, including distribution license drafting and associated contractual adaptations. Internally, we have implemented changes to raise readiness standards for distribution connections and launched a comprehensive customer engagement plan to ensure our customers remain informed and involved throughout the reform journey. We have also taken the lead in the creation of FAQs, regular customer webinars dedicated to the Reform and development of digital evidence form in readiness for the evidence process that starts in May 2025. NESO's reform is expected to unlock up to 500GW of capacity, significantly reducing the connection queue and accelerating the delivery of clean power by 2030. NGED remains committed to driving this transformation and ensuring a fair, efficient and future-ready grid connection process.

Corporate governance statement (continued)

For the year ended 31 March 2025

4. Opportunity and risk (continued)**Opportunity (continued)**

Recognising opportunities in flexibility markets, NGED offered demand turn-up and generation turn-down contracts for the first time as part of our flexibility requirements in the 2024 tendering period. These contracts targeted owners or operators of flexible assets that can turn up demand or turn down generation within a day's notice to help our DSO balance the grid. These opportunities helped match energy demand with generation, incentivising energy consumers to use electricity when it's abundant, such as on sunny days with high solar generation. This was tendered at three locations this year, with plans for wider rollout in the future.

All these initiatives indicate that directors are keen to exploit all opportunities to achieve a sustainable energy future by delivering a dynamic, innovative, and high-functioning energy grid ready to serve many generations to come.

Risk

The Board is responsible for the oversight of risk management and internal controls across the NGED organisation and reviews the NGED Principal Risks ("PRs") and Emerging Risks ("ERs") at least annually. This will be supported by the new Risk and Audit Committee of the Board, which first met in April 2025. The Risk and Audit Committee will receive reports at least twice per year from management providing focused information on risk management, controls, compliance, business ethics and conduct. Management attends the Risk and Audit Committee meetings and are accountable to the Committee.

Additionally, consideration of PRs and ERs and related decisions are undertaken via the bi-monthly NGED ERCC. The NGED ERCC exercises suitable judgement as to any control decisions and risk developments that merit Risk and Audit Committee and Board attention. Other management committees that are in place manage the lower level risks, which may in some instances feed into NGED's Principal Risks.

The responsibility for the risk management framework and internal controls cascades from the President and the executive directors to senior management teams responsible for risk assessment and the implementation of appropriate mitigation. Managers are responsible for the identification of risks and the deployment of appropriate controls within their areas of responsibility. Policies and guidance documents are established, reviewed regularly and made available on the intranet to assist with establishing an appropriate control environment. We consider the involvement of qualified and competent employees with the appropriate level of expertise throughout the business a key factor for implementing an effective internal control environment.

Risk management is embedded into the organisational structure, with specialist teams established to manage certain key risk areas. Specifically, we have long-established teams reporting to senior managers responsible for health and safety, regulatory compliance, employee relations, cyber security, financial reporting and legal compliance, as well as a dedicated enterprise risk management team which also works closely with the Group risk team.

Pages 32 to 35 of the Strategic report outline the key risks and the related mitigating actions for the Company as well as the actions taken during the year to continue to strengthen our risk posture.

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.

The remuneration of executives, including the role of President and of the Group-appointed non-executive directors is controlled by the ultimate parent company, National Grid plc. Elements of directors' remuneration and further information on this is available from National Grid within the Remuneration Report of National Grid plc's Annual Report and Accounts on pages 121-149.

<https://www.nationalgrid.com/investors/resources/reports-plc>

The pay of the majority of NGED's wider workforce is negotiated and agreed upon with the recognised trade unions, with the aim to ensure that the terms and conditions are aligned to current industry practices and benchmarked against appropriate energy and comparator groups.

Corporate governance statement (continued)

For the year ended 31 March 2025

6. Stakeholder relations 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 believes that the overall success of the business is dependent upon the way we work with our stakeholders and is fully committed to fostering effective stakeholder relationships that are aligned to the Group's purpose and vision.

Our key stakeholders are customers including our communities, the workforce, regulators, suppliers and our shareholder. The Board actively promotes engagement and transparency with all these stakeholder groups and the executive directors ensure that a fair and balanced view of the Group's position is communicated to the relevant stakeholders.

Details of engagement with each of our key stakeholder are as follows:

Customers

The Board is dedicated to delivering the class-leading service our customers expect, with a particular focus on supporting all customers, including those who are vulnerable. The directors, senior management, and the wider workforce are committed to proactive customer engagement, as evidenced by external assessments of our customer service and engagement.

This year, we will be assessed against the new BSI Kite mark for inclusive service energy provision. We have also been reaccredited with the Customer Service Excellence ("CSE") Standard, which we have held for over 30 years. We remain compliant with all elements, with 49 out of 57 elements achieving the 'compliance plus' level, demonstrating UK-wide best practice. These accreditations not only validate our efforts but also drive continuous improvements by providing critical external evaluation and recommendations for further enhancement.

Some of the key customer engagement during the year is highlighted below:

Customer panel

Our established Customer Panel ("The panel") is a group of knowledgeable and interested individuals who meet three times annually as well as undertake bespoke topic-specific sub-group surgeries on an ad-hoc basis. Expert members represent a wide range of customers and key stakeholder groups. The panel, attended by the NGED President and other directors, seeks honest and challenging customer views about our operations and future plans. This engagement is crucial in helping NGED achieve its purpose of delivering good value and quality service for its customers. Annually an independent spotlight report summarising actions and achievements is written by the Panel and published on NGED's website.

As part of RIIO-ED2's enhanced engagement, we established a Customer Engagement Group ("CEG") to scrutinise our business plan submitted to Ofgem. We have retained a subset of the CEG as the RIIO-ED2 Monitoring Group, which monitors the RIIO-ED2 performance. We are currently in process of establishing a new Independent Stakeholder Group ("ISG"), which will be the challenge and assurance group developed to scrutinise the RIIO-ED3 business plan.

Stakeholder workshops and events

Annually, we host a variety of workshops, events, webinars, and surgeries to understand the needs of our stakeholders and align them with the Group's strategic priorities. These events are attended by directors and senior management, with key information fed back to the senior leadership team and the Board to ensure informed decision-making.

Our workshops and events include collaborative DNO engagement and topic-specific sessions on connections, flexibility, low carbon technologies, community energy, and social obligations. To address the challenge of engaging with end customers who may have little prior knowledge of NGED, we continue with deliberative focus group discussions. These discussions engage customers over several years, enriching their understanding and ability to offer informed scrutiny of our plans.

Corporate governance statement (continued)

For the year ended 31 March 2025

6. Stakeholder relations and engagement (continued)**Customers (continued)**Stakeholder workshops and events (continued)

Throughout the current year, we have actively engaged with our customers regarding various connections related topics. Starting in November 2024, we initiated bi-monthly virtual meetings to provide our customers with important updates and industry insights. Additionally, from December 2024, we held separate monthly meetings focused on Connections Reform. These sessions were designed to help customers understand the impact of the changes due to Connections Reform and to facilitate two-way communication.

We also organised ad hoc seminars for customers interested in receiving critical technical or commercial updates. Furthermore, we hosted the Connections Hackathon, an in-person event aimed at fostering collaboration with customers and key stakeholders. This event focused on developing innovative solutions based on a themed problem statement.

All these events and workshops welcome stakeholders from diverse backgrounds, including domestic, business, local authorities, developers, environmental groups, energy/utility sectors, regulatory/government bodies, and voluntary sectors.

The workforce

The directors recognise the importance of investing in our people to build the skills needed for a clean energy future. To meet both current and future business needs, we have implemented a strategic workforce plan that outlines our workforce requirements over the next 10 years. This proactive approach allows us to address skills gaps and build a capable, resilient workforce.

The directors are committed to creating an inclusive culture where employees feel empowered and safe to speak up. Each year, our colleagues share their views through the Grid:voice employee engagement survey. This survey provides valuable insights into our workforce's understanding of our vision and strategic priorities, and helps us identify areas for improvement. This year, we received a 72% response rate, a 2% increase on prior year.

To develop leadership capability, we embed manager essentials and set clear expectations, supported by various development interventions such as Leadership Labs, practical toolkits, and access to LinkedIn Learning. Leadership assessments help identify the diverse skills, strengths, and development opportunities of our senior leaders. Additionally, MindGym central series, specialising in psychology and behavioural science, are available to transform how leaders think, feel, and behave.

To drive engagement and transparency, the president and senior leadership team regularly conduct "all colleagues calls" and in-person townhalls to provide business updates and create opportunities for colleagues to ask questions. Leadership conferences and calls led by the President and directors engage on business direction, performance, and leadership. Monthly team brief packs, regular news articles, digital screens in depots, and a weekly newsletter ensure meaningful engagement with the workforce.

Regulators

The executive directors are actively involved in ensuring open and transparent communication with industry regulators, most notably Ofgem and the Health and Safety Executive ("HSE").

The directors regularly engage Ofgem with the overall aim of developing a regulatory price control framework that contains the right balance of customer focused outputs and economic incentives, which help to deliver the Government's energy objectives and decarbonisation targets. All key communications and engagements with Ofgem are discussed at Board meetings.

Representatives from NGED attend the National Health & Safety Committee ("HESAC"), (of which the HSE is a member). NGED aligns its internal safety campaigns to support HSE initiatives and their current 'Working Minds' campaign, as well as actively participating in the National HESAC led 'Powering Improvement' programme which is also supported by the HSE and trade unions.

Annually the members of the senior leadership and management team attend the National SHE conference run by the ENA.

Corporate governance statement (continued)

For the year ended 31 March 2025

6. Stakeholder relations and engagement (continued)***Suppliers for our goods and services***

Defined policies are in place for procurement of goods and services and associated supply chain management and engagement. We have a dedicated procurement team that assists with engagement with suppliers. The NGED Director of Asset Management and Commercial has oversight responsibility for logistics, including the supply chain function. The Director of Asset Management and Commercial is supported by the Head of the Operations Support and the ultimate parent, National Grid's UK Procurement Director. Key issues related to supply chain matters are reported and discussed at the senior leadership meetings.

We carry out payment performance reporting for suppliers. We are fair to our suppliers and committed to paying them promptly. On average we pay our suppliers in 18 days (2023/24: 17 days). Further details on payment performance for suppliers by NGED Companies can be found at the UK Government website at the link below:

<https://www.gov.uk/check-when-businesses-pay-invoices>

Shareholder

The Board actively engages with our single shareholder, National Grid plc, on all key matters. As stated above, the Group-appointed non-executive board member of the Company is member of the National Grid senior management team. National Grid's executive directors and senior management has regular contact and dialogue with NGED's executive directors and senior management and all key information is fed back to the National Grid plc Board on a timely basis. There is a suite of financial management and regulatory reporting presented to National Grid on established timelines and regular financial and regulatory update meetings are conducted with National Grid's management team to provide updates on any key accounting, business, and legal issues. Additionally, as part of the National Grid Group plan, NGED's financial plan is presented to the National Grid plc Board for detailed review and approval on an annual basis. Any senior leadership events at National Grid are attended by the NGED President and other executive board members.

Section 172 Statement

For the year ended 31 March 2025

The Board ensures that the directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs (a) to (f) of section 172.

The Board recognises its responsibilities to each of the Company's stakeholder groups and to wider society. Directors actively seek to understand stakeholder interests and views, considering them in decision-making processes.

The Board is committed to setting and monitoring the Company culture and values, emphasising the importance of maintaining high standards of business conduct. Our colleagues embody our values — do the right thing, find a better way, and make it happen — in their daily decisions. While directors consider all stakeholders when making key decisions, they acknowledge that not every decision will meet the preferred outcome for each stakeholder. The Board aims to balance competing priorities and interests in a manner that supports the long-term, sustainable success of the business, maintaining standards of conduct aligned with our values and purpose.

Details on this are set out below:

The likely consequence of any decision in the long term

Driven by our purpose to bring energy to life, we aim to deliver the energy transition today. Our long-term success and fulfillment of our purpose are intrinsically linked to our vision of a secure, affordable, and clean energy future. We will achieve this vision by focusing on our five strategic priorities: enabling the energy transition for all, operating safely and efficiently, building the networks of the future, delivering for our customers, and building tomorrow's workforce today. These priorities reflect the Board's commitment to being at the heart of a transforming energy system.

The Board is dedicated to promoting the success of the business by ensuring we safely and reliably connect millions of people to the energy they use while investing in future growth, resilience, and the transition to a cleaner tomorrow. Our strategic priorities form the basis of all key decisions and are monitored through established KPIs, as detailed in the Strategic report on pages [19-24](#). We have a performance contract with our ultimate shareholder, National Grid plc, aligned with our strategic priorities. It outlines annual outcomes for transformation initiatives and business-as-usual goals. This contract helps set team and individual objectives, ensuring clear alignment with our strategic priorities.

The Board recognises its responsibilities to the Group's stakeholders and wider society. Directors strive to understand stakeholders' interests and views, considering them in decision-making. The Board balances different priorities and interests to ensure long-term, sustainable success while maintaining business conduct aligned with our values and purpose.

Most stakeholder engagement is carried out by management teams at the business level, with directors engaging directly where possible. Reporting mechanisms collate feedback and developments from these engagements, enabling information flow to the Board for informed decision-making. Regular updates on business programmes and objectives ensure management acts in accordance with our purpose, vision, and values. Processes are in place to provide the Board with relevant business information to monitor performance and support the Company's long term success.

The Board has oversight responsibility for risk management across the Company. To ensure business resilience, the Board verifies that an appropriate risk management approach is in place and that reasonable mitigations are implemented for key risks. Company's risk management approach refer to page [31](#) of the Strategic report and page [48](#) of the Corporate governance statement.

Section 172 Statement (continued)**For the year ended 31 March 2024****The interests of our colleagues**

Our workforce is essential to our success. The directors are dedicated to being a responsible employer, focused on attracting and retaining talent whilst prioritising the safety, health, and wellbeing of our employees. We foster an environment where everyone can thrive through continuous investment in learning and development, supporting our people to grow within the organisation, supporting career progression and strengthening our business capabilities. We attract talent through our early careers programmes and direct hiring, ensuring a steady pipeline of skilled professionals to drive our future success and the transition to net zero.

At NGED South Wales we collaborate with trade union colleagues to create a working environment that promotes development and motivation. A key priority is fostering an inclusive and supportive culture where every employee feels valued, respected, and empowered to contribute their best. We are committed to diversity, equity, and inclusion, ensuring all employees have access to growth and development opportunities. Our aim is to provide a fair and competitive reward framework, underpinned by our strategic priority of "Build tomorrow's workforce today". The directors encourage employees to share in our success through schemes such as the annual Sharesave Plan and Share Incentive Plan Schemes.

Pages [18](#), [38](#) and [39](#) in the Strategic report provide further details on how the directors continually take measures to promote the interest of the Company's employees and wider workforce.

The need to foster the Company's business relationships with suppliers, customers and others

The Board believes that the overall success of the business is dependent upon the way we work with our stakeholders and is fully committed to fostering effective stakeholder relationships that are aligned to the Company's purpose and strategic priorities. Details of this can be found on pages [49-51](#) of our Corporate governance statement.

The impact of the Company's operations on the community and the environment

The service we provide is essential to our communities, impacting businesses and homes daily. The directors believe that collaborating closely with our communities is vital for creating shared value for the business, the people we serve, and the areas in which we operate. We have benchmarked best practices in Environmental, Social, and Governance ("ESG"), and NGED's prime ESG rating demonstrates our best-in-class performance. This rating, awarded by Institutional Shareholder Services ("ISS"), is given only to companies with ESG performance above the ambitious sector threshold set by ISS. It places us significantly above most ISS-rated Gas and Electricity Network Operators and reflects the Board's commitment to sustainability and incorporating broader environmental and social considerations into our decision-making. This commitment ensures we continue to keep the power flowing and meet future energy challenges.

Pages [36-41](#) in the Strategic report set out our commitment to being a responsible business and the actions we have taken during the year in relation to our community and environment.

Page [26](#) of the Strategic report sets out actions taken by us in relation to affordability.

We recognise the role that the electricity sector plays in contributing to the UK's ambitions towards carbon reduction. Pages [14](#) and [25](#) set out how we are enabling the energy transition for all and responding to net zero developments within our business environment.

The desirability of the Company 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". These values guide our actions and behaviors, helping us address the world's greatest energy challenges with passion and purpose. At NGED, we emphasise Safety, Customer, and Respect. Our engagement with stakeholders reflects these priorities, and they are embedded in all communications and decisions across the Group. Our code of ethics, updated every three years, outlines expected behaviors and aligns with our mandatory training courses for all employees.

Our code of ethics protects us by setting clear rules and behavioural expectations. To ensure employees feel safe to speak up, we have a 'Speak up' policy that supports our code of ethics. This policy allows employees to raise concerns anonymously through National Grid's internal ethics helpline. The Board upholds a zero-tolerance approach to retaliation and is committed to creating a safe environment for all colleagues. The Grid:voice survey helps the Board understand employee perspectives on workforce matters, strategic priorities, and customer engagement, enabling continuous improvement.

Section 172 Statement (continued)**For the year ended 31 March 2024****The desirability of the Company maintaining a reputation for high standards of business conduct (continued)**

By providing a framework for reporting business conduct matters, educating employees, and promoting a culture of integrity, the Board aims to align management and workforce success with shareholder expectations, creating long-term value while satisfying customer needs. The Board also strives for the Company to be a valued community member and responsible environmental steward. For further details on the actions across the Group in relation to this, please refer to pages [14](#), [25](#) and [40](#).

The Board is dedicated to fostering an inclusive and supportive culture where every employee feels valued, respected, and empowered. We are committed to diversity, equity, and inclusion, ensuring all employees have access to growth and development opportunities. Pages [38](#) and [39](#) in the Strategic report provides further details.

We aim to resolve complaints promptly, with 81% resolved within one day and 94.4% within 25 days (2023/24: 86% resolved within one day and 98% within 25 days), with no repeat complaints. Our commitment to high business standards is also demonstrated by our focus on safety. We provide safety and training videos, bulletins, and regular communications on health and safety topics. Annual safety conferences, interactive sessions, and presentations ensure a safe working environment. We have a robust system for reporting near misses and incidents, with statistics and outcomes published on our intranet for staff awareness. Safety is a crucial KPI for the Board, which focuses on developing a fair culture of accountability rather than blame.

The need to act fairly between members of the Company

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. This allows the directors to both effectively and constructively engage with and report to the shareholder.

Directors' Report

For the year ended 31 March 2025

The directors present their annual report on the affairs of the National Grid Electricity Distribution (South Wales) plc ("NGED South Wales"), together with financial statements and auditor's report, for the year ended 31 March 2025.

Results and dividends

The profit for the financial year to 31 March 2025 is £132.6m (2024: £65.2m).

The Company also reports other comprehensive profit, which was posted directly to capital and reserves, of £17.9m (2024: £33.5m loss). This primarily relates to net gains in respect of cash flow hedges.

For the year to 31 March 2025, the Company paid dividend of £55.0m (2024: £60.0m).

All dividend payments are made out of the distributable reserves of the Company.

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

As part of the regulatory process, Ofgem sets the allowed rate of return within each price control period; Ofgem set the Company's cost of equity at 5.6% (7.7% when normalised for a long-run inflation rate of 2%) for RIIO-ED2. As is evident from the levels of our annual capital expenditure (see page 11 of the Strategic report), we reinvest the excess of our profits back into the network to ensure an efficient, reliable and environmentally sustainable network. The Board ensures that it understands and takes account of the views of our shareholder in order to preserve positive investor relations. The Board acts in the shareholder's best interests by proposing an amount of dividend in accordance with the financial parameters of our regulatory allowance whilst maintaining strong financial health metrics.

Financial assistance from the Government

NGED has not received any financial assistance from the Government during the year. The Company's monthly Apprenticeship Levy payments are topped up by the government by 10% and held in the Company's digital account. Funds from the digital account can be reclaimed to pay for eligible apprenticeship training programme costs as per the funding rules. For the year ended 31 March 2025, the levy payments made into the digital account by the Company were in excess of the funding the Company reclaimed.

Financial risk management objectives and policies

Inflation risk

The Company's allowed revenue is linked to the Consumer Prices Index including owner occupiers' housing costs ("CPIH"), as published by the Office for National Statistics to provide protection against economy-wide inflation. Thus, if costs increase due to inflation, for the most part there is a natural hedge for the Company as a result of operating in a regulated industry.

The Company's index-linked borrowings and interest liabilities are exposed to a risk of change in the carrying value due to changes in the UK Retail Price Index ("RPI"). This form of liability is a good match to the Company's regulated assets ("RAV"), which are also indexed due to the price setting mechanism imposed by the regulator, and also the price cap is linked to inflation. By matching liabilities to assets, index-linked debt hedges the exposure to changes in inflation and delivers a cash flow benefit, as compensation for the inflation risk is provided through adjustment to the principal rather than in cash.

Directors' Report (continued)**For the year ended 31 March 2025****Financial risk management objectives and policies (continued)***Interest rate risk*

The Company has external debt during the year, at floating and fixed rates of interest, which exposes it to interest rate risk.

Our interest rate risk management policy is to seek to minimise total financing costs (being interest costs and changes in the market value of debt). Hedging instruments principally consist of interest rate and cross-currency swaps that are used to translate foreign currency debt into functional currency and to adjust the proportion of fixed-rate and floating-rate in the borrowings portfolio to within a range set by the Finance Committee of the National Grid plc Board. The benchmark interest rates hedged are based on Overnight Index Average (SONIA).

Currency risk

The Company's assets and liabilities are principally sterling denominated; however, the Company has access to various international debt capital markets and raises foreign currency denominated debt and is therefore exposed to foreign currency risk on its borrowings. This risk is managed using financial instruments including derivatives as approved by policy, typically cross-currency interest rate swaps, foreign exchange swaps and forwards.

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.

Liquidity and going concern

NGED South Wales is supported by its credit facilities. At 31 March 2025 NGED South Wales had a committed borrowing facility available, in respect of which all conditions precedent had been met at that date of £125m, maturing in April 2028. At 31 March 2025 no borrowings had been drawn against the facility. In addition NGED South Wales also has an uncommitted two-way loan agreement with its ultimate parent, National Grid Plc, of which £nil is drawn as at 31 March 2025.

On a day-to-day basis, NGED South West provides liquidity to the whole of NGED, with balances with other Group companies being settled periodically. At 31 March 2025, NGED South West had committed borrowing facilities available in respect of which all conditions precedent had been met at that date of £220.0m maturing in April 2029, of which nil was drawn.

At 31 March 2025, NGED South Wales had £1,074.7m (2024: £1,090.0m) of external debt outstanding of which £16.9m (2024: £8.9m) was due within one year. The Company has net current assets (including pension asset) of £156.6m (2024: £185.2m). The Company has £nil (2024: £nil) cash (excluding restricted cash) and has short-term deposits of nil (2024: £0.4m). Net balances owed to other NGED Group undertakings amount to £35.7m (2024: £9.9m).

The Company's liabilities will be settled with a combination of cash flows from operating activities, borrowings from the NGED Group undertakings, use of existing facilities and issuances of long-term debt. The Company can access either short or long term borrowings in order to finance repayment of any loans. The Company has credit ratings above the investment grade and there is sufficient evidence, including historical analysis of the Company's ability to raise debt, to indicate that the Company will be successfully able to raise debt to finance repayments as needed.

DNOs are essential in keeping critical infrastructure assets operating safely and securely and in making sure that homes and businesses across the country are receiving the energy needed. The work of the Group is crucial for the continuation of existing essential services, the establishment of new critical infrastructures and for keeping the public, including the most vulnerable in our society, safe. Due to the licensed regulatory obligations of the business, the necessity of continued operations even in times of economic uncertainties and having access to sufficient liquidity, the Board does not consider that there is material uncertainty over the entity's ability to continue as a going concern.

Directors' Report (continued)

For the year ended 31 March 2025

Financial risk management objectives and policies (continued)

Liquidity and going concern (continued)

The directors have considered the availability of facilities, the relatively stable and regulated nature of the business, the forecast long term business plan, the consistent credit ratings of the Company, the existing and future forecasted covenant compliance of the Company, which includes the gearing ratio and the anticipated ability of the Company to be able to raise additional long term debt in the future. The directors have also assessed the principal risks discussed in the Strategic report (pages [32-35](#)) in arriving at the going concern assumption for the preparation of the financial statements.

Thus, the Directors have concluded that Company has sufficient resources available to enable it to continue in existence for the foreseeable future and for a period of at least 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements.

Policy for disabled employees

Employees are selected and promoted according to their abilities and merits and to the requirements of the job. Applications for employment by people with disabilities are fully considered and in the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues by way of making adjustments to their role and/or working environment or through retraining arranged as appropriate. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

For further details on our DE&I policies refer to pages [38](#) and [39](#) in the Strategic report.

Strategic report

The following information required in the Directors' report has been included in the Strategic report:

- an indication of future developments in the business - see pages [10](#), [29](#) and [30](#);
- an indication of activities of the Group in the field of research and development - see page [30](#);
- employee policies on pages [38](#) and [39](#).

Corporate governance statement

The Group's Corporate governance statement is detailed on pages [42-51](#).

Employee engagement statement

Details of the directors' engagement during the year with employees and consideration of employees' interests can be found in the Corporate governance statement on page [50](#).

Business relationships statement

The Group's key business relations are with its customers, suppliers and regulators. Details of how the directors foster the Group's business relationships and have regard to their interests have been stated in our Strategic report, Corporate governance statement and Section 172 statement.

Customers

- Strategic report - see pages [16](#), [21](#), [26](#) and [36](#);
- Corporate governance statement - see pages [49](#) and [50](#).

Suppliers

- Corporate governance statement - see page [51](#).

Regulators

- Corporate governance statement - see page [50](#).

Directors' Report (continued)**For the year ended 31 March 2025****Streamline energy and carbon reporting ('SECR')***Total annual quantity of emissions using equivalent tonnes of carbon dioxide ("tCO₂e") - including own use*

	tCO ₂ e		tCO ₂ e per employee	
	2025	2024	2025	2024
Scope 1 (direct emissions)				
Operational transport	3,566	3,294	3.3	3.1
SF6 gas	3,247	2,778	3.0	2.6
Fuel combustion (diesel / gas oil)	524	122	0.4	0.1
Buildings	-	-	-	-
	7,337	6,194	6.7	5.8
Scope 2 (energy indirect emissions)				
Buildings electricity	632	600	0.6	0.6
Substation electricity	2,072	2,082	1.9	1.9
NGED Telecom	148	140	0.1	0.1
EV Charging	13	-	-	-
	2,865	2,822	2.6	2.6
Total scope 1 & 2	10,202	9,016	9.3	8.4
Scope 3 (other indirect emissions)				
Business transport	183	181	0.2	0.2
Total scope 1, 2 & 3	10,385	9,197	9.5	8.6

The above represents our BCF performance excluding losses. For full details on our BCF performance refer to our environment report at the link below:

The Group's chosen intensity measurement is tonnes of carbon dioxide equivalent per employee. Considering the activities of the Group and the scale and size of our workforce, this intensity measure is the most relevant. It also involves minimum judgement in calculation and therefore is the most reliable measure that can be used consistently by the Group.

Aggregate in kWh of annual quantity of energy consumed for business activities and own use

Electricity energy consumed for the year to 31 March 2025 is kWh 3,770,064 (2024: kWh 3,573,625).

Gas energy consumed for the year to 31 March 2025 is kWh nil (2024: nil).

Energy consumed for helicopters for the year to 31 March 2025 is kWh 778,045(2024 :kWh 772,887).

Methodologies used in calculating energy and carbon reporting data

Our Business Carbon Footprint ("BCF") details the impact that our operational activities have on the environment in terms of tonnes of equivalent carbon dioxide ("tCO₂e") emissions and takes account of our energy usage from offices, transport emissions (operational and business), fuel combustion and the release of greenhouse gases (SF6). The reported data for operational transport (road) and fuel combustion also takes account of a number of our larger contractor emissions as required under the Ofgem reporting requirements.

Directors' Report (continued)
For the year ended 31 March 2025
Streamline energy and carbon reporting ('SECR') (continued)

Methodologies used in calculating energy and carbon reporting data (continued)

The data compiled and reported by the NGED Group follows a recognised methodology as described within international business carbon footprint standards, the Greenhouse Gas ("GHG") carbon reporting guidance as provided by BEIS / DEFRA, the 2020 UK Government GHG Conversion Factors for company reporting and ISO14064-3. This data is included within National Grid plc's responsible business reporting disclosures. National Grid plc engaged Deloitte LLP to undertake a limited assurance engagement, using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements' over a range of data points within its responsible business reporting. For further details on this refer to the full document at:

<https://www.nationalgrid.com/responsibility>

The emission-releasing activities are categorised into three groups known as 'Scopes'. Each activity is listed as either Scope 1, Scope 2 or Scope 3.

- Scope 1 (direct emissions) emissions are those from activities owned or controlled by the Group. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, generators and vehicles; and releases of fugitive emissions, for example SF6.
- Scope 2 (energy indirect) emissions are those released into the atmosphere that are associated with consumption of purchased electricity, heat, steam and cooling. These indirect emissions are a consequence of the Group's energy use, but occur at sources that the Group do not own or control. Network losses are identified by Ofgem as being Scope 2 emissions (pending clarification from Ofgem).
- Scope 3 (other indirect) emissions are a consequence of the Group's activities that occur at sources that are not controlled by the Group and are not classed as Scope 2 emissions. Examples of Scope 3 emissions include business travel by means not owned or controlled by the Group, water supply and materials / services that the Group purchases.

Where only Group wide data is available, such as business transport, the emission totals have been apportioned according to the following corporate allocation percentages:

South West	25 %
South Wales	15 %
East Midlands	30 %
West Midlands	30 %

The corporate allocation percentages are based on the relative size, as measured by RAV, of each DNO.

Measures for increasing the Group's efficiency during the year

During 2024/25, the Company has implemented the following energy efficiency measures:

- replacement of older operational fleet vehicles with more fuel efficient alternatives and improving awareness of the impacts of driving style on fuel efficiency and vehicle emissions;
- the purchase and roll-out of electric operational fleet vehicles;
- installation of electric vehicle charging points at many of our non-operational depot sites for both fleet and employee owned electric vehicles;
- improvements to the reporting of SF6 gas leaks from our installed equipment and fully utilising the infrared SF6 detection cameras enabling us to quickly pinpoint the source of leaks;
- ensuring that all newly built NGED depots achieve the Building Research Establishment Environmental Assessment Method ("BREEAM") standard of 'Excellent' as a minimum and that refurbished existing depots achieve the 'Very Good' standard; and
- the on-going replacement with more modern and energy efficient heating and cooling systems throughout our property portfolio plus undertaking an energy efficiency review at many of our non-operational and operational sites including employee energy awareness campaigns.

Directors' Report (continued)**For the year ended 31 March 2025****Subsequent events**

Subsequent to year end, in July 2025, a dividend of £35.0m has been approved by the Board.

There have been no other significant events affecting the Company after the reporting period.

Directors and their interests

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

Cordelia O'Hara, Director

Graham Roy Halladay, Director

Paul Branston, Director

Jennifer Ann Dillon, Director

Tanya Joy Sharma, Director (appointed 1 July 2024)

Lindsay Fussell, Independent non-executive Director*

Janette Carolyn Mitchell Beinart, Independent non-executive Director (appointed 1 April 2025)*

Anthony John Cardew, Independent non-executive Director (resigned 23 April 2025)

Darren Pettifer, Director, Group-appointed non-executive Director*

Justine Campbell, Group-appointed non-executive Director (resigned 30 June 2024)

*These directors are also the members of the Risk and Audit Committee referred to on page [45](#).

During and at the end of the financial year, no director had interest in any contract of significance in relation to the NGED Group's business other than service contracts.

Insurance in respect of directors and officers is third party qualifying insurance and is maintained by the NGED Group's ultimate parent, National Grid plc. The insurance is subject to the conditions set out in the Companies Acts and remains in force at the date of signing the Directors' report.

Statement of disclosure to independent auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, of which the auditor is unaware. Each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

Deloitte LLP have expressed their willingness to continue in office. A resolution to their reappointment and giving authority to the directors to determine their remuneration has been approved by the shareholders at the 2025 Annual General Meeting.

Approved and authorised for issue by the Board and signed on its behalf by:

DocuSigned by:

Cordi O'Hara

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Cordelia O'Hara, Director

Director

24 July 2025

Statement of Directors' Responsibilities

For the year ended 31 March 2025

The directors are responsible for preparing the Annual report and the 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), including Financial Reporting Standard ("FRS") 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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.

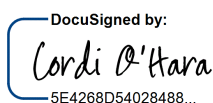
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company 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 corporate and financial information included on the Company's website. Information published on the Company's website is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved and authorised for issue by the board of directors and is signed on its behalf by:

DocuSigned by:

 5E4268D54028488...
 Cordelia O'Hara, Director
 Director
 24 July 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRICITY DISTRIBUTION (SOUTH WALES) PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of National Grid Electricity Distribution (South Wales) Plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet;
- the statement of cash flows; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 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. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

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

Independent auditor's report to the members of National Grid Electricity Distribution (South Wales) plc (continued)

For the year ended 31 March 2025

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Additions to property, plant and equipment Within this report, key audit matters are identified as follows: ⚠ Newly identified ⬆ Increased level of risk ↔ Similar level of risk ⬇ Decreased level of risk
Materiality	The materiality that we used for the financial statements was £6.1m which was determined based on 5% of a three-year average of profit before tax.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	We have identified additions to property, plant and equipment as a new key audit matter. This replaces the 2024 key audit matter of 'capitalisation of overheads' and aligns with the continued expansion of the company's capital programme during the current price control period and associated complexities which led to a significant allocation of the audit team's resources to this area. We no longer consider the capitalisation of overheads to represent a separate key audit matter as the business is midway through the RII0-ED2 price control period and the capitalisation rates have remained relatively consistent, reducing the complexity and judgement involved in this process. We have also noted an improvement in capital expenditure allocation controls in recent audits. We have also adjusted our approach to materiality. For 2025, we have determined materiality using a three-year average of profit before tax as our primary benchmark, rather than the single year profit before tax we used in 2024. The change in approach is in response to an increase in profit during 2025 which arises due to a revenue increase which we expect to be isolated to the current year and which is not reflective of the longer-term underlying financial performance of the business.

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 company's ability to continue to adopt the going concern basis of accounting included:

- assessing the financing facilities including nature of facilities, repayment terms and covenant compliance and support from the ultimate controlling parent, National Grid plc;
- inspecting a letter of support provided to the company from National Grid plc and assessing their ability to provide such support;
- evaluating the linkage between the going concern forecasts and the company's corporate model used in other internal forecasts;
- assessing the assumptions used in the models by evaluating them against price control allowances and external expert forecasts;
- assessing the amount of headroom in the forecasts (cash and covenants);
- performing sensitivity analysis;
- assessing the sophistication of the model used to prepare the forecasts, testing the clerical accuracy of those forecasts and assessing the historical accuracy of forecasts prepared by management;
- evaluating whether the disclosures in respect of going concern within the financial statements are appropriate.

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 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.

Independent auditor's report to the members of National Grid Electricity Distribution (South Wales) plc (continued)

For the year ended 31 March 2025

4. Conclusions relating to going concern (continued)

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

5. Key audit matters

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

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

5.1 Additions to property, plant and equipment

Key audit matter description	The company has a substantial capital programme which is agreed with the regulator ('Ofgem') at the beginning of each price control period, and therefore incurs significant expenditure in relation to the development and maintenance of its infrastructure network. There is an expectation that the amount of capital expenditure incurred will increase throughout the current price control period, referred to as RIIO-ED2. Additions to property, plant and equipment of £231.3m (2024: £175.9m) were capitalised during the year as shown in note 10 'property, plant and equipment' to the financial statements. Of this, £66.1m (2024: £58.1m) is capitalised staff costs and £19.6m (2024: £16.6m) is capitalised corporate overheads. As the determination of whether expenditure is capitalised or expensed in the period directly affects the company's reported financial performance, and due to the significant allocation of resource and audit effort in this area, we identified a key audit matter relating to the accounting for capital expenditure in accordance with the requirements of IAS 16 'Property, Plant and Equipment'. There is a high degree of judgement involved in determining whether a project is capital in nature and whether costs, including internal expenditure and overheads, meet the relevant criteria for capitalisation. Audit effort has also been allocated to other areas of accounting for capital expenditure, including analysis of capitalisation rates and useful economic lives, the value of work accrued at the balance sheet date and commencement of depreciation.
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 company's capitalisation policy to understand any changes in the current year, benchmark against industry comparators 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; • performed substantive analytical procedures to assess the appropriateness and accuracy of capitalised costs including salaries and corporate overheads; • evaluated the timeliness of asset commissioning on completion of projects.
Key observations	Based on the work performed, we are satisfied that the additions made to property, plant and equipment during the year ending 31 March 2025 were appropriate.

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.

Independent auditor's report to the members of National Grid Electricity Distribution (South Wales) plc (continued)

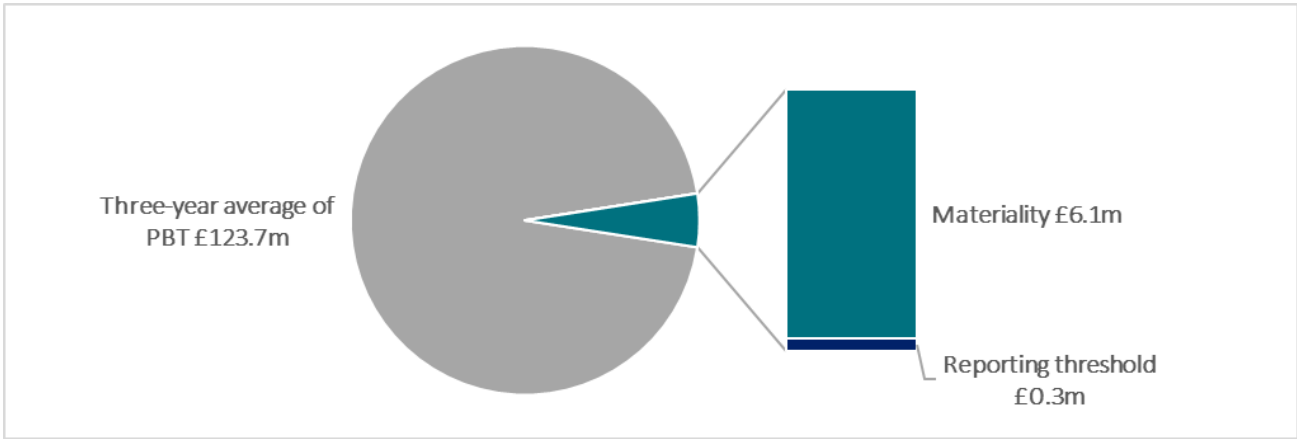
For the year ended 31 March 2025

6. Our application of materiality (continued)

6.1. Materiality (continued)

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

Materiality	£6.1m (2024: £4.2m)
Basis for determining materiality	5% of a three-year average of profit before tax. Materiality for the 2024 audit was based on 5% of the 2024 profit before tax rather than a three-year average.
Rationale for the benchmark applied	We have determined materiality based on profit before tax as this is the key metric used by management, investors, analysts, and lenders, with shareholder value being driven by the result. This is consistent with most industry peers. We took a three-year average of profit before tax in view of the increased profit, which is expected to be isolated to the current year.



6.1. 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. Performance materiality was set at 70% of materiality for the 2025 audit (2024: 70%). In determining performance materiality, we considered the following factors:

- our cumulative experience from prior year audits;
- the level of corrected and uncorrected misstatements identified from prior year audits;
- our risk assessment, including our understanding of the entity and its environment; and
- our risk assessment of the overall control environment and that we consider it appropriate to rely on internal controls over a number of business processes including fixed assets and revenue.

6.2. Error reporting threshold

We agreed with the Risk and Audit Committee that we would report to them all audit differences in excess of £0.3m (2024: £0.2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Risk and Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Independent auditor's report to the members of National Grid Electricity Distribution (South Wales) plc (continued)

For the year ended 31 March 2025

7. An overview of the scope of our audit (continued)

7.2. Our consideration of the control environment

We placed reliance on management's relevant controls within business cycles affecting financial statement line items where we identified risks of material misstatement. We tested controls through a combination of tests of inquiry, observation, inspection and re-performance. Our controls reliance approach remained consistent throughout the audit.

The company's IT environment contains a number of IT systems, applications and tools used to support business processes and for financial reporting. We involved our internal IT specialists in performing an independent risk assessment of the systems, applications and tools to determine those which are of greatest relevance to the company's financial reporting, including those that contain system configured automated controls that host financially relevant data and associated reports.

With the involvement of our specialists, we performed testing of general IT controls of these systems, typically covering controls surrounding user access management, change management and interfaces with other systems relating to in scope IT systems as well as controls over key reports generated from the IT systems and their supporting infrastructure.

We performed walkthrough procedures of the key IT controls relevant to a number of business processes; to understand whether the controls were effectively designed to address the IT related risk. We subsequently performed testing of the controls across the audit period, to determine whether the controls had been consistently applied as designed.

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach across a number of business cycles.

7.3. Our consideration of climate-related risks

Climate change is a key strategic consideration of management, as set out in the 'Energy transition' section on page [25](#) of the strategic report.

We reviewed management's climate change risk assessment and evaluated whether the risks identified by the entity are complete and consistent with our understanding of the entity. We further obtained an understanding of management's process and controls in considering the impact of climate risks.

In addition to the risk assessment procedures outlined above, with the involvement of an internal climate change specialist, we:

- Enquired with management to understand the potential impact of climate change including physical risks to network assets and risks of accelerated transitioning to a low carbon network and assessed whether this was consistent with our understanding of the business and its environment;
- Challenged whether climate change risks were appropriately reflected in management's cashflow forecasts in relation to our key audit matter impairment of goodwill testing;

Evaluated the climate-related disclosures in the 'our environment' section of the strategic report and whether these aligned with our understanding of the business's approach to climate change. We further assessed whether this narrative reporting was consistent with the audited financial statements.

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.

Independent auditor's report to the members of National Grid Electricity Distribution (South Wales) plc (continued)

For the year ended 31 March 2025

8. Other information (continued)

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 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 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 company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company'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;

Independent auditor's report to the members of National Grid Electricity Distribution (South Wales) plc (continued)

For the year ended 31 March 2025

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

11.1. Identifying and assessing potential risks related to irregularities (continued)

- 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, valuations, pensions, IT and industry 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 company 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, Ofgem's price control framework, 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 company's ability to operate or to avoid a material penalty. These included environmental regulations and the company's operating licence as set out by the energy regulator, Ofgem.

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 Board of Directors and external 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, reviewing internal audit reports and reviewing material correspondence with Ofgem;
- 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent auditor's report to the members of National Grid Electricity Distribution (South Wales) plc (continued)

For the year ended 31 March 2025

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 National Grid audit committee, we were appointed by the shareholders on 31 July 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 31 March 2018 to 31 March 2025.

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

Our audit opinion is consistent with the additional report to the Risk and 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

24 July 2025

Profit and loss account

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Turnover	2	368.3	267.8
Operating expenses	3	(153.1)	(147.1)
Operating profit	4	215.2	120.7
Profit on sale of tangible fixed assets		0.1	0.1
Other income		0.1	0.1
Interest receivable and similar income	5	8.2	5.9
Interest payable and similar charges	6	(45.6)	(39.1)
Profit before tax		178.0	87.7
Tax	7	(45.4)	(22.5)
Profit for the financial year		132.6	65.2

The results for both years reported above relate to continuing activities.

The accompanying notes 1 to 31 are an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Profit for the financial year		132.6	65.2
Other comprehensive gain/(loss)			
Items that will never be reclassified to profit or loss:			
Remeasurement losses on net pension assets	23	(0.6)	(42.4)
Tax on items that will never be reclassified to profit or loss	7	0.7	10.6
Total items that will never be reclassified to profit or loss		0.1	(31.8)
Items that may be reclassified subsequently to profit or loss:			
Net gains/(losses) in respect of cash flow hedges and cost of hedging		23.7	(2.0)
Transferred to profit and loss account in respect of cash flow hedge		-	(0.2)
Tax on items that may be reclassified subsequently to profit or loss	7	(5.9)	0.5
Total items that may be reclassified subsequently to profit or loss		17.8	(1.7)
Other comprehensive gain/(loss) for the year, net of tax		17.9	(33.5)
Total comprehensive gain for the year		150.5	31.7

Statement of changes in equity

For the year ended 31 March 2025

	Share capital £m	Share premium account £m	Other equity reserves £m	Profit and loss account £m	Total shareholders' equity £m
At 1 April 2023	291.7	23.2	3.5	548.5	866.9
Profit for the financial year	-	-	-	65.2	65.2
Other comprehensive loss for the year	-	-	(1.7)	(31.8)	(33.5)
Total comprehensive income for the year	-	-	(1.7)	33.4	31.7
					-
Equity dividend (note 8)	-	-	-	(60.0)	(60.0)
Share-based payments - net of tax	-	-	0.5	-	0.5
At 31 March 2024	291.7	23.2	2.3	521.9	839.1
					-
Profit for the financial year	-	-	-	132.6	132.6
Other comprehensive income for the year	-	-	17.8	0.1	17.9
Total comprehensive income for the year	-	-	17.8	132.7	150.5
					-
Equity dividend (note 8)	-	-	-	(55.0)	(55.0)
Share-based payments - net of tax	-	-	0.3	-	0.3
At 31 March 2025	291.7	23.2	20.4	599.6	934.9

Balance sheet

As at 31 March 2025

	Note	2025 £m	2024 £m
Fixed assets			
Property, plant and equipment	10	2,676.3	2,501.8
Intangible assets	11	10.3	9.3
		2,686.6	2,511.1
Current assets			
Stocks	12	3.3	3.1
Debtors (amounts falling due within one year)	13	173.4	201.0
Debtors (amounts falling due after more than one year)	13	27.6	2.6
Pension asset	23	116.8	102.1
Investments	14	3.2	0.4
Cash at bank and in hand	15	-	0.1
Total current assets		324.3	309.3
Creditors (amounts falling due within one year)	16	(167.7)	(124.1)
Net current assets		156.6	185.2
Total assets less current liabilities		2,843.2	2,696.3
Creditors (amounts falling due after more than one year)	17	(1,579.1)	(1,547.4)
Provisions for liabilities	21	(327.0)	(307.4)
Pensions liability	23	(2.2)	(2.4)
Net assets		934.9	839.1
Capital and reserves			
Share capital	24	291.7	291.7
Share premium account		23.2	23.2
Other equity reserves	25	20.4	2.3
Profit and loss account		599.6	521.9
Equity shareholder's funds		934.9	839.1

The financial statements of the Company (registered number 02366985) set out on pages [70](#) to [111](#) were approved by the Board of Directors on 24 July 2025 and were signed on its behalf by:

DocuSigned by:

Cordi O'Hara

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Cordelia O'Hara, Director

National Grid Electricity Distribution (South Wales) plc

Registered number: 2366985

Signed by:

Jenny Dillon

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Jennifer Ann Dillon, Director

Statement of cash flows

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Operating activities			
Profit for the year		132.6	65.2
Adjustments to reconcile profit for the year to net cash flows from operating activities:			
Income tax expense		45.4	22.5
Interest payable	6	45.6	39.1
Interest receivable	5	(8.2)	(5.9)
Share-based payment		0.3	0.5
Depreciation of tangible fixed assets	4	49.5	47.5
Amortisation of customer contributions		(8.5)	(8.6)
Amortisation of intangible assets	4	0.6	0.5
Profit on sale of tangible fixed assets	4	(0.1)	(0.1)
Difference between pension contributions paid and amounts recognised in the profit and loss account		(12.9)	(12.7)
(Increase)/decrease in provisions		(1.5)	4.7
Working capital adjustments:			
Increase in inventories		(0.2)	(0.5)
(Increase)/decrease in trade and other receivables		(58.3)	0.7
Increase/(decrease) in trade and other payables		6.9	(0.1)
Customers' contributions received		50.0	44.8
Income taxes paid		(29.7)	(6.3)
Net cash from operating activities		211.5	191.3
Investing activities			
Purchase of tangible fixed assets		(209.7)	(168.0)
Purchase of intangible assets		(1.6)	(2.1)
Loan proceeds to ultimate parent company		92.3	(150.4)
Proceeds from sale of tangible fixed assets		0.2	0.1
Net movement in restricted investment balances		(3.2)	-
Dividend received		0.1	0.1
Interest received		0.1	0.1
Net cash used in investing activities		(121.8)	(320.2)
Financing activities			
Proceeds from long-term borrowing		-	298.5
Repayment of loan with ultimate parent company		-	(79.1)
Payment of lease liabilities		(0.1)	(0.1)
Cash outflow on derivatives		-	(2.0)
Interest paid		(35.1)	(28.3)
Dividends or equivalent distributions paid		(55.0)	(60.0)
Net cash (used)/from in financing activities		(90.2)	129.0
Net (decrease)/increase in cash and cash equivalents		(0.5)	0.1
Cash and cash equivalents at beginning of year		0.5	0.4
Cash and cash equivalents at end of year	15	-	0.5

Notes to the financial statements

For the year ended 31 March 2025

1. Summary of material accounting policies

National Grid Electricity Distribution (South Wales) plc ("the Company") is a private company, limited by shares. The nature of the Company's principal activities is set out in the Strategic Report on page 1. The Company is incorporated and registered in England and Wales, with its registered office at Avonbank, Feeder Road, Bristol, BS2 0TB, England.

(a) Basis of preparation

The financial statements of National Grid Electricity Distribution (South Wales) plc for the year ended 31 March 2025 were approved by the Board of Directors on 24 July 2025. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements have been prepared on an historical cost basis, except for the recording of pension assets and liabilities, the revaluation of derivative financial instruments, share-based payments and certain financial assets and liabilities measured at fair value. The financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates. The 2024 comparative financial information has also been prepared on this basis. All values are rounded to the nearest hundred thousand pounds except when otherwise indicated.

These financial statements have been prepared on a going concern basis, which 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.

The directors have considered the availability of facilities, the relatively stable and regulated nature of the business, the forecast long term business plan, the consistent credit ratings of the Company, the existing and future forecasted covenant compliance of the Company, which includes the gearing ratio and the anticipated ability of the Company to be able to raise additional long term debt in the future. The directors have also assessed the principal risks discussed in the Strategic report (pages [32-35](#)) in arriving at the going concern assumption for the preparation of the financial statements. Refer to page [56](#) for further details on the going concern assessment.

These financial statements are presented in the format as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

As a qualifying entity, the Company has taken the following exemptions in the preparation of these financial statements in accordance with FRS 101:

- disclosures in respect of transactions with National Grid plc and its wholly owned subsidiaries;
- disclosures in respect of capital management;
- disclosures in respect of share-based payments settled in the equity instruments of the parent company;
- disclosures in respect of impairment of assets; and
- the effects of new but not yet effective IFRS standards.

As the consolidated financial statements of National Grid Electricity Distribution plc which are available from the registered office, include the equivalent disclosures, the Company has 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'.

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2025 that have a material impact on the Company's financial statements.

Notes to financial statements (continued)**For the year ended 31 March 2025****1. Summary of material accounting policies (continued)****(a) Basis of preparation (continued)**

In the application of the Company's accounting policies, that are described below, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Critical areas of judgement are those that have the most significant effect on the amounts recognised in the financial statement.

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

Information about such judgements and estimations is contained in the notes to the financial statements, and the key areas are summarised below:

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Capitalisation of overheads - Nature of costs capitalised

Amounts capitalised as network assets include indirect costs associated with the engineering department and an element of corporate overhead costs. The costs are initially expensed to the income statement with a portion being capitalised based on management's assessment of the costs incurred that are directly linked to the capital work performed. The nature of costs to be included for capitalisation is a key judgement and is based on an analysis of the activities directly attributable to capital work.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Pension obligations

The Company has a commitment to pay pension benefits. The cost of these benefits and the present value of the Company's pension liabilities depend on such factors as the life expectancy of the members, the salary progression of current employees and the discount rate at which the future pension payments are discounted. Advice is taken from independent actuaries relating to the appropriateness of the key assumptions applied, including discount rate, life expectancy and inflation. Based on advice from external actuaries, the Company uses estimates for all these factors in determining the pension costs and liabilities incorporated in the financial statements. The assumptions reflect historical experience and management's judgement regarding future expectations.

A change in the assumptions used may have a significant effect on the amounts recognised in the profit and loss account, the statement of other comprehensive income and the net asset or liability recognised in the balance sheet. Refer to note 23 for further details and sensitivity information on key estimates.

Notes to financial statements (continued)**For the year ended 31 March 2025****1. Summary of material accounting policies (continued)****(b) Intangible assets**

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 an 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 profit and loss account 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: (i) an asset is created that can be identified; (ii) it is probable that the asset created will generate future economic benefits; and (iii) 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.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets are amortised on a straight-line basis over their estimated useful economic lives. The amortisation period for intangible assets is up to 5 years.

(c) Property, plant and equipment

Property, plant and equipment is recorded at cost, less accumulated depreciation and any impairment losses.

Cost includes the purchase price of the asset; any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment together with an appropriate portion of overheads which are directly linked to the capital work performed; and the cost of any associated asset retirement obligations.

Property, plant and equipment include assets in which the Company'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 replacements 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.

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. Certain network assets are depreciated using the group method of depreciation, in which a single composite depreciation rate is applied to a particular class of property, plant and equipment. This method pools similar assets together, and then depreciates each group as a whole over their respective useful lives. Composite depreciation rates are benchmarked to internal engineering studies and known asset performance lives. Depreciation expense includes a component for the original cost of assets and a component for estimated cost of future removal, net of any salvage value at retirement. Upon retirement of components of the Company's network assets, the original cost of the retired assets, net of salvage value, is charged against accumulated depreciation, with no gain or loss recognised. 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 tangible fixed assets are, in general, as shown in the table below:

Plant and machinery assets:	Years
Overhead lines and poles	65
Underground cables	85
Transformers and switchgear	55
Meters	3
Other (towers and substation buildings)	Up to 80
Buildings - freehold	Up to 60
Motor vehicles	Up to 10
Office equipment	Up to 20

Notes to financial statements (continued)**For the year ended 31 March 2025****1. Summary of material accounting policies (continued)****(c) Property, plant and equipment (continued)**

Contributions received towards the cost of tangible fixed assets which include low carbon network funding are included in trade and other payables as contract liabilities and credited on a straight-line basis to the profit and loss account over the estimated economic useful lives of the assets to which they relate.

Right-of-use assets

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 profit and loss account 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.

The Company leases various properties, land, 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 by the Company.

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 the Company is reasonably certain to incur. The discount rate applied is the rate implicit in the lease or, if that is not available, the incremental rate of borrowing for a similar term and similar security. This is determined based on observable data for borrowing rates for the Company, with specific adjustments for the term of the lease and any lease-specific risk premium. 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 profit and loss account 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), the Company continues to recognise a lease expense on a straight-line basis.

(d) Tax

The tax charge for the period is recognised in the profit and loss account, 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 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 have been enacted or substantively enacted by the reporting date.

Deferred tax is provided 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 the taxable profit or loss.

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.

Notes to financial statements (continued)**For the year ended 31 March 2025****1. Summary of material accounting policies (continued)****(d) Tax (continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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.

(e) Foreign currency transactions and balances

Transactions in currencies other than the functional currency of the Company 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 retranslation of monetary assets and liabilities are included in the profit and loss account.

(f) Stocks

Stocks 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 directly incurred in bringing the stocks to their present location and condition.

(g) Financial instruments

Under IFRS 9 the Company has reported the following financial assets and liabilities, and the classification for each is dependent upon its contractual cash flows and for financial assets the business model it is held under. All financial instruments are initially recognised on trade date.

Financial assets 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. These instruments include trade and other debtors, accrued income, amounts owed by other NGED undertakings and loan receivable from ultimate parent Company. For impairment assessment purposes, amounts owed by other NGED undertakings and loans receivable from the ultimate parent Company are individually assessed based on a review of solvency and liquidity arrangement. The expected credit loss for the year is £nil as these are subject to an insignificant risk of change in value.

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

To measure the expected credit losses, trade and other debtors have been grouped based on shared risk characteristics and the days past due. Accrued income is effectively a receivable as well for the purposes of the expected credit loss model since it is unbilled only because a passage of time is required. NGED has therefore concluded that expected loss rates for trade receivables are a reasonable approximation of the loss rates for accrued income as well.

The expected credit loss rates are primarily based on historical credit losses experienced. The historical loss rates are then adjusted for forward looking information on macroeconomic factors affecting the customer's ability to pay. The general economic trends and conditions impact the customers ability to pay. Another key factor to consider is the liquidity and overall financial position of the key electricity suppliers.

Trade and other debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, liquidation of the debtors, the failure of the debtor to engage in a repayment plan, and a failure to make payments for a period greater than 90 days past due.

Borrowings, which include interest-bearing loans and overdrafts, are initially recorded at fair value. This normally reflects the proceeds received (net of direct issue costs for liabilities measured at amortised cost). Subsequently, borrowings 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 profit and loss account using the effective interest method.

Notes to financial statements (continued)**For the year ended 31 March 2025****1. Summary of material accounting policies (continued)****(g) Financial instruments (continued)*****Lease liabilities - IFRS 16***

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 the Company's option if the Company is reasonably certain to exercise the option and any lease termination options unless the Company is 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 profit and loss account over the lease period using the effective interest rate method.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and subsequently remeasured to fair value at each reporting date. Changes in fair values are recorded in the period they arise, in either the profit and loss account or other comprehensive income as required by IFRS 9. Where the fair value of a derivative is positive, it is carried as a derivative asset and where negative, as a derivative liability.

The fair value of derivative financial instruments is calculated 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, the forward rate curves of underlying commodities, and for those positions that are not fully cash collateralised the credit quality of the counterparties.

No adjustment is made with respect to derivative clauses embedded in financial instruments or other contracts that are defined as closely related to those instruments or contracts. Consequently, these embedded derivatives are not accounted for separately from the debt instrument. Where there are embedded derivatives in host contracts not closely related, the embedded derivative is separately accounted for as a derivative financial instrument.

(h) Hedge accounting***Cash flow hedges***

The Company enters into derivatives and non-derivative financial instruments in order to manage its foreign currency exposures, with a view to managing these risks associated with the Company's underlying business activities and the financing of those activities. The principal derivatives used are forward foreign currency contracts.

Where appropriate, derivatives and other financial instruments used for hedging currency exposures are formally designated as 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. The Company uses the cash flow hedge accounting method which is described further below.

Cash flow hedging of currency risk of capital expenditure and revenues is designated as hedging the exposure to movements in the spot translation rates only. The timing of forecasted transactions is not designated as a hedged 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.

On recognition of the hedged purchase or sale in the financial statements, the associated hedge gains and losses deferred in cash flow hedge reserve in other equity reserves, are transferred out of reserves and included with the recognition of the underlying transaction. Where a non-financial asset or non-financial liability results from a forecast transaction or firm commitment being hedged, the amounts deferred in reserves are not recycled into profit or loss but are included directly in the initial measurement of that asset or liability. For these items under IFRS 9, the cash flow hedge reserve information is presented in the statement of other comprehensive income as "never recycled to profit or loss".

Notes to financial statements (continued)**For the year ended 31 March 2025****1. Summary of material accounting policies (continued)****(h) Hedge accounting (continued)*****Cash flow hedges (continued)******Discontinuation of hedge accounting***

Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting. Any cumulative gains or losses relating to cash flow hedges recognised in equity are initially retained in equity and subsequently recognised in the profit and loss account in the same periods in which the previously hedged item affects net profit and loss. If a forecasted transaction is no longer expected to occur, the cumulative gain or loss previously reported in equity would be transferred to the profit and loss account. This has not occurred in the current or comparative periods.

Fair value hedges

The Company enters into derivatives and foreign currency denominated intercompany loans in order to manage its foreign currency exposures, with a view to managing the risk associated with the Company's underlying business activities and the financing of those activities. The principal derivatives used are forward foreign currency contracts.

Hedge accounting allows derivatives and foreign currency denominated intercompany loans to be designated as a hedge of other financial instruments, to mitigate the impact of potential volatility in the profit and loss account.

Changes in the carrying value of financial instruments that are designated as hedges of the changes in the fair value of assets or liabilities ('fair value hedges') are recognised in the profit and loss account. An offsetting amount is recorded as an adjustment to the carrying value of hedged items, with a corresponding entry in the profit and loss account, to the extent that the change is attributable to the risk being hedged and that the fair value hedge is effective.

Fair value hedging is designated as hedging the exposure to movements in the spot rate of exchange rates only. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Discontinuation of hedge accounting

Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting. For fair value hedges the cumulative adjustment recorded to its carrying value at the date hedge accounting is discontinued is recognised in the profit and loss account as the hedged item impacts profit or loss.

(i) Provision for liabilities

Provisions for liabilities are recognised where a legal or constructive obligation exists at the balance sheet date, as a result of a past event, where the amount of the obligation can be reliably estimated and where the outcome of economic benefit is probable.

Decommissioning

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.

Changes in the provision arising from revised estimates, discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recorded as adjustments to their carrying values and depreciated prospectively over their remaining estimated useful economic lives, otherwise such changes are recognised in the profit and loss account.

The unwinding of discount is included within the profit and loss account as an interest expense.

(j) Equity instruments

An equity instrument is any contract that includes a residual interest in the assets of the Company after deducting all 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.

Notes to financial statements (continued)**For the year ended 31 March 2025****1. Summary of material accounting policies (continued)****(k) Dividends**

Dividend income is recognised when the right to receive payment is established. Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(l) Turnover***Distribution Use of System ("DUoS") Revenue***

The Company, as a DNO, earns the majority of its turnover from providing distribution use of system services. The services are provided under a Distribution Connection and Use of System Agreement ("DCUSA") with its customers.

There is a single performance obligation under the DCUSA: the DNO is required to use its distribution network to deliver to its customers electricity from metered entry points to exit point. NGED's performance obligations of delivering electricity represents a promise to deliver a series of distinct services that should be accounted for as a single performance obligation. The performance obligation is satisfied over time as:

- a) NGED's customers immediately control and consume the benefits NGED provides;
- b) NGED's service does not create or enhance an asset with an alternate use to NGED; and
- c) NGED has the right to payment from the customer for the service that has been provided.

NGED measures the progress of the performance obligation using the output method. Output method recognised revenue is based on direct measurements of value transferred to the customer. Accordingly NGED records turnover on a monthly basis, based on the amount of kWh of electricity delivered.

Turnover includes an assessment of the volume of unbilled energy distributed to customers between the date of the last meter reading and the year-end.

Where turnover received or receivable exceeds the maximum amount permitted by regulatory agreement, adjustments will be made to future prices to reflect this over-recovery, no liability is recognised as such an adjustment is to future prices and relates to the provision of future services. Similarly no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery.

Finance revenue

Finance revenue comprises interest receivable on funds invested. Interest income is recognised in the profit and loss account as it accrues, on an effective rate basis.

Engineering recharges

Engineering recharges relate to the recovery of costs incurred in relation to construction work requested by customers, such as re-routing of existing network assets. The performance obligation relates to completion of work as per the terms of the contract. The consideration received is recognised as revenue as the construction work is completed.

Customer contributions

Contributions receivable in respect of property, plant and equipment are treated as contract liabilities, which is credited to the profit and loss account within turnover over the estimated weighted life of the related assets of 69 years.

(m) Pensions

The Company participates in three defined benefit pension plans, the WPD Group segment of the industry-wide Electricity Supply Pension Scheme ("ESPS"), the Infracore 1992 Pension Scheme ("Infracore 92") and the Western Power Utilities Pension Scheme ("WPUPS"). The ESPS scheme is, with very limited exception, closed to new members. A defined contribution plan is offered to new employees. Neither the Infracore 92 nor the WPUPS schemes have active members.

Notes to financial statements (continued)**For the year ended 31 March 2025****1. Summary of material accounting policies (continued)****(m) Pensions (continued)**

The ESPS is a group defined benefit pension plan that shares risks between entities under common control. Under FRS 101, the scheme has been accounted for as a defined benefit scheme by the Company as it has legal responsibility for the plan which it holds jointly with NGED South West. The net defined benefit cost and net deficit of the plan have been allocated to NGED South West and NGED South Wales in accordance with pensionable salaries.

NGED South Wales is the principal employer for WPUPS, which is a defined benefit scheme providing benefits relating to previous employees of an affiliate group which was previously headed by Hyder plc (now Hyder Limited in liquidation). NGED South Wales will fund the deficit. However, as another NGED Group company (National Grid Electricity Distribution Holding Company Limited) has taken full financial responsibility for this scheme, NGED South Wales will be reimbursed for these payments. The value of the reimbursement agreement is stated under provisions in the balance sheet and matches the gross asset recorded under IAS 19.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs, resulting from either a plan amendment or a curtailment (a reduction in future obligations as a result of a material reduction in the plan membership), are recognised immediately when amendments or curtailments occur. The current service cost (including administration costs) is allocated to the profit and loss account or capital expenditure as appropriate.

Net interest expense or income related to pension benefits represents the net change in the present value of plan obligations and the value of plan assets resulting from the passage of time, and is determined by applying the discount rate to the present value of the benefit obligation at the start of the year and to the fair value of plan assets at the start of the year, taking into account expected changes in the obligation or plan assets during the year. Net interest expense relating to pension benefits is recognised in the profit and loss account.

Remeasurement of the net defined benefit liability or asset, comprising actuarial gains or losses, and the return on plan assets (excluding amounts included in net interest described above) are recognised within other comprehensive income in the period in which they occur.

The pension liability/asset recognised in the balance sheet represents the deficit or surplus in the defined benefit pension plan. Any surplus or deficit comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of a reduction in future contributions to the schemes.

Contributions to defined contribution schemes are recognised in the profit and loss account or capital expenditure as appropriate in the year in which they become payable.

(n) Share-based payments

National Grid Plc issues equity-settled share-based payments to certain employees of the Company. Equity-settled share-based payments are measured at fair value at the date of grant, based on an estimate of the number of shares that will eventually vest. This fair value is recognised on a straight-line basis over the vesting period, as an operating cost and an increase in equity. Payments made by the Company to National Grid in respect of share-based payments are recognised as a reduction in equity.

(o) Cash and cash equivalents

In the cash flow statement and related notes, cash and cash equivalents includes cash at bank and in hand and short-term deposits which are readily convertible into known amounts of cash and have a maturity of three months or less and which are subject to an insignificant risk of change in value, net of any bank overdrafts which are payable on demand.

Notes to financial statements (continued)**For the year ended 31 March 2025****1. Summary of material accounting policies (continued)****(p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Turnover

Substantially all of the Company's turnover and profit before tax are derived from the delivery of electricity across its distribution network in the United Kingdom and related activities.

Revenue from its five largest customers amounted to £74.2m, £58.8m, £48.9m, £32.4m and £24.8m (2024: £50.3m, £50.0m, £40.8m, £19.4m and £17.9m).

Geographical analysis of turnover is not provided as the Company's operations are all undertaken in the UK for customers based in the UK. Other sources of revenue are not material and so are not shown separately.

3. Operating expenses

The directors consider that the nature of the business is such that the analysis of expenses shown below is more informative than that set out in the formats specified by the Companies Act 2006.

	2025	2024
	£m	£m
Employee costs (note 9)	27.8	26.6
Depreciation (note 4)	49.5	47.5
Amortisation of intangible assets (note 4)	0.6	0.5
Property rates	17.4	15.2
Last Resort Supply Payment ("LRSP") claims (i)	-	9.7
Other operating expenses (ii)	57.8	47.6
	153.1	147.1

(i) When a supplier fails, Ofgem ensures continuity of supply to the failed supplier's customers by appointing a supplier of Last Resort ("SoLR") to supply the failed supplier's customers at short notice. The SoLR may then recover certain costs from the DNOs via a LRSP claim. These LRSP claim costs are recovered by the Company via its DUoS charges. SoLR claims paid last year pertained to the significant supplier liquidations that occurred at the start of 2021.

(ii) Other operating expenses includes costs in relation to engineering recharges, National Grid exit charges (charges levied by National Grid Electricity Transmission for connection to the electricity transmission system), tree cutting, inspections and maintenance and wayleaves, as well as other overheads incurred.

Notes to financial statements (continued)**For the year ended 31 March 2025****4. Operating profit**

	2025 £m	2024 £m
Operating profit is stated after charging/(crediting):		
Employee costs	27.8	26.6
Amortisation of intangible fixed assets	0.6	0.5
Depreciation of tangible fixed assets:	49.5	47.5
- Owned assets	49.5	47.4
- Leased assets	-	0.1
Profit on sale of tangible fixed assets	(0.1)	(0.1)
Operating lease charges:		
- Plant and machinery	0.5	0.5
- Land and Buildings	0.3	0.3
Services provided by the Company's auditor		
Audit fees of the Company	0.2	0.2
Other audit related services	0.1	0.1

Depreciation of property, plant and equipment is stated net of depreciation capitalised of £7.0m (2024: £6.2m) in respect of equipment consumed during the construction of the electricity network.

Amortisation of intangibles is stated net of amortisation capitalised of £1.4m (2024: £1.1m) in respect of software consumed during the construction of the electricity network.

Operating lease charges comprises of short term and low value leases.

Other audit related services relate to fees payable 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. Interest receivable and similar income

	2025 £m	2024 £m
Interest receivable from other NGED undertakings	0.8	0.1
Interest receivable from ultimate parent company	5.6	1.9
Bank interest receivable	0.1	0.2
Net interest income relating to pensions and other post-retirement benefits	1.5	3.7
Net gain/(loss) on derivatives designated as hedges (i)	-	-
Changes in fair values of derivatives not designated as hedges	0.2	-
	8.2	5.9

(i) This related to unrealised net gain/loss on derivatives designated as hedges, to the extent that the hedge is not fully effective or to other components such as credit spread that are not part of designated hedge risk. This includes fair value movements in derivatives designated in fair value hedges was a net loss of £27.5m (2024: nil) offset by eligible fair value gains in the corresponding hedged borrowing of £27.8m (2024: nil).

Notes to financial statements (continued)**For the year ended 31 March 2025****6. Interest payable and similar charges**

	2025	2024
	£m	£m
Interest payable on loans from other NGED undertakings	0.3	0.7
Interest payable to ultimate parent company	-	3.1
Interest payable on bank loans and overdrafts	0.3	0.2
Interest payable on other borrowings (i)	47.2	36.4
Interest payable on lease liabilities	0.1	-
Unwinding of discount of provisions	0.3	0.3
Changes in fair values of derivatives not designated as hedges	-	0.2
Less: interest capitalised (ii)	(2.6)	(1.8)
	45.6	39.1

(i) Interest payable includes accretion on inflation-linked liabilities of £4.2m (2024: £5.2m).

(ii) Interest in 2025 was capitalised at a rate of 5.80% (2024: 5.24%), based on the yield on the Company's borrowings.

7. Tax**Tax charged to the profit and loss account:**

	2025	2024
	£m	£m
Current tax:		
UK corporation tax on profits for the year	29.0	7.9
Adjustment in respect of prior years	1.9	(1.3)
Total current tax	30.9	6.6
Deferred tax:		
Origination and reversal of temporary differences	16.8	15.3
Adjustment in respect of prior years	(2.3)	0.6
Total deferred tax	14.5	15.9
Tax charge in the profit and loss account	45.4	22.5

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

	2025	2024
	£m	£m
Remeasurements on net pension assets	(0.7)	(10.6)
Cash flow hedges and cost of hedging reserves	5.9	(0.5)
Share-based payments	0.1	(0.1)
Total tax charged/(credited) to the statement of other comprehensive income and equity	5.4	(11.2)
Total tax charge/(credit) to the statement of other comprehensive income	5.3	(11.1)
Total tax relating to share-based payments recognised directly in equity	0.1	(0.1)
	5.4	(11.2)

Notes to financial statements (continued)**For the year ended 31 March 2025****7. Tax (continued)**

The total tax expense as a percentage of profit before tax gives an effective tax rate of 25.5% (2024: 25.7%) compared to the standard rate of 25% (2024: 25%) due to the effects of the items explained below.

	2025 £m	2024 £m
Profit before tax	178.0	87.7
Profit before tax multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	44.5	21.9
Effect of:		
Expenses not deductible for tax purposes	1.6	0.9
Non-taxable income	-	0.5
Other	(0.3)	(0.1)
Adjustments in respect of prior years	(0.4)	(0.7)
Total tax charge in the profit and loss account	45.4	22.5

Adjustments in respect of prior years mainly relate to the revised analysis of capital expenditure included in tax returns filed with HMRC.

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

8. Equity dividends

	2025 £m	2024 £m
Equity - ordinary:		
Equity dividends - 9.4 pence per share (2024: 10.3 pence)	55.0	60.0
	55.0	60.0

9. Directors and employees

	2025 £m	2024 £m
Wages and salaries	72.1	66.5
Social security costs	8.2	7.9
Defined contribution scheme pension costs	3.9	3.3
Defined benefit scheme pension costs	5.6	5.3
Share-based payments	0.5	0.5
Recharged from parent	3.6	1.2
Total employee cost	93.9	84.7
Less: amounts capitalised as part of property, plant and equipment	(66.1)	(58.1)
Charged to the profit and loss account	27.8	26.6

Notes to financial statements (continued)**For the year ended 31 March 2025****9. Directors and employees (continued)**

The monthly average number of employees in the year was 1,088 (2024: 1,071). All employees work for the network distribution activity. This includes a proportion of other NGED DNO staff who work in part for NGED South Wales and excludes a proportion of NGED South Wales staff who work in part for other NGED DNOs.

In addition to the above number of employees, there are also individuals who are employed by the wider National Grid Group but provide services solely to the network distribution activities of the NGED Group which includes NGED South Wales and other DNOs within the NGED Group.

Employee costs in the year were capitalised at a rate of 70.4% (2024: 68.6%).

Key management compensation

There are no personnel, other than the directors, who as key management have authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company.

Directors' emoluments

The emoluments detail given in this note represents total emoluments of the directors for all services provided to NGED companies as a whole. The total costs below are apportioned between NGED South Wales (15%), NGED South West (25%), NGED West Midlands (30%) and NGED East Midlands (30%).

	Highest paid director		Total	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
NGED Group				
The emoluments of the executive directors comprised:				
Base salary (note i)	473	466	1,357	1,273
Performance dependent bonus (note ii)	86	264	759	1,086
Pension compensation allowance (note iii)	55	114	179	429
Sub-total directors' remuneration	614	844	2,295	2,788
Share-based payments	621	686	923	872
Fees to the independent non executive directors (note iv)	-	-	52	50
	1,235	1,530	3,270	3,710

The total cost apportioned to the Company in relation to Director's emoluments is £0.5m (2024 £0.6m).

(i) Base salary also includes benefits in kind.

(ii) The amount of the annual bonus is based on NGED's financial performance, the reliability of the electricity network, and other factors. Bonus also includes retention award payment following the completion of the sale of the WPD Group to National Grid plc on 14 June 2021.

(iii) As a result of changes in tax applicable to UK pensions, one of the executive directors resigned as an active member of the defined pension scheme, thus NGED no longer contributes for ongoing service to the schemes in respect of these executive directors. Instead, NGED pays cash compensation equivalent to the value of NGED's contribution in to the schemes that would have been made had the individuals remained active members (as determined by external actuaries). Also, the highest paid director is not part of defined pension scheme and instead NGED pays a pension compensation allowance in cash.

(iv) The two sufficiently independent directors are entitled to fees as determined by the appropriate Board. No emoluments are paid to National Grid appointed non-executive directors, who are officers of National Grid, in respect of their services as directors to the Group.

(v) During 2025, none of the directors exercised share options (2024: three).

(vi) As at 31 March 2025, retirement benefits were accruing to 5 directors (2024: 5 directors) under a defined contribution scheme. As at 31 March 2025, no retirement benefits were accruing for directors under a defined benefit scheme. The total accrued annual pension at 31 March 2025 for the highest paid director was nil (2024: nil).

Notes to financial statements (continued)**For the year ended 31 March 2025****10. Property, plant and equipment**

	Land & buildings £m	Plant & machinery £m	Motor vehicles & office equipment £m	Total £m
Cost				
At 1 April 2024	31.5	3,361.2	75.8	3,468.5
Additions	0.3	213.5	17.4	231.2
Disposals and retirements	-	(1.9)	(5.4)	(7.3)
At 31 March 2025	31.8	3,572.8	87.8	3,692.4
Depreciation				
At 1 April 2024	3.4	926.0	37.3	966.7
Charge for the year	0.7	46.7	9.1	56.5
Disposals and retirements	-	(1.7)	(5.4)	(7.1)
At 31 March 2025	4.1	971.0	41.0	1,016.1
Net book value				
At 31 March 2025	27.7	2,601.8	46.8	2,676.3
At 31 March 2024	28.1	2,435.2	38.5	2,501.8

Included within the Company's fixed assets is land at a cost of £53.4m (2024: £52.3m). This is included within Land & building and Plant & machinery. Operational land such as substations is included within Plant & machinery.

Included within the Company's plant and machinery and motor vehicles & office equipment are assets in the course of construction amounting at 31 March 2025 to £57.1m (2024: £31.9m).

Included in additions are staff costs of £66.1m (2024: £58.1m), corporate overheads of £19.6m (2024: £16.6m), capitalised depreciation of £7.0m (2024: £6.2m) and interest of £2.6m (2024: £1.8m).

The depreciation charge for the year is included within operating expenses in the income statement.

The table below shows the net book value of right-of-use assets included within property, plant and equipment at 31 March 2025 and 31 March 2024, split by category. The associated lease liabilities are disclosed in note 19.

Right-of-use assets	Land & buildings £m	Plant & machinery £m	Total £m
Net book value at 1 April 2023	1.4	0.2	1.6
Additions	-	-	-
Depreciation	(0.1)	-	(0.1)
Net book value at 31 March 2024	1.3	0.2	1.5
Additions	0.1	-	0.1
Depreciation	-	-	-
Net book value at 31 March 2025	1.4	0.2	1.6

Notes to financial statements (continued)**For the year ended 31 March 2025****11. Intangible assets**

	Software £m
Cost:	
At 1 April 2024	15.3
Additions	3.0
Disposals	(0.9)
At 31 March 2025	17.4
Accumulated amortisation:	
At 1 April 2024	6.0
Amortisation charge for the year	2.0
Disposals	(0.9)
At 31 March 2025	7.1
Net book value:	
At 31 March 2025	10.3
At 31 March 2024	9.3

Included in additions is capitalised amortisation of £1.4m (2024: £1.1m).

Included in computer software at 31 March 2025 was an amount of £0.9m (2024: £nil) relating to expenditure on assets in the course of construction.

The amortisation charge for the year is included within operating expenses in the income statement.

12. Stocks

	2025 £m	2024 £m
Raw materials and consumables	3.1	3.0
Work in progress	0.2	0.1
	3.3	3.1

The cost of stocks recognised as an expense during the year was £1.3m (2024: £1.3m).

Notes to financial statements (continued)**For the year ended 31 March 2025****13. Debtors**

	2025	2024
	£m	£m
Amounts falling due within one year:		
Trade debtors	24.1	19.8
Amounts owed from NGED undertakings	46.7	2.0
Amounts owed from ultimate parent company	65.6	152.4
Amounts owed from fellow subsidiaries of National Grid plc	-	0.2
Other debtors	1.0	1.3
Prepayments	2.1	2.4
Accrued income	33.9	22.9
	173.4	201.0
Amounts falling due after more than one year:		
Derivative financial instruments (note 20)	25.2	-
Prepayments	0.2	0.2
Other debtors	2.2	2.4
	27.6	2.6
Total trade and other receivables	201.0	203.6

Trade debtors are stated after provisions for impairment of £0.1m (2024: £nil).

Accrued income includes unbilled DUoS income of £30.0m (2024: £21.5m).

Amounts owed from other NGED undertakings are unsecured and are repayable on demand. Interest is received monthly at the Bank of England base rate at the end of the month.

During the current year, the "Corporation tax" line item has been renamed to "Amounts owed from fellow subsidiaries of National Grid plc" as these pertain to net group tax relief balances due from subsidiary within National Grid Group.

Amounts owed from the ultimate parent company is the amount lent under the two-way loan agreement with National Grid Plc. The loan is unsecured and is repayable on demand. Interest is accrued on the balance at daily SONIA plus 0.25% margin. For impairment assessment purposes, such loans to group undertakings are considered low risk as the subsidiaries are solvent and are covered by the National Grid group's liquidity arrangements and as such the expected credit loss for the year is nil.

14. Investments

	2025	2024
	£m	£m
Short-term deposits	-	0.4
Restricted cash balances - collateral	3.2	-
	3.2	0.4

Short-term bank deposits comprise cash held in a mixture of deposit accounts and sterling liquidity funds, earning interest of between 4.15% and 5.25%. They are all instant access liquidity funds.

The collateral balance pertains to collaterals placed with counterparties with whom we have entered into a credit support annex to the International Swaps and Derivatives Association ("ISDA") Master Agreement.

Notes to financial statements (continued)**For the year ended 31 March 2025****15. Cash at bank and in hand**

	2025	2024
	£m	£m
Cash at bank	-	0.1

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 31 March:

	2025	2024
	£m	£m
Cash at bank and in hand (from above)	-	0.1
Short-term bank deposits (note 14)	-	0.4
Cash and cash equivalents	-	0.5

16. Creditors (amounts falling due within one year)

	2025	2024
	£m	£m
Borrowings (note 19)	16.9	8.9
Trade creditors	11.3	9.8
Payments received in advance	66.4	50.8
Contract liabilities (note 18)	8.8	8.6
Amounts owed to other NGED undertakings	10.9	11.9
Amounts owed to fellow subsidiaries of National Grid plc	1.1	-
Other taxation and social security	13.2	9.9
Other creditors	4.7	4.5
Accruals	34.4	19.7
	167.7	124.1

Payments received in advance primarily relate to the advance payments received from customers for construction contracts, mainly in relation to connections, for which work has not yet commenced.

Amounts owed to other NGED undertakings are unsecured and are repayable on demand. Interest is paid monthly at the Bank of England base rate at the end of the month.

Amounts owed to fellow subsidiaries of National Grid plc pertain to net corporate tax payable balances.

Other creditors include £3.7m (2024: £3.6m) DUoS collateral deposits received from suppliers in accordance with the DCUSA.

Accruals include £0.7m (2024: £0.7m) payable to National Grid UK Limited in respect of corporate recharges.

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

	2025	2024
	£m	£m
Derivative financial instruments (note 20)	29.3	0.2
Borrowings (note 19)	1,057.8	1,081.1
Contract liabilities (note 18)	492.0	466.1
	1,579.1	1,547.4

Notes to financial statements (continued)**For the year ended 31 March 2025****18. Contract liabilities**

	2025	2024
	£m	£m
Current	8.8	8.6
Non-current	492.0	466.1
	500.8	474.7

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.

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

	2025	2024
	£m	£m
At 1 April	474.7	457.5
Revenue recognised that was included in the contract liability balance at the beginning of the period	(8.8)	(8.6)
Increase due to cash received, excluding amounts recognised as revenue during the period	34.9	25.8
At 31 March	500.8	474.7

19. Borrowings

	2025	2024
	£m	£m
Amounts falling due within one year		
Bonds	16.8	8.8
Lease liabilities	0.1	0.1
	16.9	8.9
Amounts falling due after more than one year		
Bonds	1,056.3	1,079.6
Lease liabilities	1.5	1.5
	1,057.8	1,081.1
Total borrowings	1,074.7	1,090.0

	2025	2024
	£m	£m
Total borrowings are repayable as follows:		
Less than 1 year	16.9	8.9
In 1-2 years	0.1	0.1
In 2-3 years	0.1	0.1
In 3-4 years	74.9	0.1
In 4-5 years	0.1	72.3
More than 5 years	982.6	1,008.5
	1,074.7	1,090.0

Notes to financial statements (continued)**For the year ended 31 March 2025****19. Borrowings (continued)**

The notional amount of borrowings outstanding as at 31 March 2025 was £1,092.7m (2024: £1,086.9m).

At 31 March 2025, the Company had available £125.0m (2024: £125.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. All facilities incur commitment fees at market rates.

Lease liabilities	2025	2024
	£m	£m
Opening	1.6	1.6
Additions during the year	0.1	-
Payments during the year	(0.1)	(0.1)
Interest expense	-	0.1
At 31 March	1.6	1.6
of which:		
Current	0.1	0.1
Non-current	1.5	1.5

Maturity analysis of lease liabilities is as below:

	2025	2024
	£m	£m
Gross lease liabilities are repayable as follows:		
Less than 1 year	0.1	0.1
1 to 5 years	0.4	0.4
More than 5 years	3.2	3.2
	3.7	3.7
Less: finance charges allocated to future years	(2.1)	(2.1)
	1.6	1.6
Present value of lease liabilities are as follows:		
Less than 1 year	0.1	0.1
1 to 5 years	0.4	0.4
More than 5 years	1.1	1.1
	1.6	1.6

The Company leases various properties including land for substations and radio sites and also radio site towers under non-cancellable lease arrangements. The leases have various terms, escalation clauses and renewable rights. Lease terms and rentals to be paid during the lease term are defined within the agreement. In some cases, lease rentals may be subject to a rent review on dates specified within the agreement at the then prevailing market rate.

Short term leases and low value leases are excluded from recognition on the balance sheet. The amount of expense charged to rent expense pertaining to short term leases amounts to £0.7m (2024: £0.7m) and pertaining to low value leases amounts to £0.2m (2024: £0.2m).

Notes to financial statements (continued)**For the year ended 31 March 2025****20. Derivative financial instruments**

	2025		
	Assets	Liabilities	Total
	£m	£m	£m
Amounts falling due within one year	-	-	-
Amounts falling due after more than one year	25.2	(29.3)	(4.1)
	25.2	(29.3)	(4.1)

	2024		
	Assets	Liabilities	Total
	£m	£m	£m
Amounts falling due within one year	-	-	-
Amounts falling due after more than one year	-	(0.2)	(0.2)
	-	(0.2)	(0.2)

For each class of derivative the notional contract amounts* are as follows: :

	2025	2024
	£m	£m
Interest rate swaps	(1,200.0)	-
Inflation linked swaps	(39.1)	(39.1)
	(1,239.1)	(39.1)

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

21. Provision for liabilities

	WPUPS reimbursement Agreement	Deferred tax (note 22)	Asset retirement obligations	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2024	78.5	215.7	6.6	6.6	307.4
Arising during the year	0.9	19.9	0.1	2.0	22.9
Unwinding of discount	-	-	0.2	-	0.2
Utilised during the year	-	-	-	(3.5)	(3.5)
31 March 2025	79.4	235.6	6.9	5.1	327.0

Asset retirement obligations relate to an estimate of the costs of disposing and removing wood poles, fluid filled cables, SF6 gas units and PCB contaminated units at the end of their useful lives and are expected to be settled over the next 85 years. These assets are included in distribution network within tangible fixed assets.

Other provisions at 31 March 2025 substantially relate to the uninsured losses and an expected settlement of liabilities relating to the Electricity Association Technology Limited ("EATL") of £0.4m relating primarily to a pension deficit relating to that company.

Notes to financial statements (continued)**For the year ended 31 March 2025****22. Deferred tax**

	Accelerated capital allowances	Pension assets	Other	Total
	£m	£m	£m	£m
At 1 April 2023	180.9	30.9	(0.8)	211.0
Charge/(credit) to the profit and loss account	11.5	4.5	(0.1)	15.9
Credit to the statement of other comprehensive income and equity	-	(10.6)	(0.6)	(11.2)
At 1 April 2024	192.4	24.8	(1.5)	215.7
Charge/(credit) to the profit and loss account	10.6	4.6	(0.7)	14.5
(Credit)/charge to the statement of other comprehensive income and equity	-	(0.6)	6.0	5.4
At 31 March 2025	203.0	28.8	3.8	235.6

Accelerated capital allowances represents the tax deferred on profits due to the difference in timing when the deductions for expenditure on fixed assets are recognised in the income statement through depreciation and when tax deductions for that expenditure through capital allowances are included in tax returns filed with HMRC. Deferred tax arises on pension assets as tax deductions are included in tax returns as contributions are paid to the pension schemes and not when the obligations or surpluses on the schemes are recorded in the financial statements.

The other deferred tax balances relate to items such as provisions and accruals that are tax deductible when paid rather than when accrued and debt value adjustments that are taxed/deducted under tax rules at times different to when those adjustments have been recognised in the income statements.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. After offset, there is a net deferred tax liability that will reverse after more than one year. The net deferred tax liability will impact the Company's tax payments over a very long period of time mainly due to the long expected useful lives of fixed assets and the Company's pension schemes having no fixed maturity dates.

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments**

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

Defined contribution plan

During the year, the ongoing DC pension provision for NGED employees was transferred from the Western Power Pension Scheme ("WPPS") to the National Grid UK Retirement Plan ("NGUKRP"), a section of a Master Trust arrangement managed by Legal & General. The Company 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 the Company to pay additional contributions in the instance that investment performance is poor. Payments to these DC plans are charged as an expense as they fall due.

The Company also operates a closed section of WPPS with no active members. At 31 March 2025 there were 178 members with deferred benefits in the scheme (2024: 181) and 9 pensioners (2024: 9). Market value of the assets was £2.4m (2024: £2.5m).

Defined benefit plans

The Company participates in three defined benefit schemes, the WPD Group section of the Electricity Supply Pension Scheme ("ESPS"), the Western Power Pension Scheme - Infracore 1992 section ("WPPS 192"), and the Western Power Utilities Pension Scheme ("WPUPS").

The WPD Group section of the ESPS ("ESPS WPD"), relates to NGED South West and NGED South Wales and most employees of these companies are members of the ESPS. These two companies are liable for the WPD Group section and would benefit from any surplus if wound up. The assets are held in a trustee administered fund. ESPS WPD provides pension and other related defined benefits based on final pensionable pay but is closed to new members except in very limited circumstances.

WPPS 192 provides benefits on both a money purchase and final salary basis and is operated by NGED South Wales.

NGED South Wales is the principal employer for WPUPS, which is a defined benefit scheme providing benefits relating to previous employees of a former affiliated group. NGED South Wales will fund the actuarial deficit. However, as National Grid Electricity Distribution Holdings Limited, the Company's parent, has taken full financial responsibility for this scheme, NGED South Wales will be reimbursed for these payments. As National Grid Electricity Distribution Holdings Limited is outside the NGED Group, the value of the reimbursement agreement is stated in the balance sheet (note 21) and matches the gross asset/liability recorded under IAS 19 below.

WPUPS and WPPS 192 are closed with no active members.

The schemes are funded, defined benefit, final salary and cash balance pension plans. The level of benefits provided for final salary members (who make up the majority of the scheme) depends on members' length of service and their salary at their date of leaving the Company. The majority of pensions in payment receive inflationary increases in line with the RPI (Retail Prices Index) inflation (subject to caps and collars, as appropriate). The benefit payments are from trustee-administered funds. The amount of contributions to be paid is decided jointly by the employer and the Trustees of the Scheme. Assets held in trust are governed by UK regulations and practice. The scheme's investment strategy is decided by the Trustees, in consultation with the employer. The Board of Trustees must be composed of representatives of the employer and plan participants in accordance with the scheme's legal documentation.

The arrangements are subject to independent actuarial funding valuations every three years and, following consultation and agreement with the Company, the qualified actuary certifies the employers' contributions which together with the specified contributions payable by the employees and proceeds from the plans' assets, are expected to be sufficient to fund the benefits payable. The latest completed full actuarial valuations for each of the DB plans were carried out at 31 March 2022.

ESPS WPD showed a shortfall at the valuation date and it was agreed that this would be funded via a recovery plan payment from the Company of £18.0m per annum until November 2024. The Company also agreed employer contributions of 48.2% per annum of pensionable salaries covering future benefit accrual.

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments (continued)****Defined benefit plans (continued)**

Current expected total employer contributions to the Scheme for the year ending 31 March 2026 are £12.6m.

The net defined benefit cost and net surplus or deficit of the plan have been allocated to NGED South West and NGED South Wales in accordance with pensionable salaries, currently 63.0% to NGED South West (2024: 62.6%) and 37.0% to NGED South Wales (2024: 37.4%). The figures below show the proportion allocated to NGED South Wales.

The company has no exposure to other funding requirements or liability for other entities' obligations, including upon wind-up of the plan.

The WPUPS and WPPS I92 schemes were in surplus at the valuation date and therefore no contributions are being paid into these schemes.

Unfunded obligation

NGED South Wales also has an unfunded pension obligation in relation to previous executives. This is subject to reimbursement by National Grid Distribution Holdings Limited as a result of the novation agreement executed, and therefore a corresponding reimbursement asset is stated on the balance sheet (note 13) and matches the liability recorded under IAS 19.

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 DB pension plans is calculated separately for each DB plan 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. Current service cost and any unrecognised past service cost are recognised immediately.

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 profit and loss account, the statement of other comprehensive income and the net asset recognised in the balance sheet. Remeasurements of pension assets and post retirement benefit obligations are recognised in full in the period in which they occur in the statement of other comprehensive income.

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

	2025		
	ESPS WPD	WPUPS	WPPS I92
	%	%	%
Discount rate - past service	5.78	5.67	5.66
Discount rate - future service	5.95	n/a	n/a
Salary increases	3.07	n/a	n/a
Rate of increase in RPI - past service	2.94	3.03	3.04
Rate of increase in RPI - future service	2.80	n/a	n/a

	2024		
	ESPS WPD	WPUPS	WPPS I92
	%	%	%
Discount rate - past service	4.88	4.85	4.88
Discount rate - future service	4.91	n/a	n/a
Salary increases	3.09	n/a	n/a
Rate of increase in RPI - past service	2.99	3.11	3.04
Rate of increase in RPI - future service	2.89	n/a	n/a

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments (continued)**

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. The rate of increase in salaries has been set using a promotional scale where appropriate. 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 table below sets out the projected life expectancies adopted for the pension arrangements:

2025			
	ESPS WPD	WPUPS	WPPS I92
Assumed life expectations for a retiree age 65:			
Males	21.1	21.3	22.1
Females	23.5	24.1	24.1
In 20 years:			
Males	21.9	22.4	22.7
Females	24.8	24.9	24.8

2024			
	ESPS WPD	WPUPS	WPPS I92
Assumed life expectations for a retiree age 65:			
Males	21.4	21.4	22.1
Females	23.3	24.0	24.0
In 20 years:			
Males	22.3	22.4	22.7
Females	24.4	24.8	24.8

The weighted average duration of the defined benefit obligation is around 12 years for the WPD segment of the ESPS and around 9 years for WPUPS and Infralec 92.

As at the reporting date, the present value of the funded obligations split according to member status, was approximately 21% active members (2024: 26%); 3% deferred members (2024: 4%); 76% pensioner members (2024: 70%).

Amounts recognised in the balance sheet

2025					
	ESPS WPD	WPUPS	WPPS I92	Unfunded	Total
	£m	£m	£m	£m	£m
Present value of obligations	(573.9)	(319.0)	(8.0)	(2.2)	(903.1)
Fair value of scheme assets	607.4	398.5	11.8	-	1,017.7
Surplus/(deficit) of funded plan and asset/(liability) recognised in the balance sheet	33.5	79.5	3.8	(2.2)	114.6
Represented by:					
Asset	33.5	79.5	3.8	-	116.8
Liability	-	-	-	(2.2)	(2.2)
	33.5	79.5	3.8	(2.2)	114.6

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments (continued)****Amounts recognised in the balance sheet (continued)**

	2024				
	ESPS WPD	WPUPS	WPPS I92	Unfunded	Total
	£m	£m	£m	£m	£m
Present value of obligations	(663.8)	(356.0)	(9.0)	(2.4)	(1,031.2)
Fair value of scheme assets	683.6	434.5	12.8	-	1,130.9
Surplus/(deficit) of funded plan and asset/(liability) recognised in the balance sheet	19.8	78.5	3.8	(2.4)	99.7

Represented by:

Asset	19.8	78.5	3.8	-	102.1
Liability	-	-	-	(2.4)	(2.4)
	19.8	78.5	3.8	(2.4)	99.7

The recognition of the pension asset 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.

The regulator, Ofgem, currently allows ongoing service costs and a proportion of the deficit costs to be recovered through regulated income.

Amounts recognised in the profit and loss account and the statement of comprehensive income

Analysis of the amount charged to profit before interest and taxation or to capital expenditure:

	2025			
	ESPS WPD	WPUPS	WPPS I92	Total
	£m	£m	£m	£m
Included within operating costs (including payroll costs)				
Current service cost	5.6	-	-	5.6
Administrative costs	0.7	1.0	-	1.7
WPUPS reimbursement agreement	-	(1.0)	-	(1.0)
Total included within operating costs	6.3	-	-	6.3
Interest income on plan assets	(35.2)	(22.0)	(1.0)	(58.2)
Interest on plan liabilities	33.7	18.0	1.0	52.7
WPUPS reimbursement agreement	-	4.0	-	4.0
Net interest income	(1.5)	-	-	(1.5)
Total included within profit and loss account	4.8	-	-	4.8

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments (continued)****Amounts recognised in the profit and loss account and the statement of comprehensive income (continued)**

	2024			
	ESPS WPD	WPUPS	WPPS I92	Total
	£m	£m	£m	£m
Included within operating costs (including payroll costs)				
Current service cost	5.3	-	-	5.3
Administrative costs	0.8	1.0	-	1.8
WPUPS reimbursement agreement	-	(1.0)	-	(1.0)
Total included within operating costs	6.1	-	-	6.1
Included within finance income and costs				
Interest income on plan assets	(36.4)	(22.0)	(1.0)	(59.4)
Interest on plan liabilities	33.7	19.0	-	52.7
WPUPS reimbursement agreement	-	3.0	-	3.0
Total included within finance income and costs	(2.7)	-	(1.0)	(3.7)
Total included within income statement	3.4	-	(1.0)	2.4

The operating charge is allocated to the operating costs in the profit and loss account or to capital expenditure as appropriate.

Analysis of the amount recognised in other comprehensive income:

	2025			
	ESPS WPD	WPUPS	WPPS I92	Total
	£m	£m	£m	£m
Return on plan assets excluding amounts included in interest (income)/expense	75.5	29.0	1.0	105.5
Gain from change in demographic assumptions	(2.6)	(1.0)	-	(3.6)
Gain from change in financial assumptions	(72.1)	(27.0)	(1.0)	(100.1)
Experience losses/(gains)	(0.7)	1.0	-	0.3
Change in percentage allocation rate	0.5	-	-	0.5
WPUPS Reimbursement agreement	-	(2.0)	-	(2.0)
Remeasurement losses recognised in other comprehensive income	0.6	-	-	0.6

	2024			
	ESPS WPD	WPUPS	WPPS I92	Total
	£m	£m	£m	£m
Return on plan assets excluding amounts included in interest (income)/expense	51.2	17.0	1.0	69.2
Gain from change in demographic assumptions	(6.4)	(11.0)	-	(17.4)
Gain from change in financial assumptions	(14.6)	(4.0)	-	(18.6)
Experience losses/(gains)	10.1	(2.0)	-	8.1
Change in percentage allocation rate	1.1	-	-	1.1
WPUPS Reimbursement agreement	-	-	-	-
Remeasurement losses recognised in other comprehensive income	41.4	-	1.0	42.4

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments (continued)****The movement in the net pension asset over the accounting period is as follows:**

ESPS WPD	Year ended 31 Mar 2025			Year ended 31 Mar 2024		
	Present value of obligation	Fair value of plan assets	Net	Present value of obligation	Fair value of plan assets	Net
	£m	£m	£m	£m	£m	£m
(Liability)/asset at 1 April	(663.8)	683.6	19.8	(685.9)	731.9	46.0
Current service cost	(5.6)	-	(5.6)	(5.3)	-	(5.3)
Administrative costs	(0.7)	-	(0.7)	(0.8)	-	(0.8)
Interest (expense)/income	(33.7)	35.2	1.5	(33.7)	36.4	2.7
Past service cost and gains and losses on settlements	-	-	-	(1.1)	-	(1.1)
	(40.0)	35.2	(4.8)	(40.9)	36.4	(4.5)
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	-	(75.5)	(75.5)	-	(51.2)	(51.2)
Gain from change in demographic assumptions	2.6	-	2.6	6.4	-	6.4
Gain from change in financial assumptions	72.1	-	72.1	14.6	-	14.6
Experience gains/(losses)	0.7	-	0.7	(10.1)	-	(10.1)
Change in percentage allocation rate	8.2	(8.7)	(0.5)	9.6	(10.7)	(1.1)
	83.6	(84.2)	(0.6)	20.5	(61.9)	(41.4)
Contributions:						
Employers	-	19.1	19.1	-	19.7	19.7
Plan participants	(0.7)	0.7	-	(1.5)	1.5	-
	(0.7)	19.8	19.1	(1.5)	21.2	19.7
Payments from plan:						
Benefit payments	47.0	(47.0)	-	44.0	(44.0)	-
Administrative costs	-	-	-	-	-	-
	47.0	(47.0)	-	44.0	(44.0)	-
(Liability)/asset at 31 March	(573.9)	607.4	33.5	(663.8)	683.6	19.8

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments (continued)**

WPUPS	Year ended 31 Mar 2025			Year ended 31 Mar 2024		
	Present value of obligation	Fair value of plan assets	Net	Present value of obligation	Fair value of plan assets	Net
	£m	£m	£m	£m	£m	£m
(Liability)/asset at 1 April	(356.0)	434.5	78.5	(381.0)	457.5	76.5
Administrative costs	(1.0)	-	(1.0)	(1.0)	-	(1.0)
Interest (expense)/income	(18.0)	22.0	4.0	(19.0)	22.0	3.0
	(19.0)	22.0	3.0	(20.0)	22.0	2.0
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	-	(29.0)	(29.0)	-	(17.0)	(17.0)
Gain from change in demographic assumptions	1.0	-	1.0	11.0	-	11.0
Gain from change in financial assumptions	27.0	-	27.0	4.0	-	4.0
Experience (losses)/gains	(1.0)	-	(1.0)	2.0	-	2.0
	27.0	(29.0)	(2.0)	17.0	(17.0)	-
Contributions:						
Employers	-	-	-	-	-	-
	-	-	-	-	-	-
Payments from plan:						
Benefit payments	28.0	(28.0)	-	27.0	(27.0)	-
Administrative costs	1.0	(1.0)	-	1.0	(1.0)	-
	29.0	(29.0)	-	28.0	(28.0)	-
(Liability)/asset at 31 March	(319.0)	398.5	79.5	(356.0)	434.5	78.5

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments (continued)**

WPPS I92	Year ended 31 March 2025			Year ended 31 March 2024		
	Present value of obligation	Fair value of plan assets	Net	Present value of obligation	Fair value of plan assets	Net
	£m	£m	£m	£m	£m	£m
(Liability)/asset at 1 April	(9.0)	12.8	3.8	(10.0)	13.8	3.8
Interest (expense)/income	(1.0)	1.0	-	-	1.0	1.0
	(1.0)	1.0	-	-	1.0	1.0
Remeasurements:						
Return/(loss) on plan assets excluding amounts included in interest (income)/expense	-	(1.0)	(1.0)	-	(1.0)	(1.0)
Gain from change in demographic assumptions	-	-	-	-	-	-
Gain from change in financial assumptions	1.0	-	1.0	-	-	-
Experience gains	-	-	-	-	-	-
	1.0	(1.0)	-	-	(1.0)	(1.0)
Contributions:						
Employers	-	-	-	-	-	-
	-	-	-	-	-	-
Payments from plan:						
Benefit payments	1.0	(1.0)	-	1.0	(1.0)	-
	1.0	(1.0)	-	1.0	(1.0)	-
(Liability)/asset at 31 March	(8.0)	11.8	3.8	(9.0)	12.8	3.8

Sensitivities

2025	Change in assumption %	Impact on income statement			Impact on defined benefit obligation		
		ESPS	WPUPS	Infralec 92	ESPS	WPUPS	Infralec 92
		£m	£m	£m	£m	£m	£m
Discount rate	-/+1%	1.5	1.0	-	62.7	29.0	1.0
RPI Inflation	+/-1%	1.1	-	-	51.8	21.5	0.5
Long-term rate of increase in salaries	+/-1%	0.4	-	-	10.7	-	-
Life expectancy	+ 1 year	-	-	-	19.1	11.5	0.5

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments (continued)****Sensitivities (continued)**

2024	Change in assumption %	Impact on income statement			Impact on defined benefit obligation		
		ESPS £m	WPUPS £m	Infralec 92 £m	ESPS £m	WPUPS £m	Infralec 92 £m
Discount rate	-/+1%	1.9	1.0	-	83.8	35.0	1.0
RPI Inflation	+/-1%	1.1	-	-	73.5	21.0	1.0
Long-term rate of increase in salaries	+/-1%	0.4	-	-	14.0	-	-
Life expectancy	+ 1 year	0.4	-	-	24.5	15.0	-

A change in the discount rate is likely to occur as a result of changes in bond yields and as such would be expected to be offset to a significant degree by a change in the value of the bond assets held by the plans. Any such offset is not reflected in this table.

The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant increases in salary assumptions.

Sensitivities have been prepared to show how the defined benefit obligations and annual service costs could potentially be impacted by changes in the relevant actuarial assumption that were reasonably possible as at 31 March 2025. In preparing sensitivities the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary is recognised.

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.

ESPS WPD scheme assets are comprised as follows:

	31 March 2025			31 March 2024		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	168.4	-	168.4	121.6	-	121.6
Corporate bonds	89.5	-	89.5	85.3	-	85.3
Property	-	32.2	32.2	-	53.1	53.1
Diversified alternatives	65.5	-	65.5	96.5	(0.4)	96.1
Government bonds & LDI	-	253.5	253.5	-	328.4	328.4
Other including cash and net current assets	0.4	(2.1)	(1.7)	-	(0.7)	(0.7)
Total	323.8	283.6	607.4	303.4	380.4	683.8

Notes to financial statements (continued)**For the year ended 31 March 2025****23. Pension commitments (continued)****Asset allocations (continued)**

WPUPS scheme assets are comprised as follows:

	31 March 2025			31 March 2024		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	£m	£m	£m	£m	£m	£m
Corporate bonds	236.0	-	236.0	243.0	-	243.0
Government bonds & LDI	-	163.0	163.0	-	192.0	192.0
Other	-	(0.5)	(0.5)	-	(0.5)	(0.5)
Total	236.0	162.5	398.5	243.0	191.5	434.5

WPPS I92 scheme assets are comprised as follows:

	31 March 2025			31 March 2024		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	£m	£m	£m	£m	£m	£m
Government bonds	-	11.8	11.8	-	12.8	12.8
Other	-	-	-	-	-	-
Total	-	11.8	11.8	-	12.8	12.8

Main defined benefit risks

The Company underwrites the financial and demographic risks associated with the plan. Although the Trustee has sole responsibility for setting investment strategies and managing risks, the Company closely works with and supports the Trustee, to assist in mitigating the risks associated with the plan and to ensure that the plan is funded to meet its obligations.

The most significant risks associated with the DB plan are:

- Investment risk – The plan invests in a variety of asset classes, with actual returns likely to differ from the underlying discount rate adopted, impacting on the funding position of the plan through the net balance sheet asset or liability. The plan seeks to balance the level of investment return required with the risk that it can afford to take, to design the most appropriate investment portfolio.
- Changes in bond yields – Liabilities will fluctuate as yields change. Volatility of the net balance sheet asset or liability is controlled through a liability-matching strategy. The investment strategy allows for the use of synthetic as well as physical assets to be used to hedge interest rate risk.
- 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.
- Member longevity – Improvements in life expectancy will lead to pension payments being paid for longer than expected and benefits ultimately being more expensive.
- Liquidity risk - The pension plan holds sufficient cash to meet benefit requirements, with other investments being held in liquid or realisable assets to meet unexpected cash flow requirements. These could include collateral calls relating to the plan's liability-matching assets which could result from extreme market movements. Should the plan not have sufficient liquidity to meet cash flow requirements, they could be forced to take sub-optimal investment decisions such as selling assets at a reduced price. The plan does not borrow money, or act as guarantor, to provide liquidity to other parties (unless it is temporary).
- 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.

Notes to financial statements (continued)
For the year ended 31 March 2025
23. Pension commitments (continued)

Main defined benefit risks (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 Group has performed its review of past significant changes made to its UK defined benefit pension arrangements and it has concluded that there is no financial impact from the ruling of the case.

Defined Benefit plan investment strategy

The Trustees, 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 equities and property, and liability-matching assets such as government securities and corporate bonds which are intended to protect the funding position.

The Trustees generally delegate responsibility for the selection of specific bonds, securities and other investments to appointed investment managers. Investment managers 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 extreme volatility of the UK gilt market during 2022 led to significant liquidity pressures on DB pension schemes, with large collateral calls from Liability-Driven Investment ("LDI") fund managers requiring some schemes to either sell illiquid assets at short notice or reduce their level of hedging. These collateral calls were met by the scheme and the Trustees continue to review its strategy for hedging interest rates and inflation to ensure it is not exposed to undue risk given further future market volatility.

24. Share capital

	2025	2024
	£m	£m
Allotted, called up and fully paid:		
583,442,224 (2024: 583,442,224) ordinary shares of 50p each	291.7	291.7

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.

Notes to financial statements (continued)**For the year ended 31 March 2025****25. Other equity reserves**

	Non-Cash Capital Contribution	Hedging reserve	Capital redemption reserve	Total
	£m	£m	£m	£m
At 1 April 2023	0.5	(2.1)	5.1	3.5
Net movement on cash flow hedges (net of tax)	-	(1.7)	-	(1.7)
Share-based payment	0.5	-	-	0.5
At 31 March 2024	1.0	(3.8)	5.1	2.3
Net movement on cash flow hedges (net of tax)	-	17.8	-	17.8
Share-based payment (net of tax)	0.3	-	-	0.3
At 31 March 2025	1.3	14.0	5.1	20.4

The share premium account arose on the issue of shares under share option schemes prior to acquisition together with the issue of shares to the Company's parent for cash since acquisition.

The non-cash capital contribution reserve pertains to the employee share option scheme offered by the parent to be settled in the shares of the parent.

26. Net debt**(a) Composition of net debt**

Net debt is comprised as follows:

	2025	2024
	£m	£m
Cash and cash equivalents (note 15)	-	0.1
Loan receivable from ultimate parent company	65.7	152.4
Borrowings (note 19)	(1,074.7)	(1,090.0)
Financial investment (note 14)	3.2	0.4
Derivatives (note 20)	(4.1)	(0.2)
	(1,009.9)	(937.3)

The net debt for the year ended 31 March 2024 has been restated to include restricted cash and financial investments of £0.5m. This is due to alignment of accounting policies with the ultimate parent company, National Grid plc.

Notes to financial statements (continued)**For the year ended 31 March 2025****26. Net debt (continued)****(b) Analysis of changes in net debt**

	Cash in hand and cash equivalents	Loan receivable from parent	Financial investment	Borrowings	Derivative	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2023	(0.3)	-	0.7	(858.0)	-	(857.6)
Cash flow	0.4	150.4	(0.3)	(191.0)	2.0	(38.5)
Fair value movement	-	-	-	-	(2.2)	(2.2)
Interest income/(charges)	-	2.0	-	(40.4)	-	(38.4)
Other non-cash movements	-	-	-	(0.6)	-	(0.6)
At 1 April 2024	0.1	152.4	0.4	(1,090.0)	(0.2)	(937.3)
Cash flow	(0.1)	(92.3)	2.8	35.3	(0.1)	(54.4)
Fair value movement	-	-	-	27.7	(3.8)	23.9
Interest income/(charges)	-	5.6	-	(47.9)	-	(42.3)
Other non-cash movements	-	-	-	0.2	-	0.2
At 31 March 2025	-	65.7	3.2	(1,074.7)	(4.1)	(1,009.9)
Balances at 31 March 2025 comprise:						
Non-current asset	-	-	-	-	25.2	25.2
Current assets	-	65.7	3.2	-	-	68.9
Current liabilities	-	-	-	(16.9)	-	(16.9)
Non-current liabilities	-	-	-	(1,057.8)	(29.3)	(1,087.1)
	-	65.7	3.2	(1,074.7)	(4.1)	(1,009.9)

Notes to financial statements (continued)**For the year ended 31 March 2025****(c) Reconciliation of changes in liabilities arising from financing activities**

	2025		2024	
	Borrowings	Derivatives	Borrowings	Derivatives
	£m	£m	£m	£m
Cash flow per financing activity section of cash flow statement:				
Repayment of short-term borrowing	-	-	(79.1)	-
Proceeds from long-term borrowing	-	-	298.5	-
Payment of lease liabilities	(0.1)	-	(0.1)	-
Cash outflow on derivatives	-	-	-	(2.0)
Interest paid	(35.2)	0.1	(28.3)	-
Change in liabilities arising from financing activities	(35.3)	0.1	191.0	(2.0)
Adjustments				
Fair value movement in derivatives	-	3.8	-	2.2
Fair value movement on borrowings	(27.7)	-	-	-
Interest expense	47.9	-	40.4	-
Other non-cash movements	(0.3)	-	0.6	-
Leases acquired during the year	0.1	-	-	-
Movement in the year the year	(15.3)	3.9	232.0	0.2
Balances at start of the year	1,090.0	0.2	858.0	-
Balance at end of the year	1,074.7	4.1	1,090.0	0.2

Notes to financial statements (continued)**For the year ended 31 March 2025****27. Capital and other commitments**

	2025	2024
	£m	£m
Contracts for future capital expenditure not provided in the financial statements	62.8	44.1

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2025	2024
	£m	£m
Less than 1 year	0.1	0.1
In 2 to 5 years	0.4	0.4
More than 5 years	3.2	3.2
	3.7	3.7

28. Contingent liabilities

Through the ordinary course of operations, the Company is party to various litigation, claims and investigations. The Directors do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on the Company's results of operations, cash flows or financial position.

29. Events after reporting date

Subsequent to year end, in July 2025, a dividend of £35.0m has been approved by the Board.

There have been no other significant events affecting the Company after the reporting period.

30. Related party transactions

The Company is exempt under FRS 101.8(k) from disclosing transactions with National Grid plc and its subsidiary undertakings where all of the voting rights are held within the group. There were no related party transactions with other companies.

31. Ultimate parent undertaking

The immediate parent undertaking of the Company is National Grid Electricity Distribution Network Holdings Limited which is registered in England and Wales. The ultimate controlling parent of the Company is National Grid plc, registered in England and Wales.

The smallest group in which the results of the Company are consolidated is headed by National Grid Electricity Distribution plc. Copies of these financial statements may be obtained from the Company's registered office at Avonbank, Feeder Road, Bristol BS2 0TB.

The largest group which includes the Company and for which consolidated financial statements are prepared is National Grid plc, registered in England and Wales. Copies of these consolidated financial statements can be obtained from the Company Secretary, National Grid plc, 1-3 Strand, London WC2N 5EH.