RIIO-T3 Business Plan

January 2026



nationalgrid

Thank you for joining

Housekeeping

1
Please leave questions until the end of the talk - 10 mins Q&A

2
Please note that this session will be recorded

3
Questions and Answers supported by Environmental, Connections, Responsible Business, Whole System and Finance managers.

Agenda

Housekeeping	**5 mins**
Overview of our plan	**25 mins**
Financials	**10 mins**
Ambition to Action	**5 mins**
Q&As	**10 mins**
Total	**1 hour**



The objective of today's webinar is to share how we will turn ambition to action through our RIIO-T3 plan.

What is RIIO-T3?

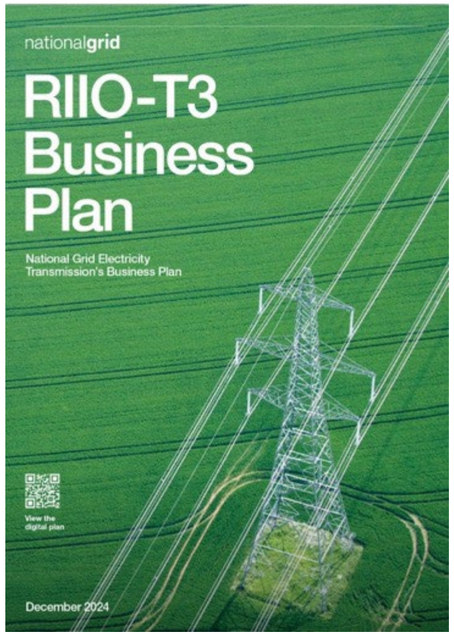
RIIO (Revenues = Incentives + Innovation + Outputs). It is a mechanism used by Ofgem to make sure energy companies deliver a reliable, clean, good-value energy network in the interests of the consumer — and only earn more money if they actually perform well.

Revenue = **Incentives** + **Innovation** + **Outputs**

'T' is for Transmission: Specifically for electricity transmission networks: National Grid Electricity Transmission (NGET), SP Energy Networks, and SSEN Transmission.

'3' is for the Period: The third regulatory period, running 2026-2031, following RIIO-T2 (2021-2026).

The NGET £35bn business plan was submitted in December 2024. Ofgem delivered its Final Determination in December 2025.



Power flows	Nearly doubling the power that can flow across the country
£12bn	Avoiding c.{12bn of constraint costs, equivalent to £40 per year for consumers
35 GW / 19 GVA	Connects 35 GW generation and 19 GVA demand
Decarbonisation	Supports growth of British businesses and decarbonisation of our economy
99.9999%	Keeping the lights on, with 99.9999% reliability
0.7% Efficiency	0.7% efficiency year-on-year
Emissions reduction	50% reduction in our own emissions compared to our 2018/2019 baseline
Legacy of benefits	Both community and regional benefits
Grow workforce by 50%	And improve diversity to better reflect our communities
Biodiversity net gain	Biodiversity net gain across equivalent of >8,000 acres of land, 7x impact vs. RIIO-T2

We want to share the outcome of the Final Determination and show how we will now put the plan into action….

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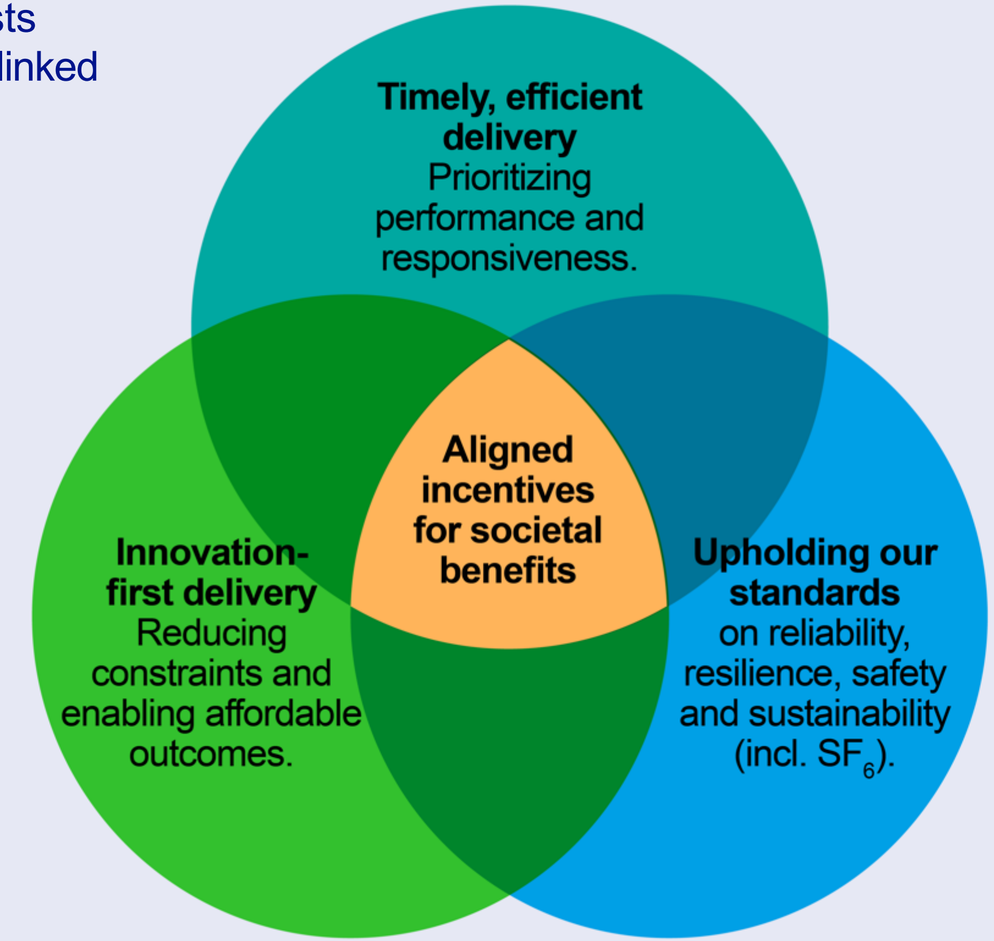
Our new contract

We are part of an energy system; together with our customers, we deliver for society as a whole

When we deliver quickly and innovatively for customers and consumers – without compromising reliability, resilience, safety or sustainability – we lower system constraints and the whole energy bill.

We can only achieve the internationally competitive returns our investors expect by delivering those things that matter to customers and consumers, to government, to the environment, and to communities.

Success rests on four interlinked themes:



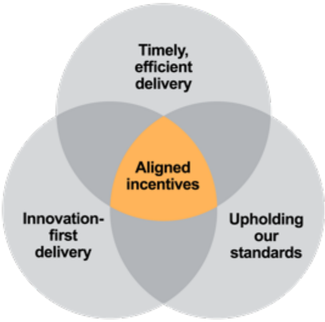
Our RIIO-T3 plan



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Alignment of incentives

The RIIO-T3 Final Determination (FD) incentivises us to deliver what matters to customers and consumers.



The **Totex Incentive Mechanism** incentivises cost reductions, with consumers receiving the vast majority of the benefit.

There are **Output Delivery Incentives** that are:

- New for RIIO-T3
- Carried over from RIIO-2 or evolved from RIIO-T2

Innovative Delivery	Connections Capacity	Major Projects	ASTI	SO:TO Optimisation	Insulation and Interruption Gas	Energy Not Supplied

Incentives for timely and efficient delivery

Timely, efficient delivery

The RIIO-T3 FD confirms our ambitious network investment plan and incentivises timely, efficient delivery, which benefits our customers and consumers

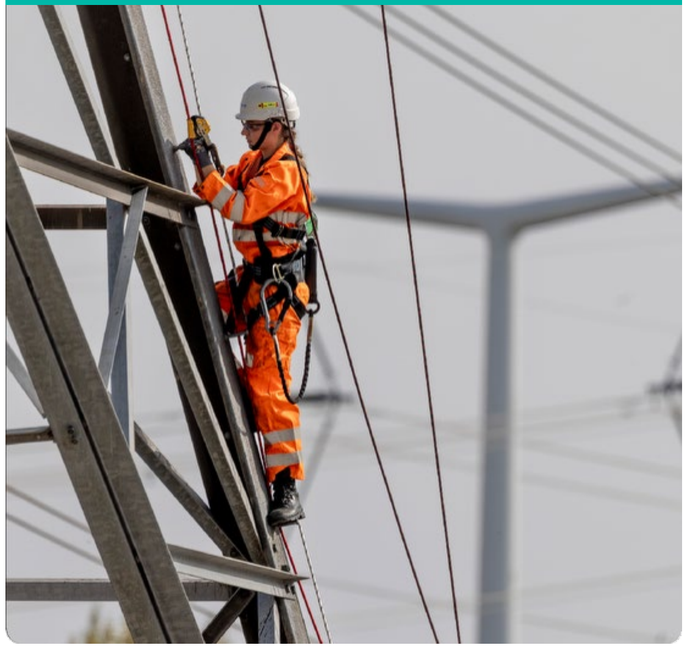


Connections Capacity



We will connect 35GW of generation and 19GVA of demand to the electricity transmission network.

Major Projects



We will develop the next phase of critical new electricity transmission projects to realise benefits for consumers as early as possible.

ASTI



We will develop and deliver 17 major projects to connect more clean, low-carbon power to the transmission network in England and Wales.

Timely, efficient delivery through reopeners

We will use in-period mechanisms to secure allowances alongside “upfront” funding. This gives us the flexibility to adapt investment decisions over time to known variables like Connections Reform.

Reopeners provide the mechanism to convert pipeline investments into funded projects in-period.

Realising timely, efficient delivery of projects depends upon successful reopener submissions.

Projects must have strong consumer, customer, and growth cases, and must take account of evolving regional strategy and stakeholder needs.

40

submissions every six months needed to secure funding





Innovation-first to help delivery

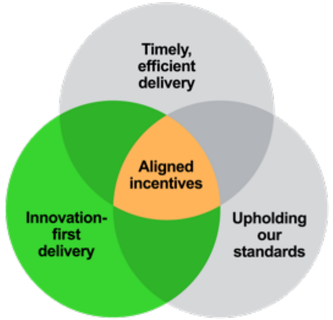
This is an ambitious and well justified innovation strategy fit for a net zero transition

Innovative Delivery Incentive

This is a new output delivery incentive for the RIIO-3 period introduced by Ofgem to encourage electricity transmission owners to adopt novel approaches in project design and delivery.

Examples of innovation encouraged are: savings through contracting, innovation in design, speeding up delivery, and effective collaboration.

Our performance will be presented to an independent panel twice during RIIO-T3 that will decide whether our efforts deserve a reward.



Network Innovation Allowance

87%

We were awarded 87% of requested £150m from our business plan. Ofgem wrote at Draft Determination that we submitted an "*ambitious and well justified innovation strategy fit for a net zero transition*"

The priorities underpinning our innovation strategy are:
Build the future network; accelerate customer connections; enhance sustainability; improve resilience

Strategic Innovation Fund

£500m

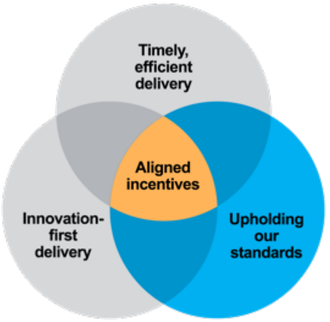
total pot of SIF funds for network companies in RIIO-3 to be awarded on a competitive basis

£50m

of the £500m is available to support rapid deployment of proven innovation

Upholding our standards

We will not compromise on our standards – how we work matters to stakeholders as much as what we do:



Safety

Reliability	Resilience	Sustainability	Community
			
• Keeping the lights on, with 99.9999% reliability • Energy Not Supplied incentive target of 125MWh (compared with 147MWh in T2)	• Cyber • Physical Security • Climate	• Net zero (CO_2 emissions, SF6, fleet, energy efficiency) • Nature positive (BNG) • One planet living (resources, circularity, water stewardship, excellent environmental mngt)	• Investment in local and regional community benefit, in line with Government guidance • Skills and jobs • Local and diverse supply chains • Community resilience

Upholding our standards: managing our existing assets

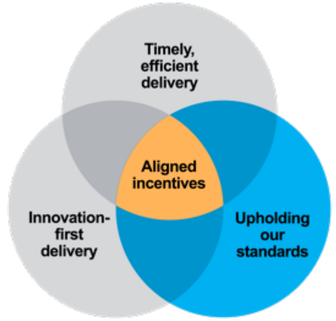


We have new PCDM (Price Control Deliverable Mechanistic) funding mechanisms for T3 which replace NARM.

These PCDs will provide flexibility to deliver the right assets at the right time throughout the price control period while protecting consumers who pay only for specific investments delivered.

We have a new Non-Load Reopener mechanism which provides a route to funding specific major Asset Health projects such as site rebuilds.

Asset Management's core purpose is to maintain reliability, which is measured by the Energy Not Supplied incentive.

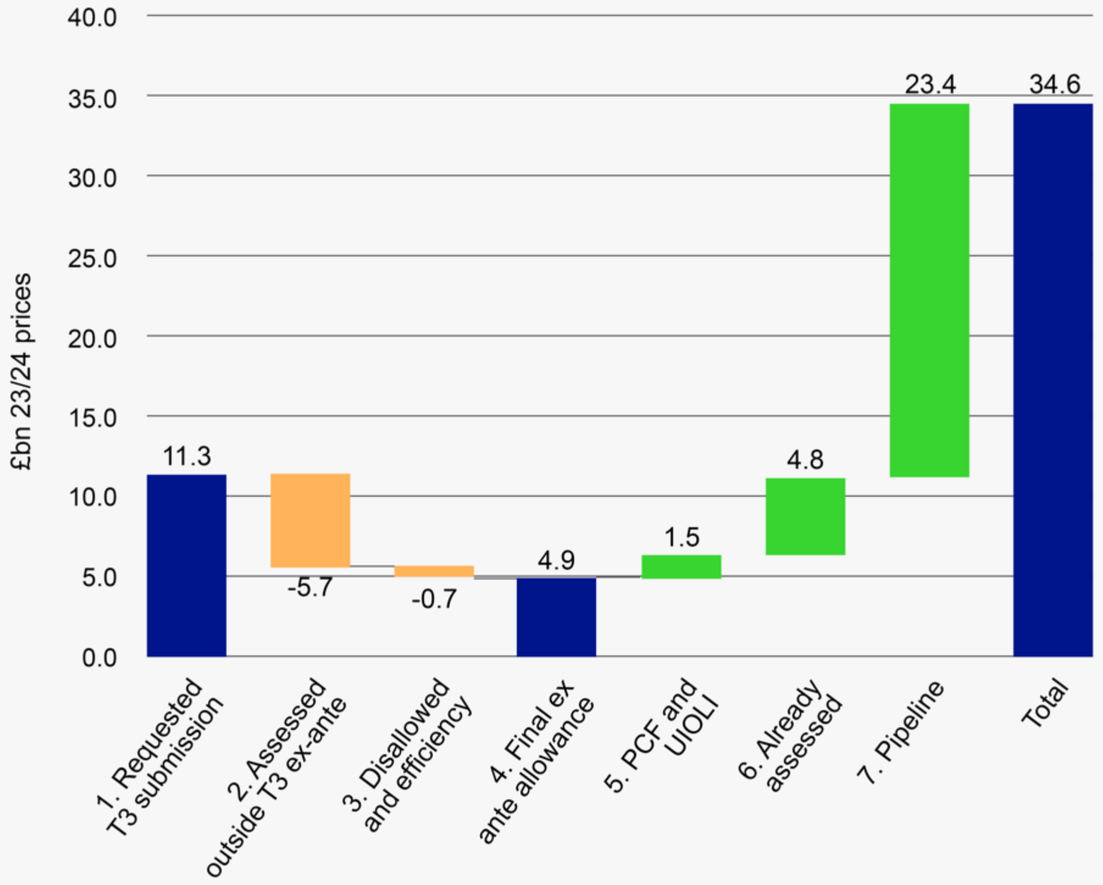


RIIO-T3 Financials



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The Final Determination provides a route to funding for the clear majority of investments in our original plan



Ex-ante baseline allowances of £4.9bn

Uncertainty Mechanisms provide a route to funding for pipeline projects:

- UIOLI funding
- Volume Drivers
- Reopeners, including:
  - Load Related
  - Non-Load Related

The investment in T3 will require substantial funding from shareholders and from debt markets

Allowed cost of equity

– 5.70%

RIIO

The RIIO framework sets how much profit shareholders can earn on the money they invest

5.70%

For T3, NGET's shareholders can earn a return of 5.70%, which is higher than the 5.09% allowed at the end of T2

Competitive

This higher return is to stay attractive compared to other global investment options and because interest rates are higher now than during T2

Allowed cost of debt

– 5.31%

Debt

Borrowing money is an important way to pay for NGET's investment plans

Ofgem has changed its approach because a lot more money is needed for new investments. They have introduced a change to allowances for debt with fixed interest rates to deal with inflation, following their 2023 consultation

5.31%

The amount allowed for debt costs in the T3 Final Determinations is 5.31% (or 3.45% in real terms as expressed in T2)

Other cashflow levers largely unchanged from T2

Cashflow

Ofgem assess cashflows to ensure networks have enough cash to finance their activities

Credit

Other cashflow levers remain largely inline with T2, and continue to target strong investment grade credit ratings

Support

Revenue profiling has been introduced to smooth the increase in the T3 consumer bill and support affordability

Investment in transmission pays for itself, with cost increases in RIIO-T3 more than offset by savings in constraint costs

Investment in Electricity Transmission will…

Pay for itself

Help stabilise energy bills and support growth

Deliver direct savings

Enable the consumer and societal benefits of the energy transition

Costs

Transmission network costs (TNUoS) are a relatively small fraction of bills today

£60

Ofgem's analysis shows RIIO-T3 is expected to increase household electricity network charges by £60 per annum by 2031, however the resulting lower constraint and wholesale costs are expected to **offset around £80** of this increase.

Security

Investment in transmission is also critical to strengthen energy security, support the government growth agenda, and achieve the societal benefits of the energy transition through decarbonisation.

Upgrades

Postponing critical network upgrades would lead to higher costs for consumers and businesses in the future.

£55

Based on FDs, the contribution of NGET to the overall consumer bill increases from c. £25 in 2025/26 to c.£55 in 2030/31

Ambition to action



We are setting up for success in RIIO-T3

- The **regulatory framework** is going to be significantly different
- We will be delivering a major step-up in **scale** and **complexity**
- While **upholding our standards for customers and stakeholders**

- We’re already delivering some big capability shifts, such as changes to our **control systems**, **asset management** systems and building additional resilience with a new **control room** – and adopting innovations like **drones**, **Dynamic Line Rating**, and **AI**

- **Now we're focusing on:**
  - Improving every part of the **customer lifecycle**
  - **Innovating** the way we plan and deliver work, in the context of limited windows to work on our assets
  - Modernising our **systems** and **processes** to help us make faster, clearer and more proactive decisions
  - Ensuring our **workforce** is fit for the future









Aligned incentives:
Delivering for customers and consumers = delivering for investors.

Timely, efficient delivery:
Prioritizing performance and responsiveness.

Innovation-first delivery:
Reducing constraints and enabling affordable outcomes.

Upholding our standards on reliability, resilience, safety and sustainability (incl. SF_6).

- **RIIO-T3 video**

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