

September 2025

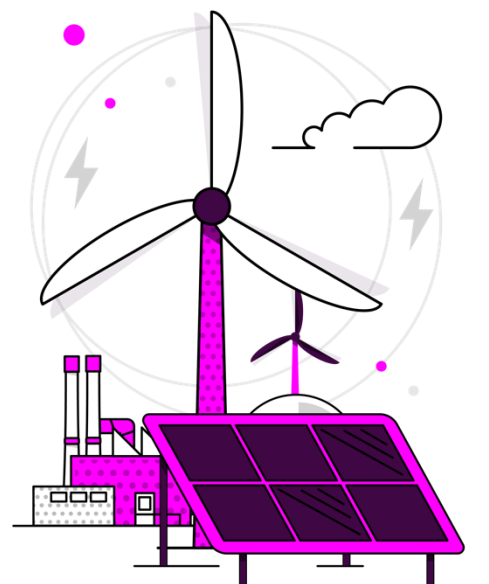
# NESO Regulatory Financial Reporting Pack 2024/25





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# Executive summary

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry, where everyone has access to clean, reliable and affordable energy.

NESO's primary duty is to promote three objectives: enabling the government to deliver net zero, promoting efficient, coordinated and economical systems for electricity and gas and the economy and efficiency of energy businesses and ensuring security of supply for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

On 1 October 2024, the National Energy System Operator (NESO) was established and assumed the responsibilities previously held by National Grid Electricity System Operator (NGESO). This document is the first publication of the Regulatory Financial Reporting Pack (RFRP) under NESO, which replaces the Regulatory Financial Performance Report (RFRP) formerly published by NGESO.

This report covers the 2024/25 regulatory year, during which the company initially operated as NGESO under National Grid Group ownership. Details regarding NGESO arrangements are available in previous years' RFRP reports and are not included here. This report addresses the arrangements currently applicable to NESO.

As required by Condition G3 of the Electricity System Operator licence (ESO licence) – replicated in Condition G3 of the Gas System Planner licence (GSP licence), and in line with the Regulatory Instructions and Guidance (RIGs), this RFRP sets out the information required for the period 2024/25.

Throughout this document figures are quoted in nominal prices unless stated otherwise.



# Key Financial Measures

## 1 – Revenue Reconciliation

This table reconciles our total collected revenue to the revenue as reported in the NESO statutory accounts.

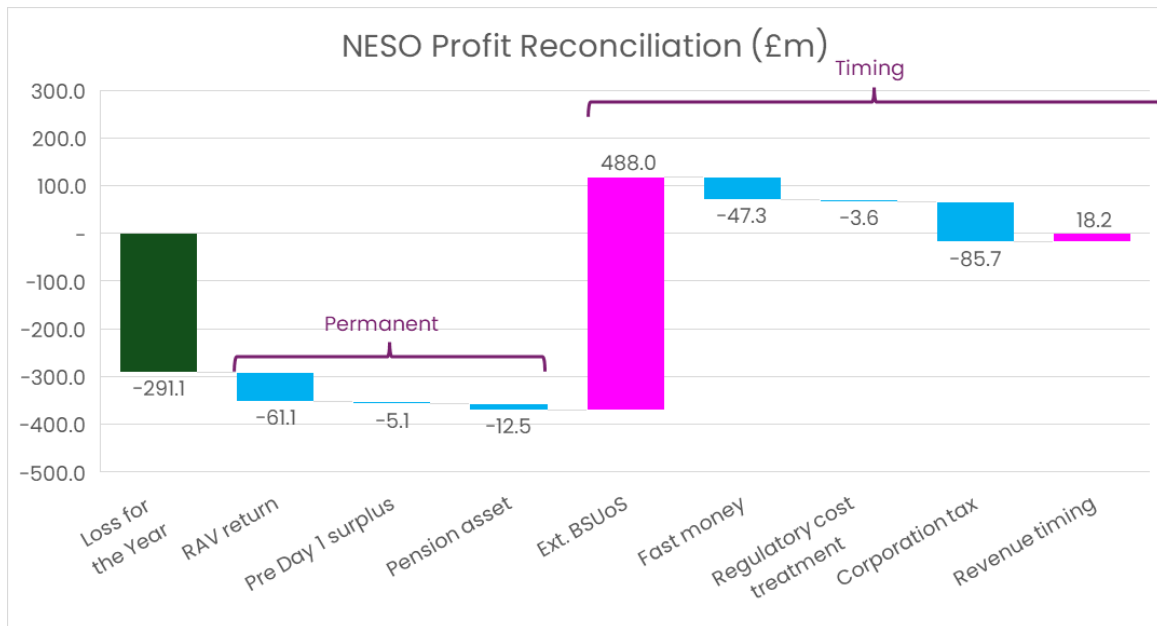
Our allowed BSUoS revenue for 2024/25 is set based on the outputs from the NESO financial model and the actual system balancing costs incurred during the year. Total allowed revenue was therefore £3,308.2m for 2024/25. Our collected revenue based on published tariffs and demand was £2,820.2m, an under collection of £488.0m. This under collection arose due to tariffs being set to return over collected revenues from the 2023/24 regulatory year.

We collect TNUoS revenues on a pass-through basis so that all revenue is distributed to industry parties or used to offset costs that NESO incurs. The revenue of £81.5m reported in our statutory accounts relates to the revenue we collect to offset costs that we incur in our role as TNUoS revenue collection agent.

## 2 – Reconciliation to Profit Neutrality

NESO has been established as a not-for-profit organisation whereby its shareholder will not receive any enduring financial return or face any downside loss. Our licence further stipulates that we must calculate revenues in a manner that ensures no enduring financial surpluses or deficits arise. The only exceptions are revenues collected with respect to RAV returns or any adjustments needed to reflect financial surpluses or deficits that arose prior to the new Electricity System Operator and Gas Planner Licences taking effect.

Our statutory accounts for 2024/25 report a loss for the year of £291m. Some surpluses and deficits are permanent, and these are aligned to the 'exceptions' outlined in our licence. The other surpluses and deficits are driven by timing differences which we expect to unwind over time and therefore do not create any enduring profit or loss.



## Permanent surpluses/deficits

**RAV Return (-£61.1m)** – the regulatory financial framework for NESO is structured to return the Day 1 Regulatory Asset Value (RAV) to the shareholder and to compensate the shareholder for the cost of providing that capital over a time limited period of seven years. For the 2024/25 period the amount due to DESNZ for RAV depreciation and return is £61.1m, which effectively generates a regulatory profit.

**Pre Day 1 surplus (-£5.1m)** – since the new not-for-profit framework only took effect from 1 October 2024, profits or losses could still be generated under the prior regulatory price control arrangements in the period up to Day 1. The ‘surplus’ of £5.1m in the period up to Day 1 was driven by a net return of interest to customers on BSUoS over collection of external revenues (£26.7m), offset by allowed regulatory returns of £14.6m, fast money received for FSO capital expenditure (£14.9m) and a true-up of revenues up to Day 1 (£5.7m).

**Pension Asset (-£12.5m)** – as part of the establishment of NESO under DESNZ ownership we recognised a surplus of £12.5m being NESO’s share of the defined benefit pension scheme surplus at the date of the change of ownership. Whilst this is reported as a credit to the income statement, this is a non-cash transaction and is outside the scope of NESO’s regulatory financial framework.

## Timing surpluses/deficits

**External BSUoS under recovery (+£488.0m)** – in 2024/25 we reported a net under recovery of BSUoS costs as we returned the prior year over collection to customers through our 2024/25 tariffs.



*Fast money (-£47.3m)* – under NESO’s new regulatory arrangements, all costs are recovered as ‘fast money’ and recovered in the year of spend. This creates a timing difference between when revenue is recognised and when capital expenditure is expensed through the income statement (via depreciation charges). Revenue for capital expenditure exceeded depreciation charges in the year by £47.3m.

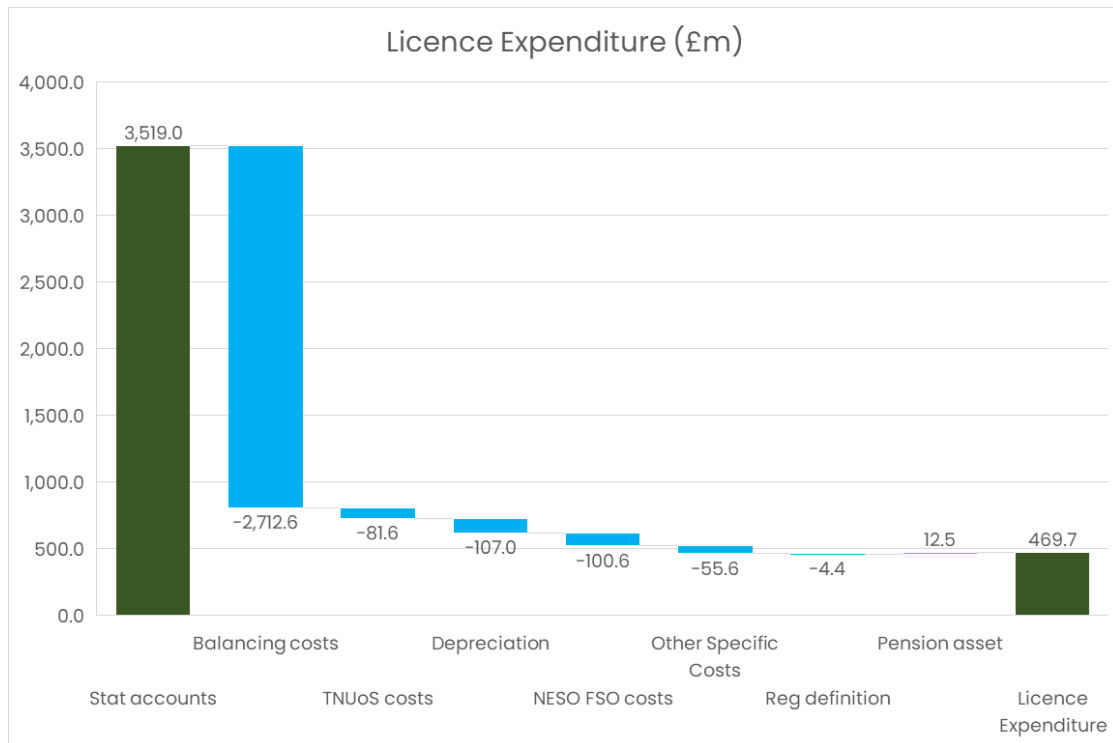
*Regulatory Cost Treatment (-£3.6m)* – within the regulatory framework some costs are recognised differently than under International Financial Reporting Standards (IFRS). For example, under IFRS some lease costs are capitalised and amortised through the income statement but expensed for the purposes of regulatory reporting and cost recovery. These anomalies create timing differences between when revenue and expenses are recognised.

*Corporation Tax (-£85.7m)* – the underlying assumption in our financial framework is that as a not-for-profit organisation there will be no permanent cash outflow for corporation tax. The only tax allowance recovered through revenue is to cover the tax impact of the surplus that is recognised through collection of revenues for the return of the RAV to the shareholder (£5.0m). Our income statement reports a tax credit of £80.7m which reflects the utilisation of tax losses generated in the year which offset tax payments made in the prior year.

*Revenue Timing (+£18.2m)* – internal revenues collected in 2024/25 are based on allowed revenues calculated and published in November 2024, using expenditure forecasts. These revenues are subsequently trued up to reflect the actual cost out turn. Based on our Regulatory Reporting Pack (RRP) for 2024/25 we expect to collect an additional £18.2m from customers through future allowed revenues in relation to the post Day 1 period.

### 3 – Expenditure Reconciliation

Total cost reported in the profit and loss account of the NESO statutory accounts is £3,207.0m (including exceptional items) plus a further £107.0m of depreciation and amortisation and a -£1.0m movement in bad debt provision. In addition, the company recorded £206.0m of capital expenditure additions within the fixed asset notes. Total expenditure per the statutory accounts is therefore £3,519.0m. Total licence Expenditure per table 3.1 in the RRP is £469.7m. The main differences are:



*Balancing costs (-£2,712.6m)* – external balancing costs are not classified as Licence Expenditure.

*Depreciation (-£107.0m)* – statutory accounting depreciation is not classified as Licence Expenditure.

*TNUoS costs (-£81.6m)* – costs associated with licence fees, cross border trading and TNUoS bad debt are recovered through TNUoS charges and are not classified as Licence Expenditure.

*NESO FSO costs (-£100.6m)* – NESO FSO costs are included within the ETE<sub>t</sub> term in the ESO Licence, though for the purposes of regulatory reporting are separately scheduled out in table 1.3 of the RRP for 2024/25 to provide full transparency and the ability to check relevant costs against caps set by Ofgem.

*Other Specific Costs (-£55.6m)* – costs such as BSUoS bad debt, innovation and NG FSO transition costs are recovered through a separate term (OSC<sub>t</sub>) in our licence and not included in Licence Expenditure.

*Differences between statutory and regulatory definitions of expenditure (-£4.4m)* – certain items of expenditure included in statutory accounts are treated differently for regulatory purposes – for example the RIGs instruct that we include costs on a cash basis exclusive of provisions and accruals and prepayments that are not incurred as part of the ordinary level of business.

*Pension Asset (+£12.5m)* – as part of the establishment of NESO under DESNZ ownership our statutory accounts recognise a surplus of £12.5m being NESO’s share of the ESPS defined benefit pension scheme surplus attributable to its employees at the date of the change of ownership. This is a non-cash transaction and is outside the scope of our regulatory financial reporting.

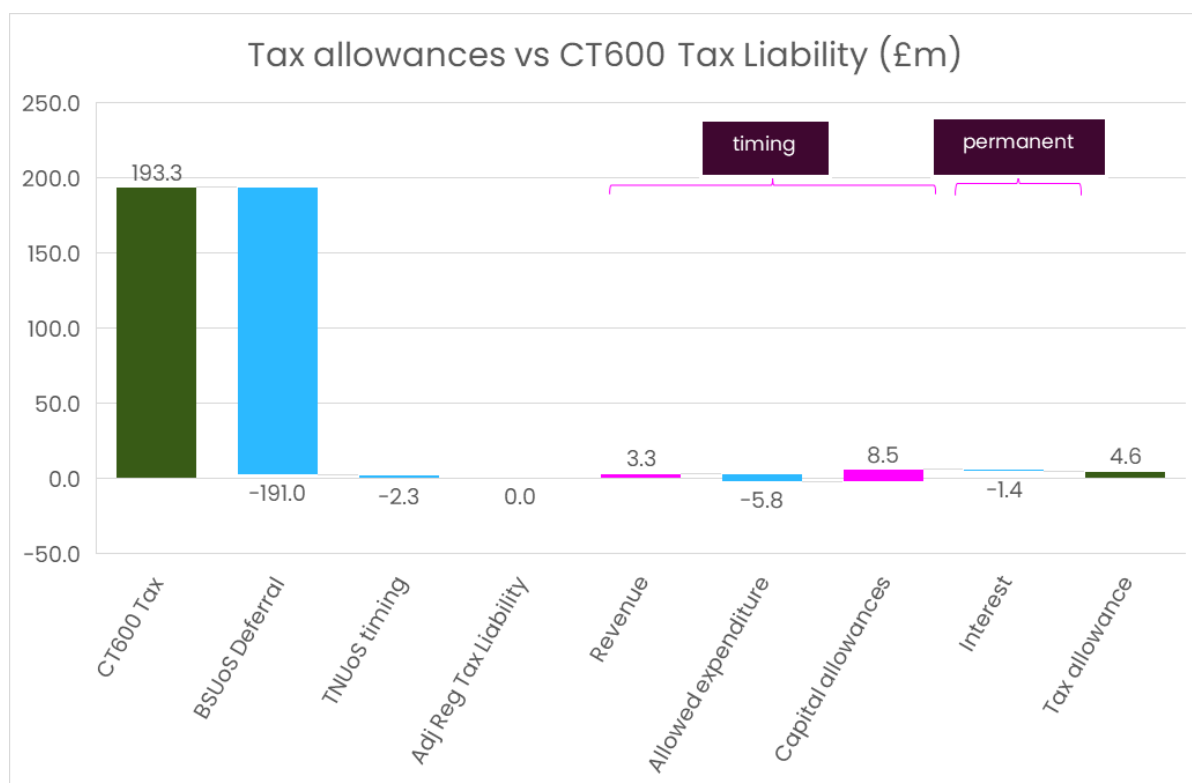




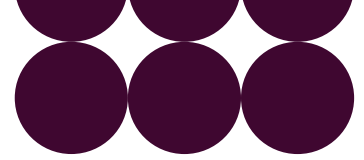
## 4 – Taxation

The tax liability per the corporation tax return (CT600) for the 2023/24 regulatory year is £193.3m. This significant tax liability has arisen because of an £824.7m over collection of external BSUoS revenues following the change to a fixed tariff regime which was implemented from 1st April 2023. This over collection is returned to customers through lower future BSUoS tariffs. In calculating the tax liability attributable to external BSUoS activities we have allocated an estimated £34.6m interest received against the net over recovery. We have also assumed that our claim for 100% first year writing down allowances (full expensing) would effectively reduce the adjusted regulatory tax liability to nil, since it is likely that without the external BSUoS profits we would have sized our full expensing claim to reduce our tax liability to nil. We have therefore assumed the remaining full expensing allowances claimed are attributable to our external BSUoS profits.

Our tax allowance for 2023/24 as calculated in the latest PCFM is £4.6m. The main differences between tax liability per the CT600 and the PCFM tax allowance are set out in the chart below.



Our CT600 tax liability includes profits chargeable to corporation tax generated from our external balancing activity as well as timing differences relating to TNUoS revenue and costs. We have excluded these items to allow a meaningful comparison of the actual regulatory tax liability to the tax allowances per the PCFM calculation (as per the adjusted regulated tax liability in table 4 row 40).



## Timing Differences

Timing differences arise either because of regulatory timing differences, such as when revenues for a particular year are recognised in the statutory accounts compared to the PCFM, or because of the limitations of the simplified notional tax calculation compared to the actual calculation in the CT600 (e.g., calculation of capital allowances). These timing differences are known and expected and reverse over time.

*Revenue (+£3.3m)* – revenue in the statutory accounts for 2023/24 was based on revenues collected per the charge setting PCFM published in December 2022. The revenue in the PCFM used for this reconciliation is based on updated variable values as per the latest legacy PCFM (provisional model to be submitted to Ofgem on 30 September) in accordance with the RFRP RIGs. Revenues in the latest PCFM are £13.2m higher than the charge setting PCFM, resulting in £3.3m higher tax allowances.

*Allowed Expenditure (-£5.8m)* – allowable expenditure for corporation tax is £23.3m lower in our CT600 than in the PCFM ‘revenue pool’ additions driving £5.8m lower tax allowances. The proportion of costs allocated to the revenue pool in the latest PCFM is based on the expected proportion of opex spend in total expenditure and is therefore 62.4%. The proportion of actual opex expenditure as reflected in the CT600 was 60.5%, resulting in lower deductions and higher chargeable profits than in the tax allowance calculation. This also results in lower additions to the capital allowance pools in the notional tax computation compared to the CT600.

*Capital allowances (+£8.5m)* – total capital allowances (including trade intangible allowances) were £209.0m per the CT600 compared to £77.1m per the notional tax calculation. In 2023/24 we elected to treat our intangible additions as additions to the plant and machinery main pool thereby allowing us to claim 100% first year writing down allowances in line with changes to UK tax legislation which came into effect from 1 April 2023. This has allowed the actual company to reduce tax payments in relation to the 2023/24 period, with exceptionally high temporary profits being driven by BSUoS over collection. For the purposes of presenting this tax reconciliation, we have allocated capital allowances to the ‘regulated entity’ so as to reduce its tax liability to nil with the balance of capital allowances being attributed to our external BSUoS activity. This results in £33.9m higher capital allowances in the actual company, a timing benefit of £8.5m compared to the notional company tax allowance.

## Permanent Differences

These differences arise due to the different regulatory treatment of items such as interest which is a notional company figure in the tax allowance compared to actual interest allowable in the tax computation.

*Interest and financing costs (-£1.4m)* – deductions for interest and financing costs in the PCFM are £15.7m and include interest on notional company debt (£14.6m) and a passthrough of working capital facility (WCF) fees (£1.2m). The actual company gearing is lower than the 55% notional company gearing with a net interest and financing income relating to BSUoS activities of £10.2m.



## 5 –Corporate Governance

NESO came into being as a government owned entity on 1 October 2024. This section explains the governance arrangements as they apply to NESO. Governance arrangements prior to 1 October 2024 under National Grid ownership can be found in the prior year submission of the RFPR.

### Corporate Ownership and Governance Framework

#### Corporate Ownership Structure

NESO is wholly owned by the Secretary of State for Energy Security and Net Zero, acting on behalf of HM Government. This arrangement was formalised on 1 October 2024, when DESNZ acquired 100% of the share capital of National Grid Electricity System Operator Ltd.

#### NESO Limited Board Members

Full Name	Role	Appointment Date
Dr Paul Golby	Chair and Independent Non-Executive Director	1 October 2024
Baroness Gillian Joanna Merron	Independent Non-Executive Director	1 April 2019 (Resigned on 10 July 2024)
Hannah Nixon	Independent Non-Executive Director	1 April 2019
Janice Elliott Crawford	Independent Non-Executive Director	17 July 2023 (Resigned 31 March 2025)
John Frederick Linwood	Independent Non-Executive Director	16 June 2020
Jonathan Paul Plummer	Independent Non-Executive Director	1 April 2019
Jayne Patricia Scott	Independent Non-Executive Director	3 February 2025
John Crackett	Independent Non-Executive Director	1 July 2025
Clare Siobhan Duffy	Shareholder-appointed Non-Executive Director	1 October 2024
Fintan Charles Slye	Executive Director	1 March 2019
Charles Pate	Executive Director	11 September 2023
Kayte Anne Eve Legge (O'Neill)	Executive Director	1 April 2019
Zoe Elise Morrissey	Executive Director	15 November 2022 (Resigned 1 October 2024)

#### Roles of Executive Directors

##### **Fintan Slye – Chair of the Board**

Fintan Slye is the Chief Executive Officer of NESO.



### **Kayte O'Neill – Chief Operating Officer**

Kayte O'Neill is the Chief Operating Officer (COO) of NESO. As such Kayte oversees NESO's delivery across energy networks and markets and the real time operations of the electricity transmission system.

### **Charles Pate – Chief Finance Officer**

Charles Pate is Chief Finance Officer (CFO) of NESO and is responsible for the financial management of NESO, together with the procurement, property, and portfolio management functions.

### **Zoe Morrissey – Legal & Regulation Director**

Zoe Morrissey is Legal & Regulation Director providing expertise in legal, regulatory and compliance matters. Zoe Morrissey resigned as Executive Director during the year.

All executive directors receive remuneration from the NESO licenced entity for services solely provided to NESO.

### **Director's Remuneration**

Full details of the role of the Remuneration Committee, Director's Remuneration Policy and the Annual Report on Remuneration are set out in our [Annual Report and Accounts](#).

The primary role of the Remuneration Committee is to determine the Remuneration Policy for NESO and to set remuneration for Executive Directors and other Executive Committee members. It also reviews NESO's wider remuneration framework and monitors related policies, ensuring that incentives and rewards are aligned with organisational performance and with the Company's purpose, strategy, values, behaviours and culture.

The Committee is responsible for establishing a framework and determining criteria for measuring the performance of Executive Directors, applying judgement and discretion when determining performance and remuneration outcomes.

The Committee is comprised exclusively of Non-Executive Directors. The members of the Committee are Paul Plummer (Committee Chair), Siobhan Duffy, John Linwood, and Hannah Nixon.

The remuneration of NESO's Non-Executive Directors, including the Chair of the Board, is set by the Shareholder. The Shareholder Director does not receive any remuneration from the Company.

### **Executive Director Remuneration Policy**

#### *Base Salary, Benefits & Pension*

Salaries are reviewed annually with any changes normally effective from 1 July. For the CEO, salary increases in excess of 6% of salary can only be made with the approval of the Shareholder. Salaries for the Executive Directors were reviewed prior to the establishment of NESO considering where appropriate new and increased responsibilities. Salaries will be set and reviewed taking into account factors such as the role, experience and performance of the individual and the business; salary increases elsewhere in the company, internal relativity and external market positioning of total reward.



Benefits are determined by the Committee and currently include private medical insurance, life assurance cover and a benefit allowance. The CEO also receives a funded health assessment. Executive Directors may participate in the Company's ISA and Flexible Benefits scheme on the same terms as other employees. There is an entitlement for the CEO and COO to family health cover with new appointments receiving individual cover only.

The pension contributions for Executive Directors are consistent with those for other NESO employees noting there are some legacy arrangements as part of the separation of the business from National Grid. The CEO participates in a defined contribution arrangement (pension plan or cash in lieu), with an employer contribution of 20% of basic salary. The CFO and any new Executive Directors, participate in defined contribution arrangement (pension plan or cash in lieu), with a maximum employer contribution of 12% of basic salary. The COO participates in a contractual defined benefit plan which provides annual benefits at 1/80<sup>th</sup> of final salary plus a lump sum of 3/80<sup>th</sup> of final salary, both applying for each year of service. Under this arrangement, increases to pensionable salary for service after 1 April 2013 are capped at a maximum of 3%.

#### *Short-Term Incentives*

The Committee determines performance measures, weightings and targets for the Annual Performance Plan (APP) each year which align to the business plan and overall business strategy. They may comprise strategic and individual goals with clear line of sight to agreed business priorities.

Payments under the plan are determined by the Committee based on performance against those metrics set which are measured normally over a single financial year and taking account of Ofgem performance assessment feedback on NESO's regulated business plan.

The Committee has the discretion to adjust the formulaic outcome of the APP. Details of how this is operated are set out in the [detailed Policy on our website](#).

Provisions whereby payments can be reduced or be required to be paid back ('malus and clawback') in certain circumstances are set out in the full Policy and apply up to the date of the APP determination and for two years thereafter.

The maximum APP opportunity for the CEO and COO is up to 65% of salary. The maximum APP for the CFO is 50%. Target opportunity is 50% of maximum where the nature of the performance metric allows such an approach. Threshold payment is set by the committee depending on the target set and will not be more than 50% of the target opportunity.

#### *Long-Term Incentives*

The Long-Term Performance Plan (LTPP) is a cash award based on the achievement of long-term strategic objectives. The Committee determines performance measures, weightings and targets for the LTPP each year which align to our long-term strategic plan. Payments under the plan are determined by the Committee based on performance against those metrics which are measured normally over a three-year period.



The Committee, in the same way as for the APP, has the discretion to adjust the formulaic outcome of the LTPP. It may also reduce or require repayment of LTPP payments in certain circumstances up to the date of the LTPP determination and for two years thereafter.

There are some long-term incentive arrangements granted by National Grid which transferred to NESO. All three Executive Directors have outstanding 2023-26 and 2024-27 legacy National Grid plc unvested LTPP awards. These awards were also transitioned as a result of the separation of NESO from National Grid plc on the same basis as the 2022-25 award.

Target award levels will be determined by the Committee each year and will be between 65 - 90% of salary. These award levels will be set out in the Annual Report on Remuneration each year.

Threshold performance will result in no more than 70% of the target award level vesting. Maximum performance will result in 130% of the target award level vesting.

#### *Operation of discretion*

The Committee has the discretion to increase or reduce incentive payments to take account of any relevant circumstances, for example, where the formulaic performance outcome does not reflect overall and/or specific business performance achievements, significant safety or service standard incidents, environmental, social and governance issues including significant breach of licence obligations and/or significant poor performance reported by Ofgem.

#### *Consideration of stakeholders*

The Committee is always mindful of the views of the views of the Shareholder and of Ofgem in determining the appropriate levels of remuneration and ensuring that Shareholder, regulator and director interests are aligned.

The Remuneration Policy set out in this report reflects the terms of the wider Remuneration policy that has been approved as per the Ofgem licence condition, and in compliance with the requirement of the Framework Document, with the Shareholder reviewing the policy for comment.

#### *Link to strategy*

Our remuneration policy provides a base level of remuneration to help us recruit, retain and engage executives with the right skills and experience, whilst ensuring an appropriate balance between fixed and variable pay. It provides a market aligned, cost effective level of benefits and appropriate retirement benefits as part of a package to recruit, retain and engage executives with the right skills and experience.

Our Annual and Long-Term Performance Plans incentivise and reward the achievement of annual performance against financial and non-financial KPIs that align to the business plan and overall strategy and the achievement of our long-term strategy.



### Non-Executive Director Remuneration Policy

Neither the Chairman of the Board nor the Non-Executive Directors participate in any incentive plans. Reasonable business expenses are reimbursed in line with the expenses policy for the business. Fees are determined by the Shareholder.

### CEO Pay Ratio

We have disclosed our CEO pay ratios comparing the CEO single total figure of remuneration to the equivalent pay for the 25th quartile, median, and 75th quartile UK employees (calculated on a full-time equivalent basis).

The ratios are based on total pay and benefits inclusive of short-term and long-term incentives applicable for the respective financial year 1 April – 31 March. The reference employees at the 25th, 50th and 75th percentile have been determined by reference to pay and taxable benefits as at the last day of the respective financial year, 31 March, with estimates for the respective APP pay-outs and performance outcomes of the LTPP and dividend equivalents.

Most employees are eligible for a performance-based annual payment. Our principles for pay setting and progression in our wider workforce are the same as for our executives – mid-market approach to total reward sufficiently competitive to attract and retain high-calibre individuals without over-paying.

### Dividend Policy

We confirm that no dividend or other form of distribution as described in the RIGs was paid in respect of the 2024/25 financial year.

We are currently finalising a dividend policy for NESO, which will reflect the need to pay dividends to the shareholder to enable the RAV at the date of change of ownership to be returned to taxpayers. In accordance with the RIGs, we set out the existing dividend policy which was approved under National Grid ownership in Appendix 1.

## 6 – RAV

Table 6 presents the closing Regulatory Asset Value (RAV) on 30 September 2024 (£369.6m in 18/19 prices), the date at which NGEN transferred into Government ownership. This RAV balance is repayable to DESNZ in the form of future dividends over a period of seven years, with a return of 3.5% per annum. The total amount due to DESNZ over the amortisation period is £556.1m, which includes a return of £48.3m.



# Data Assurance Statement

The RFRP submission has been completed in line with the Ofgem Data Assurance Guidelines (DAG) process. This mandates a fully documented 2 level review process. The overall submission and regulatory judgments have been signed off at Director level.

In summary, the following assurances were completed:

1. Assurance Template completed by Data Provider
2. First Level Reviewer
3. Second Level Reviewer
4. Independent Expert Reviewer (where deemed appropriate)
5. Director Sign Off





# Appendix 1 – Dividend Policy

1. The Company will distribute to its shareholder, surplus funds from its distributable profits, as may be determined by the Board, subject to consideration of:
  - Future liquidity requirements, including; capital expenditure, investments and working capital;
  - Any potential accounting changes;
  - The requirement to retain reserves to maintain its credit rating; and
  - Any applicable laws.
2. Calculating the amount to pay
  - The ESO must have the available **distributable reserves**. This is normally the level of retained earnings as presented in the latest financial year per the ARA. However, directors should also consider the current trading period since the date of the ARA to ensure these have not been diluted e.g., management accounts showing reported losses.
  - The ESO also needs to assess whether it will retain sufficient liquidity in the business, after the dividends have been paid, to meet debts that are falling due shortly. This is assessed by considering the **Going Concern** of the business.
  - Although technically not a limiting factor, the ESO should have consideration for **its regulatory gearing** level. Ofgem have a notional gearing level (when assessed against the value of the RAV) which if the ESO remains geared below this level means there can be no tax clawback on the level of interest paid by the company should this amount exceed its cost of debt allowance.
3. Regulatory Procedures
  - Before a dividend can be declared and paid, the ESO must provide Ofgem with a **signed certificate**, approved by the Board, that it is in compliance with its Standard Licence conditions including ring fencing; availability of resources; credit ratings; indebtedness; and the provision of information to the authority. The certificate must be approved not more than 14 days before the date on which the declaration, recommendation or payment is to be made. For final dividends, this aligns to the timing of the approval of the annual certificate.
4. Corporate Governance
  - Interim dividends can be declared by the directors alone. ESO expects to pay an interim dividend only by exception.
  - Final dividends can be recommended by directors, but it is the shareholder that makes the formal declaration at either the AGM or by a written resolution. In the case of the ESO, the Shareholder is NGH One plc.
5. Dividend Agreement Process

The process is a collaborative one, ensuring all relevant parties are aware of the anticipated dividends. The following steps will take place;

1. The ESO Finance Director is responsible for preparation of the analysis which supports a proposed **Residual Dividend Payment** for the relevant financial



period. This analysis is performed with input from the ESO business and with input from the relevant central finance functions (Treasury & Tax, Regulatory Finance and Group Finance).

2. The ESO Finance Director will present the dividend proposal to the ESO Executive for approval, after consideration, to proceed to the next governance step.
3. An informal view of the dividend payment is shared with the Shareholder and ESO Board.
4. Once alignment is gained, formal ESO Executive approved papers are brought to the ESO Board for consideration.

For interim dividends, the process stops once the Board have been presented with and considered the paper and approved the dividend. Approvals are provided to the Group banking team to process the payment from ESO to NGH One plc.

For final dividends, the additional step is for the ESO Company Secretary to advise the Company Secretary of NGH One of the proposed dividends and to arrange for the AGM to be called to approve the dividend by the Corporate Shareholder.

5. In the unlikely event of a difference of opinion between the ESO Board and the Shareholder on the level of ESO residual dividend payment, a meeting shall be convened to find an agreement. This meeting will include:
  - From the ESO: the FD, Chair and at least 1 NED
  - From the shareholder: at least two from the Group CEO, CFO and Company Secretary.



# Appendix 2 – Template Amendments

Compared to the template version published by Ofgem on 21 August 2025, some changes have been made in the submission. These changes have been discussed with Ofgem but are itemised here for completeness:

<b>Sheet</b>	<b>Cells</b>	<b>Explanation of Amendment</b>
Universal Data	D29:F38	Updated rates as supplied by Ofgem (Alaba Kolajo) via email on 23 April 2025
4. Tax	E9:I9	Formula amended to show Actuals as opposed to Forecast for one year in the past (rather than the 2 published), consistent with last year
4. Tax	Rows 52:56	Two rows inserted to accommodate list of reconciling items
6. RAV	O27:V27	Indexation rate updated to be consistent with initial Financial Model, submitted to Ofgem in September 2025 – Indexation sheet row 93

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