

# RIIO-T3

## Workforce and Supply-Chain Resilience Strategy



**National Grid Electricity  
Transmission's Business Plan**

December 2024

## Overview of this document

### Purpose of this Annex

This document sets out our Workforce and Supply Chain Resilience Strategy including our insights on the key opportunities and challenges ahead, how we plan to address these through our RIIO commitments and what is needed from others to ensure our RIIO-T3 plan is deliverable and achieves its key ambitions.

While we recognise the interdependent nature of our workforce and the broader supply chain, we have structured this annex to address each topic independently to ensure the insights and commitments for each are clearly set out. The first chapter of this annex covers Workforce resilience and demonstrates how we will develop and maintain a modern, diverse, high quality and well-trained workforce fit for the future. The second chapter covers supply chain resilience and how we will create long-term capacity and maintain maximum competitive tension to ensure value for consumers.

### How to navigate this Annex

The table below provides a short summary of each section and where information requested in the Business Plan Guidance (BPG) has been provided.

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<b>Workforce Resilience Strategy</b>		
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2.3	<b>Up- and multi-skilling our workforce</b> – Our plans to scale up our technical training, invest in training facilities and broaden our programmes to incorporate new net zero skills.	5.23; 5.26
2.4	<b>Ensuring the health, safety and wellbeing of our workforce</b> – How we will maintain a strong safety culture and ensure mental health and wellbeing as we grow.	5.23
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<sup>1</sup> These are the BPG requirements relevant to this Annex. These requirements may also be addressed in other business plan submission documents.

Section	Detail	BPG reference <sup>1</sup>
3.3	<b>Building a new relationship with the supply chain</b> – Describes our move towards strategic long-term relationships with our supply chain	5.29 – 5.32
3.4	<b>Long-term strategic relationships for ASTI delivery</b> – How we are collaborating more closely than ever with our supply chain to deliver our ASTI and other major projects at pace	5.29 – 5.32
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## Our RIIO-T3 objectives and commitments

Our plan is anchored around three ambitions, each underpinned by clear objectives, commitments and success measures for the RIIO-T3 period. These allow us to target stretching levels of performance and track progress. The specific ambitions, objectives and commitments that are most relevant to this annex are shown below:

	<i>Our Plan Objectives</i>	<i>Our Commitments: We will:</i>	<i>Success Measure / Target</i>
B2	Build social value and support consumers in vulnerable situations to have a lasting positive impact in our communities	B2.4 <ul style="list-style-type: none"> <li>Support and encourage our supply chain to maximise social value delivered</li> </ul>	<ul style="list-style-type: none"> <li>Ask all suppliers to sign up to our Supplier Code of Conduct (and re-affirm annually) which encourages them to understand the impact and value-add of their activities in the local area and wider community</li> <li>Work with our supply chain to make positive contributions and investments where appropriate, for example, by providing local employment opportunities, skills development, and workforce volunteering</li> <li>Promote diversity, equity and inclusion in our supply chain and increasing sourcing opportunities to encourage wider participation, including with small &amp; diverse suppliers</li> </ul>
B3	Represent the diverse communities we serve by maintaining our sector-leading record on workforce diversity and inclusion	B3.1 <ul style="list-style-type: none"> <li>Continue our focused efforts on diversity, inclusion and community impact to ensure we understand and represent our communities</li> </ul>	<ul style="list-style-type: none"> <li>Further improvements in gender and ethnic diversity of workforce: <ul style="list-style-type: none"> <li>&gt;Ethnic diversity of 21.4% of workforce by end of 2026/27</li> <li>&gt;Gender diversity of 25.4% of workforce by end of 2026/27</li> </ul> </li> </ul>
B4	Play a leading role in accelerating net zero and driving a nature positive future, including by reducing our own emissions and environmental impact	B4.2 <ul style="list-style-type: none"> <li>Ensure that 80% of our supply chain have formally committed to the same SBT as us</li> </ul>	<ul style="list-style-type: none"> <li>80% of our supply chain partners committed to a Science-Based emission reduction target by 2031</li> </ul>
C2	Grow our workforce capability by positioning National Grid as the best place to work in the electricity sector	C2.1 <ul style="list-style-type: none"> <li>Strengthen our workforce resilience applying industry best practice frameworks</li> </ul> C2.2 <ul style="list-style-type: none"> <li>Grow our workforce capability, targeting a wider talent pool to ensure we are able to attract, retain and engage the highest quality talent from a diverse range of backgrounds</li> </ul> C2.3 <ul style="list-style-type: none"> <li>Expand our training capacity and collaborate with industry to accelerate routes to competency</li> </ul> C2.4 <ul style="list-style-type: none"> <li>Provide access to modern and inclusive workplaces</li> </ul> C2.5 <ul style="list-style-type: none"> <li>Continue to build a high-performance safety culture that prioritises the health, safety and wellbeing of our workforce and our supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve top quartile performance in the National Skills Academy for Power (NSAP) resilience framework (once set in period)</li> <li>53% increase in workforce output by the end of RIIO-T3</li> <li>More than 1,100 trainees, apprentices and graduates onboarded by the end of RIIO-T3</li> <li>Reward and career frameworks that remain competitive</li> <li>62% increase in training hours delivered in RIIO-T3</li> <li>Increased collaboration and use of technology</li> <li>Advance safer by design working practices</li> <li>All our people have access to fair, equitable, inclusive and modern workspaces where they can perform at their best</li> <li>Maintaining upper-quartile Wellbeing Index Score</li> </ul>
C3	Deploy new strategies that give our supply chain long-term signals to invest, so we can secure the equipment and skills needed	C3.1 <ul style="list-style-type: none"> <li>Implement new "Signature Strategies" based on a portfolio and regional approach to provide long-term access to supply chain capacity and efficient prices</li> </ul> C3.2 <ul style="list-style-type: none"> <li>Deliver our ASTI and other major projects through our new collaborative and integrated HVDC framework and enterprise delivery model.</li> </ul>	<ul style="list-style-type: none"> <li>Three new strategies (substations, tunnelling and cabling, and overhead lines) implemented during RIIO-T3</li> <li>Secure supply chain capacity through our new framework to deliver critical ASTI projects and other major projects</li> </ul>

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# 1. Executive Summary

Delivering the scale and pace of growth in the RIIO-T3 plan will require a fundamental transformation in workforce and supply chain capacity and capability across the industry. It is critical that we are investing to build National Grid's workforce, positioning National Grid as the best place to work in the energy sector and developing long term strategic partnerships with our supply chain to grow capacity and capability.

By the middle of RIIO-T3, our workforce will need to be ~50% larger than it is today and our supply chain will need to be 4-5 times larger than it is today. This growth will need to happen despite global supply chain disruptions which have resulted in an increasingly constrained supply chain market, with insufficient capacity across equipment and skills/people and an increasingly competitive and tight labour market.

In RIIO-T2 our focus has been to build an agile, resilient, capable, diverse, safe and healthy workforce and a robust supply chain. We have already seen the early impacts of a constrained supply chain and are working to set the foundations for growth. By the end of RIIO-T2 we will have secured a significant amount of supply chain capacity and worked with the supply chain to plan for future growth. We will have identified and worked to start to mitigate critical skill constraints (e.g. programme managers, senior authorised persons (SAPs), commissioning engineers (CEs)) and further improved the diversity and inclusive culture across our workforce.

## Workforce Resilience

In RIIO-T3 our aim is to build on these foundations to grow our **workforce**:

- **Strengthen our workforce resilience** by applying industry best practice frameworks
- **Grow our workforce by widening and proactively targeting talent pools** and elevating our 'superpowered brand' to attract, retain and engage the highest quality talent from a diverse range of backgrounds
- **Maintain competitive reward and develop career frameworks** that support retention and upskilling
- **Expand our training capacity** and work across the industry to **innovate to accelerate routes to competency** to build a highly skilled and competent workforce
- Continue to **build and embed a high-performance safety culture** that prioritises the health, safety and wellbeing across our and our supply chain partners' workforces
- **Continue our focused efforts on diversity, inclusion and community impact** to ensure we understand and represent the diverse communities


## Supply Chain Resilience

We also plan to implement a **strategic supply chain approach** based on a portfolio and regional approach, to provide long-term access to supply chain capacity and efficient prices. Achieving the level of growth required in such a short period of time needs strong industry collaboration and transformation. Continuing with the historical transactional approach to procurement will not deliver value for consumers - there is now a strong business case for forgoing the short-term leverage delivered by spot tendering and instead creating the longer-term value which suppliers can offer when they have visibility and security to plan expansion.

The three GB TOs have been working together to generate a joined-up approach to stimulating this growth and ensure that the supply chain will be ready to deliver across the RIIO-T3 period and beyond. Our aim is to achieve:

- More certainty about the plan for the network – this is essential for the TOs having certainty about their workbooks.
- More scope to stimulate supply chain capacity, for example by reserving capacity in advance so that the supply chain can invest in expansion.
- A joined-up approach to skills, particularly those skills specific to building and operating electricity networks.

We have already established a supplier framework for delivery of the onshore ASTI portfolio: the Great Grid Partnership. This was established in April 2024. We are working with Ofgem to quantify the consumer benefit this arrangement is offering.



We also plan to take a regional approach to allocating work. We will be looking to establish a regional supplier with quantified workbooks for at least the early years of RIIO-T3 and potentially beyond depending on how quickly we can establish certainty about the customer connections required.

Our supply chain and workforce strategies set out in more detail the actions we are taking and set out the action we need from partners across government. A critical intervention will be needed from central government, to re-orient the skills and education sector to create the future workforce required for the transition to net zero.

This annex details our plans to invest in our workforce and how we will implement our strategic supply chain approach. We make several commitments which underpin our RIIO-T3 plans, and which we have developed to strengthen our overall workforce resilience and to provide long-term access to supply chain capacity and efficient prices.

## 2. Workforce Resilience Strategy

### 2.1. Context and our approach

#### 2.1.1. Our ambition

Our business and what we do for our consumers is made possible by people – our workforce and the workforce of our supply chain partners. Our workforce is a critical asset and a crucial enabler in delivering our ambitious RIIO-T3 plan – and we are investing to build tomorrow’s workforce today.

**Our objective is to position National Grid as the best place to work in the electricity sector, to ensure we can attract, retain, and develop the highest quality talent from a diverse range of backgrounds.**

Given the scale of growth required we have worked to set the foundations in RIIO-T2 for what’s needed to continue to be successful.

#### 2.1.2. Our performance so far

We have been focusing on building an agile, resilient, capable, diverse, safe and healthy workforce. Most notably, in RIIO-T2, we have:

- Increased the scale of our workforce by 30% in the last year. By the end of RIIO-T2 we aim to fulfil our workforce demand through mechanisms such as recruitment, retention and efficiency.
- Delivered 203,816 days of technical training to develop our Apprentices, Graduates, Direct Hires and to upskill and reskill our workforce.
- Chaired the Energy Utility Skills Cross Sector Delivery Board and National Skills Academy for Power, working together to develop an annual sector-wide Strategic Workforce Plan (SWP).
- Invested in building the next generation of talent – onboarding 621 new trainees (apprentices and graduates) and partnered across industry on skills within schools and communities.
- Invested in our leadership, culture, and how we communicate our strategy to colleagues, resulting in 88% of our colleagues understanding our vision and 90% understanding how their work fits into the bigger picture (Grid: voice 2024 colleague survey).
- Created a more diverse team with an increase in women in our workforce from 14.9% in March 2020 to 21.7% in September 2024, and an increase in ethnic diversity from 12.2% in March 2020 to 19.1% in September 2024.
- Focused on creating a safe, inclusive work environment resulting in an increase in the Wellbeing Index, a measure of overall wellbeing, from 81% in 2024, up from 75% in 2023.

**This has laid a solid foundation for how we will build the workforce to deliver our RIIO-T3 plan.**

#### 2.1.3. Our strategy has been informed through stakeholder engagement

Our strategy has been developed to address the needs and priorities of key stakeholders. Engaging with a wide array of views, including from our colleagues and trade unions, has shaped a strategic framework that reflects diverse interests. Our strategy:

- Provides clarity and confidence to government and regulatory bodies that we are on track to meet energy transition targets;
- Supports industry partners with actionable frameworks to build capabilities, attract talent and enhance supply chain resilience; and

Aligns with local communities by creating jobs, training opportunities and partnerships that ensure a just and equitable transition.

**Table 1: our stakeholder engagement**

<b>Stakeholder</b>	<b>How have we engaged? What have we learned?</b>
Our colleagues	We engage our colleagues with regular communications, through our intranet and email platforms. We have a cadence of townhalls aimed at leaders and all employees at both a department and cross-ET level. There are also several informal engagement events and site visits to give colleagues a chance to talk directly with senior leaders. We capture sentiment formally through a twice-yearly employee survey, which produces qualitative and quantitative data, used by leadership groups to inform our engagement and transformation work.
Trade Unions	Trade Unions play a critical role for fair labour practices, worker rights and equitable opportunities for the workforce. We have engaged with our recognised Trade Unions through our established forum framework to receive feedback.
Supply chain	We have engaged our supply chain partners in a recent Voice of the Supplier exercise. Three key sentiments were consistent from respondents: the collaborative, professional and knowledgeable approach from our teams, recognition of our efforts to improve supplier relations with significant progress noted and need for better coordination on communication and ways of working.
Customers	We have closely engaged with the Independent Stakeholder Group (ISG) which is comprised of leading industry experts from organisations such as Citizens Advice, UKPN and Sustainability First. It has scrutinised and challenged on our plan.
Consumer Bodies	We conducted market research to capture the views of 4,680 nationally representative members of public; micro, small, medium businesses; industry, industry consumers, regional partners. This identified a preference to prioritise support for vulnerable customers and those most affected by deprivation when investing in communities. There was also support for creating long-term career opportunities within the electricity network (for all ages and reskilling for those returning to work), assisting with local skills development and employment opportunities and prioritising young people (e.g. education and upskilling with a focus on Science, Technology, Engineering and Maths / Environment Education)
Community Engagement	We have engaged with communities through regional workshops and community meetings. Where we are proposing infrastructure projects, we partner with local authorities and community groups to deliver strategic benefits, such as the Community Grant Programme, which supported 51 community organisations in 2023/24. By understanding the local context and engaging regional stakeholders, we can address their priorities on skills and employment, whilst driving positive impacts in host regions.
Local Councils	We have engaged local and regional councils and continue to do so as we develop our major projects and the Community Benefit Framework associated with them. Alongside our project engagement, we are seeking to understand needs and aspirations of local communities and key stakeholders, such as Local Authorities, to inform our community benefits plans.
Distribution Network Operators (DNOs) and other Transmission Operators (TOs)	We have engaged and collaborated with the DNOs and the other TOs through the Energy and Utilities Skills Alliance to share best practices, optimise resources and address common challenges. For example, we have collaborated on a set of common metrics for workforce resilience. We have also collaborated on a Social Return on Investment (SROI) calculator alongside other network companies to drive a common approach to social value measurement.
Government and the Regulator	We have actively engaged to address skill challenges in the energy sector. We have done this through the Green Jobs Delivery Group, Migration Advisory Committee and advising the government on apprenticeship levy reform. Our participation in these forums and initiatives helps drive reforms, such as the development of comprehensive occupational maps, apprenticeship levy reform, and the review of engineering visas.



### 2.1.4. Our approach: building our RIIO-T3 Workforce Resilience Strategy

In addition to stakeholder input, our Workforce Resilience Strategy is based on:

- An analysis of our strengths, weaknesses, opportunities, and threats (SWOT); and

### 2.1.5. The outputs of our comprehensive Strategic Workforce Plan.

**The next two sections cover each in turn and describe the steps we have followed to develop our Workforce Resilience Strategy.**



### 2.1.6. Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

We have undertaken a SWOT analysis of our business, considering the key strategic challenges and opportunities for RIIO-T3. The first, is the increasing skills shortage in the UK energy sector, particularly within specialised technical competencies and skills where there is growing demand. With short supply of talent and growing demand for it, this is already creating high levels of competition to attract, recruit and retain talent. The second insight is the increasing and accelerated rate of technology development and innovation.

The adoption of cognitive artificial intelligence (AI) will have profound impacts on how we execute work, increasing the need to invest in upskilling and reskilling initiatives for our people – both to stay relevant to emerging critical skills as well as to enable innovation in how we onboard and develop competence in a growing workforce. Furthermore, the need to create sufficient certainty in our plans to ensure the industry can make the investments needed to facilitate growth is crucial. This requires strong collaboration across the industry and clear support from government and regulators. Figure 1 below summarises the outputs of our SWOT analysis.

**Figure 1: SWOT analysis**

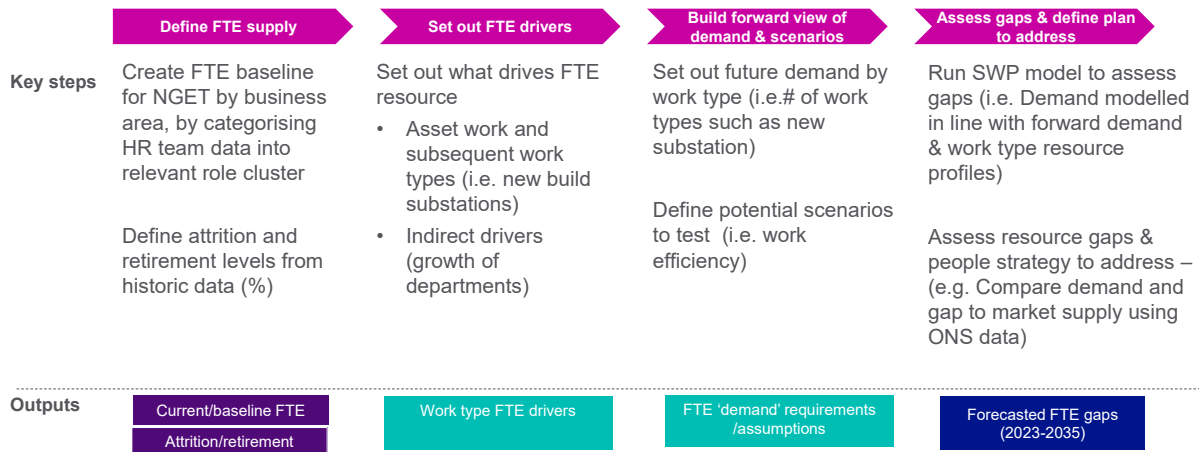


**2.1.7. Our Strategic Workforce Plan**

Successfully delivering our RIIO-T3 investment plan is reliant on us having a robust understanding of our future workforce needs. As part of our deliverability work, we assessed both our future workforce needs ('demands') as well as our ability to secure these in the current market ('supply') to identify where we may face critical constraints. We have set out how we mitigate them in this Workforce Resilience Strategy.

We developed an understanding of our resource needs through a data driven workforce planning process to create a Strategic Workforce Plan (SWP) for our business. Figure 2 below sets out our SWP methodology to define our current workforce supply, model FTE drivers, assess scenarios and gaps to inform our people strategy and plan.

**Figure 2: Strategic workforce plan methodology**



Our SWP calculates a ten-year FTE forecast by using a range of workload drivers and an estimate long term investment plan. These drivers include, i) Growth of network: to understand future resource requirements for asset maintenance, and ii) Capital projects: delivery of construction projects for transmission infrastructure.

The SWP is grounded in our current as is organisation and takes into consideration [redacted] attrition/retirement levels, and productivity. Our SWP is built to dynamically estimate our workforce down to the role level based on an input investment plan. We can therefore assess a range of future workforce scenarios across all

the different type of work we do – which enables us to get clear on critical resource needs and to model the impact of investment plan scenarios and changes.

## Our SWP uses a framework to link capabilities to roles

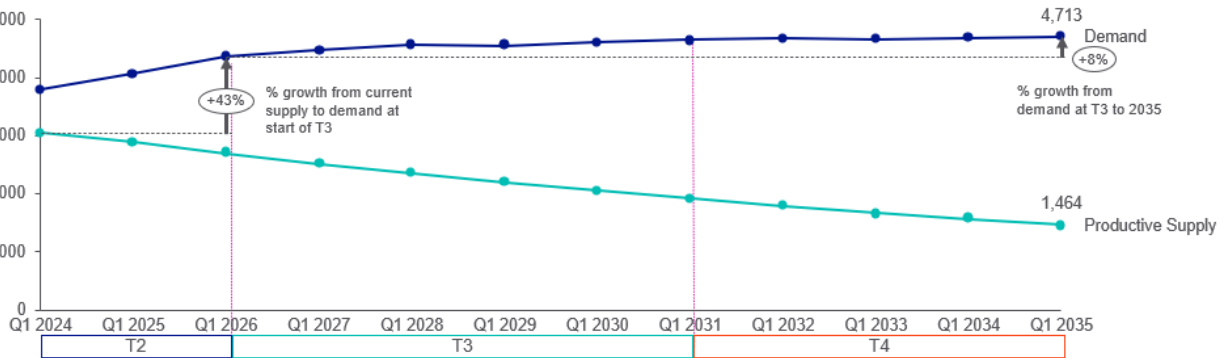
Our full model considers 2,000+ roles across our business; we've shown a high-level extract below

Hierarchy	Cluster (NGET)	Position Title	
Crafts	Crafts	Associate Craft Person, Substation Worker	Substation Craftsperson
	Lineworker	Substation Craft Assistant OHL Area Support Craftsperson OHL Craftsperson	
Engineering	Substation Engineer	Deeside SAP Substation Engineer	Substation HVDC Lead Engineer
	Substation Supervisory Engineer	Advanced Senior Engineer	Substation Supervisory Engineer
	Control Engineer/TNCC	Control Engineer	Senior Control Engineer
	Power Systems Engineer	Ass. Power System Engineer Power System Engineer	Designer, Electrical Planning and Design Engineering
Project Management	Connections Engineer	Assistant Connections Engineer Lead Connections Engineer	Connections Engineer
	Consents	Assistant Consents Officer Marine Consents Officer	Consents Officer
	EPC Project Manager	Assistant EPC Project Manager EPC Project Manager, Marine Tunnel Project Engineer	EPC - Project Manager HVDC Project Manager
	Quantity Surveyor	Associate Quantity Surveyor	Lead Quantity Surveyor
		Lead Quantity Surveyor / NOI Quantity Surveyor	Lead Quantity Surveyor, Quantity Surveying
Specialist/Other	Analyst	Senior Data Analyst, Management Data Analysis Product Engineer	AO Business Plan Cost Analyst
	Analyst/Business Planning	Outcomes Development Analyst	
	Specialist/Field Safety	Specialist Advisor, Safety Management	
	Specialist/Social Responsibility	Corporate Social Responsibility Officer	
	Specialist/Strategy Development	Strategy Development Lead	

Based on our RIIO-T3 investment plan the SWP forecasts that our workforce output would need to grow by up to 53% to ~ 4600 FTE by<sup>2</sup> the end of RIIO-T3 as compared to the baseline FTEs as of June 2024. Most of that growth will happen during our current RIIO-T2 period: an increase of 43% ~4,350 of FTE is needed before April 2026.

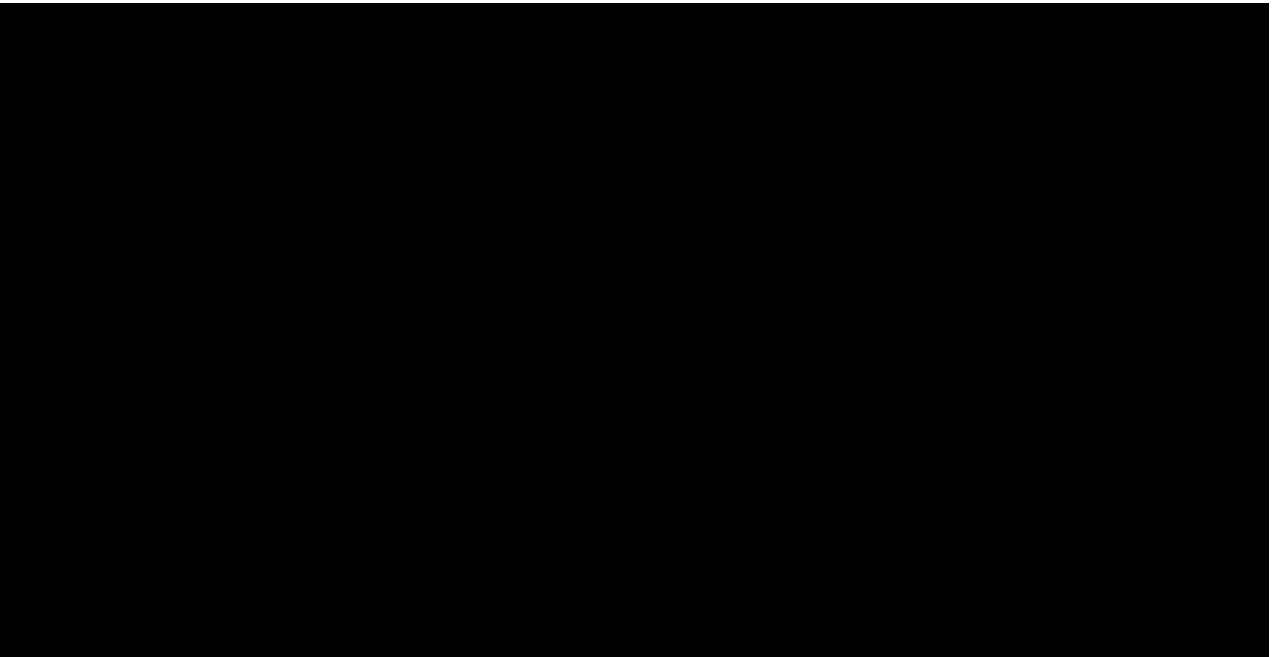
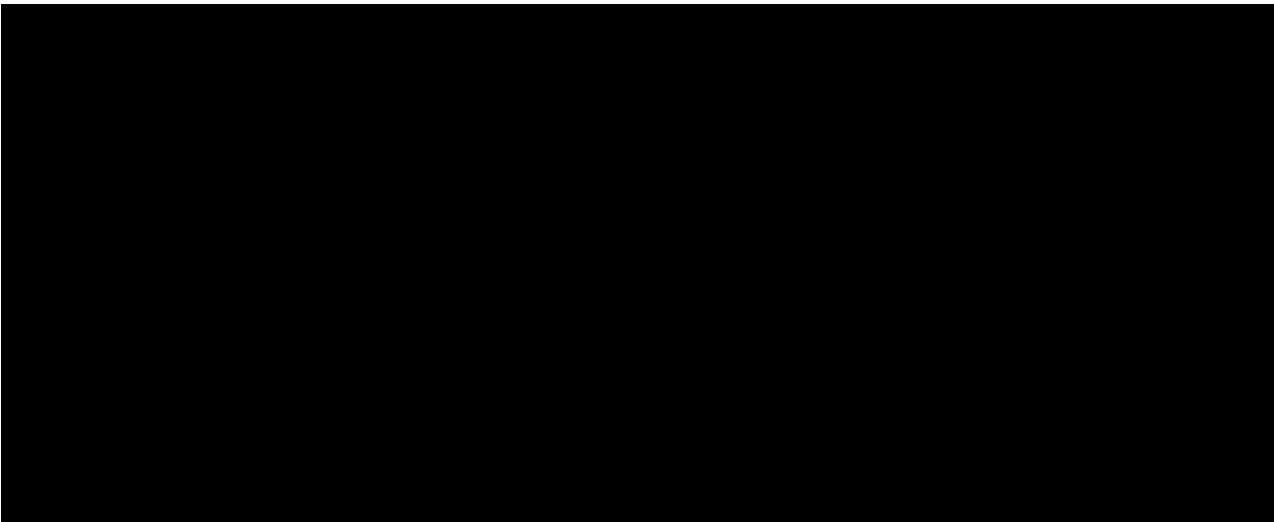
Figure 3 illustrates the full output of our projected workforce demand. The productive supply line reflects predicted attrition, and the demand line reflects the forecast of FTEs forecasted to achieve the investment plan. These figures are exclusive of support functional roles and only include roles that form part of the core business (operations and delivery).

**Figure 3: Strategic workforce plan output**



The SWP analysis at a role level creates clarity on where growth is needed and over what time period.

<sup>2</sup> This assumes a 37-hour working week, historic levels of attrition and 2024 levels of productivity.



The five role clusters with [redacted] the biggest delivery risk are: consents, specialist/field safety, transmission engineer (design assurance), overhead line (OHL) engineer, Substation Engineer (Senior Authorised Person (SAP/)) Advanced Commissioning).

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<sup>3</sup> EPC Project Manager includes some current FTE in 'supply uplift' category due to development requirements

Addressing key gaps in these critical skills requires a comprehensive and strategic approach that considers the key challenges for each role/skill and sets out targeted approaches to attract and recruit, develop and retain individuals. This approach is iterative and needs to be adaptive to ensure that our strategies and approaches reflect the dynamic external market and context.



Our SWOT analysis, alongside the outputs of the SWP are the basis for our Workforce Resilience Strategy. The next sections set out the five central elements of our strategy:

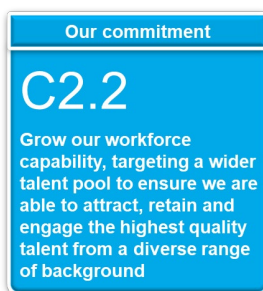
- 2.2 Attracting and retaining staff
- 2.3 Up and multi-skilling our workforce
- 2.4 Ensuring the health, safety, and wellbeing of our workforce
- 2.5 Improving DEI, workforce motivation, productivity, and colleague satisfaction
- 2.6 Measuring workforce resilience
- 2.7 Managing uncertainty

## 2.2. Attracting and retaining staff

### Key Points:

- We will grow our workforce capability **by positioning National Grid as the best place to work** in the electricity sector.
- We **forecast a 53% increase in workforce output** by the end of RIIO-T3, with most of that growth needed by 2026.
- We will do so through **targeted talent acquisition** and **proactive resourcing, elevating our brand** as an employer through **leveraging technology**, developing specialised talent programmes to address specific skills gaps, and **fostering our pipeline of future talent by expanding our offering to apprentices and graduates**.
- We will reduce our attrition, especially in constrained roles, by ensuring our pay is **competitive, fair, and transparent**, providing clear career development pathways and making training widely available.

### 2.2.1. What are we doing to attract talent?



We have a solid understanding of the skills we need to hire from our SWP. Our resourcing team have dedicated Sourcing Specialists that explore market and talent insights, plan for mass hiring campaigns, directly target passive candidates for our critical roles and build and maintain talent pools of candidates for both experienced hire and new talent. Our talent pipelines are organised around specific skills and capabilities and hiring managers can access these pools when they are filling vacancies. To ensure a diverse, inclusive, and highly skilled workforce we are pursuing a more targeted outreach to underrepresented groups and taking proactive measures to remove unnecessary entry requirements.

We will leverage employee led stories and “day in the life” media to showcase our strong and positive culture and provide prospective candidates with an engaging and authentic perspective of what it is like to work at National Grid.

The use of contractors and engineering services offers flexibility in how we bring in critical skills and can expand our talent pool. Contractors provide specialised expertise on demand, enabling rapid deployment of critical skills whilst offering flexibility to scale resources as needed.

Engineering services can provide a wide range of options from fixed /short term support to long term dedicated resources and capability and enables us to access offshore talent pools. We are working with our engineering services partner to explore an expanded offering to help address critical skill gaps and drive productivity. We are also exploring the potential need for international recruitment for critically constrained roles that require individuals on site in the UK and are difficult to fill locally.

### 2.2.2. Elevating our brand as an employer and leveraging technology

Building our employer brand to attract a highly skilled and diverse workforce is a key focus. Our aim is to be recognised as an industry leader in sustainable energy and an employer of choice with a culture that fosters inclusion and diversity. Our values, sustainability efforts and the opportunity to contribute to the energy transition are at the heart of our “superpowered” branding. By showcasing our inclusive culture, career growth and commitment to diversity and inclusion, we aim to attract top talent who share our values.

To enhance our recruitment efforts, we are embracing new technology solutions. For example, we use digital platforms and social media channels to showcase our brand and attract potential candidates. We gather market intelligence and insights into our competitiveness in the market for critical skills by staying in regular contact with our talent pools. We also use LinkedIn Insights to access data on candidate locations, educational backgrounds, current employers and more. This helps us tailor our recruitment approach by role, determine the resources needed, and evaluate our diversity and inclusion efforts for equal opportunities and representation. There are positive signs our strategies are working. Our applications are up 9% for the year with a material amount of that growth in the last 3 months.

### 2.2.3. Fostering our early careers talent pipeline

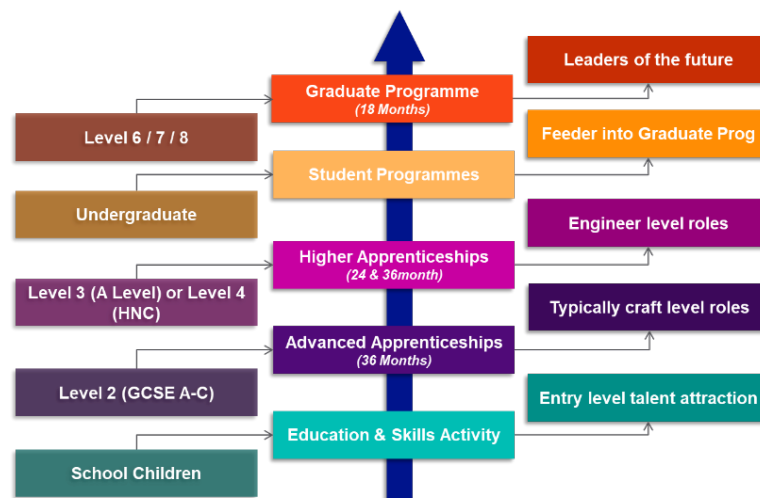
Building and developing our early careers workforce has played an important role in ensuring we refresh and build a long-term pipeline of talent. For RIIO-T3 this continues to be a focus, especially considering the longer-term investment needed to enable net zero. To do this we are expanding our apprenticeship and graduate programmes to scale the volume and widen the pool of early career talent we bring into the organisation.

Apprenticeships: Our existing Ofsted Outstanding rated Level 3/4 Advanced and Higher Apprenticeship programs are 3-year schemes to develop operational craft and substation engineers which creates a pipeline of talent to develop into senior authorised persons (SAP) and commissioning engineers (CEs). We are proposing to expand our offerings to include Level 2 Apprenticeships and Direct Hire upskilling programs. These initiatives will broaden our talent pool and provide opportunities for individuals that do not currently meet the requirements of our other programmes and have the right skills and potential.

Graduates: Our programmes today bring in talent in a wide range of roles such as Quantity Surveyors, Substation Engineers, Power Systems Engineers, Project Controls, Consents. These programmes have been successful in creating talent that gain cross-functional experience through the scheme, with ~50% moving to management within 10 years.

We are also creating specialised talent programmes to address specific skills gaps that are emerging such as Cyber, HVDC, Overhead Lines, and Transmission Engineers. These specialist training schemes provide targeted skills development and address specific workforce needs. Figure 6 summarises our early career programmes for individuals with different levels of experience.

**Figure 6: Summary of our early careers programmes**



### 2.2.4. What are we doing to retain our people?

In today's competitive job market, retaining top talent with critical skills has become a significant challenge. To date, our efforts to retain colleagues overall have been successful. Our overall attrition has held broadly stable. In our last internal Grid: Voice colleague survey 73% of our colleagues said they intend to stay in our organisation more than 5 years and 15% intend to stay 3 to 5 years. However, nearly half of the voluntary leavers over the past 12 months had less than 2 years of service suggesting the ability to retain early career talent could become increasingly challenging. In addition, there are specific roles where attrition remains higher than the average (FY24 rates): Power Systems Engineer (12.5%), Connections Engineer (12.9%), EPC Project Manager (6.3%), and Substation Engineer (5.9%). Unsurprisingly, these are all critical skills and roles to delivering the future growth in network investment. Therefore, our retention strategies need to continue to evolve and adapt to the increasingly competitive labour market.

### 2.2.5. Reward and our Employee Value Proposition

Our reward strategy is a critical element of our ability to attract and retain talent. We have a broad reward strategy which in addition to pay includes a wide range of benefits designed to anchor an employee value proposition (EVP) to support employee wellbeing. Our offering is rooted in independent market benchmarks to ensure we remain fair, transparent, and competitive. We formally assess our pay against the market annually to understand how the market has evolved and ensure we are competitive. However, as the labour market has become increasingly constrained, and others are competing for talent, we are seeing more material movements in reward in year.

We also regularly review our benefits programme to ensure it remains competitive and meets the needs of our workforce. Our benefits range from healthcare and retirement plans to an Employee Assistance Programme (EAP) that provide colleagues with peace of mind and a sense of security. We prioritise work-life-balance and employee wellbeing to create a positive culture. We offer flexible work arrangements, including working from home, job-sharing, part-time options, and condensed hours. These practices demonstrate our commitment to valuing our colleagues and their wellbeing. We provide support to colleagues during times of illness, bereavement, maternity, and paternity. Our policies and procedures are designed to offer appropriate support and flexibility including shared parental leave and enhanced benefits to accommodate health related issues and family responsibilities.

As a company that values inclusivity and diversity, fairness and equity are at the heart of our reward strategy, and we are committed to provide all colleagues fair and equal pay. We are accredited by the Living Wage Foundation, a commitment which extends to our contractors and the work they do on our behalf. We also go above the Living Wage requirements and voluntarily pay our trainees the Living Wage. We undertake a Living Wage review each year to ensure continued alignment and promote the commitment to our suppliers. We also review gender and ethnicity pay gaps annually. Our UK base gender pay gap continues to be minimal and we have also shown progress with pay and incentives gaps for ethnically diverse colleagues with a focus on progression and advancement.

Throughout R10-T3 we will continue to assess the market and ensure we are responding with competitive reward strategies that incentivise retention and upskilling across our workforce and provide our colleagues with benefits that create attractive EVPs.

### 2.2.6. Building career frameworks that support retention and upskilling

We recognise that building a resilient and adaptable workforce requires more than just skills development, it also necessitates a clear structure for career progression opportunities. In line with this vision, we are actively developing career frameworks that provide employees with clear and defined pathways for growth. Some of the key areas of focus include:

- **Project Management:** recognising the unprecedented growth in large capital projects and the demand for skilled project management professionals, this framework offers multiple entry points into project management, enabling employees from various technical and operational backgrounds to enter this career pathway.
- **Consenting:** As the number of projects requiring complex environmental, legal, and regulatory approvals is increasing rapidly, the role of consenting is very important to timely delivery of major infrastructure and requires varying levels of experience and development in our consenting team.
- **Construction Development Programme (CDP):** We will expand our CDP to introduce career conversion programmes. These programs are designed to bridge the gaps in industry specific knowledge for roles such as Project Managers, Project Supervisors and Quantity Surveyors. By leveraging the existing skills of these professionals in other fields and providing targeted, accelerated training in construction we can address skills shortages more rapidly. We have seen huge growth in interest in this expanded programme with applications at nearly 2,000 this year versus 400 in the previous year.

#### Construction Development Programme and Grid for Good

The CDP scheme is a unique career conversion and Reskilling program that provides individuals with limited construction experience a pathway to become a successful within a project management role.

Lewis joined National Grid on a temporary contract through Grid for Good via charity partner catch 22. His experience on site and developing competencies meant he successfully passed his six-month assessment and proved to be a good candidate for the Construction Development Program (CDP).

*"I knew this was a major opportunity and having experienced setbacks in my career in the past, I grabbed this chance with both hands. I'm so proud to work with such great people."*



## 2.3. Up – and multi-skilling our workforce

### Key Points:

- We are **increasing our training days** over the RIIO-T3 period by **62%**.
- We are also **scaling up our capacity for technical training by investing in our training centre** and broadening our programmes to incorporate a range of new net zero skills.
- We are investing £50.8m to increase our training capacity, £2.24m in augmented/virtual reality and £3m in a Learner Experience Platform.
- We are also **simplifying our authorisations requirements** and working with industry to develop innovative new routes to competency so that our engineers, especially in critical roles, can **reach competence quicker**.

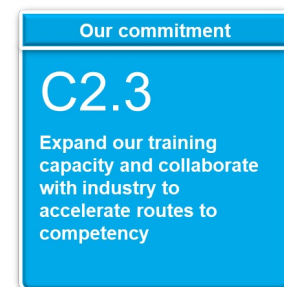
### 2.3.1. Meeting increased training demand

The accelerating growth in our workforce significantly increases the demand for training and upskilling. As the workforce grows it is crucial to ensure that our training and development programs are scalable in the time frames needed. In response to this challenge, we are proactively scaling our training capacity and developing /customising learning pathways to align individual career trajectories. By offering modular and flexible training plans, we empower workers to develop the specific skills they require for their roles and career progression.

Our centrally located, Ofsted registered, residential training facility serves as a hub for delivering a high-quality in person training experience. In RIIO-T2 we have invested to transform our learning provision to accommodate growth in the most cost-effective manner:

- **Transitioned from Classroom to Virtual / Digital delivery:** Technical Training from 6 to 30% virtual and Leadership Development from ~ 20 to 80%.
- **Introduced in-house Design and Innovation capability:** Enabling low cost, high quality digital product design and AI supported content build.
- **Appointment of a group wide Managed Service Provider:** ensuring optimal cost and quality externally delivered training provision to complement our in-house specialist technical training team.
- **Strengthened external engagement / collaboration:** we chair the Energy Utility Skills Delivery Board and National Skills Academy for Power in addition to supporting the UK Green Jobs Delivery Group.
- **Expansion of our Training Centre Resources:**
  - Constructed a Cyber Security Training Suite and deployed a range of Cyber Security training programmes.
  - Installed new switchgear to train our workforce to install and maintain our assets reducing our operational costs.
  - Installed a brand-new design of overhead line at our training centre which following testing will enable us to train our workforce to upgrade our 275kv network to 400kv.
  - Optimised Training Centre utilisation by delivering technical training local to the point of work where possible, reducing training centre demand by ~ 50% and subsequently reducing the RIIO-T3 investment for training centre expansion.

For RIIO-T3 we are continuing our efforts to scale for growth. Our annual training days delivered in FY24 for our operational workforce was 45,125, rising to 71,125 in FY25 and 119,040 by FY28 (noting that when support function workforce training days are included the increase is from 51,000 in FY24 to 77,000 FY25 and 125,000 by FY28). We are extending the number of courses being delivered for both our substation and overhead line engineers to accommodate the growing demand from both new hires and existing employees. Currently our residential training facility is equipped with 93 bedrooms which we plan to increase to 160 providing cost effective safe guarded accommodation to service the



increased demand. In line with our commitment to excellence we are modernising our training facilities creating leading edge learning spaces. These facilities enable us to replicate real world scenarios, providing employees with practical experience that mirrors workplace conditions.

To further support the increased demand for training and to ensure that our workforce receives the practical, hands-on experience they need, we will be piloting additional training locations.

These satellite training facilities have the potential to enable further on the job training simulations to replicate real-world scenarios and increase the competence and skill set in our workforce

### 2.3.2. Leveraging technology to transform training delivery

As part of our ongoing commitment to modernising training delivery we are seeking to invest to further leverage technology<sup>4</sup> to enhance the learner experience and improve our training outcomes. To adapt to the growing need we have diversified our training offerings, incorporating hybrid learning models that combine in person, hands on learning with online and virtual training modules.

One of the most significant changes in our approach to workforce development is the shift towards technology enabled training. Traditional in person methods have limitations, particularly when it comes to scalability as well as consistency and repeatability. To overcome these challenges, we are planning to further enhance our range of digital tools to provide more flexible, accessible, and impactful training.

Virtual Reality (VR) and Augmented Reality (AR) technologies are being explored to create immersive training programs, allowing workers to experience lifelike situations. By incorporating VR and AR into our training we can provide realistic and interactive simulations that enhance learning outcomes.

Online learning platforms have become an integral part of our training delivery. Approximately 30% of technical training and 80% of leadership training is now delivered virtually. This approach allows us to effectively deliver training while minimising the impact on our training centre resources. By embracing and leveraging virtual training, we aim to reach a wider audience and provide flexible learning options to our colleagues. To optimise efficiency and reduce travel time, we understand the importance of delivering training locally whenever possible. Approximately 50% of our training is now conducted local to the point of work, ensuring that colleagues can receive training without significant disruptions to their schedules.

In addition, we have implemented online assessments to strengthen the validation of workforce competence. These assessments allow us to measure employees understanding of key concepts and ensure they meet the required competency levels. Furthermore, we are developing comprehensive e-learning training packages within our control room training curriculum, reducing reliance on trainers, and enabling them to dedicate more time to on-the-job training. These e-learning packages provide comprehensive coverage of the principles necessary for effective control room operations.

### 2.3.3. Reducing complexity and accelerating time to competence

As we consider the material amount of upskilling and training and the timescales in which it is required, it is clear we will need to scale our ability to train and develop our workforce rapidly and employ innovative ways to build competence faster and streamline and simplify training requirements across the industry.

Training is an important element in several critically constrained roles, for some roles the time to competence is 3-4 years which means resources need to be hired well in advance of their deployment into the workforce. This is particularly true for positions that involve extensive on the job training such as substation engineer, commissioning engineers and overhead lines. Experienced hires are a part of the solution to addressing constraints in the short term whilst early recruitment is essential to ensure we have the necessary skilled workforce for the longer term.

Across our control room roles, we are accelerating learning pathways for employees with previous experience or relevant skills, accrediting prior learning, enabling faster deployment. For those that are

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<sup>4</sup> Refer to annex A05: Digital Strategy & Action Plan for more information on our investments to deliver digitalisation initiatives and digital actions.

entering the sector without prior experience we provide comprehensive training programs that offer step by step approaches to acquire the core skills required for their roles.

To address this, we are focusing on accelerating the time to competence for these roles while maintaining the quality of training and upholding out high safety standards. For example, we are standardising on the job training across our operational roles to ensure employees across different locations and projects receive consistent, high-quality training. This approach will reduce the variability in how skills are acquired and ensures that workers are fully competent. To further streamline our broader training delivery, we are reviewing existing programs to re-deploy them as modular trainings where applicable. This enables employees to learn at their own pace and can reduce the time to competence as well as enable more customised training plans for different roles and career stages. Technology will also play a key role in accelerating time to competence, providing additional simulated or assisted learning 'on the job' type of training to increase the amount of practical learning experience.

Another critical aspect of our workforce strategy is simplifying our authorisation processes and requirements to ensure we are enabling efficient routes for our operational team to achieve levels of technical competence. In addition, we are taking a more proactive approach to develop individual development plans to achieve authorisations. In doing so we can be more deliberate in deploying individuals to ensure they are getting the right levels of experience required and building the skills needed efficiently to gain authorisations.

We are also working to harmonise training standards across the energy sector ensuring that qualifications are transferable and widely recognised. This eliminates the need for repetitive training and speeds up workforce readiness. One key initiative is the development of occupational maps and competency passports, which provide transparency and standardisation of skills across the sector. This facilitates talent mobility and allows individuals to effectively showcase their capabilities.


#### 2.3.4. Leading industry collaboration

As a leader in the energy sector, we understand that addressing future workforce needs requires a collaborative approach that extends beyond our organisation. We are taking a leading role in bringing the industry together to collectively identify the emerging skills required to meet the challenges of tomorrow. This involves active engagement with industry and government stakeholders to ensure that the entire sector is aligned on the key skills and capabilities that will be critical to the future of energy.

By facilitating these discussions and driving cross sector partnership we are ensuring that training and development programs across the industry are forward looking and capable of supporting the UK's transition to a low carbon energy future. We chair the Energy Utility Skills Cross Sector Delivery Board and National Skills Academy for Power.

Through these partnerships, we work across the sector to develop an annual sector-wide Strategic Workforce Plan (SWP). This collaborative approach enables sector wide alignment on driving critical strategic objectives such as sector attraction, diversity, equity, and inclusion (DEI), skills development and apprenticeship standards. This has in turn enabled us to work closely with the Institute for Apprenticeships and Technical Education (IfATE), to ensure timely development of apprenticeship standards to meet new skills needs.

To promote STEM careers, we will continue to build on collaboration with professional engineering institutions, accrediting our programmes and providing opportunities for continued professional development. These partnerships foster a culture of continuous learning, keeping our



### Collaboration Case Study

**An example of our leadership in cross-industry skills development is the collaboration with our overhead lines supply chain contractors.**

- We have gained agreement to standardise role taxonomies and to utilise our collective training facilities in a coordinated way, maximising utilisation.
- This approach enables the build of occupational competency maps for each role underpinned by an accompanying competency passport process, independently managed by Energy Utility Skills.
- The competency passport provides transparency of skills and experience. As individuals move between companies and jobs, the passport provides evidence of capability mitigating the need for costly re-training, ensuring a UK wide supply of competent resources to meet our net zero goals while maintaining technical and safety standards.
- We are further leveraging this model by bringing together the UK Transmission System Operators (TO's) along with our collective key supply chain contractors and Energy Utility Skills to explore opportunities to deploy this approach beyond overhead lines.
- To inform and accelerate this next phase we will utilise aggregated labour market intelligence, key skills shortage heatmaps and critical occupations analysis informed by our work with Energy Utility Skills, higher education institutions, local councils, trade unions, industry bodies and government agencies.
- The output from the occupational skills mapping will enable common core development pathways, flexible entry routes and development pathways to role competency. Our work in this area has been shared with the CBI and DESNZ and helped to support the Apprentice Levy reform, it is the intention that the supporting accredited development programs will serve as an opportunity to pilot the Apprentice Levy flex funding model.
- We have provided input to recommendations for the Skills England Board, ensuring representation from members with experience across employer bodies, trade unions, training providers and independent experts. This collaborative approach allows us to plan for shifts in the future workforce, strike the right balance between supply and demand of specific skills and reform to the Apprenticeship Levy to enable flexibility for employers to invest in quality non-apprenticeship training.

workforce at the forefront of industry knowledge.

In addition to leading industry collaboration, we are investing in research and development to ensure that our training programs stay ahead of emerging trends and technological advancements. Key areas include investing in advanced digital training platforms that utilise AI to support content development and provide personalised learning experiences, adaptive training paths and real time performance feedback.

### 2.3.5. Emerging skills of the future

Future network investments and the acceleration in advanced technologies are expanding the skills and capabilities we will need in the workforce of the future. We are proactively working with others to identifying future/emerging skills and develop strategies to build them at scale. For example:

- **Digital Proficiency:** With the rapid advancement of AI and application of generative AI, we will need to build strong capabilities to harness these tools and apply them
- **Marine operation skills:** We are developing our geophysical, vessel, seabed, HVDC, cabling and geotechnical surveying capabilities. These skills are vital for the successful construction and maintenance of our offshore network. This includes a comprehensive marine skills development program with internal and external subject matter experts. As part of this investment, we are also investing in the operation and maintenance of HVDC infrastructure through a collaborative HVDC Apprentice Program. This program equips our workforce with the skills needed to effectively manage HVDC plants.
- **Cybersecurity:** As energy systems become more digitised, safeguarding our infrastructure from cyber threats is of the utmost importance. Building on recent investments, we are integrating cyber training into all technical programmes across our substation engineer and control room roles.

### 2.3.6. Our future leaders

Finally, we are focussed on ensuring we are investing in our future leaders and that we have the right capability at a senior leadership level to deliver on our strategic priorities and engage our workforce through the right behaviours. We are doing this through our Three Peaks Leadership Development strategy, structuring the development offering around three stages (or peaks) of leadership:

- **Our Senior Leadership peak:** This is targeted primarily to our Strategic Leadership Group (SLG) or just below who are successors to Group Executive Committee positions. We will deploy an Executive Potential Programme which will seek to upskill and equip leaders to make the shift from leading managers to leading leaders.
- **Our Leadership peak:** This is targeted to managers that manage others, generally our operational leaders that have the potential to be future strategic leaders. Our Enterprise Leadership Advantage Programme is a comprehensive learning experience designed to enhance leadership capabilities in three key areas - Enterprise-wide Leadership, Dynamic Leadership and Personal Leadership Signature.
- **Our Early Careers peak:** This is targeted to graduates, lower-level managers or individual contributors who show potential and interest in progressing to senior levels of leadership. Our Future Leaders programme focuses on developing leadership skills in these individuals and helping them to develop career plans which will prepare them for Senior Leadership roles in the future.

We have also recently introduced the Major Projects Leadership Program. The programme is a six-month comprehensive learning experience designed in partnership with the Saïd Business School at the University of Oxford to enhance capabilities in three key areas: Major Project Leadership, Excelling Customer and Stakeholder Relationships, and Commercial and Supply Chain Management.

In addition to these development opportunities, all Leaders and potential future leaders have access to 6 months of coaching with a dedicated 1:1 coach through our digital partner BetterUp.

## 2.4. Ensuring the health, safety and wellbeing of our workforce

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### Key Points:

- Maintaining a strong safety culture and ensuring workforce competence are critical as we grow.
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## Key Points:

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- We are implementing a multi-year Culture Development program to equip our workforce with the necessary skills and behaviours and focusing on embedding safe by design working practices.
  - We will continue to work closely with our supply chain and technical training teams to embed safety into our training programmes as we bring on new resources.
  - In addition, we continue to work across the industry to focus on mental health and wellbeing.
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### 2.4.1. Context

As we look ahead to the future, there are several key challenges and strategic considerations that will shape how we approach safety, health and wellbeing across our workforce and with our supply chain partners. These challenges are not only tied up to the operational demands of our growing business but also to broader industry shifts, evolving regulatory landscapes, working in new operational environments, rapid workforce growth coupled with falling experience levels and the need for continuous innovation in our safety and wellbeing practices.



### 2.4.2. Our approach to safety culture and behaviours

As we grow materially in the coming years, facilitating and maintaining a strong safety culture whilst ensuring the competence of our workforce will be paramount. We are also building a multi-faceted, multi-year Culture Development programme to equip our workforce with the knowledge, skills, attitudes, behaviours, and tools they need to develop a culture of safety excellence. A key element to our approach is to ensure the way we set our teams and contractors to work is robust and designed for safety to enable industry wide safe working practices in an increasingly less experienced workforce. Additionally, we are working closely with our supply chain and technical training teams to ensure we build a sustainable pipeline of skilled workers who can uphold our high safety standards. Training programs are being developed/enhanced (including leveraging technology) to ensure that they are aligned with the operational challenges in the field and effective in staff retention alongside preparing new hires and individuals transitioning into new roles. We aspire to learn from supply chain and industry exemplars by investing to give our leaders and supervisors industry leading development in essential high performance people skills, culture development, and safety leadership. Onboarding programs will especially need to include behaviour safety and human factors training, which has proven to be effective in safety performance improvement to send people home safely and well.

In addition, we will explore opportunities to use technology to enhance our Safety, Health and Wellbeing products and services. For example, in enabling access to up to date and accurate Health and Safety data from National Grid and partners and analysing this data to develop insights and targeted actions. Enabling the digitisation of all Health and Safety data across our projects and ensuring that data is collected and stored consistently – improving accuracy and compliance.

### 2.4.3. Our Health and Safety management system and focus on fatal safety risks

We have a mature ISO accredited health and safety management system, relevant policies, standards, procedures and training. As we prepare for RIIO-T3, we are currently undertaking a root and branch review to ensure we continue to meet all safe operational goals and that our processes are user-friendly at the point of delivery. Emerging risks including regulatory changes, technological advances, and climate challenges demand a proactive approach. Workforce growth and new sectors like marine operations offer chances for innovation and improved safety.

We prioritize eliminating harm arising from six fatal safety risks through enhanced hazard perception, robust engineering controls and targeted risk monitoring. Alongside our directly employed workforce we are working with our supply chain, running campaigns, exchanging information on best practice and targeted risk monitoring for occupational driver, people/plant interface, lifting operations, falls from height, stored energy and electricity.

### 2.4.4. Our approach to health and wellbeing

As the scale and complexity of our projects grow, so too does the need to address the health and wellbeing of our workforce. Our health and wellbeing approach focusses on three areas: myself, my managers and my organisation. Based on internal data and external evidence-based health information, we have selected three strategic themes which form our health programme: physiological health, lifestyle choices and muscular skeletal health.

Large-scale projects can mean increased workloads, tight deadlines, and higher stress levels, all having a direct impact on both physical and mental health. To maintain a strong focus on health and wellbeing we are improving our approach to change management and developing resilience training resources. Given the significant organisational changes and rapid workforce expansion, embedding health and wellbeing into leadership priorities is crucial. Leaders must address critical wellbeing risks and ensure control measures, including adequate resources, are effective.

We are continuing to proactively focus on wellbeing and mental health through:

- The introduction of health-related fatal risk groups to enhance monitoring and drive mitigating action (we now use two new fatal health risks: psychological health and respiratory disease);
- Leading an industry-wide focus on mental health management;
- Including the development of a new health standard currently being trialled within NGET;
- Participating in the British Standard Working Group developing the new British Standard on Managing Mental Health and Wellbeing in the Workplace;
- Ensuring all managers complete the Managing Mental Health in the Workplace e-learning course; and
- Review/refresh of health and wellbeing reporting – using available absence data and pulse surveys to drive action.

**In 2024, our Wellbeing Index score is 81%, reflecting improvement from 75% in 2023. This index measures the overall wellbeing of our workforce and demonstrates our commitment to employee health and wellbeing.**

## 2.5. Improving DEI, workforce motivation, productivity and satisfaction

### Key Points:

- In RIIO-T2, we increased our ethnic diversity by 6.9% and our gender diversity by 6.8%.
- **We remain committed to fostering a diverse, equitable and inclusive workforce** and our **RIIO-T3 ambition** is to have **ethnic diversity of 21.4% and gender diversity of 25.4% of workforce by the end of FY27**, with a particular focus on entry level positions as we grow (continuing to review and renew these targets within the price control period).

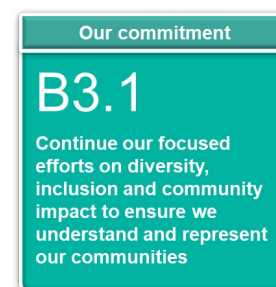
DEI is vital in our efforts to achieve a net zero future – and we remain committed to representing the diverse communities we serve by maintaining our sector-leading record on workforce diversity and inclusion. According to the National Skills Academy for Power, 8% of the power sector’s workforce are from an ethnic minority background – and 82% are male. Across NGET, the ethnic diversity of our headcount (including Early Careers) is 19.6% (above the average within the power sector workforce) and gender diversity is 21.8%. Ethnicity diversity of applicants across NGET is 63% and gender diversity of applicants is 25%. We have made huge strides in DEI in RIIO-T2, and our progress has also been recognised externally in both individual and company awards, for example:

- Inclusion in The Times Top 50 Employers for Gender Equality;
- Finalists in the British Recruitment Awards for diversity and inclusion;
- Advanced Employer status in the Investing in Ethnicity maturity matrix;
- Positioned as 42nd in the Top 75 Employers Social Mobility Index.

In 2021, we launched our DEI ambition: to be amongst the most diverse, equitable and inclusive companies of the 21st century. Our strategy to realise this ambition is underpinned by 5 DEI commitments. We have summarised these commitments in table 2 below.

**Table 2: our 5 DEI commitments**

Commitment	Description
Creating DEI impact externally	We are active pioneers within the sector: driving best practice and enabled through intentional strategic partnerships.
Speaking boldly	Driving accountability through our communications approach: ‘DEI is everyone’s business, but it starts with me’.
Ensuring our processes and policies are equitable for all	Refreshing our policies and practices so they drive DEI.
Model inclusion	Creating an inclusive culture through awareness and education.
Elevating our Employee Resource Groups (ERGs)	Investment in and elevation of our ERGs so colleagues have a meaningful voice, and can shape solutions actively.



**To inform our future strategy and priorities, we are currently undertaking an independent external assessment of all our DEI practices, policies, and data. The outcomes of this in-depth assessment will shape our initiatives and focus areas for RIIO-T3.**

### 2.5.1. Enhancing diversity and equity

We strategically generate a diverse talent pipeline for the future by leveraging wide talent pools and workforce planning data. Our Employee Resource Groups (ERG) collaborate to create attraction content that highlights the diversity within our business. We use inclusive and gender-neutral language to encourage applications. We proactively source candidates from under-represented groups, including women, international candidates (offering sponsorship and relocation assistance) and ex-forces candidates. Expanding our existing entry routes is another priority, ensuring a diverse mix of individuals with varying educational backgrounds.

This year we are encouraging all our employees to update their Self ID information to help us understand who makes up our workforce and ensure that we are doing all we can do to meet their needs. Our people are at the heart of our company - making sure they feel represented makes our company stronger, everyone should have their voice, concerns and needs heard. We are asking colleagues to participate by updating the following questions in their confidential employee profiles: disability status, ethnicity and race, gender identity, sexual orientation, veteran/public service status, highest parental occupation (social mobility). We recognise that there are many other aspects of inclusion and diversity beyond these questions but are focussing on these topics after reviewing industry standards, government, regulatory and CENSUS questions, and hearing from our Employee Resource Groups and others.

Respect for human rights is incorporated into our employment practices and our values, which are integral to our Code of Ethics. This is vital in maintaining our reputation as a company that our stakeholders want to do business with, and that our colleagues want to work for.

### 2.5.2. Creating DEI impact in our communities

Through our Grid for Good program, we contribute to social mobility by providing opportunities for disconnected young people in our communities. Our skills and employability programmes have positively impacted the lives of 30,730 individuals, with 6,012 individuals upskilled in the UK as of March 31, 2024. We commit to provide meaningful skills development for 45,000 people by 2030 with a focus on disadvantaged communities and report on the progress of our Grid for Good employability programmes.

We will continue to work alongside and collaborate with our peers, partners and educators and lead the way in building programmes to accelerate social mobility in the communities we serve, with a focus on those with lower incomes. By providing meaningful skills development we are focused on activities that require learning and participation or becoming a hire. Through upskilling, we aspire to positively impact lives and help to grow the future net zero workforce needed to enable the energy transition. We also monitor other light touch activities which include career fairs and insight talks for example, however, these will not count towards our skills development target.

Since the launch of our Grid for Good skills and employability programmes, we have employed 29 people from underrepresented groups in our communities.



### 2.5.3. Speaking boldly

Our Senior Leadership Group plays a crucial role in setting the tone for DEI initiatives. They actively participate in DEI programmes, demonstrating their commitment to fostering an inclusive culture and driving positive change. To further emphasise the importance of DEI, we will include DEI related objectives in the incentive plans for our leaders. By embedding these objectives into their performance evaluations and personal goals we highlight the importance, hold our leaders accountable and reinforce the expectation that they actively contribute to creating an inclusive and equitable workplace.

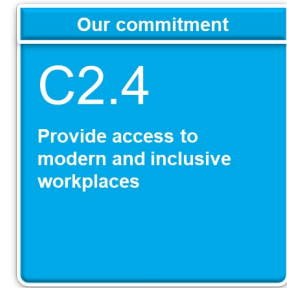
Through our various communication channels, including social media and public engagements we actively engage in discussions both internally and externally on critical topics using our voice to raise awareness. We tell real stories and raise awareness through sharing lived experiences. We actively collaborate with social and environmental justice projects to advance DE&I initiatives amplifying our impact through partnerships. By joining forces with like-minded organisations, we drive positive change and promote DE&I principles. Through collaboration we share knowledge and best practices working towards a more inclusive society, we can share knowledge, resources and best practices, ultimately creating a more inclusive society.



### 2.5.4. Model inclusion

We will continue modelling inclusion by:

- **Building inclusive policies and benefits:** Reinforcing our policies that prevent workplace harassment and discrimination, ensuring a safe and inclusive environment for all colleagues. We provide clear guidelines on appropriate behaviour, reporting procedures and the consequences of violations and run campaigns – like our recent one ‘Is it okay?’ to reinforce our policies and practices across our workforce.
- **Enhancing recruitment practices for diversity:** continuing to champion inclusive language in job descriptions and continuing to collaborate with policy owners to address inequities in our recruitment processes. Working closely with our Talent Acquisition team, we continuously monitor our practices to ensure fairness, transparency and the elimination of unconscious biases. This includes implementing structured interview processes, involving diverse interview panels and using standardised evaluation criteria to provide equal opportunities for all.
- **Ensuring accessible workforce facilities:** We prioritise ensuring that our workplace facilities are accessible to all colleagues. Our current workplaces need upgrading to better support our diverse workforce and as part of our property strategy we are actively working to enhance the accessibility and gender inclusivity of our workplaces and operational substations. By creating an inclusive physical environment, we promote equitable experiences and support the full participation of all colleagues.
- **Elevating our Employee Resource Groups (ERGs):** Actively supporting and collaborating with our Employee Resource Groups (ERG’s) to drive initiatives that promote diversity, inclusion, and cultural awareness. Our ERG’s play a vital role in creating an inclusive work environment where all colleagues can bring their authentic selves to work and thrive. In line with our commitment to diversity, equality, and inclusion we are aligning our ERGS with our business strategy. Leveraging their insights and expertise to create a strong sense of belonging for all colleagues.



**Table 3: Our ERGs**

ERG	Purpose
Enabling UK	To support an inclusive organisation and enable colleagues with disabilities or health challenges to reach their full potential and be their true selves.
One	Strives to empowering everyone from ethnic minorities to bring their whole selves to work and reach their full potential
Women in National Grid (WING)	To promote equal opportunities for female professional development and personal success within National Grid. It aims to attract and create a network of diverse talent to enable National Grid to deliver against its DEI strategy
Pride	Our LGBTQ+ network support LGBTQ+ colleagues, allies, friends, and family to share our experiences, embrace our differences and celebrate the value that diversity brings to National Grid.
Women in Non-Traditional Roles (WiNTR)	A global ERG that engages, supports, and advocates for women in non-traditional roles within National Grid. Its mission is to increase awareness, attract more women to these roles and provide a supportive community for women in these fields.
Balance	To foster an inclusive and supportive community for colleagues that factor in their home life. Promotes work-life balance, provides resources and advocacy and creates opportunities for connection and growth. Strive to empower our members to thrive both professionally and personally, ensuring their personal needs are understood and valued within the organisation.
Veterans Employee Resource Group (VERG)	To ensure that those who serve or have served in the Armed Forces and their families, are treated fairly. Promotes a culture of diversity and inclusion by providing opportunities for growth and professional development of military veterans, reservists and their families, while also supporting charitable organisations.

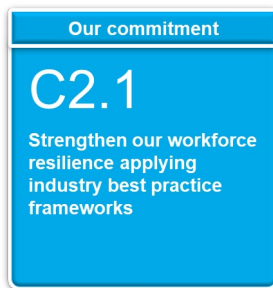
## 2.6. Measuring workforce resilience

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### Key Points:

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- We have worked closely with the other TOs, DNOs and NSAP to develop and agree 17 common metrics to monitor workforce resilience to aid consistency and comparability across our sector.
  - These metrics cover workforce capabilities, strengths and areas for improvement.
  - We will use these, in the coming years, to track our progress, identify trends and benchmark our performance against industry peers.
- 



We collect and track a range of workforce relevant metrics which helps us monitor trends and overall resilience of our workforce. Over the past three years we have developed and agreed seventeen metrics with TOs, DNOs and National Skills Academy for Power (NSAP) to monitor electricity network workforce resilience and work towards consistency and comparability across the sector. These metrics will form the basis of our reporting in the coming years.

Over the next few years, we will track our progress, identify trends, and benchmark our performance against industry peers. Regular reporting and analysis of workforce metrics will also allow us to make informed decisions on attraction, retention, and training, implement targeted interventions and continuously enhance our strategies. NSAP collates defined TO workforce resilience metrics to develop the transmission skills report to give us an understanding of where common challenges lie and where we can work together to address skills gaps and creating a talent pipeline for many roles critical for project delivery. This report will be shared with Ofgem from this year and going forward annually to inform workforce resilience monitoring.

### Measuring metrics against skill level and job families

For most of these metrics we have reported data in 2024, however there is further work to agree definitions for upskilling and other categories. We are working with the transmission companies and EUS on the scope of the metrics that need to be refined. Alongside our metric development work, we also work with the National Skills Academy for Power (NSAP) on a range of Utility Sector Workforce Resilience, Skills / Qualification development and quality assurance activities across both asset owners and many of our large supply chain contractors. It is important to note that this set of metrics monitor the operational and technical workforce only; those that are critical and essential to project delivery. We have a range of benchmarking mechanisms and internal metrics with which we track our non-operational teams. Each metric is assessed against 'skill level' and 'job family'.

## 2.7. Managing uncertainty

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### Key Points:

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- We **welcome the proposed common Resilience Re-opener** – but we **urge Ofgem to reconsider the scope of the current triggers** to ensure that such a broad re-opener has more flexibility to address unforeseen challenges/enable opportunities given the dynamic and challenging labour market.
  - For example, operationalising successful pilots and facilitating upskilling where there are further unforeseen impacts.
- 

In RIIO-T3, we will be navigating uncertainty amid a shifting landscape. This includes evolving plans to meet the Governments Clean Power 2030 target and responding to the implications of connections reform. The demand for emerging skills will rise, and competition for talent will continue, particularly across constrained roles. Within this context, we will continue to refresh and evolve our people strategy, including new investment in people and innovation.

We welcome Ofgem's proposed Resilience Re-opener. We do, however, urge Ofgem to re-consider the proposed scope<sup>5</sup> and triggers which are limited to changing landscape surrounding government or NESO resilience requirements. The specific scope and the limited triggers risk leaving a broad range of potential investments that could bolster our workforce resilience out of scope, with a broad range of triggers – especially as they relate to skill shortages

We ask that Ofgem clarify the nature of the areas in scope for this re-opener. We propose that Ofgem broadens the scope of the re-opener (and the associated triggers) so that its use is not limited to the specific elements of resilience listed, but also covers:

- Operationalising successful innovation/pilots which is triggered by needing to reduce time to competency and upskilling/re-skilling the workforce critical for project delivery at pace and on target for 2030 clean power.
- Further investment in up and multi-skilling capacity within period which are triggered by knock-on effects from further changes to decarbonisation targets or impacts caused by further supply chain constraints; and
- Growth in business support/other incremental overheads will need in-period step ups, which will be triggered by a growing size of the business that supports a range of baseline and pipeline projects with varying complexity in resource/skill requirements.

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<sup>5</sup> The areas in scope of the resilience re-opener are; activities associated with physical security, changes to engineering and resilience standards, changes to emergency measures or protocol and further work as a result of risk assessment or mitigation work included in the National Risk Register.

## 3. Supply Chain Resilience

### 3.1. Introduction and approach

The supply chain is a critical enabler in delivering the RIIO-T3 investment plan. The supply chain has changed significantly over the last five years and is likely to face further disruption. Global commitments to net zero, with a surge in electricity network growth, as well as global supply chain disruptions have resulted in an increasingly constrained supply chain market, with insufficient capacity across equipment and skills.

To deliver on our commitments, a joined-up approach is needed to stimulate the growth in the supply chain. There are several key interventions which the TOs have agreed which require government and Ofgem support

- More certainty about the plan for the network to ensure the supply chain has sufficient signals to invest for long term growth
- Greater scope to stimulate supply chain capacity, for example by reserving capacity in advance so that the supply chain can invest in expansion.
- A new relationship with the supply chain, moving to a model whereby competition is used to establish strategic long-term relationships.
- A joined-up approach to building and retaining skills, particularly those skills specific to building and operating electricity networks

#### 3.1.1. Our RIIO-T3 Supply Chain Resilience Strategy commitments

This Supply Chain Resilience Strategy sets out how we will ensure our plans are deliverable and consumers have the benefit of an efficient supply chain for years to come. We will do this by:

- **Revolutionising how we engage our supply chain** through our new strategies and moving to a portfolio and regional approach to secure long-term capacity.
- **Protecting consumer value** through stimulating supply chain expansion using the existing and planned mechanisms in our regulatory regime.

**Table 4: RIIO-T3 supply chain commitments**

Objectives	Commitments	Success measures/targets
Put into practice new supply chain strategies to secure the long-term capacity we need	Implementing new “Signature Strategies” based on a portfolio and regional approach, to provide long-term access to supply chain capacity and efficient prices.	3 new strategies (substations, tunnelling and cabling and overhead lines) implemented during RIIO-T3.
	Deliver our ASTI and other major projects through our new collaborative and integrated HDVC Framework and Enterprise Delivery Model.	Secure supply chain capacity through our new framework to deliver critical ASTI projects and other major projects.

#### 3.1.2. Our approach: building our RIIO-T3 Supply Chain Resilience Strategy

Our Strategy has been built and informed by:

- An in-depth assessment of supply chain constraints and what these mean for the deliverability of our plan.
- Engagement with the supply chain to establish long-term relationships which will deliver value for consumers.
- Analysis of a range of innovative procurement and contracting solutions that could mitigate constraints and stimulate supply chain capacity growth.

This Strategy represents our current insights and strategy for RIIO-T3 to build a resilient supply chain. We have been adapting how we work and engaging with the supply chain, industry, government and Ofgem on the interventions needed.

We cannot do this alone. Our Supply Chain Resilience Strategy therefore contains not only the actions we are taking, but also our dependencies on the government and Ofgem.

### 3.1.3. Supply chain context

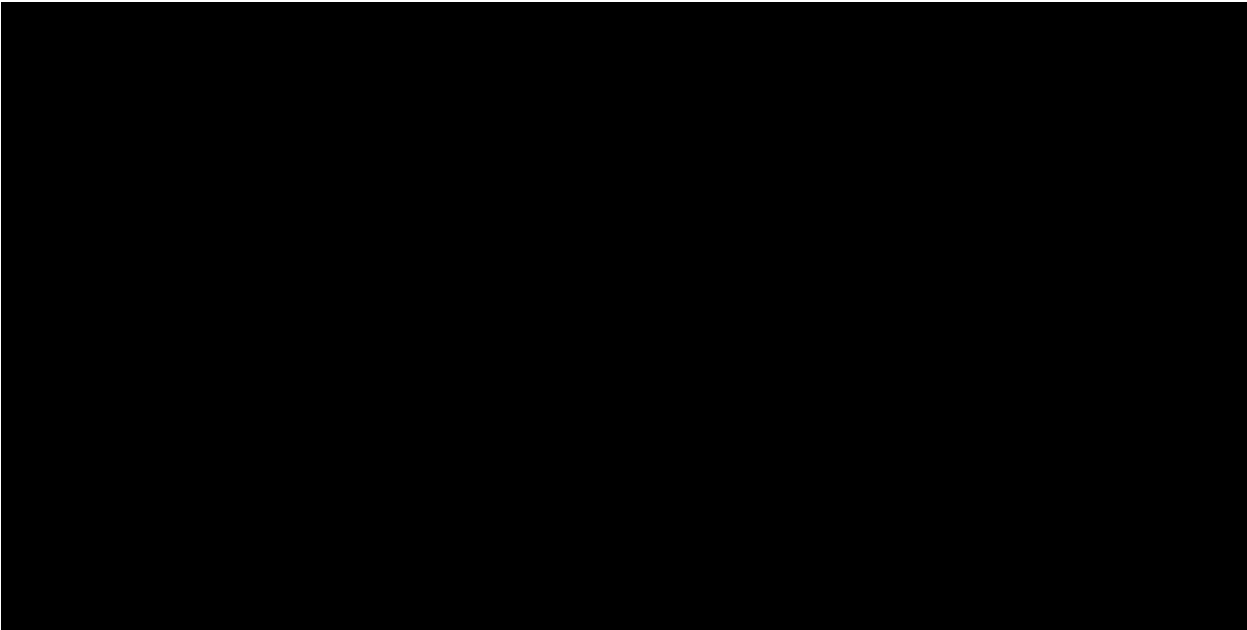
We are already working at the limits of what the supply chain can provide in RIIO-T2. Two factors have combined to make the supply chain backdrop increasingly challenging:

- The increasing scale of investment required over the coming years in the GB electricity network is material. For NGET the current portfolio of investment to connect and upgrade the network is 2 to 3 times larger than investment in the last 5 years. In their Clean Power 2030 report, NESO set out that network investment in the next 5 years will be double what has been built in the last 10 years.
- The increasingly constrained global and local supply chains, in particular equipment and labour markets, are putting pressure on prices and lead times. Increasing demand is driven not only by GB network growth but also global growth as many countries target decarbonisation. This has combined with supply chain disruptions caused by recent geopolitical events, such as Russia's illegal invasion of Ukraine.

[Redacted]

[Redacted]

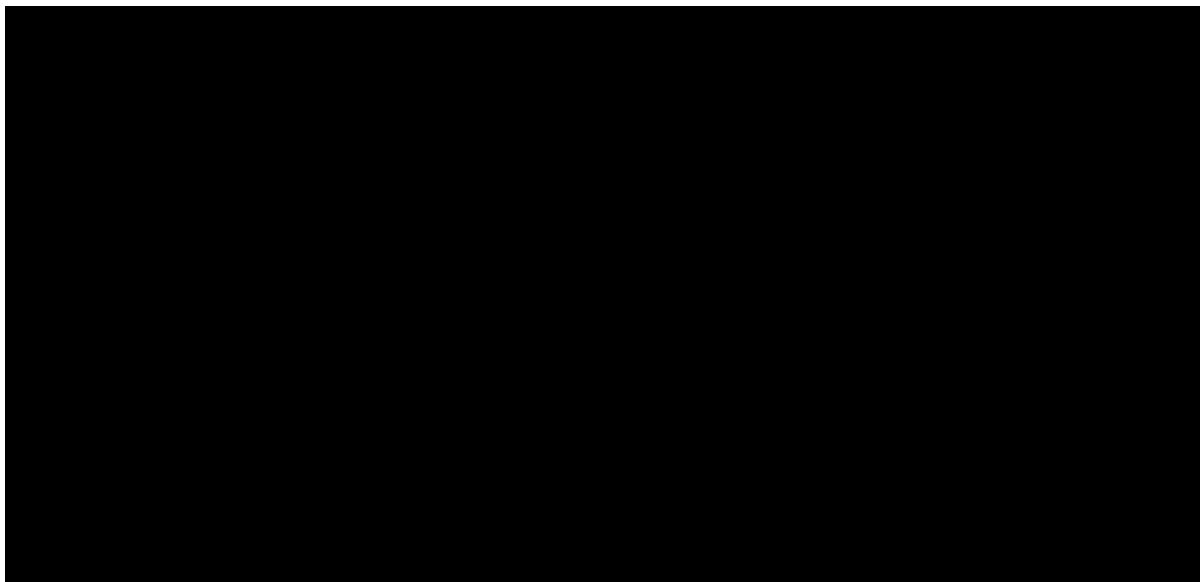
[Redacted]



We are also seeing many suppliers only willing to keep prices valid for short periods [REDACTED] despite tender times being far in excess of validity periods. Prices are being communicated on a 'take it or leave it' basis in what has become a supplier's market.

There is also an industry-wide shortage of people with the skills needed. Increasing demand, a loss of talent, competition with other sectors, a lack of diversity and a diminishing pipeline of people taking up STEM (science, technology, engineering, and maths) subjects are all contributing to this growing 'capacity crunch'.

Many roles have particularly long times to competency due to the training requirements involved. For example, supplier Stage 1 commissioning engineers require 5-10 years training while HV cable jointers require 5 years of training. Many of these highly skilled roles are forecast to grow materially to support delivery of our plan. [REDACTED]



Our engagement with the supply chain has highlighted that these companies are not willing to invest to increase their skilled workforce capacity without firm commitments of future work.

Procurement and contracting challenges are manifesting as:

- Fewer suppliers participating in tender processes – spot and single tenders are no longer appealing to suppliers due to limits on the technical resources required to participate, with no guarantee for suppliers of securing the contract.
- Suppliers becoming increasingly selective and risk averse – suppliers are less willing to accept previously agreed contract terms meaning that we are taking on additional risk to secure necessary contracts.

[REDACTED]

We have acted to mitigate these challenges. We have: a) bundled and secured critical equipment ahead of need for critical customer schemes and asset health work; b) broadened our current frameworks and launched a dynamic purchasing system to increase accessible capacity; and c) reviewed our type registration standards for simple equipment (e.g., reactors) to maximise accessible market supply.

### 3.2. What this means for delivering our RIIO-T3 plan

Over the last 18-24 months we've launched a ~£60bn HVDC framework and a £9bn enterprise delivery model to secure capacity for current, and optionality for future, ASTI investments.

To achieve high confidence in the deliverability of our RIIO-T3 plan, we have conducted rigorous analysis of constraints across system access, supply chain and skills. We have developed scenarios to reduce identified constraints and brought these together in a combined deliverability assessment.

For the supply chain we have assessed future demand and supply for critical categories of work and equipment (overhead lines, substations and cables) to determine where we have further material risks to address. Key delivery constraints and risks are that:

- Critical equipment (e.g., Super Grid Transformers, Switch Gear, Cables) becomes more constrained and cannot be procured in sufficient timescales to deliver the RIIO-T3 investment plan.
- The overhead line plan is negatively impacted by an increasing shortage of lineworkers and the challenges of increasing the workforce quickly.
- Highly skilled resources (e.g., cable jointing & commissioning engineers) and programme delivery resources (design engineers, project managers) remain constrained.
- Delayed/unclear long-term network development plans do not provide the certainty needed to enable supply chains to invest to scale (e.g., plant and equipment).

This assessment has identified the actions we need to take – both internally and with partners – to address constraints and mitigate deliverability risks. Transformational levers that have emerged from our deliverability analysis include:

- Maximising our existing procurement frameworks in the short-term to drive capacity growth and efficiency, advancing as far as possible towards our long-term strategy.
- Implementing a new long-term supply chain strategies to secure capacity and value for consumers over the long-term.
- Extending live workbook visibility [REDACTED]
- Positioning ourselves as a customer of choice and building long-term partnerships through strategic Stakeholder Relationship Management.
- Working with industry to address key constraints across the workforce or key equipment – for example: a lineworkers acceleration training programme to accelerate time to competence and improve safety and productivity.

#### 3.2.1. Managing uncertainty and addressing deliverability

As we look ahead, it is clear there will be new challenges and opportunities. Over the RIIO-T3 period, our investment plan must be flexible to manage uncertainty related to the speed of decarbonisation and connections reform. Our Supply Chain Strategy must also be flexible, providing optionality in how we are set up to deliver, internally and with our supply chain.

We are working to embed a strategic portfolio management capability into our business planning and delivery process. This includes two key features:

- **Portfolio delivery planning** – procuring based on looking across our portfolio of investment to anticipate and address challenges more effectively and maximise the speed and pace of delivery.
- **Regionally based supply chain models** – enhancing the visibility of our investment plan on a regional basis to incentivise both programme and portfolio delivery and optimise resources. We believe that the government’s intention to create strategic spatial energy plans and aligned central strategic network plans is crucial to improving certainty about future workloads and maximising the opportunity from moving towards the procurement approach described above.

To translate this planning certainty into practical action, the TOs also need Ofgem to respond to the changing circumstances, as they have done for ASTI, by ensuring early confirmation of need (including allocation to a delivery body) and providing mechanisms to allow TOs to make commitments to the supply chain earlier than would otherwise be the case. When the more comprehensive plans are available, and providing Ofgem can move into a rhythm of early confirmation of need, the workbook certainty this will generate will allow us to use the practical measures described in this strategy to greater effect.

### 3.3. Building a new relationship with the supply chain

Historically, TOs and the regulator have relied on competitive pressure to secure consumer value and ensure costs are efficient on a scheme-by-scheme basis. We were able to secure fixed price turnkey contracts with our major contractors through competitive tenders. Our tenders attracted multiple bids which allowed us to compare and benchmark to secure the best outcomes for consumers.

The market has changed. A reduction in the number of suppliers tendering for projects has limited competition and the associated benefits. It is now clear that consumer value is not always best served by running competitions on a transactional basis. A transactional competition delivers the best price for what is currently available in the market but, it can only protect consumer value if there is a viable efficient market in the first place.

For the majority of the RIIO-T3 workload, both within ASTI and for the rest of RIIO-T3, there is a business case for using competition differently

An early test of this approach has already been agreed with Ofgem for the ASTI Great Grid Partnership, where we have selected five construction partners and two design partners through a competitive process, with benchmarked prices, and we are now allocating work to those partners in an optimised programme. This strategic framework has also allowed us to align the commercial incentives on our suppliers to consumer value – e.g. sharing the benefits of early delivery.

We plan to extend this approach to significant elements of the RIIO-T3 investment plan, establishing frameworks with equipment manufacturers on a global basis and with service suppliers on a regional basis. This approach will streamline efficiency for suppliers by allowing standardisation, innovation, programme optimisation and investment, creating coherent regional systems which can invest in the local workforce and improve conditions in the construction industry while lowering cost. We already have some proof points demonstrating the value of the approach from our early experience of the Great Grid Partnership. To support this approach through RIIO-T3, we are taking a strategic approach to building and fostering long-term relationships with the supply chain.



### 3.4. Long-term strategic relationships for ASTI delivery

We have transformed our procurement processes and are collaborating more closely than ever with our supply chain so that we can deliver our ASTI and other major projects at pace. We have established long-term relationships and incentivised outputs, giving us faster access to our supply chain in a constrained market through two models: the Great Grid Partnership (GGP) and our HVDC Framework.

Our commitment

## C3.2

Deliver our ASTI and other major projects through our new collaborative and integrated HVDC framework and enterprise delivery model

We have secured contracts for EGL1 and EGL2 (two projects in the ASTI programme), the biggest National Grid has ever signed, and our GGP partners are working towards the first tranche of allocation. The commitments within these models represent a significant boost to the UK supply chain that will help deliver the energy transition, underlining our commitment to investing in jobs, skills and people required to deliver net zero.

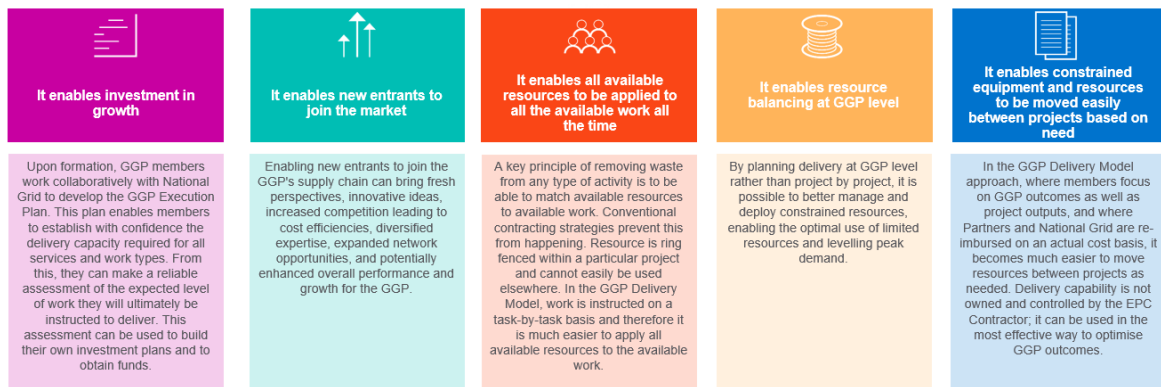
#### 3.4.1. The Great Grid Partnership (GGP) for onshore projects

The GGP was launched with seven industry partners that will initially help to deliver network design and construction works on nine major onshore ASTI projects (part of a £9 billion supply chain framework that will also support infrastructure projects beyond 2030).

Two design and consenting service partners [redacted] five construction partners [redacted] have joined National Grid in a Project13 style enterprise delivery model.

The Enterprise Agreement of the GGP drives collaborative working across partners and clients, to focus on a range of outcomes through a programmatic way of working, rather than single commercial transactions focused on best price.

**Figure 9: Long-term benefits of the Great Grid Partnership**



**Long term commitment:** The GGP is a ten-year commitment to the market which brings National Grid, as an Integrator, together with the supply chain partners who were successful in a competitive process.

[redacted]

The GGP is only 8 months old and we have allocated design packages for a number of priority projects, as well as a number of priority delivery projects to partners. We already have some proof points of how the GGP is addressing the challenge of capacity, skills and training to leave a lasting legacy.



The GGP has created the environment where these organisations, and their training facilities, will be combined in a joint endeavour to help to develop the broad range of skills and competencies the industry needs to build the net zero network of the future. These activities alone are estimated to have created an additional 400 training places per annum.

The GGP partners are also looking to draw on their collective interactions with schools, colleges, and universities to create common standards and qualifications, tackle how the industry can be made more attractive for people looking to develop careers, how diversity in the sector can be increased and how skills from other declining sectors could be utilised.

Whilst these initiatives are a great stride forward in tackling the significant resource demands to deliver against 2030 targets, further investment is required, and we are continuing engagement with Government on further steps that can be taken.

**Driving pace and performance:** The GGP has a commercial construct that incentivises partners collectively, but also ensures that individual partner performance is monitored and managed accordingly.



We are proud to have recently been named winner of the Chartered Institute of Procurement & Supply's Best Practice in Supply Chain Integration award for the GGP. Judge's comments included "National Grid's ongoing efforts to drive forward Britain's clean energy transition are an excellent example of supply chain integration and show great commitment to the cause, as well as innovation and collaboration".

The GGP demonstrates the business case for using competition differently, where it is not possible to deliver consumer value via the traditional transactional processes.

### 3.4.2. HVDC Framework for offshore ASTI projects

Our HVDC framework, alongside SSEN Transmission and Scottish Power Energy Networks, aims to secure the supply chain for over 14,000 kilometres of cabling to 2030 and beyond.

The framework, which has the provision for around £60 billion of investment, will enable TOs to create longer term strategic contractual relationships securing the supply chain for existing and anticipated future capacity.

Our ambition is to procure a long-term framework for all future needs – including cables, converters and civils – in collaboration with our joint venture partners.

The HVDC contractual model moves from spot tendering to collaborative relationships with key market leaders, harnessing alternative features and benefits.

**Table 6: Key features and benefits of the HVDC Framework**

Key features and benefits
• Provides access to capacity for key projects such as EGL4 and Sealink.
• Creates framework contracts in order to procure future requirements across a number of asset categories (cable, converter, civils, platform)
• Enables National Grid to procure requirements jointly with other TOs
• Enables access to emerging suppliers through tender process to provide additional capacity in future
• Incorporate market feedback into the process to ensure National Grid is a client of choice
• Encourages innovation and continuous improvement
• Aligns with similar approaches in Europe that are preferred by suppliers

### 3.5. Securing our supply chain for RIIO-T3 and beyond

The key principles of our supply chain strategy for ASTI, i.e., building long-term relationships, developing supply chain strategies that enable investment plan outcomes and stimulate growth and future scaling of capacity are also applicable to our remaining RIIO-T3 investments.

For RIIO-T3, our approach incorporates the importance of stimulating supply chain capacity by reserving capacity in advance so that the supply chain can invest in expansion, and a strategic move away from spot purchasing using competition in favour of a new model whereby competition is used to establish strategic long-term relationships to drive long term consumer value.

We plan to establish frameworks with equipment manufacturers on a global basis and with service suppliers on a regional basis. These frameworks will protect consumer value in the short term through benchmarked prices and allow standardisation, innovation, programme optimisation and investment, creating coherent regional systems which can invest in the local workforce and improve conditions in the construction industry while lowering cost.

#### 3.5.1. Strategic supplier engagement

Moving to establish strategic long-term relationships with the supply chain requires a different way of engaging with the supply chain than we have relied upon for RIIO-T2.

We have implemented a RIIO-T3 Strategic Supplier Engagement programme build trusted long-term relationships with the supply chain, understand emerging constraints and issues, and deliver efficiently together on projects.

Our approach includes strong C-suite relationships with our most critical suppliers to become a 'Client of Choice' and secure capacity we need. We currently have nine suppliers engaged on the programme with a plan to expand to eighteen suppliers where we have opportunities to strengthen mutually beneficial partnerships. Through our engagement forums we share roadmaps and ensure corporate alignment by identifying where we can drive tangible collaborative initiatives which support supply availability for long lead key equipment, access to valuable innovation, reduce operational complexity and deliver value for money.

Our engagement approach also includes Engineering, Procurement and Construction (EPC) forums held bi-monthly to provide key updates on corporate updates, key tender activity and a view of the workbook and other key areas such as safety, wellbeing and sustainability. We have also begun asset category specific engagement as we are implementing new strategies.

We also hold Quarterly Business Reviews (1:1) with both EPCs and Original Equipment Manufacturers (OEMs) to look holistically at supplier performance, current and future workload planning, risks and innovation opportunities.

In developing of our Supply Chain Strategy, we have undertaken targeted engagement with 100 Tier 1 contractors, OEMs and specialised suppliers through Requests for Information, supplier workshops and 1:1 sessions. Through these engagements, we asked specific questions on:

- The total and available estimated supplier capacity for labour, equipment, and machinery for the RIIO-T3 period.
- Core considerations in terms of the contracting approach and work allocation.
- The key constraints expected given available capacity and expected capacity requirements to deliver our forward workbook.

Our extensive programme of engagement with suppliers outside of formal procurement events embeds a culture of openness and trust which can be beneficial in identifying solutions which best meet need, embedding the principle of technology agnosticism to drive at quality outcomes, efficiency and productivity.

### 3.5.2. Critical near-term delivery strategy

Our targeted supplier engagement has built up a comprehensive understanding of today's constraints in our incumbent supply chain. We understand that there are near term constraints in design and delivery resources across some of our major EPCs. Feedback from our suppliers indicates that the workbook demands will require a level of smoothing to facilitate while supply chain partners grow their internal capacity. Through allocation of our workbook in portfolios, we can begin to understand the impact on deliverability of near/mid-term schemes.

We have also heard from our supply chain that they need visibility to help build confidence to invest in future capacity.

Suppliers now have sight of projects across asset categories and regions. This approach enables our suppliers to take a programmatic view and maximise resources most effectively and efficiently.

[REDACTED]

To address some of the near term smoothing of the workbook we have gone to market for a new Dynamic Purchasing System (DPS) to provide access to increased levels of additional capacity compared to what we have today.

This became operational in November 2024.

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

### 3.6. Our long-term, RIIO-T3 signature supply chain strategies Methodology

#### 3.6.1. Developing our strategies

Our commitment

## C3.1

Implement new “Signature Strategies” based on a portfolio and regional approach, to provide long-term access to supply chain capacity and efficient prices

To deliver our ambitions, we have developed three ‘Signature Strategies’ for our largest asset classes by spend. These strategies set out how to secure supply chain capacity and capability in line with the RIIO-T3 investment plan while maximising value for consumers.

We used a structured methodology to develop these Signature Strategies:

- **Workbook analysis:** answering four key questions for each asset class. What are the major types of projects and the estimated volume of each? What level of certainty is held over both projects and project scope? What is the geographic distribution of the upcoming work? And what are the estimated delivery dates across the RIIO-T3 period?
- **Supply chain market analysis:** answering three key questions through close engagement with our supply chain. What is the total and available estimated supplier capacity for labour, equipment, and machinery for the RIIO-T3 period? What are supplier preferences for contracting and work allocation? And what are the key constraints expected given available capacity and expected capacity requirements to deliver the RIIO-T3 workbook?
- The insights from these two areas were used to develop options and assess the benefits and trade-offs of different supply chain strategies. The table below summarises the key elements of the resulting three ‘Signature Strategies’ covering OHLs, substations and cabling/tunnelling<sup>6</sup>.

<sup>6</sup> The Signature Strategies do not cover Operational & Maintenance which is largely self-delivered and Asset Health Interventions.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

While the recommendations for critical equipment are embedded within each of the Signature Strategies where there are specific constraints, such as long-lead times, the overarching recommendation is to collaborate with Ofgem and industry peers to implement long-term strategies including programmatic capacity reservations to secure long-term supply of critical equipment.

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We assessed our options across three areas: Delivery model, Commercial model and Go-to-market.

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### What is our Regional Partnership Model?

[Redacted]

Working more collaboratively with our supply chain partners through a regional approach will allow better overall mitigation of supply chain constraints and risk, through:

- **Deeper collaboratio** [Redacted]
- **Encouraging our supply chain to invest regionally** [Redacted]
- **Enable stronger relationship management** [Redacted]

Regional partners' performance will be managed using Key Performance Indicators (KPIs) within each contract and aggregated at partner level. [Redacted]

[Redacted] KPIs will be based on performance across metrics including timely delivery, cost and Safety, Health, Environment and Quality (SHEQ). [Redacted]

### What is Early Contractor Involvement and how are we using it?

ECI is a contracting approach that supports improved team working, innovation and planning to deliver value for money. It involves an integrated contractor and design team appointed under an incentivised staged contract. ECI will be the preferred approach for the Regional Partnership Model [Redacted]

The key benefit of ECI is that contractor expertise is incorporated early, leading to more accurate cost estimates and efficient project execution.

We are currently standardising our ECI approach to drive consistency and become a client of choice. [Redacted]

[Redacted]

[Redacted] it offers early engagement and commitment, collaborative programme management of multiple investments, and early specification and procurement of key long lead materials [Redacted] This approach is well supported by the supply chain.

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[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

**3.6.8. Programmatic approach to securing critical equipment**

Our supply chain partners tell us that the lack visibility in demand for their services and products is a key barrier to investing to increase future capacity. The provisions of ASTI allow for early commitments to the supply chain using Early Construction Funding, and this has created a significant opportunity to stimulate supply chain capacity. For example, the early commitment on cable for the EGL1 and EGL2 projects allowed a supplier to invest [REDACTED] commissioning a new laying vessel stationed in the UK.

This transformational opportunity is now being extended through Ofgem’s Advance Procurement Mechanism (APM) (currently out for consultation) to allow TOs to book capacity for constrained items and associated installation services on a programmatic level. This will allow TOs to make commitments to stimulate supply chain capacity for constrained items.

We are shifting our approach from project-based equipment and skills demand forecasting to a programmatic view supported by the APM.

Clear routes to market exist across NGET’s ecosystem to allow us to best leverage the APM to deliver programme-wide benefits.

- [Redacted]

We are confident that our procurement approach and utilisation of regulatory funding via the APM can minimise risk exposure for consumers, enabling benefits to be maximised. Our key principles to minimise consumer risk exposure are:

- Appropriate legal arrangements in place [Redacted]
- Staged payment profile – [Redacted]
- Standardisation of equipment, designs and contracting – [Redacted]
- Supply chain stability – [Redacted]

We will also be discussing with Ofgem how we provide advance commitment for items which are not currently constrained, but which need significant supply chain expansion in the future. This may be through the Advance Procurement Mechanism or by some other method of making an early commitment using other RIIO-T3/ASTI mechanisms.

### 3.6.9. Strategic approach to stock levels

We maintain a stock of strategic spares<sup>7</sup> allow us to address asset faults and failures quickly, reducing associated outage duration, constraint and system operation costs.

Our strategic spares policy strikes a balance between procuring an excess – which could be inefficient as it comes at a cost of buying, holding, and maintaining spares – and procuring too little – which could delay replacing or returning an asset to service, which has knock on implications. This balance has been increasingly difficult to achieve due to increasing lead times across key equipment categories.

<sup>7</sup> Strategic spares are assets or subcomponents which are procured in advance and held in storage.

Lead times are accounted for when calculating the optimum level of spares to hold. A higher lead time may require more spares to be held to ensure that there is still adequate availability. If lead times increase further still, then investment may be required to raise the level of strategic spare stock. We continue to monitor our stock levels against lead times, engaging with our suppliers to ensure we continue to strike the right balance.

More information on our proposed strategic spares investment can be found in our RIIO-T3 AO28 Strategic Spares Atypical Non-Load, Non-Lead Interventions Engineering Justification Paper (EJP).

### 3.7. A joined-up approach to supply chain and skills

We have been working closely with the Scottish TOs to collaborate on key supply chain and skills topics, where this can add value for GB plc. NG engages regularly with the Department for Energy Security and Net Zero (DESNZ) and the Department for Business and Trade (DBT) to ensure alignment on policy objectives and maintain transparency. The GB TO monthly forum was set up at the beginning of 2024 to explore how we can jointly work to reduce barriers to entry for new suppliers.

The TOs have identified the UK skills challenge as one of the key risks to delivery of the workload in RIIO-T3 and the consequent impact on consumer value. Working with the trade body Energy & Utility Skills, we have identified that the labour market for the electricity industry in the UK needs to expand from 160,000 people in 2024 to 290,000 by 2030.

This type of labour market expansion is unlikely to be achieved through ordinary market adjustments without significant price shocks, wage inflation and other undesirable economic outcomes which would ultimately fall to the consumer.

The three GB TOs are therefore using our position to:

- Ensure that our own specialist workforce is expanded, and that those parts of our supply chain who require the same specialists have credible plans to train and retain what they need.
- Convene the supply chain to consider the wider workforce which is needed for electricity transmission and agree plans for common standards, volumes of training and interchange where needed.
- Work with trade bodies and government to seek a national approach on the wider engineering workforce (i.e., the part which is not specific to electricity networks but which is needed to deliver any infrastructure project such as civil engineering).

Our own plans for our workforce and associated professions are described in detail in Section 2 of this Workforce and Supply Chain Resilience Strategy. This, however, is only a small part of the picture and if we are to solve the challenge of the skills needed throughout the supply chain, we will need action from government.

The Office for Clean Energy Skills will need to work with Skills England and counterparts in other countries to ensure that education, training and apprenticeship arrangements are sufficiently focussed on future workforce needs, and flexible in their application. Young people need to be inspired and enabled to join the workforce, and the value of practical as well as intellectual achievements need to be recognised.

At present we have several indicators which suggest the system is not ready to generate the workforce we need, notably insufficient primary and secondary engagement in STEM subjects and barriers to using apprenticeships due to a disproportionate focus on academic achievement. The TOs will need help from government alongside our own action to solve the challenge of the 2030 workforce requirement.

We are leading industry engagement and collaboration on supply chain skills and workforce, to provide visibility and commitment to contractors to support supplier workforce planning. Initiatives include developing an Industry Workforce Plan for Electricity Transmission, collaborating on training and developing standardised accreditations.

We also are leading, or contributing to, several other initiatives aiming to boost the supply chain, including:

- Working with GB TOs to develop a strategy for supply chain market expansion through reducing barriers to entry for new providers, discussing technical, procurement and commercial activities and timelines. [REDACTED]

- We have established working groups on equipment standardisation to make procurement more streamlined and support GB competitiveness. Greater standardisation will reduce consumer and TO risk under the Advanced Procurement Mechanism by enabling TOs to novate capacity reservation contracts for key equipment. This work is being co-ordinated by the Energy Networks Associated, with a comparative report on TO specification to be developed by the end of November 2024.

### 3.8. Driving sustainability in our supply chain approach

Our commitment

**B2.4**

Support and encourage our supply chain to maximise social value delivered

Our ambition is to build social value through our operations and construction to leave a positive legacy for communities.

Our ambition needs to be balanced against the supply chain environment we are operating in. Given the existing constraints within the supply chain, we are seeking to strike the right balance between amplifying social value and placing additional demands on our already-stretched supply chain partners.

Our commitments centre around building on our RIIO-T2 commitments:

- We require all our suppliers to pay the real living wage to their UK workers and will verify this at Tier 1 in relevant categories.
- Promote skills development in the supply chain by requesting that a minimum of 5% of the supply chain technical headcount is upskilled annually
- Use influence to identify and address potential human rights exploitation in the supply chain

We will also be aiming for **80% of our suppliers' emissions to have formally committed to a set Science Based Target by 2030.**

We are developing our ways of working to support and encourage our supply chain to maximise social value delivered by

- Asking all suppliers to sign up to our Supplier Code of Conduct (and re-affirm annually) which encourages our supply chains to understand how their activities can impact and add value in both the local area and wider community.
- Working with our supply chain to make positive contributions and investments where appropriate, for example, by providing local employment opportunities, skills development, and workforce volunteering.
- Promoting diversity, equity and inclusion in our supply chain and increasing sourcing opportunities to encourage wider participation, including with small & diverse suppliers.

Social value clauses have been embedded in the Great Grid Partnership enterprise delivery model. Bidders were asked to provide details of how they would deliver against these clauses in their tender submissions, which were subsequently evaluated, forming part of the award decision. A Social Value working group has now been established.

Our commitment

**B4.2**

Ensure that 80% of our supply chain have formally committed to the same SBT as us

### 3.9. Conclusion

The market has changed dramatically in recent years due to rapid expansion of demand globally, a focus on security of supply following the Ukraine war, and inflationary pressures post-Covid and other geopolitical events. We are delivering a significant expansion of our network over RIIO-T3 requiring more from global equipment supply and nationally from the suppliers who install and maintain that equipment. The expansion required will not be achieved efficiently through normal market adjustment mechanisms and the TOs will need to take a planned and strategic approach during the RIIO-T3 period to support the market to prepare and provide the capacity needed. This will need some new approaches, and some adjustments to regulatory expectations as well as action from government:

- More certainty about the plan for the network – this is the cornerstone of the TOs having certainty about their workbooks
- More scope to stimulate supply chain capacity, for example by reserving capacity in advance so that the supply chain can invest in expansion
- A new relationship with the supply chain, moving away from spot purchasing using competition and implementing a new model whereby competition is used to establish strategic long term relationships
- A joined up approach to skills, particularly those skills specific to building and operating electricity networks

This plan has set out how National Grid will protect consumer value through stimulating supply chain expansion using the existing and planned mechanisms in our regulatory regime.

#### 3.9.1. In-period RIIO-T3 reporting

As part of our commitment to be transparent in our approach to competitive processes and reporting on our progress, we will share information with Ofgem for regulatory monitoring purposes. This includes on our key commitments:

- Implement new “Signature Strategies” based on a portfolio and regional approach, to provide long-term access to supply chain capacity and efficient prices.
- Deliver our ASTI and other major projects through our new collaborative and integrated HDVC Framework and enterprise delivery model.

We share our best view of forward-looking demand with the market within our current frameworks. [REDACTED]

[REDACTED] In sharing information about upcoming competitive processes, we do in compliance with the Utility Contracts Regulations 2016 (UCR), including in how we share information fairly, without causing an imbalance of information available to prospective vendors.



## Appendix A – Supply Chain project-specific worked examples

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National Grid plc  
National Grid House,  
Warwick Technology Park,  
Gallows Hill, Warwick.  
CV34 6DA United Kingdom  
Registered in England and Wales  
No. 4031152

[nationalgrid.com](http://nationalgrid.com)

**nationalgrid**