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12 November 2026

Dear David

Ofgem's notice of provisional revised pension allowance values and GAD's draft 2026 pension reasonableness review

Thank you for your notice of provisional revised pension allowance values and GAD's draft 2026 reasonableness review that you shared with us on Friday 30th October and Monday 2nd November respectively.

We are pleased and grateful to note your decision not to make any changes to the base Pension Scheme Established Deficit (PSED) and PPH values that we submitted for our three regulated defined benefit pension schemes, NGESPS, WPDESPS and CNESPS.

We also appreciate the setting out of your current thinking and your provisional recommendations to network operators, as well as your invitation to respond with feedback.

We would like to provide the following comments, which are not confidential, and which cover all five of our operating licences: National Grid Electricity Transmission, National Grid Electricity Distribution (East Midlands), National Grid Electricity Distribution (South Wales), National Grid Electricity Distribution (South West) and National Grid Electricity Distribution (West Midlands)

Feedback on Ofgem's notice of provisional revised pension allowance values

- In the section entitled "Deficit recovery plans" contained within your "Summary of GAD's 2026 review", we would prefer the second sentence to read "WWUPS and MANESPS retained their existing recovery-plan end dates, and while WPDESPS extended its recovery period, it ~~and~~ maintained contributions at their existing level."

Feedback on GAD's draft 2026 pension reasonableness review

- In paragraph 3.8 (and other subsequent sections, e.g. paragraphs 3.65 to 3.67), GAD makes reference to a newly established "NESO section". In pension terminology, a section typically refers to membership of a single UK pension scheme that is sub-divided into various sections, or it can also refer to individual schemes that participate in one umbrella arrangement (like the various network pension schemes that participate in the Electricity Supply Pension Scheme, or ESPS). Our understanding is that NESO's new pension scheme arrangements do not fall into either of the above categories. GAD might consider whether NESO's new pension arrangement could better be described as a newly established "scheme" in its own right, rather than a "section" of any implied arrangement.

- The changes made to the assumptions for WPDESPS to meet the new DB funding regime did not strengthen the basis as they were specifically designed to ensure no additional prudence was being added to the liabilities, thus avoiding extra costs on consumers. Therefore in paragraph 3.10, we would prefer the wording to be changed to the following: "While a small deterioration in funding level can be observed, the Technical Provisions assumptions ~~have been strengthened so that they~~ were made consistent with the new DB funding regime, while seeking to avoid additional prudence that could have increased the disclosed deficit and associated contribution requirements even further."

- In paragraph 3.17, we would prefer the following revisions to the explanation of the WPDESPS deficit recovery period as this better reflects discussion with the trustees and the rationale for the valuation outcome: "One scheme, WPDESPS, restarted ~~extended the period over which~~ deficit recovery contributions in 2026 ~~are payable, while maintaining deficit reducing contributions at their existing level~~ at the same level as under the previous recovery plan which ended in 2024. This is consistent with the deterioration in the funding level for WPDESPS. This approach was intended to limit the additional costs to consumers whilst continuing to address the funding shortfall."

- In paragraph 4.1, to avoid any unintentional risk of NWOs feeling patronised, we would prefer the wording to be amended as follows: "We have considered the comments provided in NWOs' questionnaire responses, which describe how the NWOs ~~believe they have interpreted~~ have considered the interest of consumers when engaging in the governance of their pension schemes, including discussions relating to funding, investment and risk management." This is consistent with the fifth and final bullet point on page 2 of Ofgem's "Summary of our provisional conclusions" in the notice of provisional revised pension allowance values, which reads "All NWOs provided examples of how consumer interests had been considered."

- For the same reason, in paragraph 4.3, we would prefer GAD's first listed finding to read as follows: "All companies were able to provide examples of actions which they ~~considered to be~~ submitted as evidence of them acting in the consumer interest" which is consistent with GAD's own use of the phrase "evidence of" or "evidence that" in the preceding six bullet points.

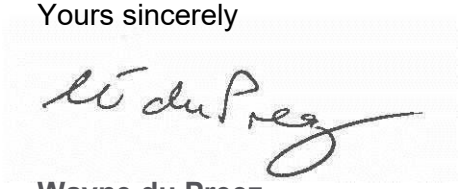
- For enhanced clarification and accuracy (NGESPS no longer has a longevity hedging arrangement in place following its novation in its entirety as part of the recent buy-in exercise), in paragraph 4.13, we would prefer the first two sentences to read as follows: "Four schemes currently hold buy-in policies covering part of their liabilities (NGTPS, SHEPS, NGESPS and ENWESPS), ~~and~~ with NGESPS ~~completed~~ completing a significant pensioner buy-in transaction during 2024, which included the entire novation of a previously arranged longevity swap. In addition, SPPS~~,~~ and MANESPS ~~and NGESPS~~ have implemented longevity hedging arrangements, while SEPS reported that it continues to assess potential risk transfer opportunities."

- For the same reason, please consider the reference to "longevity swaps" in the "NGESPS" row of the table on page 33 of GAD's draft report, which is correct if the intention is to capture historic arrangements existing prior to the 2026 PDAM review, but should probably be omitted if the intention is to document conditions at the 2026 PDAM review.

- In the row labelled WPDESPS in the table in Appendix B, the change in discount rate relative to gilts columns (both Pre and Post) should refer to the year **2050**, not 2040. (2040 is correct for the DRs in the subsequent row labelled CNESPS, but only for CNESPS.)

We trust that the above is helpful. Please do not hesitate to contact me directly in the event of any comments or queries.

Yours sincerely



Wayne du Preez
Regulatory Reporting Manager