



An Coimisiún
um Rialáil Fóntais
**Commission for
Regulation of Utilities**

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Commission for Regulation of Utilities

Price Review Six (PR6)

Offshore Revenue for 2026 - 2030

Final Determination Paper

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CRU Strategic Plan 2025-27

Vision, Purpose, and Values



OUR VISION:

Resilient, efficient, sustainable, and safe energy and water services for Ireland.



OUR PURPOSE:

We actively serve the public interest by regulating the provision of energy and water to Irish homes and businesses, while supporting the transformation to net zero.



OUR VALUES:

• Integrity • Professionalism • Openness • Accountability

Executive Summary

Purpose of this Document

The Commission for Regulation of Utilities (CRU) is responsible for the economic regulation of the electricity network companies in Ireland. To do this, the CRU sets Price Reviews which limit the revenues that the network companies can recover from electricity customers. Price Reviews are set every 5 years and the upcoming Price Review Six (PR6) will cover the period, 1st January 2026 to 31st December 2030. This document sets out the CRU's Final Determination (FD) on the allowed expenditure and the associated allowed revenues for EirGrid, in its new role as offshore system operator and asset owner.

Background to PR6

In 2021, the Government designated EirGrid as Ireland's offshore system operator and asset owner. This designation means that EirGrid has assumed a pivotal new role in the development of Ireland's offshore electricity grid, marking a transformative step in the country's clean energy transition. As Ireland's TSO, EirGrid will now lead the delivery of offshore grid infrastructure ensuring it is designed, developed and connected in a way that is secure, efficient and future ready.

Offshore wind is central to Ireland's energy and climate ambitions. With a target of 5GW of offshore wind by 2030 and significantly more in the years to follow, offshore energy is essential to achieving national and EU climate commitments, enhancing energy security, and reducing dependence on imported fossil fuels. The scale and complexity of the offshore programme will require strong coordination and proactive transmission planning on the part of EirGrid.

This Final Determination Paper sets out the CRU's view of the allowances and regulatory framework for the PR6 period (2026-2030). It follows the Draft Determination that the CRU published in July 2025 which this decision builds upon.

The CRU has approved a baseline total of €819.8m allowed expenditure (2024 prices), €388.1m allocated to operational expenditure (opex) and €431.7m allocated to capital expenditure (capex) (this excludes any Phase 1 Asset Transfer Value (ATV) payments). Additional revenues will be provided under the Agile Investment and Monitoring Framework (AIMF) for PR6, including new mechanisms that have been developed specifically for the offshore price review, for example the new investment gateway framework developed for offshore opex and capex.

Since the publication of the Government's 'Policy Statement on the Framework for Ireland's Offshore Electricity Transmission System'¹, the CRU has proactively been developing a new offshore regulatory policy framework. This has included the publication of *inter alia*:

- Phase 1 Offshore Grid Connection Assessment – Decision Paper
- Phase 2 Offshore Wind Grid Connection Charging Policy – Decision Paper
- Grid Connection Pathway for Phase 2 Offshore Wind – Decision Paper
- Post-ORESS1 Material Change Review: General & Functional Specifications
- Offshore Revenue Model for EirGrid – Decision Paper

These publications collectively contribute to a comprehensive regulatory framework which supports the development of offshore wind energy in Ireland.

What PR6 is Expected to Deliver for Customers

For PR6, the CRU's 'Strategy Paper'² set out the strategic approach, objectives and outcomes for PR6. The CRU's objectives for PR6 (see Section 1 for more detail) are to deliver a secure and sustainable system in a cost-effective manner that supports the delivery of our 2030 targets. To reflect the Government's approval of the Offshore Electricity Transmission System Policy in April 2021, which designated EirGrid as offshore system operator and asset owner, the CRU's Strategy Paper set the following objective for EirGrid for PR6:

- Successfully establish its Offshore Asset Owner ("OAO") functions and operations.

EirGrid's offshore programme is comprised of several phases. Phase 1 will see the development and successful transfer of transmission assets created under the Offshore Renewable Electricity Support Scheme (ORESS) 1 and Merchant projects from developers to EirGrid. EirGrid has organised its business plan around a series of possible scenarios for the timing of transfer of these projects to EirGrid; these may or may not happen. For the reasons discussed in Section 3.2.1, the CRU has approached setting the price review based on EirGrid's Scenario 3, which involves one Phase 1 project transferring to EirGrid during the PR6 period. If additional Phase 1 transfers occur during PR6, EirGrid will be able to request a variation to its allowed revenues under the relevant reopener mechanisms created for the offshore revenue control as part of the PR6 AIMF.

¹ See [here](#).

² See [here](#).

Phase 2 will see EirGrid designing, consenting and building offshore transmission assets under the South Coast Programme. EirGrid is currently developing the Tonn Nua project aligned to the ORESS2.1 auction that concluded on 26 November 2025. EirGrid's Phase 2 Tonn Nua activities will be in preconstruction during PR6, with Tonn Nua expected to begin construction in PR7. EirGrid has also indicated that it may be required to take forward development of other plan-led offshore assets, including early-stage works on the LI Ban project that forms part of the Designated Maritime Area Plan (DMAP) for the South Coast (Area B).

Responses Received on the Draft Determination

The CRU received forty-four [44] responses to the Draft Determination from a wide cohort of stakeholders. Approximately twelve [12] stakeholders responded directly to the 'Price Review Six Offshore Paper' (see CRU202589)³ Draft Determination Paper. Over 80% of comments focused on the regulatory framework, capital and operational expenditure and financeability. The key themes of the responses include the:

- Phase 2 Tonn Nua capex envelope;
- Investment gateways process;
- Phase 1 and Phase 2 incentives;
- Scale and strategic direction of investment;
- Delivery risk and organisational capacity of EirGrid; and
- The financial framework and affordability.

The CRU has carefully considered all responses and has accounted for each relevant point within this Final Determination Paper. Alongside this Final Determination, the CRU has published a Response Paper (CRU2025212) summarising the comments received.

Review of Historic and Forecast Expenditure

The CRU has applied a rigorous cost assessment process that ensures only well-justified and efficient expenditure is included within the allowed revenues. This includes both an *ex-post*, or historic review, of the outturn expenditure incurred in PR5, and the associated outputs, and an *ex-*

³ See [here](#).

ante review into forecast expenditure for PR6. The steps taken and elements considered in the cost assessment are set out in Sections 3 and 4 below.

The following subsections provide a brief summary of the CRU's historic (2021 – 2025) and future (2026 – 2030) review of offshore costs and its' position on the offshore weighted average cost of capital (WACC) for PR6.

Unless otherwise stated, all prices stated within this document are real at 2024 price levels, based on the Harmonised Index of Consumer Prices (HICP). Note that PR5 expenditure is often referred to as outturn expenditure, although it includes a mix of actual outturn costs for 2021 - 2024, and budgeted or forecast costs for 2025.

PR5 Historic Review (2021 – 2025)

As EirGrid was appointed to the position of offshore system operator and asset owner in April 2021, the price review control period had already commenced, i.e., PR5 (2021 to 2025). Therefore, no specific *ex-ante* allowance was set for offshore capex or opex. To enable EirGrid to deliver against its new obligations and directions under the Climate Action Plan it has sought a provision for additional revenue associated with offshore in 2023, 2024 and 2025 through an interim determination during PR5.

Offshore costs were included in the TSO's allowed revenues on a placeholder basis as part of the annual revenue decisions. The CRU noted that a full review of the efficiency, appropriateness, and allocation of these costs would be considered in the context of the regulatory framework and cost recovery for the offshore system once it was established. Table 1 below shows the total TSO offshore opex outturn/forecast of €56.2m (2024 prices) and the CRU's Final Determination assessment i.e. the CRU will allow EirGrid to recover its outturn/forecast costs in PR5 in full.

Table 1: TSO Historic Offshore Opex Executive Summary (2021 – 2025)

PR5 TSO <i>Ex-post</i> Offshore Opex (€m in 2024 prices)	PR5 Outturn/Forecast	<i>Ex-post</i> PR5 Allowance
Total TSO Offshore Opex	56.2	56.2

EirGrid's PR5 outturn/forecast was a total offshore capex spend of €65.0m (2024 prices). This comprises offshore network capex total spend of €64.6m and offshore non-network capex of €0.4m over the period. Table 2 below summarises this alongside the CRU's Final Determination assessment. Consistent with its determination of historic offshore opex, the CRU will allow in full the offshore expenditure incurred by the TSO over the PR5 period.

Table 2: TSO Historic Offshore Capex Executive Summary (2021 – 2025)

PR5 TSO <i>Ex-post</i> Offshore Capex Allowance (€m in 2024 prices)	PR5 Outturn/Forecast	<i>Ex-post</i> PR5 Allowance
TSO Total Offshore Network Capex	64.6	64.6
TSO Total Offshore Non-Network Capex	0.4	0.4
Total	65.0	65.0

PR6 Forecast Review (2026 – 2030)

This is the first offshore price review, therefore a material step up in both opex and capex costs has been requested through EirGrid's offshore business plan questionnaires (BPQ).

As EirGrid only started to establish its new offshore functions and activities in PR5, there are no offshore baseline costs or trends to compare against the requests made by EirGrid in its offshore PR6 BPQ submission. Only step changes exist, i.e., additional costs relating to structural changes or new projects or programmes. These increases proposed by EirGrid and been carefully considered reflecting the CRU's commitment to ensure that EirGrid's offshore function has the resources and capability to deliver for consumers and on the PR6 strategic objectives which support the transition to a low carbon future. In particular, EirGrid's readiness to operate and maintain an offshore grid.

EirGrid's approach to managing its transition to being Ireland's offshore network asset owner has been to structure its offshore investment programme into four categories:

- **Category 1 (Connect Offshore Projects):** activities and costs associated with connecting onshore connections to offshore renewable generation.
- **Category 2 (Develop Offshore Assets):** costs associated with EirGrid's development and construction of offshore assets (currently limited to the Tonn Nua project).
- **Category 3 (Transfer Offshore Assets):** costs associated with the transfer of Phase 1 developer created Transmission Assets to EirGrid via ATV payments from EirGrid to Phase 1 project developers.
- **Category 4 (Offshore Asset Readiness Programme, Pre-Operations, Enduring Operations):** these are expenditures which will allow EirGrid to prepare to carry out its offshore operations as the assets transfer or are constructed. They include the costs of engineering and asset management, health and safety, IT cloud infrastructure, finance, procurement, supply chain.

Category 1 costs are considered as part of the CRU's onshore Transmission Final Determination 'Price Review Six Final Determination Transmission Paper' (see CRU2025195) and so this decision paper addresses Categories 2 – 4 of offshore expenditure.

As discussed above and below, the CRU has approached its PR6 assessment and forecasting of offshore allowed revenue on the basis that EirGrid will be required to make one Phase 1 ATV payment during PR6 under Category 3. The CRU, however, has excluded the forecast ATV payment (and the associated stamp duty) for the Phase 1 project from the calculation of the baseline allowed revenue used to set network charges from the start of PR6 given that the size and quantum of the ATV payment remains uncertain.⁴

EirGrid has broken down its operational costs into a series of programmes, including the Offshore Asset Readiness Programme, Buildings and Facilities, Pre-Operations, Offshore Central Functions and Enduring Operations and Maintenance, components of which may vary depending on the number of Phase 1 projects that transfer to EirGrid during PR6. Should a greater number of Phase 1 projects transfer to EirGrid in PR6 than the single project assumed for setting baselines, EirGrid is able to request a reopener of its revenue determination under the PR6 AIMF. The regulatory framework (see below) also provides an investment gateway framework for managing cost variation to specified high value opex and capex projects currently the Phase 2 Tonn Nua project and major opex programmes (e.g., operations and maintenance (O&M), insurances and warehousing).

EirGrid's request and the CRU's PR6 opex and capex Final Determination proposals are summarised in Table 3. These allowed expenditures have been calculated by firstly, excluding Frontier Shift (which is the net adjustment from Real Price Effects (RPEs) and Ongoing Efficiency (OE)) from opex, and secondly by including the adjustments in the allowed costs for the PR6 baseline, as shown in Table 3.

⁴ The ATVs presented in this paper are current forecast estimates of the potential transfer payments.

Table 3: Offshore Opex and Capex Executive Summary: Scenario 3 (2026 - 2030) Decision

PR6 Opex (€m 2024 prices)	Baseline Request	Final Determination Baseline	Final Determination High	DD - FD Baseline Variance	DD - FD High Variance
Opex Categories					
IT Systems	90.6	86.0	86.0	-	-
Offshore Asset Readiness Programme	184.2	175.0	175.0	-	-
Buildings & Facilities	2.7	2.7	2.7	-	-
Pre-Operations	40.6	38.6	65.5	-	-
Offshore Central Functions	61.9	58.8	58.8	-	-
Enduring Operations and Maintenance	28.6	27.0	42.7	-	-
Total Opex	408.5	388.1	430.8	-	-
Total (Excl. Frontier Shift)	408.5	388.1	430.8	-	-
Total (Incl. Frontier Shift)	468.0	402.2	444.9	-0.5	-0.5
PR6 Capex (€m 2024 prices)	Baseline Request	Final Determination Baseline	Final Determination High	DD v FD Baseline	DD v FD High
Network Capex Categories (Cat. 2 & 3)					
Phase 1 ATV ⁵	335.0	335.0	335.0	-	-
Stamp Duty at 7.5% on ATV	25.1	25.1	25.1	-	-
Phase 2 Tonn Nua Programme	363.0	363.0	363.0	-	-
Total Network Capex	723.1	723.1	723.1	-	-
Total Network Capex (Excl. ATV Capex)	363.0	363.0	363.0	-	-
Non-Network Capex Categories (Cat. 4)					
IT & Telecoms	20.3	19.2	19.2	-	-
Facilities	12.1	11.5	11.5	-	-
Capital Spares	38.0	38.0	38.0	-	-
Total Non-Network Capex	70.4	68.7	68.7	-	-
Total Capex (Incl. ATV Capex)	793.5	791.8	791.8	-	-
Total Capex (Excl. ATV Capex)	433.4	431.7	431.7	-	-
Total (Incl. ATV Capex & Incl. Frontier Shift)	1,186.8	1,194.0	1,236.7	14.6	14.6
Total (Excl. ATV Capex & Incl. Frontier Shift)	826.7	833.9	876.6	14.6	14.6

⁵ As discussed above, this reflects a scenario of one expected ATV payment. For the avoidance of doubt this is not an approved capex allowance, which will be determined under a separate CRU process to set Phase 1 ATV payments. It provides an indication of the potential cost of a single Phase 1 project transferring to EirGrid.

Having reviewed the offshore business plan information provided by EirGrid, an adjustment of *circa* 5% has been applied to elements of its forecast offshore opex and capex (excluding Frontier Shift) respectively. This is on the basis that the information provided by EirGrid did not fully meet some, or all of, the cost assessment gateways of need, additionality or cost confidence / efficiency. EirGrid has accepted these cost challenges which were originally proposed as part of the CRU's Draft Determination. More detail is set out in Sections 3.2 and 4.2. Please see Appendix 1 and 2 for a full breakdown of the allowances by scenarios and Section 3.2 for CRU's proposals on the allowance for RPEs and OE for offshore opex.

As discussed above, the CRU has approached its PR6 assessment and forecasting of offshore allowed revenue on the basis that EirGrid will make one Phase 1 ATV payment during the period of PR6. The allowed opex reflects the pre-operations and enduring operations and maintenance opex consistent with this scenario. The allowed capex the CRU has included in EirGrid's approved revenues and tariffs from the start of PR6 in contrast excludes the forecast ATV payment (and the associated stamp duty) for the Phase 1 project.

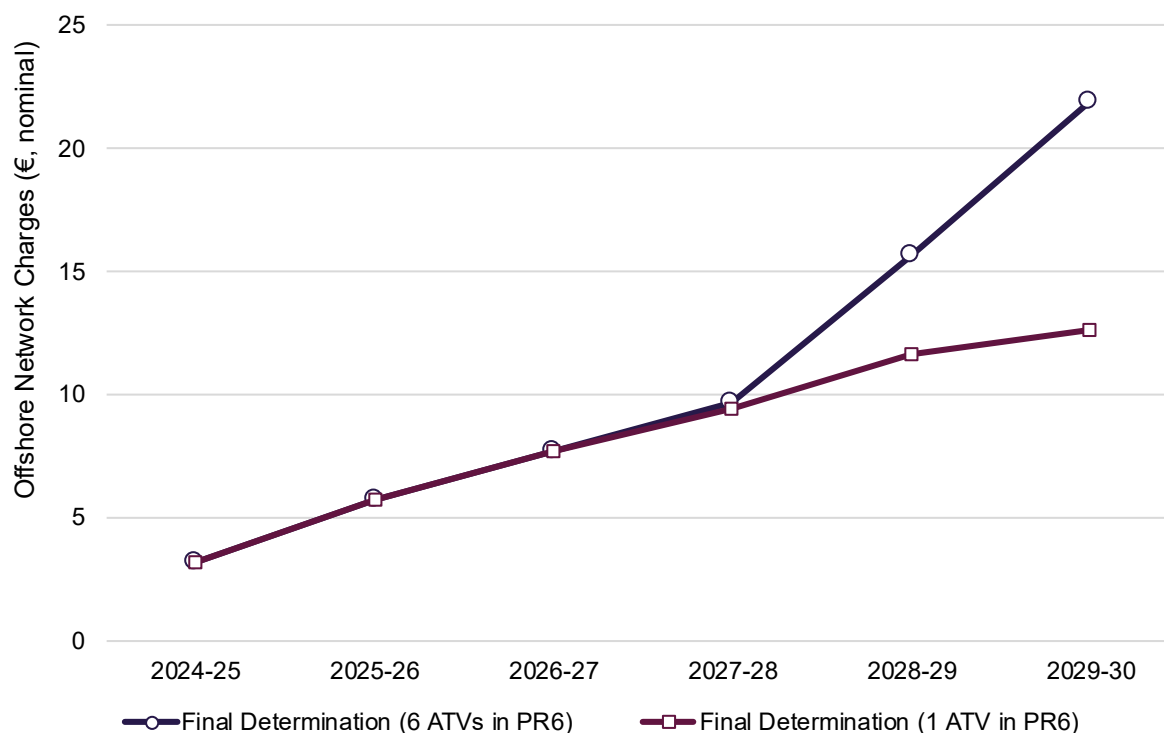
The total allowed baseline capex allowance is, therefore, €431.7m. This reflects €363.0m of network capex (excluding any ATV payments) and €68.7m of non-network capex.

The CRU has decided to exclude the ATV payment on the basis that the quantum and timing of this payment remain uncertain. ATV payments made by EirGrid will be assessed by the CRU as part of the process set out in the CRU decision 'Offshore Grid Connection Asset Treatment' (CRU202309) and associated supplementary decisions. The Phase 1 project ATV payments (and the associated stamp duty) will be approved by the CRU and added to the offshore Regulatory Asset Base (RAB) within period, with variation to EirGrid's offshore allowed revenue and RAB approved on a forecast year ahead basis as discussed in Section 6.

Consumer Impact Summary

Offshore-related domestic network costs are expected to increase (in nominal terms), when comparing relevant estimated charges for 2029/30 with 2024/25. The CRU's assessment has considered two different consumer impact scenarios: a baseline and a high scenario. Figure 1 below shows the potential consumer impacts of the Final Determination on the offshore network charges which relate to an archetypical domestic customer, as well as the impact of the baseline and high company asks. In this analysis, the high case is an illustration of the impact on an archetypical domestic customer if 6 ATV payments were to take place during PR6, which the CRU considers an unlikely scenario. The CRU notes that the timings of Phase 1 project transfers remain uncertain and its baseline scenario remains the most likely outturn impact.

Figure 1: Offshore-Related Network Charges: Final Determination Domestic Customer Impacts (Nominal)



It is important to note that PR6 will be a starting period for the development of the offshore grid in Ireland. The full cost and bill impact of the offshore programme will increase going into PR7 as the Tonn Nua project is expected to start construction and further Phase 1 projects are expected to transfer to EirGrid and reflected in offshore-related network charges. This can already be observed from the high case scenario illustrated in Figure 1 above.

Regulatory Framework and Delivering for Consumers

An overall regulatory framework has been provided for the electricity network companies in the decision paper 'Price Review Six Final Determination Regulatory Framework Paper' (CRU2025197), the proposed building blocks of which are referred to as the AIMF. For further information on the regulatory framework for the electricity network companies during PR6, please refer to CRU2025197.

The PR6 AIMF will apply to EirGrid's offshore role and revenue control which provides for dedicated reopener mechanisms for categories of EirGrid's offshore opex and capex. The offshore regulatory framework also includes dedicated features for the offshore revenue control, including an investment gateway process (for Phase 2 Tonn Nua and strategic opex programmes such as insurance, O&M and warehousing), dedicated offshore performance incentives and an Exceptional Events / Force Majeure mechanism for offshore.

The offshore regulatory framework also includes mechanisms to support EirGrid with financing its offshore grid investment programme (see Section 6.3) including a liquidity building block and cost of debt true-up mechanism. The CRU intends that these aspects of the regulatory framework will be time limited and required only during the establishment and initial financing of the offshore investment programme in PR6 and PR7. This is while EirGrid's offshore RAB grows from a low starting point and the business is in its early establishment stage. The mechanisms will not set precedent for the financial and regulatory frameworks of future price reviews.

Consistent with any regulatory framework, the CRU expects to evolve its approach over time as new challenges and investment opportunities arise, and as EirGrid becomes a more mature offshore asset ownership business. For information regarding EirGrid's new offshore role and regulatory framework, please see Section 5 and Section 6.

Finance and Weighted Average Cost of Capital

Financing of the offshore grid programme is supported by the Government's recent announcement to invest €2bn of new equity in EirGrid to support the significant increase in capital investment as it develops Ireland's offshore grid.⁶ This investment is also underpinned by the new regulatory framework the CRU has developed for offshore, which will support the early-stage investment and financing of the offshore grid.

PR6 is the first price review where there will be a separate offshore RAB and allowed offshore cost of capital for EirGrid's new offshore role. This is to provide a clear and predictable regulatory allowance for EirGrid's financing costs. After careful consideration, for this Final Determination, the CRU has also decided to set a Phase 1 (developer-led investment) WACC for allowed returns on EirGrid's ATV payments, and an offshore asset owner (TSO-licensee led investment) WACC for allowed returns on the remainder of EirGrid's offshore investment programme in PR6.⁷

The CRU has typically set a single allowed WACC for different activities within a single regulated business (for example, for transmission and distribution activities). In this specific case, it considers that setting a separate WACC is justified given the circumstances of Phase 1 investment activities being developer-led investment. The number and the timing of Phase 1 ATV transfers in PR6 is also currently highly uncertain, and there are as a result, practical challenges with setting a single blended offshore WACC for PR6.

⁶ [Minister O'Brien welcomes €3.5 billion investment in Ireland's electricity infrastructure](#)

⁷ Phase 2 network capex and EirGrid's offshore non-network capex.

The offshore allowed rates of return, stated on a weighted average cost of capital (real pre-tax) basis for PR6, are set out in Table 4⁸. Further details on the individual components of the WACC are set out in Section 6.3 of this decision paper.

Table 4: Offshore Weighted Average Cost of Capital Executive Summary

	EirGrid Proposal		CRU Determination	
Category	Phase 1 Assets	Phase 2 Assets	Developer-Led Investment	EirGrid-Led Investment
Weighted Average Cost of Capital (real, pre-tax)	4.69%	5.49%	4.51%	5.12%

The allowed equity rate of return for EirGrid led offshore investment, includes an uplift of 1.0%.⁹ The size of this offshore uplift (if any) for EirGrid-led offshore investment will be reviewed by the CRU at future price reviews. The CRU anticipates that when EirGrid's offshore asset owner business is closer to the onshore TAO in terms of RAB, investment characteristics and risks etc., and the upfront concentration of development and construction risk during the initial establishment of offshore grid is complete, this uplift will be reduced over time.

Confirming the position at Draft Determination, the CRU will set EirGrid's offshore allowed revenues on a real returns basis for equity and a nominal returns basis for debt – i.e., a hybrid basis. This means that a nominal rate of return will be applied to the debt component of the offshore RAB (at the allowed notional level of gearing – 60%) and a real rate of return to the equity component of the offshore RAB. The debt component of the RAB will not be subject to inflation indexation, while the equity component will be subject to indexation.

EirGrid's offshore revenue control will also include a liquidity building block and a cost of debt true-up mechanism. These are intended to recompense actual debt costs for debt balances up to a gearing cap above notional gearing defined on a net debt basis. This mechanism will act to mitigate EirGrid's interest rate risk during the early-stage investment period in the offshore grid, and will help EirGrid manage the unique financing and liquidity challenges that the offshore grid programme creates, in particular in financing Phase 1 ATV payments during PR6 and PR7.

⁸ This weighted average cost of capital is indicative as it applies an inflation adjustment that in practice is not applied within the Nominal Allowed Debt Rate of Return for the reasons set out in Section 6.3.4.

⁹ Relative to the onshore allowed cost of equity at 60% notional gearing.

Public/Customer Impact Statement

The Government has an objective to connect at least 5GW of offshore wind by 2030. The Government has also committed to further offshore development targets (20GW by 2040 and 37GW by 2050) to support the transition to Net Zero. For comparison purposes, 1GW of offshore wind equates to the quantity of electricity consumed by approximately 1 million homes.

These offshore development targets will require significant changes to the electricity network in Ireland, including the development of new offshore infrastructure which will be required to connect the offshore wind farms to the electricity grid.

The Government has designated EirGrid as the owner of Ireland's offshore transmission assets. As the licensed TSO in Ireland, EirGrid's role to date has been focused on system balancing, market operation, and network planning and development activities. Going forward, EirGrid will have responsibility for constructing part of the offshore transmission grid. EirGrid will also take ownership of offshore transmission assets that have been constructed by offshore developers and will be required to operate and maintain the offshore grid once established. As a result, EirGrid will need to rapidly transform its business over the next decade, to acquire the resources and expertise to deliver on its offshore asset owner remit and achieve the benefits from development of offshore wind in Ireland.

EirGrid's offshore revenue model and regulatory framework will be central to facilitating the ambitious offshore wind targets set by Government. PR6 will be the first period when CRU will set a separate offshore price review for EirGrid's offshore asset ownership function. This Final Determination sets out the CRU's decisions on the revenues EirGrid will be allowed to recover in PR6 to establish and develop its offshore transmission ownership business and to support the Government's offshore wind targets. It will support EirGrid with raising the significant capital it requires to finance its offshore investment programme over the coming decade.

The CRU allows EirGrid to recover costs related to the construction, safe operation and maintenance of the electricity system. These charges are passed onto suppliers, which are then typically reflected in customers' electricity bills.

The impact of this Final Determination on electricity consumers has been analysed in detail in the accompanying Information Paper on the topic 'Price Review Six Final Determination Impact Analysis Note' (CRU2025198). Overall, offshore-related network charges for the archetypical domestic customer are expected in PR6 to increase (in nominal terms) by €9 in the Final Determination baseline scenario and by €19 in the high scenario, when comparing relevant forecast charges for 2029/30 with 2024/25.

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Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
AICR	Adjusted Interest Coverage Ratio
AIMF	Agile Investment and Monitoring Framework
ATV	Asset Transfer Value
BAU	Business as Usual
BPQ	Business Plan Questionnaire
Capex	Capital Expenditure
CDT	Cost of Debt True-Up
CEPA	Cambridge Economic Policy Associates
CRU	Commission for Regulation of Utilities
DAO	Distribution Asset Owner
DCEE	Department of Climate, Energy and Environment
DD	Draft Determination
DECC	Department of Environment, Climate and Communications
Depn	Depreciation
Devex	Development Capex
DIWE	Demonstrably Inefficient or Wasteful Expenditure
DMAP	Designated Maritime Area Plan
DSO	Distribution System Operator
D-TUoS	Demand Transmission Use of System
EE	Exceptional Event
EMRP	Equity Market Risk Premium
EPC	Engineering, Procurement and Construction
FD	Final Determination
FEED	Front-End Engineering Design
FFO	Funds from Operations
FID	Final Investment Decision
FTE	Full Time Equivalent

GDD	Grid Delivery Date
GHD	Gutteridge, Haskins and Davy
GW	Gigawatt
HICP	Harmonised Index of Consumer Prices
IAE	Income Adjusting Events
IEA	Inflation Expectations Adjustment
IPA	Infrastructure Projects Authority
KPI	Key Performance Indicator
LBB	Liquidity Building Block
MAP	Maritime Area Planning
MARA	Maritime Area Regulatory Authority
NPV	Net Present Value
OAD	Offshore Asset Owner
OARP	Offshore Asset Readiness Programme
O&M	Operations and Maintenance
ODI	Outcome Delivery Incentives
ODT	Offshore Delivery Team
OE	Ongoing Efficiency
OFTO	Offshore Transmission Owners
Opex	Operational Expenditure
ORESS	Offshore Renewable Electricity Support Scheme
OG-TUoS	Offshore Generator Transmission Use of System
PCR	Post Construction Review
PR5	Price Review 5
PR6	Price Review 6
PR7	Price Review 7
PT	Pass-Through
P0	Probability 0
P50	Probability 50
QSRA	Quantified Schedule Risk Assessment
RAB	Regulatory Asset Base
RfR	Risk Free Rate

RoC	Return on Capital
RoRE	Return on Regulated Equity
RPE	Real Price Effect
TAO	Transmission Asset Owner
TSO	Transmission System Operator
TUoS	Transmission Use of System
TMR	Total Market Return
TVM	Time Value of Money
WACC	Weighted Average Cost of Capital

1. Background

The CRU is responsible for the economic regulation of the system operator and asset owners for electricity transmission and distribution systems in Ireland. In this role, the CRU carries out reviews of the allowed revenue for the transmission and distribution businesses through price reviews. Price reviews set the revenue that the relevant network company can recover from electricity consumers and is set every five years.

The transmission business consists of EirGrid, licensed by the CRU as the TSO and ESB, acting through its ESB Networks business unit, is the licensed TAO. ESB Networks DAC is licensed by CRU as Distribution System Operator (DSO), and ESB, acting through its ESB Networks business unit, is the licensed Distribution Assets Owner (DAO). As part of EirGrid's role as TSO, it has also been appointed as the offshore TSO and asset owner (OAO). The CRU, for the purpose of its price review regulation, is choosing to regulate the OAO activities separately, however the overall licensed business or appointee is the TSO.

In December 2020, the CRU set PR5 for EirGrid as TSO, and for ESB Networks as TAO and DSO/DAO. PR5 comes to an end in 2025, therefore, the CRU has initiated the review of the allowed revenue for the transmission and distribution businesses for the next price review period (PR6). PR6 will cover the five-year period from 2026 to 2030. This Final Determination outlines the allowed revenue that each of the network companies is allowed to recover and access (as part of the AIMF) during a the PR6 period.

In recent years, there have been major policy developments at national and European level that have and will continue to drive significant change in the energy sector. European policies have set EU-wide targets to achieve carbon neutrality (net-zero emissions) by 2050. To facilitate, national policies recognise the need to promote the large-scale deployment of renewables which will be critical to decarbonising the power sector as well as enabling the electrification of other technologies. The major policy developments that impact the strategic context of PR6 are described in detail in Section 2 of the PR6 Strategy Paper.¹⁰

In 2021, DECC (now DCEE)¹¹ designated EirGrid as Ireland's offshore system operator and asset owner. The Maritime Area Planning Act 2021¹² (the "MAP Act") provides that EirGrid's licence to

¹⁰ Available [here](#).

¹¹ The department has been renamed to 'Department of Climate, Energy and Environment' (DCEE).

¹² Maritime Area Planning (MAP) Act 2021 – Available [here](#).

discharge the functions of the transmission operator shall provide for EirGrid's ownership of transmission assets for certain specified purposes e.g., offshore activities.

In September 2024, the CRU published the Offshore Revenue Model for EirGrid Decision Paper (CRU202499)¹³, which set out the financial building blocks for EirGrid's offshore revenue control. The financial building blocks are to create a revenue model that will build on existing CRU regulatory practices along while accounting for challenges in delivering the offshore programme.

Offshore targets, as set by the government¹⁴, will cause the cost of electricity network tariffs to increase, with these costs ultimately being passed on to the consumer via electricity bills. As a result of this, new regulatory regime challenges must be addressed, in the areas of ongoing monitoring, incentivisation and transparency of EirGrid in its role as offshore owner. EirGrid must deliver on its objective of successfully establishing its offshore functions and operations while also protecting the interests of consumers.

This is the first Price Review in which EirGrid is undertaking its role as offshore TSO and asset owner. It has set out its forecast expenditure requests for the PR6 period in an offshore BPQ that will be used to set a separate offshore price review. PR6 is a critical five-year period for EirGrid as establishes itself in its offshore role. It will require transformational change of EirGrid in terms of investment in infrastructure and capability.

This Final Determination sets out the CRU's decisions on offshore revenues for the 2026 to 2030 (PR6) period and examines the offshore costs incurred by the TSO over the previous five years (2021 to 2025). As noted earlier, it is important to note that EirGrid's revenue requirement may need to change over the course of PR6 depending on the quantum and timing of Phase 1 ATV payments and the costs that EirGrid will need to incur to facilitate this.

The CRU has utilised the services of economic and engineering experts to assist its review of EirGrid's offshore historic and forecast costs as well as their performance in PR6. Cambridge Economic Policy Associates (CEPA) with the support of Gutteridge, Haskins and Davy (GHD) were appointed to provide advice on the economic, policy and technical aspects of the review. Specifically, GHD reviewed and provided advice on EirGrid's offshore capex costs while CEPA reviewed and provided advice on EirGrid's proposed offshore opex costs and the Cost of Capital.

The advice put forward by the CRU's consultants has informed the conclusions of the CRU as set out in this Final Determination. The reports developed by both GHD and CEPA are published

¹³ CRU Offshore Revenue Model for EirGrid Consultation Paper – Available [here](#).

¹⁴ By 2030: 5GW target of grid-connected offshore wind plus an additional 2GW of non-grid connected offshore wind. By 2040: 20GW of offshore renewable energy. By 2050: 37GW of offshore renewable energy – See [here](#).

alongside this paper. To avoid repetition, this paper does not repeat the analysis carried out by GHD and CEPA but focuses on the conclusions. Accordingly, this Final Determination should be read in conjunction with the CEPA and GHD reports in order to gain a full understanding of all aspects of the review of offshore TSO business that the CRU has assessed in developing its determination. Section 1.6 provides a comprehensive list of all relevant documents.

1.1 The CRU's Legislative Remit

Under Section 35 of the Electricity Regulation Act, 1999 ('the Act'), the CRU approves charges for the use of the electricity transmission system in Ireland. An extract from Section 35 is below.

35 – (1) Subject to *subsection (2)*, within such time as the Commission may direct, the Board shall prepare a statement for the approval of the Commission setting out the basis upon which charges are imposed —

(a) for use of the transmission or distribution system of the Board, and

(b) for connection to the transmission or distribution system of the Board.

(2) The Commission may give directions to the Board from time to time in respect of the basis for charges for use of and connection to the transmission system or distribution system of the Board.

[...]

(4) A charge for connection to or for the use of the transmission or distribution system of the Board shall be calculated in accordance with directions given by the Commission under this section so as to enable the Board to recover— (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any necessary works, and (b) a reasonable rate of return on the capital represented by such costs.

(5) The Commission, solely, will determine what constitutes an “appropriate proportion” referred to in subsection (4)(a) and a “reasonable rate of return” referred to in subsection (4)(b).

[...]

(7) The Commission shall publish the statement referred to in subsection (1).

(8) With a view to increasing transparency in the market and providing all interested parties with all necessary information and decisions or proposals for decisions concerning transmission and distribution tariffs, as referred in Article 60(3) of the 2019 Internal Electricity Market Directive, the Commission shall make publicly available the detailed methodology and underlying costs used for the calculation of the relevant network tariffs, while preserving the confidentiality of commercially sensitive information.

In accordance with Section 35 of the Act, this document outlines the CRU's proposals on the revenue that the ESB in its capacity as the licensed Transmission Asset Owner ("TAO") and EirGrid, as the licensed Transmission System Operator ("TSO") will be allowed to recover from Transmission Use of System (TUoS) customers during the period from 2026 to 2030. In accordance with Section 35(4), these charges are to be calculated to enable recovery of:

- The appropriate proportion of the costs directly or indirectly incurred in carrying out any necessary works; and
- A reasonable rate of return on the capital represented by such costs.

Section 36 of the Act requires the statement of charges, prepared in accordance with Section 35, be submitted to the CRU for approval. The statement of charges will not take effect until approved by the CRU.

In accordance with Section 35(7) of the Act, the TSO's approved statement of charges for each year of PR6 will be published annually by the CRU in August for the upcoming 1st October to 30th September tariff period.

In accordance with Section 35 of the Act, this document outlines the CRU's proposals on the revenue that EirGrid in its capacity as the licensed offshore TSO and asset owner will be allowed to recover from TUoS customers during the period from 2026 to 2030.

By way of background, EirGrid is licensed to be the Transmission System Operator for Ireland under Section 14 of the Electricity Regulation Act 1999 ("the Act of 1999"). In 2021, the Department for Environment, Climate and Communications' (now DCEE) "Policy Statement on the Framework for Ireland's Offshore Electricity Transmission" designated EirGrid as the Transmission System Operator, as the system operator and asset owner of Ireland's offshore electricity transmission system. This designation is enacted through Section 189 of the Maritime Area Planning Act 2021 which inserts Section 14 (2AA) of the Act of 1999.

1.2 PR6 Strategy

On 24 April 2024, the CRU published the PR6 Strategy Paper.¹⁵ This paper set out the CRU's objectives and vision for PR6 and requested a commitment from EirGrid to deliver on these.

¹⁵ Available [here](#).

In recent years, there have been major policy developments at national and European level that have and will continue to drive significant change in the energy sector. The publication of the Climate Action Plan 2024 was the third annual update to the Climate Action Plan 2019 and reaffirmed the challenge ahead for the electricity sector in Ireland. These developments are set out in greater detail in the CRU's PR6 Strategy Paper.

PR6 will be a critical price review for network companies to fulfil their role in the delivery of Ireland's decarbonisation and renewable electricity ambitions. It is important that throughout PR6, network companies continue to provide resilient energy networks and supplies while also ensuring high-quality and secure services to customers and networks users. Transforming Ireland's electricity networks as part of the energy system transition, presents a significant challenge that requires emphasis on shaping PR6 to be a more outcomes focused price review. To achieve this, CRU has set three outcomes that it expects network companies to deliver.

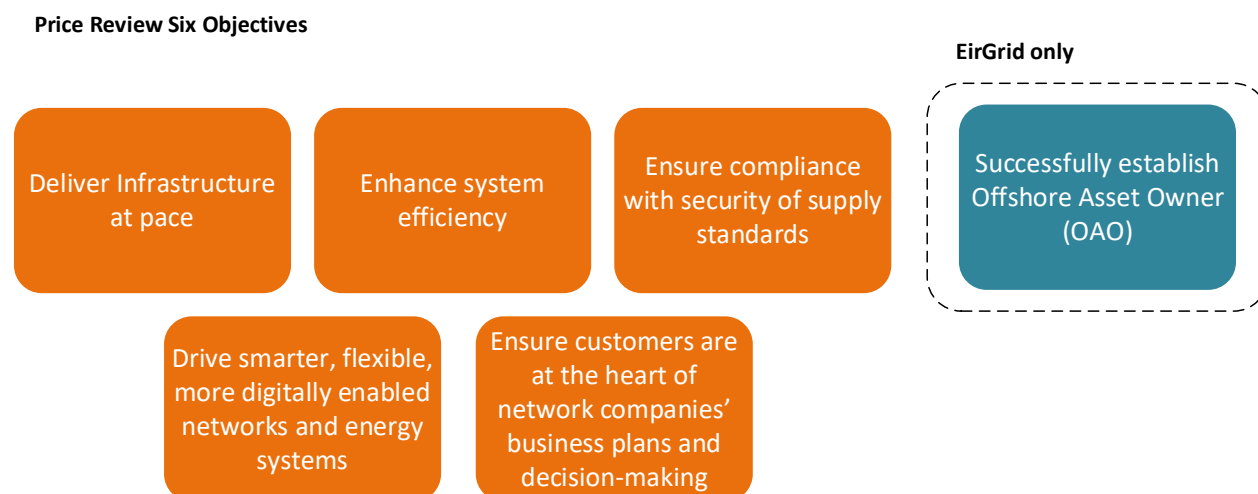
- **Decarbonised electricity:** Network companies must facilitate realisation of Ireland's decarbonisation ambitions, enabling high levels of renewable electricity integration, driving an environmentally sustainable, low carbon energy system.
- **Secure and resilient networks and supplies:** Network companies must ensure safe, secure, resilient electricity networks and supplies which customers can rely on.
- **Empower customers:** Network companies must deliver high quality and reliable services to customers, ensuring their voice is heard and reflected in the work they do, and that the cost of the transition is minimised.

To reflect the Government's approval of the Offshore Electricity Transmission System Policy in April 2021, which designated EirGrid as offshore system operator and asset owner, the CRU has set an EirGrid only objective for PR6:

- Successfully establish its Offshore Asset Owner (OAO) functions and operations.

This is illustrated in the figure below.

Figure 2: The CRU's PR6 Objectives



Successfully establish Offshore Asset Owner (OAO): In 2021, DECC's (now DCEE) "Policy Statement on the Framework for Ireland's Offshore Electricity System", designated EirGrid as the TSO and asset owner for Ireland's offshore transmission grid, which was then given effect via the MAP Act 2021.

A key objective for EirGrid in preparation for PR6 and throughout PR6 will be to successfully complete the transition to an OAO. This will encompass EirGrid achieving a range of objectives and deliverables, notably:

- Obtaining a credit rating in order to ensure that EirGrid can raise debt finance for the offshore grid investment programme;
- Supporting the delivery of Phase 1 offshore projects. Develop readiness to take ownership of Phase 1 projects and take over O&M of the assets;
- Supporting the timely and on budget delivery of each Phase 1 project and progress towards critical milestones for the Phase 2 Tonn Nua project and any future EirGrid-led investment in the offshore grid in Ireland;
- Developing it plans and capabilities to operate and maintain the Phase 1 projects as they transfer; and
- Implementing the CRU's decision on EirGrid's offshore revenue recovery model from CRU202499.

The focus of PR6 is expected to be progress in delivery of Phase 1 offshore projects, which involves developer-led investments in the offshore grid, and in one of the four areas in the South Coast Designated Maritime Area Plan for Offshore Renewable Energy (SC-DMAP), where EirGrid will undertake the Tonn Nua Phase 2 project. Activities in other areas in the SC-DMAP, including the Li Ban project may also commence during PR6 but the timeline for these future projects is more uncertain.

1.3 PR5 Outturn Figures

Within this paper, the figures provided by EirGrid relating to its offshore expenditure during PR5 have been labelled as actual or outturn values. However, the 2025 values are EirGrid's best estimate of the expenditure it will incur. The final values for 2025 will be reviewed when these are available in 2026 and if necessary, any under or over-recovery from the Demand Transmission Use of System (D-TUoS) customer will then be corrected to reflect the actual outturn values through the annual tariffing process.

1.4 How to Navigate This Paper

A high-level summary of the approach the CRU has adopted to determine the allowed revenues that EirGrid can recover from D-TUoS customers during the period 2026 to 2030 is set out below. The CRU recognises that this is a large paper, to assist the readers, the key sections of the paper are identified below.

Section 3: Operational Expenditure

- **Section 3.1: Approval of Historical Operational Expenditure**

The operational expenditure incurred by the network company over the period 2021 to 2025 and a summary of key conclusions provided.

- **Section 3.2: Approval of Forecast Operational Expenditure**

The allowed operational expenditure for the PR6 period is provided, with particular focus on ensuring value for money and the CRU's PR6 objectives as set out in Section 1.2.

Section 4: Capital Expenditure

- **Section 4.1 Approval of Historical Capital Expenditure**

The capital expenditure incurred by the network company over the period 2021 to 2025 and a summary of key conclusions.

- **Section 4.2 Approval of Forecast Capital Expenditure**

The allowed capital expenditure for the PR6 period is provided, with particular focus on ensuring value for money and the CRU's PR6 objectives as set out in Section 1.2.

- **Section 5: Investment Gateways and Incentives**

Following the decisions made under CRU202499, an investment gateway process will be applied to monitor the progress of the Phase 2 Tonn Nua project across PR6 and PR7. This process will also be used to monitor related strategic items of operating expenditure¹⁶. The purpose of the gateway process is to provide both a framework for monitoring and regulatory commitment as the Tonn Nua project and related key operating expenditure items develop. See Section 5.2 for more information.

The CRU will implement cost and schedule incentives for the development and delivery phases of the Tonn Nua project, see Section 5.3. The CRU will also develop a delivery and co-operation based incentive for Phase 1 assets, designed to encourage EirGrid to work constructively and efficiently with Phase 1 developers. See Section 5.3.3 for more information.

- **Section 6: Financial Issues and Allowed WACC**

The financial challenges faced by EirGrid in rapidly developing its offshore capabilities during PR6 are addressed in Section 6 of this paper, which also sets out the CRU's financial framework for the period. A decision on offshore cost of capital is also provided.

- **Section 7: Allowed Revenues and Financeability**

A summary of the allowed revenues and the CRU's financeability assessment are provided, along with potential scenarios and outcomes in Section 7.

1.5.1. Conduct of the Review

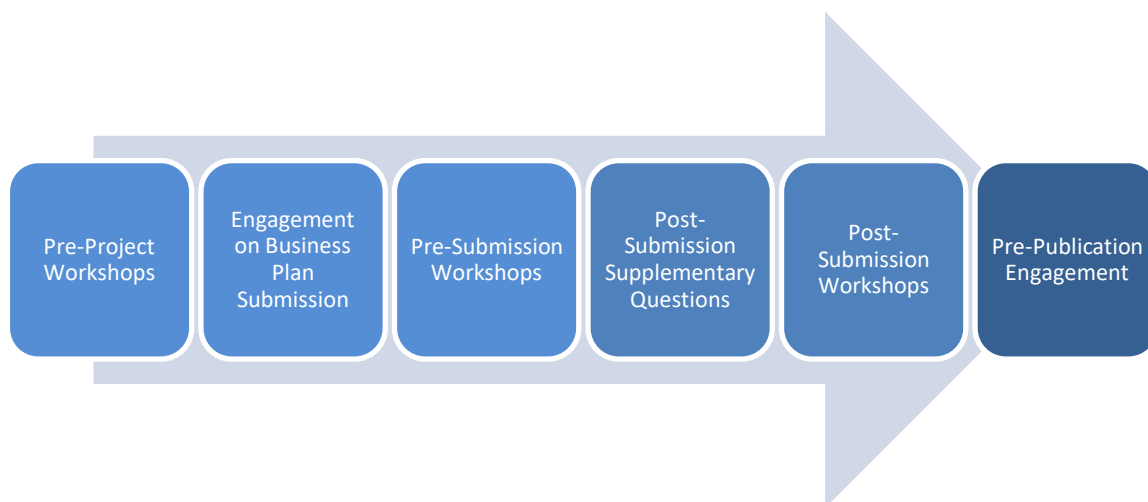
To facilitate the Final Determination, the CRU procured expert consultancy support for the provision of technical and financial advice over the course of the project. Detail on this is provided in Section 1.

To ensure that the CRU and its advisors attained an adequate understanding of EirGrid's offshore business, the CRU engaged with EirGrid to ensure that the relevant data was provided in a

¹⁶ For example, insurance and O&M.

useable format. Figure 3 sets out the CRU's PR6 engagement with network company prior to the publication of the Draft Determination Paper.

Figure 3: Engagement with Network Company Prior to Draft Determination



The CRU also engaged with EirGrid prior to and after the close of the Draft Determination Consultation period. Figure 4 summarises the CRU's PR6 engagement with network companies prior to the publication of this Final Determination Paper.

Figure 4: Engagement with Network Company Prior to Final Determination



Engagement for PR6 has included some notable changes to PR5. In particular, the CRU has been using a dedicated supplementary question process to obtain more detailed information and to set realistic response times for the network companies. Following publication of Draft Determination, the same process was used to allow the network companies to seek clarification on the proposals put forward by the CRU. There has also been a significant increase in the level of engagement with EirGrid, including (but not limited to):

Prior to Draft Determination

- 5 Workshops on the business plan submissions prior to issuance to EirGrid by CRU;
- 6 Information sessions prior to business plan submissions by EirGrid;

- 6 Workshops post-business plan submissions;
- 5 Workshops on investment gateways, incentives, financial issues, allowed revenue and financeability;
- *Circa* 200 supplementary questions issued.

The aim of this engagement was to better understand significant points related to the network company submissions, and to allow CRU to seek clarifications to better understand the network company's justifications.

Between Draft Determination and Final Determination

- 3 Workshops on the Draft Determination proposals during the consultation period;
- 16 supplementary questions responded to; and
- 5 Workshops on the CRU's Final Determination decision following the consultation period.

The aim of this engagement was to provide the network company with the opportunity to seek clarification on the CRU's Draft Determination proposals and for the CRU to brief the network company on the CRU's Final Determination decisions.

The engagement allowed the CRU, with the assistance of its advisors, to complete a comprehensive review of the TSO's historic, forecast and additional information submissions and ultimately lead to the development of the decisions outlined in this paper.

The CRU has updated the network companies on the progress of the Final Determination and held ad hoc meetings to discuss various topics of concern to each network company. This included an in-person workshop where the CRU's proposals for the Final Determination were shared. Prior to the publication of the Final Determination, both parties were provided with an opportunity to review the documentation for factual accuracy.

1.5 PR6 User Guide and Investment Gateway Manual

The CRU has developed a User Guide for the PR6 Revenue Controls including offshore. The User Guide records several aspects of the decisions related to the offshore regulatory framework that are set out in this decision document, including in relation to reopener policy, Exceptional Events, performance incentives and financial mechanisms. A draft of the User Guide has been shared with EirGrid alongside publication of this decision document.

The CRU has also developed an Offshore Investment Gateway Manual, the current draft of which has been updated to reflect the relevant decisions. The CRU will share the updated draft of the Investment Gateway Manual for comment with EirGrid following publication of this decision document.

1.6 Related Documents

Further background relevant to this decision document can be found in the following documents:

CRU	Price Review Six Final Determination Summary Paper	CRU2025193
CRU	Price Review Six Final Determination Transmission Paper	CRU2025195
CRU	Price Review Six Final Determination Regulatory Framework Paper	CRU2025197
CRU	Price Review Six Final Determination Impact Analysis Note	CRU2025198
CRU	Price Review Six Final Determination Infographic	CRU2025199
CRU	Price Review Six Inflation Trends and Ongoing Efficiency	CRU202593
CRU	Price Review Six Draft Determination Response Paper	CRU2025212
CEPA	Price Review Six Final Determination Offshore Cost of Capital and Financeability	CRU2025202
CEPA/GHD	PR5 and PR6 Offshore Cost Assessment Final Determination	CRU2025208
CRU	Offshore Connection Policy - Phase 1 Projects Decision	CRU2022968
CRU	Grid Connection Pathway for Phase 1 Offshore Wind (Merchant projects) Decision	CRU2023156
CRU	Phase 2 Offshore Wind – Grid Connection Charging Policy Decision	CRU2024125
CRU	Phase 2 Offshore Wind - Grid Connection Pathway Decision	CRU2024124
CRU	Offshore Grid Connection Asset Treatment Decision	CRU202309
CRU	Offshore Revenue Model for EirGrid Decision	CRU202499

Information on the CRU's role and relevant legislation can be found on the CRU's website at www.cru.ie

2. Offshore Regulatory Framework and Revenue Control

This section summarises the decisions outlined in the CRU's Offshore Revenue Model Decision Paper (CRU202499) and describes the overall form of the offshore revenue control. As well as summarising the form of the offshore revenue control, it also restates the CRU's broader regulatory requirements and expectations related to the transparency and separation of EirGrid's system operator and new offshore asset ownership functions and activities. As this is the first offshore price review, it is important to clarify these points upfront.

Protecting Consumers

- A separate OAO revenue control will begin at the start of the PR6 price review;
- Enhanced monitoring and a new investment gateway process is introduced to provide oversight of EirGrid's delivery of the offshore network infrastructure and readiness programmes in a timely and cost-efficient manner; and,
- The OAO price review includes financial incentives to aid timely delivery, construction cost management, Phase 1 delivery and asset availability.

Facilitating Efficient Financing

- The OAO revenue control is set using an established 'RAB x WACC' based revenue model with separate allowed WACC for the offshore revenue control;
- The CRU will restrict EirGrid's exposure to financial risks during the initial period of high offshore network RAB growth due to its current physical asset light status; and
- The CRU has introduced a Liquidity Building Block and a Cost of Debt True-up mechanism for the OAO control to support EirGrid's financing given the relatively unusual scale and pace of investment required in the offshore grid to support delivery of Phase 1 and Phase 2 offshore projects.

Transparency of EirGrid's Performance and Delivery

- A high degree of monitoring is essential to meet the CRU's consumer protection responsibilities given the support consumers will provide EirGrid. Accordingly, the CRU has been working with EirGrid to implement an 'offshore readiness' monitoring regime during 2025.

- Via the readiness work EirGrid is required to produce a detailed offshore programme plan and schedule and will need to publish quarterly update reports on its delivery against this plan. The CRU will also start the investment gateway process in January 2026. EirGrid will be required to share live access to its Primavera programme if the information provided routinely is insufficient for the purposes of its monitoring. EirGrid will also be required to provide the CRU with monthly updates as the Phase 2 Tonn Nua project progresses towards formal gateway approvals.
- The CRU remains of the view that a high degree of separation of EirGrid's offshore asset owner responsibilities and related offshore activities from its existing TSO functions is a key component of a robust and stable regulatory model that will protect the interests of Irish energy consumers. The CRU considers separation between the TSO and offshore asset ownership activities is a necessity and something that EirGrid should begin to work towards immediately going into PR6.
- As stated in CRU202499, the CRU has required EirGrid to develop and maintain a separate set of regulatory accounts for its offshore and other business activities, to be prepared according to a set of accounting / cost allocation principles and methodologies approved by the CRU. These separate regulatory accounts are critical and necessary to provide transparency to EirGrid's costs and financing of its offshore programme and to give effect to a number of the mechanisms that are proposed in this Final Determination, in particular, to support EirGrid's financing of the offshore programme.

During the PR6 period, it is intended that yearly updates would be completed as detailed below.

2.1 Structure of Revenue Control

The PR6 offshore revenue model is based on the following principles:

- The offshore revenue control is based on a Revenue Cap framework consisting of a series of building blocks to the allowed revenue.
- The primary component of allowed revenue is the base allowed revenue for the revenue control period.
- The CRU specifies that the allowed revenue also includes:
 - Incentives Building Block – related to Phase 1 and Phase 2 delivery incentives (timely delivery and cost management) and availability incentive.

- Liquidity Building Block – based on the proposed approach and principles set out in Section 6.3.
- Cost of Debt True-up Building Block - based on the proposed approach and principles set out in Section 6.3.
- Exceptional Event Building Block – related to exceptional events that increase EirGrid's incurred costs that are approved as recoverable.
- Pass Through Building Block – to permit EirGrid to recover costs that the CRU has determined will be treated as pass-through under the revenue control.
- K-Factor – the correction factor related to updating allowances based on outturn information.

A summary of the Allowed Revenue formula that the CRU is applying for the offshore revenue control is set out in Section 7.3. The subsections below provide a brief summary of each of the revenue building blocks.

2.2 Base Revenues

As described above, the base allowed revenue comprises the primary component of the offshore allowed revenues for EirGrid.

- This will commence with an opening RAB value which for PR6 will start from a minimal value for the offshore revenue control.
- Allowed capex will be added and depreciation subtracted from the RAB for each successive year of the price review period.
- Allowed operating costs will be added to the base revenue to reflect EirGrid's allowed opex for the price review period.
- Allowed returns will be calculated based on allowed rates of return on the offshore RAB consistent with the proposed approach set out in Section 6.3.3.

This base revenue that will form the Revenue Cap will comprise these building blocks of operating costs, depreciation and allowed returns.

2.3 Indexation

As discussed in Section 6.3.3, the CRU has set the offshore revenue control on a hybrid nominal-real returns basis. Under this, the notional debt component of the RAB (at the notional level of gearing) and the allowed debt return is set on a nominal basis and the notional equity component of the RAB and the allowed equity return is set on a real basis.

The depreciation and allowed debt return components of base revenues are not subject to inflation indexation as they are set on a nominal basis. The other components of base revenues are indexed to a measure of consumer price inflation.

For other network utility price reviews, the CRU uses the HICP as the index to inflate revenue. Consistent with these other revenue controls, the CRU uses HICP to index base allowed revenues. For the avoidance of doubt the CRU will apply HICP inflation to the Tonn Nua capex envelope. Requests for additional allowances in periods where construction cost inflation exceeds HICP will be covered by the uncertainty allowance, where approved through the Investment Gateway process.

2.4 Incentives

Section 5.3 sets out the incentives that will apply to EirGrid under its offshore revenue control. This will consist of three components:

- Phase 1 Co-operation and delivery Incentive;
- Phase 2 Timely Delivery and Cost Incentives; and
- Availability Incentive.

The Phase 1 incentive is intended to incentivise EirGrid to deliver the Offshore Asset Readiness Programme (OARP) and facilitate Phase 1 developers progressing with their development of Phase 1 projects where appropriate. This incentive has been introduced to the Revenue Control for Final Determination following consultation feedback.

The Phase 2 incentives are intended to incentivise EirGrid to deliver the Phase 2 Tonn Nua project on schedule and to a defined cost envelope. The availability incentive is intended to incentivise EirGrid to maximise the availability of the offshore grid connections under its ownership and management so that low-carbon electricity generation can be exported to the main integrated transmission system.

The CRU has developed the incentives as set out in Section 5.3 and has carefully considered the value of the incentives to align EirGrid's interests with those of consumers and the need to consider the impacts on financeability. As discussed in Section 5.3, the details and the final form of the Phase 1 and Availability Incentives will be consulted on and come into force during PR6. The Phase 1 Delivery Incentive is expected to come into force from the second year of PR6 and the Availability Incentive towards the end of PR6 once EirGrid has a Phase 1 offshore project under its operation and management.

2.5 Liquidity Building Block

As discussed in Section 6, EirGrid faces several relatively unique challenges in financing the offshore grid during PR6 and PR7. In particular, EirGrid could face a mismatch between the incurrence of financing costs and receipt of revenues where it is required to raise capital ahead of need and to finance a combination of Phase 1 project ATV payments.

The CRU includes a Liquidity Building Block in the offshore revenue control that will provide a pre-funding amount to cover the anticipated "cost of carry" of any debt raised in advance of need, together with allowance for credit facilities. The detailed proposals for this mechanism and revenue building block are set out in Section 6.3.5.

2.6 Cost of Debt True-up Building Block

The CRU's decision on the offshore revenue model (CRU202499) set out that the CRU considered that there was a need to include a form of allowed cost of debt adjustment / true-up mechanism in the offshore revenue control to reflect the uncertainty of the timing and size of debt issuance and the terms that EirGrid can obtain competitively in the market in financing its offshore grid investment programme.

As part of its submissions into the PR6 process, EirGrid has set out how it would propose a cost of debt true-up mechanism would operate for the offshore revenue control. The CRU has assessed this approach and considered alternative options. The true-up mechanism that will apply and the CRU's rationale for this decision is set out in Section 6.3.5. For PR6 and PR7, the true-up mechanism and Liquidity Building Block will be based on EirGrid's actual financing plan and cost. However, the CRU has included a gearing cap within both mechanisms which will limit the extent of pass-through of interest costs into Allowed Revenue.

This mechanism will operate through the Cost of Debt True-up Building Block of the offshore revenue control formula.

2.7 Exceptional Events Building Block

The Exceptional Event Building Block will apply within the Revenue Control based on the proposed process set out in Section 6.3.6. This builds on regulatory precedent of exceptional / income adjusting event mechanisms in other offshore contexts including regulatory frameworks applied by the CRU for interconnectors.

This will allow for an adjustment to EirGrid's offshore Allowed Revenue if the CRU has determined that there was an exceptional event and that costs that EirGrid has incurred to manage such an event – e.g., to repair or replace an asset – are considered by the CRU to be eligible for the Exceptional Event Building Block.

2.8 Gateways and Reopeners

The CRU has introduced a new AIMF for PR6. This includes provision for a series of reopeners to Allowed Revenue during the Revenue Control period. The offshore control also has an additional Investment Gateway process which is intended to oversee, and allow variation in, EirGrid's allowed operating expenditure and capital expenditure taken through the Investment Gateway framework.

The gateways and reopeners that will apply in PR6 will be used to manage the uncertainty and variation to allowed operating and capital expenditure.

The requirements for a reopener – and the timings for making a reopener request – are set out in the separate CRU decision paper on PR6 regulatory framework and its supporting user guide, CRU2025200. The requirements of the Investment Gateway framework for Phase 2 and designated operational expenditure items are set out in the Offshore Investment Gateways manual which will be shared with EirGrid after this Final Determination.

2.9 Pass-Through Costs

The Pass-Through Building Block consist of allowances that EirGrid is entitled to recover on a pass-through basis related to costs that have been incurred, or are to be incurred, in connection with its role as offshore asset owner. This may include, *inter alia*, costs such as CRU license fees, Local Authority Rates and offshore licensing costs and permitting.

2.10 K-Factor

The K-factor for Tariff Year t will relate to updating allowances based on outturn information for the Tariff Year $t-2$. The k-factor takes into account any replacement of forecast, provisional or estimated values with actual outturn values that are not accounted for in other building blocks of the allowed revenue formula (e.g., the Cost of Debt True-up Building Block).

For further information on the k-factor, please see Section 7.3.

2.11 Key Principles

Ensuring that EirGrid has sufficient revenues throughout the period to establish and maintain effective offshore operations is core to the price review. Specifically, EirGrid as offshore system operator and asset owner should be able to finance its planned investment, operating costs, financing costs and taxation liabilities. The CRU has therefore used a financial model to ensure the compatibility of the price review with these objectives. The findings of the CRU's 'financeability' assessment are set out in Section 7.6.

The CRU also has the objective of improving the transmission utilities efficiency and performance over time so that it more closely matches the performance of a business at the efficiency frontier. For this reason, the CRU has decided on a set of incentives linked to key performance indicators (availability) and development of Phase 1 and Phase 2 within the price review formula to encourage specific desirable behaviours. The penalties associated with these incentives will be capped at a level that does not endanger EirGrid's ability to secure continued operation.

2.12 Separation of Offshore Activities

This Final Determination is based on:

- The CRU's assessment of EirGrid's forecast costs for offshore during PR6, and the assumptions of the functions, programmes and business structures which underpin these forecasts in EirGrid's submitted PR6 business plan; and
- The CRU's review of stakeholder responses to the PR6 Draft Determination, including EirGrid and other stakeholders in the offshore programme, in particular offshore wind developers.

The CRU's assessment of offshore costs reflects EirGrid's current proposals and intent for how it will structure and operate its new offshore activities alongside its existing system operator function as a single licensed TSO business.

As the CRU set out in its CRU202499 decision paper, the CRU remains strongly of the view that a higher degree of separation of EirGrid's offshore asset owner responsibilities (and related offshore activities) from its existing licenced system operator functions is a necessary and key component of a robust and stable regulatory model that will protect the interests of Irish energy consumers in the longer term. However, the CRU is cognisant that any restructure is a matter for the Minister and there is currently no express legal provision to separate the new offshore role from the TSO.

The CRU notes that the offshore regulatory framework as determined in this decision facilitates a range of different operational and ownership models for EirGrid's shareholder to consider, up to and including full functional separation and the creation of a separate legal entity for the offshore business.

The CRU's approval of EirGrid's forecast operating and capital costs for the purpose of this Final Determination does not reflect CRU endorsement of the operating model for offshore which EirGrid has proposed and assumed in preparing its PR6 business plan. In the absence of any Ministerial direction for EirGrid to restructure its offshore and TSO functions, the CRU has assessed EirGrid's business plan as submitted.

Nevertheless, from the start of PR6, the CRU considers that full transparency of information for the purposes of the regulation of EirGrid's offshore activities will be vital. To achieve this, the CRU has required EirGrid to develop and maintain a separate set of regulatory accounts for its offshore and other business activities (see Section 4 of the CRU202499 decision paper). The CRU has also required EirGrid to provide a high degree of transparency in respect of its offshore financing programme and the terms of this financing and expects EirGrid to report at an offshore level in these separated accounts for the allocation and use of its funds. Similarly, EirGrid will need to be able to account for the use of any equity injections for the offshore programme.

The CRU will require an update from EirGrid on its progress with these issues and items during the course of PR6.

2.13 Future Regulatory Framework

As discussed above, PR6 and PR7 will involve a period of substantial upfront investment in Ireland's offshore grid. The offshore regulatory framework includes mechanisms that support EirGrid's delivery and financing of its offshore programme particularly while it remains a relatively asset light operator. The CRU intends that aspects of this offshore regulatory framework will be time limited and required only during the establishment and initial financing of the offshore

investment programme in PR6 and PR7 while the offshore RAB grows from a low starting point and the business is in its early establishment stage.

The mechanisms will not set precedent for the financial and regulatory frameworks of future price reviews beyond PR7, and the CRU expects to review the offshore regulatory framework at future price reviews once EirGrid's offshore business and RAB is more established.

3. Operational Expenditure

This part of the paper sets out the outturn of offshore costs for PR5 and the approved revenues for PR6 (2026 - 2030). The following sections will summarise the:

- Approval of Historical Offshore Operational Expenditure; and
- Approval of Forecast Offshore Operational Expenditure.

3.1 Approval of Historical Operational Expenditure

This section summarises the CRU's review of historical offshore opex undertaken by EirGrid over the PR5 period 2021 – 2025 and the CRU's Final Determination.

As EirGrid was appointed as offshore system operator and asset owner in April 2021, the PR5 period had already begun, and an *ex-ante* allowance was not set for offshore related costs. Instead, offshore costs were included in the annual revenue review on a placeholder basis. The CRU have conducted a full review of the efficiency, appropriateness, and allocation of these costs in the context of the regulatory framework and cost recovery for the offshore system as part of the PR6 process.

The outturn expenditure was assessed as part of the Draft Determination, looking at the output in terms of delivery and efficiency.

A detailed description and breakdown are provided in an accompanying Report 'PR5 and PR6 Offshore Cost Assessment Final Determination' (CRU2025208). Table 5 summarises the outcome of the historic offshore opex review for TSO. In summary, the CRU has decided to allow EirGrid's forecast PR5 outturn in full.

Table 5: Summary of Historical Offshore Opex (2021 - 2025) Decision¹⁷

Category (€m)	PR5 Outturn	Draft Determination	Final Determination	DD – FD Variance
TSO Offshore Opex	56.3	56.3	56.3	-

¹⁷ Additional information has been provided on the PR5 Offshore outturn since Draft Determination. We now understand that the total PR5 Offshore outturn is €44.0m, rather than €56.3m. To remain consistent with our treatment of updated PR5 outturn costs for other network companies, where we have not reflected updated 2024 data, we continue to use the PR5 outturn values submitted at the time of the business plan. The updated outturn values will however be reflected in the 2026 Annual Tariff review process.

3.1.1. Draft Determination

As noted above, offshore costs were not planned for in the PR5 Final Determination, therefore no *ex-ante* offshore opex allowance was provided for the period. However, the TSO identified areas where offshore opex costs were necessary.

Total allowances of €61.7m over the PR5 period were approved as part of the in-period adjustments for 2023, 2024, and 2025.¹⁸ Compared to the outturn cost of offshore opex, that was calculated for the Draft Determination at €56.3m, this resulted in an underspend of the allowance by *circa* 9%.

Staff and Staff Related Costs

This included internal staff and external contracting and agency related functions being established. Costs started in 2021 and continued to rise throughout PR5, costs covered establishing an Offshore Delivery Team (ODT), developing an Offshore Regulatory Framework with the CRU and conducting a detailed grid integration analysis.¹⁹

Professional Services

This included legislative and advisory consultant services being sought, along with external audit costs.

IT Opex

Delays in Phase 1 developer timelines caused cost reprofiling into 2025 and PR6. The procurement process for the Offshore Information Management System was completed in 2024. IT expenditure was less than expected in PR5 due to reprofiling of costs from 2024 and 2025 into PR6. The underspend carried over into 2024, driven by delays in recruitment targets and the Offshore Technical Services Framework (ENQEIR816).

Please see 'PR5 and PR6 Offshore Cost Assessment Final Determination Annex' (CRU2025208) for further detail.

3.1.2. Draft Determination Responses

EirGrid in their Draft Determination response requested that the PR5 outturn figures could be updated to reflect the latest PR5 annual revenue forecasts as submitted in the 2026 Annual Revenue Submission to the CRU (30th April 2025).

¹⁸ These values were obtained from the Electricity Transmission Network Allowed Revenues for [2023](#), [2024](#), and [2025](#).

¹⁹ From EirGrid's business plan submission, Annex 1.19 'TSO Lookback'.

The CRU received no other Draft Determination responses on the PR5 offshore opex outturn.

3.1.3. Final Determination

We have not reflected the updated 2024 actual outturn or the updated 2025 forecasts in our assessment of historic expenditure. This is consistent with the approach that we have taken for other network companies, driven by inconsistency in how these updated costs were reported relative to the BPQs provided as part of the business plan submission. Also, in most instances, the updated 2024 outturn was not materially different to that which was originally reported.

The total Offshore opex for PR5, set out in Table 6 below is €56.3m, which has not changed since the Draft Determination. This is higher than the updated outturn costs, which amounts to €44.0m, which the CRU will address in the 2026 Annual Tariff review process.

Table 6: Total PR5 Outturn for Offshore Opex

Category (€m)		2021	2022	2023	2024	2025	Actual/ Outturn
Staff and Staff Related Costs	Internal Payroll and Pension	0.1	0.4	1.6	3.3	6.6	12.0
	External Contract and Agency	0.1	2.6	3.4	6.5	8.4	21.0
Professional Services	Legislative and Advisory Consultants	0.1	0.9	2.8	6.7	4.9	15.4
	Audit Costs	0.0	0.0	0.0	0.02	0.0	0.02
IT Opex	IT Opex	0.0	0.0	0.1	1.2	6.6	7.9
Total Opex Outturn		0.3	3.9	7.8	17.7	26.5	56.3

3.2 Approval of Forecast Operational Expenditure

This section provides an overview of the CRU's determination in relation to allowable opex for PR6. EirGrid presented the CRU with three scenarios for its offshore opex in their submission, with Table 7 summarising the different scenarios in regard to EirGrid's total opex requests. The three scenarios reflect the variation in opex that EirGrid indicated could be required depending on the number of Phase 1 ATV transfers that ultimately occur during PR6.

Table 7 also summarises the Final Determination opex allowance in terms of baseline and high allowances.²⁰ The CRU has set the PR6 opex allowance on the basis of Scenario 3 – which

²⁰ As discussed below, the Final Determination high case provides an indication of allowed opex that may be accessed by EirGrid through reopener and/or gateway mechanisms. The variation to the baseline primarily reflects potential variation in opex related to the number of Phase 1 asset transfers in PR6. For the avoidance of doubt, the Final Determination high case is not a cap on opex that may be allowed during PR6.

assumes one Phase 1 ATV transfer during PR6 – but has applied an adjustment (variance) to EirGrid's request following the findings of its cost assessment.

Table 7: Summary of Forecast Opex (2026 - 2030) Decision (€m 2024 prices)

(€m)	Request	FD Baseline	FD High	DD - FD Baseline Variance	DD - FD High Variance
Scenario 1	453.4	388.1	430.8	-	-
Scenario 2	453.4				
Scenario 3	408.5				

A more detailed assessment and breakdown of EirGrid's proposals is set out in the accompanying PR5 and PR6 Offshore Cost Assessment Final Determination paper (CRU2025208) and the annual breakdown on allowances is also set out in Appendix 2. Please note that all costs set out in the review of forecast opex for PR6 are presented in 2024 prices.

3.2.1. Draft Determination

This section summarises the CRU's Draft Determination assessment of EirGrid's offshore opex forecast request for PR6 and its proposal for an allowed opex.

EirGrids PR6 Opex Request

As part of EirGrids PR6 business plan submission, EirGrid put forward its assessment of the opex needs for PR6. The offshore investment programme was divided into four categories:

- **Category 1** (Connect Offshore Projects): consists of connecting onshore connections to offshore renewable generation.
- **Category 2** (Develop Offshore Assets): costs associated with the development and construction of the EirGrid offshore assets.
- **Category 3** (Transfer Offshore Assets): costs associated with the transfer of Phase 1 Transmission Assets to EirGrid.
- **Category 4** (Offshore Asset Readiness Programme, Pre-Operations, Enduring Operations): these are costs needed to allow EirGrid to carry out its offshore operations, such as engineering and asset management, health and safety, IT cloud infrastructure, finance, procurement, supply chain.

The total opex requested for the PR6 period is summarised in Table 8 below based on EirGrid's Scenario 3 – i.e., a scenario where one ATV transfer takes place in PR6.

Table 8: PR6 Scenario Opex Request (€m 2024 prices)

Total Opex (€m)	Scenario 3
IT Systems	90.6
Offshore Asset Readiness Programme	184.2
Buildings and Facilities	2.7
Pre-Operations	40.6
Offshore Central Functions	61.9
Enduring Operations and Maintenance	28.6
Total PR6 Total Opex Request	408.5

The CRU decided to allow costs under the assumption that Scenario 3 will take place, where one Phase 1 ATV transfer is assumed to take place during PR6. If more than one asset is transferred during PR6, the CRU proposed that EirGrid would be able to access the additional allowances necessary for operating these assets through a reopener mechanism (see below).

Activities under Pre-Operations build on capabilities developed through the OARP ahead of each asset transfer. With fewer asset transfers there will be less required activities for the Pre-Operations team. Enduring Operations and Maintenance will begin once asset transfers have occurred. With these costs being associated with the number of assets in operation, Scenario 3 will have lower Enduring O&M costs with just one asset transfer assumed for the period.

EirGrid requested a total of *circa* €409m in opex (excluding Frontier Shift) for PR6 under Scenario 3.

Opex Baseline and Trends

For its PR6 Draft Determination, the CRU used the base-trend-step approach as the cost assessment methodology. The approach consists of three main steps:

- Determine an efficient opex base level
- Estimate a forward cost trend based on cost drivers and other assumptions
- Identify any step changes that would result in changes to costs additional to the trend.

As PR6 is EirGrid's first full price review enacting as offshore TSO, there are no 'Business as Usual' (BAU) baseline costs or stable cost trend / run-rate analysis to review. EirGrid being assigned as the offshore TSO and asset owner is a substantially new initiative and requirement faced by EirGrid despite it starting this role in PR5. Therefore, the assessment of baseline costs and cost trend was excluded from the Draft Determination analysis. Costs submitted in the offshore

BPQ were considered fully as 'step change' costs, i.e., new initiatives and/ or requirements faced by the network company during the PR6 period.

The step change costs which EirGrid set out in its original business plan were evaluated at Draft Determination against the following criteria and gateways:

- Need: is there clear evidence of an expected change in the activities or costs incurred? Have the aims and objectives of the step-change been set out? Are the aims and objectives aligned with the PR6 strategic objectives? A pass / fail criterion is applied to this gateway.
- Mapping to the BPQ submission: has the step-change been mapped out in the BPQ? A pass / fail criterion is applied to this gateway.
- Additionality: is there supported evidence that the costs accompanying the proposed step-change are additional relative to the base level of opex? Have existing resources been exhausted and additional resources are needed to execute the proposed step-change? An adjustment of up to 25 percent is applied if additionality hasn't been sufficiently evidenced in the submission.
- Cost confidence / customer value / efficiency: is there supported evidence that the costs accompanying the proposed step-change are reasonably efficient? Have costs been market-tested or benchmarked? Is there clear evidence of customer value accompanying the outcomes of the step-change? Is there evidence of a clear cost build-up in the company submission? An adjustment of up to 25 percent is applied if cost efficiency and customer value have not been proven.

EirGrid had proposed 16 cost items in its PR6 offshore submission for which step-changes in the opex allowance were identified. The subsections below summarise the CRU's Draft Determination assessment of each of the step change costs in EirGrid's BPQ.

IT Costs

- The CRU applied a 5% adjustment to the cost efficiency gateway in the Draft Determination proposal.

Offshore Asset Readiness Programme

- The CRU applied a 5% adjustment to the cost efficiency gateway across the cost categories (internal FTE, external FTE, professional fees).

Buildings & Facilities

- The CRU applied a 0% adjustment to the cost efficiency gateway in the Draft Determination proposal.

Pre-Operations

- The CRU applied a 5% adjustment to the cost efficiency gateway in the Draft Determination proposal.

Offshore Central Functions

- The CRU applied a 5% adjustment to the cost efficiency gateway in the Draft Determination proposal.

Enduring Operations and Maintenance

- The CRU applied a 5% adjustment to internal and external FTE's and O&M activities, while a 10% adjustment was applied to insurance for the cost efficiency gateway in the Draft Determination proposal.

Frontier Shift – Draft Determination

The CRU also proposed as part of its Draft Determination on costs to apply an *ex-ante* adjustment to opex allowances to account for ongoing efficiency and RPEs, collectively referred to as 'Frontier Shift'. The CRU's proposal was informed by a published CEPA report, CRU202593.

The CRU aims to ensure that customers only pay for the efficient costs of developing, maintaining and operating the electricity transmission and distribution systems. This is done by setting the network companies challenging but realistic and achievable targets and incentives. The CRU applies an ongoing efficiency / productivity challenge which is to encourage network companies, including EirGrid's offshore business, to implement new technologies and management practices, replicating the forces of competition to drive out cost efficiencies. RPEs are adjustments that reflect changes in the price of inputs net of HICP inflation adjustments that are already applied under the regulatory framework.

Overall, the CRU proposed to apply a Frontier Shift adjustment to the EirGrid's offshore opex of 0.9% per annum (i.e., a positive addition to allowed opex), reflecting the mid-point of the net ongoing efficiency and RPE range.

The CRU concluded that this proposal reflected:

- An ongoing efficiency challenge which was stretching but achievable, supported by CEPA's analysis, satisfying one of the key PR6 objectives to increase efficiency and protect customers; and

- A reasonable *ex-ante* provision for RPEs, which will enable EirGrid to manage the risk of input costs increasing (noting that the *ex-post* assessment process will be retained and used to review whether EirGrid efficiently managed input price pressures within the revenue control period).

The table below summarises the CRU's proposal for Frontier Shift at Draft Determination.

Table 9: Frontier Shift Draft Determination

Network Company	PR6 Factor
EirGrid (TSO) Frontier Shift (per annum)	0.9%

As the proposed overall Frontier Shift adjustment was positive (i.e., an increase in allowed opex), this implied that RPEs in opex were expected to be greater than the scope for EirGrid to achieve productivity improvements during PR6.

The CRU proposed that the Frontier Shift adjustment for EirGrid's offshore activities would be aligned with the overall proposal for EirGrid TSO. The CRU noted that over time, as EirGrid's offshore asset base and activities become established, the CRU would expect this to change, with the ongoing efficiency challenge for EirGrid's OAO business activities aligning more with onshore electricity network companies such as the TAO and DSO.

Summary of Draft Determination Opex Proposal and Reopener Policy

Table 10 below summarises the CRU's Draft Determination offshore opex allowance compared to EirGrid's request under EirGrid's Scenario 3 – i.e., one ATV transfer in PR6.

Table 10: PR6 Scenario 3 Opex Request vs. DD Allowance

Total Opex (€m)	PR6 - Request	Draft Determination
IT Systems	90.6	86.0
Offshore Asset Readiness Programme	184.2	175.0
Buildings and Facilities	2.7	2.7
Pre-Operations	40.6	38.6
Offshore Central Functions	61.9	58.8
Enduring Operations and Maintenance	28.6	27.0
PR6 Total Opex – Excl. Frontier Shift	408.5	388.1
PR6 Total Opex – Incl. Frontier Shift	468.0	402.2

The Draft Determination also stated that elements of EirGrid's offshore opex requirement remain highly uncertain for PR6. As discussed above, this includes the opex ultimately required in Pre-Operations and Enduring Operations and Maintenance activities depending on the number of Phase 1 developer asset transfers that in practice occur during PR6. There are also several other

categories of EirGrid's offshore opex that remain uncertain or are not captured in EirGrid's offshore BPQ for the PR6 period – e.g., operational insurance.

To manage the uncertainty of offshore opex, the CRU proposed to include a reopener mechanism for opex in the OAO price review for PR6. In summary, the CRU proposed that additional revenues would be accessible through the reopener if a greater number of projects transfer in PR6 than assumed in Scenario 3, or if EirGrid expects there to be material changes in its opex during PR6. The CRU proposed that the reopener would be subject to a series of triggers / conditions being met by EirGrid in the reopener request and it would form part of the annual reopener window that the CRU proposed to put in place as part of the PR6 AIMF.

Consistent with the CRU's previous CRU202499 decision on the offshore regulatory framework and revenue model, the CRU also stated it would provide EirGrid with the opportunity to take its major and more uncertain offshore opex programmes – e.g., placing of operational insurances and establishment of O&M contracts and frameworks – through a similar gateway process the CRU proposes to apply to the OAO's capital programme.

The CRU's wider Draft Determination on the regulatory framework for PR6 set out a series of detailed proposals for reopener mechanisms in PR6, please see report CRU2025197.

3.2.2. Draft Determination Responses

EirGrid stated that it broadly welcomed the proposed opex allowance at Draft Determination and stated that it accepted the approximate 5% efficiency challenge that had been applied to its forecast costs for several categories of offshore opex. EirGrid asked that an implied ongoing efficiency challenge of 0.5% assumed at Draft Determination be reviewed stating that the application of the proposed Frontier Shift would create delivery challenges.

EirGrid also stated that it welcomed proposals to develop a reopener process for items of opex that fall outside of the CRU's opex gateway process. It noted that while it had developed its PR6 business plan with the best information available at the time, it was likely there would be significant change, in areas such as government policy and supply chains. It asked that the intention that the AIMF developed for PR6 also apply to offshore, and this be clearly stated in the Final Determination.

EirGrid highlighted that the scope of reopeners must cover the possible development of plan-led offshore assets other than Phase 2 Tonn Nua, including early-stage works on the DMAP for the South Coast Area B – Lí Ban. It noted that activities on Lí Ban could commence as early as the first year of PR6 and may include (but not limited to):

- Establishment of a Lí Ban project team, including the appointment of a lead planning consultant
- Delivery model preparatory work and implement
- Application for a Marine Usage Licence from the Maritime Area Regulatory Authority
- Marine surveys, including associated contractor and processing work
- Concept design and preparation for procurements, Front End Engineering Designs (FEED)

It was not clear from EirGrid's submission whether it envisaged these activities would be treated as opex or capex in the revenue control model.

Several offshore wind developers also supported the offshore revenue control including flexibility for EirGrid to increase its expenditure as required by the programme. For example, EDF Power Solutions commented that CRU should implement an automatic revenue reopener when documented costs exceed original estimates by more than 10% due to consenting, supply-chain, or policy delays.

3.2.3. Final Determination

Opex Allowances

Table 11 below shows the CRU's Final Determination allowed PR6 opex for EirGrid's offshore (OAO) price review. The CRU has sought to ensure that EirGrid has the necessary revenues to meet PR6 targets and EirGrid's specific OAO objective.

Table 11: PR6 Allowed Opex

Opex (€m 2024 prices)	Request	FD Baseline	FD High	DD - FD Baseline Variance	DD - FD High Variance
IT Costs	90.6	86.0	86.0	-	-
Offshore Asset Readiness Programme	184.2	175.0	175.0	-	-
Buildings & Facilities	2.7	2.7	2.7	-	-
Pre-Operations	40.6	38.6	65.5	-	-
Offshore Central Functions	61.9	58.8	58.8	-	-
Enduring Operations and Maintenance	28.6	27.0	42.7	-	-
Total Opex	408.5	388.1	430.8	-	-
PR6 (Excl. Frontier Shift)	408.5	388.1	430.8	-	-
PR6 (Incl. Frontier Shift)	468.0	402.2	445.0	-0.5	-0.5

The CRU has retained its baseline offshore opex allowance for PR6 as proposed for Draft Determination, with a minor update in its Frontier Shift assumption. In summary:

- EirGrid had requested €408.5m of total opex for Scenario 3 – i.e., one ATV transfer in PR6.
- The CRU has provided a high Final Determination allowance of €430.8m (which assumes 4 or above ATV transfers in PR6) and a baseline Final Determination allowance of €388.1m (excluding Frontier Shift).
- The need, additionality and cost efficiency criteria/ gateway methodology has been applied to determine the allowed PR6 offshore opex.
- The CRU has applied a net Frontier Shift adjustment of c. 0.9%, a net increase in forecast Opex allowance on the assumption that the impact of RPEs will outweigh the impact of scope for ongoing productivity improvements. The allowance has reduced slightly (to a second decimal place) since Draft Determination based on some updated information in HICP and the various indices used to estimate labour, materials, business services, IT, and telecoms RPEs.

For more information on the costs and the methodology applied to them please see CRU2025208. The breakdown of opex allowances is also set out in Appendix 2.

As discussed in Section 2, it is important to note the CRU's approval of EirGrid's forecast operating costs for the purpose of this Final Determination should not be viewed as CRU endorsing the proposed operating and governance model for offshore that EirGrid had assumed in preparing its PR6 business plan. The CRU continues to note the importance of separation of offshore and ongoing TSO functional costs within the TSO, to ensure transparency and appropriate resourcing of activities within the business.

Opex Reopener and Gateway Policy and other AIMF mechanisms

The CRU recognises there remains significant uncertainty of the costs of EirGrid's offshore programme, both in opex and capex. EirGrid's Draft Determination response highlights that in addition to the potential changes to expenditure that were discussed in the Draft Determination – which related to uncertainty of opex depending on the number of Phase 1 projects that transfer to EirGrid in PR6 – there are other areas of cost uncertainty in PR6.

The CRU confirms that, where investment gateways do not apply, that EirGrid will be able to request reopeners of its offshore opex and capex as part of the AIMF for PR6.

Under the PR6 reopener policy, the CRU will not re-assess need as part of a reopener request for increased cost allowances under a delivery obligation or portfolio/ category activity where cost allowances have already been granted for PR6.

The CRU will only assess the need for investment / expenditure in the case of requests for additional allowances for additional/ new requirements that have arisen in the PR6 period. In the context of PR6, this is expected to include:

- Variations to opex due to additional Phase 1 project transfers above that assumed in the revenue control baselines in the Final Determination (i.e., one Phase 1 project transfer) that are not already captured by a gateway process, for which the CRU has introduced a specific targeted reopener.
- Additional South Coast DMAP activities related to LÍ Ban, which will be covered under the new or changed requirements or priorities reopener; and
- Other new needs that arise, e.g., related to new government policies, regulation and laws (under the AIMF sector-wide reopeners such as the Legal / Regulatory Change Mechanism – see below).

The Opex/Capex Reallocation Mechanism and Legal / Regulatory Change Mechanism that applies to PR6 onshore price reviews, will also apply to EirGrid's offshore price review.²¹

The CRU will not assess the efficiency of expenditure as part of a reopener, as whether expenditure has been efficiently incurred will be assessed at the *ex-post* review of PR6. To access reopeners, EirGrid will be required to meet the CRU's reopener requirements. The requirements have been designed to complement EirGrid's own internal investment governance processes, thereby maintaining agility within the regulatory process. The requirements for requesting a reopener – and timings for making a request – are set out in the CRU decision paper on PR6 regulatory framework and its supporting user guide, CRU2025200.

CRU's expectation is that the following items will form part of opex gateways in PR6 and so fall outside of the reopener process:

- Insurance
- O&M activities

²¹ The Legal/Regulatory Change Mechanism deals with uncertainty in relation to changing roles and responsibilities as a direct result of changes in legal or regulatory requirements, and the associated impact on PR6 costs. The Opex/Capex Reallocation Mechanism will allow EirGrid to adjust between capex and opex allowances within period where it is efficient to do so.

- Warehousing

These items are, therefore, expected to be excluded from the reopener mechanism under the AIMF. The CRU's Final Determination on opex gateways for PR6 are discussed in further detail in Section 5.2.6.

Given the complexity and degree of change expected in EirGrid's offshore opex and capex, the CRU expects EirGrid to maintain – as per CRU202499 – comprehensive and separate regulatory accounts of its offshore expenditure, with outturn expenditure, reopener requests and gateway monitoring able to be transparently reported and reconciled against the CRU's baseline allowances by category of spend.

3.3 Conclusions

The CRU has allowed a PR5 offshore opex value of €56.3m for Final Determination, compared to in-period allowances of €61.7m, a *circa* 9% decrease. This was largely due to delays in Phase 1 developer timelines causing key professional service framework to be established later than expected, along with cost reprofiling into 2025 and PR6.

For PR6, Scenario 3 cost estimates have been chosen – i.e., assuming 1 ATV transfer in PR6. An opex range has been decided on with a Final Determination baseline amount of €388.1m (excluding Frontier Shift) and a high Final Determination allowance of €430.8m (which assumes 4 or above ATV transfers in PR6).

4. Capital Expenditure

This part of the paper sets out the outturn of offshore costs and the forecast revenues for PR6 (2026 - 2030). The following sections will summarise the:

- Approval of Historical Offshore Capital Expenditure; and
- Approval of Forecast Offshore Capital Expenditure.

4.1 Approval of Historical Capital Expenditure

This section examines the historical offshore capex outturn undertaken by the TSO over the PR5 period 2021 – 2025 and the CRU's Final Determination.

As with offshore opex costs, no *ex-ante* offshore capex allowance was set for PR5. Instead, offshore costs were also included in the annual revenue review on a placeholder basis. The CRU noted that a full review of the efficiency, appropriateness, and allocation of these costs would be considered in the context of the regulatory framework and cost recovery for the offshore system as part of the PR6 process.

The outturn expenditure was assessed as part of the Draft Determination, looking at the output in terms of delivery and efficiency.

The CRU has decided to allow EirGrid to recover the forecast outturn expenditure in full. Please note that all costs set out in the review of historic capital expenditure are in 2024 prices and some costs are rounded to the nearest €0.1m.²²

Table 12: Summary of Historical Offshore Capex (2021 - 2025) Decision

(€m)	PR5 Outturn	Draft Determination	Final Determination	DD – FD Variance
Total TSO Offshore Capex	65.0	65.0	65.0 ²³	-

²² For the exact amounts allowed in the PR6 Determination please refer to the PR6 Transmission model published alongside this paper.

²³ Additional information has been provided on the PR5 Offshore outturn since Draft Determination. We now understand that the total PR5 Offshore outturn is €34.1m, rather than €65.0m. To remain consistent with our treatment of updated PR5 outturn costs for other network companies, where we have not reflected updated 2024 data, we continue to use the PR5 outturn values submitted at the time of the business plan. The updated outturn values will however be reflected in the 2026 Annual Tariff review process.

4.1.1. Draft Determination

Offshore costs were not planned for in the PR5 Final Determination, therefore no *ex-ante* capex allowance was provided for the period. However, the TSO identified areas where offshore capex costs were necessary during PR6, and this has been reflected in interim determination during PR5. The final PR5 outturn figure for total offshore capex, that was calculated at Draft Determination, was estimated as €65.0m.

Network Capex

Regarding network capex, the majority of the network capex proposed for 2024 and 2025 is associated with cost re-profiling of the Phase 2 (Tonn Nua) programme works. 2025 will include *circa* €35m for marine surveys and other planning works. These include:

- FEED designs
- Engineering, Procurement and Construction (EPC) packages
- Landowner engagements
- Site investigations

The 2024 costs include some marine survey work valued at *circa* €2m, along with other work regarding DECC (now DCEE), DMAP and Maritime Area Regulatory Authority (MARA) engagement, marine survey tendering, and other ongoing consenting works.

Non-Network Capex

In relation to non-network capex, some costs were estimated to be incurred in 2024 of *circa* €0.4m. In the PR5 Lookback narrative document, EirGrid have detailed how a revised IT solution delivery of around €10m of opex has been deferred into PR6. However, this has now been accommodated by the €0.4m capex addition. Please see CRU2025208 for further detail.

4.1.2. Draft Determination Responses

EirGrid in its Draft Determination response requested that the PR5 outturn figures could be updated to reflect the latest PR5 annual revenue forecasts as submitted in the 2026 Annual Revenue Submission to the CRU (30th April 2025).

Another respondent noted the lack of capex at an individual line basis for 2025. However, they had no comments on the Draft Determination allowed PR5 capex value of €65m.

4.1.3. Final Determination

Since we have not reflected the 2024 actual outturn or updated the 2025 forecasts for other network companies, and to remain consistent in how we treat these updates, we apply the same approach to EirGrid's Offshore business. In other words, the total Offshore capex for PR5 remains €65.0m.²⁴

Consequently, as shown in the table below, there is no change in the PR5 outturn relative to the Draft Determination.

Table 13: Total PR5 Outturn for Offshore Capex

Category (€m)	2021	2022	2023	2024	2025	Actual/Outturn
TSO Offshore Network Capex	0.0	0.2	4.9	10.6	48.8	64.6
TSO Offshore Non-Network Capex	0.0	0.0	0.0	0.4	0.0	0.4
Total Capex Outturn	0.0	0.2	4.9	11.1	48.8	65.0

4.2 Approval of Forecast Capital Expenditure

This section sets out the CRU's determination in relation to the allowable capex for PR6. EirGrid presented the CRU with three scenarios in their submission, Table 14 summarises the different scenarios regarding the total capex requests and the CRU's Final Determination which includes an adjustment to EirGrid's request following the findings of its cost assessment. The variation between the three scenarios reflects different assumptions of the number of Phase 1 asset transfers that take place in each scenario during the period of PR6.

Table 14: Summary of Forecast Capex (2026 - 2030) Decision

(€m)	Request ²⁵	FD (Incl. ATV Capex)	FD (Excl. ATV Capex)	DD - FD Variance (Incl. ATV Capex)	DD - FD Variance (Excl. ATV Capex)
Scenario 1	4,503.2	791.8	431.7	-	-
Scenario 2	2,460.7				
Scenario 3	778.4				

²⁴ As discussed below, the Final Determination high case provides an indication of allowed capex that may be accessed by EirGrid through reopener and/or gateway mechanisms. The variation to the baseline primarily reflects potential variation in capex related to the number of Phase 1 asset transfers in PR6. For the avoidance of doubt, the Final Determination high case is not a cap on capex that may be allowed during PR6.

²⁵ Following Draft Determination, the capex request values have increased by €15.1m to €4,518.4m, €2,475.9m and €793.5m for Scenarios 1-3, respectively. This corresponds to a reallocation of costs Category 2 costs for Tonn Nua from PR5 to PR6.

The CRU based its PR6 assessment and forecast of EirGrid's offshore allowed revenue on the basis that EirGrid will make one Phase 1 ATV payment during PR6 (Scenario 3). However, the allowed capex in EirGrid's baseline revenues and tariffs excludes this ATV payment and related stamp duty for the Phase 1 project. The ATV payment is excluded on the basis the quantum and the timing of when the ATV payment will be made is still uncertain.

Phase 1 ATV payments will be assessed under the CRU's decision paper 'Offshore Grid Connection Asset Treatment' (CRU202309). Phase 1 ATV payments and related stamp duty and added to EirGrid's offshore RAB during PR6, with revenue variations processed per Sections 6 and 7 of this Final Determination. The total capex allowance will scale up with one or more ATV payments made during PR6.

A more detailed assessment and breakdown of EirGrid's offshore capex programme is set out in the accompanying Report (CRU2025208). A summary breakdown of allowances is provided in Appendix 3. Please note that all costs set out in the review of forecast capex are in 2024 prices.

4.2.1. Draft Determination

This section summarises the CRU's Draft Determination assessment of EirGrid's offshore network and non-network capex forecast request for PR6 and its proposal for allowed capex.

As discussed in Section 3, the offshore investment programme has been divided by EirGrid into four categories:

- **Category 1** (Connect Offshore Projects): consists of connecting onshore connections to offshore renewable generation.²⁶
- **Category 2** (Develop Offshore Assets): costs associated with the development and construction of the EirGrid offshore assets.
- **Category 3** (Transfer Offshore Assets): costs associated with the transfer of Phase 1 Transmission Assets to EirGrid.
- **Category 4** (Offshore Asset Readiness Programme, Pre-operations, Enduring Operations): these are costs needed to allow EirGrid to carry out its offshore operations, such as engineering and asset management, health and safety, IT cloud infrastructure, finance, procurement, supply chain.

²⁶ Category 1 investment is not considered as part of this document as it forms part of the onshore capex assessment and allowances.

As discussed above, the network capex submission – which relates to Category 2 and Category 3 investment - included three cost scenarios for Phase 1.

- **Scenario 1:** This is six asset transfers during PR6.
- **Scenario 2:** This is four asset transfers during PR6.
- **Scenario 3:** This is one asset transfer during PR6.

For Phase 2, EirGrid proposed €347.9m of spend in PR6 for the Tonn Nua programme²⁷, which would be part of a larger capex envelope for the overall Phase 2 Tonn Nua project. This project will be developed over the PR6 and PR7 periods. See Section 5.2.1 for a detailed explanation of the Phase 2 Tonn Nua Capex Envelope.

The total capex requested by EirGrid for Scenario 3 during the PR6 period is summarised in Table 15 below.

Table 15: PR6 Scenario 3 Capex Request

Total Capex (€m)	Scenario 3
ATV	335.0
Stamp Duty at 7.5%	25.1
Phase 2 Tonn Nua Programme	347.9
Network Capital Expenditure Total	708.0
IT & Telecoms	20.3
Buildings & Facilities	12.1
Capital Spares	38.0
Non-Network Capital Expenditure Total	70.4
Total PR6 Total Capex Request	778.4

Network Capex

For the purposes of approving an opex allowance, the CRU had assumed Scenario 3 in the Draft Determination. A capex allowance was set on a consistent basis to this.

The CRU did not propose to include the ATVs (and associated Stamp Duty) in its approved baseline allowed revenues from the start of PR6, due to the uncertainty of Phase 1 ATV's. The

²⁷ Request updated from €347.9m to €363.0m following DD consultation response, in which EirGrid provided a revised forecast of PR5 outturn and PR6 capex for Tonn Nua (see section 4.2.2).

CRU proposed ATV payments will be included in the offshore RAB when they are known, which will trigger CRU approving a variation to EirGrid's RAB and allowed revenue during PR6.

The CRU had allowed the requested €347.9m in full for the Draft Determination. The key assumptions that were made in the Draft Determination were as follows:

Phase 1 ATV and Stamp Duty

- The Phase 1 ATV payment is a holding value that reflects an expectation that at least one Phase 1 project will transfer to EirGrid during PR6. The actual ATV payment and RAB addition will be assessed at a later date as part of the proposed Post Construction Review (PCR) process for Phase 1 ATV payments.²⁸

Phase 2 Tonn Nua

- Need, additionality and cost efficiency were defined with detailed cost breakdowns provided, a pass criterion and 0% adjustment was applied.

Non-Network Capex

In the Draft Determination, the CRU had considered the substantive supporting information put forward to justify the requested €70.4m non-network capex. The same need, additionality and cost efficiency methodology, as set out in Section 3.2.1, was applied to the non-network capex requests. The total non-network capex is summarised in Table 15. A detailed breakdown of the non-network capex is set out in Appendix 1.

In general, the CRU concluded that EirGrid's offshore non-network capex was justified but applied a 5% adjustment on the basis that while the need and additionality of the spend was justified, more substantive information on the cost build up and costing process was required in order for the CRU to conclude the proposed cost is fully efficient and justified.

Changes in expenditure against these allowances will need to be explained and substantiated with evidence at the close of PR6 (i.e. as part of PR6 lookback).

The subsections below summarise the CRU's Draft Determination assessment of the non-network capex items.

IT & Telecoms

²⁸ See CRU202309 – [Offshore Grid Connection Asset Treatment](#) – for further details.

IT: Technology

- The CRU applied a 5% adjustment to the cost efficiency gateway in the Draft Determination proposal.

IT: People and Professional Fees

- The CRU applied a 5% adjustment to the cost efficiency gateway in the Draft Determination proposal.

Buildings & Facilities

- The CRU applied a 5% adjustment to the cost efficiency gateway in the Draft Determination proposal.

Capital Spares

- The CRU applied no cost adjustments to the cost efficiency gateway in the Draft Determination proposal.
- This capex item will be adjusted at the end of PR6 based on the exact number of Phase 1 ATVs and specific costs of the capital spares items actually ordered.

Tonn Nua Capex Envelope

The Draft Determination noted that in EirGrid's offshore BPQ, it had stated that a current working range capital cost estimate of between €1.58bn- €2.21bn for Tonn Nua. The upper end of the range includes a 40% uncertainty provision.

The CRU noted that the Tonn Nua project design concept was still in development as would be expected for a project of this scale being undertaken over this timeline, but EirGrid's business plan provided insufficient detail to facilitate detailed assessment. EirGrid was therefore asked to provide further information to support the capex range estimates provided in this PR6 submission. Subsequently, EirGrid provided additional information to support their initial capex range estimation demonstrating alternative to support their capex cost estimate.

Following the discussions undertaken between CRU, CRU's technical advisor (GHD) and EirGrid, and understanding the current status of the Tonn Nua project design concept, the CRU and its technical consultant considered that the outlined capital cost estimate (€1.58bn) is broadly reasonable for the Tonn Nua transmission connection as a project capex envelope. This being based on 2024 prices and allowing for required uncertainty cost provisions. This supported the PR6 development capex value requested for PR6 (~ €348m) as discussed above, which GHD also

concluded appeared reasonable in the context of an overall Tonn Nua project capex value of *circa* €1.58bn (in 2024 prices).

GHD indicated that, in its assessment, a Tonn Nua project cost including a 40% uncertainty provision appeared high and was less supportable based on information that EirGrid had submitted to date. The CRU noted that while the technical assessment would indicate that a project cost of €2.21bn (in current prices) appeared high based on current information on the project, EirGrid's higher end estimate of €2.21bn was in principle consistent with an uncertainty provision being added to the current early estimate of costs. Adding an uncertainty provision was aligned with the design objective of the CRU setting a capex envelope for Tonn Nua to cover PR6 and PR7 as part of the offshore price review (as discussed CRU202499).

The capex envelope was, by design, expected to be an early-stage capex estimate for project costs given the current levels of uncertainty. For these reasons the CRU concluded that the envelope should include an appropriate provision for uncertainty.

Given the importance of the sizing of the envelope the CRU decided to consult on a range for capex envelope of €1.58bn - €2.21bn with a final decision on a point estimate expected to be made at the PR6 Final Determination. On the basis that the envelope (in 2024 prices) which EirGrid has proposed was accepted for the project, this would be as follows:

- Development cost - €0.348bn
- Delivery cost - €1.232bn
- Uncertainty provision - €0.630bn

4.2.2. Draft Determination Responses

EirGrid welcomed the CRU's proposal to allow EirGrid's full request for the Phase 2 Tonn Nua programme but did not support setting of an overall capex envelope for the project at this stage.

It welcomed the CRU's recognition of the early stage of the Tonn Nua programme but reiterated the importance of including a dedicated uncertainty allowance. EirGrid stated that it continued to believe that the 40% proposed in its PR6 business plan submission remained a reasonable uncertainty provision, in line with standard industry practice for projects of similar scale and complexity at the current level of maturity.

EirGrid further stated in its Draft Determination response that costs for Tonn Nua were being reprofiled from 2025 into 2026. This has increased the Tonn Nua request of €347.9m to €363.0m²⁹.

²⁹ Updated PR6 forecast is made up of €266m of development cost (prior to FID) and €131m of delivery costs (post FID).

EirGrid reiterated that the total cost estimate for the project remains at €1.58bn (2024 prices) before the uncertainty provision is reflected in its early schedule.

EirGrid broadly welcomed the proposed non-network capex allowance and, consistent with the opex allowance for these offshore programmes, accepted the 5% efficiency challenge that had been applied to some of the non-network capex programmes.

Several respondents welcomed the proposed investment to facilitate the development of offshore wind and related infrastructure, particularly the proposed capex amount for Phase 2 Tonn Nua.

Another respondent stated that the overall Draft Determination appears to be ‘balanced’ and agreed with the proposed capex allowances and disallowances for PR6. They stated that the 5% cost efficiency challenge applied to certain cost items appears reasonable and without undermining the operational readiness of the network company.

One respondent outlined their concerns regarding the upper range of the total capex envelope for Tonn Nua project, which includes a 40% contingency. They view the higher range to be ‘less supportable’ and agree with GHD’s view that the total cost in the range is ‘unlikely’ to be spent.

4.2.3. Final Determination

The tables below show the allowed PR6 Capex for EirGrid’s offshore (OAO) price review in PR6.

The CRU has sought to ensure that EirGrid has the necessary revenues to meet PR6 targets and EirGrid’s specific OAO objective. Table 16 and

Table 17 summarise the PR6 Final Determination.

Table 16: PR6 Allowed Network Capex

Network Capital Expenditure (€m)	Baseline Request	FD (Excl. ATV Capex)	FD (Incl. ATV Capex)	DD - FD Variance (Excl. ATV Capex)	DD - FD Variance (Incl. ATV Capex)
Phase 1 ATV	335.0	-	335.0	-	-
Stamp Duty	25.1	-	25.1	-	-

Network Capital Expenditure (€m)	Baseline Request	FD (Excl. ATV Capex)	FD (Incl. ATV Capex)	DD - FD Variance (Excl. ATV Capex)	DD - FD Variance (Incl. ATV Capex)
Phase 2 Tonn Nua Programme³⁰	363.0	363.0	363.0	-	-
PR6 Total	723.1³¹	363.0	723.1	-	-

Table 17: PR6 Allowed Non-Network Capex

Non-Network Capital Expenditure (€m)	Baseline Request	FD	DD – FD Variance
IT & Telecoms	20.3	19.2	-
Buildings & Facilities	12.1	11.5	-
Capital Spares	38.0	38.0	-
PR6 Total	70.4	68.7	-

The subsections below summarise the CRU's Final Determination.

Network Capex

The CRU has broadly retained its Draft Determination to allow EirGrid's network capex request for PR6. The allowance has been increased from Draft Determination to reflect an additional €15.1m EirGrid stated was required for the development phase of the Tonn Nua project during PR6, which has been accepted in full. The CRU's baseline scenario for PR6 (see Section 7.6) is that one ATV payment will occur in PR6, although for the reasons outlined above, it has not included this payment in the base revenues that have been set.

Tonn Nua Capex Envelope

For the reasons set out in Section 5.2.1, the CRU maintains it's minded to position at Draft Determination that it is appropriate to set a capex envelope for the Phase 2 Tonn Nua project.

The CRU acknowledges the early stage of Tonn Nua's development and, therefore, has decided to accept EirGrid's proposed project cost and uncertainty provision of 40%. This means that the Tonn Nua capex envelope has been set as €2.21bn (2024 prices) which will form the baseline against which the capex gateway process will monitor and approve costs against. As this envelope

³⁰ Please note that the figures here exclude any uncertainty value.

³¹ Final PR6 request for total capex is rounded to one decimal place.

is set in 2024 prices, it will be increased by outturn inflation, which provides further cost protection for EirGrid to operate the project within the envelope.

The CRU expects EirGrid through the investment gateway mechanisms, to establish and then maintain a detailed schedule and disaggregated baseline cost for the Tonn Nua project on the basis of this capex envelope. The CRU expects EirGrid to deliver an update of its current early stage (Gateway 0) programme in the first quarter of 2026. This updated schedule should include a forecast profile of expenditure on the project aligned to EirGrid's current expectations of base cost (i.e. prior to application of uncertainty).

EirGrid's ability to draw down on the 40% uncertainty provision included in the capex envelope is subject to the conditions set out in the updated Investment Gateway manual that will be shared with EirGrid after this Final Determination.

Non-Network Capex

The CRU has retained its allowed non-network capex from Draft Determination as no stakeholders queried the proposal. EirGrid stated that it broadly accepted the cost challenge that CRU had proposed in its Draft Determination.

Summary of Capex Allowance Decisions

In summary:

- The CRU has allowed revenues where EirGrid has identified the scope and requirement for capex.
- EirGrid had requested €793.5m of total capex, with €723.1m in network capex, and €70.4m in non-network capex.
- For the Final Determination, the CRU has increased the final PR6 Tonn Nua allowance to €363m, due to EirGrid's reprofiling of costs from 2025 to 2026³².
- On the basis that ATV related capex (and the associated stamp duty) are excluded from the baseline allowed revenues for PR6, the CRU's decision on the network and non-network capex is €363m and €68.7m respectively. A total of €431.7m in baseline capex has been allowed.

³² Note that the overall cost of the project is not being increased in line with EirGrid's statement. The change represents a reprofiling of the project costs between 2025 and 2026.

- The allowed capex is expected to increase within PR6, once the forecast quantum and timing of ATV payments are known by EirGrid, which will trigger a within period variation to the offshore RAB and allowed revenues.
- The CRU confirms its minded to proposal to set a capex envelope for the Tonn Nua project. This has been set as €2.21bn (including the 40% uncertainty allowance, €1.58bn excluding the uncertainty allowance) in 2024 prices. The CRU expects EirGrid to develop a disaggregated schedule and baseline cost for the project which can form the basis of monitoring of the project against the project envelope and requests to utilize the project's 40% uncertainty provision for the investment gateway process.
- For a further breakdown of capex project costs and the allowed revenues, please refer to Appendix 1.

Reopeners and Other PR6 AIMF Mechanisms

Consistent with its conclusions on opex, CRU recognises there remains significant uncertainty of the required capex of EirGrid's offshore programme. The CRU confirms that, where investment gateways do not apply to EirGrid's offshore capex programme, that EirGrid will be able to request reopeners of its offshore capex as part of the AIMF for PR6.

Under the PR6 reopener policy, the CRU will not re-assess need as part of a reopener request for increased cost allowances under a delivery obligation or portfolio/ category activity where cost allowances have already been granted for PR6.

The CRU will only assess the need for investment / expenditure in the case of requests for additional allowances for additional/ new requirements that have arisen in the PR6 period. In the context of PR6, this is expected to include:

- Variations to capex due to Phase 1 ATV payments, which will be covered under the new or changed requirements or priorities reopener;
- Additional South Coast DMAP activities related to L1 Ban, which will be covered under the new or changed requirements or priorities reopener; and
- Other new needs that arise, e.g., related to new government policies, regulation and laws (under the AIMF sector-wide reopeners such as the Legal / Regulatory Change Mechanism).

As with opex, the Opex/Capex Reallocation Mechanism and Legal / Regulatory Change Mechanism that applies to PR6 onshore price reviews, will also apply to EirGrid's offshore price review.

4.3 Conclusions

The CRU has allowed a PR5 total offshore capex value of €65.0m for the Final Determination, €64.6m of which is dedicated to network capex, and the remaining €0.4m is allocated to non-network capex. The majority of network capex for 2024 and 2025 is associated with cost re-profiling of Phase 2 Tonn Nua programme works. For non-network capex, a revised IT solution delivery of around €10m of opex has been deferred into PR6.

For PR6, a Final Determination cost of €431.7m in total capex has been allowed (this excludes any Phase 1 related ATV payments). If including the forecast Scenario 3 with one ATV payment, total capex will amount to €791.8m.

- For network capex, the biggest cost driver is Phase 2 Tonn Nua the allowance for which is now €363m.
- For non-network capex, the biggest cost driver is capital spares at €38m.

5. Investment Gateways and Incentives

This section sets out CRU's decisions on the Investment Gateway process and the suite of incentives that will apply to offshore.

5.1 Summary of the CRU's Previous Decisions

The CRU202499³³ decision paper outlined the offshore revenue model for EirGrid. In it, the CRU established much of the framework that it plans to implement for investment monitoring and in respect of offshore capex investment incentives. In CRU202499, the CRU concluded that:

- As part of its PR6 price review it would set a capex envelope for EirGrid's ORESS Phase 2 Project (Tonn Nua). This envelope would cover cost in both the PR6 and PR7 revenue controls and will make an appropriate allowance for uncertainty given that the project is in early-stage development.
- The decision provided a means to extend the capex envelope if necessary following review by the CRU.
- Consistent with good practice, the CRU would implement close monitoring of the Phase 2 project Tonn Nua using a capital investment gateway process, which will require high levels of transparency from EirGrid.
- The capital investment gateway process might be extended to aspects of opex e.g. placing of insurances and to EirGrid's plans for O&M of its offshore assets, the costs of which are also likely to develop as the offshore programme matures.
- It would also put in place a suite of incentives covering timely delivery of Tonn Nua and management of project costs and in due course availability of the offshore assets.

The decision was based on the following core principles:

- That the regulatory model should provide a high level of cost recovery certainty for EirGrid and its investors which will support financeability.

³³ [CRU202499 Offshore Revenue Model for EirGrid Decision Paper.pdf](#)

- That monitoring would principally be undertaken *ex-ante* – i.e. prior to cost being incurred, because recovering sums already expended (by *ex-post* review) would likely be impractical on a project of this scale.
- Although a more onerous process, in comparison to previous revenue control investment frameworks, there should be enhanced monitoring and greater transparency around the project recognising that consumers and the Exchequer— not EirGrid — ultimately bear most of the risk of the delivery of the offshore programme.

5.2 Investment Gateways

This section sets out the CRU's decision on the Investment Gateway process.

Summary of the CRU's Decision on Gateways

- As per the CRU's Draft Determination a capex envelope is being set for the entire Tonn Nua Phase 2 project across PR6 and PR7.
- The capex envelope allows for a current price estimate of total project costs based on benchmarking and market intelligence and a current estimate for uncertainty to cover costs yet unknown, emergent costs not yet identified and optimism bias.
- Uncertainty is being set as 40% of the underlying project cost.
- In this Final Determination the CRU has identified an amount, within the envelope, for project development costs in PR6.
- An uncertainty allowance specific to the development period has not been set but EirGrid will have access to the overall uncertainty provision if efficient and unavoidable development and construction period costs exceed the PR6 allowance.
- The overall envelope will be extended if efficient and unavoidable costs cause it to be exceeded.
- In line with best practice, the CRU will employ an investment gateway process to monitor the progress of the Tonn Nua project. Expenditure will be approved on a forward-looking basis and once a commitment to that expenditure has been made via a gateway there will be a high bar for any disallowance.
- EirGrid's Gateway 0 schedule submission will form the start point for monitoring. Monthly gateway meetings will commence in January 2026 and the CRU will expect EirGrid to provide a cost-loaded Primavera schedule within the first quarter of 2026.
- Formal gateway reviews are expected to take 6-8 weeks from receipt of a fully compliant submission. Monthly meetings will be used to prepare for formal reviews.

Further details are provided in an updated Investment Gateway Manual that will be provided to EirGrid in January 2026.

- The CRU will operate a limited *ex-post* review for the Tonn Nua Phase 2 project as part of gateway monitoring. This process will require CRU to identify Demonstrably Inefficient or Wasteful Expenditure – DIWE – prior to making any disallowance. Use of the DIWE standard will be dependent on EirGrid producing the high-quality submissions required by CRU's monitoring processes.

5.2.1 The Capex Envelope

Draft Determination

Consistent with the decision set out in CRU202499, and having taken into account EirGrid's feedback, the CRU confirmed that it considered it necessary to establish a full project cost estimate that would span PR6 and PR7 prior to committing consumers to fund development costs.

In the Draft Determination the CRU indicated that it considers it inappropriate to progress a project at the scale of Tonn Nua without a clear indication of its likely overall cost. The overall cost or capex envelope would make allowance for the significant uncertainty that is associated with an early-stage estimate. The CRU indicated that it would expect an early-stage cost estimate to be built up from benchmarks, expert input and market intelligence. The uncertainty provision would be additional to this baseline cost estimate and commensurate with the level of uncertainty likely to be applicable to a project of this scale at this point in its development.

The CRU understands that the Tonn Nua project will develop over the course of PR6 as it matures and, as part of this process, uncertainty funding will move into cost and risk. Reflecting its understanding that EirGrid's plans are at an early stage of development, the CRU was clear in the Draft Determination that the uncertainty component included within its overall cost envelope would allow for material change as the project develops and matures.

The CRU took this approach because it considers that it represents good practice for estimates to be used in large project development even at an early stage. Elsewhere early-stage estimates based in part on expert opinion related to the particular project but also on benchmarking (e.g., by component) of sufficiently analogous completed projects and market intelligence are used to confirm that funders of the investment are comfortable with its potential scale.

Within the overall envelope set at PR6, the CRU has determined an amount for project development costs in PR6. The remainder, the delivery amount, will be available for any residual time available in PR6 and PR7. This approach is based on EirGrid's recently submitted Gateway 0 Primavera programme which indicates that the Tonn Nua final investment decision (FID) will take

place in 2030, at the end of PR6, marking the transition from the development to delivery (construction) phase.

In time it will be practicable to improve the estimate through the use of project management tools such as quantified risk and schedule assessment and the CRU notes that EirGrid is planning to undertake this type of analysis. However, doing this does not remove the need to set an envelope at this early stage because doing so creates an initial baseline for monitoring, transparency over the assumptions being used and important discipline in cost management that can avoid surprises later. The CRU's approach is consistent with its duty to protect the consumer.

The CRU's Draft Determination also set out the circumstances in which it would reassess the envelope and the process requirements that support any such reassessment. If the project cannot be delivered efficiently without extending the envelope, the CRU has confirmed that it will extend it through provisions in the investment gateways process.

Draft Determination Responses

In its Draft Determination response EirGrid stated:

"The CRU has introduced a new Gateway 0, which intends to "record the basis of the envelope set for the Tonn Nua project as part of the PR6 process" and will "form the initial cost baseline for monitoring the project". Setting the total CapEx envelope now, at such an early stage of the project's development is not something that EirGrid can support.

EirGrid's understanding of activities and costs will further mature as the level of project scope definition increases, procurements are initiated and tenders awarded. Additionally, the impact of planning approvals/consents may have an impact on costs due to the potential for planning conditions to be applied, which result in unforeseen activities and costs.

Whilst EirGrid understands the CRU's intention to set the total CapEx envelope at Gateway 0, EirGrid warns against the CRU's intention of setting the total envelope at this stage of programme maturity. EirGrid consider that the setting of the cost envelope at this stage may be determinantal to programme delivery and re-iterate to the CRU that any estimate at this stage is subject to change."

Other stakeholders focused their feedback on the size of the capex envelope and the technical solutions that underpin the current estimates. They did not comment on the principle of a setting a cost envelope for an early-stage project.

Final Determination

While the CRU recognises EirGrid's concern that early-stage estimates will change, it considers that it has developed appropriate mechanisms to address these concerns i.e. via the investment gateways and through the investment monitoring monthly meetings.

EirGrid discusses the project proceeding towards the use of standard estimating techniques and project management tools, and cites the setting of probability values for cost and risk as good practice. While the CRU supports the development of the Tonn Nua project along these lines, it does not agree that the absence of a probability based cost and schedule prohibits establishing an envelope as part of PR6. The CRU considers that good practice, by reference to the Infrastructure Projects Authority (IPA) Guidance³⁴, suggests that a cost estimate be set but that the uncertainty of that estimate be acknowledged via an appropriate uncertainty allowance.

Accordingly, the CRU confirms that:

- The envelope for Tonn Nua in PR6 & PR7 is being set as part of PR6;
- The envelope will include appropriate allowance for uncertainty so as to allow the project to mature (further details on the capex envelope and of the uncertainty allowance can be found in Section 4.2); and
- The CRU will extend the envelope, through the investment gateway process, where the additional spend is efficient and unavoidable.

For full transparency Section 2.1 sets out the treatment of inflation that the CRU will apply to the Tonn Nua Phase 2 project.

5.2.2 Addition of Gateway 0

Draft Determination

EirGrid's business plan assumed a later delivery date for the project than the CRU anticipated in CRU202499. At this stage, the project is less developed than expected. In order to implement the capex gateway process, the CRU outlined in the Draft Determination that it intended to add a new gate to the process it set out in CRU202499 - gateway zero. It subsequently asked EirGrid to provide a Gateway 0 project schedule to form a baseline for the project. The CRU considered the addition of Gateway 0 to be necessary to implement the CRU's decision to set an envelope and target cost for the project that EirGrid will work within.

³⁴ See [here](#).

Final Determination

EirGrid provided its Gateway 0 submission on 11th September 2025. It has been reviewed as part of developing the CRU's Final Determination. Post issue of this Final Determination (and within Q1 of 2026), the CRU expects EirGrid to cost load its Gateway 0 project schedule based on the Final Determination so that the CRU has the initial cost and schedule baselines that will be used for monitoring. As noted above these baselines should be shared with CRU regularly and on a transparent basis as both will be subject to change control via the investment gateway monitoring processes, at an appropriately aggregate level. As indicated in CRU202499, the CRU will require live read-only access to EirGrid's schedule and programme for Tonn Nua if the information provided routinely is insufficient for the purposes of its monitoring.

5.2.3 Further Development of the Gateway Process

The CRU202499 Offshore Revenue Model for EirGrid Decision Paper³⁵ outlined the offshore revenue model for EirGrid, which described an Investment Gateways process consisting of six stages through which EirGrid's Phase 2 Tonn Nua project will progress. As noted above, within the PR6 Draft Determination, the CRU retained and further expanded on this process including making the addition of Gateway 0.

Following publication of the Draft Determination, the CRU also issued to EirGrid its working version of the Investment Gateway Manual for comment. Those comments were provided on 15th October and have been considered as part of developing this Final Determination.

Delivery of Ireland's offshore programme will be challenging and EirGrid is a relatively immature large project developer in offshore. Due to the large-scale transition that EirGrid must make as it takes on the role of offshore asset owner and the limited risk exposure it can bear in this period, it will require substantial financial support from consumers/ the Irish Exchequer. As such, the CRU considers it appropriate to impose this enhanced level of monitoring and will require EirGrid to demonstrate the quality of the analysis that it is undertaking, as the Phase 2 Tonn Nua project progresses from inception to implementation and operation. The Investment Gateways Process forms the foundation of the CRU's scrutiny of this project.

The Gateways will require a significant step up in the level and quality of the information that EirGrid routinely provides to the CRU. This information will allow the CRU to assess EirGrid's approach and processes and approve expenditure, at each stage of the project. Its objective will be to ensure

³⁵ [CRU202499 Offshore Revenue Model for EirGrid Decision Paper.pdf](#)

that only economic and efficient costs are incurred. The CRU considers this appropriate in recognition of the level of support that consumers will provide to the Tonn Nua project.

Draft Determination Responses

EirGrid has provided a detailed response to the CRU's Investment Gateway manual, which included proposed amendments to a number of the Gateways, proposals in relation to Gateway submission requirements, and review timeframes.

Gateway Amendments

The most substantive amendment to the Gateways proposed by EirGrid is the combination of Gateway 1 (Option Design and Costing) and Gateway 2 (Single Option Selection) into a single Gateway titled Option Selection. This proposal to combine the gateways is suggested to reflect the progress made by EirGrid to date. Within its submission EirGrid indicated that the proposed combined Gateway would provide the CRU with the same information as is required for the separate Gateways. It considers that the combination of Gateway 1 and Gateway 2 would help to address nonsequential activities that are to be undertaken to meet the requirements of both individual Gateways.

EirGrid also proposed refinements to Gateway 4 and Gateway 5:

- **Gateway 4 (Preparedness for FID)** – EirGrid is of the view that preparedness for FID should be considered at a programme level, and not at component level. As such, EirGrid requests that the CRU amend Gateway 4 to consider FID at a programme level.
- **Gateway 5 (Implementation)** – EirGrid regard Gateway 5 as representing a period of ongoing monitoring and decisions. EirGrid considers that this should be formalised and the implementation period be structured to have multiple gateway decisions where adjustments to cost allowances, milestone dates and incentives could be made to reflect activity. As a result, there would be no single gateway at the end of the Implementation period, rather it would be an iterative process during the project delivery phase.

EirGrid specifically requested that the CRU confirm this as part of the Investment Gateway Monitoring Procedures Manual and diagrams “*to ensure that multiple decisions and changes can be tabled during the Implementation Period*”.

In addition to the above proposed amendments, EirGrid provided feedback in relation to the CRU's proposed approach to Gateway 1 and Gateway 3.

Under the proposed requirements of Gateway 1, EirGrid is to put forward at least three project options that are under consideration for Tonn Nua. In response to the draft Investment Gateway

Monitoring Manual, EirGrid has noted that it has been developing a short-list of options for proposed landfall location zones, Grid Connection Zones, Offshore Substation locations, and cable corridors. Consideration of these, and identification of the best performing options, would, under its proposals, be provided within EirGrid's combined submission for Gateway 1 and Gateway 2. EirGrid, however, has explicitly noted that it *"does not propose to analyse three distinct and complete transmission system configuration options"*. Rather, it is *"considering a range of sub-options as part of its Concept Design for key sub-elements within the overall transmission architecture"*. EirGrid considers that providing three full system designs at the concept stage would increase the workload substantially and put key milestones and delivery timelines at risk.

Gateway 3 is specifically for procurement, within which EirGrid's proposed procurement and commercial strategy will be assessed by the CRU. At Gateway 4 EirGrid will make a final decision to appoint a prospective supplier(s). It is EirGrid's view that the CRU's proposed approach of reviewing EirGrid's bid evaluation work will *"risk putting the CRU into a position where prospective suppliers to EirGrid may raise legal challenge to perceived external influence into the defined procurement process"*. EirGrid has raised concerns that this will create a risk to the CRU and to EirGrid's cost recovery certainty and efficient delivery.

EirGrid indicates that it will only provide specific information, at certain times, to the CRU, to avoid any perception that the CRU is participating directly in the procurement process and decision making. As such, EirGrid plans on itemising the information to be provided to the CRU prior to the commencement of procurement and following the notification of an appointment. This proposal will be included in Section 11 (Public Procurement Process) of EirGrid's overarching Phase 2 Tonn Nua Programme Procurement Strategy document. EirGrid is also currently reviewing relevant competition and procurement laws and regulations in relation to the CRU's proposed approach to Gateways 3 and 4.

Gateway Submission Requirements

The CRU Investment Gateway Manual sets out initial submission requirements for each gateway indicating that these are fixed unless amended via agreement at a monthly meeting. In response EirGrid states that it considers that the firm requirements for each Gateway submission should be agreed and fixed at a time appropriate to the relevant Gateway. It has made a number of general proposals in relation to the Gateway submission requirements:

- Gateway submission requirements are captured in checklists to be completed prior to the commencement of Gateway stages, agreed closer to the time of a Gateway submission to account for up-to-date known information;

- The CRU allows Gateway submission requirement checklists to evolve over time, where prudent;
- A process be put in place that allows EirGrid to request the CRU to provide a derogation from a Gateway requirement where the CRU considers this request reasonable; and
- A definition of a 'high-quality' submission is set out in advance of the preparation of scopes of work that will result in outputs submitted to the CRU for review as part of a Gateway.

Gateway Review Timeframes

The CRU proposed that each Gateway review is expected to take six to eight weeks following receipt of a fully compliant submission. EirGrid has requested clarity on what constitutes a 'fully compliant submission'. It has also proposed that, as part of each Gateway submission:

- The Gateway Panel query meeting is held a week after the Gateway submission materials are provided to the CRU;
- A supplementary questions process is used to record all CRU queries and EirGrid responses; and
- Unless otherwise directed by the Department or CRU, EirGrid will continue to progress work on the Tonn Nua programme whilst the Gateway review process is underway.

Other Stakeholder Responses

There were several other stakeholder responses to the CRUs proposed Investment Gateway process. One stakeholder noted that the proposed Gateway process appears overly complex, with scope changes creating the potential for funding delays due to the scale of Tonn Nua, and a lack of firm decision timelines and appeal routes. Another stakeholder proposed consolidation of the Gateways into two stages – Detailed Design Sign-off and Ready-for-Commissioning Approval, with clearly defined deliverables, a 60-day decision timeline, and an escalation route for missed deadlines.

A further stakeholder noted that the CRU's Investment Gateway process must not delay or disrupt project progress. The response also proposed that *ex-ante* reporting by the CRU include oversight of project risks and issues, to ensure that financial risks are effectively managed and mitigated.

Final Determination

Commencement of Monitoring – The CRU expects to commence operation of the investment gateway process in January 2026. There remains work to do to establish the process, and it is clear that EirGrid has further questions that relate to the operation of the process in practice. The

CRU considers that these are best addressed by establishing the routine monthly meetings where issues of detail can be addressed and agreed.

To facilitate effective operation of the process the CRU expects EirGrid to cost load its latest project schedule based on the Final Determination so that it has the initial cost and schedule baselines that will be used for monitoring. This should be delivered within Q1 of calendar year 2026. As noted earlier these baselines will be subject to change control via the investment gateway monitoring processes, at an appropriately aggregate level. As indicated in CRU202499, EirGrid is also expected to provide CRU with live but read-only access to EirGrid's schedule and programme for Tonn Nua, if the information provided routinely is insufficient for the purposes of its monitoring.

Gateway 1 and 2 Combination – The CRU is aware of the large body of evidence that shows that large capital projects which are delayed or overrun their cost estimates often do so because insufficient time and focus was spent on the earliest stages of development. When there is time pressure, option selection can happen too soon and the detrimental impacts of that only become apparent much later in the programme.

The CRU notes, based on EirGrid's recent Gateway 0 submission that, on present plans, Gateway 1 will not be reached before early 2027. It is not immediately clear why it is necessary, based on current progress, to merge these two early gates as proposed by EirGrid. At this stage, therefore, the CRU has a preference to maintain separate gateways given the risk described above. However, it anticipates that investment gateway monthly meetings will commence in January 2026 and this issue can be discussed in that forum. It should be noted that the CRU will expect EirGrid to demonstrate that its process of option selection is sufficient, to ensure that its preferred option is the most economically advantageous in the round, if it is to accept a proposal to merge Gateways 1 and 2.

Provision of Distinct Gateway 1 Options – As noted above, the CRU considers that there is sufficient time in the programme to permit Gateways 1 and 2 to remain separate. Accordingly, EirGrid should progress on the basis that three distinct options will be assessed at Gateway 1. The CRU notes EirGrid's view, that totally distinct options are unlikely, and suggests that EirGrid uses monthly meetings to discuss and agree the approach to options that will apply at Gateway 1.

Gateway 3 Procurement – The CRU recognises that EirGrid's procurement must comply with all relevant procurement laws. The CRU's approach will not require EirGrid to reveal commercially confidential information that could compromise procurement. Gateway 3 will focus on the approach to procurement, Gateway 4 on preferred bidder selection. The CRU will require EirGrid to set out in advance (at Gateway 3) its proposed approach to selecting a preferred bidder(s). This process will require CRU approval. EirGrid will also be required to demonstrate (at Gateway 4), to the

CRU's reasonable satisfaction, that it applied the approved procedures. EirGrid will be expected to share with the CRU an anonymised version of its bid evaluation reports for the purpose of demonstrating the application of the process agreed through the gateways. The CRU's current expectation is that these reports will be equivalent to those shared with its board as part of its decision-making process.

Gateway 4 FID – The CRU's Investment Gateway process does not include a FID gate. This is intentional because the FID process will require inputs from a range of parties outside of the CRU (e.g., DCEE, etc.). Gateway 4 within the CRU's process is intended to be passed when the project itself is mature enough, in the round, to proceed to FID. The CRU anticipates that passing this gateway will trigger a wider FID process of which passing Gateway 4 is just one part.

Gateway 5 – The CRU's gateway manual already assumes that Gateway 5 is not a single review point, rather it marks a switch to monthly monitoring of delivery and of key programme/cost metrics. By the time the project FID is taken, the CRU expects EirGrid to have very clear plans for delivery and for those to have been de-risked insofar as is practicable and economical. For example, the CRU will expect EirGrid to have developed plans in place to effectively manage interfaces between parts of the project as interface risk is likely to be a major issue for an entity like EirGrid that is relatively new to developing offshore and so without an established supply chain.

The CRU understands that, although EirGrid's plan should be as firm as possible by Gateway 5 the project may undergo some changes to programme and cost in this period, and its intention is that the monthly meetings will be used to manage this. The manual states that:

The CRU will look to EirGrid to demonstrate strong and effective project management, that delivers the expected level of progress against project costs, schedule, milestones, risk management and mitigation. Where problems arise, EirGrid should set out its mitigation plan and provide details of any proposed change to the critical path and programme duration.

EirGrid should note the CRU's expectation that, as changes arise, the onus will be on EirGrid to manage them within the capex envelope (e.g. via reallocation/revision within the project, through risk and residual uncertainty provisions, or through other commercial routes (e.g., via its insurances)). However, the CRU has also confirmed that:

Sufficiency of the capex envelope is to be confirmed at each meeting. As per its decision paper (CRU202499) the CRU will extend the envelope subject to EirGrid providing compelling evidence and justification of efficiency and necessity but doing so will take time, as CRU will likely consult the Shareholder, so EirGrid's monthly updates must indicate as early as practicable any risk to the overall envelope.

Gateway Submission Requirements – The investment gateway manual already anticipates that monthly meetings will be used to discuss and, where necessary, revise or issue derogations against gateway requirements. EirGrid should regard monthly meetings as being in large part preparation for gateway submissions (i.e., they present an ongoing opportunity to revise and refine what will be submitted including discussing the required quality of those submissions and the level of detail necessary). The CRU will not define high quality, rather it will be established in these ongoing discussions. The CRU suggests that EirGrid should focus its submissions not on what it has done/is doing, but on why it has chosen that route or option and the evidence it has used to inform that choice.

This is because each gateway represents a go/no go decision point, at which the CRU may approve or reject EirGrid's request to continue spending on the project. As outlined in CRU202499, the CRU will utilise checklists and gateway acceptance criteria to support this go/no go decision making. Formal submissions for gateway clearance should only occur following detailed discussion and information sharing via monthly meetings. This process provides EirGrid with a means to ensure that its submissions are sufficient and to avoid them being rejected.

Review Timeframes – The CRU has set out its expectations for the timeframe of the gateway reviews in its Investment Gateway Manual. However, as for submission requirements, EirGrid may propose refinements as part of the ongoing series of monthly meetings. The CRU will expect all questions and responses to be documented in an appropriate manner, as part of the process records. Given the need to maintain momentum in the project, the CRU confirms that EirGrid should continue to progress the project whilst the gateway review is taking place unless instructed otherwise by appropriate authorities e.g. CRU, DCEE. To facilitate this EirGrid should ensure that the CRU is well sighted on emerging issues and planned points of commitment e.g. to placing contracts, via the monthly meetings.

The CRU also notes the views of wider stakeholders on the complexity and timeliness of the gateway process. It is acutely aware of the need to maintain momentum in the project, given the likely cost implications of not doing so. However, Tonn Nua marks a large step up in the scale of projects that EirGrid undertakes, it is only one part of the wider offshore work that EirGrid must deliver and, as an asset light business, EirGrid does not yet have the ability to bear the full risk of a work programme at this scale. In PR6 and PR7 much of the risk of EirGrid's transition will rest with consumers which CRU has a duty to protect, alongside EirGrid's licence obligation to take into

account the objective of minimising the overall costs to final customers.³⁶ In common with other regulators in sectors where large scale change is taking place, it must ensure that the need for momentum is balanced with appropriate oversight of expenditure.

5.2.4 Monthly Progress Meetings

The CRU outlined in the Draft Determination that it will implement monthly monitoring for the Phase 2 Tonn Nua project. These meetings will be the means by which:

- Progress is shared and understanding developed;
- Change is managed e.g. to submissions requirements and to the baselines where a proposed change cannot wait for a gateway;
- Gateway reviews are planned and scheduled; and
- Any minor gateway restrictions/ further requirements are followed up.

In addition, these meetings should be used by EirGrid to test its thinking and emerging conclusions ahead of making a formal gateway submission. The intention of monthly meetings is to settle positions as far as is practicable prior to a formal submission and/or to ensure that the CRU understands the choices that have to be made by EirGrid and on which it may seek a view from the CRU. Monthly meetings will also be the forum in which the CRU raises any concerns e.g. relating to the quality of information that EirGrid is providing or scope of any review of historic work undertaken by EirGrid and subject to the DIWE standard, see Section 5.2.7.

The CRU anticipates that the monthly meetings will commence in January 2026. As indicated above, the CRU advises EirGrid to use these meetings to discuss the submission requirements, outlined in the Manual, ahead of each Gateway submission. In particular if EirGrid considers there are any that it is unable to comply with.

5.2.5 Formal Gateway Review Meetings

At Draft Determination, the CRU outlined that reviews at gateways are expected to take 6-8 weeks and will be undertaken by a multidisciplinary team assembled by the CRU. The team composition will vary by gate. The review process at each gate, will commence with a compliance check against submission requirements and complete with the issue of a review report from the CRU.

³⁶ Condition 19 Performance of Transmission System Operation Business states the Licensee in discharging its functions shall take into account the objective of minimising the overall costs to final customers pursuant to Regulation 8(3) of SI 445 of 2000.

The process will change from Gate 5-6 where monitoring will be undertaken over the course of the construction period. The CRU expects that Monthly meetings will form the basis of review in this period.

This position remains unchanged for the Final Determination as noted above EirGrid may propose timing changes for gateway reviews as part of the monthly meeting cycle, it should give the CRU as much notice as possible of any such changes given that the CRU must assemble a review team that may include external advisers and it will need to plan around Commission Meetings.

5.2.6 Opex Gateways

CRU's Previous Decision

The CRU's decision on EirGrid's Offshore Revenue Model (CRU202499) included provision for opex to be reviewed via the Investment Gateway process. The process for approval of EirGrid's opex will largely follow the same process as that outlined for the capex investment gateways.

Draft Determination Response

In its response to the Draft Determination, EirGrid proposed that the following opex items be assessed through the Investment Gateway process:

- **Insurance:** The CRU acknowledges that insurance costs are subject to significant uncertainty. These include the timing of Phase 1 asset transfers, prevailing market conditions when cover is sought, the level of warranties provided by Phase 1 developers, and the final terms of the Connection Agreement and Asset Purchase Agreement.
- **Operations & Maintenance (O&M):** EirGrid has not fully identified the scope of O&M contracts required and anticipates that this will become clearer as the programme matures. The availability of supply chain services remains a key uncertainty, and EirGrid will need to engage the market from a zero base. The CRU recognises the need for flexibility in this area and supports the use of the Gateway process for O&M, enabling oversight of emerging plans and alignment with efficient delivery.
- **Warehousing:** EirGrid proposed warehousing as a potential Gateway item, noting that leasing may be more economic than purchase and could span multiple price review periods.

Final Determination

The CRU previously committed to develop an opex gateway process, in consultation with EirGrid. This approach offers greater flexibility than the reopener mechanism available for other aspects of the price review.

The CRU confirms that development and placing of O&M contracts, placing of construction and operating insurances and warehousing (buy/lease) will be monitored via a new opex/non network capex gateway process. The CRU's updated Investment Gateway Manual includes a draft version of its approach to progressing these elements of EirGrid's operational readiness programme through a set of gateways. In developing its draft approach, it has had regard to the proposal put forward by EirGrid. These draft elements of the manual should be agreed within the first quarter of calendar year 2026.

5.2.7 Backward Looking Review

Draft Determination

The CRU outlined in its Draft Determination, that progression through the Investment Gateways will be assessed on both a forward and backward looking basis. The forward-looking component will consider whether EirGrid's forward plans up to the next gateway are robust, plausible, economic and efficient. EirGrid will be expected to present high quality, detailed and compelling submissions in support of this assessment. The rationale for the backward-looking review is to confirm that work undertaken, and expenditure incurred, from the previous to the current Gateway is broadly as expected. The intention of the backward-looking review is not to reopen decisions taken at previous gateways, which once made will be fixed, but rather to provide a check with a high bar for disallowance.

The CRU does not currently apply the DIWE standard within its regulatory frameworks, and its use here would be limited to the gateway backward looking review for the Tonn Nua project in PR6 and PR7. EirGrid will have limited financial headroom through PR6 and into PR7, during the establishment of its offshore asset base, which means any cost disallowances could impact financeability in the transitional period whilst it remains asset light.

The CRU sought feedback on an appropriate cost review standard for the backward looking (*ex-post*) component of the gateway process. As detailed within the Draft Determination, the CRU stated it was considering the use of DIWE as the cost review standard to be applied. DIWE creates a high bar for disallowance, so as not to undermine the principle of cost recovery certainty. It is used elsewhere in regulation where there is a need to set a high bar for disallowance for financeability reasons, requiring the regulator to demonstrate any inefficiency or wastefulness. This is particularly important for the Tonn Nua investment programme, where the forward looking (*ex-ante*) review at each Gateway should ensure that only economic and efficient costs are incurred in the first place and, as such, the bar for any *ex-post* disallowance should be high.

However, in the Draft Determination the CRU indicated that if it were to adopt the DIWE standard for the *ex-post* review, it would be done on the basis that EirGrid's submissions for the forward

looking element of each Gateway meet the necessary level of quality, and EirGrid fully complies with the CRU's requirements for complete transparency over the offshore programme. As such, the CRU reserved the right to reassess the use of the DIWE standard if EirGrid's provision of information through the gateway process were poor in not meeting the CRU's expectations.

The CRU's rationale for reserving the right to apply an alternative standard is that high quality *ex-ante* submissions are necessary in order for the CRU to be confident that forecast expenditure of the scale envisaged for Tonn Nua is economic and efficient. A high-quality *ex-ante* submission allows the CRU to apply a high bar in the *ex-post* review, through a DIWE type standard. If EirGrid does not provide information of the required level of quality in its *ex-ante* (forward looking) submission, (such that the CRU cannot form confident *ex-ante* conclusions that the proposed expenditure will be economic and efficient) it may not be possible for the CRU to limit its scrutiny to a DIWE based review of incurred. In these circumstances the CRU would revert to its standard *ex-post* review of economy and efficiency as used in previous controls.

Draft Determination Responses

EirGrid supports the proposed approach of applying DIWE as the *ex-post* review standard but is concerned about the potential impact of CRU reserving the right to apply a different standard relative to the quality of EirGrid's submissions. EirGrid considers this create a financing risk, as the review standard applied will not be known until the CRU has assessed the submission. It argues that this is not conducive to a stable and predictable system of regulation. EirGrid further notes that the criteria the CRU will apply in assessing the submission standard is undefined.

As such, EirGrid requests that the CRU maintains a position where DIWE is the sole *ex-post* review standard, to avoid increased cost recovery risks and impacts to its credit rating, and that this is used to consider cost efficiency and necessity of spend. EirGrid also requests that the *ex-post* review is completed at a single point in time, at the end of a Gateway stage, and the CRU set out clearly the standards that it expects submissions to meet at each Gateway.

No other stakeholders provided a response in relation to the *ex-post* review standard.

Final Determination

The CRU confirms that it will adopt the DIWE standard for the investment gateway backward looking review process, subject to EirGrid's submission for the forward-looking assessment at the start of each gateway stage meeting the necessary level of quality, and EirGrid fully complying with the CRU's requirements for transparency over the offshore programme.

The CRU continues to reserve the right to use an alternative approach if EirGrid does not provide information of the required quality in a timely manner. The CRU considers that the investment

gateway process already provides the means for EirGrid to control the risk that it perceives. The CRU has set out in advance what EirGrid should expect to provide at each gateway. It has also created, via the monthly meetings, an opportunity to refine requirements and confirm in advance what would constitute a high-quality response.

In response to EirGrid's concerns, the CRU confirms that it will give advance notice, via the monthly meetings, of any concern that might lead it to reassess use of the DIWE standard, will be specific about the nature of those concerns and that such information (providing that EirGrid is similarly timely in its approach) will be given sufficiently early to permit EirGrid to reflect and revise its plans in advance of the next gateway deadline. The CRU will confirm if the ex-post standard is not DIWE in any relevant gateway decision.

5.3 Incentives

This section sets out the CRU's decision on the suite of incentives that will apply to the offshore price review.

Summary of the CRU's Decision on Incentives

Phase 2 Timely Delivery (Schedule) Incentive

- The CRU will implement a Timely Delivery incentive to both the development period (pre-FID) and construction period (post-FID) of the Tonn Nua project.
- This incentive will be milestone based. For both periods, EirGrid is required to discuss and agree 5 milestones ('monitored milestones') on Tonn Nua's critical path for the purposes of monitoring.
- For the development phase, EirGrid's proposed milestones are not yet accepted. The CRU expects to discuss these further via the gateway processes. As was the case for the Draft Determination one of the development phase milestones must be the achievement of FID.
- Achievement of FID means +/- 1 month of the scheduled FID date (FID window).
- On assumption that timing of FID will be aligned with the Phase 2 windfarm contract and Grid Delivery Date, the CRU confirms that it will amend the FID delivery date to align with that project.
- Milestones for the construction period will be agreed as part of the FID process.
- Progress against the critical path including these milestones will be the subject of monthly 'live' monitoring by the CRU.

- EirGrid may not amend a monitored milestone date within its programme without the permission of the CRU.
- Missed milestones will incur a penalty notification issued by the CRU. For the avoidance of doubt, this will be a notice only without immediate financial consequence.
- For the **development phase**, any missed monitored milestone will incur a penalty notice of €2m (capped at €10m), applied as a RAB adjustment. The total penalty amount will be written off if the FID window is met.
- An additional €10m will be awarded for reaching FID within the FID window, however, a €10m penalty will be applied for failing to reach FID within the FID window. Both applied as a revenue adjustment.
- For the **construction phase**, any missed monitored milestone will incur a penalty notice of €8m (capped at €40m), applied as a RAB adjustment. The total penalty amount will be set as the lesser of €40m or actual windfarm losses but will be written off if Grid Delivery Date (GDD) is met.
- An additional €10m will be awarded for reaching GDD by the milestone date, however, a penalty lesser of €10m or actual windfarm losses will be applied for failing to reach GDD by the milestone date. Both applied as a revenue adjustment.
- Bonus/penalties incurred in either period will be aggregated at the end of PR7 and applied as a one-off adjustment to the value of the RAB at the start of PR8.

Phase 2 Cost Incentive

- The CRU has set a total capex envelope for the Tonn Nua project to cover estimated costs and uncertainty. Within that it will allocate a component to the development period and the remainder to the construction period.
- The cost incentive will be target cost based, aligned to the relevant allowance (including uncertainty). With the current envelope of €2.21bn for the whole project, the target would be €372m for the development period and €1,833 for the construction period. Both target costs include a 40% provision for uncertainty.
- The incentive will be symmetric and a 15% sharing rate will be applied. This will be capped at €10m for the development period and €40m for the construction period, to reflect the expected growth in EirGrid's RAB.
- Rewards and penalties resulting from both periods will be aggregated and applied at the start of PR8 as a one-off adjustment to the value of the RAB.

Availability Incentive

- The CRU confirms that it will develop Option 3; its preferred option as indicated in the Draft Determination. Under this option the revenue impact of deviations from project specific availability targets is calibrated so that if only a subset of projects experience an availability event, the incentive would cap out at the aggregate value cap.
- The incentive will be developed in alignment with the design principles also outlined in the Draft Determination.
- The incentive strength will be set at 1-2% of Return on Regulated Equity (RoRE).
- The detailed design of the availability incentive and associated targets will be consulted on in the early part of PR6 to ensure that the incentive can be in place by the time the first Phase 1 Project transfers.

Phase 1 Incentive

- The CRU will develop a Phase 1 incentive mechanism to drive constructive collaboration and delivery performance to support successful delivery of the Phase 1 projects.
- The CRU expect to utilise a balanced scorecard (c.5 KPI's) but recognises that further work is required and, as such, it expects to discuss this further with EirGrid (via the Readiness workstream) in 2026 with the object of the incentive operating from year 2 of PR6.
- The value of the Phase 1 incentive in PR6 will be a maximum of €10m and upside only.

5.3.1 Phase 2 Cost and Schedule Incentives

Draft Determination

In its Draft Determination the CRU proposed to implement Timely Delivery (Schedule) and Cost incentives in the development and construction periods of the Tonn Nua project, as per CRU202499.

For the Development Phase, the CRU proposed:

- **Timely Delivery (Schedule) Incentive** – A milestone-based incentive which will require EirGrid to propose at least five milestones (monitored milestones) on Tonn Nua's critical path, one of which must be the FID. The CRU will approve use of these milestones and monitor progress against these on a monthly basis.
Any missed monitored milestone will incur a penalty notice of €2m. On the assumption of five monitored milestones, the total penalty (in the form of a RAB adjustment) will be

capped at €10m, applied at the start of PR8. Additionally, missing the FID milestone will incur a one off and unrecoverable revenue adjustment of €5m applied over PR7 (i.e., €1m per annum). A further one off and unrecoverable revenue adjustment of €5m will also be applied over PR7 if FID is not achieved within 1 month of the FID milestone. Penalties will be aggregated at the end of PR6 and written off if the FID milestone is met and the programme remains robust and deliverable through to completion. Conversely, it was proposed that EirGrid will be able to earn a one off €10m bonus payment, paid at the start of PR7 as a revenue adjustment, if it can demonstrate that it is ready to take FID up to 3 months prior to the target monitored milestone date.

- Cost Incentive –** The CRU will set a total capex envelope for the Tonn Nua project, to cover estimated costs and uncertainty. Within that it will allocate a component to the development period and the remainder to the construction period. The cost incentive will be target cost based, aligned to the relevant allowance (including uncertainty) set in the PR6 price review. Rewards and penalties, in the form of a RAB adjustment, will be applied in combination with construction period performance at the start of PR8. The incentive will be symmetric and the CRU proposed to utilise a sliding scale approach to the penalty or bonus such that the greater the underrun/overrun the bigger the impact on EirGrid. The CRU noted it was considering a 15% sharing rate capped in the development period at €10m.

For the Construction Phase, the CRU proposed:

- Timely Delivery (Schedule) Incentive –** The CRU stated that schedule milestones will be agreed for the construction period prior to the end of PR6. Assuming a similar number of monitored milestones for this period, the individual milestone penalty will increase to €8m (with an overall maximum of €40m), applied at the start of PR8. Additionally, reflecting the importance of achieving project completion on time, it was proposed that missing the project completion milestone would incur an additional one off and unrecoverable revenue adjustment of €5m applied over PR8. A further one off and unrecoverable revenue adjustment of €5m would also be applied over PR8, if project completion is not achieved by 1 month following the project completion milestone. Conversely, it was proposed that EirGrid will be able to earn a one off €10m bonus payment (paid at the start of PR8 i.e. as a revenue adjustment) if it can achieve project completion on the target monitored milestone date.
- Cost Incentive -** The target cost for the construction period will be as determined when the envelope is set as part of the Gateway 0 milestone, but it will be updated to reflect any changes subsequently agreed via the gateways process.

The cost incentive for this phase would step up to €40m reward/penalty and the expected sharing rate (15%) would remain unchanged. This reward/penalty will be applied as a one-off adjustment to the value of the RAB at the start of PR8.

- With the current envelope of €2.21bn for the whole project, the allowance covers €508m for the PR6 period and €1,649m for PR7 period³⁷.

The table below summarises the structure and value of the Phase 2 Tonn Nua incentives proposed in the Draft Determination.

Table 18: Summary of OAO Incentive Package

	Development Phase	Delivery Phase
Timely Delivery (Schedule) Incentive	Penalty: €10m RAB adjustment for c.5 milestones, applied at the start of PR8., €5m revenue adjustment for missing FID, and a further €5m revenue adjustment for missing FID by more than 1 month, applied over PR7 period. Reward: €10m revenue adjustment for being up to 3 months early, applied at the start of PR7.	Penalty: €40m RAB adjustment for c.5 milestones, applied at the start of PR8., €5m revenue adjustment for missing project completion, and a further €5m revenue adjustment for missing project completion by more than 1 month, applied over PR8 period. Reward: €10m revenue adjustment for being on time for project completion, applied at the start of PR8.
Cost Incentive	Reward and penalty: €10m RAB adjustment, 15% sharing rate, applied at the start of PR8.	Reward and penalty: €40m RAB adjustment, 15% sharing rate, applied at the start of PR8.

The CRU's Rationale for Incentives as Per the Draft Determination

Although the CRU recognised that EirGrid's schedule will develop further during the Development Phase and that many dates will change, it proposed that Tonn Nua Phase 2 incentives be tied to a small number of high level fixed dates on the projects' critical path (critical path milestones). The CRU took this view on the basis that if these dates are not met it will become increasingly difficult

³⁷ The envelope also included €34m of capex incurred during PR5.

to deliver FID, and ultimately, the project as a whole on time. Delay does not just delay delivery of consumer benefit but will also increase cost.

The CRU set FID as a fixed date/milestone because it was particularly concerned that achieving FID within PR6 period is necessary to achieve completion of DCEE target for the associated windfarm development (set at July 2033 at the point of publication of this Determination³⁸). Meeting target completion for the project is imperative given the financial commitments (Grid Delay Compensation) that will be made to the Phase 2 wind farm developer i.e. as part of the ORESS 2.1 Terms and Conditions (T&Cs) in relation to Grid Delay Events.

Reflecting EirGrid's concern about fixing dates within an early version of the programme, the CRU Draft Determination was clear that change is anticipated. The Draft Determination stated that:

'Control of the cost and schedule baselines does not imply that they cannot change, rather that there must be a good reason to change and that any risks of change or knock on effects are understood and accounted for. The CRU will act reasonably in agreeing to a change. When considering a change, the CRU would have particular regard to impacts on the overall project delivery date and cost envelope and to the effective use of time and cost contingency within the programme.'

When seeking to extend the envelope, EirGrid must prepare its submission in line with requirements described in CRU202499:

'Any submission for an extension to the envelope should be accompanied by an analysis (based on the then current financial model) which demonstrates the financial impacts of remaining within the allowance and a report which sets out the reasons for additional expenditure and which identifies any opportunities to reduce costs such that the original capex envelope remains sufficient.'

The CRU requested that EirGrid provide around five critical path milestones in addition to FID and project completion that would form the basis of the schedule incentives for PR6. The CRU carefully calibrated the financial value of its proposed package of incentives using EirGrid's financial model to ensure that key financial ratios would remain at the level likely to be required for EirGrid's credit rating were the full downside effect applied.

Draft Determination Responses

38 DCEE, Terms and Conditions ORESS Tonn Nua Offshore Wind Auction Ver 1.1, 27 May 2025

EirGrid argued that the CRU should utilise probabilistic rather than fixed dates as incentive triggers in the Phase 2 incentives. It also argued that the incentives themselves are onerous and asymmetric given that the current DCEE Grid Delivery Date is July 2033. EirGrid's initial programme suggested that a delivery date prior to 2034 is likely unachievable. Consequently, EirGrid considers that a programme managed to a completion date of 2033 is P0 offering no opportunity for the upside that incentives provide within the regulatory system. EirGrid also proposes an *ex-post* adjustment for the impacts of factors outside of its control.

Use of Probabilistic Versus Determined Dates

EirGrid plans to develop its cost estimates and schedule so that it can start to report probability-based costs and dates (P50, P70 etc). This is standard practice as projects mature from early-stage top-down estimates to more granular bottom-up estimates. Given that its programme is due to start developing in this way in Q1 and Q2 of 2026, EirGrid argued that the CRU should not use fixed dates within its delivery incentive. It pointed to a number of case studies which support the use of probability based dates. It indicated that it plans to undertake its first quantified schedule risk assessment (QSRA) early in 2026 and proposes that the fixed dates it provided in its response to the CRU's Draft Determination be replaced with dates from the QSRA once they are available.

It further proposed that fixed dates for FID and for project completion be removed from the incentive. It suggested that the CRU misunderstands the wider contractual regime which allows for the Phase 2 completion dates to be varied 'from time to time' by the Minister.

EirGrid argued that its current programme is effectively P0 (i.e., that the programme shared with the CRU has no allowance for risk) and so using schedule dates from that programme as the basis for incentives means that there is no upside potential and that this is inconsistent with the regulatory principle of a 'fair bet'.

Symmetry of Incentive Package

EirGrid argued for a symmetric incentive for the schedule incentive in its Draft Determination response. EirGrid noted that the current schedule incentive is asymmetric, with no upside attached to interim milestones, and smaller upside compared to downside for meeting FID and project completion date. EirGrid argued that symmetric incentives against the P50 target is a regulatory good practice, in line with other precedents.

Avoiding "Cliff Edge" Penalties

EirGrid also argued that the use of "cliff edge" in penalties (i.e. €5m revenue adjustment for missing FID/project completion, and a further €5m revenue adjustment for missing FID/project completion by more than 1 month) is not appropriate for a large capital programme like Tonn Nua, delivered

over many years with many risks and limited certainty. EirGrid argued for unit rate penalties (i.e. day rate) instead, with other regulatory precedents in Ofgem's ASTI and Ofwat's PR24 PCDs.

EirGrid also noted that Grid Delay Compensation could be small at the point of Grid Delivery Date, as generation may not be at full capacity and still ramping up. EirGrid argued that consumers could as a result be faced with a level of Grid Delay Compensation below the proposed level of the CRU's schedule incentive, i.e. if EirGrid does miss the Grid Delivery Date and the windfarm developer is also late. In the event that the Generator is also behind schedule EirGrid argued that either penalties should be waived, or target dates should be moved. EirGrid argued that there is no consumer value lost by EirGrid also being late, if the Generator is unavailable to generate and export clean electricity.

Other Stakeholders

Wider stakeholders did not comment specifically on Tonn Nua incentives. Offshore wind developers focused their responses regarding incentives on the need for EirGrid to work proactively and collaboratively with industry through working groups and structured workshops. Incentives for Phase 1 are discussed in Section 5.3.3.

Some stakeholders commented that the strength of incentives on the offshore programme, including Phase 2, may be insufficient to drive EirGrid behaviour.

Final Determination

Cost and Schedule Incentives

The table below summarises the CRU's decision regarding the design of the Phase 2 schedule and cost incentives.

Table 19: Summary of Cost and Schedule Incentives

	Development Phase	Construction Phase
Timely Delivery (Schedule) Incentive	Penalty: Five critical path milestone-based incentives. Missing a milestone results in a €2m penalty (€10m cap). Total penalty amount will be written off if Final Investment Decision (FID) window met (scheduled FID date +/- 1 month) . This downside only incentive will be	Penalty: Five critical path milestone-based incentives (to be set at Final Investment Decision (FID)). Missing a milestone results in an €8m penalty (€40m cap). Total penalty amount will be set as the lesser of €40m or actual windfarm losses but will be written off if Grid Delivery Date (GDD) is met. This downside only incentive will be

	applied as a RAB adjustment at the start of PR8. Penalty: €10m for failing to reach FID within the FID window, applied as a revenue adjustment over PR7 period. Reward: €10m for reaching FID within the FID window, applied as a revenue adjustment at the start of PR7.	applied as a RAB adjustment at the start of PR8. Penalty: For failing to reach GDD by the milestone date. Penalty set as the lesser of €10m or actual windfarm losses, applied as a revenue adjustment over PR8 period. Reward: €10m for reaching GDD by milestone date, applied as a revenue adjustment at the start of PR8.
Cost Incentive	Reward and Penalty: 15% sharing rate capped in the development period at €10m, applied as RAB adjustment at the start of PR8. Target cost is €372m, comprising €266m plus 40% uncertainty provision.	Reward and Penalty: 15% sharing rate capped in the construction period at €40m, applied as RAB adjustment at the start of PR8. Target cost is €1,833m, comprising €1,309m plus 40% uncertainty provision.

The CRU's decision regarding the design of the cost incentive, in both the development and construction phases, remains as per the Draft Determination position. The CRU's decision regarding the schedule incentive is as follows.

Setting the Milestones

The CRU will retain its plan to utilise five high-level fixed dates for the development and construction periods, as triggers for its incentives. The CRU expects to set critical path milestones for the development period based on the Primavera programme provided within EirGrid's Gateway 0 submission. The CRU will set critical path milestones and corresponding target dates for the construction period at FID.

The CRU remains of the view that FID should be a fixed date milestone within PR6 and expects project completion in PR7 to be tied to the relevant contractual GDD.

EirGrid proposed a set of development period milestones in its response to the Draft Determination. These proposed milestones do not include FID (which the CRU indicated they must) and are not clearly tied to the critical path which focuses on the latest date by which an activity must be completed. EirGrid's proposed dates relate to the commencement of an activity

which can be hard to define objectively. The CRU cannot therefore accept EirGrid's proposal but it will discuss acceptable alternative options with EirGrid as part of the gateway process monthly meetings.

The CRU has decided to amend its development period incentive to include a window around the FID target date; recognising that targeting a single date is challenging and that there is likely to be some limited flexibility around FID as the terms for both the windfarm project and EirGrid's phase 2 Tonn Nua project are finalised. If EirGrid achieves FID within the FID window (scheduled FID date +/- one month), it will earn €10m reward.

Adjusting Size of Construction Phase Penalty with Actual Windfarm Losses

The CRU also confirms that it will amend its construction phase incentive to be the lesser of the penalty cap (€40m for milestones and additional €10m for project completion) or actual windfarm losses that accrue to the generator as Grid Delay Compensation.

The CRU expects to utilise the mechanics contained in DCEE's terms and conditions for Tonn Nua to calculate actual windfarm losses for the purpose of this incentive.³⁹

Agreeing to a Change in Milestone Dates

The CRU confirms it will align its milestone dates and project completion date with an amended GDD, if the Minister agrees to such an amendment noting that a change post FID may require some discussion as once EirGrid's project is in construction it may be beneficial to consumers for EirGrid to retain its current schedule rather than align.

EirGrid may propose revised milestone dates, via the gateways process, as its programme becomes more certain. It may submit dates taken from its schedule at a probability value (e.g. dates based on P50 probability). However, the incentive payments will remain based on fixed dates i.e. bonuses or penalties will not fluctuate around a probability distribution. EirGrid should also ensure that its programme is sufficiently mature for QSRA to be meaningful before submitting proposed replacement milestone dates via the gateway process.

³⁹ Clause 12 of the Draft Tonn Nua Project Delivery Agreement states "Grid Delay Compensation will be calculated by the Generator on a monthly basis using a methodology determined by the Regulatory Authority. It will be paid monthly and will compensate the Generator by reference to the Grid-Delayed Quantity for the relevant day, multiplied by an appropriate capacity factor (based on P50), multiplied by 100% of the Strike Price (as may have been adjusted in accordance with the Terms and Conditions), adjusted for transmission and distribution losses (as applicable), and subtracting any revenues in respect of the Grid-Delayed Quantity." [ORESS Tonn Nua Terms and Conditions V1.1 branded.pdf](#)

The CRU will use the monthly gateway process meetings as a routine means of discussing and updating the milestone dates where this is necessary⁴⁰. The CRU will act reasonably in considering proposed changes. EirGrid should note that the CRU will consider whether a change compromises overall project delivery or reduces schedule contingency when reviewing a proposal for change.

The CRU also recognises that some drivers of the project schedule are outside of EirGrid's control. As such, the CRU will adjust the FID date to reflect for example planning impacts, and the impact of these changes will also be reflected in the intermediate incentive milestone as required.

Incentive Strength

The CRU's decision on the strength of the schedule and cost incentives, for the development and construction phases, is summarised in Table 19 above. In the round, the CRU considers that the current incentives are relatively modest and consumers ultimately bear the majority of the risk in PR6 given EirGrid's is currently an asset light entity.

The CRU notes the view of stakeholders that the incentive package for Tonn Nua may not be sufficiently powerful to drive timely and cost-efficient delivery. However, it recognises that its incentives must be proportionate to the risk that EirGrid is able to bear at this early stage of its development as the new Offshore Asset Owner. Consistent with the CRU's regulatory model for offshore, the incentives put in place in PR6 should not compromise EirGrid's financeability. The PR6 Draft Determination demonstrated, through use of a version of EirGrid's financial model, that the risk the CRU would seek to transfer to EirGrid via incentives can be accommodated without compromising appropriate financial metrics.

The CRU also notes that the financial incentives package is one part of the overall regulatory package that incentivises efficient delivery, which also includes reputational incentives via Readiness Monitoring, and the Investment Gateways which aim to ensure economic and efficient spend.

Accordingly, the CRU will not increase incentive strength in PR6. The CRU notes EirGrid's views that the incentives are overly onerous and skewed to the downside, given that the CRU is currently using July 2033 as the Target Grid Delivery Date. The CRU reiterates the position set out in the Draft Determination, that the consumers are underwriting far more risk than EirGrid by underwriting the Grid Delay Compensation, if EirGrid's schedule overruns. Hence, the CRU has decided it is appropriate to keep the incentive asymmetric with more downside exposure.

⁴⁰ The CRU generally expects EirGrid's schedule to become much firmer over time.

5.3.2. Availability Incentive

Draft Determination

As per the Offshore Revenue Model (CRU202499), the CRU indicated that it would introduce an incentive on EirGrid with regards to the availability of the offshore transmission system once the offshore transmission assets are operational. The CRU's rationale for deciding to implement an availability incentive is to encourage EirGrid to maintain high availability of the offshore transmission system, in order to balance the requirements and objectives of the Irish consumer, EirGrid, and offshore wind developers.

At Draft Determination, the CRU noted that setting values for the availability incentive at this stage is challenging, given the financial value and returns of the offshore business remain uncertain. However, the CRU considered that:

- The availability incentive should be expressed and sized in annual RoRE terms, as opposed to being sized in relation to project (e.g., ATV or Phase 2 construction cost) value.
- The availability incentive will be untested and there will be a limited amount of data at the time that it is established with which to conclude that the targets set are balanced and reflect a stretching but achievable objective for the assets in question.
- The incentive value should be flexible to scenarios where less than the full number of Phase 1 projects are connected to the grid. It would be inappropriate to apply the same overall incentive value for 6 projects as for fewer.
- The sizing of the availability incentive – together with proposals to manage the commercial impacts of is likely to be a key area of focus for EirGrid's credit rating and how the incentive impacts on core credit metrics during PR7.
- That there should be time to discuss drivers of performance prior to availability results impacting revenue and finances.

Collectively these points suggest that the availability incentive value in any given year should:

- Be sized, and potentially capped (see below), at a plausible annual RoRE percentage consistent with how many of the UK regulators have recently thought about Outcome Delivery Incentives (ODIs). CRU's initial modelling suggested that 1-2% of RoRE at risk might be an appropriate range to consider.
- Scale up or down the €m value at risk proportionally depending on the number of projects that are being operated by EirGrid.

- Be calibrated with reference to the impacts on the key financeability metrics – e.g., Funds from Operations (FFO)/ Net Debt and Adjusted Interest Rate Coverage Ratio (AICR) – which the credit rating agencies focus on.
- Be lagged. CRU envisaged that the payment of the incentive should be on a t+2 basis, to align with the annual cost of debt true-up that will apply on a t+2 basis.⁴¹ This would provide sufficient time for the CRU and EirGrid to discuss outturn performance against the incentives and will also mean that availability incentive payments will only begin to impact EirGrid's cashflows materially in the second half of PR7.
- Be set, at least for the first two price review cycles (i.e., PR6 and PR7), on a somewhat conservative basis until data on operational performance is available.
- Permit EirGrid to submit that an unavailability event was due to an exceptional event that was outside of its control and, therefore, should be excluded from the calculation of the availability incentive penalties.

Taking the above points into consideration, the CRU outlined three potential designs for the availability incentive at Draft Determination, outlined in the table below. The CRU's minded to position was to develop an availability incentive aligned with the principles of Option 3, under which the revenue impact of deviations from project specific availability targets is calibrated so that if only a subset of projects experience an availability event, the incentive would cap out at the aggregate value cap. But incentive penalties and rewards would not carry over to the next year if they exceeded the annual incentive cap of 1-2% RoRE. This approach implied a strong incentive but did not represent the strongest incentive of the options outlined. The CRU's preference for this option reflects the early-stage establishment period of EirGrid's offshore asset ownership function during PR6 and PR7.

The Draft Determination asked consultation respondents for feedback on an appropriate availability design.

Table 20: Outline Options for the Availability Incentive

Incentive Design Parameter	Option 1	Option 2	Option 3
Overall Annual Cap on Availability Incentive Value	Yes – RoRE based	Yes – RoRE based	Yes – RoRE based

⁴¹ See further discussion in Section 7.2.

Cap on Incentive Penalty/Reward Applied in Any Given Year	1-2% RoRE	1-2% RoRE	1-2% RoRE
Smoothing - Can Incentive, Penalties / Rewards Carry Over to Next Year if They Exceed the Annual Cap?	Yes	No	No
What is the Aggregate Cap on the Incentive Value in Any Given Year?	Capped at the allowed return on notional equity in the year	Aligned with the in-year incentive cap – i.e., 1-2% RoRE	Aligned with the in-year incentive cap – i.e., 1-2% RoRE
Calibration of Revenue at Risk Across the Portfolio of EirGrid Projects	Revenue impact of deviations from project specific availability targets is calibrated so that if only a subset of projects experience an availability event, the incentive would cap out at the aggregate value cap.	Each project has an individual target and value at risk For example, the aggregate incentive reward / penalty at risk is allocated proportionally to set a maximum incentive value for each individual project.	Revenue impact of deviations from project specific availability targets is calibrated so that if only a subset of projects experience an availability event, the incentive would cap out at the aggregate value cap.
Discussion Implications /	This option is more aligned with the Offshore Transmission Operators (OFTO) availability incentive in Great Britain	Approach aligned with how ODIs are applied in many network utility regimes where the value at risk is capped within a	Similar to Option 2, but this approach implies a stronger incentive because the aggregate incentive value cap would be reached if

	which has an aggregate cap on revenue at risk in a year (50% of revenues) and an annual collar on the lost revenue that will be applied in a single year. The ability to carry over / smooth the revenue impacts, and the calibration of the incentive to cap out if only a subset of projects experiences an availability event, mean this is the strongest incentive of the three options.	given year with no ability to carry over. This approach is likely to imply a relatively weaker incentive value for each individual project compared to Option 3 (see right) given that the aggregate cap on the incentive is used to define on a proportional basis the value of availability for each individual project.	only a subset (rather than all) projects were to experience an availability event.
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Draft Determination Responses

EirGrid did not object to the proposal of an availability incentive but recommended that the CRU reserves the right to amend this incentive in the future, in consultation with the relevant stakeholders, on a case-by-case basis.

It indicated that *“the exact parameterisation of the availability incentive should be determined in line with project maturity”*. Out of the three availability incentive options presented in the Draft Determination, EirGrid's preference is for Option 2. It considers Option 3 to be weighted to a downside incentive regime and not symmetric. EirGrid noted that the CRU's preferred option proposes an aggregate cap, under which any reward earned on projects achieving their availability target would be removed by penalties for unavailability of projects.

EirGrid further indicated that there remains an element of change in relation to the implementation of the General and Functional Specifications and the underpinning contractual framework. EirGrid considers that if its scope for implementing what it regards as necessary Specification changes is limited, there may be adverse impacts on the availability of assets.

No other stakeholder responded specifically in relation to the availability incentive.

Final Determination

The CRU confirms that it will develop an availability incentive aligned with the design of Option 3, as per the position outlined in the Draft Determination. The CRU regards Option 3 as a middle ground in terms of the strength of the incentive, which balances the need to encourage EirGrid to maintain high availability with the current level of offshore asset ownership experience EirGrid holds.

The incentive will be developed in alignment with the design principles outlined in the Draft Determination:

- Expressed and sized in annual RoRE terms, as opposed to project value.
- Scaled up or down proportionally depending on the number of offshore transmission assets that are being operated by EirGrid.⁴²
- Calibrated with reference to the impacts on the key financeability metrics that credit rating agencies typically focus on.
- Payment of the incentive on a lagged (t+2) basis, to align with the annual cost of debt true-up.
- Calibrated to incentivise asset availability when this is most valuable, including opportunities for opportunistic maintenance on EirGrid's behalf when the Generator also plans to undertake maintenance.
- Set, at least for the first two price review cycles, on a somewhat conservative basis until data on operational performance is available.
- Permit EirGrid to submit that an unavailability event was due to an exceptional event that was outside of its control and, therefore, should be excluded from the calculation of the availability incentive penalties.

The detailed design of the availability incentive and associated targets will be consulted on in the early part of PR6, reflecting the current expectation that assets will not transfer until later in PR6. Further, the CRU expects to evolve the approach to the availability incentive overtime, at each price review, as new challenges and opportunities arise and EirGrid becomes a more mature offshore asset owner.

5.3.3. Phase 1 Incentive

⁴² This means that the returns at risk will be proportionate to RoRE invested in assets that are in operation. Which for PR6 and PR7, is expected only to be Phase 1 projects.

In its decision on Phase 1 projects (CRU202309), the CRU indicated that it expected EirGrid and the Phase 1 developers to work in a constructive and collaborative manner to develop and deliver the Phase 1 assets. The CRU indicated that EirGrid should look to market norms for its approach given that offshore is a developed market outside of Ireland.

The PR6 Draft Determination was focused on Phase 2. However, the CRU has since been reflecting on the relationship between EirGrid and the Phase 1 developers and feedback provided by stakeholders, in response to the Draft Determination. The CRU has conducted a Material Change Review process on changes EirGrid proposed to introduce post-ORESS1. The CRU is also currently carrying out its assessment of the EirGrid proposed Phase 1 Connection Agreement documents and draft Asset Purchase Agreement. Given the scale of offshore wind delivery targets over the coming years, the CRU considers that close collaboration and communication between EirGrid, the Phase 1 wind developers and all relevant stakeholders is essential. It is the CRU's view that cooperation serves the consumer interest i.e. is most likely to deliver quality assets at an efficient and economic price, so the overriding objective should be for EirGrid and the Phase 1 developers work together effectively to achieve this.

Draft Determination Responses

There were several responses to the PR6 Draft Determination in relation to incentives for Phase 1 projects. Several stakeholders, in particular offshore developers and industry advocacy groups, expressed concern that there were no incentives in place in relation to the Phase 1 projects, with current emphasis primarily on Phase 2. There was also noted to be limited clarity on how the approach to Phase 2 will interact with the delivery of Phase 1, with delays and/or underperformance in Offshore Asset Readiness being highlighted as having the potential to directly undermine the efficiency and success of Phase 2.

Respondents considered it important for appropriate incentives to be in place ahead of the first Phase 1 projects being ready to sign Connection Agreements. One stakeholder recommended that EirGrid be incentivised to ensure that it is sufficiently well resourced to undertake Phase 1 and reduce reliance on consultants. There were a number of areas that were highlighted for incentivisation, including achievement of FID, schedule gateways, and constructive engagement. On the latter, one response noted that EirGrid should work proactively and collaboratively with industry through working groups and structured workshops, and that this engagement should be recognised in the incentive framework to encourage constructive and solution-driven collaboration.

In response to the potential introduction of Phase 1 incentives, EirGrid proposed that the focus should be on delivery of its OARP and on facilitating Phase 1 developers where appropriate. EirGrid suggested the use of a Balanced Scorecard approach to assess performance in areas like OARP delivery, connection offer issuance, regularity of developer engagement, and readiness

reporting. EirGrid does not consider that any stakeholder satisfaction-based metrics should be employed.

EirGrid also considers that a Phase 1 incentive framework should balance developer and consumer needs, avoid duplication with onshore incentives, and have a clearly defined scope, in order to ensure exclusion of areas such as the onshore connection assets and Phase 2 delivery. EirGrid also stated that it should not be held accountable for delays caused by developers or third parties, including consenting parties. It also suggested that, if unforeseen priority work arises and impacts pre-determined activities, the CRU should account for this in its performance assessment without penalising EirGrid for prioritising such work.

EirGrid supports an ‘upside-only’ financial incentive mechanism with achievable targets, reflecting its facilitative role and the importance of maintaining offshore readiness momentum.

Final Determination

The CRU will create a Phase 1 incentive with the objective of driving constructive collaboration and performance that supports the successful delivery of the Phase 1 projects. To achieve this objective, the incentive mechanism should encourage behaviours during the project development and delivery phases that promote:

- Efficient and timely decision-making and problem-solving.
- Proactive and effective risk management.
- Clear and transparent communication and coordination.

As such, the CRU considers that the design of any Phase 1 incentive should be guided by the following principles:

- Incentives should match the level of risk EirGrid can reasonably take on at this stage and must not undermine its financial stability or ability to meet regulatory obligations.
- The design should encourage positive behaviours and outcomes, maintain asset quality, and avoid incentives that favour reduced cost or speed over performance.
- The framework should benefit both EirGrid and Phase 1 developers—providing clear financial rewards for EirGrid and supporting developers through better cooperation and project delivery.

The CRU agrees with EirGrid that metric scope and level of control by EirGrid are also important considerations.

The CRU recognises that further work is required and, as such, will seek to develop a Phase 1 incentive mechanism in the period following the PR6 Final Determination within the readiness

workstream. This will include consideration of potential metrics, optionality around the approach to measurement, and setting target level of performance. The CRU expects the incentive to be in operation from year 2 of PR6, providing time for metric design, development, and testing in year 1, prior to implementation.

At present, the CRU is minded to utilise a balanced scorecard that includes a group of around five metrics. The metrics selected should be objective in nature, but also beneficial (i.e., the behaviours they drive should merit the value of the incentive). The CRU also considers that Phase 1 developers should have opportunities to contribute to the assessment of EirGrid's performance, although their view in isolation should not be determinative.

The CRU expects the financial incentive for Phase 1 to be upside only, set at a maximum value of €10 million over the PR6 regulatory period, reflecting the CRU's current position in relation to the limited risk exposure that EirGrid can bear. This will also balance asymmetry elsewhere in the wider offshore incentive framework.

6. Financial Issues and Allowed WACC

This section sets out the CRU's decisions for the financial framework and building blocks of the OAO revenue control in PR6. The box below summarises the decisions set out in this section.

These positions form the basis of the CRU's calculation of Allowed Revenue and its financeability assessment of its offshore revenue control (2026-2030) as set out in Section 7.

Summary of the CRU's Final Determination

Depreciation Policy

- Depreciation of Phase 1 ATVs (Category 3 capex) to begin from when the asset transfer payment is made.
- Depreciation of Phase 2 (Category 2 capex) to begin from the point of FID. Development capex (devex) will be depreciated from FID and construction costs will be depreciated from when they are expensed.
- Assuming the Phase 2 Tonn Nua project reaches FID in the final year of PR6, this means depreciation of Tonn Nua investment will begin from the start of PR7.
- Depreciation of OARP and enduring operations capex (Category 4 capex) will be from when costs are expensed.
- The depreciation period for Phase 1 ATVs (Category 3) and Phase 2 (Category 2) investment will be on a 30-year asset life assumption. Category 4 investment will be depreciated using an individual asset life assumption by subcategory.
- The CRU will review its regulatory depreciation policy at future price reviews. It will evolve its approach over time as the offshore sector develops, and new information becomes available that is relevant to the assumptions used to set regulatory depreciation allowances for EirGrid's offshore price review.

Notional Capital Structure

- A notional level of gearing consistent with a benchmark notional entity – assumed to be 60% given the specific circumstances of the offshore investment programme.

Basis of Allowed Returns

- Offshore allowed revenues to be set on a real returns basis for equity and a nominal returns basis for debt – i.e., a hybrid basis.

- The CRU will apply a separate Allowed Cost of Capital to Phase 1 developer-led investment, i.e., ATV payments, and EirGrid-led offshore investment, i.e. Category 2 (Phase 2) and Category 4 capex.

Ex-ante Allowed Cost of Capital

- A real pre-tax Allowed Equity Rate of Return of 6.68% (including inflation adjustment) for developer-led (Phase 1 ATV) investment.
- A real pre-tax Allowed Equity Rate of Return of 8.20% (including inflation adjustment) for EirGrid-led offshore investment.
- A nominal Allowed Debt Rate of Return of 4.41%.
- The Allowed Equity Rate of Return for EirGrid led investment includes an uplift of 1.0% to the onshore TAO allowed equity rate of return (at 60% gearing). The uplift reflects several risk factors expected to be unique to EirGrid's offshore programme during PR6 and PR7. The size of the offshore uplift will be reviewed by CRU at future price reviews.

Liquidity Building Block

- An ex-ante liquidity building block based on EirGrid's expected actual debt balances subject to a net debt gearing cap of 65%.
- This will be based on forecast values of offshore prefunding requirements as reported and externally assured by EirGrid and reconciled to outturn values as part of the true-up mechanism for allowed debt costs.

True-Up of Debt Costs

- A true-up mechanism for allowed debt returns that recompenses actual debt costs for debt balances up to the net debt gearing cap of 65%.

Exceptional Events

- An Exceptional Events mechanism will allow EirGrid to request a change to its Allowed Revenue to recover costs of rectifying exceptional / major failure events.
- EirGrid will be able to recover the costs of an Exceptional Event upfront via an agreed variation to its Allowed Revenue. In parallel, EirGrid will be expected to seek to recover all costs of rectification via commercial measures.

- There will be no interruption to EirGrid's Allowed Revenue should there be an exceptional / major failure event where an offshore grid asset is not available for electricity transmission or has only partial availability.

6.1 Summary of the CRU's Previous Decisions

The CRU202499 decision paper described the CRU's proposals for the financial building blocks of the offshore revenue control for EirGrid. The overarching principle for the design of the financial building blocks of the OAO revenue control was to create a stable and predictable revenue model that built on existing CRU regulatory practices but recognised the challenges that EirGrid faces in the delivery and financing of its offshore programme. The revenue model was intended to facilitate EirGrid achieving an investment grade credit rating with low credit risk as it goes through a period of exceptional offshore RAB growth.

The CRU's decision on the key financial principles for setting the OAO revenue control were that:

- The CRU will apply a RAB x WACC framework for setting the financial building blocks of the OAO revenue control.
- There will be a separate RAB for offshore investments from EirGrid's onshore TSO activities and where appropriate, the offshore RAB will be indexed to Irish HICP inflation.
- The CRU will set a separate allowed WACC on the OAO RAB – i.e., an allowed rate of return that reflects the CRU's assessment of the expected financing arrangements of the offshore grid investment programme and the risks the business will bear under the building blocks and regulatory framework design.
- To help support EirGrid's liquidity and financing strength, the CRU will allow EirGrid an element of prefunding (i.e., a revenue stream during construction) for its investment in offshore grid infrastructure it has constructed.
- Where evidenced and fully justified by EirGrid in its business plan submissions, the CRU will consider adaptations to the standard RAB x WACC framework in order to manage EirGrid's recovery of its financing costs, including measures to:
 - True-up the OAO price review cost of debt allowances to reflect the terms EirGrid can obtain competitively in the market; and
 - For EirGrid to justify additional liquidity / cost of carry revenue building blocks to reflect its unique finance raising challenges and pressures.

- The CRU will put in place a package of financial incentives as part of the OAO price reviews to align EirGrid's interests with consumers and offshore wind farm developers (see discussion of these incentives in Section 5.3). The CRU stated it will set the package of financial incentives to achieve a balance between upside and downside risk, and a level of financial reward / penalty that does not put the debt financeability of the business at risk. The CRU expected to:
 - At each price review (expected to be every 5-years), define overall tramlines of the level of financial risk (maximum upside and downside revenue potential) the business will be exposed to under its OAO price reviews. These tramlines will be calibrated at each CRU price review.
 - During the initial period of growth in EirGrid's offshore asset base, constrain the level of downside financial risk that EirGrid will be exposed to under its OAO price reviews.
- The CRU will take an in the round assessment of the financeability of its price reviews which targets the regulated company being capable of achieving a comfortable investment grade credit rating rather than applying strict threshold levels to particular credit metrics. The CRU will assess financeability under notional and closer to actual capital structures and financing assumptions for an appropriate, time-limited period during the initial development of the offshore grid. The CRU will give primary regard to financeability of its OAO price reviews under a notional capital structure.

6.1.1. Depreciation and Asset Lives

The CRU stated that as a guiding principle, it intends to align the period of depreciation with an assumption of the economic asset life of offshore grid assets. The CRU stated that its current direction of travel view was that a 30-year depreciation period broadly aligns with this principle, guided by the expected length of offshore generation connection agreements, the international precedent of the expected timing of offshore wind farm refurbishment and/or repowering decisions, and the precedent of offshore grid depreciation periods applied in transmission network owner price reviews in other markets.⁴³

The CRU stated that:

⁴³ For example, Belgium and the Netherlands.

- Phase 1 assets transferred to EirGrid from wind farm developers will be depreciated from the point of asset transfer. This will align the start of depreciation for these RAB additions with the timing of EirGrid's ATV payments to developers.
- A final decision on when Phase 2 assets constructed by EirGrid would start to be depreciated would be made when setting the first revenue control for the OAO.

61.2. Liquidity & Short-Term Financing Cost Pressures

The CRU recognised that EirGrid could face a mismatch between the incurrence of financing costs and receipt of revenues where it is required to raise capital ahead of need and to finance a combination of Phase 1 project ATV payments.

To address these issues, the CRU decided to allow EirGrid to earn a return on capital during its construction of Phase 2 grid investments, providing a degree of prefunding ahead of asset commissioning. The CRU also decided to consider well justified proposals by EirGrid for additional liquidity and cost of carry allowances / building blocks as part of its assessment of EirGrid's PR6 business plan submission.

EirGrid were expected to demonstrate and fully justify the requirement for any additional financial building block by reference to the following principles:

- **Need** – EirGrid should demonstrate the need for the additional building block allowance over and above the allowed return on the RAB.
- **Efficiency** – EirGrid should demonstrate the proposed approach provides a reasonably accurate level of compensation for the financing costs of drawing down funding early to meet capital expenditure or ATV payments. EirGrid should demonstrate the proposed approach will support the recovery of efficient costs and will not result in consumers paying twice for the same financing costs (e.g., via the allowed return on the RAB).
- **Financeability** – EirGrid should evidence how the proposed approach will help support short-term financeability and cost recovery.
- **Transparency** – EirGrid should demonstrate that the proposed approach is transparent and simple to operate within the regulatory framework.
- **Consumer protections** – EirGrid should set out consumer protections under the proposed design of the additional revenue building block and outline any potential risk to consumers.

6.1.3. Cost of Debt

The CRU set out a range of options for setting a cost of debt allowance for the offshore revenue model. The CRU considered that there was a need to include a form of allowed cost of debt adjustment / true-up mechanism in OAO price reviews to reflect the uncertainty of the timing and size of debt issuance and the terms that EirGrid can obtain competitively in the market.

The CRU intended to make its decision on the detailed design of a cost of debt recovery mechanism when setting the first OAO revenue control as part of the PR6 process. To assist in this design, EirGrid were expected to provide as part of its PR6 business plan submission what it would consider to be an appropriate and well justified mechanism by reference to the following principles and criteria:

- **Accuracy** – EirGrid should demonstrate the proposed approach is expected to provide an accurate allowance for its expected efficient debt costs.
- **Efficiency incentives** – EirGrid should demonstrate how the proposed mechanism will incentivise EirGrid to raise debt efficiently over time.
- **Financeability** – EirGrid should evidence how the proposed approach will balance financeability and cost recovery of its debt costs.
- **Transparency** – EirGrid should demonstrate that the proposed approach is transparent and simple to operate within the regulatory framework.
- **Consumer protections** – EirGrid should set out consumer protections under the proposed design of the additional revenue building block and outline any potential risk to consumers.

6.1.4. Financeability

The CRU decided that in assessing the financeability of the price reviews for the OAO, it would:

- Give primary regard to financeability of its OAO price reviews under a notional capital structure.
- During a time limited transitional period of growth in EirGrid's OAO RAB, review and cross check the financeability of the price reviews under the expected actual financing structure and costs of capital of EirGrid's offshore business.
- Consider a suite of financial ratios, including the average over the price review and any trend, consistent with the ratios that are adopted by credit rating agencies in their standard ratings assessments.

- Consider alongside the financial ratios, qualitative factors⁴⁴ that are relevant to the financeability of the CRU's price reviews.
- Carry out sensitivity testing to assess the resilience of the financial ratios under different outturn scenarios.

6.2 EirGrid's Proposals and Engagement

Prior to its PR6 Draft Determination, CRU engaged with EirGrid to discuss its proposals for the offshore revenue model in PR6 to facilitate EirGrid achieving the investment grade credit rating it had set out to achieve in its PR6 business plan submission. In addition to its views on the Allowed WACC (see Section 6.3.4), this focused on:

- The alignment of target and notional capital structures within the revenue model;
- The basis of the allowed return (nominal or real – EirGrid had proposed nominal);
- Addressing interest cost uncertainty; and
- Addressing liquidity risks.

In reaching its Draft Determination for PR6, the CRU carefully assessed EirGrid's proposals on offshore finance issues and whether they achieved the principles and criteria set out in Section 6 of CRU202499. While the CRU concluded that elements of EirGrid's proposal could be adopted for PR6, it made a series of alternative proposals that it considered provided a more effective balance of objectives in terms of the financeability of the EirGrid business on the one hand, and protection of consumer interests on the other.

Since the publication of the Draft Determination, the CRU and EirGrid have continued to engage on offshore finance issues, including the allowed WACC and the mechanisms proposed to support EirGrid's upfront financing of its offshore investment programme. The subsections below set out the CRU's final decision on these matters, including discussion of the issues that stakeholders have raised in their responses to the Draft Determination.

⁴⁴ For example, the protections and mitigations provided by the regulatory framework for the management of the risks associated with delivery of the offshore programme, together with other sector issues pertaining to OAO, such as the execution of the programme during its infancy.

6.3 CRU's Decision

6.3.1. Depreciation and Asset Lives

Draft Determination

The CRU set out a detailed set of proposals on depreciation policy and asset lives for the offshore price review. This included proposals on when depreciation of RAB additions would start for each of the categories of offshore capex, asset lives that would be applied in the calculation of depreciation and the expected route to cost recovery (D-TUoS or offshore grid charges) depending on when capex was proposed to start to be depreciated.

Draft Determination Responses

Responses to the consultation provided limited feedback to the CRU's proposals on depreciation and asset lives. EirGrid did not query the CRU's specific proposals on depreciation.

Final Determination

The CRU has carefully considered the positions on depreciation policy it set out in its CRU202499 decision and its Draft Determination. After completing its financial modelling of the first offshore price review for the period 2026-2030 and looking forward to PR7, the CRU will:

- Depreciate Phase 1 (Category 3) capex from when the asset transfer payment is made.
- Depreciate Phase 2 (Category 2) capex from when a Phase 2 project reaches FID. The development expenditure EirGrid incurs during the development period of Phase 2 projects will be treated as a capital expense and so reflected in the offshore RAB. The development expenditure will start to be depreciated when the Phase 2 project reaches FID and the construction costs depreciated from when they are expensed.
- Depreciate Category 4 capex from when costs are expensed.
- Adopt a period of depreciation of 30-years for Phase 1 (Category 3) and Phase 2 (Category 2) capex, with Category 4 (OARP / pre-operations) capex depreciated using an individual asset life assumption by subcategory (see Table 21).

These decisions confirm the CRU's minded to positions at Draft Determination.

Under current timelines for the Phase 2 Tonn Nua project, this decision will mean that EirGrid will be permitted to earn a return on its development spend during PR6, but the return of this investment, via the depreciation building block in the revenue control, will begin from the start of PR7 as the project is expected to reach FID in the final year of PR6. The construction costs of

the Tonn Nua project will start to be depreciated from the point of expense which, based on the project's current timelines, is expected to begin from the start of PR7.

The CRU intends to apply the same treatment for future Phase 2 projects. This will mean:

- Phase 2 devex will be depreciated when a project reaches FID; and
- Phase 2 construction costs will be depreciated from when they are expensed.

The reasons for the CRU's final decision on depreciation policy for Phase 1 offshore grid assets (Category 3) remain the same as those set out in the CRU202499 decision paper. The policy aligns with the process and timings of when ATV payments will be made by EirGrid to Phase 1 offshore developers and, therefore, when financing costs⁴⁵ start to be incurred by EirGrid. It will align the recovery of Phase 1 capital assets with the timing of the income that EirGrid will receive from Phase 1 offshore generators via offshore grid charge (OG-TUoS) charge payments.

The CRU will allow revenue from depreciation in advance of its operation for Phase 2 on the basis that:

- The timing of when depreciation of EirGrid constructed assets will start is more aligned with the depreciation policy principle for preconstruction and construction costs for the onshore electricity transmission network.⁴⁶
- Depreciation of Phase 2 construction costs from the point of expense will help support EirGrid's cash position at a crucial period during PR7 when the Phase 2 Tonn Nua project is expected to begin construction, and several Phase 1 asset transfers to EirGrid are expected to take place.

This will result in EirGrid receiving allowed revenues for the construction of the Phase 2 Tonn Nua project in advance of its operation. It will mean that EirGrid will start to receive a depreciation building block under its revenue control for Phase 2 investment prior to the start of the OG-TUoS payments that will be paid by the offshore generator.⁴⁷ EirGrid's Phase 2 related allowed revenues during the development and construction period of the project will, therefore, need to be funded by the offshore demand charge (D-TUoS).

As discussed in CRU202499, the proposed 30-year depreciation period for Category 2 and Category 3 capex is consistent with the depreciation period adopted by other European

⁴⁵ Prior to any consideration of prefunding of the ATV payments.

⁴⁶ Where depreciation of the asset begins from point of expense by the onshore TAO as projects transfer from EirGrid's onshore TSO side RAB into the TAO RAB.

⁴⁷ The decision to apply an offshore grid charge for Phase 2 was recently confirmed in CRU2024125, CRU (2024): ['Phase 2 Offshore Wind - Grid Connection Charging Policy.pdf'](#)

regulators for offshore grid assets. The CRU also understands it aligns with project operational planning periods adopted for many current offshore wind farms. The CRU's decision to apply individual asset lives to the subcomponents of EirGrid's Category 4 capex is aligned with the depreciation policy it applies in other network utility price reviews which is to align the depreciation period with the expected technical life of the asset.

For clarity, the table below summarises the depreciation period (asset life) the CRU will apply to each of the categories of offshore capex (excluding Category 1⁴⁸) which EirGrid originally reported in its business plan submission for PR6.

Table 21: Proposed Asset Lives/Depreciation Period

Category of Capex	Proposed Depreciation Period / Asset Life
Category 2 – South Coast Construction	30-years
Category 3 – Phase 1 ATVs	30-years
Category 4 – Buildings & Facilities	20-years
Category 4 – Spares / Repair Readiness	10-years
Category 4 - IT	5-years

The CRU considers its decision on PR6 depreciation policy balances the interests of consumers and EirGrid's requirements in financing of the offshore programme. The policy is considered reasonable based on current information of the potential economic and technical asset lives of offshore wind farms and offshore transmission assets.

Consistent with any regulatory framework, the CRU will review its regulatory depreciation policy at future price reviews. It will evolve its approach overtime as the offshore sector develops, and new information becomes available that is relevant to the assumptions used to set regulatory depreciation allowances in EirGrid's offshore price review.

6.3.2. Target and Notional Capital Structures

Draft Determination

Consistent with its CRU202499 decision, the CRU proposed in its Draft Determination that it would set EirGrid's offshore revenue control based on a notional rather than actual capital structure for the regulated business. The Draft Determination highlighted that the standard approach in

⁴⁸ Onshore connection costs associated with offshore grid connections.

economic regulation in Ireland was to adopt a notional approach and set out reasons why this was also appropriate in the case of EirGrid's offshore revenue control.

The Draft Determination noted that EirGrid had requested that its offshore WACC and regulatory framework be aligned with a level of gearing (70%) that it stated is consistent with (i) ratings agency guidance, (ii) precedent of some regulated utilities maintaining actual gearing at this level and (iii) the gearing that may in practice be achievable by EirGrid given the level of equity contributions made available by its shareholder to finance the offshore grid programme. EirGrid's proposals for the liquidity building block and cost of debt true-up mechanisms were designed to align with this target gearing which is higher than the level the CRU has assumed as its standard practice in prior electricity network price review decisions (55%).

Despite stating that the offshore revenue control should be premised on an assumption of a notional level of gearing, the CRU also highlighted that it was mindful how EirGrid's offshore programme has substantial and fundamental differences to a standard regulated network utility with an existing RAB and a portfolio of investments to maintain and enhance the existing network asset base. The level of risk EirGrid would be exposed to under its offshore programme, in light of the proposed regulatory framework, is constrained in PR6 and PR7, and for this reason this might mean a higher level of notional gearing could be supported than might be possible in some other contexts. It also noted that CEPA in its offshore WACC report had noted that the offshore programme will require a large volume of capital to be deployed at pace from an asset light starting point and, therefore, the level of gearing might in an offshore context be expected to be higher.⁴⁹ There is also experience and trends of comparators – typically more project-based network financings – adopting higher levels of gearing than has been the standard precedent of the level of notional gearing assumed in CRU utility price reviews.

For these reasons, **the CRU's minded to position in Draft Determination**, was to:

- Set a level of gearing considered appropriate for a **benchmark notional entity** – which the CRU considered lied in the range of 50-60%; and
- To assume **a level of notional gearing of 60%** for the purposes of estimating the WACC and its calibration of the offshore price review.

⁴⁹ See CEPA (2025): 'Offshore Cost of Capital', Section 4.

Draft Determination Responses

EirGrid stated that the offshore price review should be calibrated and assessed for financeability under the expected financial structure of the offshore grid programme, i.e., net debt equivalent to 70% of RAB. It stated this level of target gearing was consistent with the €2bn equity contribution announced by the Government in July 2025.

EirGrid argued that given CRU's functions under the Electricity Regulation Act, the relevant consideration is whether EirGrid can finance its activities on the basis of the capital structure available to it, not whether it would be financeable in a hypothetical (notional) scenario where additional sources of equity capital are available to it.

Final Determination

The CRU has considered EirGrid's proposals for the gearing level that should be used in the calibration of its offshore price reviews in the context of its duties: (i) to protect consumers interests; and (ii) to secure that CRU's price reviews will allow EirGrid to be capable of financing the obligations placed on it as a license holder. The CRU's decision is that the balance of these objectives continues to point towards the CRU adopting a level of notional gearing for its offshore price reviews which reflects an optimal range for the offshore programme given the financing pressures and risks of the programme under the proposed regulatory framework.

In this light, the CRU continues to consider gearing in the range 50-60% is a more appropriate level for managing delivery Phase 1 and 2 of Ireland's offshore programme, and is retaining its notional gearing assumption of 60% for this Final Determination.

While higher levels of gearing may still be consistent with rating agency guidance for an investment grade rating level for energy networks (and actual gearing levels adopted by some European energy network utilities and infrastructure companies in a quasi-project finance / concession based regulatory context), the CRU considers an appropriate range of notional gearing for EirGrid's offshore activities likely lies below the level which EirGrid has proposed.

The CRU considers its position consistent with:

- Evidence of the level of other European energy network and infrastructure gearing levels in a corporate finance context;
- The development, construction and investment risks (whilst constrained by the regulatory framework) which EirGrid will need to manage during the development period of the offshore grid in Ireland; and

- The need to maintain adequate, but not excessive, debt headroom within the notional company's finances and price review.

As discussed above, the CRU is, however, mindful of the scale of RAB growth and the financing challenges which EirGrid faces in relation to its offshore programme in forthcoming price review periods. The CRU's primary duty is to protect the interests of consumers and to ensure that its offshore price reviews mean that EirGrid is capable of financing its offshore activities.

The CRU interprets this to mean that a strong and predictable regulatory framework is required during the growth period of EirGrid's offshore business to ensure it can achieve an investment grade credit rating and a cost of borrowing from capital markets (and other sources of financing) that is efficient and limited to the extent possible.

The CRU believes its decision balances the CRU's relevant duties by:

- Adopting a stable and predictable RAB based framework for cost recovery over time that is well understood by rating agencies and investors;
- Providing a strong and secure gateway framework for recovery of offshore operating and capital costs in PR6 and subsequent price review periods (see Section 5.2);
- Providing a constrained package of financial incentives and measures to mitigate the impact of the incentive framework on debt financeability (see Section 5.3); and
- Allowing for pre-funding and a debt true-up mechanism, which substantially reduce EirGrid's debt cost recovery and credit risk.

While 60% notional gearing is higher than other CRU network price reviews – although not inconsistent with notional gearing levels some other regulators (e.g., Ofgem) have assumed previously in their energy network price reviews⁵⁰ – it reflects the CRU is:

- Giving some weight to the trends of higher levels of gearing adopted by large separable infrastructure programmes financed independently of an established RAB business;
- Considering rating agency guidance that a comfortable investment grade credit rating is achievable at higher levels of gearing than 55%;

⁵⁰ For example, National Grid's electricity transmission price control RIIO-T1 assumed notional gearing of 60%, as have several other price control determination in the UK and other European countries.

- Bearing in mind the volume of capital that will need to be deployed at pace into the offshore grid programme in the next decade; and
- Having regard to the anticipated (target) capital structure of EirGrid's offshore activities and the equity contribution recently announced by the Government.

As detailed in Section 6.3.5, and consistent with the principles that were set out in CRU202499, the CRU has given consideration to EirGrid's specific financing structure and financing constraints in its final decision on the design of the Liquidity Building Block and Cost of Debt True-up mechanism that aim to support EirGrid's upfront financing during PR6.

6.3.3. Nominal Allowed Returns

Draft Determination

In addition to its proposals on notional gearing and treatment of its debt costs, EirGrid had also proposed that its offshore price review should be set on a nominal allowed returns basis.

Most Irish regulatory frameworks operate on a 'real WACC and inflation indexed RAB and revenues' basis, and this was the approach that the CRU had indicated it would adopt for offshore in CRU202499. While EirGrid acknowledged that a real returns basis is the standard approach in Ireland, it stated that the creation of a new price review was an opportunity to reassess the costs and benefits of this approach in this case.

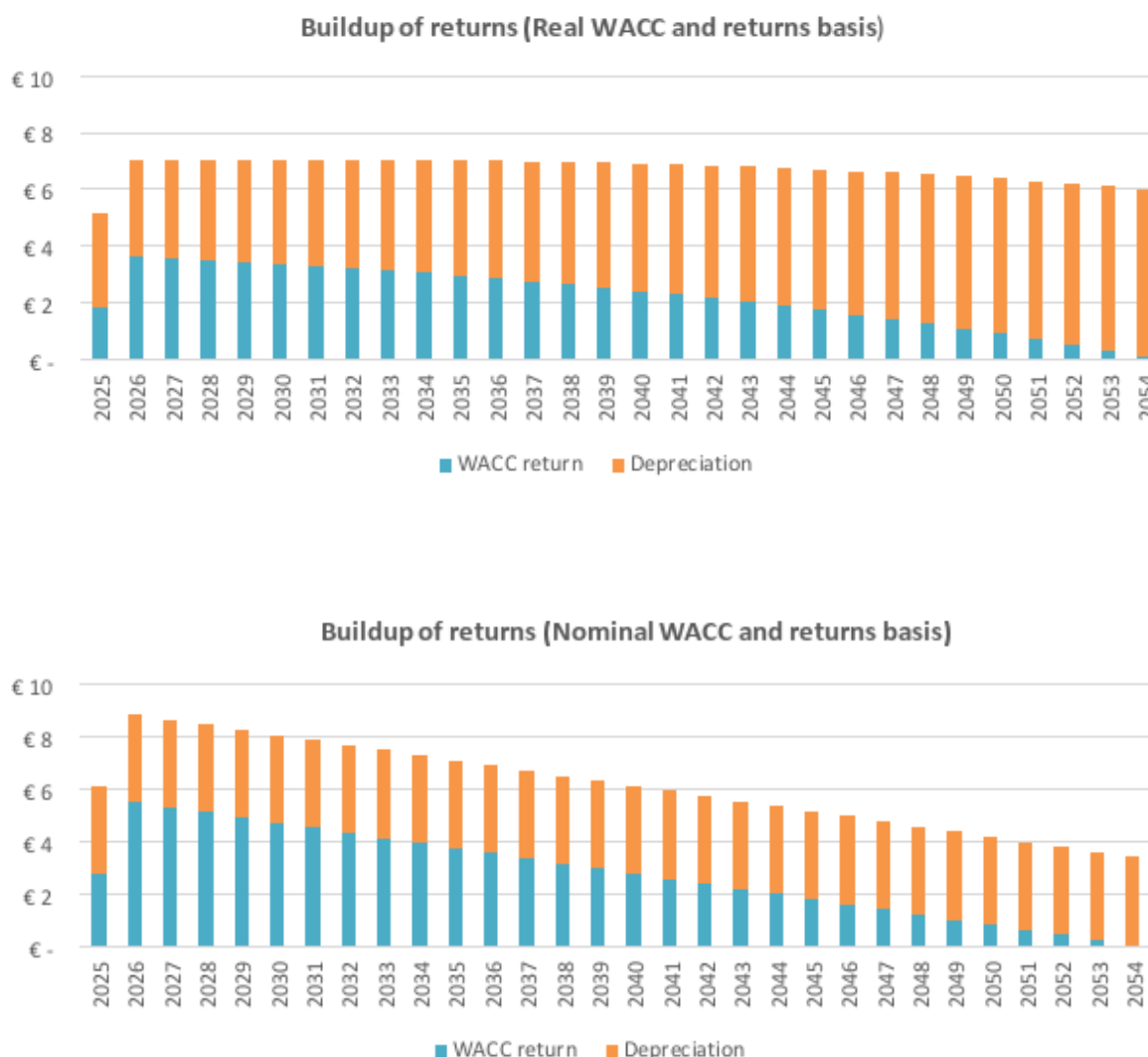
Under EirGrid's proposal, the CRU would use a nominal allowed rate of return to set its offshore price review, and in contrast with the regulatory framework the CRU maintains for onshore energy network utilities, would then apply no indexation to the RAB over time.

The Draft Determination noted that both of these approaches are⁵¹ from a narrow economic viewpoint, 'value neutral' for the Irish consumer; that is, when the cashflows over the asset life are discounted at the applicable discount rate, will both result in a net present value (NPV) of investment equal to zero. However, as is illustrated using a simple example in the Figure 5 below, they result in very different profiles of allowed returns and depreciation over time.

As Figure 5 illustrates, customers will pay more in the earlier years of the asset life under a nominal returns framework compared to if the price review was set on a real returns basis.

⁵¹ At least on an *ex-ante* basis.

Figure 5: Comparison of Real vs. Nominal Returns Approach to Price review Setting



EirGrid had stated in its business plan submissions, that given it expects to finance the growth in the offshore asset based entirely with nominal debt, a nominal debt allowance would reduce potential mismatches between allowed returns in its price review and costs (and correspondingly equity “windfalls” or shortfalls) during periods of high or low inflation. It would also be a simpler basis for calculating allowed returns in the offshore price review where, in particular, a cost of debt true-up mechanism is in force (see Section 6.3.5 below).

To reflect that EirGrid expects to finance its offshore investment with nominal debt, the CRU noted that a variant of this approach would be to set the price review on a hybrid basis, where debt returns are set on a nominal basis (with no indexation of the ‘debt RAB’) and equity returns are set on a real basis (with an indexed ‘equity RAB’). This is aligned with the approach Ofgem had proposed for RIIO-3 network price reviews expected to be set in 2025/26.

A nominal allowed return, or hybrid approach, would increase allowed returns, and costs to consumers, in the earlier years of the offshore assets' life. Allowed revenues, and costs to consumers, would then be lower later in the life of the assets⁵². This change to the profile of allowed revenues would improve liquidity and strengthen certain credit metrics as the RAB increases and would reduce the potential for mismatches between EirGrid's nominal returns and debt costs. But it will also increase the pressures on energy bills in the late 2020s and early 2030s and may increase pressures on certain credit metrics in the future.

The CRU also noted that the OG-TUoS grid charge, despite using a nominal return for setting the grid charge, has a profile of cost recovery that is in principle closer to the profile allowed revenues over the life of the assets provided from the buildup of returns if the price review uses a real return and indexed RAB.⁵³ As a result, setting returns on a real basis could provide less of a mismatch between the profile of EirGrid's allowed revenues and the profile of the grid connection charges that will be recovered from offshore generators.

After careful consideration of the options, the CRU's minded to proposal was to set **offshore allowed revenues on a real returns basis for equity and a nominal returns basis for debt – i.e., on a hybrid basis**. This would mean that:

- The notional equity proportion of the RAB will be indexed to general inflation and will receive a real allowed (cash) return on notional equity.
- The notional debt proportion of the offshore RAB will not be indexed and allowed debt returns will be on a nominal basis.
- The allowed debt return will be subject to adjustment under the adopted Liquidity Building Block and Cost of Debt True-up Mechanism.

Draft Determination Responses

Responses to the consultation provided limited feedback to the CRU's proposals on the basis for setting allowed returns. EirGrid did not query the specific proposals on hybrid returns.

⁵² Though dependent on the assumptions of quantum and timing of expenditure and inflation, the cross-over in allowed revenues and costs to consumers would likely happen in the early 2040s.

⁵³ Assuming that outturn inflation is broadly consistent with an expected rate of inflation, the profile of allowed revenues, as illustrated in the figure above will approximate a flat annuity payment, as will be the case for the OG-TUoS charge.

Final Determination

The CRU will take forward its minded to proposal from Draft Determination for this Final Determination. It will set **offshore allowed revenues on a real returns basis for equity and a nominal returns basis for debt – i.e., on a hybrid basis.**

The CRU's reasons for proposing to set allowed debt returns on a nominal basis are:

- It will help reduce the risk of mismatches between EirGrid's debt costs and allowed revenues, supporting financeability.
- It will help reduce risk of windfall gains / shortfalls from inflation higher or lower than expected where EirGrid's debt obligations remain fixed in nominal terms.
- It will improve the transparency and the simplicity of the calculations of the Liquidity Building Block and Cost of Debt True-Up mechanism (see Section 6.3.5).

Setting equity returns on a real basis will ensure that shareholder returns are protected from outturn inflation movements and will help provide a profile of allowed returns that balances the impact of the offshore grid programme on current and future bill payers.

As noted above, this proposed approach is similar to how Ofgem has indicated it proposes to set allowed debt and equity returns in the RIIO-3 price reviews. There is also precedent of setting allowed returns on a nominal basis in the context of the Celtic interconnector, an infrastructure project also under development by EirGrid.

6.3.4. Allowed Cost of Capital

Draft Determination

The WACC is a weighted average of the cost of debt and the cost of equity. It is the CRU's role to set a WACC that gives a fair deal to customers and regulated companies. If the CRU sets a rate of return that is too high, customers end up paying too much. If the CRU sets it too low, utilities cannot raise the finance to deliver the necessary level of network investment.

In contrast to EirGrid's proposal, the CRU proposed for Draft Determination to set a single allowed offshore cost of capital for PR6 for all investment in the RAB – i.e., Phase 1, Phase 2 network capex and non-network capex. Setting a single offshore rate was considered to provide for a clearer and more predictable regulatory allowance for financing costs and was consistent with financeability needing to consider all cashflows, not just a subset.

Given the minded to proposal to set allowed returns on a hybrid basis, for EirGrid's offshore price review, the CRU proposed to set an allowed return using an:

- Allowed Notional Gearing level.
- Allowed Debt Rate of Return.
- Allowed Equity Rate of Return.

The CRU commissioned CEPA to prepare a report on the potential cost of capital for EirGrid's offshore activities which was published alongside the consultation paper. Informed by the research and analysis in CEPA's report, the CRU proposed the following minded to positions on the components of the allowed cost of capital:

- An Allowed Notional Gearing of 60%.
- A nominal Allowed Debt Rate of Return of 4.2%.
- A real Allowed Equity Rate of Return of 7.51%.

The Draft Determination noted that a real (pre-tax) WACC built up on the basis of these allowed rates of return would imply an allowed (blended) WACC of 4.58% based on the 67th percentile of the range set out in the consultation paper.

Draft Determination Responses

In its response to the DDs, EirGrid stated that the CRU should provide for a separate RAB and separate cost of capital for Phase 1 and Phase 2 activities. It proposes a:

- Phase 1 WACC (real, pre-tax) of 4.60% for Phase 1 RAB assets, and
- Phase 2 WACC (real, pre-tax) of 5.24% for Phase 2 RAB assets.⁵⁴

EirGrid argue that the proposed cost of capital in the Draft Determination is set too low considering the risks associated with the construction of offshore assets and the level of penalties in the event of delay or cost escalation under the proposed Schedule and Cost Incentives (see Section 5.3).

EirGrid stated that if CRU wish to retain a blended approach with a single WACC, this should reflect "the highly plausible scenario that between zero and one Phase 1 assets transfer during the period and that Phase 2 assets consequently dominate. A blended WACC should therefore be at or close to the Phase 2 WACC."

⁵⁴ The CRU's understanding is that EirGrid expected that this 'Phase 2' WACC will also apply to its non-network capex, which would be reflected in the Phase 2 RAB.

Other stakeholders that commented on the offshore price review's financial issues (energy industry advocacy groups and several offshore wind developers) stated that there should be a transparent returns model for offshore but also emphasised that financial negotiations for PR6 should remain between the CRU and EirGrid. The responses indicated that it was critical that EirGrid had the necessary financial resources and underpinning from its offshore revenue model to allow it to finance its Phase 1 and Phase 2 investment programmes effectively.

Final Determination

Basis of Offshore Allowed WACC

After careful consideration, the CRU has decided to adopt separate allowed rates of return for EirGrid's Phase 1 investment (i.e. ATV payments – Category 3) and the other components of its offshore investment programme in PR6 (i.e., Phase 2 network capex and EirGrid's non-network capex – Category 2 and 4).

The CRU has typically set a single allowed WACC for different activities within a single regulated utility business (for example, for transmission and distribution activities). In this specific case, it considers that setting a separate WACC is justified given the circumstances of the Phase 1 investment activities being developer-led investment. The number and the timing of Phase 1 asset transfers in PR6 is currently highly uncertain, and there are as a result, practical challenges with setting a single blended offshore WACC with this uncertainty in PR6.

The CRU for these Final Determination, has therefore decided to set a Phase 1 (Developer-led) WACC for allowed returns on EirGrid's ATV payments, and an offshore asset owner (TSO-licensee led investment) WACC for allowed returns on the remainder of EirGrid's offshore investment programme.

As discussed above, the CRU confirms its Draft Determination position to set allowed returns on a hybrid basis. Therefore, allowed revenue for the offshore price review in PR6 will be based on the following allowed rate of return parameters, which will be differentiated by offshore investment activities:

- Allowed Notional Gearing level (common to all activities).
- Allowed Debt Rate of Return (common to all activities).
- Allowed Equity Rate of Return (separate for Phase 1 developer-led (ATV payments) and OAO-led investment).

The CRU notes that with separate allowed rates of return applied to different components of EirGrid's offshore investment programme – and its onshore investment programme – it is

paramount that EirGrid has in force comprehensive and transparent regulatory accounts for the cost centres within the TSO business, with offshore costs clearly separated.

As per CRU202499, and as discussed in Section 2, the CRU expects EirGrid to be in a position to implement separate regulatory accounts for offshore for PR6.

Offshore Allowed WACC

Allowed Notional Gearing

For the reasons set out above, the CRU proposes a notional gearing level of 60% for the OAO in PR6. Although below EirGrid's proposal of 70%, there are several reasons (see Section 6.3.2) why the CRU considers 60% an appropriate level of gearing for the OAO.

Allowed Debt Rate of Return

The proposed range for the OAO Allowed Debt Rate of Return is summarised in the table below. The same cost of debt applies to both developer-led and EirGrid-led investment.

This is consistent with CEPA's final recommended range, based on benchmark data on nominal market rates (yields) of European non-financial corporate debt (A/BBB). As the OAO will only raise new debt under its price review, the benchmark cost of debt is based on an average estimated across 2025 at the data cut-off⁵⁵, plus an allowance for fees and transaction costs.

Table 22: Range for the Allowed Debt Rate of Return

	Low	High
Benchmark Cost of Debt	3.91%	
New Issuer Premium	0.00%	0.50%
Fees and Transaction Costs	0.10%	0.20%
Cost of Debt	4.01%	4.61%

Within its estimate of the OAO cost of debt, CEPA has included the potential for EirGrid to face a new issuer premium in its borrowing rate at the start of its offshore capital raising programme, if financed from the public bond market. CEPA expects this new issuer premium (if any) should reduce over time. In the event the premium assumed was reduced (or there is none) when EirGrid launch its debt raising programme then, under the CRU's proposals for the Cost of Debt True-Up mechanism (see Section 6.3.5), the actual cost of debt would be reflected and so any new issuer premium will be removed.

⁵⁵ 31st September 2025.

The new-issuer premium is therefore included in combination with the Cost of Debt True-Up mechanism, lessening the risk of there being a cost of debt windfall paid by consumers. The new issuer premium is only included given the unique financing context and challenges during the establishment of the offshore programme.

The **CRU's offshore Allowed Debt Rate of Return for PR6 is 4.41% (nominal)**. Consistent with its approach elsewhere in PR6, this would reflect the 67th percentile of the above range and reflects uncertainty of the borrowing costs of the OAO. This is an increase of c. 0.2% from Draft Determination which reflects an increase in market rates since the data cut-off date that informed the CRU's minded to proposal earlier in the year.

Allowed Equity Rate of Return

The decision to set a separate Allowed Equity Rate of Return for developer-led ATV investment and EirGrid (OAO-led) investment, has meant that the CRU has needed to revise its assessment of the appropriate allowed cost of equity for PR6 from Draft Determination.

The risk-free rate, Total Market Return and adjustment for an expected Irish inflation differential during PR6, are economy-wide parameters that should not change between different networks for PR6. The CRU has, therefore, adopted assumptions for each of these parameters in its offshore price which that are consistent with its cost of capital decisions for both ESB Networks and the EirGrid TSO price review in its PR6 Final Determination.

Consistent with CEPA's final recommendations on the offshore WACC⁵⁶, the CRU will set:

- A real pre-tax Allowed Equity Rate of Return of 6.68% (including inflation adjustment) for developer-led (Phase 1 ATV) investment.
- A real pre-tax Allowed Equity Rate of Return of 8.20% (including inflation adjustment) for EirGrid-led offshore investment.

Consistent with the cost of debt, this reflects the 67th percentile of the cost of equity range in the table below for developer-led and EirGrid-led offshore investment.

⁵⁶ See 'Price Review Six Final Determination Offshore Cost of Capital and Financeability' - CRU2025202.

Table 23: Range for the Allowed Equity Rate of Return (Real, Pre-Tax)

	Developer-Led (Phase 1 ATV) Investment	EirGrid (OAO) - Led Investment
Gearing	60%	
Risk Free Rate (real)	0.75%	
Total Market Return (real)	6.40% - 6.80%	
Equity Risk Premium	5.65% - 6.05%	
Unlevered beta	0.31	0.34
Equity beta	0.78	0.85
Cost of Equity (post tax, real)	5.13% - 5.44%	5.55% – 5.89%
Offshore Uplift	-	1.00%
Tax	15.00%	15.00%
Cost of Equity (pre tax, real)	6.03% - 6.40%	7.53% - 7.93%
Inflation Adjustment	0.40%	
Allowed Equity Rate of Return	6.43% - 6.80%	7.93% - 8.33%

The Allowed Equity Rates of Return reflect:

- An asset (unlevered) beta of 0.34 for EirGrid-led investment, aligned with the parameter allowed for the onshore TAO for PR6.
- An offshore uplift for EirGrid-led investment of 1.0%, to reflect specific offshore construction and upfront programme execution risks in PR6 and PR7 (see below).
- An asset (unlevered) beta of 0.31 for developer-led investment, reflecting the lower operational risk of Phase 1 developer-led investment for EirGrid.

The CRU agrees with CEPA's conclusions that there is justification for applying an uplift within the offshore Allowed Equity Rate of Return for EirGrid (OAO) led investment in PR6 to reflect: risks associated with the upfront execution and establishment of the offshore grid; and EirGrid's development and construction of Phase 2 offshore grid programmes during PR6 and PR7, and the expected concentration of this risk in a single project, Tonn Nua.

The CRU notes that its approach of applying a targeted uplift to its EirGrid (OAO) led investment offshore cost of capital is consistent with how several other European regulators have sought to reflect the specific characteristics associated with the establishment and operation of the offshore network in their allowed cost of capital decisions – e.g., the uplift that the ACM has applied within

TenneT's recent offshore network price review allowed WACC, relative to its allowed cost of capital for onshore electricity networks.

The size of the appropriate offshore uplift (if any) for EirGrid-led offshore investment will be reviewed by the CRU at future price reviews. The CRU expects that when the OAO in terms of RAB, investment characteristics and risks etc. is closer to the onshore TAO, and the upfront concentration of development and construction risk in the initial establishment of offshore grid is complete, this uplift will be reduced over time.

See CEPA's report for further discussion on these issues, CRU2025202.

Summary

To aid comparison with EirGrid's proposals, the weighted average cost of capital when stated on a real, pre-tax basis, consistent with the above proposed debt and equity rate of returns, is provided in Appendix 3. The allowed real pre-tax WACC stated on this basis is for:

- **Developer led (Phase 1) investment, 4.51% (real, pre-tax)**
- **EirGrid (OAO) led investment, 5.12% (real, pre-tax).**

As discussed above, the offshore uplift applied in the EirGrid-led investment allowed WACC will be reviewed by the CRU at future price reviews.

6.3.5. Interest Cost Uncertainty and Liquidity Risks

Draft Determination

The Draft Determination outlined that the CRU proposed that EirGrid's offshore revenue control will include a Liquidity Building Block and a Cost of Debt True-up Mechanism that are intended to recompense actual debt costs for debt up to the notional gearing level (60%, including the costs of EirGrid prefunding to the level that would be required by the notional company). The CRU stated that these will act to mitigate EirGrid's interest rate risk during the early-stage investment period in the offshore grid and will help manage the unique financing and liquidity challenges the offshore grid programme creates for EirGrid in PR6.

Draft Determination Responses

EirGrid welcomed the proposal to introduce a Liquidity Building Block and Cost of Debt True-up mechanism in the offshore revenue control framework. However, it stated that the proposed design in the Draft Determination raised several issues for them.

First, its leverage during PR6 may differ significantly from 60% and even its own 70% target due to the phasing of equity contributions relative to asset transfers and capital expenditure. The proposed mechanism would provide less protection than intended, because one-seventh of whatever amount is raised would not benefit from the true-up.

Second, the approach is premised on CRU calculating an “actual” interest rate and then applying it to notional and actual debt balances (to remunerate debt up to the notional gearing level). EirGrid argued this approach creates a series of risks and unintended consequences related to the timing of when debt is raised during the year.

EirGrid concluded that “[w]hile we understand CRU’s desire to ensure that our shareholder is not protected from the consequences of its financing decisions, we believe the proposed mechanisms introduce risk disproportionate to this goal. We therefore ask that CRU adopt the simpler and more robust approach of passing through actual interest expense plus a notional cost of debt on any additional capacity up to the notional leverage target, as in our original proposal.”

Other consultation responses did not comment substantially on the CRU’s proposals for managing interest rate uncertainty and liquidity risks. Several offshore wind developers emphasised the importance of EirGrid having the necessary financial resources and revenue control framework to finance Phase 1 ATV payments on a timely basis.

Final Determination

The CRU confirms that it will introduce a Liquidity Building Block and Cost of Debt True-up in the offshore revenue control in PR6. Both mechanisms are temporary and intended to support the upfront financing of the offshore programme. The expectation – based on the current timetable for Phase 1 investment – is they will not be needed following the close out of the PR7 control.

The objective of the Liquidity Building Block is to compensate for the cost of carrying prefunding, supporting financing for Phase 1 ATVs, as EirGrid must raise funds before ATV payments with limited revenue to cover debt costs. The objective of the Cost of Debt True Up is to protect EirGrid from changes in debt costs between financial decisions and actual debt raising. This is crucial for PR6/PR7, as all debt is new and interest payments are uncertain.

The CRU continues to conclude that EirGrid’s proposals for these mechanisms provide insufficient protections for consumers, who would bear interest cost uncertainty, and would not provide appropriate incentives for EirGrid to control capital expenditure or be financed by a sufficient level of equity in the medium term.

The CRU has carefully considered EirGrid's consultation feedback on the proposed design of the Liquidity Building Block and Cost of Debt True-up mechanism. It has made a series of changes to the proposal at Draft Determination. In summary, EirGrid will be:

- Permitted to recover its actual interest expense on debt balances consistent with EirGrid pre-funding up to a target level of gearing defined on a Net Debt / RAB basis.
- Interest costs and fees on debt and prefunding deemed to exceed the target gearing cap will not be remunerated in the Liquidity Building Block and Cost of Debt True-up.
- Therefore, allowed interest expense recovery will be capped by the target Net Debt / RAB gearing level under this revised mechanism.

The gearing cap – or deadband above the 60% notional gearing level – will be set at 65% and assessed on a single year Net Debt / RAB forecast, subject to a reasonableness check on the level of cash balances and prefunding EirGrid propose (see Appendix 4). The cap is in place to protect consumers interests, and to cap the level of costs that the consumer is required to underwrite absent of further equity contribution to the offshore programme from EirGrid's Shareholder.

The gearing cap has been set at a level higher than the CRU's decision on notional gearing to provide flexibility for EirGrid to manage – and recover interest expense – of prefunding amounts necessary to finance an uncertain (in terms of timing and quantum) investment programme linked to the Phase 1 ATV payments it is expected to make in PR6 and PR7. The CRU has continued to set the WACC on a notional gearing level of 60% because it considers this the appropriate long-term leverage target for offshore RAB once capital is employed.

The steps and mechanics of the Liquidity Building Block and Cost of Debt True-up, and the basis on which RAB returns will be calculated, is set out in Appendix 4.

6.3.6. Exceptional Events

Draft Determination

The CRU proposed at Draft Determination to include an Exceptional Events mechanism as part of the offshore regulatory framework. The objective of this Exceptional Events mechanism would be to allow EirGrid to request a change to its Allowed Revenue to recover the costs of rectifying exceptional / major failure events where those rectification costs cannot be recovered via commercial solutions (e.g., insurances) and the event was outside EirGrid's control.

The CRU's proposed treatment of Exceptional Events was as follows:

- The CRU expected EirGrid to seek where possible warranty protections from Phase 1 offshore wind farm developers, such that EirGrid has appropriate commercial remedies available for exceptional events.
- It expected EirGrid to seek out and pay for insurance to include indemnity for the full cost of replacement or rectification of its offshore grid assets, including for latent defects.
- EirGrid would be able to make a claim to vary its allowed revenue cap to cover efficient costs incurred in the case of an exceptional event that is:
 - Force Majeure or another cause that, in CRU's opinion, is considered to be an exceptional event; and
 - Where the costs to rectify the issue cannot be (fully) recovered from commercial solutions such as insurance, warranty and indemnity protections that EirGrid has negotiated with Phase 1 developers (and their contractors) or its own supply chain and contractors.

As per CRU202499, the CRU stated that it would expect EirGrid to demonstrate that it:

- Took all necessary measures to address and mitigate the issue via a commercial solution and, therefore, to mitigate the cost it wishes to recover via an Allowed Revenue adjustment from consumers; and
- Took all reasonable actions, in line with best industry practices, to mitigate the failure event occurring and to mitigate the costs and timelines to rectify the event once it did occur.

The CRU acknowledged the importance of timely decision making on Exceptional Events.

It stated that following a request from EirGrid for a variation to be made to its Allowed Revenue to recover costs incurred in relation to an exceptional event, the CRU intended to reach a decision within 6 months on this matter and any agreed variation would be reflected in the next annual update to EirGrid's Allowed Revenue. It was noted that this timetable for completing a decision may, in certain circumstances, need to be extended should the CRU conclude it is required to publicly consult on a minded to position.

The CRU confirmed that there would be no interruption to EirGrid's Allowed Revenue should there be an exceptional / major failure event where an offshore grid asset is not available for electricity transmission or has only partial availability. The DDs also stated that:

“The CRU expects the time to rectify the asset failure will be of the essence and consistent with the requirements above, EirGrid will be expected to demonstrate that it took all reasonable actions, in line with best industry practices, to mitigate the failure event occurring and to mitigate the time required to rectify the issue in order for the exceptional event to be excluded from its offshore available [sic]. The CRU will expect EirGrid to make resolving exceptional / major failure events of its offshore grid infrastructure a priority issue and to dedicate the necessary resources when required.”

The DDs also asked consultation respondents if:

- the Exceptional Events mechanism should apply a deductible in proxy to the costs that EirGrid can claim through a variation to Allowed Revenue⁵⁷; and/or
- a de minimis threshold should apply to the exceptional events mechanism, where the cost claim should exceed a defined percentage of original (inflation adjusted) construction cost value of the offshore grid asset.⁵⁸

Draft Determination Responses

EirGrid did not agree with the CRU proposals that a deductible by proxy or a de minimis threshold should apply to the exceptional events mechanism. It stated that the comparison with the OFTO arrangements in the UK is not appropriate due to fundamental commercial distinctions between the Irish and UK OFTO regimes.

EirGrid argued that – in contrast with the UK OFTO model – it will be required to pay the regulated cost of the asset without participating in a competitive bidding process and as a result, it is not afforded the opportunity to assess and price in the risk of deductible exposure. Furthermore, it stated that the OFTO can refuse to take-over assets if they are not built to the required regulatory and technical standards and that it would not be reasonable for EirGrid to be exposed to a deductible in proxy where these technical standards are not aligned with those proposed by EirGrid.

It also commented that the proposal of a de minimis threshold would increase the working capital requirements for EirGrid in the operational phase, by setting the level of costs that can only be recovered *ex-post*.

⁵⁷ Consistent with the Income Adjusting Event (IAE) mechanism for OFTOs in the UK.

⁵⁸ This would not restrict EirGrid from seeking to recover the cost through its price control *ex-post* review process but would limit relatively small de minimis costs being recovered within period.

During engagement with the CRU, EirGrid also highlighted that the resolution of commercial solutions for Exceptional Events – e.g., insurance claims and/or benefitting from warranties – can often take a significant period to resolve (e.g., years rather than months). As a result, an Exceptional Events mechanism that would only pay out once commercial solutions have been fully explored and resolved, could result in a significant period where EirGrid is required to carry the cost of remediation prior to any recovery through its Allowed Revenue.

In a Supplementary Question⁵⁹, EirGrid also asked the CRU to confirm:

- That the costs of extended warranties as sought by CRU are fully recoverable by EirGrid;
- The costs of insurance to indemnify for the full cost replacement of rectification of offshore grid assets as sought by the CRU are recoverable;
- How the exceptional event cost of repair (€5m) proposed to be borne by EirGrid differs from an insurance deductible;
- Why a public consultation is required on an exceptional event, which will delay the time to instigate a repair; and
- That EirGrid will be able to recover the extra costs that will be incurred from increasing the level of working capital facilities required if a de minimis concept is applied until the price review's *ex-post* review which is expected to be following the conclusion of PR6.

Other respondents did not comment on the CRU's proposed Exceptional Events mechanism.

Final Determination

Timing of Allowed Revenue Variation

The CRU has carefully considered stakeholder responses on the Exceptional Events mechanism. It continues to consider that a regulatory Exceptional Events mechanism is appropriate, but that commercial solutions should be the primary route, where possible, for EirGrid to ultimately recover remedial costs arising from an Exceptional Event.

The CRU does, however, recognise that the longer the period between when cost is incurred and a variation to Allowed Revenue is given effect, the greater the liquidity / working capital requirements (all else equal) EirGrid may be required to put in place for its offshore programme. It will ultimately also increase the financing costs EirGrid seeks to recover from customers. The time

⁵⁹ Supplementary Question 52.

it may take to conclude a commercial pathway to cost recovery may mean that EirGrid is asked to finance an Exceptional Event for a significant period, if these processes are expected to be resolved prior to a variation to Allowed Revenue being granted.

The CRU has, as a result, decided to allow EirGrid to initially recover the costs of an Exceptional Event via an Allowed Revenue variation should there be such an event. This will then be corrected as and when costs are recovered from insurance or other commercial solutions.

Obligations on EirGrid in Responding to an Exceptional Event

The onus will still be on EirGrid to seek a timely resolution of commercial solutions as the expected primary source of cost recovery for rectification. The CRU will require a quarterly update on progress with such actions. The CRU also continues to consider it is important that appropriate incentives and obligations apply to EirGrid to address Exceptional Events and restore electricity transmission as quickly as possible. The CRU does not consider that the period between when an Exceptional Event occurs – and costs are incurred to rectify the issue – and a CRU decision on an Allowed Revenue variation, should impact on EirGrid's time to instigate a repair. As the Draft Determination stated, the CRU expects the time to rectify an asset failure will be of the essence. EirGrid will be expected to demonstrate it took all reasonable actions, in line with best industry practices, to mitigate the failure event occurring and that it acted to mitigate the time required to rectify the issue, in order for the exceptional event to be excluded from its offshore availability incentive and for EirGrid to achieve full cost recovery from allowed revenue (net of costs recovered from commercial solutions).

Deductible in Proxy and De Minimis Threshold

After careful consideration, and given that an Exceptional Event is a scenario which is considered outside of EirGrid's control, i.e., Force Majeure or another cause that, in CRU's opinion, is considered an Exceptional Event, the CRU's final decision is there should not be a deductible in proxy applied to the costs that EirGrid is approved to recover under its Exceptional Events mechanism.

However, as noted above, EirGrid must demonstrate it is taking steps to rectify the asset failure as quickly as possible, with full cost recovery under the Exceptional Events mechanism dependent on this.

In specific cases, and to strengthen the incentive on EirGrid to explore and resolve an Exceptional Event (and commercial pathways to cost recovery) as quickly as possible, the CRU will, at its discretion, withhold a proportion of the incurred cost that EirGrid seeks to recover from an Exceptional Events Allowed Revenue variation (capped at [20%] of the reported cost or [€2 million],

whichever is lower). This withheld proportion will be funded, including the cost of carry, provided EirGrid demonstrates to the CRU's satisfaction that it has complied with this requirement.

Given an Exceptional Event relates to circumstances that are considered outside of EirGrid's control and are likely to have had a significant impact on the performance of the offshore asset, the CRU does not intend to apply a de minimis threshold to Exceptional Event claims.

Other EirGrid Queries

As regards EirGrid's other requests for clarification:

- The proposed standard of warranties is consistent with the guidance provided in CRU 202309. This is ultimately a matter for negotiation as part of the Phase 1 project asset transfer process, aligned with the guidance provided by the CRU prior to the ORESS1 auction.
- It is EirGrid's responsibility to engage insurance providers and define an appropriate (industry best practice) insurance package for its offshore network. EirGrid will be expected to efficiently assess risk and assure itself that the proposed coverage / terms provide adequate risk transfer without resulting in overinsurance or excessive premium costs. The terms of this insurance package are expected to be reviewed by the CRU through the proposed opex gateway process. The costs of insurance that are approved through the gateway process, will then be fully recoverable in Allowed Revenue.
- The €5m value referenced in EirGrid's query would have been intended to operate like a deductible in proxy on the basis that the Exceptional Events mechanism, in effect, acts like a form of 'insurance of last resort'. For similar reasons that an insurance contract would apply a deductible, it may also have been appropriate to apply a deductible in proxy within the Exceptional Events mechanism. However, for the reasons set out above, the CRU has decided not to apply a deductible in proxy.
- There may be some specific circumstances where a public consultation on an Exceptional Events proposed decision is necessary given the size and circumstances of the requested Allowed Revenue adjustment. The CRU considers that this is appropriate in the context of its statutory duties but notes that it does not necessarily intend to consult on all such decisions.

Appendix 5 sets out the CRU's final decision on the principles and process of the offshore Exceptional Events Mechanism. This is also set out in the offshore section of the PR6 User Guide, which will be published following this Final Determination.

6.3.7. Balance of Risk and Reward – Equity Tramlines in PR6 and PR7

Draft Determination

The Draft Determination noted that CRU will introduce a series of Phase 1 and Phase 2 delivery and operational performance incentives (availability) that will apply as part of the offshore revenue control during PR6 and PR7. In CRU202499 the CRU also proposed that it intended to put in place overall tramlines on the level of financial risk (maximum upside and downside revenue potential) the offshore business will be exposed to.⁶⁰

The CRU concluded in its Draft Determination that the balance of risk that was proposed to be placed on the offshore business under this package of incentives, and other parts of the revenue control (e.g., treatment of debt financing costs) was appropriate and constrained.

As a result, at this time the CRU concluded that no further tramline / Return Adjustment Mechanism was needed to be applied in the revenue control.

Draft Determination Responses

Responses to the consultation in general provided limited feedback to the CRU's conclusions on the balance of risk and reward.

EirGrid stated that it held a strong view that where events are demonstratively outside of its control, it should not be exposed to financial penalties because of them. It argued that events outside of EirGrid's control can impact on development and delivery schedules, associated costs and may have knock on impacts to EirGrid's ability to meet availability targets. For these reasons, it stated that there should be a within period or *ex-post* adjustment mechanism in the application of the incentives that takes into account events that impacted on outturn outside of EirGrid's control (where not already provided for in the capex gateway process) such that EirGrid does not incur downside penalties where such events arise.

Final Determination

Balance of Risk and Reward in PR6

For PR6, it is not expected that any incentive rewards / penalties will be applied to offshore Allowed Revenue during the development period of the Phase 2 Tonn Nua project.

Based on current project timelines, any revenue penalties related to the schedule incentive in the development period (see Section 5.3.1) will only apply in PR7. The RAB adjustment components

⁶⁰ CRU (2024): '[Offshore Revenue Model – EirGrid](#)', p. 112-113.

of the Phase 2 schedule and cost incentives will, based on current project timelines, only apply as an adjustment to the opening RAB at the start of PR8 and will have no impact on RoRE in PR6 and PR7. The investment gateway process also provides flexibility to change schedule dates within the incentive where changes are the result of events outside of EirGrid's reasonable control.

The level of returns at risk under the Phase 2 schedule and cost incentives in PR6 are also relatively modest in the context of the scale of the Phase 2 Tonn Nua programme and the expected invested equity in the Tonn Nua project and offshore programme in general.

The Phase 1 incentive the CRU has introduced for this Final Determination is an upside (i.e., bonus only) incentive and so does not expose EirGrid to downside penalties.

Given that the expected timings of Phase 1 asset transfers are uncertain, the availability incentive is only likely – at its earliest – to be in operation by the end of PR6. With the rewards / penalties proposed to apply on a t+2 basis under the proposed incentive design principles, the incentive would also not impact on Allowed Revenue until PR7. EirGrid will also be able to request that events reasonably and demonstratively outside of its control (i.e., Exceptional Events) be excluded from its availability incentive.⁶¹

A final decision on the strength of the availability incentive – e.g., 1-2% of RoRE scaled proportionately to the number of assets in operation or another value – will be made at a later date, informed by updated modelling of financial ratios.

As a result of the above, the CRU does not consider that any further definition of an equity tramline or *ex-post* adjustment mechanism on performance incentives is required in PR6. The CRU considers that the issues that EirGrid has raised in its response are already addressed within the design of the individual incentive mechanisms.

Balance of Risk and Reward in PR7

In PR7, the revenue at risk for EirGrid will be the maximum €10m revenue penalty (€2m p.a.) under the schedule / timely delivery component of the development period incentive and the revenue at risk under the availability incentive.

The other components of the Phase 2 schedule and cost incentives will be applied as a RAB adjustment (based on current project timelines, in PR8) and so will have no impact on revenues in

⁶¹ See discussion above on Exceptional Events.

PR7. The calibration of these incentives has also been developed with the objective of placing only a proportion of assumed notional equity invested in Tonn Nua at risk.

As demonstrated in Section 7, the proposed Liquidity Building Block and Cost of Debt True-up mechanism provides significant mitigation for the offshore business against debt financing risk should interest cost change within the period of the revenue control.

The parameters of the incentives and risk mitigation mechanisms have, therefore, in PR7 also been designed with placing a constrained tramline on the equity returns that will be at risk under the proposed financial package. As a result, at the current time, the CRU concludes that no further tramline / *ex-post* adjustment is needed.

The CRU will review this position at future price reviews.

6.3.8 Other Finance Issues – Guarantee of Availability Payment Liquidity

As discussed in the current consultation CRU2025213, the CRU recognises that the guarantee of availability regime that will apply to Phase 1 offshore wind farms introduces potential additional short-term liquidity requirements on the EirGrid business.

The CRU will consider appropriate governance and financial arrangements within the wider OAO revenue recovery framework to ensure EirGrid's working capital needs are adequately addressed.

The CRU proposes that EirGrid can make a submission to the CRU setting out how it considers the GoA payments regime will impact its working capital requirements in the context of its ongoing financing plans for its offshore business. Where justified, the CRU will allow EirGrid to recover the additional costs it is required to incur to have available liquidity to operate the GoA regime on the agreed terms with offshore Generators.

EirGrid will be expected to demonstrate that any additional working capital facilities, and associated commitment fees and costs, are justifiable in the context of other facilities that EirGrid proposes to put in place to support the liquidity of its offshore business.

7. Allowed Revenues and Financeability

7.1 Allowed Revenues

This section sets out the CRU's *ex-ante* decision on the Allowed Revenues for the OAO revenue control for 2026-2030. The sections which follow set out:

- The basis on which the CRU intends to set *ex-ante* Allowed Revenues.
- Outline of the expected Allowed Revenues formula.
- The scenarios used to test Allowed Revenues and financeability.
- The proposed *ex-ante* Allowed Revenues for 2026-2030.
- The CRU's financeability assessment.

7.2 Ex-Ante Allowed Revenues Basis

There is considerable uncertainty of the timing when Phase 1 projects will transfer their offshore grid assets to EirGrid and EirGrid will be required to finance the associated ATV payments. During PR6, EirGrid will also need to progress the development of the Phase 2 Tonn Nua project and deliver the OARP programme.

Given the timing and number of Phase 1 projects that will transfer during PR6 (if any) is currently unknown, the CRU proposes to set its *ex-ante* baseline Allowed Revenues for EirGrid's offshore revenue control based on its Category 2 and Category 4 capex allowances (see Section 7.5) and its forecast opex allowances for PR6. The *ex-ante* Allowed Revenues will, as a result, be set on the basis that EirGrid's forecast offshore RAB during PR6 includes no Phase 1 ATV payments.

When the timing of Phase 1 ATV payments is known, these will be reflected in within period updates to the offshore Allowed Revenues, based on the Allowed Revenue formula and mechanics for determining the RAB, the allowed debt, equity and prefunding returns and depreciation building block described in Section 7.3, Section 7.5 and Appendix 4.

As discussed below, the CRU's current expectation is that potentially one Phase 1 project will transfer to EirGrid during PR6 and so potentially one ATV payment will need to be financed in PR6. The formula and mechanics by which the CRU proposes to update EirGrid's Allowed Revenues within period is described in the subsection which follows.

7.3 Allowed Revenue Formula

Calculation of Allowed Revenue

The Allowed Revenue payable under the offshore revenue control for any Revenue Control Year t will be calculated in accordance with the following formula:

$$\underline{AR_t = B_t + I_t + LBB_t + CDT_t + EE_t + PT_t + K_t}$$

Where:

Term	Description
B_t	means the Base Revenue for the relevant Revenue Control Year t
I_t	means the Incentive Building Block for the relevant Revenue Control Year t
LBB_t	means the Liquidity Building Block for the relevant Revenue Control Year t
CDT_t	means the Cost of Debt True-Up Building Block for the relevant Revenue Control Year t
EE_t	means the Exceptional Event Building Block for the relevant Revenue Control Year t
PT_t	means the Pass-Through Building Block for the relevant Revenue Control t
K_t	means the K-factor for the relevant Revenue Control Year t

Base Revenues

The Base Revenue (B_t) for any Revenue Control Year will be calculated in accordance with the following formula:

$$\underline{B_t = RoC_t + Depn_t + Opex_t}$$

Where:

Term	Description
RoC_t	means the Return on Capital Building Block for relevant Revenue Control t
$Depn_t$	means the Depreciation Building Block for the relevant Revenue Control t
$Opex_t$	means the Opex Building Block for the relevant Revenue Control t

The **Return on Capital Building Block** will consist of two components:

- A Return on Debt RAB component.
- A Return on Equity RAB component

The **Depreciation Building Block** will consist of two components:

- A Debt RAB component.
- An Equity RAB component

The CRU intends that the Return on Capital Building Block and Depreciation Building Block for Revenue Control Year t will be based on EirGrid's forecast of the forward-looking average RAB for Revenue Control Year t as submitted by EirGrid prior to Revenue Control t . The Allowed Revenues for the Return on Capital and Depreciation building blocks will, therefore, be updated within the revenue control period to reflect forecast and actual spend as reflected in the annual update to the RAB. This will naturally allow for Phase 1 ATV payments to be included in the offshore RAB as agreed and approved by the CRU (see Appendix 4).

The difference between the Return on Capital Building Block and Depreciation Building Block on the actual RAB value for Revenue Control Year t compared to the equivalent values based on EirGrid's forecast of the forward-looking average RAB for Revenue Control Year t will then be captured in the Cost of Debt True-up and K-factor adjustment that will be applied with the revenue control on a $t+2$ basis (see below).

The CRU expects to publish the offshore RAB on an annual basis as part of its annual publication and decision on offshore Allowed Revenue for each Revenue Control Year t .

The **Opex Building Block** will consist of the CRU's allowed opex for the revenue control. It may be updated within the revenue control period following a decision by the CRU – for example, if a request for a variation is made as part of the annual PR6 reopener window, or a variation is agreed to the allowance as part of an opex gateway process. In the absence of any within period reopener of allowed opex, EirGrid's incurred opex will be reviewed at each revenue control's *ex-post* review and any updates to the allowances will then be reflected in the K-factor adjustment for the first year of the next revenue control period.

Incentive Building Block (I_t)

The Incentive Building Block will consist of three components:

- Phase 1 Incentive component;
- Phase 2 Schedule (Timely Delivery) and Cost components; and

- An Availability Incentive component.

The CRU's proposals for each of these performance incentives is set out in Section 5.3.

The Development Period revenue component of the Phase 2 Development Period Schedule Incentive will be accrued into PR7. The CRU expects the Availability Incentive to be established by the end of PR6 and so does not expect to make Availability Incentive adjustments to Allowed Revenues in PR6.

The Phase 2 Schedule and Cost Incentives also have an adjustment to RAB component. As any adjustment is expected to be made to the opening RAB at the start of PR8, based on current timelines for the Phase 2 Tonn Nua project, this component of the incentive is not reflected in the Incentive Building Block, because it will take effect as an adjustment to Depreciation ($Depn_t$) Building Block.

Liquidity Building Block (LBB_t)

The Liquidity Building Block will update within the revenue control period based on the proposals that are set out in Section 6 and Appendix 4. The Liquidity Building Block for Revenue Control Year t will be based on forecast values provided by EirGrid prior to Revenue Control Year t . The Liquidity Building Block will be updated to reflect actual prefunding values on a $t+2$ basis as part of the Cost of Debt True-up Building Block.

Cost of Debt True-up Building Block (CDT_t)

The Cost of Debt True-up Building Block will apply within the revenue control period based on the proposals and mechanics that are set out in Section 6 and Appendix 4. The Cost of Debt True-up Building Block will be calculated on outturn information with the allowance in Revenue Control Year t relating to the Revenue Control Year $t-2$.

The Cost of Debt True-up Building Block will include a Time Value of Money Adjustment (TVM) to reflect the time period between the allowance in Revenue Control Year t and the outturn information relating to the Revenue Control Year $t-2$ on which the adjustment is based.

The CRU will apply a TVM Adjustment rate equal to a nominal WACC value that is consistent with the allowed debt and equity rates of return and the Allowed Notional Gearing for the revenue control. The applicable TVM rate will be a blended rate based on the balance of developer led (Phase 1) and EirGrid-led (Phase2 and non-network capex) investment returns based on the CRU's allowed cost of debt and cost of equity rates for the control period.

Exceptional Event Building Block (EE_t)

The Exceptional Event Building Block will apply within the revenue control in accordance with the process set out in Section 6. This will allow for an adjustment to Allowed Revenue if the CRU determines that there was an Exceptional Event and that related costs that EirGrid has incurred are considered by the CRU to be eligible for the Exceptional Event Building Block.

Pass Through Building Block (PT_t)

The **Pass Through Building Block** will consist of allowances that EirGrid is entitled to recover on a pass-through basis related to costs that have been incurred, or are to be incurred, in connection with its role as offshore asset owner.

The CRU will expect EirGrid to provide evidence to support any costs it proposes to recover on a pass-through basis and the CRU retains the right to request an audit of those costs.

K-factor (K_t)

The K-factor for Revenue Control Year t will relate to updating allowances based on outturn information for the Revenue Control Year $t-2$. The objective is to take into account the replacement of forecast, provisional or estimated values with actual outturn values.

The CRU will use Euribor + inflation as the TVM rate for adjustments under the K-factor, consistent with the approach applied for the TSO revenue control.

Treatment of Inflation Within the Revenue Control

The outline of the proposed offshore Allowed Revenue formula above does not account for adjustments for inflation. Given the proposal that allowed returns and depreciation building blocks will be based on EirGrid's forecast of the forward-looking average RAB for Revenue Control Year t as submitted by EirGrid prior to Revenue Control Year t these values will update for inflation in each annual Allowed Revenue update.

The CRU has set its *ex-ante* opex Building Block allowances in a real (2024) price base, and this will be indexed to HICP inflation for Allowed Revenue purposes, consistent with the indexation policy that applies for onshore network revenue controls.

As stated in Section 2, the CRU will use Irish HICP as the basis for inflation indexation of allowed revenue and RAB where applicable.

7.4 Revenue and Financeability Scenarios

Revenue Scenarios

For the reasons set out above, the CRU proposes to set its baseline offshore *ex-ante* Allowed Revenue for the 2026-2030 revenue control period on the basis that Phase 1 ATV payments are not included in the forecast RAB. Phase 1 project transfers that occur during PR6 will be reflected in the Allowed Revenue through the operation of the proposed Allowed Revenue formula and the updates to the RAB within period.

For the purposes of providing an indication of the Allowed Revenue should EirGrid be required to make Phase 1 ATV payments during PR6, and to project Allowed Revenue looking forward into PR7 for financeability analysis, the CRU has modelled the following revenue scenarios:

- Base Allowed Revenue (PR6 only) – based on PR6 allowed opex, Category 4 capex and Phase 2 development costs (Category 2 capex).
- Base Allowed Revenue + one Phase 1 ATV transfer in PR6 (PR6 only) (the offshore baseline scenario).
- Six Phase 1 ATV transfers + Phase 2 Tonn Nua development and construction (PR6 & PR7) based on an assumed 2033 completion date.

For the avoidance of doubt, only the base offshore *ex-ante* Allowed Revenue is proposed to be included in network tariffs from the start of PR6.

Financeability Stress Test Scenarios

For these Final Determination, the CRU has undertaken the following stress tests sensitivities as part of its financeability assessment:

- 1) A 40% increase in Phase 1 ATV and Phase 2 capex.
- 2) Maximum Phase 2 Schedule Incentive Development Period revenue penalty applies in PR7.
- 3) Interest rates increase by 2% (200bps).
- 4) Inflation increases or reduces by 0.5%.
- 5) Availability Incentive Penalties of 1% and 2% of RoRE in PR7.

- 6) A combined downside where costs of both Phase 1 and Phase 2 increase by 40%, both Phase 1 and Phase 2 suffer unanticipated delays of 2 years and EirGrid receives the maximum development penalty from the development period schedule in PR7 and a €100m RAB penalty in 2035.

The financeability assessment has been completed on the basis of the notional capital structure at 60% notional gearing and as a cross check, where gearing of 70% (as an approximation of target actual company gearing) is assumed. Under this second case, the Allowed Revenues continue to be modelled based on the proposed notional level of gearing of 60%.

7.5 Allowed Revenue Scenarios

Base *ex-ante* Offshore Allowed Revenues in PR6

The table below sets out the base *ex-ante* offshore Allowed Revenue for the revenue control period 2026-2030 and its constituent components. The revenues are stated on a nominal basis based on an assumed rate of inflation averaging 1.52% in PR6.⁶²

Table 24: Base *Ex-ante* Offshore Allowed Revenues (€m, nominal)

Component	2026	2027	2028	2029	2030
Base Revenue (B_t)	63.8	86.2	105.7	123.5	128.0
RoC_t	4.0	7.2	10.3	16.2	25.5
$Depn_t$	0.1	1.0	2.7	4.6	6.3
$Opex_t$	59.7	78.0	92.8	102.6	96.1
Incentives (I_t)	--	--	--	--	--
Liquidity Building Block (LBB_t)	--	--	--	--	--
Cost of Debt True-up (CDT_t)	--	--	--	--	--
Exceptional Event Building Block (EE_t)	--	--	--	--	--
Pass-Through Building Block (PT_t)	--	--	--	--	--
K-factor (K_t)	--	--	--	--	--
Allowed Revenue (AR_t)	63.8	86.2	105.7	123.5	128.0
Allowed Revenue (AR_t) (Excl. LBB_t and CDT_t)	63.8	86.2	105.7	123.5	128.0

⁶² This is based on latest Central Bank of Ireland (CBI) forecasts for the first two years of PR6 (1.4%) and a slightly higher rate of 1.6% p.a. thereafter.

The key points to note from the table above are as follows:

- Base *ex-ante* Allowed Revenues on average are €101.4m over PR6.
- Opex will comprise the majority of base offshore Allowed Revenue in PR6.
- The Depreciation Building Block reflects the Category 4 capex depreciation only because Phase 2 devex will only start to be depreciated from when the Phase 2 Tonn Nua project reaches FID.
- The Return on Capital Building Block reflects the allowed return on RAB related to Category 2 and Category 4 investment in PR6.

Base *ex-ante* Allowed Revenues + One Phase 1 ATV Transfer in PR6 (baseline scenario)

The table below sets out the base *ex-ante* offshore Allowed Revenue for the revenue control period 2026-2030 (and its constituent components) with the addition of one Phase 1 ATV payment (at the end of 2029) made by EirGrid (baseline scenario).

Again, the projected allowed revenues are stated in nominal terms based on an assumed rate of inflation averaging 1.52% in PR6.

Table 25: Offshore Allowed Revenues (€m, nominal) – Base Plus One Phase 1 ATV Payment in PR6

Component	2026	2027	2028	2029	2030
Base Revenue (B_t)	63.8	86.2	105.7	126.1	161.5
RoC_t	4.0	7.2	10.3	18.8	46.0
$Depn_t$	0.1	1.0	2.7	4.6	19.4
$Opex_t$	59.7	78.0	92.8	102.6	96.1
Incentives (I_t)	--	--	--	--	--
Liquidity Building Block (LBB_t)	--	--	--	8.6	4.9
Cost of Debt True-up (CDT_t)	--	--	--	--	3.4
Exceptional Event Building Block (EE_t)	--	--	--	--	--
Pass-Through Building Block (PT_t)	--	--	--	--	--
K-factor (K_t)	--	--	--	--	--
Allowed Revenue (AR_t)	63.8	86.2	105.7	134.7	169.9

The Allowed Revenue in this scenario should be considered highly indicative as it reflects financial modelling assumptions of how the Phase 1 ATV payment is financed and the timing and size of the ATV payment – all of which are currently unknown.

This scenario helps to indicate how offshore Allowed Revenue may vary within period if at least one Phase 1 project were to transfer to EirGrid during PR6 and how the Allowed Revenue will flow through individual components of the proposed Allowed Revenue formula.

This scenario has formed the baseline scenario for the CRU's allowed revenue and customer bill impact modelling as presented in the CRU's PR6 summary document (CRU2025193) and the updated PR6 Impact Analysis Note (CRU2025198).

Six Phase 1 Project Transfers and Tonn Nua Completion in PR6 and PR7

This scenario provides a longer-term forecast of potential offshore Allowed Revenue in PR6 and PR7 assuming six Phase 1 project transfers and construction of the Tonn Nua (Phase 2) to current project timelines as assumed in EirGrid's submitted financial model.

For the avoidance of doubt, this forecast of Allowed Revenue is highly indicative and provided to illustrate potential Allowed Revenues if a more optimistic timeline for Phase 1 construction and operation were achieved and to allow long-term financeability analysis of the offshore programme. This should not be considered a minded to decision on Allowed Revenue in PR7, which will be determined by the CRU as part of the PR7 review. The CRU notes that one of the six projects - Sceirdre Rocks – has stated it has stopped project development, and as a result, the size of the Phase 1 investment programme may be lower than is modelled in this scenario. The CRU has continued to model six Phase 1 project transfers on the basis it provides a potential optimistic high case of investment levels⁶³ on which to test financeability.

The table overleaf summarises the Allowed Revenues and the individual components for this scenario. The projected allowed revenues are stated in nominal terms, again based on an assumed rate of inflation averaging 1.52% in PR6.

Please note that the offshore revenue model contains commercially sensitive information and therefore cannot be published.

⁶³ Prior to cost escalation.

Table 26: Offshore Allowed Revenues (€m, nominal) Over PR6 and PR7 Assuming Six Phase 1 ATV Payments in PR6 and PR7 and Completion of Tonn Nua

Component	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base Revenue (B_t)	63.9	86.2	105.8	155.1	362.7	579.8	613.7	647.6	665.9	665.3
RoC_t	4.0	7.2	10.3	30.9	156.7	272.3	289.1	305.6	311.9	305.8
$Depn_t$	0.1	1.0	2.7	4.6	80.3	178.1	193.0	208.3	218.3	221.5
$Opex_t$	59.7	78.1	92.9	119.6	125.7	129.5	131.6	133.7	135.8	138.0
Incentives (I_t)	--	--	--	--	--	--	--	--	--	--
Liquidity Building Block (LBB_t)	--	--	2.5	36.5	38.0	24.4	15.7	19.9	20.4	23.2
Cost of Debt True-up (CDT_t)	--	--	--	--	10.2	9.7	5.0	--	0.1	6.7
Exceptional Event Building Block (EE_t)	--	--	--	--	--	--	--	--	--	--
Pass-Through Building Block (PT_t)	--	--	--	--	--	--	--	--	--	--
K-factor (K_t)	--	--	--	--	--	--	--	--	--	--
Allowed Revenue (AR_t)	63.9	86.2	108.3	191.6	410.9	613.9	634.4	667.5	686.4	695.1

Note: The Phase 1 project transfers reflect the timings and values of ATV payments assumed in EirGrid's PR6 business plan submission and financial model and remain highly indicative.

7.6 Financeability Assessment

This section sets out the financeability assessment that the CRU has undertaken of its proposals for the offshore revenue control in PR6. While this final decision applies for the revenue control period 2026-2030 (i.e., PR6), several proposed positions have important implications for longer-term financeability of the offshore programme looking forward to PR7. As a result, the CRU's financeability analysis includes modelling of PR7 as well as PR6. The modelling uses CRU's Final Determination allowances for PR6 and EirGrid's forecast costs in PR7 as reported in their latest submitted offshore financial model. The financeability analysis focuses on a scenario of 6 Phase 1 ATV payments as this provides a comprehensive high case investment scenario for testing of financeability. As noted above, and for the avoidance of doubt, Allowed Revenues⁶⁴ for the period 2031-2035 will be determined in the PR7 review and PR7 costs have not been assessed.⁶⁵

Consistent with the principles for the offshore financeability assessment in CRU202499, the CRU has focused on the notional company for assessing the revenue control parameters and financeability. It has also reviewed and cross-checked the financeability of the revenue control under EirGrid's target financing structure and forecast financing costs.

The CRU has tested for financeability on the basis that EirGrid offshore is capable, on a standalone basis, of achieving a sufficiently comfortable investment grade rating and will be viewed as investment grade when credible stress test scenarios are considered. To achieve this, the CRU has considered rating agencies thresholds for the FFO / Net Debt and AICR in their rating assessments (see Table 27 below) noting that other ratios are also considered by the agencies. The CRU has also considered how risk mitigations and the regulatory framework for offshore (qualitative factors) impacts financeability – in particular, the Liquidity Building Block and Cost of Debt True-up mechanism.

As EirGrid and its advisors note in their submissions to the Draft Determination “*given the significant degree of uncertainty around the number, timing and value of [Phase 1] asset transfers and the Phase 2 capex, limited weight can be placed on [credit] metrics in assessing financeability. The regulatory risk mitigations and framework more broadly will have as great an impact on financeability as allowed returns.*”⁶⁶

⁶⁴ And revenue control parameters, such as the allowed rates of return.

⁶⁵ This also applies to the Phase 1 ATV payments assumed in the modelling.

⁶⁶ KPMG (2025): ‘Assessment of financeability of PR6 Draft Determination – prepared for EirGrid’, p. 38

For these reasons, the CRU has not based its financeability assessment on a single metric, or a particular ratio threshold the rating agencies themselves might apply. The CRU's approach is to take an in-the-round assessment of financeability of its offshore revenue control to avoid the risk variations in individual credit metrics lead to conclusions on financeability becoming overly sensitive to changes in an individual metric during the upfront financing period.

Table 27: S&P and Moody's Guidance on FFO / Net Debt and AICR Thresholds

Ratio	Moody's		S&P ⁶⁷	
	A Category	Baa Category	A Category ⁶⁸	BBB Category ⁶⁹
FFO / Net Debt	18 – 26%	11 – 18%	9 – 23%	6 – 9%
AICR	2.0 – 3.5x	1.4 – 2.0x ⁷⁰	N/A ⁷¹	

In the particular case of offshore, as the financial analysis below demonstrates, several individual credit ratios will be variable during PR6 and PR7 while the offshore grid is established. As a result, credit metric thresholds may not be met in all circumstances during this establishment period. This means adopting an overly mechanistic, short-term approach to the financeability analysis is unlikely to form a clear basis and picture for whether the decisions in this determination should be considered as being capable of being financed. The CRU has, as a result, focused on the medium-term trends of FFO / Net Debt and AICR and how they compare to Moody's and S&P's guidance in neutral and stress test (downside) scenarios.

For its financeability analysis, the CRU has, therefore:

- Taken an in-the-round assessment of offshore financeability.
- Considered a suite of financial ratios, including averages and longer-term trends looking over PR6 and PR7, consistent with the ratios adopted by credit rating agencies in their standard ratings assessments.

⁶⁷ S&P thresholds for FFO/ Net Debt are based on an assumption of an 'excellent' business risk profile.

⁶⁸ Intermediate and Significant financial risk profile.

⁶⁹ Aggressive financial risk profile.

⁷⁰ EirGrid and its advisors KPMG, use a minimum threshold of 1.5x for AICR, referencing Moody's revising its guidance for gas networks in Great Britain. The CRU is uncertain of how features of the CRU's offshore regulatory framework – in particular, a hybrid returns revenue control – will impact requirements of the AICR in EirGrid's particular case and as a result, only reports the published energy network thresholds.

⁷¹ AICR is not a ratio that is included in S&P's Corporate Methodology.

- Considered alongside the financial ratios, qualitative factors that are relevant to the financeability of the CRU's offshore revenue controls – in particular, the support provided by the Liquidity Building Block and debt true-up mechanism.
- Carried out sensitivity testing to assess the resilience of the financial ratios under different outturn scenarios.

The focus of the analysis is therefore whether the proposed financial package for the offshore price review will over time, as the offshore business becomes established, allow the notional efficient operator sufficient headroom to service its debt, and raise finance based on the protections and mitigations provided by the offshore regulatory framework.

Financeability Analysis (Neutral Scenario) – Notional Company

Figure 6 illustrates the build-up of allowed revenues over PR6 and PR7 under a scenario where six ATV payments are made by EirGrid to Phase 1 developers and the construction of the Tonn Nua project will be completed by the end of PR7.

Figure 6: Offshore Allowed Revenues, €m Nominal, 6 ATV Payments and Tonn Nua Completion

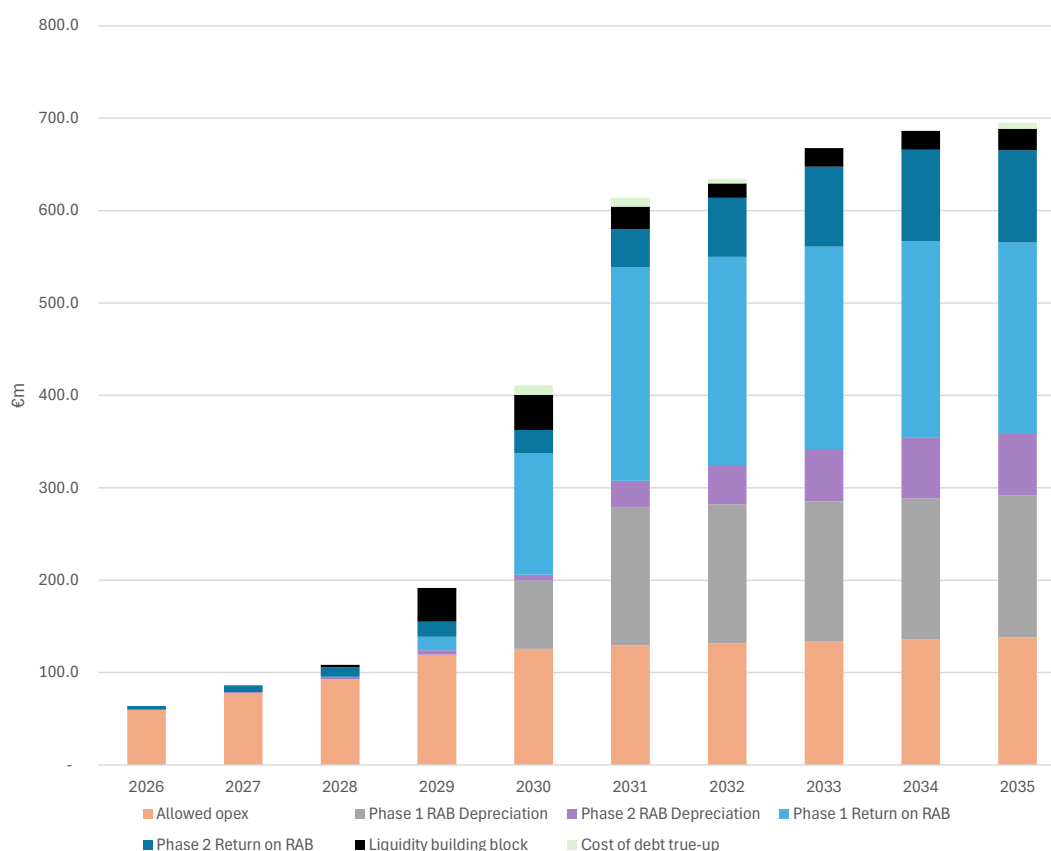


Figure 7 shows that the FFO / Net Debt ratio starts from a relatively weak position as the offshore business is established in PR6, and then under the proposed financial package, there is an upward trend in the ratio over time as Phase 1 ATV payments are reflected in Allowed Revenue and there is a greater degree of operating cashflow and headroom in the offshore business. Going into PR7, the FFO / Net Debt ratio rises above 10% supported by the profile of allowed debt returns and the start of depreciation of Tonn Nua construction costs.

Figure 7: Expected Evolution of the FFO / Net Debt Ratio – Notional Capital Structure

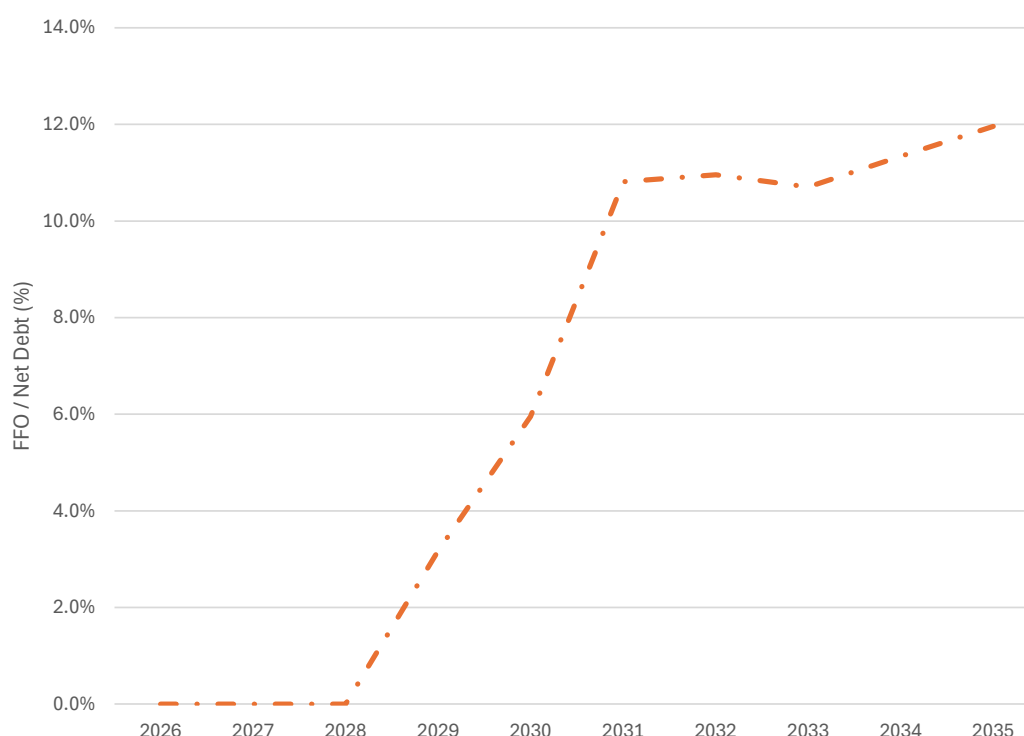
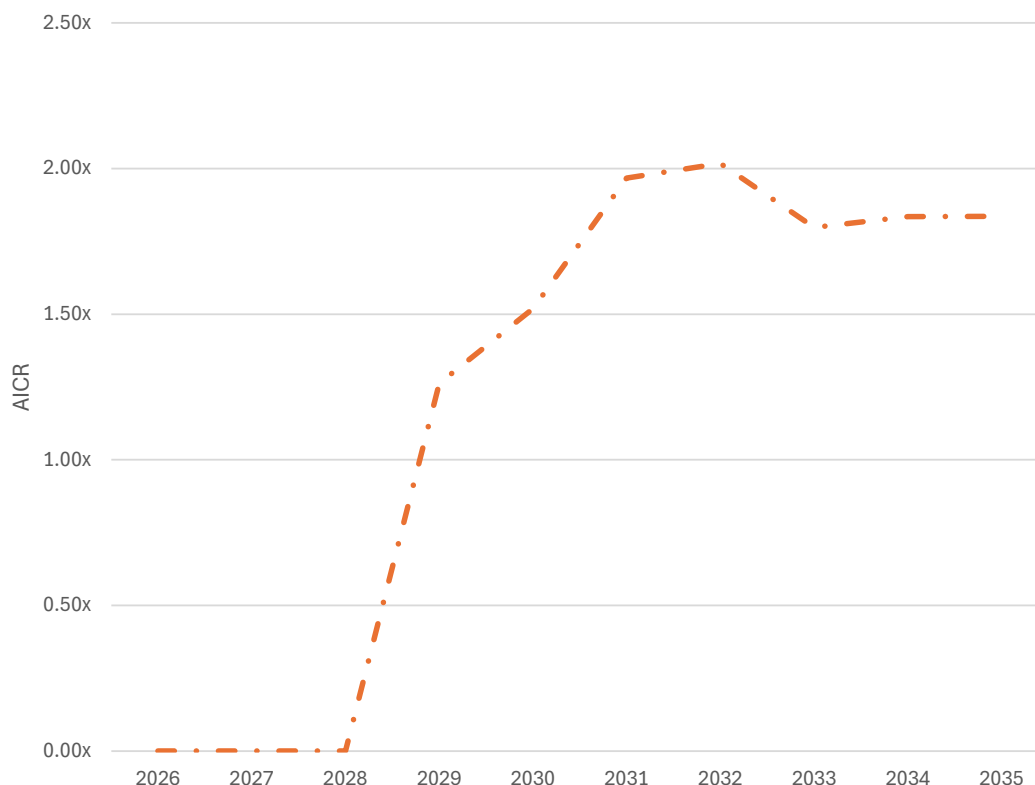


Figure 8 below shows the trend in the AICR under the forecast Allowed Revenue for PR6 and PR7. As with the FFO / Net Debt ratio, the AICR starts from a relatively weak position in PR6 but shows a strong upward trend going into PR7 and exceeds 1.5x from 2030 onwards.

Given it would be expected that the FFO / Net Debt and AICR would show some weakness as the offshore business is established and goes through a period of high-upfront investment and financing, the long-term trends indicate that the financial package proposed will generate sufficient headroom for the notional company to be financeable.

Looking forward to PR7, both ratios are at a level that the CRU understands is consistent with a comfortable investment credit rating supported by strong regulatory risk mitigations and a supportive financial framework for financing the offshore programme during PR6 and PR7, notably the Liquidity Building Block and Cost of Debt true-up mechanism.

Figure 8: Expected Evolution of the AICR Over PR6 and PR7 - Notional Capital Structure



Financeability Analysis (Neutral Scenario) – Actual Company

Consistent with the approach that it stated it would take in CRU202499, the CRU has also tested the financeability of the revenue control under the capital structure that EirGrid has stated it is currently targeting for financing its offshore grid programme ('target capital structure'). The CRU understands EirGrid's current proposal is to target a RAB gearing level of c. 70%. Figure 9 and Figure 10 below compare the FFO / Net Debt and AICR over PR6 and PR7 under EirGrid's target capital structure compared to the notional company at 60% notional gearing.

While there is less headroom under the target actual capital structure because there are higher debt servicing costs at a higher level of gearing, the ratios looking forward to PR7 continue to be at a level the CRU understands to be consistent with a comfortable investment grade rating supported by the regulatory framework and its risk and financial mitigations. The medium-term trend is an AICR above 1.5x and FFO/ Net Debt close to or above 9%.

Figure 9: Expected Evolution of the FFO / Net Debt Ratio Under Target / Actual Capital Structure

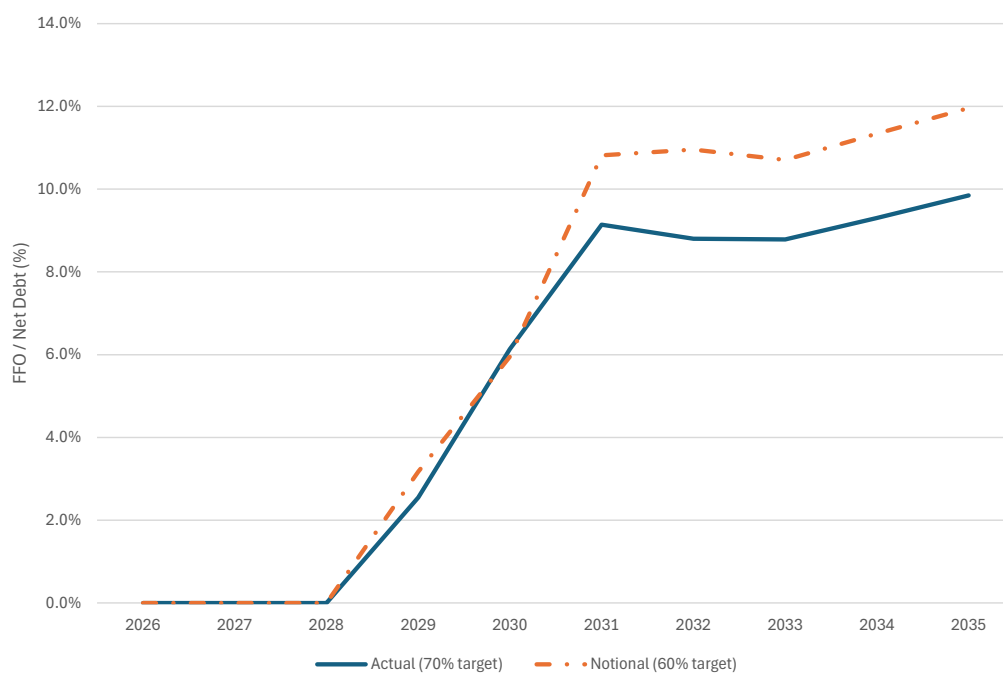
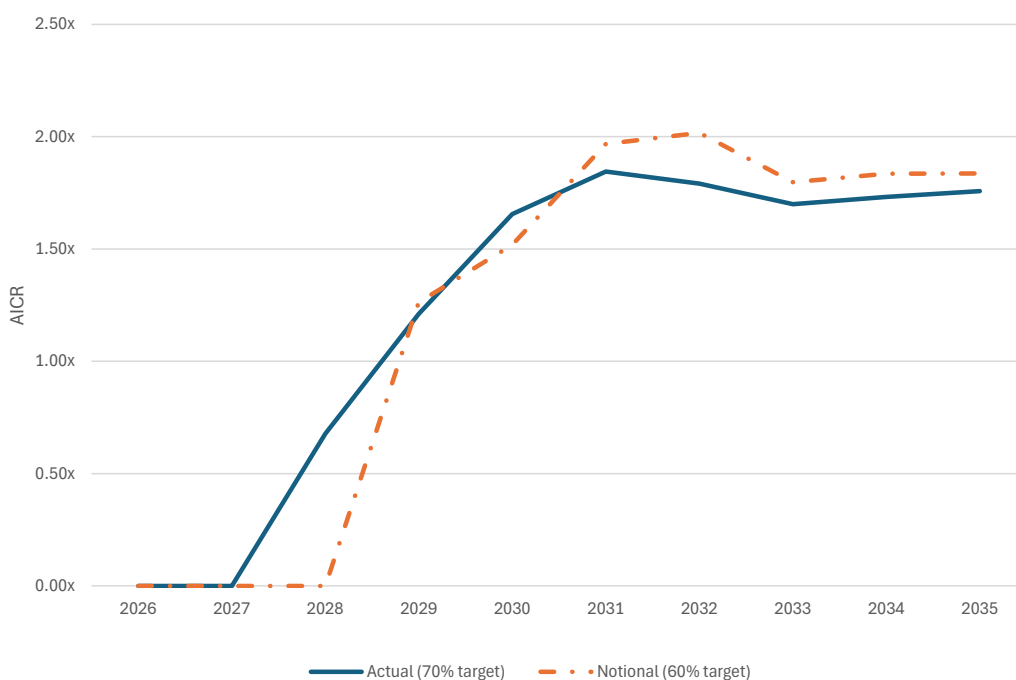


Figure 10: Expected Evolution of the AICR Ratio Under Target / Actual Capital Structure



Sensitivity Analysis

This section summarises the findings from the sensitivity analysis that the CRU has undertaken to further stress test its analysis of financeability. In all cases, the sensitivities that have been modelled are based on the actual / target capital structure and as such are more challenging for financeability given that the level of gearing is 70% rather than the notional company's 60%.

7.6.1. 200bps Increase in Cost of Debt Above Allowed Debt Rate of Return

Differences in the gearing level of the notional company and the actual company may result in mismatches between allowed debt returns and EirGrid's actual debt costs despite the Cost of Debt True-up Building Block of the revenue control. The CRU has considered the impact of this under the base assumptions in its financial modelling and under a sensitivity where interest rates increase by 200bps above the assumed cost of debt in the Allowed Debt Rate of Return, which the CRU notes to be a relatively extreme scenario.

Figure 11 and Figure 12 below show the FFO / Net Debt and AICR vary over PR6 and PR7 under EirGrid's target capital structure under this scenario. The same parameters are also included for the base case level of interest rates (i.e. where interest rates are at the anticipated level) and for a sensitivity where a Cost of Debt True Up Building Block is not included.

Figure 11: Expected Evolution of the FFO / Net Debt Ratio Under +200bps Increase in Interest Costs

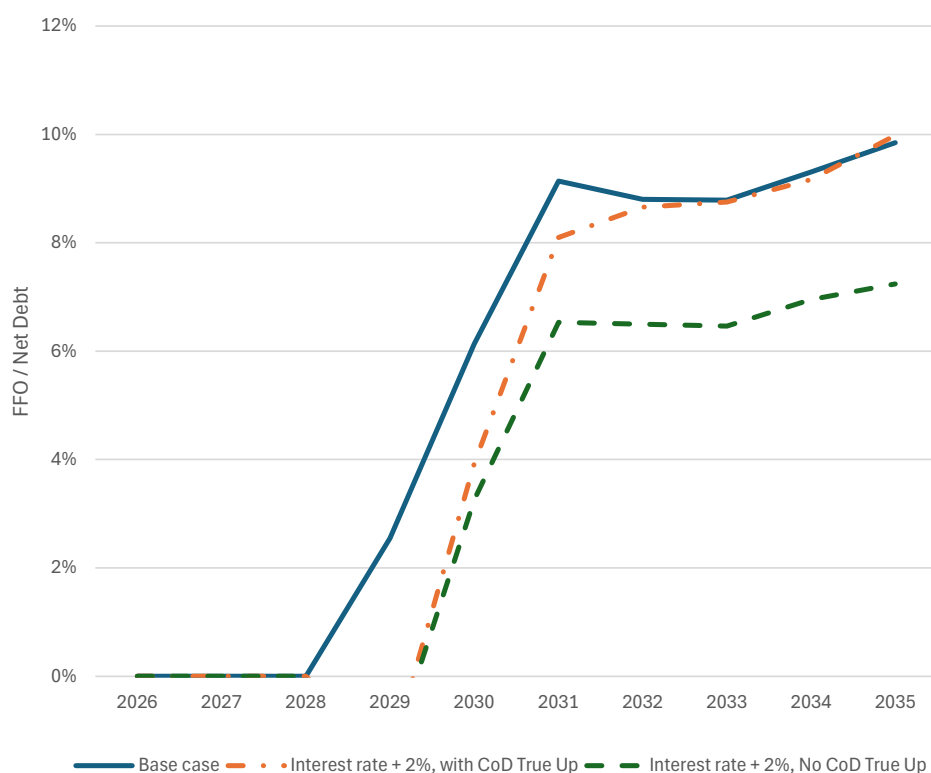
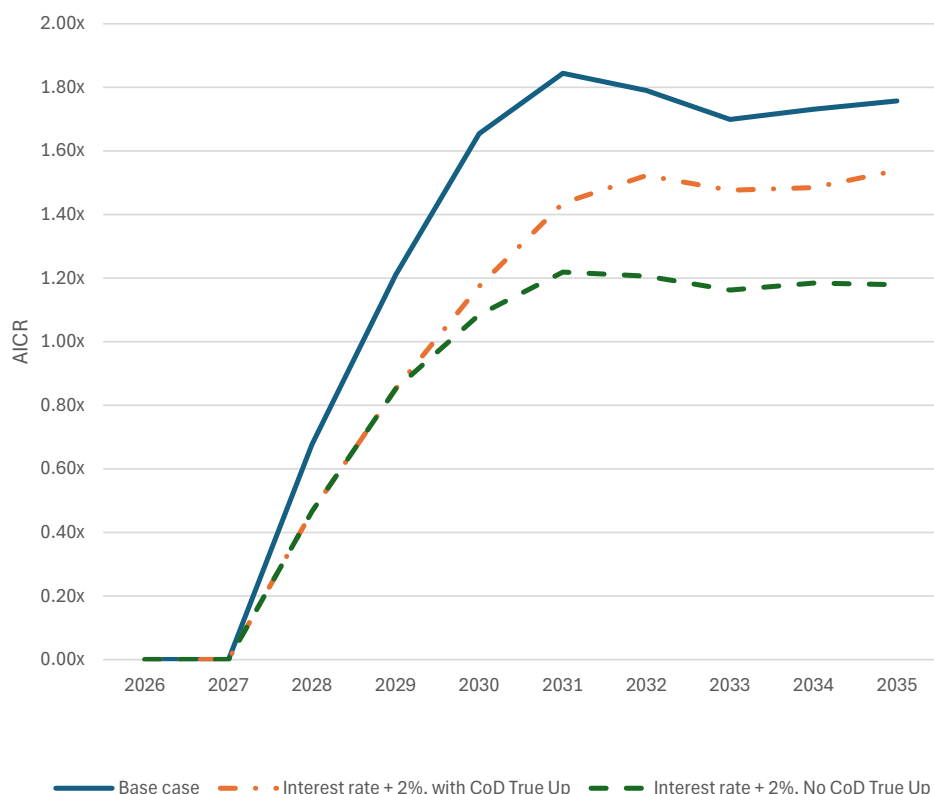


Figure 12: Expected Evolution of the AICR Under +200bps Increase in Interest Costs



This analysis shows that under a relatively extreme scenario in which all EirGrid's debt costs are at 200bps above the interest rate assumed in the Allowed Debt Rate of Return, the FFO / Net Debt ratio and AICR retain significant headroom, albeit reduced relative to the assumptions in base modelling. This helps to illustrate the significant benefit and support for financeability that the proposed Cost of Debt True-up mechanism provides.

Overall, the CRU considers that the risk of mismatch, until allowed rates of returns are reset by the CRU at the next price review, is sufficiently constrained that it does not cut across the financeability of the offshore programme. The proposed Cost of Debt True-up mechanism provides significant protection against the risk of interest rate volatility.

7.6.2 Phase 2 Schedule Incentive Development Period Penalty

Figure 13 and Figure 14 below show the impact on the FFO / Net Debt ratio and AICR in a scenario that EirGrid miss the milestone FID date under the proposed Phase 2 Schedule Incentive Development Period revenue incentive and the full penalty applies. These figures show that the revenue penalty under this incentive has a limited impact on the headroom in the offshore business' finances when modelled as an independent stress test scenario.

Figure 13: Expected Evolution of FFO / Net Debt Ratio Under Max Phase 2 Development Period Penalty

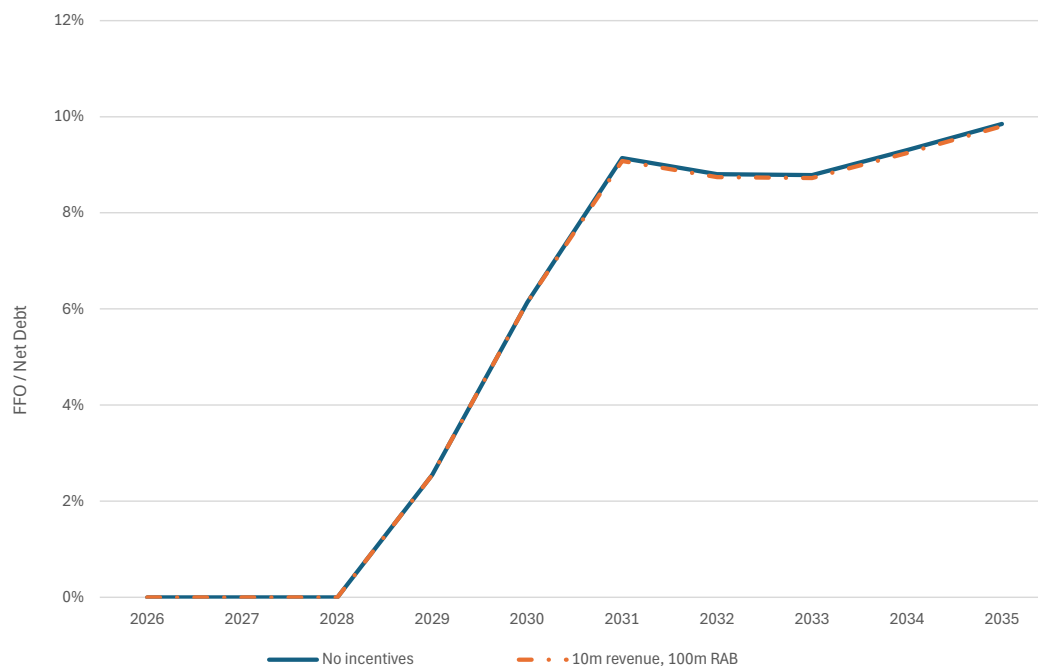
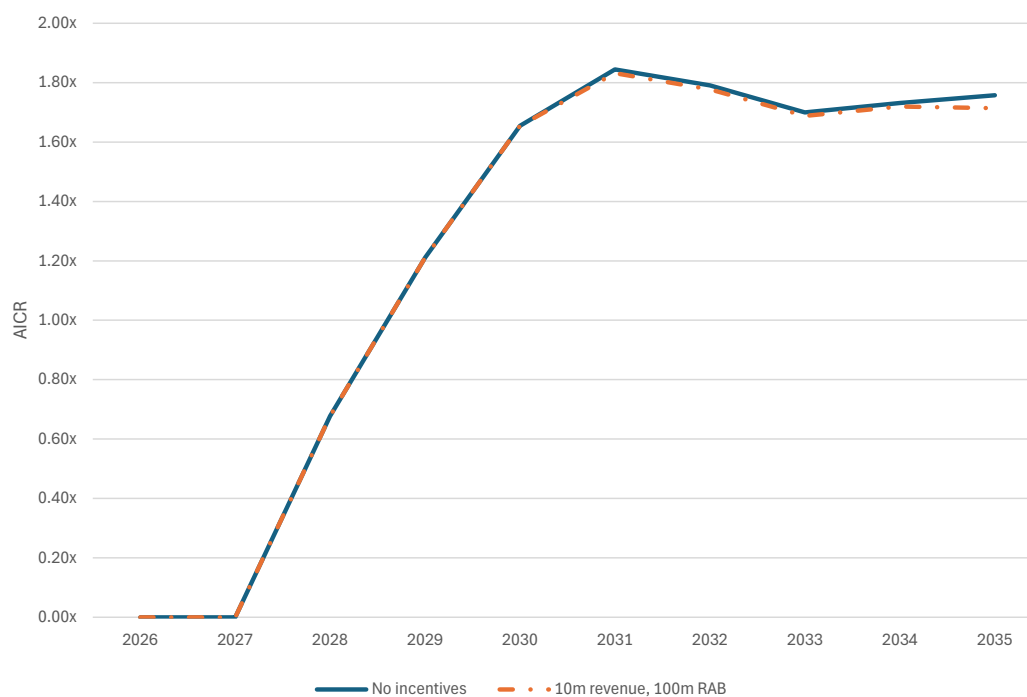


Figure 14: Expected Evolution of the AICR Ratio Under Max Phase 2 Development Period Penalty



7.6.3. Inflation Uncertainty

Figure 15 and Figure 16 below show the trend in the FFO / Net Debt ratio and the AICR under a 0.5% reduction and a 0.5% increase in inflation compared to the base modelling.

Figure 15: Expected Evolution of the FFO / Net Debt Ratio Under 0.5% Reduction / Increase in Inflation

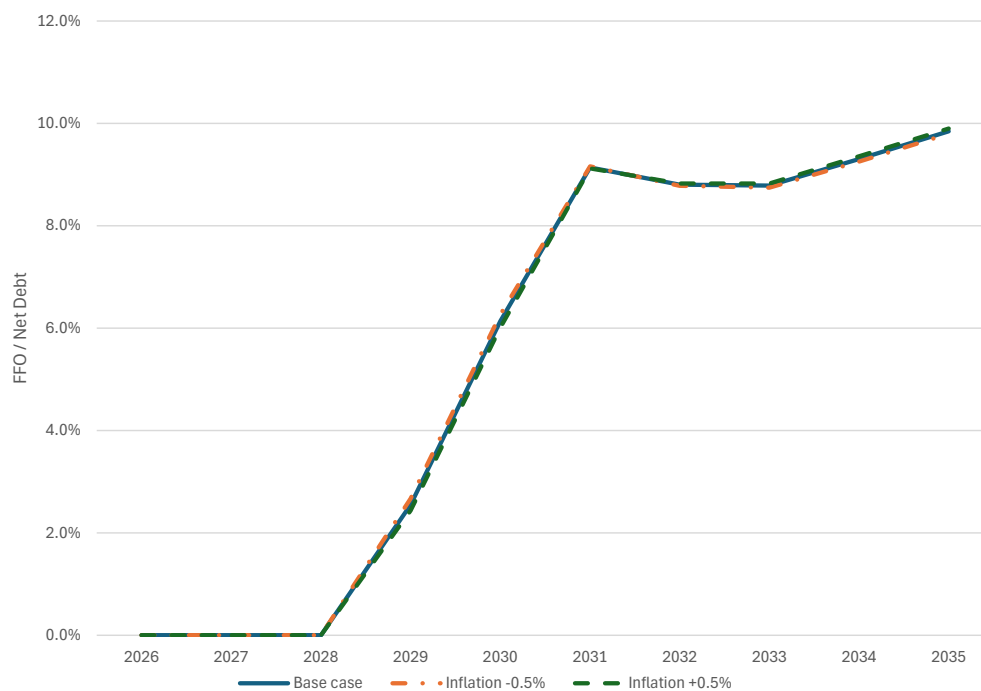
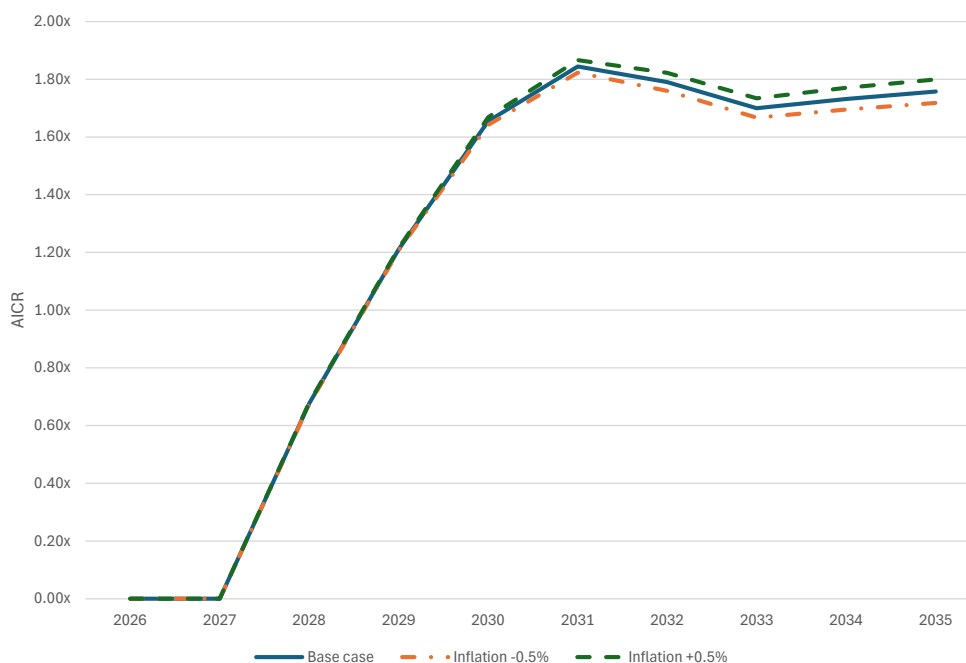


Figure 16: Expected Evolution of the AICR Under 0.5% Reduction / Increase in Inflation

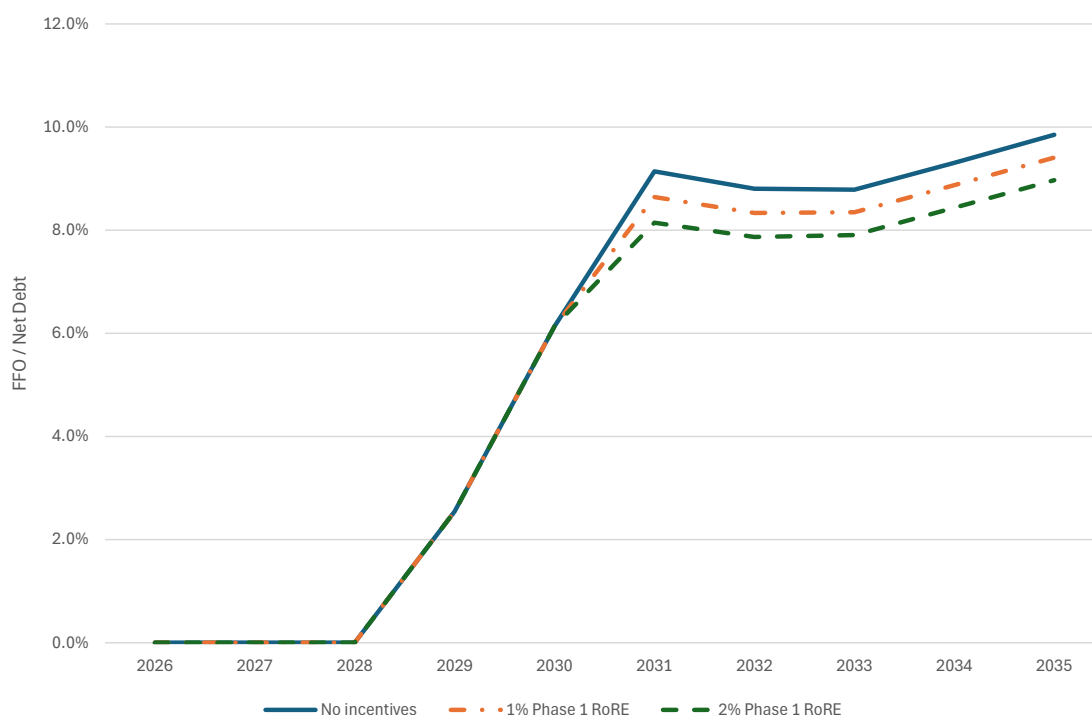


This analysis shows that a reduction in inflation has an impact on the financial headroom of the offshore business but does not result in a significant deterioration in the financial position of the offshore business. Conversely, an increase in inflation improves the financial headroom slightly.

7.6.4. Availability Incentive Penalties of 1% and 2% Phase 1 RoRE in PR7

Figure 17 and Figure 18 illustrate the impact on the FFO / Net Debt ratio and AICR in PR7 in a scenario where there is a 1% or 2% penalty to Phase 1 RoRE related to the availability incentive.

Figure 17: Expected Evolution of FFO / Net Debt Ratio Under 1-2% of Phase 1 RoRE Availability Incentive

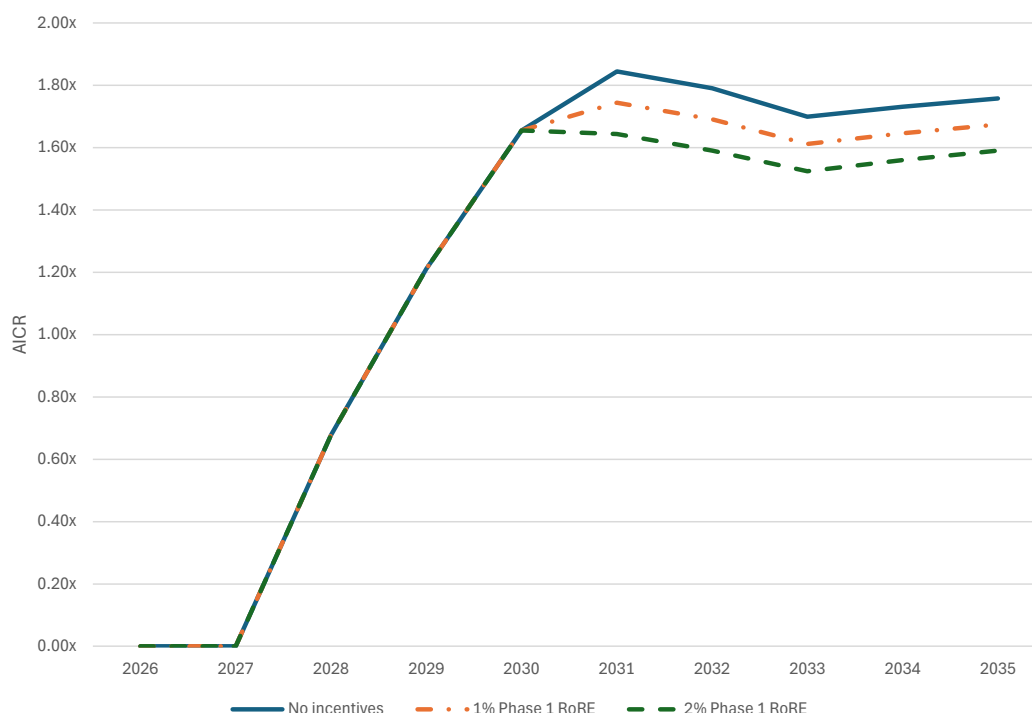


This analysis shows that an availability incentive structured to place 1-2% of RoRE in aggregate at risk under the incentive will reduce FFO / Net Debt ratio and the AICR.

However, in both sensitivities, which are intended to reflect scenarios where there are significant unavailability events across several or all of EirGrid's offshore grid assets (and these were considered to be a result of events that were within EirGrid's control to mitigate and manage) the ratios still reflect headroom within the company's finances.

In the case of a stronger (2% RoRE) penalty under an availability incentive, the FFO / Net Debt falls below 8% but the AICR remains above 1.50x.

Figure 18: Expected Evolution of the AICR Under 1%-2% of Phase 1 RoRE Availability Incentive



7.6.5. Delayed Phase 1 ATV Transfers

Figure 19 and Figure 20 illustrate the impact on the FFO / Net Debt ratio and AICR in PR6 and PR7 in a less optimistic scenario of Phase 1 ATV transfers than assumed in the modelling above. Examples of six, one or zero transfers in PR6 are presented. In cases where Phase 1 projects are delayed compared to the scenario where 6 transfers occur during PR6, the delay has been set to 18 months and adjustments have been made to the profile of equity injected into the company and the timing of debt raised. Assumptions of equity and debt timing materially affect ratios and so these plots are purely illustrative of likely trends.

As would be expected, delay of the Phase 1 transfers delays the transition to a more steady state asset owner, with moves to a sustainable long-term position delayed.

Figure 19: Expected Evolution of FFO / Net Debt Under Six, One or Zero Phase 1 ATV Transfers in PR6

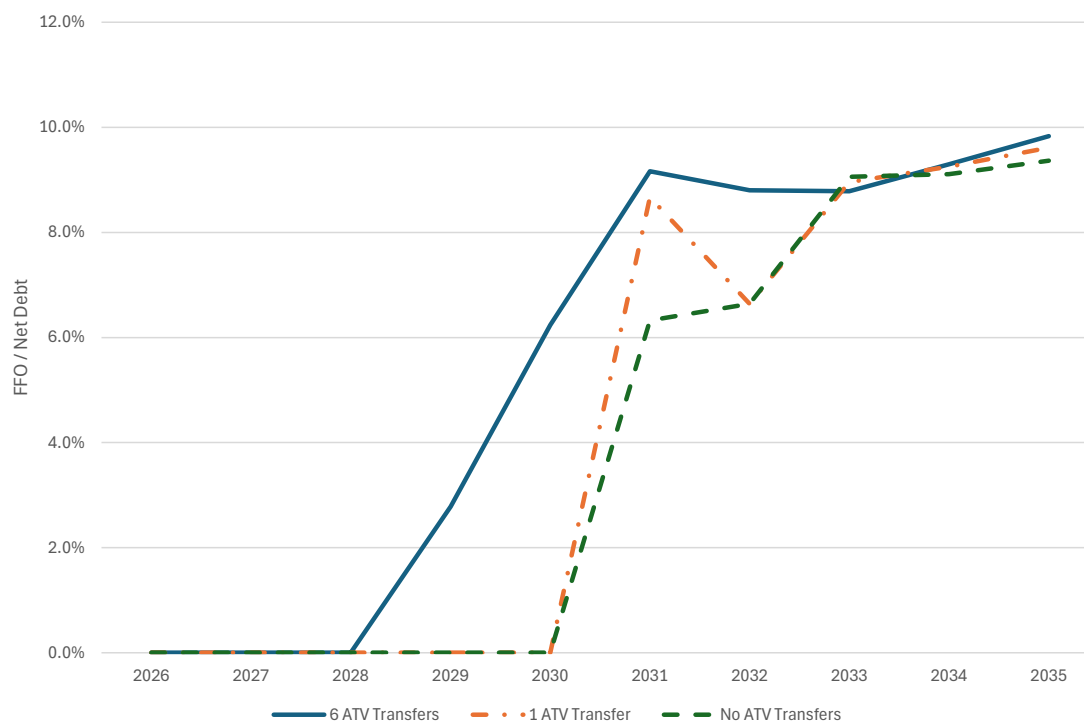
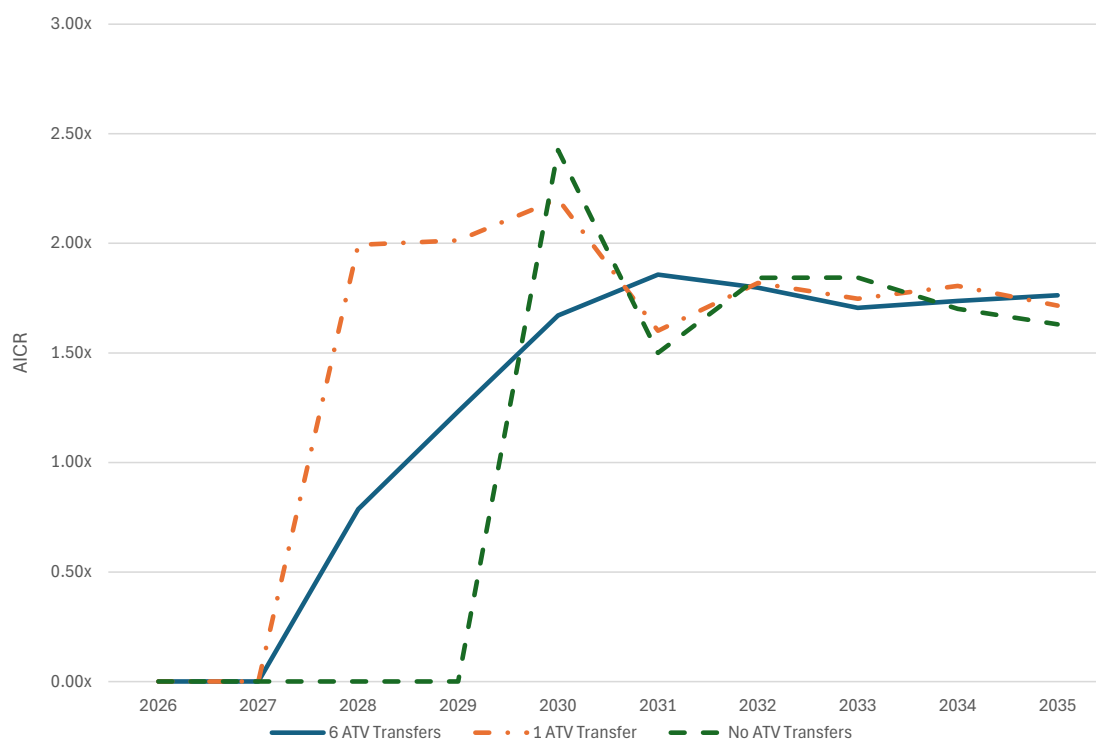


Figure 20: Expected Evolution of the AICR Under Six, One or Zero Phase 1 ATV Transfers in PR6



7.6.6. Unanticipated Delay of Phase 1 and Phase 2

Figure 21 and Figure 22 illustrate the impact on the FFO / Net Debt ratio and AICR in PR6 and PR7 for a situation where EirGrid raises finance for ATV transfers but there is then an unanticipated two-year delay to all of the ATV Transfers and for the Phase 2 capital expenditure. The same parameters are also included for the base case delivery of Phases 1 and Phase 2, and for an alternative where there was no support for interest payments either via a Liquidity Building Block or Cost of Debt True-Up.

Figure 21: Expected Evolution of FFO / Net Debt with an Unanticipated Delay to Phases 1 and 2

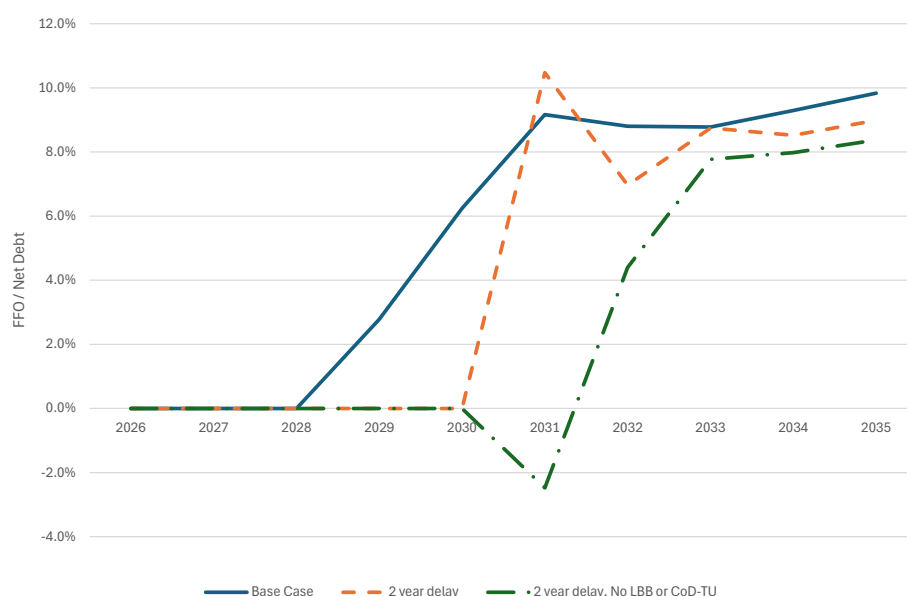
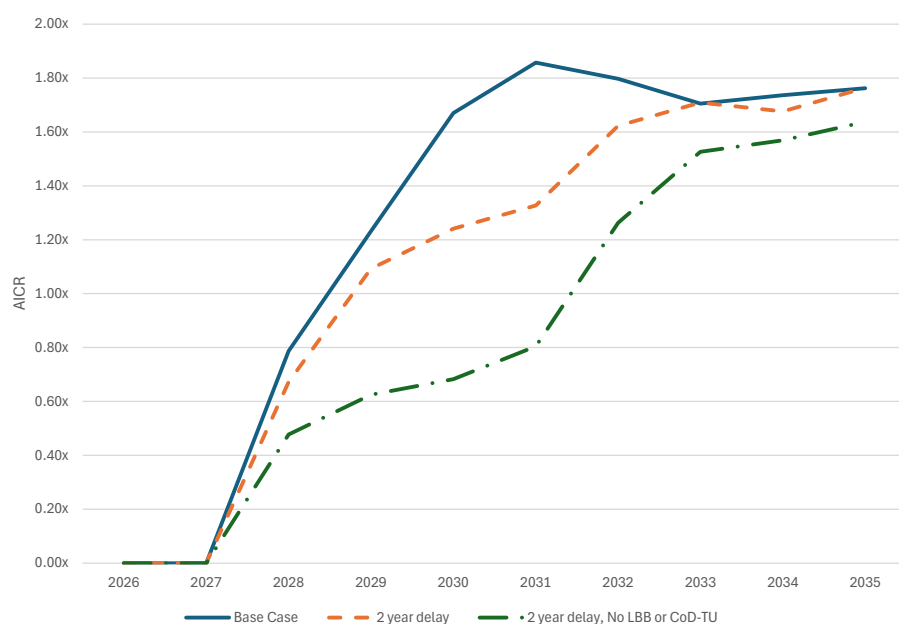


Figure 22: Expected Evolution of the AICR with an Unanticipated Delay to Phases 1 and 2

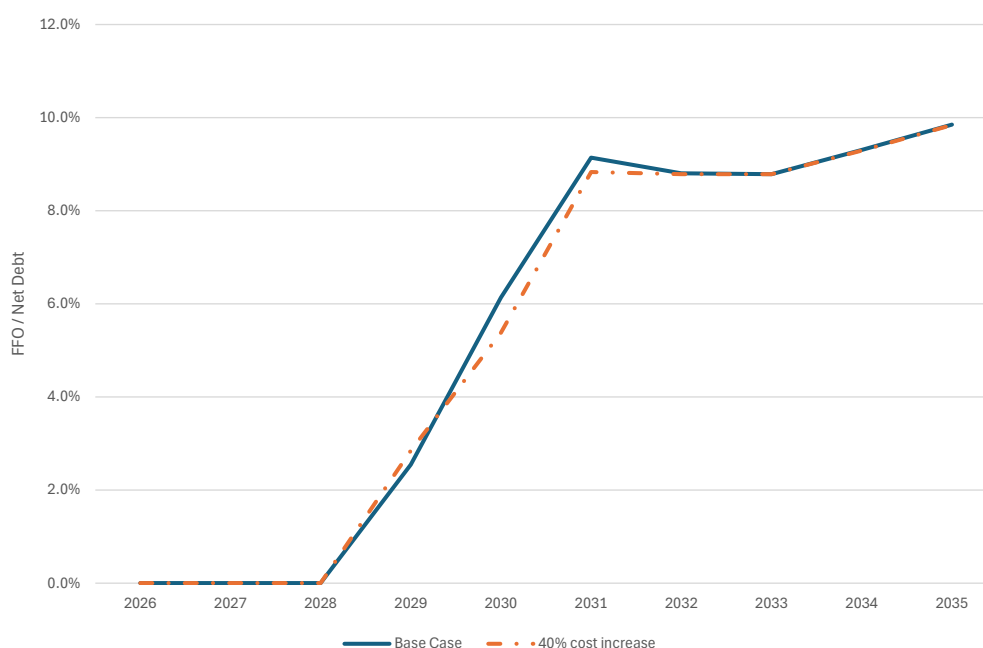


In the absence of the Liquidity Building Block EirGrid would be exposed to the interest costs arising with no returns from an increased asset base. FFO / Net Debt is negative in 2031 (i.e. EirGrid's debt would exceed its cash and its free cashflow would be negative) and AICR would be below 1.0 from 2028 to 2031 (i.e. it would have insufficient cashflow to cover its interest costs). With the Liquidity Building Block and Cost of Debt True-up in place the AICR is greater than 1.0 in all years except 2028 (where the AICR is less than 1.0 for both the base case and the stress test), and FFO / Net Debt is much closer to the base case in other years. While these metrics are stressed relative to the base case, it demonstrates the value that the mechanisms that are in place will have to protect the financeability of the programme in this extreme delay scenario.

7.6.7. Cost Increase of Phase 1 and Phase 2

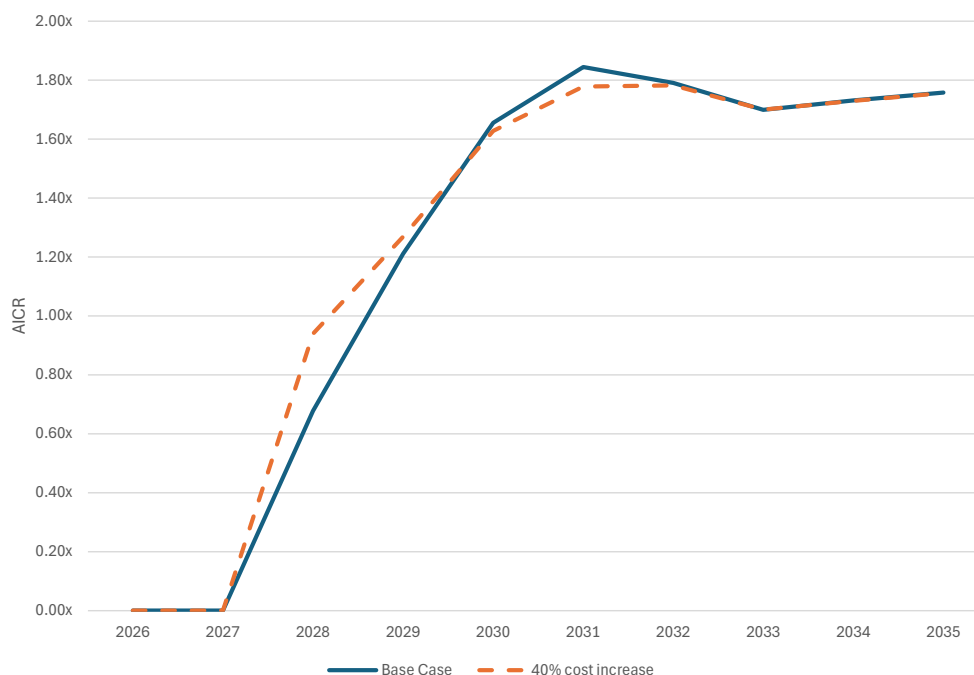
Figure 23 and Figure 24 illustrate the impact on the FFO / Net Debt ratio and AICR in PR6 and PR7 in a scenario where the costs of both Phase 1 and Phase 2 increase by 40%, with the increase in capital expenditure financed via a €175m increase in equity and €1,575m increase in debt relative to the base case⁷². Allowed costs increase in line with the increase in costs (i.e. cost increase is efficient and is added to the RAB).

Figure 23: Expected Evolution of FFO / Net Debt with 40% Increase in Phase 1 and Phase 2 Costs



⁷² This is EirGrid's assumption in scenarios for cost increases of this scale within their submitted financial model.

Figure 24: Expected Evolution of the AICR with 40% Increase in Phase 1 and Phase 2 Costs



Both FFO / Net Debt and AICR are comparable to the base case for this stress test. The increased efficient capital expenditure significantly increases allowed revenues, which compensates for the increased financing costs.

7.6.8. Combined Downside

Figure 25 and Figure 26 illustrate the impact on the FFO / Net Debt ratio and AICR in PR6 and PR7 of a combined downside scenario where:

- Costs of both Phase 1 and Phase 2 increase by 40%;
- Both Phase 1 and Phase 2 suffer unanticipated delays of 2 years; and
- EirGrid receives the maximum development penalty from the development period schedule in PR7 and a €100m RAB penalty in 2035.

As for the standalone test of a 40% increase in costs, the increase in capital expenditure financed via a €175m increase in equity and a €1,575m increase in debt relative to the base case and all cost increases are allowed on the basis that considered efficient.

Figure 25: Expected Evolution of FFO / Net Debt Under Combined Downside Scenario

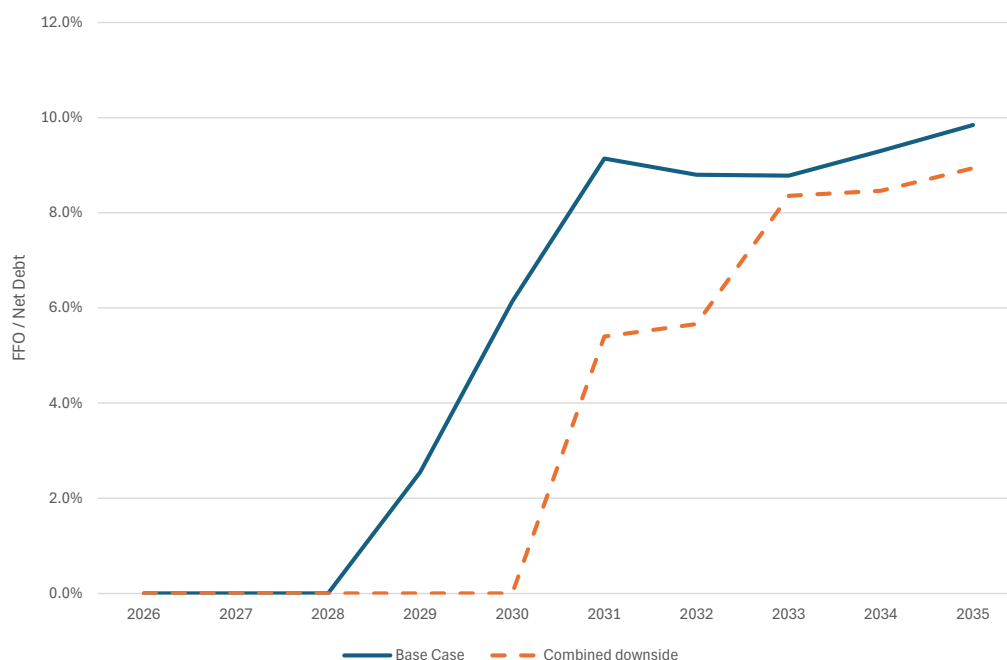
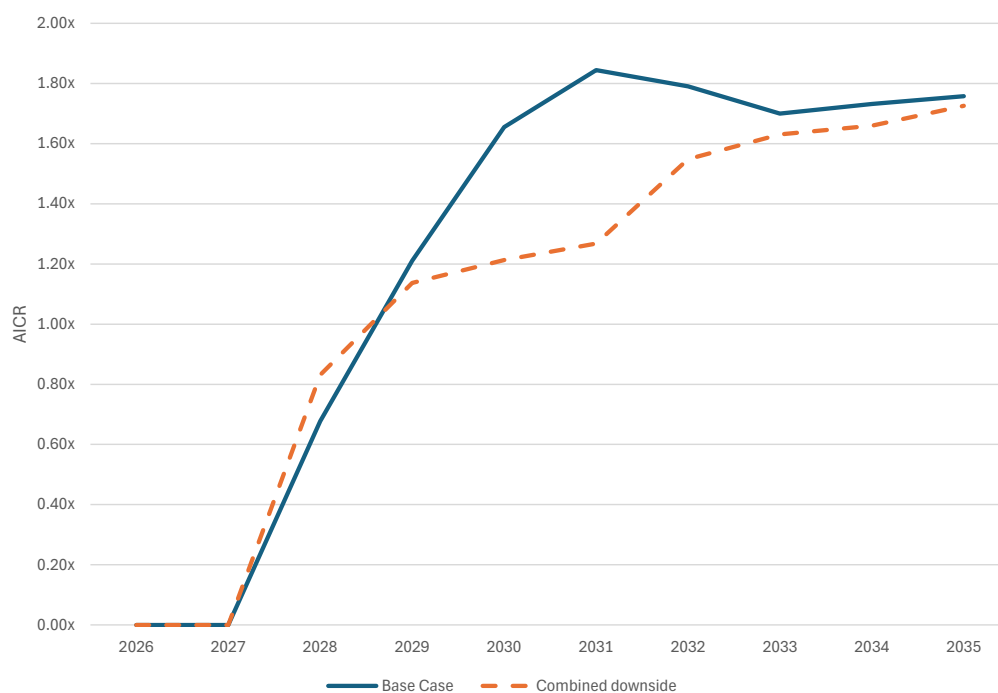


Figure 26: Expected Evolution of the AICR Under Combined Downside Scenario



The combined downside scenario puts both FFO / Net Debt and AICR under pressure for an extended period. However, by 2033 both metrics recover to close to their base case positions. AICR remains greater than 1.0 in all years except 2028 (where the AICR is less than 1.0 for both the base case and the stress test), but in contrast to other stress tests it does not recover to more

comfortable levels until late in PR7. Similarly, FFO / Net Debt does not recover until later in PR7. Nevertheless, even in this fairly extreme case where debt is raised three years in advance of need, costs are high and EirGrid is subject to high penalties, it is capable of covering its interest payments. This would allow sufficient time for equity to be raised or costs or issue with the capital programme to be addressed.

Overall Conclusions on Financeability

The analysis above shows that the OAO remains financially resilient and able to maintain a level of headroom under both the notional and target/actual capital structure. While the ratios considered start from a relatively weak position in PR6, they show a strong upward trend going into PR7. Given it would be expected that the FFO / Net Debt ratio and AICR would show some weakness as the offshore business is established and goes through a period of high-upfront investment, the CRU considers the long-term trend indicates that the financial package proposed will generate sufficient headroom for the notional and actual company to be financeable.

The CRU has put in a place a supportive regulatory framework for offshore including risk mitigations for costs – reopeners and gateways – and limited downside incentives during PR6 and PR7. The Exceptional Events mechanism in this final decision provides a supportive mechanism in the event of an asset failure event that was outside of EirGrid's reasonable control. The Liquidity Building Block and Cost of Debt True-up mechanism provide support for EirGrid's cost of carrying prefunding and protections from changes in debt costs between financial decisions and actual debt raising. Alongside the trend in key credit ratios, these key features of the offshore framework support financeability of the revenue control.

Notwithstanding the above, the CRU notes the unprecedented scale of the offshore investment and financing programme that EirGrid are expected to need to undertake over the period of PR6 and PR7, and the inherent risks in the delivery of this scale of investment programme. The CRU has a legal duty under the Electricity Regulation Act (1999) to have regard to the need to ensure that license holders are capable of financing the activities which they are licensed to undertake. Consistent with its guidance in CRU202029⁷³ and in CRU202499⁷⁴, the focus of the CRU's offshore financeability assessment (as set out above) is on the notional entity in order that the CRU can retain the incentive for the regulated utility to finance itself efficiently.

⁷³ [CRU20029-Cost-of-Capital-CRU-Approach-Information-Paper.pdf](#)

⁷⁴ [CRU202499 Offshore Revenue Model for EirGrid Decision Paper.pdf](#)

However, in the event the actual company does not appear financeable, and the company can provide evidence that clearly demonstrates a real issue, the CRU will consider the effects and examine alternative approaches to achieve necessary cashflow levels, as real financeability issues for the company can lead to negative outcomes for customers.

Please refer to the Financeability section of the CRU's PR6 Final Determination Transmission paper (CRU2025195) for how the CRU envisages it would approach any such financeability reassessment, including in EirGrid's offshore revenue control, should it be requested to do so by a network company. The CRU considers the likelihood for the need for such a reassessment to be low in light of the regulatory framework the CRU has put in place (as discussed above) in support of EirGrid's financing of its offshore programme in PR6 and PR7.

7.7 D-TUoS Tariff Treatment

The Offshore Grid Connection Asset Treatment Decision CRU202309 outlined the main tariffing decisions made in respect of EirGrid's offshore programme. That decision paper outlined that there will be a new offshore D-TUoS, which will be paid for by the consumer.

A charging methodology is needed for EirGrid as the OAO, as this will lead to a change in the tariff structure for D-TUoS.

The offshore D-TUoS charge will cover EirGrid's:

- Operational & maintenance costs (including decommissioning & re-instatement costs).
- Costs for its connection assets.
- Compensation for outages of transmission connection assets owned by EirGrid.
- The remainder of EirGrid's annual offshore revenue requirement that is not covered by OG-TUoS goes into demand tariffs.

Developing a new offshore tariff may require up to two years to be completed, hence, in the interim the current recovery approach will continue to apply i.e. through System Service charges.

8. Conclusion and Next Steps

This paper, together with the supporting documents published alongside, outlines the CRU's Final Determination on the offshore revenue base provided on the set of assumptions as outlined in this document.

The CRU has decided to allow baseline expenditure of *circa* €833.9m for the five-year period. The detailed decisions behind these expenditure allowances are detailed in the sections above. However, this number has the potential to change, given the uncertainty around items such as the timings of Phase 1 asset transfers to EirGrid and the costs of other components of the offshore programme, as detailed in earlier sections.

For investment gateways and incentives, the CRU will further develop the requirements and decisions within the PR6 period, including below items:

- Update the Investment Gateways Procedures Manual, including requirements for opex gateways in Q1 2026
- Define milestones for the schedule incentive in Development period in Q1 2026
- Define Phase 1 incentive and its balanced scorecard in 2026
- Define the Availability incentive, its targets, and methodology for target setting within PR6 period, closer to the first Phase 1 asset transfer

The CRU will also establish a separate D-TUoS charge and charging methodology to be created for the offshore tariff, which will take minimum two years with a public consultation.

Appendix 1 - PR6 Capex

Capex Final Determination

Table 28: OAO PR6 Capex Final Determination - Baseline⁷⁵

Categories (€m)	2026	2027	2028	2029	2030	Final Determination
Network Capital Expenditure	35.9	45.9	19.5	134.3	127.4	363.0
Phase 1 Asset Transfers	-	-	-	-	-	-
Phase 1 Asset Transfers - Stamp Duty	-	-	-	-	-	-
Phase 2 Tonn Nua Programme	35.9	45.9	19.5	134.3	127.4	363.0
Non-Network Capital Expenditure	3.8	15.9	18.9	18.3	11.8	68.7
IT Systems	0.2	0.2	0.3	0.6	0.6	1.9
OARP People & Professional Services	0.7	1.6	7.8	6.2	1.0	17.3
Buildings and Facilities	2.9	5.3	2.0	1.3	-	11.5
Capital Spares	-	8.8	8.8	10.2	10.2	38.0
Total Capex (Incl. Phase 1 ATV)	39.7	61.8	38.4	512.7	139.2	791.8
Total Capex (Excl. Phase 1 ATV)	39.7	61.8	38.4	152.6	139.2	431.7

⁷⁵ Note that as discussed in Section 4, the CRU is not approving Phase 1 Asset Transfer Network Capital Expenditure, as the ATV payments will be reviewed and approved under a separate process as set out CRU202309 – ‘[Offshore Grid Connection Asset Treatment](#)’.

Appendix 2 - PR6 Opex

Opex Final Determination

Table 29: OAO PR6 Opex Final Determination – Baseline

Categories (€m)	2026	2027	2028	2029	2030	Final Determination
IT Systems Total	7.5	11.3	18.8	24.2	24.2	86.0
IT Software Licenses	7.5	11.3	18.8	24.2	24.2	86.0
OARP Total	37.4	46.1	37.7	30.7	23.1	175.0
Internal FTE	4.4	5.0	4.5	3.7	1.8	19.4
External FTE	14.5	16.7	12.9	7.6	0.8	52.5
Professional Fees	18.5	24.4	20.3	19.4	20.5	103.1
Buildings and Facilities Total	0.5	0.5	0.6	0.6	0.6	2.7
Warehouse Leasing	0.2	0.2	0.3	0.3	0.3	1.3
Office Space and Disaster Recovery Site Rental	0.3	0.3	0.3	0.3	0.3	1.4
Pre-Operations Total	2.4	4.6	13.5	11.3	6.8	38.6
Internal FTE	0.5	0.9	2.5	2.1	1.3	7.3
External FTE	1.3	2.6	7.8	6.5	3.9	22.1
Professional Fees	0.6	1.1	3.2	2.7	1.6	9.2
Offshore Central Functions Total	9.1	10.2	10.8	13.1	15.6	58.8
Internal FTE	4.2	5.0	5.7	6.4	7.3	28.6
External FTE	2.5	3.3	3.7	5.3	6.9	21.7
Professional Fees	2.4	1.9	1.4	1.4	1.4	8.5
Enduring Operations and Maintenance Total	-	-	3.0	11.1	12.9	27.0
Internal FTE	-	-	0.8	1.3	1.7	3.8
External FTE	-	-	2.2	4.0	5.4	11.6
Insurance	-	-	-	0.7	0.7	1.4

Operations and Maintenance Activities	-	-	-	5.1	5.1	10.2
Total Opex (Incl. Frontier Shift)	57.8	74.6	87.3	95.0	87.6	402.2
Total Opex (Excl. Frontier Shift)	56.9	72.7	84.4	91.0	83.2	388.1

Appendix 3 – Offshore WACC

Table 30: Offshore Cost of Capital Ranges

Real, Pre-Tax WACC	Offshore Cost of Capital	
	Developer-Led (Phase 1) Investment	EirGrid (OAO) Led Investment
Cost of Debt	2.27% - 2.87%	2.27% - 2.87%
RfR	0.75%	0.75%
TMR	6.40% – 6.80%	6.40% – 6.80%
EMRP	5.65% - 6.05%	5.65% - 6.05%
Asset beta	0.31	0.34
Equity beta	0.78	0.85
Cost of Equity (Post-Tax)	5.13% – 5.44%	5.55% – 5.89%
Tax	15.00%	15.00%
Cost of Equity (Pre-Tax)	6.03% - 6.40%	6.53% - 6.93%
Cost of Equity (Pre-Tax) Uplift	-	1.00%
Cost of Equity (Pre-Tax)	6.03% - 6.40%	7.53% - 7.93%
Notional Gearing	60%	60%
WACC (Pre-Tax)	3.78% - 4.28%	4.37% – 4.89%
Inflation Expectations Adjustment (IEA) ⁷⁶	0.40%	0.40%
WACC (Pre-Tax) After IEA	4.18% - 4.68%	4.77% – 5.29%
67th Percentile of WACC Range	4.51%	5.12%

⁷⁶ Note that in calculating the Allowed Debt Rate of Return this adjustment is not required as a nominal cost of debt is estimated directly from the benchmark data.

Appendix 4 – Liquidity Building Block, Debt True-up & RAB

A.4.1. Introduction

This appendix sets out how the CRU intends the Liquidity Building Block, Cost of Debt True-up and RAB return will be calculated to form building blocks of EirGrid's offshore allowed revenue.

The objective of the Liquidity Building Block is to compensate for the cost of carrying prefunding, supporting financing for Phase 1 ATVs and Phase 2 capital expenditure. It is particularly important for financing of Phase 1 as EirGrid must raise funds before ATV payments are expected to be made with limited revenue to cover debt costs. The objective of the Cost of Debt True Up is to protect EirGrid from differences between actual and forecast debt and interest during the upfront financing phase of the offshore grid programme.

The specific characteristics of the offshore investment programme, particularly the timings of Phase 1 ATV payments, also require several specific adjustments to how the CRU typically calculates the RAB and RAB returns in its revenue controls.

It is the CRU's intention that the framework for determining these building blocks will be as set out below. Given that PR6 will be the first price review where these policies will take effect for the first time, the CRU intends to keep them under review and as required, adapt the approach in agreement with EirGrid should the circumstances require the CRU to do so. Any such changes would be consistent with the objectives set out below.

A.4.2. Objectives of the Liquidity Building Block and Cost of Debt True-up

The objective of the Liquidity Building Block and Cost of Debt True-up mechanism is to allow EirGrid to recover its actual interest expense on a debt balance consistent with EirGrid pre-funding up to a gearing cap calculated on a Net Debt / RAB basis.

Debt and prefunding deemed to exceed a gearing cap will not be remunerated in the Liquidity Building Block and Cost of Debt True-up. Therefore, allowed interest expense recovery will be capped at the target Net Debt / RAB gearing cap level.

The gearing cap is set at 65% on a Net Debt / RAB basis for each year t . This cap provides a deadband for gearing to rise above the 60% notional gearing level. This is to reflect that EirGrid's quantum of debt and leverage could be affected by several uncertain factors at the time when financing decisions are made. The net debt gearing cap of 65% – or 5% deadband above the 60% notional gearing level – is intended to provide EirGrid will some flexibility in the level of debt for

prefunding that it is eligible for cost recovery during the build-up of RAB, which is especially important for the Phase 1 RAB where the timing, quantum and sources of financing for the offshore business are particularly uncertain.

Gearing will be assessed against a single-year forecast of Net Debt/ RAB. Because gearing will be assessed on a Net Debt / RAB basis, EirGrid will be able to use available cash balances to comply with the cap and able to recover the cost of debt on its gross debt balance provided that (i) its Net Debt / RAB gearing does not exceed the 65% cap and (ii) the proposed prefunding (cash) balance is deemed to be reasonable by the CRU at the time of year t-1 (see A.9 below). In considering whether the proposed prefunding cash balance is reasonable, CRU will assess (a) the uncertainty of the cashflows to which EirGrid is exposed and (b) the sufficiency of existing resources to fund EirGrid's commitments. In the event that CRU considers that the proposed prefunding cash balance is materially unreasonable, CRU will increase Disallowable Debt by the amount of any excess cash balance.

The intention of defining the gearing cap on this basis, is that if EirGrid funds asset acquisition with a larger share of debt, this will, over time, be evident in the net gearing ratio because the higher debt will not be counterbalanced by higher cash. On the other hand, if higher gross debt reflects legitimate pre-funding, net leverage will not be affected.

The Net Debt / RAB gearing cap has been put in place to protect consumers interests, to cap the level of debt costs that the consumer is required to underwrite absent of further equity contribution to the offshore programme from EirGrid's Shareholder. The CRU expects EirGrid to finance its offshore activities and comply with the Liquidity Building Block framework in good faith, in recognition of the CRU's objective in including a Net Debt / RAB gearing cap in the mechanism.

A.4.3. Steps in the Liquidity Building Block, and Debt True-Up Mechanism

Ex-ante Liquidity Building Block and Allowed RAB returns

In April of year t-1, EirGrid will provide a forecast of average RAB, average gross debt, average net debt, gross interest expense and cost of liquidity facilities for year t.

For year t, the following defined items will form the inputs to the Liquidity Building Block and allowed RAB return calculations:

- Forecast average RAB, average notional equity, average net debt and gross debt will be calculated as set out in A.4. below
- Forecast Disallowed Debt is forecast average net debt – 65% * average RAB, if positive.
- Notional Debt Capacity Above Actual is 60% * average RAB – forecast average gross debt, if positive

- Pre-Funding Eligible for LBB is forecast average gross debt – Disallowed Debt – 60% * average RAB, if positive
- Forecast Cost of Actual Debt up to Notional = [lesser of average net debt or (60% * forecast average RAB)] / forecast average gross debt * forecast gross interest expense
- Forecast Cost of Notional Debt Capacity Above Actual = Notional Debt Capacity Above Actual * Allowed Debt Rate of Return
- *Ex-ante* Liquidity Building Block = Pre-funding Eligible for LBB / forecast average gross debt * forecast gross interest expense
- *Ex-ante* Return on Liquidity Building Block Cash = Pre-Funding Eligible for LBB * (3-month Euribor – LBB Cash Rate Adjustment, as determined by the CRU)
- *Ex-ante* Cost of Debt Allowance is Forecast Cost of Actual Debt up to Notional + Forecast Cost of Notional Debt Capacity Above Actual + *Ex-ante* Liquidity Building Block + *Ex-ante* Forecast Cost of Liquidity Facilities – *Ex ante* Return on Liquidity Building Block Cash
- *Ex-ante* Cost of Equity Allowance is forecast average notional equity * the relevant Final Determination Allowed Equity Rate of Return.

***Ex-post* Cost of Debt True-up**

At the end of year t, the Cost of Debt Allowance and Cost of Equity Allowance are recalculated by substituting actual for forecast figures in the calculations above⁷⁷. The adjustment to allowed revenue will take effect on a year t+2 basis including an adjustment for the Time Value of Money.

Allowed Rates of Return

The allowed rates of return that will be used in the *Ex-ante* Liquidity Building Block and *Ex-post* Cost of Debt True-up are set out in the table below.

Rate	Value	Notes
Allowed Debt Rate of Return	4.41%	To be updated for each year t calculation ⁷⁸
3-month Euribor	2.00%	To be updated for each year t calculation ⁷⁹
Liquidity Building Block Cash Rate Adjustment	[TBC]	See below. Expected rate is 0.15%

⁷⁷ This calculation of *Ex post* Cost of Debt and Cost of Equity Allowances will require calculation of *Ex post* amounts for the Liquidity Building Block and Return on Liquidity Building Block Cash based on actual, rather than forecast, parameters for all components of the calculations described in Section A3

⁷⁸ The CRU proposes to update the Allowed Debt Rate of Return on an annual basis to reflect the 3 month average of the A/BBB iBoxx at the time of EirGrid's Liquidity Building Block and *Ex-post* Cost of Debt True-up submission to the CRU.

⁷⁹ Rate will be sourced from a published and transparent data source for 3-month Euribor.

Phase 1 ⁸⁰ Allowed Equity Rate of Return	6.68%	Fixed as part of PR6 Final Determination
Phase 2 ⁸¹ Allowed Equity Rate of Return	8.20%	Fixed as part of PR6 Final Determination
Time Value of Money	[TBC]	See below.

The CRU has decided to update the Allowed Debt Rate of Return on an annual basis so it reflects a more up to date market rate of the cost of debt that EirGrid may face, and for consistency with 3-month Euribor which will update over time and could, therefore, in principle exceed the Allowed Debt Rate of Return if not also updated over time.

A.4.4. Basis of RAB Calculation and Returns

EirGrid's RAB will be increasing rapidly in PR6. Consistent with the approach that is set out in A.3. above, the CRU will apply a forward-looking RAB – updated each year of the offshore revenue control – to reflect expected investment for the forthcoming year t . This approach will help support EirGrid's cashflows during the growth phase of the offshore business.

Under this approach, EirGrid's offshore RAB and allowed returns (return on and of capital) will be updated to reflect EirGrid's forecast offshore RAB additions for the forthcoming price review year t . The CRU proposes that the timing of these updates will form part of the annual allowed revenue and tariff approval process that takes place currently in Q2/Q3 of each revenue control year.

During the upfront period of offshore RAB growth from EirGrid's investment in Phase 1 developer led assets (ATV payments), the CRU will calculate the forecast RAB for year t – and any subsequent update based on forecast outturn information after year t – using the average opening and closing values of the RAB for each quarter in year t . This is to reflect the lumpiness of ATV payments that could occur at any particular time across the year.

As the CRU has decided to set the Allowed Debt Rate of Return on a nominal basis and the Allowed Equity Rates of Return on a real basis, the offshore RAB is also separated for return calculation purposes into a debt RAB and an equity RAB, with additions to the debt and equity RABs defined by the level of notional gearing, i.e., 60% and 40% for debt and equity, respectively. Average forecast notional equity and debt are the average forecast equity and debt RABs, respectively. The equity RAB is further split into a Phase 1 – developer-led investment – RAB and an EirGrid (OAO) led investment RAB, on which EirGrid is allowed to receive the Allowed Equity Rate of Return for developer-led and EirGrid (OAO) led investment. The equity RAB will be subject to indexation to Irish HICP, while the debt RAB is not subject to indexation.

⁸⁰ Developed-led (Phase 1 ATV payment) investment Allowed Equity Rate of Return.

⁸¹ Offshore Asset Owner (EirGrid-led investment) Allowed Equity Rate of Return.

Average gross debt will be calculated using the average opening and closing values of gross debt for each quarter in year t. Average cash balance will be calculated using the average opening and closing cash balance for each quarter in year t and the average net debt will be calculated as the average gross debt less the average cash balance.

The *Ex-ante* Forecast Cost of Liquidity Facilities will be based on EirGrid's forecast cost of liquidity facilities for year t. CRU expects EirGrid to evidence that such costs are consistent with EirGrid's financing plans and the risks of such facilities being required to finance its activities during year t. Subject to provision of appropriate evidence that EirGrid's forecast cost of liquidity facilities for year t are reasonable, the Forecast Cost of Liquidity Facilities will equal EirGrid's forecast cost of liquidity facilities for year t. CRU may – at its discretion – disallow some or all of EirGrid's forecast cost of liquidity facilities should CRU consider them not reasonable.

A.4.5. CRU Publication of RAB

The CRU recognises that it has an important role in providing assurance to EirGrid, its lenders and the credit rating agencies, that it is raising debt that will be appropriately recompensed and how key financial components of the price review are changing overtime.

The CRU intends to implement publication of key financial information on an annual basis, in particular the RAB, as part of the process of agreeing the Liquidity Building Block and undertaking the *Ex-post* Cost of Debt True-up as set out above.

A.4.6. Return on Liquidity Building Block Cash

EirGrid has proposed that the cash return on pre-funding eligible for Liquidity Building Block – which will reduce EirGrid's allowed returns – be set with reference to 3-month Euribor with a deduction of 15 basis points – the Liquidity Building Block Cash Rate Adjustment. The CRU is minded to accept EirGrid's proposal for the Liquidity Building Block Cash Rate Adjustment.

However, the CRU requires EirGrid as part of its submission for the Liquidity Building Block to provide assurance – e.g., a letter from its bank or a financial advisor – that the Euribor reference rate and Liquidity Building Block Cash Rate Adjustment provides a fair rate of the return that EirGrid can expect to receive on cash balances that will exist from prefunding of its offshore investment programme.

A.4.7. Liquidity Facilities and Debt Fees

EirGrid will be permitted to recover the cost of liquidity facilities that it is required to maintain to provide appropriate liquidity to its offshore activities, including commitment fees and interest expense if and when facilities are drawn. This will be included in allowable debt costs that are reflected in the *Ex-ante* Liquidity Building Block and *Ex-post* Cost of Debt True-up.

The CRU has included an allowance for debt issuance costs and fees in its Allowed Debt Rate of Return. EirGrid is expected to include these costs in its forecast and outturn debt costs which are recovered through the *Ex-ante* Liquidity Building Block and *Ex-post* Cost of Debt True-up mechanism so that the allowance is trued-up to reflect actual costs incurred.

A.4.8. Accounting and Reporting Requirements

The *Ex-ante* Liquidity Building Block and *Ex-post* Cost of Debt True-up mechanism will only apply to debt balances that EirGrid can clearly identify as having been raised for the purposes of financing EirGrid's offshore investment programme, being Phase 1 ATV payments, Phase 2 network investment and clearly defined non-network capex for offshore purposes.

Debt and cash balances that are not clearly identified as related to the long-term financing and investment in EirGrid's offshore investment programme will not be eligible for the calculation of average net debt, average gross debt and gross interest expense in either the *Ex-ante* Liquidity Building Block and *Ex-post* Cost of Debt True-up calculations.

The CRU will require as part of EirGrid's year t and t+2 submissions, a comprehensive breakdown and reconciliation of EirGrid's offshore debt balances, average gross debt, average net debt, offshore cash balances (see A.9 below) and gross interest expense.

The CRU expects the submission to be transparently reconciled to EirGrid's offshore revenues, offshore costs and investment requirements and EirGrid's offshore regulatory accounts. The submission must provide a detailed and transparent long-term projection of EirGrid's offshore financing plan, expected debt balances and average gross and net debt gearing over the period of PR6 and PR7. The submission for each year t and year t+2 must explain why the level of debt that is proposed, or was raised, by EirGrid is considered appropriate by (i) EirGrid and (ii) an external financial advisor, given the expected size and timings of the Phase 1 ATV payments.

The CRU expects that the level of proposed prefunding for any given year t should reflect a reasonable level of financing, balancing the requirements of the debt raising programme and uncertainty of investment requirements while minimising the cost of carry that consumers are being asked to underwrite through prefunding of the offshore investment programme.

The *Ex-ante* Liquidity Building Block (and subsequent *Ex-post* Cost of Debt True-up mechanism) for each year t submission must be externally assured prior to submission to the CRU. The conclusions of that assurance should be submitted to the CRU and reflect Reasonable Assurance that reported values provide a fair and accurate statement of debt and cash balances that EirGrid can clearly identify as having been raised for the purposes of financing EirGrid's offshore

investment programme, being Phase 1 ATV payments, Phase 2 network investment and clearly defined non-network capex for offshore purposes.

A.4.9. Level of Cash Balances / Prefunding in Reported Net Debt

The definition of the gearing cap on a Net Debt / RAB basis in the *Ex-ante* Liquidity Building Block and *Ex-post* Cost of Debt True-up provides EirGrid with flexibility to reduce its Net Debt / RAB gearing using cash balances that will qualify its actual gross interest costs for full cost recovery.

The CRU requires EirGrid to set out as part of its *Ex-ante* Liquidity Building Block (and subsequent *Ex-post* Cost of Debt True-up) submission for each year *t*, its plan for managing its cash position. EirGrid is expected to outline why it considers the level of forecast prefunding (cash) balance that is proposed is appropriate, and to demonstrate – e.g., based on forecast capex requirements and timings – that the resulting cash balance is a reasonable amount in the context of its offshore investment programme.

For the purposes of reporting Net Debt / RAB, the CRU expects that EirGrid will manage the prefunding (cash) balance for its offshore investment and financing programme independently of EirGrid group activities in order that Net Debt / RAB gearing that reported for the purposes of the *Ex-ante* Liquidity Building Block and *Ex-post* Cost of Debt True-up is a fair and accurate statement of the forecast prefunding, cash, financing and capital investment requirements of EirGrid's offshore asset owner activities, independent of other Group activities and regulatory functions.

The CRU may – at its discretion – increase the level of Disallowed Debt if it concludes that the proposed level of prefunding (cash) balances and, therefore, the cost of carry of prefunding, that EirGrid proposes to recover on a year *t-1* basis is not reasonable, and will result, in the CRU's opinion, in EirGrid materially exceeding the Net Debt / RAB gearing cap of 65% based on plausible projections for the size and timing of offshore investment financing.

The CRU considers that such an event might occur in two scenarios. Where:

- 1) The proposed level of debt to be raised in year *t* results in an excessive cash balance at the end of year *t-1*, taking into account (a) the uncertainty of the cashflows to which EirGrid is exposed and (b) the sufficiency of existing resources to fund EirGrid's commitments; or
- 2) The proposed prefunding amount and cash balance is considered by the CRU to be materially unreasonable in the context of EirGrid seeking to finance its offshore capex programme to a target Net Debt / RAB gearing level of 65% over PR6 and PR7 given current capex investment requirements and timing uncertainties.

The CRU will only increase the Disallowed Debt to reflect any proportion of Pre-Funding Eligible for Liquidity Building Block that is deemed to be materially unreasonable by the CRU.

Appendix 5 - Exceptional Events Mechanism

Definitions and Conditions for an Exceptional Event

The Exceptional Event Building Block (EE_i) will allow for an adjustment to EirGrid's offshore Allowed Revenue if the CRU has determined that there was an Exceptional Event and that related costs that EirGrid has incurred are considered by the CRU to be eligible for the Exceptional Event Building Block. EirGrid will be able to make a claim to vary its offshore Allowed Revenue to cover efficient costs incurred in the case of an Exceptional Event that is Force Majeure or another cause that, in the CRU's opinion, is considered an Exceptional Event and outside EirGrid's reasonable control to avoid or mitigate. The CRU will apply the following definition of Force Majeure in this offshore Exceptional Events mechanism:

Force Majeure: "An event or circumstance which is beyond the reasonable control of the licensee, including act of God, act of the public enemy, strike, lockout and other industrial disturbance, war declared or undeclared, threat of war, terrorist act (or threat of), blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, governmental restraint, provided that lack of funds of the licensee or performance or non-performance by an electricity transmission licensee or equivalent entity shall not be interpreted as a cause beyond the reasonable control of the licensee and provided that weather and ground conditions which are reasonably to be expected at the location of the event or circumstance are also excluded as not being beyond the reasonable control of the licensee."

EirGrid can request a variation to its Allowed Revenue for an Exceptional Event to, in the first instance, permit it to recover the costs that it has, or will, incur to rectify the Exceptional Event issue, subject to the conditions below. EirGrid are then expected to seek to recover its costs from commercial solutions including insurance, warranty and indemnity protections EirGrid may have negotiated with Phase 1 developers (and their contractors) or its own contractors.

Costs that were incurred in relation to an Exceptional Event which:

- EirGrid is ultimately able to recover from commercial solutions, will be returned to consumers by a future reduction in offshore Allowed Revenue.
- EirGrid cannot recover from commercial solutions, EirGrid will be entitled to retain the proportion of its original Allowed Revenue variation which covers these residual costs.

The conditions that apply to EirGrid ultimately being allowed to retain the full Allowed Revenue variation, and which allow it to achieve cost recovery from the Exceptional Event, are set out in the box below. The CRU expects to review these conditions from time to time based on the experience and the specific circumstances of an Exceptional Event.

Conditions of the Exceptional Events Mechanism

For an Exceptional Event to be excluded from EirGrid's Offshore Availability Incentive and for the full costs of instigating the repair (over and above those costs recovered via commercial solutions) to be ultimately recoverable from Allowed Revenue, the CRU must determine that the event was an Exceptional Event.

EirGrid will be expected to demonstrate that it:

- Took all necessary measures to address and mitigate an Exceptional Event via a commercial solution and, therefore, to mitigate the cost it ultimately wishes to recover via an Allowed Revenue variation; and
- Took all reasonable actions, in line with best industry practices, to mitigate the failure event occurring and to mitigate the costs and timelines to rectify the event once it did occur.

EirGrid must demonstrate it took, or is taking, steps to rectify the asset on the basis that time to rectify the asset failure is of the essence. The CRU expects EirGrid to make resolving exceptional / major failure events of its offshore grid infrastructure a priority issue and to dedicate the necessary resources when required.

The CRU expects EirGrid to seek warranty protections from Phase 1 offshore wind farm developers and EirGrid's own contractors in the construction of Phase 2 assets, such that EirGrid has appropriate commercial remedies available for Exceptional Events.

The CRU expects EirGrid to seek warranties, latent defect periods and guarantees for the offshore transmission assets that are consistent with best industry practice and require firm costs for extended warranties (that can be exercised by EirGrid) during the asset procurement stage, consistent with the expectations in CRU 202309 – Offshore Grid Connection Asset Treatment.

The CRU also requires EirGrid to acquire operational insurances to include indemnity for the full cost of replacement or rectification of all its offshore grid assets (both Phase 1 and Phase 2 assets), including for latent defects.⁸²

For the avoidance of doubt, it is EirGrid's responsibility to define an appropriate package of insurances and the terms and conditions (e.g., deductible level). These will be assessed for their reasonableness, alignment with industry best practices, and the economy and efficiency of the cost, through the proposed opex gateway process (see Section 5.2.6) that the CRU has determined will apply to EirGrid's offshore insurance costs.

Should an offshore asset be uninsurable, and latent defect risk cannot be mitigated with insurances through no fault of EirGrid, the Exceptional Events mechanism is intended to provide protection for EirGrid to recover its costs where the event is an Exceptional Event.

In specific cases, and to strengthen the incentive on EirGrid to explore and resolve an Exceptional Event (and commercial pathways to recovery of the costs of rectification) as quickly as possible, the CRU will, at its discretion, withhold a proportion of the cost that EirGrid has sought to recover from an Exceptional Events Allowed Revenue variation. This will be capped at 20% of the cost reported in the requested Allowed Revenue variation or €2 million, whichever value is lower. Any withheld proportion will ultimately be funded, including the financing cost of carry, provided that EirGrid demonstrates, to the CRU's satisfaction, that it has complied with the conditions above.

Process for Decision on Exceptional Events

EirGrid may request for a variation to be made to its Allowed Revenue to recover the costs incurred, or expected to be incurred, related to an Exceptional Event. The CRU will endeavour to reach a decision on the matter, including whether the event was an Exceptional Event, within 6 months. Any agreed variation to Allowed Revenues will then be reflected in the next available update to EirGrid's Allowed Revenue and approved tariffs.

EirGrid may request an accelerated timetable for the variation to its Allowed Revenue to be given effect in its tariffs to bring forward cost recovery.

⁸² The CRU understands this is consistent with the requirement on Offshore Transmission Owners (OFTOs) in the UK to have in force an Operational All Risk insurance policy with a LEG 3/06 exclusion, or equivalent, which includes indemnity for the full cost of replacement or rectification of the offshore transmission assets (but not improvement) rendered necessary by damage which is the consequence of a latent defect.

The CRU may – on a without prejudice basis – also allow the variation to EirGrid's Allowed Revenue to be given effect, but to take a longer time period than 6 months to review the circumstances of the event and to ultimately determine that the event was an Exceptional Event and the quantum of EirGrid's cost claim is considered reasonable and appropriate. This will mean that EirGrid is placed in funds while the facts and the circumstances of the Exceptional Event claim are reviewed and a final decision is made by the CRU. In such circumstances, the CRU may also consult on a minded to decision on the treatment of the Exceptional Event claim.

There will be no interruption to EirGrid's Allowed Revenue should there be an exceptional / major failure event where an offshore grid asset is not available for electricity transmission or has only partial availability.

Summary of Mechanism

The figure below summarises the CRU's offshore Exceptional Events mechanism and also the implications of an Exceptional Event for EirGrid's Availability Incentive.

Figure 27: Summary of Exceptional Events Mechanism Steps

