Annual Report 2021
EirGrid plc

Securing Today.
Sustaining Tomorrow.

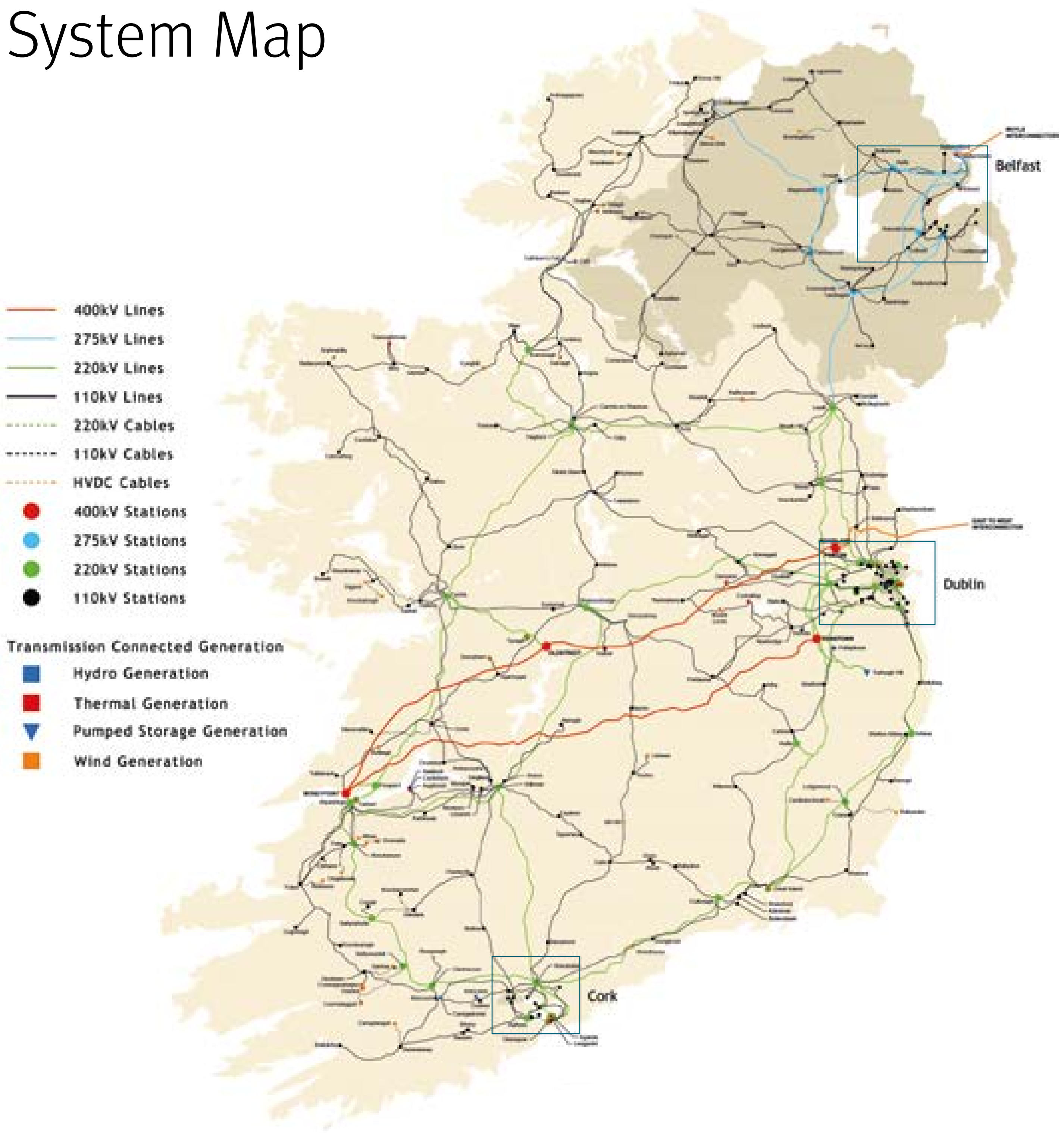
We're changing for the future, for you.

EirGrid Group operates and develops the electricity system in Ireland and Northern Ireland. Our primary role is to operate, develop and enhance the all-island power system and the wholesale electricity market. We also develop and operate interconnections with neighbouring grids and enable third-party interconnectors. EirGrid sends power from where it is generated to where it is needed, at the most economic price possible. We also ensure that electricity is always available, when and where it's needed, every second of every day – and for decades to come.

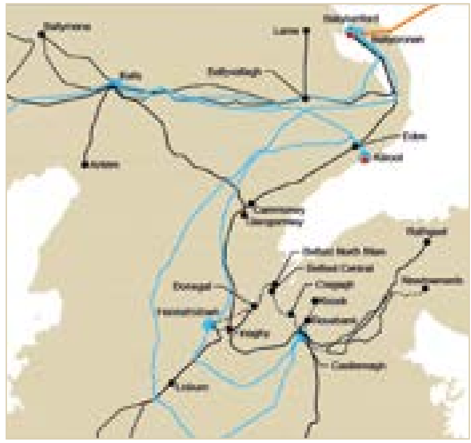
Because electricity can be generated without carbon emissions, it will play a crucial role in our response to climate change. The growth in clean electricity from renewable sources will require a decade of change to the electricity system, with the EirGrid Group central to much of this transformation. This annual report covers the period from 1 October 2020 through to 30 September 2021.

This twelve month period has been a critical one in developing and finalising the roadmap to deliver this secure transition and its resultant contribution to our climate ambitions in the decade to come through the process to develop Shaping Our Electricity Future. We also developed our own sustainability approach to deliver on leading the electricity sector in sustainability and decarbonisation.

Transmission System Map



Dublin



Belfast

Cork

Contents

Year in Review

Profit before Tax
40.7m
Underlying **Profit**
22.1m

Electricity produced from **Renewable Energy Sources** (RES-E) across the island:
37.1%

Trial commenced of SNSP at:
75%

East West InterConnector availability:
98%

2958
CO_2 per kWh generated in 2020

8.3%
All-Island Dispatch Down (wind)

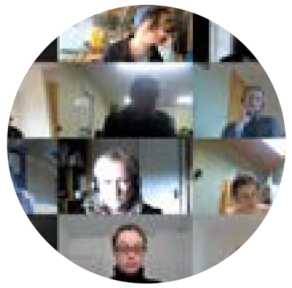
8 Battery Storage Projects energised – total capacity of
335MW

4
Community Forums established

Shaping Our Electricity Future Consultations

99
Deliberative Dialogue participants

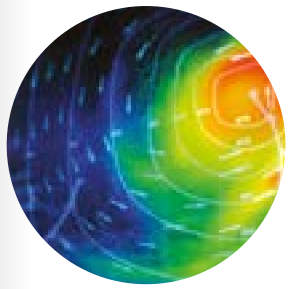
500
Submissions



100+
Virtual consultative events

New record for all-island wind energy generated
4,489MW

New record for all-island system demand of
5,357MW



4.5GW
of offshore wind applications received

Brendan Tuohy
Chair, EirGrid Group

Report from the Chair
2020-21

I am very pleased to present the Annual Report for EirGrid Group for the financial year 2020/2021. This year we retained the theme from last year's report of "Securing today, sustaining tomorrow" as we consider that it may be even more reflective of the year just gone, given our renewed outlook to 2030 and the transition we need to achieve as a society.

Progress on implementation of the EirGrid Strategy (2020-2025)

The year progressed against the backdrop of the pandemic which, unfortunately, continued to have impacts at a global and local level. This was a very important year for the Group in the execution of our Strategy, including defining the roadmap to 2030 through 'Shaping Our Electricity Future' and the progression of critical infrastructure projects, such as the Celtic Interconnector. Thankfully, we continued our strong response to the challenges posed by the pandemic, pivoting to further integrate virtual engagement tools into our public engagement and with the continued commitment of staff across the Group to maintaining momentum and finding innovative ways in which to ensure that the programmes continued on target.

As this financial year closed, we approached the mid-point in the EirGrid Group Strategy (2020-2025), a strategy shaped by two factors: climate change and the required transformation of the electricity sector, and I am pleased to report on the progress we have made in executing the Strategy, in spite of the external challenges we have faced.

One of the high-level challenges set for the EirGrid Group, over ten years ago, was to achieve (what was seen at the time as) a very challenging target of having 40% of the electricity produced from renewable energy by 2020. I am pleased to record that we have achieved the 2020 targets for renewable electricity in each jurisdiction on the island. As a relatively small, all-island electricity system, with limited interconnection, this has been a great achievement, as we had to develop solutions that did not exist anywhere else and, in the process, play a pathfinder role that has now enabled us to share our knowledge and experience with others.

Electricity facilitating decarbonisation

It is recognised that electricity will be the key sector to help decarbonise society, with heating and large parts of transport becoming more dependent on clean electricity as their energy source. As a consequence, across the island, the EirGrid Group, will play an increasingly important role in underpinning both overall economies and in achieving the climate ambitions.

Ireland's offshore energy resource

Recognising the significant renewable energy resource that is available offshore Ireland, in May 2021, the Government requested EirGrid to take responsibility for the development and ownership of a new offshore electricity grid. This will be required to be constructed to support the ambitions of Government to avail of the more than 30GW of electricity generated from offshore renewable energy. The Board was very pleased to respond positively to the request by Government and it welcomes the confidence shown by Government in EirGrid to deliver on what will be not only a significant challenge, but also a huge opportunity for the country in the longer-term.

Climate legislation and policies - Ireland

The enactment of the Climate Action and Low Carbon Development (Amendment) Act 2021 on 23 July 2021, was an important step for repositioning the country to successfully embrace and prosper in a sustainable, low carbon and biodiverse future. This Act provides a legal basis for a climate neutral economy in 2050 and the first step on that path, a 51% reduction in our greenhouse gas emissions by 2030. It has also provided the governance structure to implement this vision, including annual Climate Action Plans and five year Carbon Budgets, developed by the Climate Change Advisory Council. The Climate Change Advisory Council has advised on the first economy-wide carbon budgets, which have outlined the challenge ahead in the period up to 2030 and on a provisional basis to 2035.

The adoption of the National Development Plan 2040 and the subsequent publication of the Climate Action Plan 2021 both signal that a component in the delivery of this reduction in greenhouse gases will be an increase in the renewable electricity target from at least 70% renewable electricity to up to 80% by 2030. This will be accompanied by a target reduction in the emissions, by 2030, from c. 8Mt CO_2 eq. to between 2-4Mt CO_2 eq. In an expanding economy, and with a large increase planned in electricity usage,

"We are, after all, the greatest problem solvers to have ever existed on Earth. If working apart, we are a force powerful enough to destabilise our planet, surely working together, we are powerful enough to save it."

Sir David Attenborough

this target will be very difficult to meetbut EirGrid looks forward to addressing it.

Climate legislation and policies - Northern Ireland

In Northern Ireland, the Executive has been engaged in a consultation on a new Energy Strategy for Northern Ireland, aimed at decarbonising the Northern Ireland energy sector by 2050, at least cost to the consumer. In all scenarios modelled by the Department for the Economy, there is an increased ambition for renewable electricity, likely to be at least 70%. SONI has played and will continue to play an important role in supporting the development and, ultimately, the implementation of the Strategy. Separately, there are two Bills before the Northern Ireland Assembly which, whilst differing in approaches, were both focused on a net zero carbon target by 2050.

Shaping Our Electricity Future

The pathway to achieving these higher levels of renewables and reduced emissions will require successfully addressing significant technical and economic challenges across the electricity networks, operations and markets. It will also require engagement with the public and communities where our network infrastructure and that of generation developers either currently exists or will exist. Our engagement process around Shaping Our Electricity Future has been broad and deep into all parts of society and business, with over one hundred events across Ireland and Northern Ireland and over five hundred consultation responses. Particularly, given the circumstances, this had to be delivered virtually, and I commend those within the Group that ensured our engagement was both effective and unconstrained, in terms of the reach and quality of the discourse.

Developing an effective roadmap required that we incorporate as many perspectives and views as possible, drawing upon the wisdom across the communities and in business. This roadmap will outline a vision to a power system with more than 70% renewables by 2030 – an important step to 80% and net zero by 2050.

Reducing emissions

Achieving the levels of reduction in carbon emissions is a significant challenge. When looking at the impact of the COVID-19 pandemic, the emissions in Ireland reduced by 4% between 2018 and 2019 and a further 3.6% between 2019 and 2020. This is as a result of the significant changes in economic activity, including continued remote working and hence reduced travel. When compared to the average of 7% reduction year-on-year required in the period to 2030, it is clear that even greater efforts will be required across all of the economy and society to reduce the climate emissions in a timely manner.

The Energy Trilemma and security of supply

The transition to net zero by 2050 will not be without challenge. Electricity policy has traditionally involved three inter-dependent elements that were required to be balanced (referred to as The Energy Trilemma) namely security of supply, competitiveness/cost and increased generation from renewables and other low carbon technologies. The Group has always sought to balance each of these and, during the transition from the current status quo to a low carbon power system, the challenges for both the security of supply and competitiveness/cost become even more difficult.

During this financial year, we have experienced increased concern about the security of supply, not least because of long unplanned outages at two major generation facilities; older generating plant becoming less reliable and suffering from reduced maintenance during the pandemic; and an increased number of plants nearing the end of their life and being retired from operation. We have also seen some planned generation capacity not materialising as expected and reduced wind output at critical times throughout the year, which required resorting to some older, less reliable plant and imports which may not always be available if the UK is experiencing the same climatic conditions. Taken together, all these factors combined to provide some challenges for ensuring security of supply.

In conjunction with the Department of the Environment, Climate and Communications (DECC) and the Commission for the Regulation of Utilities (which has the legal responsibility for ensuring security of supply), a programme was put in place to ensure an adequate supply was available to meet demand. This required considerable engagement and collaboration with colleagues in these bodies and with the operators of generation facilities amongst others. I would like to thank each of these bodies for the spirit and intent with which the engagements took place.

Looking ahead

Climate change is acknowledged as an existential threat to humanity and it is reassuring to see an alignment of ambitions across the island of Ireland, in having a net zero carbon society in both jurisdictions by 2050. A decarbonised electricity system is at the core of overcoming this challenge. The EirGrid Group will continue to focus on its role in transforming the power system for future generations to ensure that the electricity system and, in particular, the grid and the market, make its contribution to achieving a decarbonised society.

The Roadmap accompanying Shaping Our Electricity Future, includes details of how this vision and the targets for 2030 will be delivered, as part of the EirGrid Strategy (2020-2025).

Gratitude

I would like to thank the Minster for the Environment, Climate and Communications, Eamon Ryan TD and his officials, who have been very supportive of our efforts throughout the year.

I would also like to thank Minister for the Economy, Gordon Lyons MLA and Minister for Infrastructure, Nichola Mallon MLA and their officials in Northern Ireland who have also been very supportive.

I would also like to extend my thanks to the Commission for the Regulation of Utilities and the Utility Regulator in Northern Ireland for their constructive engagement across the Group.

Finally, I would like to thank all the staff in EirGrid and SONI for continuing to execute on our strategy through what has been another difficult and challenging year. I would particularly like to thank Chief Executive, Mark Foley, the Group's Chief Officers and my fellow Board members for their continued leadership and support.

Group Strategy to 2025

Our Purpose

Transform the power system for future generations

Our Primary Goal

Lead the island's electricity sector on sustainability and decarbonisation

Our Supporting Goals

- Operate, develop and enhance the all-island grid and market
- Work with partners for positive change
- Engage for better outcomes for all

Mark Foley
Chief Executive, EirGrid Group

“The Shaping Our Electricity Future process was one of the most extensive and comprehensive consultation processes in any sector over the last number of decades.”

Chief Executive Report
2020-21

The pandemic continued to be a factor in our business operations throughout the 2020-2021 financial year. It was a critical year as we now approach the mid-term of our Group Strategy 2020-2025, which has climate change mitigation and the power system transformation at its core. I am very proud of what we have achieved across the Group this year, particularly given the significant role we have in the achievement of climate and energy targets across the island.

Throughout a turbulent year we have maintained our business focus on the execution of our Strategy. This is reflected in our financial performance for 2020-2021, which saw Group revenues of €737.4m and profits before tax of €40.7m. Profits after tax were €35.7m. As a result, we can deliver a proposed dividend of €4m to the shareholder, which is in line with previous years and shareholder expectations.

As far back as 2008, the Minister for Energy set a target for 40% of our electricity demand to come from renewable sources by 2020. Subsequently in 2010, the Northern Ireland Executive also adopted this figure for Northern Ireland through the Strategic Energy Framework. At the time many said it couldn’t be done for a wide range of reasons. But we in EirGrid and the broader electricity ecosystem believed that a collaborative whole-of-system approach could deliver on the Minister’s objective.

Through ground-breaking analysis, we developed approaches to tackling the challenges presented in accommodating increasing levels of renewables on an island power system and we worked with industry to deliver world leading technical solutions over the last decade. Industry responded by delivering an unprecedented programme of renewable energy development projects, mainly on-shore wind, and an array of system services products. Communities throughout the island supported the majority of projects in consultation with developers. In collaboration with the SEM Committee, we made changes to our market structures to facilitate investment in new products and our operational approach evolved to accommodate the increasing levels of renewables and associated system services.

This year we not only achieved that target (40%) but in fact exceeded it with approximately 43% of our electricity coming from renewable sources in calendar year 2020. This success has delivered direct climate and environmental benefits, very significant investment in the energy ecosystem, increased security of supply as we reduced our dependence on imported fossil fuels. Already, this financial year, following a successful trial period, we can now accommodate 70% of our electricity supply, on an instantaneous basis, from renewables and have commenced a trial to move this to 75% in the coming year, figures that are world leading in the integration of renewables. I want to take the opportunity to thank everyone within the Group but also the broader industry for their efforts and support in achieving this.

This track record has given the Government, and those within the industry, the confidence to see electricity as a leading sector in the decarbonisation roadmap as set out in the Government’s Climate Action Plan. The Climate Action Plan has set a target for a 51% reduction in national greenhouse gas emissions by 2030. A critical component of this plan relates to electricity where the plan mandates that the electricity system deliver a target of at least 70% and up to 80% of our electricity deriving from renewable sources. This ambition is further formalised in the economy wide carbon budgets advanced by the Climate Change Advisory Council which will require every sector of the economy to play their part. In Northern Ireland we have seen that whilst some of the policy decisions have yet to be finalised, we expect that electricity will be key to achieving a decarbonised economy.

We therefore needed a new roadmap to get us to this new future we were building for 2030 and that is what we set out to do through the process to develop Shaping Our Electricity Future. Building on extensive modelling undertaken by EirGrid and SONI over two prior years, in the context of a 70% target, I am extremely proud of what we have achieved through the consultation process this year on ‘Shaping Our Electricity Future’.

The process was one of the most extensive and comprehensive consultation processes in any sector over the last number of decades. The breadth and depth of the consultation process across the 14-week consultation period was unprecedented. Equally encouraging was the response we got from a very broad range of participants. This rich and engaging discourse across an array of engagement platforms has provided us with real insight into the perspectives of people, industry and our sector on the future of energy and climate policy. The most important aspect of this process was the fact that it created a real platform for listening, for sharing views and the ultimate test of incorporating different perspectives into the final development of our ambitious plan. One of the most significant findings was the genuine appetite for consumers to engage in the energy system of the future through microgeneration. We published the findings of this process in the Autumn of 2021 and I look forward to working again with all stakeholders as we move into the delivery phase of this exciting and ambitious plan.

The engagement on Shaping Our Electricity Future formed part of a broader pivoting to virtual engagement across the year. During the year we launched our new online consultation portal and pioneered the use of a virtual open day platform in addition to developing a series of online information and education videos. We published our new Public Engagement Strategy in February and have begun embedding this into our engagement practices, including the establishment of five community forums on transmission projects in 2021. These forums, which are independently chaired, allow local people to engage in the projects as much as possible and feel a sense of ownership of the projects. We believe that public discourse around developing a clean energy future is vital to ensuring that we have support for the transformative action that needs to be taken.

We acknowledge and support the Government's revised target of 80% of electricity from renewable sources by 2030, and in this regard work has already commenced on integrating this new target into a planned update to Shaping Our Electricity Future in 2023. We believe that the new target is deliverable and are committed to developing the optimum pathway to achieving this new ambition by 2030.

Ireland is on the cusp of the emergence of a new sector in offshore wind. A sector that will be a real powerhouse in helping deliver our 2030 targets, but also in the longer term has the potential to transform the island economy if the vast resources off the west coast can be harnessed in an efficient manner in the decades to come. The publication of the Government's Policy Statement on the Framework for Ireland's Offshore Electricity Transmission System in May included a decision which will fundamentally change our organisation in the years to come. The framework provided for a phased transition from a decentralised offshore transmission system model to a centralised model over the course of this decade, with the planning and ownership of offshore transmission system assets to be assigned to EirGrid, making EirGrid both the system operator and asset owner of the offshore transmission system. Following on from that decision we have commenced a body of work over the remainder of the financial year including the commencement of works and engagement to support the initial Phase 1 offshore wind projects. We will continue this work into next year with the development of the functional specifications for the offshore network, the grid connection assessments for these projects and the progression of the first Offshore Renewable Electricity Support Scheme (ORESS).

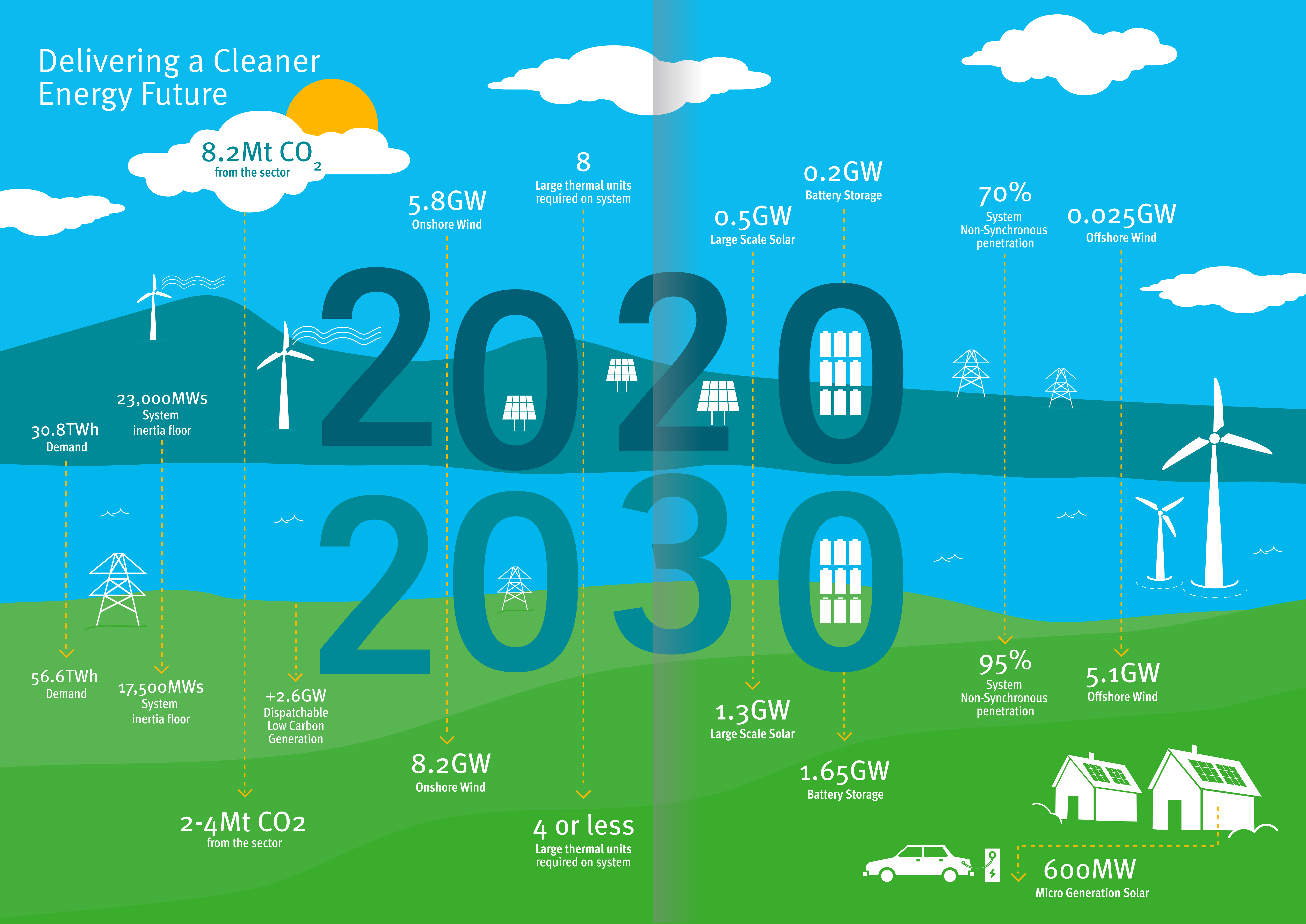
This year however we have had a reminder that we cannot yet forego some of the technologies that have served us so well to date. Part of a clean energy future has to be the continued development and retention of low carbon dispatchable generation, most likely low carbon gas, and it is reassuring to see that the Climate Action Plan 2021 has signposted the need for at least 2GW of new gas generation in the period to 2030. This new gas generation will enable us to both ensure security of supply when renewables are not performing for climatic reasons, and critically will allow us to expedite the closure of coal, peat and oil generation plants. The security of supply concerns that arose this year manifested for a variety of reasons including two major plant failures, with a very poor summer for wind and general performance issues with older generation plant on the system. We have worked very closely with the regulator and the Department of the Environment, Climate and Communications to put in place a range of short, medium and long term measures to support a secure transition through the next few years. We support the Commission for Regulation of Utilities, the responsible state authority for security of supply, in its efforts to expedite the procurement of the necessary volumes of gas generation to support system security and the transition to a low carbon power system. I want to thank all involved for their tireless efforts and positive engagement.

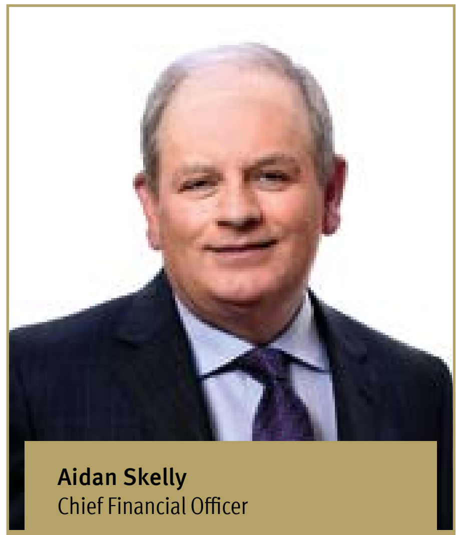
We have also made considerable progress on the Celtic Interconnector over the course of the year with consent applications being progressed and submitted in Ireland, the UK and France. The North South Interconnector has also received planning permission, a decision that has been upheld in October following a judicial review in Northern Ireland. We continue to make progress on several other vital transmission infrastructure projects across the island and I would like to thank all those communities who have engaged with our teams over the course of the year.

I would like to thank Brendan Tuohy, Chairman of EirGrid plc, and the members of the EirGrid Board who provided me and my executive team with continued and committed support as we continue to strive forward in these very abnormal times. I would also like to thank Minister for the Environment, Climate and Communications, Eamon Ryan TD and his counterparts, Minister for the Economy, Gordon Lyons, MLA and Minister for Infrastructure Nicola Mallon MLA, for their very positive engagement and support.

I would also like to extend my thanks to our regulators, the Commission for Regulation of Utilities and the Utility Regulator in Northern Ireland.

I would like to thank our people for their commitment and hard work throughout what has been another challenging year as the COVID-19 pandemic continued. Our vision and effective execution of our Strategy depends on their contribution across the Group. In doing so they contribute to transforming the power system for future generations and directly contributing to addressing the challenge of climate change.


Delivering a Cleaner Energy Future
8.2Mt CO2 from the sector
5.8GW Onshore Wind
8 Large thermal units required on system
0.5GW Large Scale Solar
0.2GW Battery Storage
70% System Non-Synchronous penetration
0.025GW Offshore Wind
30.8TWh Demand
23,000MWs System inertia floor
2020
2030
56.6TWh Demand
17,500MWs System inertia floor
+2.6GW Dispatchable Low Carbon Generation
8.2GW Onshore Wind
2-4Mt CO2 from the sector
4 or less Large thermal units required on system
1.3GW Large Scale Solar
1.65GW Battery Storage
95% System Non-Synchronous penetration
5.1GW Offshore Wind
600MW Micro Generation Solar



Aidan Skelly
Chief Financial Officer

"Lower wind resulted in cost savings to be returned to customers"

Financial Review
2020-21

Revenues and profitability

The Group's revenue is primarily derived from regulated tariffs. The main revenue is the Transmission Use of System (TUoS) tariff. This is a charge payable by all users of the transmission systems in Ireland and Northern Ireland.

We also earn a share of tariffs as Market Operator and Nominated Electricity Market Operator for the Single Electricity Market (SEM). The East West Interconnector earns revenue from congestion income arising from price differentials between the SEM and Great Britain markets and also for the provision of system services.

Group revenue for the year to 30 September 2021 of €737.4m was higher (€49m / 7%) than the previous year.

The profit before tax for 2021 was €40.7m. This is up from €14.0m in 2020, mainly as a result of the exceptionally low wind conditions during the year which meant associated costs were significantly below the ex-ante (forecasted) regulatory revenue allowance, giving rise to a higher profit before tax for 2021. In the wider market these cost savings were offset by higher fossil fuel-based energy prices.

Excluding the impact of over and under recoveries on reported profit, management's estimate of the underlying operating profit for 2021 was €22.1m (2020: €18.3m).

EirGrid paid a dividend of €4.0m in June 2021 in respect of 2019/20. A dividend of €4.0m in respect of 2020/21 is proposed to be paid in the second quarter of 2022.

Regulation

EirGrid Group consists of several licensed activities. As the transmission system operator (TSO) our activities in Ireland and Northern Ireland are regulated by the Commission for Regulation of Utilities (CRU) and the Utility Regulator (UR) respectively. The Group also holds two licences as Interconnector Operator, one from the CRU and one from the Office of Gas and Electricity Markets (Ofgem) in the UK. In addition, EirGrid Group's role includes acting as Single Electricity Market Operator (SEMO) for the SEM, which is regulated by the SEM Committee. This committee comprises the CRU, the UR, an independent member and a deputy independent member.

Finally, EirGrid plc and SONI Limited were designated as Nominated Electricity Market Operators (NEMOs) by CRU in Ireland and UR in Northern Ireland respectively. We provide NEMO services through SEMOpx, which is a 75/25 contractual joint venture between EirGrid plc and SONI Ltd. The Group's licensed activities are subject to multi-year price controls. These generally are for a five-year-period. The determinations for the TSO price controls in Ireland and Northern Ireland for the five years to 2025 were published in December 2020 and the licence modifications to implement these price controls have now been put in place. The SEMO price control for the three years to September 2024 was finalised in September 2021. In addition to the multi-year framework, in advance of each tariff year each licensee submits a forecast to the relevant regulatory authority. This covers customer demand, direct costs and other revenue requirements. Following a detailed review process, the regulators then issue a formal determination of the allowable revenue that the business can recover.

In any year, the revenues collected under these licences may vary from the levels that were previously agreed with the regulators. This is because tariffs are agreed based on forecasts and are collected based on actual energy consumption. Costs may also vary from forecast levels. Therefore the financial results in any year can include regulatory over or under recoveries in the year in question or the correction of prior year over or under recoveries. Underlying profits are based on the elimination of such regulatory deviations. In the year to September 2021 the profit before tax was €40.7m and the underlying profit was €22.1m. The related over-recovery will be returned to customers through the reduction in tariffs in future years.

Financing

The Group continues to be in a sound financial position and the Group's cash flows have proven to be resilient all through the COVID-19 pandemic. A sharp focus has been maintained on the Group's available cash resources and adequate working facilities have been put in place to protect the Group's liquidity.

The Group's largest borrowings relate to the East West Interconnector, have long repayment dates and are fully hedged against interest rate fluctuations. The priorities in the coming year will be to continue to manage the liquidity challenge and to start the process of raising the funding required to support the Celtic Interconnector project.

Key Financial Highlights €m Consolidated Financial Results

	2021	2020
Revenue	737.4	688.4
Direct Costs	-535.0	-518.6
Other Operating Costs	-145.2	-137.7
Operating Profits	57.2	32.1
Finance Costs	-16.5	-18.1
PBT	40.7	14.0
Underlying Profits	22.1	18.3

Leading on Decarbonisation

Shaping Our Secure Transition

A challenge we simply **must** overcome.

51%
is what Ireland is aiming to reduce emissions by for 2030, (compared with 2018 levels).

3.6%
reduction in annual emissions between 2019 and 2020 across the economy.

Climate change is the greatest challenge of our time and yet a challenge we simply must overcome, given the existential threat that it poses to humanity. The Intergovernmental Panel on Climate Change (IPCC) is now in the process of developing its 6th assessment report. It has already called out the stark and existential threat that climate change poses if left unmitigated, as well as the urgency with which action must be taken.

With the enactment of the Climate Action and Low Carbon Development (Amendment) Act 2021, on 23 July 2021, Ireland established a legally binding pathway to a climate resilient, biodiversity rich and climate neutral economy by no later than the end of the year 2050. In addition, it provided a legal basis for the first way marker on this journey, a 51% reduction in our greenhouse gas emissions (GHG) by 2030 compared to 2018 levels.

It also established a legal basis for a governance structure to guide us in our decarbonisation effort, including the setting of carbon budgets and sectoral emissions ceilings, as well as the annual publication of a Climate Action Plan to follow on from the initial plan published in 2019.

In Northern Ireland, the Department for the Economy launched a consultation entitled “Energy Strategy for Northern Ireland” in March 2021. The proposed vision for the new Energy Strategy is to achieve net zero carbon emissions by 2050, while maintaining affordable energy for consumers. The Energy Strategy is expected to be published before the end of 2021.

Energy and climate policy in both jurisdictions aim for an overall transition to net zero by 2050, with clear targets emerging for the first way marker on that journey in 2030.

In Ireland, the scale of the challenge to 2030 will be made clear in the first Carbon Budget to span all aspects of the economy. This was recommended by the Climate Change Advisory Council across three multi-annual budgetary periods, namely 2021 to 2025, 2026 to 2030 and 2031 to 2035, the first two of which would be binding if adopted by Government and the third only indicative at this stage.

It is worth contextualising the challenge against the latest Environmental Protection Agency (EPA) provisional inventories in greenhouse gas emissions for 2020.

Compared with 2019 figures, these inventories highlighted a reduction in emissions of 3.6% from across the economy, with significant reductions in economic activity as a result of COVID-19.

The comparable reduction from 2018 to 2019 was approximately 4%.

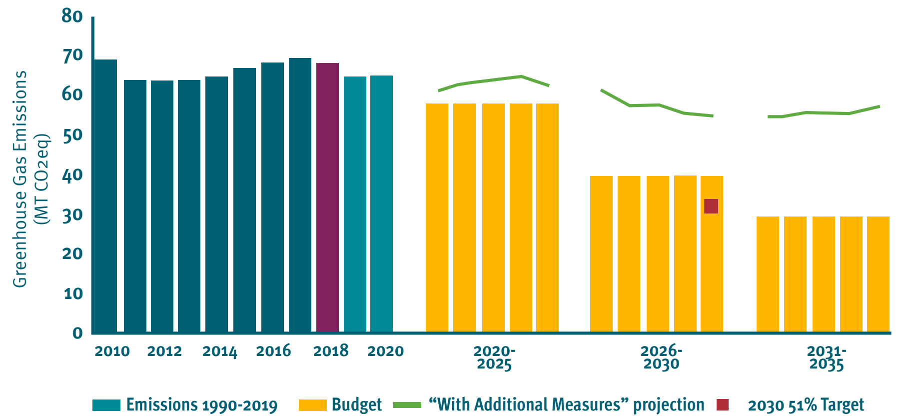
The scale of the necessary transformation in the period to 2030 is enormous, particularly when the recent and projected economic growth is taken into consideration. There will need to be significant efforts to remove the linkage between emissions and economic activity.

In Northern Ireland, there are two Bills in front of the Assembly to consider how best to capture Northern Ireland’s climate ambition and contribution within the context of the overall UK targets.

Achieving the climate ambitions will be a significant challenge across the island, requiring change across the economy and society. The EirGrid Group is ready to play its part in leading the island’s electricity sector on its journey to greater sustainability and decarbonisation.

> “Energy and climate policy in both jurisdictions aim for an overall transition to net zero by 2050, with clear targets emerging for the first way marker on that journey in 2030...”

Proposed Carbon Budgets (Climate Change Advisory Council; October 2021) in the context of recent emissions, projections and the 51% emissions reduction target relative to 2018.



Electricity's key role in decarbonisation

Electricity will continue to play a critical role in achieving our climate ambitions. Following an initial upwards trend in the 1990s, electricity has been the success story of the decarbonisation effort to date, as we transitioned away from fossil fuels towards increasing levels of renewables. We have achieved the 2020 renewable electricity targets for Ireland and Northern Ireland respectively, with 40% of our electricity demand coming from renewable sources.

According to emissions statistics for Ireland, published by the EPA, energy industries, (predominantly the electricity sector), show a decrease in emissions of 23.3% over the period 1990 - 2020. Over this period, emissions from electricity generation decreased by 21.2%, whereas total electricity consumption increased by 139.5%. This decrease reflects several advances, including: the increased share of renewables (primarily wind power), the efficiency improvements in modern gas-fired power plants that have replaced older peat and oil-fired plants, reduced coal and peat use and increased interconnectivity with the electricity grid of Great Britain.

This has reduced the current emissions from the 'public electricity and heat production' sector to just over 8.2Mt CO2e in 2020, approximately 296 grams of carbon dioxide per unit of electricity generated. This is compared to 896 grams of carbon dioxide per unit of electricity generated in 1990.

In Northern Ireland the latest published emissions inventories for 2019 from the Department of Agriculture, Environment and Rural Affairs, show that the total emissions for Northern Ireland were 21.4Mt CO2e, of which 'energy supply' makes up 2.8Mt CO2e, approximately 13%. The emissions associated with energy supply has reduced by 48% from 1990 to 2019.

The Climate Change Advisory Council quotes in its Technical Report that 'abundant clean electricity is crucial to underpin the achievement of the carbon budgets and the 51% reduction target. Almost every sector relies on an increasing supply of it to decarbonise.' Similarly, the consultation on the Northern Ireland Energy Strategy noted:

'Our existing renewable electricity base provides an outstanding platform upon which we can further decarbonise our power sector and contribute to the decarbonisation of heat and transport.'

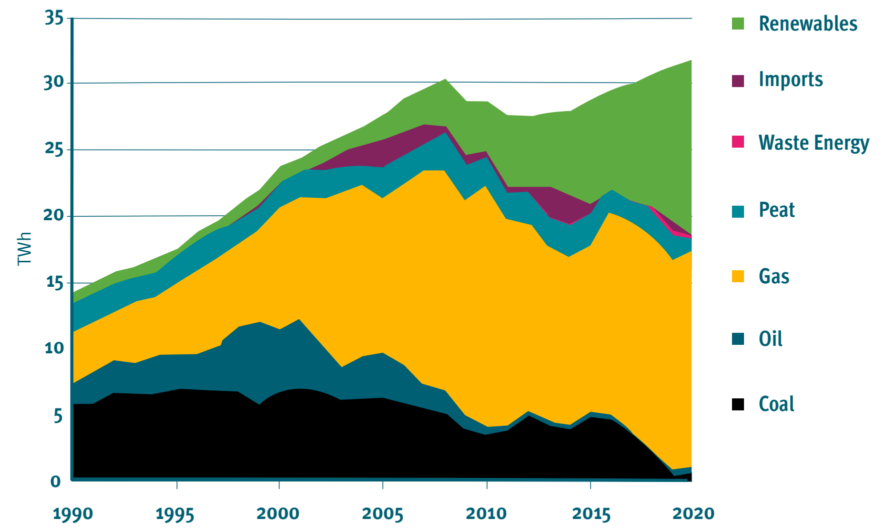
The Programme for Government, Our Shared Future (2020) and the Northern Ireland Energy Strategy consultation, which commenced in March 2021, highlighted that the electricity sector will be required to reduce emissions both within the sector and across the economy through electrification. In Ireland, at least 70% renewable electricity will be required by 2030, with the National Development Plan and the Climate Action Plan 2021 increasing this ambition to up to 80% electricity in Ireland which, along with other initiatives, would reduce the emissions from the sector from 8.2Mt in 2020 to between 2-4Mt in 2030.

Across the island, the electricity sector is at the centre of our decarbonisation effort and it is vital that we have a roadmap to achieve the significant transformation of the sector in the period to 2030 and beyond.

21.2%

decrease in electricity emissions from 1990-2020 due to the increased share of renewables and gas-fired power plants.

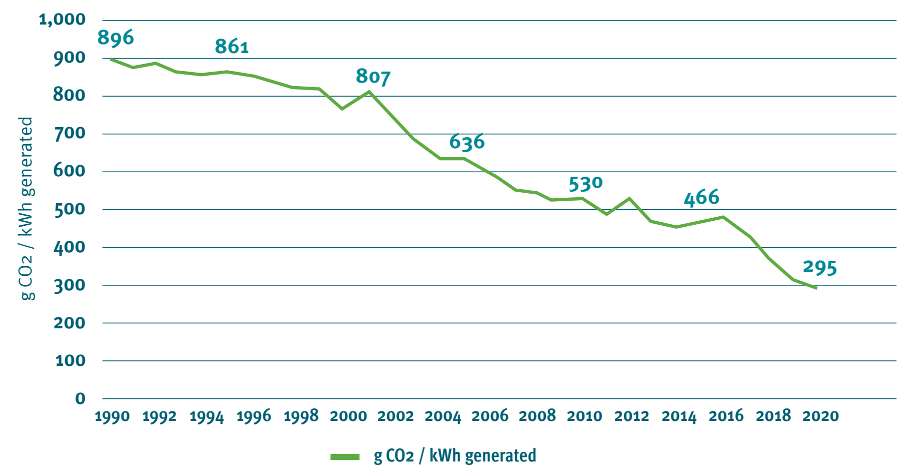
Ireland's Historical Production by Fuel Type (SEAI)



139.5%

was the increase of electricity consumption between 1990-2020, but emissions due to electricity generation decreased during this period.

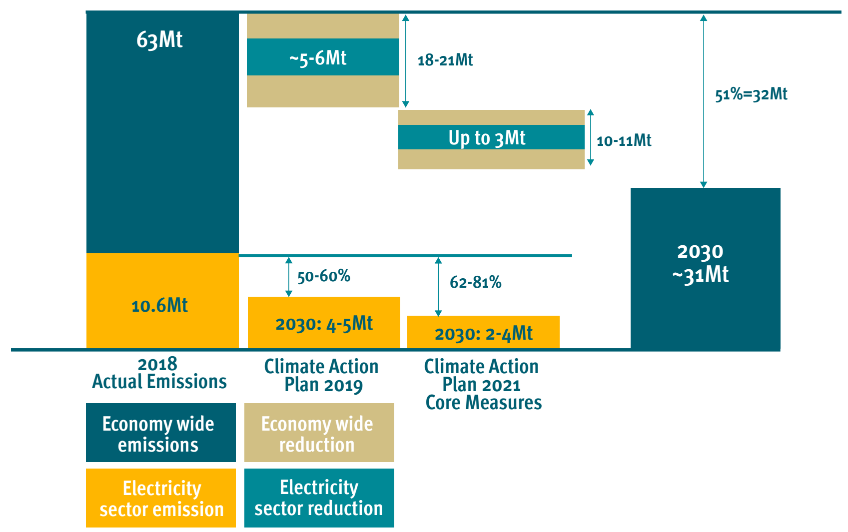
Emissions Intensity of Electricity (SEAI)



8-9Mt

targeted reduction in emissions from the electricity sector by 2030

Electricity sector contribution to overall economy wide emissions reductions in Ireland



> “ It is really positive to see EirGrid taking such steps to engage public and stakeholders.”

Deliberative Dialogue participant

Shaping Our Electricity Future

The transition that the electricity sector must undertake to facilitate this level of decarbonisation is enormous. The electricity system will carry more power than ever before and most of that power will come from renewable sources such as wind and solar. Coal and fossil fuel-based generation will be phased out in the next decade, with natural gas helping to fill any gaps while we make the changes needed.

In the past, all generators synchronised at the same frequency when connecting to the electricity grid. However, to achieve the 2030 renewable targets, we will need to be capable of operating the grid with almost 100% of sources that do not synchronise with the electricity system, termed System Non-Synchronous Penetration (SNSP), at certain points in time. The sources of SNSP are predominantly renewables such as wind and solar generation.

In addition, the capacity available from these generators as a point in time is variable and dependent on weather conditions. Maximising the use of renewables when they are available in abundance and reducing the need to turn them down during periods of reduced demand is central to our decarbonisation efforts.

Deliberative Dialogue process as part of the Shaping Our Electricity Future consultation process’

Achieving the 2030 renewable electricity targets represents a significant challenge across electricity transmission networks, power system operation and electricity markets. There was also a need to develop an integrated vision of the 2030 power system and electricity markets for Ireland and Northern Ireland.

On 8 March 2021, EirGrid and SONI launched the Shaping Our Electricity Future consultation. Over the following 14-week period we sought views from across the economy, society and industry on our initial thinking on how the electricity grid, market and system operation, could evolve to achieve the 2030 targets.

More than 100 events across Ireland and Northern Ireland were held, engaging with civil society organisations, communities, local businesses, industry, consumers, agricultural groups and young people. We also received more than 500 submissions as part of the consultation.

Overall, the feedback from the public and industry showed that there is a lot of support for a low-carbon future and a clear understanding that real action must be taken to address climate change. The opportunities for local community-based microgeneration was highlighted by local communities. Industry stakeholders provided a wide range of feedback covering the technical elements of the markets, networks and operations of the electricity system.

The majority of responses highlighted that if we are to successfully address the challenge we face, it will require a whole-of-society approach with all parts of society playing an active role. The feedback and our response are available on our websites **www.eirgrid.ie/shaping and www.soni.ltd.uk/shaping.**

Based on that feedback we published the Shaping Our Electricity Future Roadmap in November 2021, including detailed actions that are required in order to deliver on the 2030 targets. Against the backdrop of the 26th meeting of the Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change and the third meeting of the parties to the Paris Agreement, this roadmap will be a critical component of Ireland’s response to climate change.

1. Engagement

How to gain the support of individual landowners, wider communities and stakeholders.

2. Networks

Suggest the optimal approach to developing and enhancing our electrical future.

3. Operations

How to best ensure electricity system security and reliability while deploying more intermittent renewable generation.

4. Markets

How to incentivise the necessary investment that will cost effectively deliver the 2030 targets.

Stepping up campaign

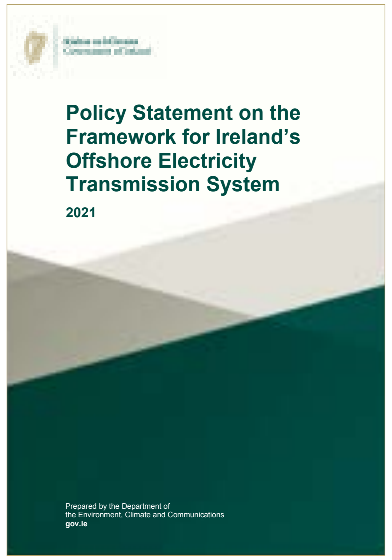
On 6 October 2020, EirGrid launched the ‘Stepping Up’ campaign. It ran for six weeks across multiple platforms including a television advertisement. The campaign was supported by a dedicated website with accessible engaging information. The campaign had a very positive impact with 25% of those polled hearing of EirGrid because of the advertisement. There was an increased understanding of who EirGrid is and what we do, and an increased understanding of EirGrid’s role in sustainability.

In May 2021, EirGrid re-configured the Stepping Up television advertisement as a call to action for the Shaping Our Electricity Future consultation to support the other messaging and collateral being utilised. The advertisement was timed to run as recruitment was happening for the Deliberative Dialogue to raise public awareness of EirGrid and the consultation process.

The advertisement ran from May 3 – 30 and performed exceptionally well, with rating, coverage and quality targets met and appeared alongside top-rated programmes including news, entertainment, current affairs, soaps and sport. An Irish language version of the advertisement also ran on TG4 during the same timeframe.

	Ireland	Northern Ireland
Offshore Wind	+5,000MW	+100MW (pilot)
Onshore Wind	+1,300MW	+1,100MW
Solar PV	+1,500MW (500MW micro-generation)	+400MW (100 MW micro-generation)
Batteries	+1,450MW	+200MW
De-rated Gas Capacity	+2,000MW	+600MW

A summary table of the new generation we expect in Ireland and Northern Ireland by 2030



Government of Ireland Policy Statement on the Framework for Ireland's Offshore Electricity Transmission System

A very different generation

In 2030 we will have a very different portfolio of generation and supporting technologies operating our power system. Based on the feedback received during the consultation we are projecting the levels of new generation, seen in above table, in Ireland and Northern Ireland in 2030.

Offshore wind

In Ireland, we are planning for 5GW of offshore wind generation to be in place by 2030. Most of this will be based off the east coast of Ireland as it is more technologically feasible than the south and west coasts. A 100MW pilot offshore project has also been referenced in the NI Energy Strategy consultation with the Minister for the Economy referencing the larger potential of 1GW for Northern Ireland offshore in the future.

Meeting the objective of 5GW of installed offshore wind generation by 2030 requires simultaneous development of various policy, legislative and regulatory workstreams. This includes the establishment of a new regulatory consenting regime, the delivery of a route to market through a Renewable Electricity Support Scheme (RESS) for offshore and the development of a new framework for Ireland's future offshore electricity transmission system.

There has been significant progress made during the financial year to advance the development of offshore wind in Ireland. EirGrid recognises the key role that offshore wind will play in meeting Ireland's energy needs in the next decade and we are keen to play our part in supporting the Government's ambition.

In September 2020 EirGrid commenced engaging with developers of the Phase 1 offshore generation projects in response to direction from the CRU. Applications for connecting to the transmission system were made for up to 4.5GW; 4.1GW of which was located on the east coast and a further 400MW on the west coast. Following extensive analysis of the transmission system a detailed report was prepared for the CRU with details of the onshore reinforcements arising from these applications. The Offshore Phase 1 project Grid Connection Assessment was issued to the CRU in March 2021. The report studied different options for connecting wind along the east coast and found that planned system requirements already progressing through the grid development framework significantly facilitate the connection of this generation, thus minimising the need for additional new infrastructure.

The scale of the works planned for the Dublin area over the next decade in particular is quite considerable and EirGrid has been working closely with ESB Networks on planning the delivery of these works to fully realise the opportunity that these large-scale generation projects bring.

In May 2021, following a Government decision, it was announced that EirGrid Group would be appointed as the Transmission System Operator and Asset Owner of offshore transmission assets. The Government policy on the Framework for Ireland's Offshore Electricity System provided for a phased transition from a decentralised offshore transmission system model to a centralised model through a series of offshore wind specific RESS auctions.

EirGrid is fully committed to effecting the phased transition as envisaged in the Government's policy statement and whilst there is a particular focus on the successful delivery of the Phase 1 projects, it is crucial that our actions and decisions support the transition to a plan-led approach for offshore grid delivery. We are working closely with the DECC and CRU, to support them in the development of both the legislative and regulatory frameworks required.

EirGrid is also working closely with the Phase 1 developers, Wind Energy Ireland and other stakeholders on the technical and commercial aspects of grid connections. A series of workshops were held with Phase 1 developers during 2021 and an engagement plan has been established to work collaboratively with developers and industry representative bodies. Work has also commenced in earnest on updating and expanding our functional specifications for offshore transmission assets.

The Renewable Electricity Support Scheme

The development of renewable generation is supported through Government support schemes which are funded by electricity consumers. Following on from the initial successful Renewable Electricity Support Scheme auction, which EirGrid ran on behalf of the Government, EirGrid has worked closely with DECC and CRU to develop the final terms and conditions for the next auction (RESS 2) and the RESS 2 Auction Timetable, both of which were published on 29 October 2021.

With the expertise of an expert partner in information technology in the utility sector, EirGrid introduced a new best in class end-to-end IT solution to facilitate the qualification and auction processes for all future RESS auctions. The new IT solution went live in October 2021 and is available for the forthcoming RESS 2 auction. This system will provide a new interface for our RESS participants, by having a platform for submitting and maintaining qualification information along with bidding into the auction.

EirGrid has also supported development of the first Offshore RESS (ORESS 1) Terms and Conditions which were consulted on by DECC in the Autumn of 2021.

Influencing and contributing on a European and global scale

Established in 1921 in Paris, CIGRE is a global community committed to the collaborative development and sharing of power system expertise. The community features thousands of professionals from over 90 countries and 1250 member organisations, including some of the world's leading experts.

Over the last 100 years the work of CIGRE has contributed to many of the key technical cornerstones of the modern power system. Every year CIGRE celebrates individuals within its member base that have made a strong contribution.

We were delighted when one of our own engineers, Marta Val Escudero, was recognised by having two awards bestowed upon her at the Virtual Centennial Session: the "Women in Energy Award", recognising the outstanding contributions of WiE members to CIGRE activities; and the "CIGRE Pioneer e-session Achievement Award", recognising outstanding contribution to the work of Study Committees.

New technologies

Other technologies will be required outside of renewables and conventional generators to meet our 2030 requirements. Battery energy storage (BES) technologies are required for reserve provision, capacity adequacy and to assist with congestion management. Eight battery storage projects across the island of Ireland were energised with a total capacity of just over 335MW.

Having previously been a relatively static element of the power system, demand will need to become more flexible in the future to facilitate increases and decreases in demand to support the system. Demand side flexibility will be critical to ensuring we can enable the transition to the 2030 targets and facilitate electrification of the heat and transport sectors while maintaining power system security. This is a key consideration in the Shaping Our Electricity Future Roadmap.

The power system was also traditionally supported by services other than energy from conventional generation. These services help EirGrid and SONI ensure a stable and quality supply of power. As we transform the power system we need a broader range of system services to be available in addition to them coming from a much broader range of sources.

New system service capabilities from low carbon sources are required to address the technical and operational challenges arising from the need to operate with SNSP levels up to 95% by 2030.

This year we conducted three DS3 System Services procurement gates under the Regulated Tariff arrangements, including concurrent gates for the first time. The respective gates launched in November 2020, February 2021 and June 2021. We contracted for over 330MW of reserve capability from new battery energy storage projects in this period.

In the consultative process for Shaping Our Electricity Future, microgeneration was one of the strongest elements on which we received feedback. DECC has consulted on and will (in early 2022) implement a microgeneration export tariff and it is envisaged this will play a big role in community and individual involvement in the transition to a cleaner energy future.

Network infrastructure projected needs for 2030

The modelling we undertook as part of the Shaping Our Electricity Future process included developing an understanding of the network requirements for 2030.

From a network development perspective, the consultation

1 Generation Led

Put clean electricity generation close to where most power is used

2 Developer Led

Let developers decide where to locate clean electricity generation

3 Technology Led

Try new ways to move clean electricity across the country

4 Demand Led

Put large electricity close to the sources of clean electricity generation

> “ Irrespective of the scenario delivered, there is a need for significant infrastructure to support our transition to a low carbon energy future”

focused on four distinct approaches and presented a series of questions relating to the enhancements needed for system operations and electricity markets to meet the 2030 targets.

From the consultation responses there was no clear preference for any one of the four development approaches. In Ireland and Northern Ireland, there was clear support from the public for a blend of the Generation-led and Demand-led approaches.

There are a number of different ways to upgrade the network, including the construction of new overhead lines or underground cables, the uprating or replacement of existing overhead lines or underground cables, and the upgrade or addition of equipment and technologies to maximise the efficient use of the network. Irrespective of the network development approach chosen there will be a need for significant new network infrastructure to support delivery of the 2030 targets. The analysis has identified that we potentially require approximately 40 new transmission projects in Ireland and 12 projects in Northern Ireland in addition to that we are already undertaking in order to deliver on the 2030 targets. The initial cost estimates for these projects are of the order of more than €1 billion. Further detail on this can be found in the Shaping Our Electricity Future Roadmap.

Public engagement

Our public engagement has provided a comprehensive, thoughtful, transparent and inclusive approach. We must listen to those who live near current and future grid infrastructure, as well as to local and national policy makers and decision makers. Only with their support will we be able to achieve the scale of change required in the next few years.

In February 2021, EirGrid published a new Public Engagement Strategy for a Cleaner Energy Future.

This followed twelve months of research, reflection and engagement that involved a cross-functional team, external workshops and learning from best international practice. The COVID-19 pandemic accelerated the process of adopting new technologies, learning by doing and adapting to the needs of our stakeholders. However, this provided additional experience and insight to inform our new strategy. This has resulted in what we consider a ‘Pandemic Proof Strategy’ for public engagement and we believe we have demonstrated how this is possible with examples of the engagement we have undertaken on Grid Development Projects and Grid Development Strategies this past year. For example, our practice has supported us to host 100 stakeholders across a three day deliberative process, host over 100 events in a fourteen week period and provide space for stakeholders to book individual engagement with us.

The purpose of this new strategy is to:

- Support the organisation to build our engagement capacity - significantly investing in our people and growing our dedicated public engagement resources
- Implement innovative partnerships and approach our engagement with the view to maximising strategic long-term external expertise
- Future and pandemic-proof our engagement
- Firmly establish the stakeholder at the centre of our grid development process
- Accelerate public acceptance of electricity transmission infrastructure

Our new Public Engagement Strategy launched in February 2021

“ It is great to see EirGrid reach out and communicate with the public. ”

Civil Society Forum participant

Examples of new practice and initiatives this year

Advertisement

In late 2020 we launched a national advertisement campaign. This campaign had a fresh approach with a very simple purpose. It explained how our role puts EirGrid at the heart of Ireland’s climate action. Our research for this campaign showed this was a key message to help people understand the need for grid reinforcement projects. The theme of “stepping up” showed how people were already taking their own climate actions and compared this to the scale of change we can deliver – with public support. The campaign featured real people telling their own stories throughout, to help underscore the credibility of our message.

Development of a new online consultation portal

In March 2021, we launched a new permanent consultation portal which is now used to host consultations on grid development projects. Our new sites (**consult.eirgrid.ie** and **consult.soni.ltd.uk**) provide seamless integration with our digital suite and exceptional user experience for stakeholders.

- Stakeholders can provide their feedback on specific routes and sections of proposals
- Stakeholders can use the portal to stay up-to-date on project developments
- EirGrid can use the portal to demonstrate to stakeholders how their feedback is used
- We also publish all public and statutory stakeholder submissions on the portal, so stakeholders can see what other feedback we are considering

Hosting of virtual exhibition spaces on projects

EirGrid was a pioneer in the use of a virtual open day. This online format allowed stakeholders to see information typically seen on project open days. Site visitors entered a virtual room displaying project information posters. They could then walk through the room and get more detail by interacting with each poster. The virtual exhibition space also allowed for stakeholders to register for webinars and submit their views – all in one place.

Community forums

This year saw the establishment of community forums across a number of EirGrid projects. The following forums were established in 2021:

- Clashavoon Dunmanaway in July 2021
- Kildare Meath in August 2021
- Laois Kilkenny in August 2021
- Celtic Interconnector in September 2021

The role of the forums is to ensure that local people take part in the project as much as possible and that they have direct engagement in the project. Members of the community forums are made up of representatives of local community groups, local County Councillors and Chamber of Commerce members. Community forums ensure that the priorities of each community benefit scheme reflect the priorities of each local community. Each forum is independently chaired.

Each forum is unique, with each having core group working principles and terms of reference. The forums’ focus differs depending on what step the project is at. For example, the Kildare Meath Community Forum’s main focus during this period was consultation and engagement on the potential routes of the project; while the Celtic Interconnector Forum commenced the development of a community benefit strategy, to provide a framework for the implementation of the community benefit scheme on that project. As each forum is only recently established, capacity building has also been a focus, encouraging a sense of ownership and empowerment, ensuring that community forum members gain greater control over the future development of their area, through the community benefit scheme.

To date all meetings have taken place virtually, however it is hoped that as COVID-19 restrictions ease, community forums will meet in person.

Information and education videos

EirGrid has created a new library of information videos, to help build an understanding of our work, the limitations we face and to reassure stakeholders about topics they may be curious about. This library includes a range of videos that were developed in partnership with the Distribution System Operator (ESB) to ensure consistency of message.

They include:

- Installation of underground cables
- Are overhead wires a health risk?
- Why can’t we put everything underground?

This library will grow over time.

Recognition of our practice

We have reactively and proactively shared our practice with national and international stakeholders, culminating in our participation at COP26, focused on sharing our practice in Ireland on a global stage.

EirGrid has been requested to and proactively shared our engagement journey with a range of international bodies and TSOs including:

- International Energy Agency
- Directorate General for Energy in the European Commission
- Red Eléctrica de Espana
- International learning event (UK) on engaging with the public on decarbonisation.

In addition to this, EirGrid has been approached to support learning and capacity building in other state bodies, including:

- Department of Agriculture, Food and the Marine
- Department of the Environment, Climate and Communications
- Dublin Airport Authority
- Sustainable Energy Authority of Ireland
- Office of the Planning Regulator
- University College Dublin Energy Institute

Continuing to respond and improve

EirGrid has a strategy that is transforming our public engagement and that builds upon extensive work over the past decade. We are now working with partners and stakeholders to deliver these improvements. These include local communities, landowners and industry. The external context for this new strategy is the urgent need to respond to climate change – and to secure our supply of electricity for future generations. EirGrid has a unique role to play to help deliver this. As we near the deadline to achieve the 2030 renewables target, our needs will change. Similarly, our approach to public engagement will continue to evolve. This strategy provides the vision for the start of this process. This must continue to be a process of continuous improvement. We must listen to those who own, work on, and live near future grid infrastructure. Only with their support will we be able to achieve the scale of change required in the next few short years.

" Climate change is the greatest challenge of our time and yet **a challenge we simply must overcome,** given the existential threat that it poses to humanity."

“ The role of the community forums is to ensure that local people take part in the project as much as possible and that they have direct engagement in the project.”

Network Infrastructure Developments this past year

In terms of our existing infrastructure projects we have made considerable progress on a number of fronts:

Celtic Interconnector

Over the year, the project team at EirGrid and Réseau de Transport d'Électricité (RTÉ), our French partner, achieved significant milestones on this vital project. Throughout the first half of the year, the specific cable routes, converter station locations (required to convert power from alternating current (AC) to direct current (DC) and back again at either end), and substation connection points were confirmed both onshore and offshore within Ireland and France, and offshore within the UK Exclusive Economic Zone (EEZ).

In Ireland in particular, this followed extensive and generally positive stakeholder, public and landowner engagement. A community forum has been established, independently chaired, to discuss key matters relating to the project in Ireland, in particular including the setting up of a community benefit scheme for the project.

The Celtic Interconnector Project is a designated European Project of Common Interest (PCI). This required the undertaking of a complex pre-application process in each of the three jurisdictions within which the project will be sited. This process was well-coordinated by the joint EirGrid/RTE team.

In Ireland, following the conclusion of the PCI pre-application process, consent applications were separately submitted in July 2021 to the Strategic Infrastructure Division of An Bord Pleanála, and to the Foreshore Unit of the Department of Housing, Local Government and Heritage. It is anticipated that decisions will be made on these consent applications in the Spring of 2022.

In parallel with this, EirGrid and RTE have been jointly undertaking a procurement and tendering process for both the cable-laying activities and construction of the converter stations. By the end of September 2021, there had been a successful shortlisting of potential tenderers. The overall process will continue for most of the next financial year, culminating in the appointment of contractors to construct this project, following a Final Investment Decision (FID).

The Celtic Interconnector is due to begin the construction phase in 2022 and is expected to be complete in 2026. It will be approximately 575 km long and will have a capacity of 700MW – enough to power 450,000 homes. It has a projected cost of approximately €930m (2018 prices) and is part-funded by the EU.

North South Interconnector

In September 2020, the Northern Ireland Minister for Infrastructure, Nichola Mallon MLA, approved planning permission for this project in Northern Ireland and the High Court upheld that decision in October 2021 following a judicial challenge. This project is critical to improving the security of electricity supply across the island of Ireland. In particular, it resolves an historical bottleneck on the all-island grid that is vital if the system is to carry more renewables in the future. It will allow for the flow of 900MW of renewable electricity across the border, in both directions. This is enough to power 600,000 homes using clean electricity from renewable sources.

Planning and legal consents have now been secured in both jurisdictions and the tendering and related activities to prepare for construction have commenced.

North Connacht

Over the past year there have been significant milestones for this project with the announcement of the best performing option following continued engagement with communities, local landowners, relevant agencies and completion of further studies. The North Connacht 110kV Project is now at the end of step 4 of our six-step process.

The project consists of a new 60km 110kV underground electricity cable circuit from Moy Substation in Ballina, County Mayo, to Tonroe Substation in Ballaghaderreen, County Roscommon; upgrades and extension works to Moy and Tonroe substations; and an upgrade of the existing 110kV overhead line between Tonroe and Flagford substations in County Roscommon. The location of the line will not change.

At present, a large amount of renewable electricity is generated in the North Connacht region and more is planned over the coming years. As the current local electricity network cannot manage the expected flow of power, we need to improve the electricity network in the region. The new circuit will help strengthen the grid in the region, which will also help support the continued social and economic development of the area, including attracting suitable industry and enabling the local community to transition to low carbon.

There has been extensive engagement with stakeholders throughout project. The project team held a 13-week consultation phase from September 2020 to December 2020. Due to on-going COVID-19 restrictions we moved to an online platform to provide key project updates and engage with all stakeholders and members of the community. Throughout 2021, we have engaged with local stakeholders on an ongoing basis.

A planning application will be prepared for submission directly to An Bord Pleanála. It is anticipated that the application will be submitted in Q1 2022.

Plans to establish a community forum are underway. This forum will be independently chaired, to discuss key matters relating to the project, including the setting up of a community benefit scheme for the project.

Kildare-Meath

The Kildare-Meath Grid Upgrade will add a high-capacity underground electricity connection between Dunstown substation in County Kildare and Woodland substation in County Meath. The upgrade will help to more effectively transfer power to the east of the country and distribute it within the electricity network in Meath, Kildare and surrounding counties. The project is essential to enable further development of renewable energy generation.

In October 2020, this project consulted on five overhead and underground options, ultimately resulting in a single 400kV underground cable being selected as the best performing option.

The step 4 public consultation process consulted on four underground cable route options, to inform on the best route option to take forward to detailed design. The consultation ended in November 2021, with outcomes expected in Q1 2022.

A community forum was established in July 2021. This forum isindependently chaired. The forum has met three times in this financial year and have provided valuable insights to the project team.

4

Community Forums established on our key projects this year

System operations

In order to achieve the levels of System Non-Synchronous Penetration (SNSP) that are required to achieve the 2030 targets, we will need to significantly evolve how we operate the power system. In the past we operated a power system based on conventional generation that could be sent an instruction (a dispatch instruction) to generate at a particular output, with no variability and with each generating unit synchronised with each other. Our future system will be at times utilising fully variable and non-synchronised renewable sources of power. This is acutely applicable to the island of Ireland where we are lightly interconnected, which means we will have to address challenges that will not be seen for years to come in other heavily interconnected systems.

In addition, market design needs to be closer aligned to long-term renewables policy objectives across the island. This is critical for ensuring investments by third party developers are appropriately targeted to provide solutions to the all-island system challenges at an affordable cost to the consumer. This must be done whilst implementing evolving Great Britain and EU policy.

This will require us to develop our operational policies and ensure we have the right operational standards. Generators provide a broader suite of services to the network other than just the energy they generate, termed system services, which enable us to ensure a secure, high quality power supply and to manage times when faults occur on the system. We will need to evolve the system services we receive and where we get them from as the generation on the system changes over time. We will also need to develop new technologies and tools to enable our control centres to manage this new power system securely. Finally, we need to facilitate the development and integration of new technologies onto the power system.

Across all of this we will need to work with our partners, the Distribution System Operators (DSOs), given that a lot of the generators and providers of system services will be expected to connect to the distribution system as the generation portfolio decentralises and diversifies.

System operations developments this year

Ensuring a secure transition

Security of supply was a key area of focus for EirGrid during this financial year, given the increased risk posed by the two significant forced outages (Huntstown and Whitegate). These outages (totalling 850MW, which is approximately 15% of the peak demand) occurred in the context of declining generation capacity margins. These generators returned to service in October and November with resultant improvements in outage margins.

However, some of the older plant on the system have had reliability problems, not helped by the fact that, in some cases, COVID-19 prevented any repair or upgrade works being carried out, or at best such works were conducted under constrained working conditions and led to prolonged outages. These units needed to be allowed to take outages to conduct vital repairs or they could have encountered larger problems. As a result of these repairs less generation plant were available.

Across the financial year we experienced ten occasions when there was a reduction in the margin between supply and demand below normal levels versus five occasions in the financial year to September 2020. We also issued one alert to the system due to a system failure on 13 April 2021. Of the total:

- Six of these related to Northern Ireland only occurring on 5, 19, 24 and 26 November 2020, 8 January and 12 September 2021.
- Four were for the entire island occurring on 9 December 2020, 6 January, 13 April and 6 September 2021.
- One occasion was related to Ireland only on 9 September 2021.

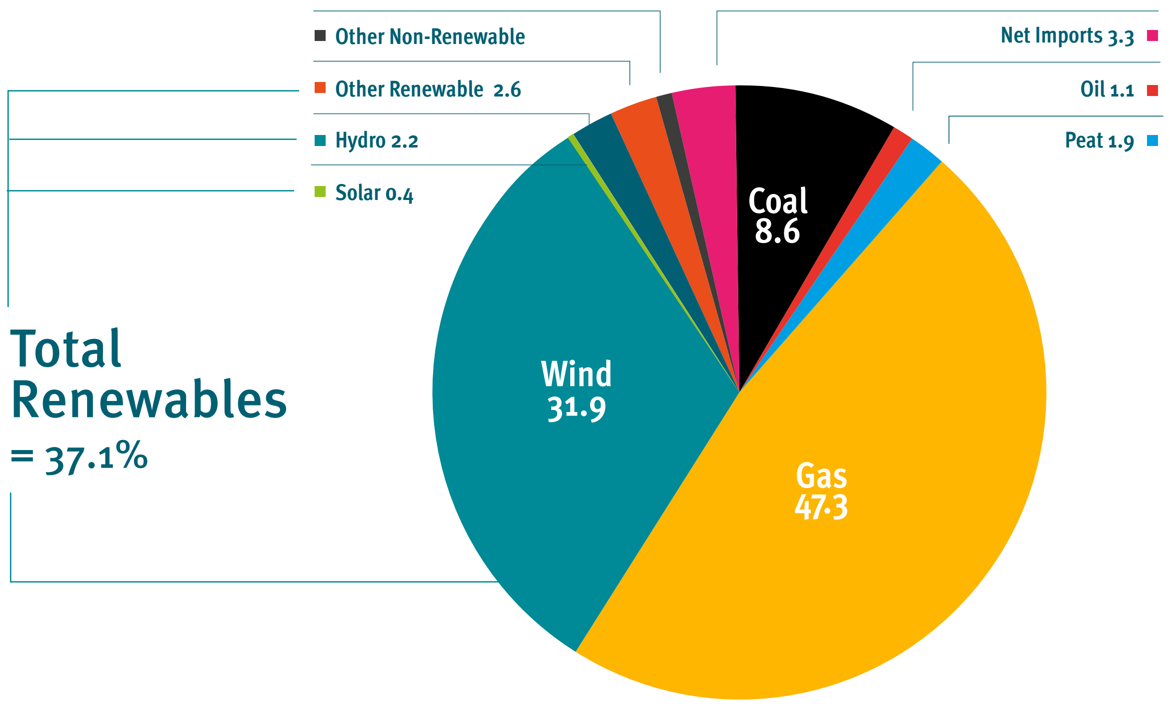
In addition, wind generation in the period up to the end of the financial year has been lower (overall contribution to demand of 37.1% over the period to October 2021) and some developers terminated new capacity that were successful in previous Capacity Market auctions.

Particularly towards the end of the financial year, when the wind has been strong we had more than adequate margins and indeed could support the export of power to Great Britain. We had climatic conditions that produced an extended period with no wind, which manifested in tightness on our own system, coupled with a reduced ability to call on Great Britain for support. This improved with the return of the generation currently on outage. Based on the Huntstown and Whitegate plants returning to full service, our overall view for Winter 2021/2022 is positive, assuming no other force majeure type event manifests.

During the year, EirGrid and SONI carried out extensive reviews of our contingency plans and associated procedures in consultation with the relevant Departments, regulators and DSOs. This work included engagements with Large Energy Users, the review of demand control procedures, and multi-stakeholder training exercises by SONI and EirGrid.

Our Generation Capacity Statement 2021-2030 was published in September 2021 and it highlighted near term issues relating to security of supply. Working with CRU and DECC, a robust plan was developed, to deal with these issues in the short to medium term. This entails procuring temporary (emergency) generation, retaining existing generation units, procuring 2GW of new low-carbon dispatchable generation through the Capacity Market, and developing enduring solutions to the current system challenges (through a range of policy and market interventions).

All-Island Electricity Fuel Mix as Percentage of Demand - Latest Available 12-Month Average (Oct 2020 to Sep 2021):



“ Our existing renewable electricity base provides an outstanding platform upon which we can further decarbonise our power sector and contribute to the decarbonisation of heat and transport. ”

Status of Electricity System	Definition
Alert	A System Alert warns of the potential for temporary electricity supply issues in the near future, so that our expert engineers and the wider electricity sector can get ready to take pre-planned actions to protect the integrity of the grid. A System Alert often passes off without incident once a sufficient buffer between electricity supply and demand is restored.
Emergency	A System Emergency is issued by the TSO when there is a high risk that not all electricity demand can be met. TSO engineers work closely with DSO engineers to take pre-planned actions to protect the integrity of the grid. These actions may include controlled outages and a temporarily reduction in electricity supply for some users.
Blackout	A Blackout State is one when more than 50% of the electricity system has lost power, or when the system has been split into sections, some of which are without power. In such circumstances, pre-prepared step-by-step actions are taken by the TSO, including the Power System Restoration Plan.

Managing System Alerts

One of the key tasks we undertake in operating the power system is to maintain a secure supply. This means ensuring there is enough electricity being generated to meet the demand for power. The total electricity generated must also include a security margin. This allows us to manage uncertainties. These include the variable output of wind generation, or the risk of conventional generators shutting down due to faults.

Alerts tend to be active for several hours over the peak demand period of the day, generally between 5.00pm and 7.00pm. This is typically when generating sources reach their maximum production level. We resolve alerts by operating the power system in a more defensive manner. This affects generation, demand side reductions and interconnection. At these times, we use all available generation.

The first level is known as a System Alert, which warns of the potential for temporary electricity supply issues in the near future. During a System Alert our expert engineers and the wider electricity sector can get ready to take pre-planned actions to protect the integrity of the grid. The next alert level is a System Emergency. It is issued by the TSO when there is a high risk that not all electricity demand can be met. When the system is in this state engineers from the TSO work closely with DSO engineers to take pre-planned actions to protect the integrity of the grid.

An additional fault during an alert could risk the supply needed to meet peak electricity demand. In a worst-case scenario, this would lead to the disconnection of electricity consumers. To date, all alerts this year have been successfully managed with no interruption to electricity consumers. We continue to monitor margins, pro-actively manage risk periods and prepare for alerts. This will minimise the risk of disruption, as we are aware of how crucial a secure supply of electricity is for the economy and for life.

There are several common factors that generally contribute to alerts. These are:

- high levels of forced outages (faults) on conventional (fossil fuel) generating units;
- lower availability of demand units that can reduce their consumption of electricity when asked to do so by the TSO;
- restrictions on the transmission network that limits our capability to transfer power from a surplus area to a deficit area. This is particularly the case for transfers of power between Ireland and Northern Ireland. This is due to the delay in construction of the North-South interconnector;
- electricity market conditions that drive exports to Great Britain;
- the retirement of older generating stations in Ireland and Northern Ireland. Although expected, this was still a contributing factor;
- all alerts have occurred when there was low wind generation levels – which further limited our ability to secure power.

The TSO also calls on demand side partners – large power users who can lower their demand on request – to reduce their consumption of electricity. Finally, we can secure emergency power from Great Britain, using the East West and Moyle Interconnectors.

“ We commenced and successfully completed a trial of 70% SNSP on the system, with over 250 hours of operating above 65% SNSP. ”

Interconnection

In the first quarter of the year, the East West Interconnector (EWIC) successfully transitioned to post-Brexit energy market arrangements in the first quarter of the year. EWIC availability in the 12 months to the end of September was 98%.

SNSP

We commenced and successfully completed a trial of 70% SNSP on the system (with over 250 hours of operating above 65% SNSP) which has now become enduring policy on the system. We also subsequently commenced the 75% trial, but due to lower wind conditions over the remainder of the financial year we were unable to achieve sufficient hours of testing at higher than 70% SNSP. We anticipate this trial will conclude towards the middle of the next financial year pending suitable wind resources. Upon successful completion of this trial, operating at 75% SNSP will become enduring operating policy.

Negative reserve

Negative reserve is generation that is on the system to cover for the loss of demand or an interconnector when exporting. The negative reserve prevents a high system frequency in those scenarios. In the past negative reserve could only be provided by conventional generators. This year we successfully completed a Negative Reserve Trial, which allowed wind generation to provide negative reserve instead. This resulted in us now holding 100MW less negative reserve from conventional generation on the island. This will result in 100MW less curtailment at times and greater facilitation of renewable energy.

System records

The system peak demand record was broken on two occasions. A new system demand evening peak of 5,357MW was recorded in December 2020. New wind records were recorded in February in Ireland 3,591MW and on the island of Ireland 4,489MW.

Leading on Sustainability

Leading on Sustainability

200

stakeholder responses to our Materiality Survey to inform our approach on sustainability

30%

women in leadership roles places us higher than our peers, but we acknowledge that we still must do better

Defining sustainability for the Group

This year, in support of our primary goal: 'Lead the Island's Electricity Sector on Sustainability and Decarbonisation', we developed of our first Group Sustainability Strategy.

We carried out a best practice gap analysis of our sustainability targets and initiatives to date, drawing from sustainability best practice both within and external to our sector; examining the targets within the United Nations Sustainable Development Goals to ascertain those goals that were most relevant to us and where there was potential to make the most positive impact; and, extensive internal consultation across the business to identify our sustainability pathway and set an appropriate level of ambition.

We included stakeholder perspectives through the execution of a materiality assessment whereby we invited a comprehensive list of internal and external stakeholders and employees to rate and rank a long list of broad sustainability related topics in addition to EirGrid Group specific topics, to ascertain the importance of each individual topic to these stakeholders. The degree of alignment was high between what internal and external stakeholders considered material from a sustainability perspective for the Group and informed our approach to determining the key areas of focus for our strategy.

Our sustainability strategy

The results of our analysis and engagement helped us to identify the core focus areas for our sustainability strategy. We have determined that structuring our strategy around the Sustainable Development Goals (SDGs) would be the most strategic approach and that we should determine a key set of SDGs in order to focus our efforts and impact.

Based on this we have determined that three key pillars will guide our sustainability journey as outlined, namely:

- Driving climate action and transformation of the electricity system
- Committed to a sustainable society
- Being a responsible business

The first pillar is very much framed around the 'What we Do' as a Group and our core contribution to the transformation of the power system and the overarching climate challenge. The other two pillars highlight that whilst achieving this outcome is critical, it's 'How we do it' that will determine the net benefit to society and ensure that sustainability is embedded into all our activities. Each of the pillars we have developed and committed to in the strategy this year will now be further explained.

Driving climate action and transformation of the electricity system

Our engagement with stakeholders internally and externally highlighted that EirGrid's most impactful contribution from a sustainability perspective is to drive climate action through the transformation of the electricity system and realisation of the broader decarbonisation benefits that can materialise across the economy through electrification. In doing so, we are directly at the centre of supporting the outlook for a net zero economy that is shared across the island.

Our aims under this pillar are:

- Deliver the secure transition to a low carbon electricity system
- Support and embed the critical thinking required to deliver the electricity system transformation
- Ensure climate change adaptation is factored into our asset management forward planning

In this pillar we have committed to the actions and efforts that we will take to achieve this outcome, including the execution of our Group Strategy, the support of Government energy and climate policy, and in the near term, has crystallised in the Shaping Our Electricity Future Roadmap. This has put us on a pathway to achieving the 2030 targets, and in doing so, a trajectory to a climate neutral economy by 2050.

Within this pillar we have also committed to working with all players in the electricity system to address the emissions profile associated with the broader operation of the power systems (through dispatch balancing).

"Achieving our climate ambition will require a significant change across society, and EirGrid Group will play our part."

We have calculated this as part of our 'Science Based Targets' work, as it is a crucial component to address in the period to 2030 and will require the efforts of all parties.

This is outlined further in the Science Based Targets section.

We have determined a number of key metrics to reflect our progress in this area, including renewable electricity penetration, carbon intensity of electricity, SNSP, the level of renewable energy not utilised (dispatch down) and the Scope 3 emissions footprint for dispatch balancing (again this is elaborated on further in the Science Base Targets section of this report).

Committed to a sustainable society

Achieving our climate ambition will require a significant change across and EirGrid Group will play our part.

We have committed to working with all stakeholders to support this change from several social perspectives. We have committed to ensuring that our business operations are conducted in a manner that ensures efficient use of resources and that we manage the environmental impact of our activities in terms of our use of products, our interaction with the land, the water, communities and habitats.

Our aims under this pillar are:

- Create and inform societal awareness of the challenges we face and the role we can all play
- Support learning and skills development across society to achieve the transition
- Support and promote diversity and inclusion
- Promote a culture of health and safety

This year we have developed our approach in this area, as showcased elsewhere in this report, by the publication of our enhanced Public Engagement Strategy, the extensive consultation process undertaken to inform Shaping Our Electricity Future and our commitment to our staff development, graduate and early career development programmes. This year we have also broadened our community benefit scheme criteria to focus across three streams aligned with this pillar, namely biodiversity, community and sustainability.

Our further endeavours under this pillar include:

Education and skills

We understand that to deliver on our strategic ambitions we need a strong pipeline of future talent, and this year we have redoubled

our efforts to do so during a period of great market turbulence. Our talent acquisition team has grown this year and has spearheaded a significant recruitment drive to attract talent at all levels from around Ireland and abroad.

We have grown our graduate intake. An energised, ambitious group of 35 graduates joined EirGrid Group over recent years. This cohort represents a diverse range of experience, discipline and educational background and they have already begun to make their mark in all areas of our business. As has been proven time and again, many of our graduates go on to make a lasting impact as they grow their careers with us.

We have supported our graduates to make the leap from success as a student to being effective in a corporate environment. On completion of a four week onboarding programme, each graduate has been awarded an accredited Certificate in Professional Effectiveness and we continue to see the return on that early investment as they have joined their teams. Our Graduate Development

Scifest sponsorship

In 2021 we made the decision to partner with SciFest on the SciFest@School programme. The programme promotes science, technology, engineering and mathematics (STEM) education through the provision of a forum for students at local, regional and national level to present and display their scientific investigations.

The EirGrid Climate and Delivering a Cleaner Energy Future Award is presented to the secondary school students who design a creative, innovative approach to utilising energy from clean resources.

> “Our Diversity and Inclusion Strategy is addressing diversity in its widest form, but gender diversity is a primary area of focus within the overall strategy.”

Programme runs over two years with each graduate gaining experience in three core areas of the business building a broad range of technical, commercial and stakeholder skills. During August and September 2021 it was possible, after an extended period of remote working, to safely create opportunities for our graduates to engage in-person with their peers and our senior leadership team, in particular focusing on strengthening their networks across the Group. This early talent group has brought fresh passion and energy to our business, with our purpose to transform the power system for future generations resonating strongly across this cohort in particular.

Diversity and inclusion

Innovation is powered by diversity; with diversity of thought, experience, background, and point of view we aim to be representative of the island we power and position ourselves to deliver on our strategic ambitions. Our People Strategy affirms that we value our people, and with that comes the opportunity to continue to build a diverse workforce and to foster inclusive workplaces where all our people feel they belong, can be themselves and have opportunities to excel.

We are acutely aware of the under-representation of females emerging from university with qualifications in engineering and IT, key disciplines for our organisation.

Our current figure of 30% females in leadership roles places us ahead of the wider industry in terms of representation, however we have significant opportunity for further change. Our Diversity and Inclusion Strategy is addressing diversity in its widest form, but gender diversity is a primary area of focus within the overall strategy.

Three pillars inform our approach.

The first is education and awareness. In 2021 we completed our first Group diversity and inclusion survey. The results have directly influenced our approach and will inform our continued activities in the coming year. A key next step is the roll out of the next phase of unconscious bias training across the group.

The next pillar is Nurturing Diverse Talent. We actively encourage and support diversity at all levels, spotlighting diverse talent and finding innovative ways to bring them on the leadership journey. Our Graduate Programme has been one avenue for introducing diversity at the early career stage. We coach and mentor diverse talent and engage with expert bodies on how we can empower those of us with disabilities to fulfil their potential and bring a broader spectrum of ability into the organisation. In doing so, we will grow our capability into the future and ensure we are well resourced to meet the opportunities ahead.

The third pillar is through building an attractive and inclusive employer brand with diverse selection panels. This year, we began a pilot of our new hybrid working model which gives our people greater flexibility to bring balance to their work and personal lives. We have joined some of Ireland’s leading companies in taking the Business in the Community Ireland Elevate Social Inclusion Pledge, welcomed female STEM teachers in training to intern with us, and joined the Irish Independent’s Women in STEM campaign. This year we also began, our sponsorship of the SciFest science fair network which will directly associate EirGrid Group with efforts to inspire young women and men to pursue STEM at third level.

Customer/industry engagement

Our customers include those directly connected to the transmission system. Some customers generate electricity from conventional or renewable sources, while others have a high demand for electricity, which only the transmission system can provide. Others provide the services necessary for operating the transmission system such as demand side units and energy storage units. Interconnector customers provide interconnection to other electricity systems. We also serve the electricity suppliers and broader stakeholders with an interest in the operation and enhancement of the transmission system, including industry representative bodies, respond to a wide range of needs across the wholesale energy sector in Ireland. We recognise that many of our customers are key enablers to meeting the 2030 targets through electricity generation (including microgeneration), interconnection and the supply of necessary services to operate the system with high penetration of generation from renewable sources. This year we have continued to evolve our engagement to ensure we continue to meet the evolving needs of our customers, as well as future development of how we plan, develop and operate the transmission system.

1,000

trees to be planted through our partnership with ‘tressontheland’

In December 2020, we published our “Engage with Us – A Guide for Customers and Industry Stakeholders” document. This document summarises EirGrid’s engagement channels and points of contact for our customers and industry stakeholders. It was developed to provide clarity on how our customers and industry stakeholders can have their say and how these insights and feedback are used within EirGrid.

When we assess the effectiveness of our engagement, we consider whether we have successfully provided information that is clear and easy to understand in plain English to our stakeholders; received relevant feedback from a range of stakeholders for consideration; identified insights, learnings and opportunities from feedback and ensured our stakeholders’ perspectives contributed to and were considered in decision-making; provided transparency around decision-making; and achieved the identified objective(s) and benefits that the engagement was designed to deliver.

Biodiversity

EirGrid is delivering a biodiversity enhancement project at the site of the East West Interconnector (EWIC) converter station in County Meath.

At the EWIC converter station site, approximately four hectares of the seven-hectare site is dominated by an unmanaged grassland meadow, with intensely managed amenity grassland areas, and a small area of native woodland plantation also present.

EirGrid is funding an evidence-based approach to biodiversity enhancement at the Portan site. Iterative stakeholder engagement with the National Parks & Wildlife Service (NPWS), Meath County Council, and the Botanical Society of Britain and Ireland continues to be central to deciding habitat actions, on the core principle of ‘low intervention’. We have made a number of changes such as the mowing regime in the meadow, seeding native yellow rattle, and removing weeds by hand, we are encouraging native wildflowers in the seedbank to re-establish, and form a bee-friendly hay meadow habitat. The EWIC site is registered with the National Biodiversity Data Centre (NBDC), and in support of the All-Ireland Pollinator Plan, EirGrid no longer uses pesticide or herbicide in wildlife areas. We have partnered with the ‘treesontheland’ charity, to plant 1,000 native Irish grown trees to expand the existing woodland plantation. Scrapes of bare earth will be maintained to provide long-term nesting habitat for mining bees. A bird box has been erected for hole-nesting birds and fenced off areas of unmown grass ensure red-listed meadow pipits can nest safely throughout the summer.

Separately, the National Biodiversity Action Plan 2017-2022 requires Irish governmental departments and the NBDC to contribute data and information to European and international networks to support conservation research and policy.

To support this policy and our commitment to society, EirGrid advocates that ecological consultants working on transmission projects submit relevant ecological records (particularly on rare and protected species) to the NBDC.

Three pillars - actions in 2020/2021

Climate

External Leadership: Science Based Targets

- Business In The Community (BITC) Ireland: our Chief Executive, Mark Foley, has continued to Co-Chair the Low Carbon Working Group (Ireland). This working group has been the key driver in the original and now increased ambition Low Carbon Pledge, which in 2021 asked companies to commit to science-based targets by 2024. EirGrid is a signatory to the Low Carbon Pledge.

- BITC Northern Ireland: SONI is a Climate Champion for the Business Action on Climate Campaign and sits on the steering group which was responsible for developing the Climate Action Pledge, which is 'a public commitment by an organisation to reduce its absolute scope 1 and scope 2 greenhouse gas emissions by either 30% or 50% by 2030; and to work towards measuring and reporting scope 3 GHG emissions.' Through our Climate Champion role, we delivered a Climate Action webinar with Power NI in this financial year.

Employee Engagement:

- On World Environment Day we held a photo competition for staff whereby they had to share photos of their favourite perspectives on the environment. We had a great success and a number of high-quality photos and importantly it gave staff an opportunity to reflect on the environment we all have and strive to protect. (See one of the top-placed entries on page 47).

Responsible Business

External Recognition:

- SONI was awarded the CORE Certification at standard level by Business in the Community Northern Ireland. This was the first time that SONI achieved this Corporate Responsibility and Sustainability Certification, which involved a thorough examination of all areas of the business through from a responsible business and sustainability viewpoint.

- EirGrid won the Renewable Grids Initiative (RGI) 'Good Practice of the Year' Awards 2020 in the Communication and Engagement Category, for our stakeholder consultation around the Celtic Interconnector.

- EirGrid's pivot to digital engagement as a result of COVID-19 was shortlisted in the 'Communication' category in the Sustainable Business Impact Awards

- The SONI/Ulster Rugby Partnership was shortlisted in the 'Investing in your Community' category in the BITC NI Responsible Business Awards

- The SONI/BookTrust NI Partnership was short-listed in the 'Creative Community Engagement Award' category in the Arts & Business NI Awards 2021.

- SONI received a bronze rating in our preliminary participation in the NI Environmental Benchmarking Survey

Society

Volunteering:

- Building on the success of our existing volunteering partnership with Margaret Aylward Community College in Whitehall, Dublin, we commenced a new two year Student Mentoring Programme with 5th year students through the BITC Ireland Business Action on Education Programme. EirGrid Graduate Programme participants provided virtual group mentoring sessions on various academic and life-skill topics. The sessions provided a great opportunity for the students to engage with an adult from outside of their direct circle to provide a new perspective on queries they may have, and a development opportunity for our graduates to learn new coaching and mentoring skills.

Community Investment:

- In line with our focus on education, continued our support to the DCU Access Programme to make 'education attainable to young people from socio-economically disadvantaged backgrounds.' As part of our support, a student from the DCU Access Programme participated in a Summer Internship in EirGrid through the 'Access to Work' programme.

- The SONI/BookTrust NI partnership supports the promotion of literacy from an early age. Through this partnership, SONI donated book packs to Kells and Connor pre-school and the Country Pre-School in Kells, County Antrim.

- SONI supported volunteerism through the SONI/Ulster Rugby Real Rugby Heroes – Game Changers' bursary fund to reward the efforts of clubs and volunteers throughout Ulster who embodied the spirit of community rugby by keeping their players and the community engaged throughout the pandemic, from championing health and wellbeing, to keeping kids and families connected to the game off the pitch.

Employee Engagement:

- Aligned to the SONI/Book Trust NI partnership, we held a Christmas competition for staff to win children's book packs to promote the partnership internally.

Liam Ryan appointed to the Board of ENTSO-E

Liam Ryan, Chief Innovation and Planning Officer, has been appointed to the Board of ENTSO-E. ENTSO-E, the European Network of Transmission System Operators for Electricity, is the association for the cooperation of the European transmission system operators (TSOs). **www.entsoe.eu/about/inside-entsoe/members/** The 42 member TSOs, representing 35 countries, are responsible for the secure and coordinated operation of Europe's electricity system.

Europe is moving towards a sustainable, digitalised, integrated and electrified energy system with a combination of centralised and distributed resources. ENTSO-E has a critical voice in Europe and seeking to ensure that this energy system keeps consumers at its centre and is operated and developed with climate objectives and social welfare in mind. It is important that EirGrid participate in ENTSO-E to learn from our TSO colleagues and share the Irish perspective and we actively participate Influencing and contributing on a European and global scale.

> "To ensure that our business activity is conducted in a sustainable manner we will embed climate, sustainability and responsible business practices across our day to day operations and publicly report on our sustainability performance."

In 2020 we also joined over 530 organisations globally, in signing the Business for Nature pledge. Business for Nature is a global coalition of businesses, and conservation organisations, whose goals include strengthening evidence of business leadership and momentum on nature.

Being a responsible business

In order to ensure that our business activity is conducted in a sustainable manner we have committed to further embed climate, sustainability and responsible business practices across our day-to-day operations and publicly report on our sustainability performance.

Our aims under this pillar are:

- Further embed sustainability into governance, decisions and delivery across the business
- Manage and reduce our own carbon footprint
- Achieve the highest ethical standards
- Increase transparency on our non-financial performance

Given that climate and energy policy is at the heart of the EirGrid Group Strategy 2020-2025 we have established good governance structures with a focus on climate and sustainability, but we need to do more. We have a focused energy efficiency programme which has reduced our energy consumption as a business by 40% by 2020, measured against a 2009 baseline. We have developed and adopted key policies for the business including energy and environmental policies for the Group. We have also achieved external validation of our efforts, including through the Business Working Responsibly Mark in Ireland and the CORE accreditation in Northern Ireland. We have taken a leadership role in organisations such as Business in the Community. However, under our Sustainability Strategy we will go further with some significant activities undertaken this year and over subsequent years.

Developing more detailed sustainability metrics and data driven approaches, based on a combination of opportunity, risk and compliance, will guide us in the years ahead. We will identify further opportunities to embed this into our governance structures and opportunities to verify our approach externally through appropriate reporting and disclosures.

Our current and planned activities under this pillar are as follows.

Science-based targets

In 2021 the Group undertook a carbon footprint assessment across our business to assist with setting emissions reduction targets in line with the targets outlined in the Paris Agreement[1] (called Science Based Targets)[2]. Emissions are broken down into three categories or 'scopes'. Scope 1 refers to direct emissions from owned or controlled sources; Scope 2 relates to emissions from purchased electricity, heating and cooling; and Scope 3 refers to indirect emissions upstream and downstream across the supply chain, and activities such as employee commuting and business travel. We concluded an extensive GHG foot printing exercise to understand our emissions profile across the three scopes and submitted our letter of commitment to the Science Based Targets initiative. We subsequently submitted our targets to the Science Based Targets initiative for validation.

In calculating our emissions, we utilised 2019 as the most recent year that was available before the COVID-19 pandemic and calculated our footprint. The exercise was extensive, taking into account all business operations and included emissions from areas such as energy usage, purchased goods and services, and employee commuting and business travel. A key decision in determining the footprint was to analyse the emissions that exist on the system as a result of dispatch balancing, in other words the redispatch of generation. This redispatch is a result of many factors on the system, including the carbon

[1] https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement
[2] https://sciencebasedtargets.org/

What are science-based targets?

Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions.

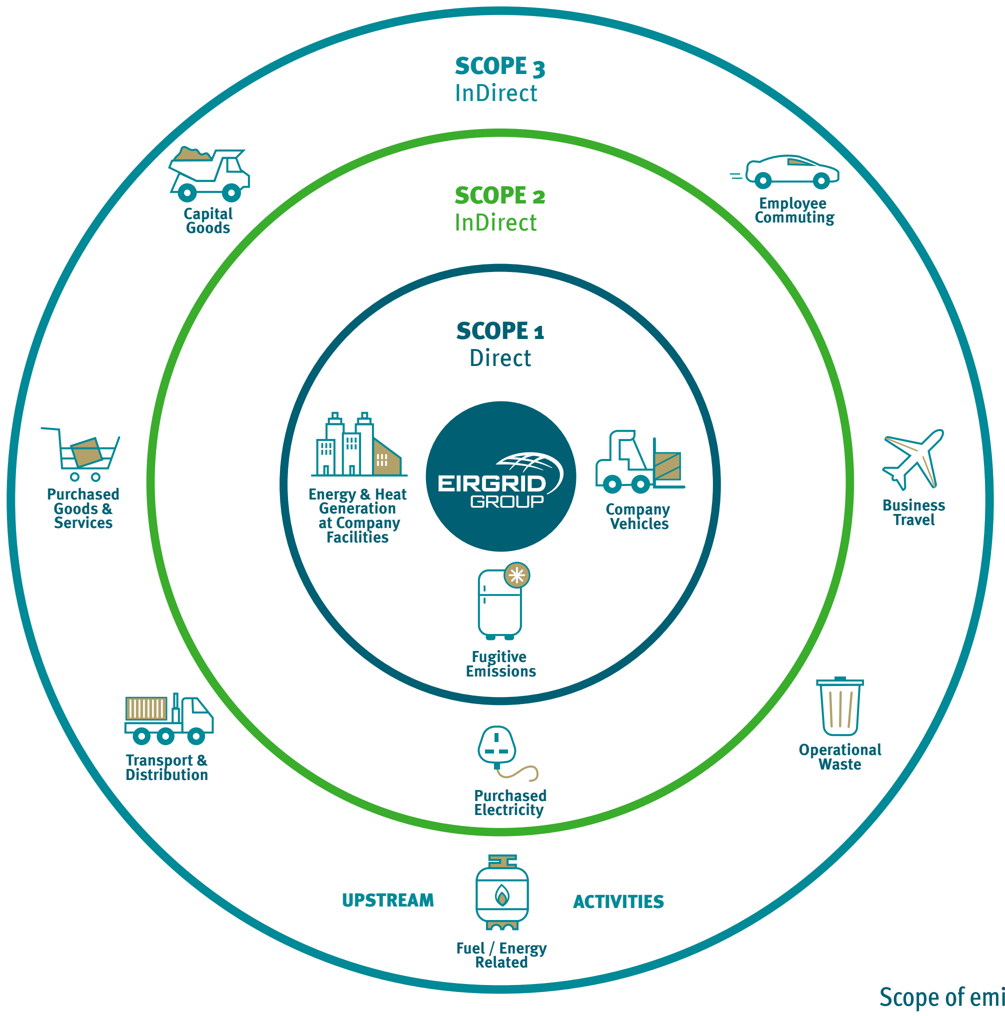
Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Under the GHG Protocol, emissions are divided into direct ('Scope 1') and indirect ('Scope 2 / 3') emissions. Direct emissions are those originating from sources owned or controlled by the reporting entity. Indirect emissions are generated as a result of the reporting entity's activities but occur at sources owned or controlled by another entity.

Scope 1
refers to direct emissions from owned or controlled sources;

Scope 2
relates to emissions from purchased electricity, heating and cooling; and

Scope 3
refers to indirect emissions upstream and downstream across the supply chain, and activities such as employee commuting and business travel.



Scope of emissions of EirGrid Group

"Developing more detailed sustainability metrics and data driven approaches, based on a combination of opportunity, risk and compliance, will guide us in the years ahead.'

intensity of the generation and technology portfolio, the electricity network and the operational and market rules. For these Scope 3 emissions, EirGrid Group's role is one of influence, support and cohesion rather than direct control over these changes. These are complex and inter-related areas. There is significant uncertainty around how and where demand will change and this results in a number of different ways in which the generation, network systems and the system and market operation could change in the future.

Our calculation and forecasting for this element utilised modelling based on scenarios which were selected considering feedback themes from the Shaping Our Electricity Future consultation. The 2030 demand and generation scenarios were selected considering feedback from the consultation. As this element of the footprint is also very aligned with the electricity demand in the year in question, we utilised an intensity figure relating the emissions generated to the level of demand. For all other scopes we have utilised an absolute reduction target.

We have submitted these to the Science Based Target initiative for validation which we expected to receive in the second quarter of financial year 2021/22. Our 2019 baseline figures and 2020 footprint figures (both in calendar year) are found on the opposite page.

Sustainable procurement

In 2021, EirGrid Group commenced a sustainable procurement assessment to get a baseline understanding of our current performance, and to use that to identify social and environmental improvement opportunities within our procurement processes and within our supply chain, which will conclude in our next financial year. We will utilise this to develop a Sustainable Procurement Strategy and to carry out a sustainability audit of our top tier suppliers.

Sustainability reporting/disclosures

We have committed to annually reporting on our sustainability performance against each of the three pillars of our sustainability strategy and including our performance against our science -based targets and the selection of an external disclosures framework such as the Global Reporting Index (GRI), the task force on climate financial disclosures (TCFD) and the Climate Disclosures Project (CDP) and to make a disclosure by 2024.

Submitted Targets

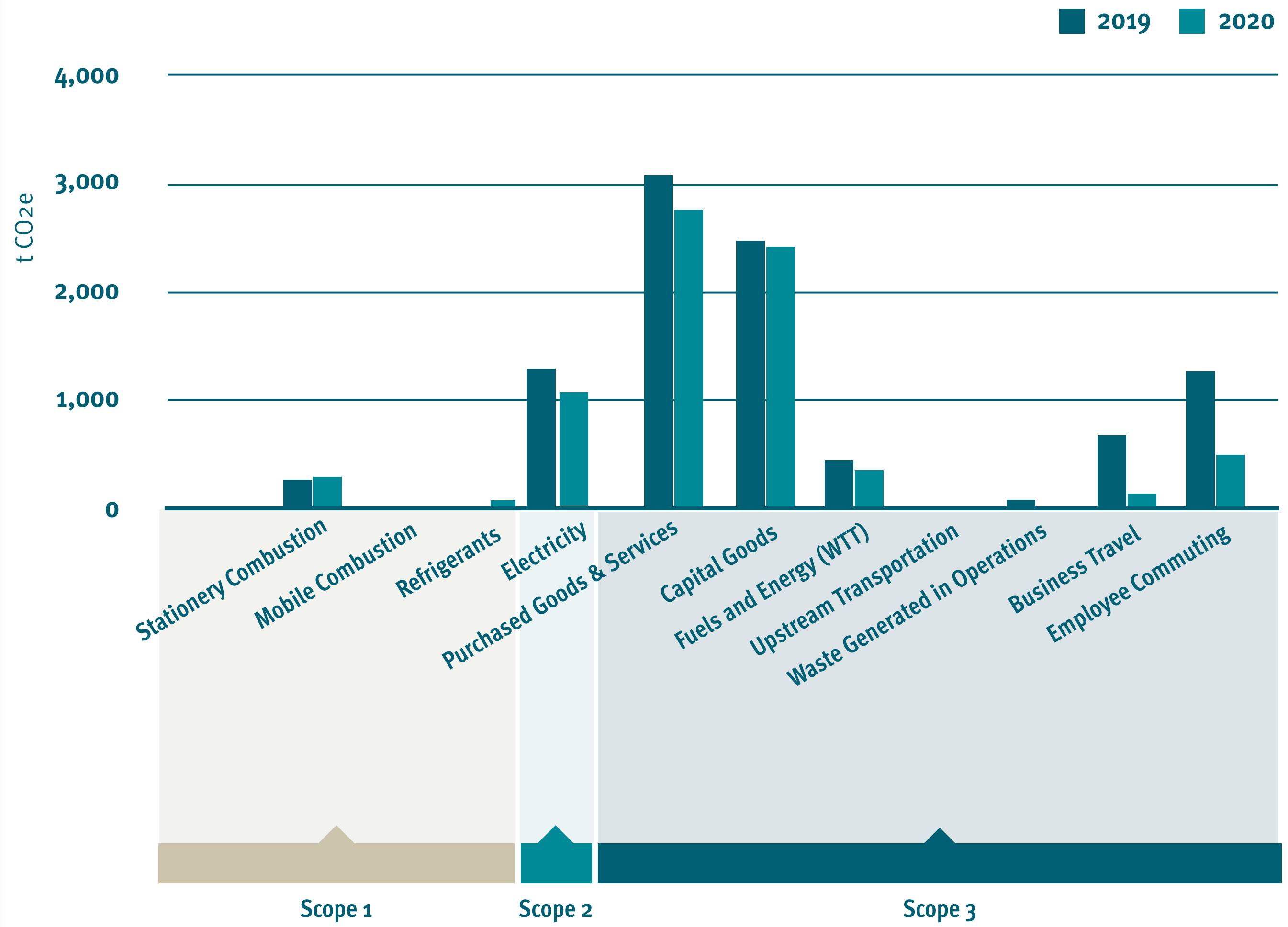
Our submitted targets are as follows:

- EirGrid Group commits to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year.
- EirGrid Group also commits to reduce scope 3 GHG emissions from dispatch balancing services by 35% per MWh of overall system demand within the same timeframe.
- EirGrid Group further commits to reduce all other absolute scope 3 GHG emissions 30% by 2030 from a 2019 base year.

	2019 calendar year (Baseline)	2020 calendar year
Scope 1	229t CO2e	326t CO2e
Scope 2	1,286t CO2e	1,035t CO2e
Scope 3 (Office)	7,952t CO2e	6,136t CO2e
Office total	9,467t CO2e	7,497t CO2e
Scope 3 (Dispatch Balancing)	0.048t CO2e per MWh of electricity demand	0.071t CO2e per MWh of electricity demand

Our 2019 baseline figures and 2020 footprint figures

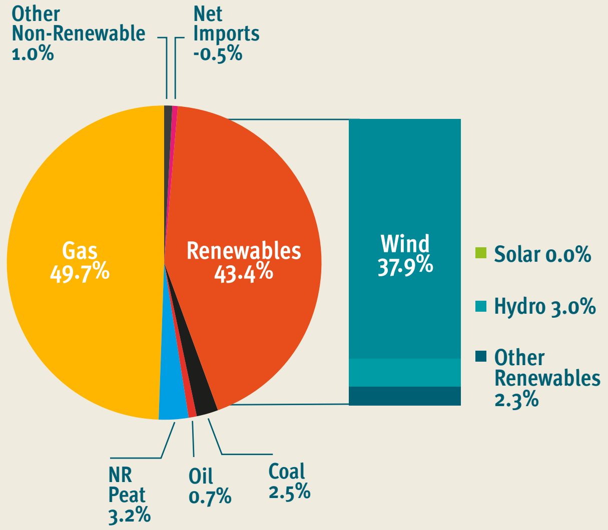
Emissions Breakdown by Year



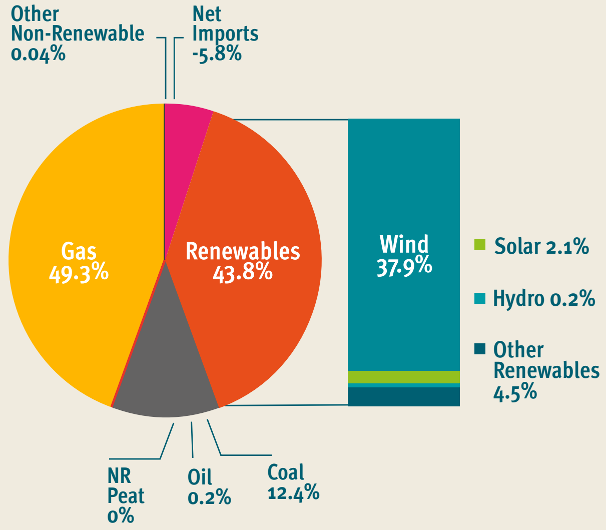
System Statistics

Key Operations Data

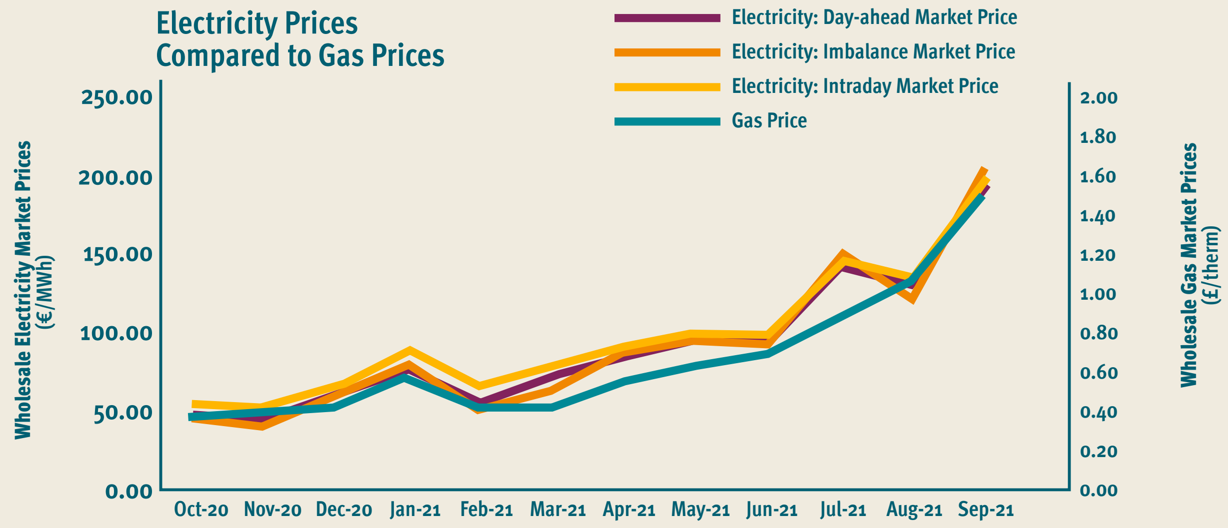
Fuel Mix in Ireland 2020



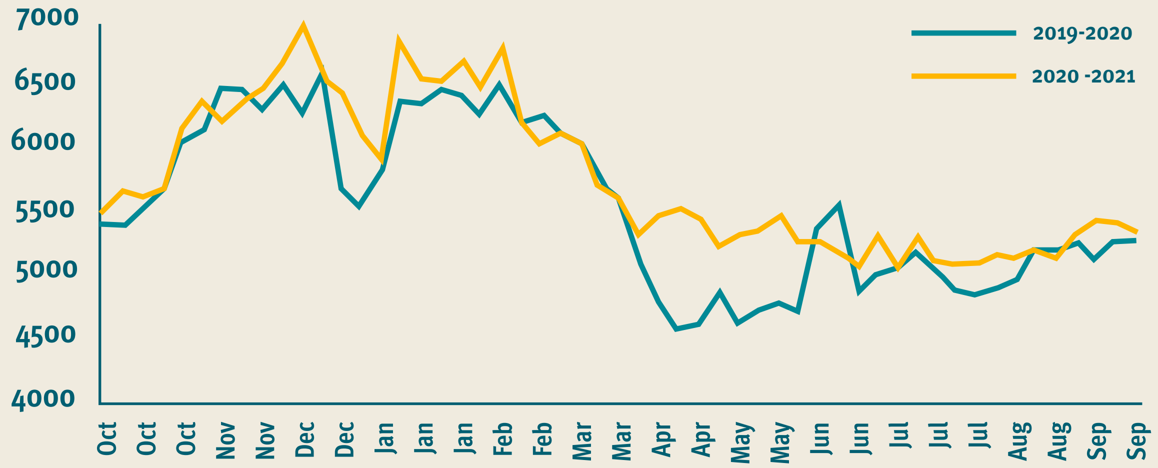
Fuel Mix in Northern Ireland 2020



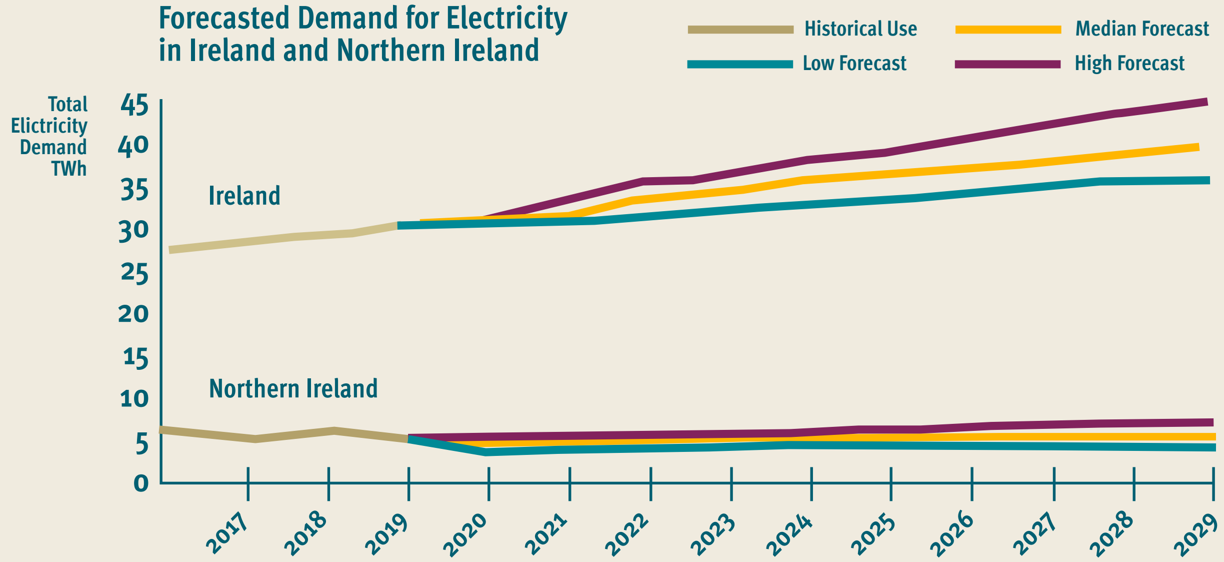
Electricity Prices Compared to Gas Prices



All-Island Weekly Peaks



Forecasted Demand for Electricity in Ireland and Northern Ireland



Board of the EirGrid Group

Brendan Tuohy
Chairperson

Brendan Tuohy was appointed chair of the EirGrid Board in November 2019. He previously served as Secretary General of the Department of Communications, Energy and Natural Resources from 2000-2007. Since 2007, he has been a director of several boards of companies. He holds a degree in Civil Engineering from University College Cork and postgraduate qualifications Dublin University Trinity College. He is a Chartered Engineer and Fellow of the Institution of Engineers of Ireland. He is also currently chairperson of MAREI (the Science Foundation Centre for Climate, Energy and Marine); Chairperson of TILDA (Irish Longitudinal Study on Ageing); and Chairperson of the Quality Council of the Kerry Education and Training Board.

Dr Theresa Donaldson
Deputy Chairperson
& Board Member

Dr. Theresa Donaldson is a Chartered Director and Fellow, Institute of Directors and is Chair, Belfast Harbour Commissioners. Theresa holds Non-Executive positions with NI Equality Commission and the NI Health and Social Care Board. She is a Board member, Centre for Effective Services, and NI Appeals Committee for BBC Children in Need. She is a former Local Government Chief Executive and held several senior management positions in health and social care and legal services in NI including as Director of Policy and Civil Service Delivery in the Northern Ireland Legal Services Commission.

Shane Brennan
Board Member

Shane Brennan was appointed to the board in December 2016 as EirGrid staff representative. He is an engineering graduate from the University of Ulster, holds a post graduate diploma in Environmental Engineering from Trinity College Dublin, post graduate diploma in corporate governance from UCD Smurfit and is a member of Engineers Ireland. He has over 20 years of engineering experience and commenced employment with EirGrid in 2008 as a Project Manager in Grid Development. He is currently the Senior Project Manager for the Northern Ireland element of the North South Interconnector project and has represented the company at many public engagements throughout Ireland and Northern Ireland.

Tom Coughlan
Board Member

Tom Coughlan has extensive senior management and leadership experience having retired as Chief Executive of Clare County Council following a career in local government. He has wide experience in the public sector having served as chairperson and director of various committees and boards at national and local levels. Tom is Chairperson of the Health and Safety Authority and Chairperson of the Legal Practitioners Disciplinary Tribunal. His current positions include non-executive Director of EirGrid plc and Failte Ireland.

Lynne Crowther
Board Member

Lynne is an experienced communications consultant who has developed and implemented award winning content for many blue chip organisations. She was previously employed as Head of new media communications for Coca-Cola Europe and has worked on local, national and international initiatives for a wide range of companies. She also provides strategic guidance, training, mentoring, activation and evaluation. Lynne lectures at the University of Ulster on the PG Cert/Dip/Masters in Digital Media Communication in the areas of digital strategy and content strategy. She is a Board member of the Consumer Council for Northern Ireland and writes an award winning blog.

Mark Foley
Board Member

Mark Foley joined EirGrid Group as Chief Executive in June 2018, having held the role of Managing Director of Land Solutions in Coillte since January 2016. Previous to that, Mark was Managing Director of Coillte Enterprise where he led the development of new businesses in renewable energy, telecommunications, land development and land sales.

Before that, from November 2000 to August 2008, Mark was Director of Capital Programmes at Dublin Airport Authority. In this role he was responsible for master planning, permitting, planning and delivery of c. €1.5bn in airport infrastructure at Dublin, Shannon and Cork airports. Prior to that Mark held a number of senior executive roles with multinationals in the Speciality Chemicals and Electronics sectors. Mark has a Bachelor of Chemical Engineering Degree from University College Dublin, a Masters in Industrial Engineering from University College Dublin and has attended Executive development courses in Penn State University and IMD.

Michael Hand
Board Member

Michael Hand was appointed to the EirGrid Board in July 2015 for a period of 5 years and was re-appointed for a further term in July 2020. Michael has extensive experience over 35 years as a senior leader in the Consulting Engineering and Construction sectors in Ireland. He has acted as Director and Managing Director of private and public companies and also as CEO and Director of Grangegorman Development Agency. He has a track record in the design and delivery of major strategic infrastructure projects throughout Ireland and has also worked with distinction as a volunteer and Director in the voluntary community sector.

Michael is highly qualified in Engineering and Business and holds a Bachelor's Degree in Civil Engineering from NUIG, a Master's Degree in Business Administration from UCD and an Honorary Doctorate from TU Dublin. He is a Fellow of four professional institutions and is a Chartered Engineer, a Chartered Director and a Chartered Water & Environment Manager.

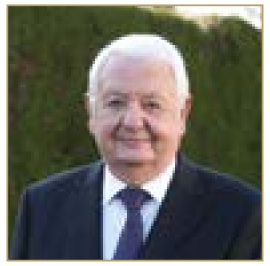
Eileen Maher
Board Member

Eileen is an experienced strategic advisor and leader having spent the past 30 years in the telecoms industry. She has strong strategic, commercial, transformation, regulatory and legal experience.

She is a Non-executive Director of Nama, Chair of Nama's Risk Committee and member of its Finance and Audit Committees. She is a Member of the Broadcasting Authority of Ireland Compliance Committee. She is also the independent Chair of ComReg's Industry Engagement Forum.

She was the Director of Strategy and External Affairs in Vodafone Ireland where she was also responsible for all strategic initiatives such as large infrastructure projects, negotiating commercial joint ventures, partnerships, and acquisitions.

Eileen holds a Batchelor of Commerce Degree and Master's in Business Studies from UCG.



John Trethowan
Board Member

John Trethowan is a native of County Down and is married with one son. John chairs the EirGrid Group Audit and Risk Committee. He is a career Banker, and is a Commissioner of the Central Bank of Ireland where he Chairs its Risk Committee, and is also a member of its Audit Committee. He has extensive Boardroom experience in Banking, Public Transportation, Public Healthcare and in the Voluntary Sector.

Executive Team

Mark Foley
Chief Executive

See biography on page 58.

Alan Campbell
Managing Director – SONI

Alan Campbell was appointed as Managing Director of SONI in June 2021, following 9 months in the role in an interim capacity. Alan was appointed to theSONI Board in December 2020. He joined SONI in July 2017,as Head of Grid Infrastructure Projects and Connections, from ESB where he was responsible for managing its 400MW Coolkeeragh Power Station in the North West. Alan graduated from Queen's University Belfast with a First Class Honours degree in Mechanical Engineering and began his career at AstraZeneca in England before joining ESB. Alan has more than 20 years' experience working in the electricity industry.

Martin Corrigan
Chief Strategy Officer and Company Secretary

Martin Corrigan was appointed Chief Strategy Officer of EirGrid Group in June 2020. Martin joined EirGrid in 2017 and previously held the role of Director - Strategic Initiatives. Prior to joining EirGrid, Martin held senior executive positions in One51 plc from 2006 to 2017 and before that senior finance roles in a number of Irish and overseas companies. He is a graduate of Dublin City University and a Fellow of Chartered Accountants Ireland.

Rodney Doyle
Chief Operations Officer

Rodney Doyle is the Chief Operations Officer at EirGrid with responsibility for System, Market and Interconnector operations. He previously held the positions of Executive Director Markets and Executive Director of Information Services. Rodney also held a number of other positions in EirGrid including European Market Integration Manager; Manager of the East West Interconnector Business Readiness Project, and Ancillary Services Manager. Before his time with EirGrid and ESB National Grid, Rodney worked as the Chief Adviser in the networks division of the Competition Authority of New Zealand concentrating on electricity and gas regulation/market design issues. Rodney is a member of a number of key European TSO and market cooperation groups and a board member of CORESO. Rodney has a BA (Economics), MA (Economics) and an MBA from UCD.

Michael Mahon
Chief Infrastructure Officer

Michael Mahon joined EirGrid Group in August 2019. In his role Michael is responsible for the delivery of major grid capital investment programmes, public engagement and the customer interface. This role also includes the development and delivery of the Celtic Interconnector. Prior to this Michael has 20 years' experience with ESB, with significant leadership experience in major project delivery and senior management. He is also a Chartered Engineer with Post Graduate Diplomas in both Project Management and Management.

Liam Ryan
Chief Innovation and Planning Officer

Liam Ryan is the Chief Innovation and Planning Officer of EirGrid Group. Prior to this Liam was Interim Director of Grid Development & Interconnection. Liam also held a number of other positions in EirGrid including Head of the Integrated Single Electricity Market transition, Head of Transmission Engineering & Maintenance, Head of Market Operations, Head of Power System Operational Planning and Head of Programme Management Office. Liam is currently the Vice Chair of the Board of ENTSO-E, The European Network of Transmission System Operators for Electricity. Before joining EirGrid, Liam held a number of senior roles in Hewlett Packard manufacturing and innovation departments and before that worked in consultancy. A graduate of Trinity College Dublin, he has a PhD and Bachelor of Mechanical Engineering and holds a Masters in Mathematics and senior management. He is also a Chartered Engineer with Post Graduate Diplomas in both Project Management and Management.

Aidan Skelly
Chief Financial Officer

Aidan Skelly is the Chief Financial Officer of EirGrid Group. He has held this position since June 2005. He was also Interim Chief Executive of EirGrid Group between January 2018 and June 2018. Aidan was formerly Finance Director with Waterford Stanley Limited. He also worked with Waterford Crystal from 1987 to 2002, during which time he held a number of finance andcommercial positions in Ireland and in the UK. He trained as a Chartered Accountant with PricewaterhouseCoopers and is a Commerce graduate of University College Dublin. He also holds an MBS in Corporate Leadership from Dublin City University

Siobhán Toale
Chief People and Information Officer

Siobhán Toale is the Chief People and Information Officer at EirGrid. In this role Siobhán is responsible for enabling the business to embrace a modern digital culture through innovative people, process and information technology solutions. Prior to EirGrid, Siobhan held senior change leadership positions in the Banking and Telecoms industries. Siobhán holds a BSc in Computer Science from Trinity College Dublin and a Masters in Organisational Behaviour from the University of London. She is a Chartered Fellow of the Institute of Personnel Development.

Glossary of Technical Terms

An Bord Pleanála
Ireland's independent national planning authority.

Capacity
The amount of electricity that can be safely transferred on the system or a circuit.

Carbon emissions
Carbon emission is the release of carbon into the atmosphere, through activity such as the combustion of fossil fuels.

CRU
The Commission for Regulation of Utilities. This institution regulates our activities in Ireland.

Circuit
The overhead line or underground cable linking two substations. For example, the Moneypoint – Dunstown 400 kV circuit.

Conductors
An object or material that can transfer electricity. For example some metal wires are good conductors of electricity. Conductors are found in underground power cables and overhead lines.

Conventional generation
The generation of electricity using fossil fuels, such as natural gas, coal or peat.

Converter station
Grid infrastructure that converts electricity from alternating current (AC) to direct current (DC) and vice versa. This is done by means of high-power, high-voltage electronic semiconductor valves.

Day ahead trading
When contracts are made between seller and buyer for the generation and supply of electricity the following day.

Data centre
A large group of networked computer servers used for remote storage of information.

De-carbonisation
The removal of carbon-emitting forms of energy generation from the power system. Carbon emissions occur in this context when conventional generators burn fossil fuels to create electricity.

Demand
The amount of electrical power that is drawn from the network by those who use electricity. This may be talked about in terms of 'peak demand', which is the maximum amount of power drawn throughout a given period.

Distribution Network
This is the lower voltage network, owned and operated by the DSO. It delivers power from the transmission network to households and businesses.

DSO
Distribution System Operator. The Distribution System Operator is the designated authority responsible for the operation of the distribution system.

DS3
'Delivering a Secure, Sustainable Electricity System' is an EirGrid Group initiative designed to ensure the secure operation of the grid while achieving renewable energy targets.

Emissions intensity
The amount of carbon emissions relative to a single unit of activity, in other words the emissions intensity of electricity is the amount of carbon emissions per unit of electricity.

Energised
When a newly completed line or cable is fully operational and made a working part of the electricity grid.

European Network of Transmission System Operators for Electricity (ENTSO-E)
The European Network of Transmission System Operators, represents 43 electricity transmission system operators from 36 countries across Europe.

ESB
Electricity Supply Board is a commercial semi-state organisation in Ireland. This group of companies includes ESB Networks, who operate the electricity distribution system.

Fossil fuels
These are fuels – such as coal, oil or gas – that originate underground from the decomposing remains of plants and animals. They emit carbon when burnt and so cause climate change.

Generator
A facility that produces electricity. Power can be generated from various sources, for example, coal-fired power plants, gas-fired power plants and wind farms.

Generation Capacity
This is the maximum amount of electricity available to be generated, based on the output potential of electricity generators connected to the grid.

Gigawatt (GW)
Unit of power, equal to one thousand megawatts. (See below for a definition of megawatt).

Grid
See Transmission Network.

IDA
Industrial Development Agency (Ireland) is responsible for attracting foreign direct investment to Ireland.

Interconnection
The transmission of high voltage electricity between electricity grids in different jurisdictions.

Kilovolt (kV)
Operating voltage of electricity transmission equipment. One kilovolt is equal to one thousand volts. The highest voltage on the Irish transmission system is 400 kV.

Megawatt (MW)
A megawatt is 1,000,000 watts. A watt is the standard unit of power. (See below for a definition of Watt).

Megatonne of carbon dioxide equivalent (MtCO2e)
Carbon dioxide equivalent is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential. For larger quantities this is typically measured in Megatonnes which is one million tonnes.

Negative Reserve
Negative reserve is generation that is on the system to cover for the loss of demand or an interconnector when exporting.

NEMO
Nominated Electricity Market Operator. Each territory in Europe has a NEMO, as designated by their respective energy regulator. The NEMO is responsible for running day-ahead and intraday trading for that electricity market. There can be more than one NEMO serving each territory, as its functions are open to competition. These are commercial services and are separate from the essential market services required to maintain a functioning electricity market.

Northern Ireland Electricity Networks (NIE Networks)
The owner of the electricity transmission and distribution networks in Northern Ireland.

Power System
This term describes the integrated whole of the wider electricity system – from generation, through transmission and finally to distribution.

Reinforcement
Increasing capability on the existing electricity grid by building new infrastructure or upgrading existing equipment.

Renewable generation
The generation of electricity using renewable energy, such as hydro, wind, solar, tidal and biomass.

Renewable Energy Sources for Electricity (RES-E)
Electricity from renewable energy sources, i.e. the electricity generated from clean energy sources such as photovoltaic, hydro, tidal or wave, wind, geothermal, and renewable biomass.

Renewable Electricity Support Scheme (RESS)
A Government support scheme to support the addition to renewable generation to support the State's overall renewable ambition.

Réseau de Transport d'Électricité (RTE)
Electricity Transmission System Operator of France. It is responsible for the operation, maintenance and development of Europe's largest electricity grid.

System services
This is a term we use to describe the enabling and supporting services that allow the electricity system to carry a greater proportion of renewably generated power.

Scenario planning
The practice of considering how a variety of possible outcomes – or scenarios – could affect the future needs of the electricity grid.

Science Based Targets
Pathway for companies to reduce greenhouse gas (GHG) emissions. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

SEM
The Single Electricity Market. This market comprises both the Ireland and Northern Ireland. It allows for electricity to be traded and supplied on an all-island basis.

SEMO
Single Electricity Market Operator. This is the EirGrid Group joint venture that runs the Single Electricity Market of Ireland and Northern Ireland. It carries out the essential services required to maintain a functioning market for wholesale electricity.

Shaping Our Electricity Future
Shaping Our Electricity Future Roadmap provides an outline of the key developments from a networks, engagement, operations and market perspective needed to support a secure transition to at least 70% renewables on the electricity grid by 2030 – an important step on the journey to 80% and to net zero by 2050.

Glossary of Technical Terms

SONI
System Operator for Northern Ireland. This organisation is part of the EirGrid Group. It manages, operates and develops the electricity transmission grid in Northern Ireland.

Stakeholders
These are individuals or organisations that may be affected by, or can influence, the operations of EirGrid Group companies.

Substation
A set of electrical equipment used to interlink circuits and change the voltage being sent down a line or cable.

System Non-Synchronous Penetration (SNSP)
System Non-Synchronous Penetration is a real- time measure of the percentage of generation that comes from non-synchronous sources, such as wind and HVDC interconnector imports, relative to the system demand.

Transmission line
A high-voltage power line running at 400 kV, 275kV, 220 kV or 110 kV on the Irish transmission system. The high-voltage allows delivery of bulk power over long distances with minimal power loss.

Transmission Network or Grid
This is the network of high-voltage power lines, cables and substations. It links generators of electricity to the distribution network and supplies large demand customers. It is operated by the TSO and owned by the TAO.

Transmission System Operator (TSO)
The organisation responsible for operating the high-voltage electricity system in a particular region.

UR
The Utility Regulator. This institution regulates our activities in Northern Ireland.

Voltage
Voltage is a measure of the potential strength of the flow of electricity – similar to 'pressure' in a water system. Voltage is the measure of electrical charge or potential between two points (in an electrical field) such as between the positive and negative ends of a battery. The greater the voltage, the greater the potential flow of electrical current.

Watt
A watt is the standard unit of power in the International System of Units (SI). A watt measures the rate at which energy is produced or consumed. For example, a high-watt electrical appliance will consume more energy than a low-watt appliance.

Financial Statements

Financial Statements
Contents

Directors' Report

The Directors present their annual report and the audited Financial Statements of the Group and Company for the financial year ended 30 September 2021. The Group comprises of the Parent Company and its subsidiaries disclosed in note 30 (e).

Principal Activities

The Group's principal activities are to deliver quality connection, transmission and market services to generators, suppliers and customers utilising the high voltage electricity system in Ireland and Northern Ireland. EirGrid plc also has the responsibility to put in place the grid infrastructure required to support the development of Ireland's and Northern Ireland's economies. The Group is also responsible for the operation of the wholesale electricity market for the island of Ireland. The Group owns and operates the East West Interconnector ("EWIC") linking the electricity grids in Ireland and Great Britain. The Group is also working with its TSO counterpart in France on developing the Celtic Interconnector project which will be an electrical link for direct electricity exchange between Ireland and France.

In this context, the term Group includes all the above mentioned activities (transmission system operator in Ireland and Northern Ireland; market operator and nominated electricity market operator for the island of Ireland; operator of EWIC, telecommunications activities on EWIC and Celtic Interconnector project development activities).

The Group collects tariffs to support these activities. These tariffs allow for incentives and a regulated return for capital invested in the business, generating value for the Group over the longer term.

Results And Review Of The Business

Details of the financial results of the Group are set out in the Consolidated Income Statement on page 87 and the related notes 1 to 29.

The current period being reported on is the financial year ended 30 September 2021. The comparative figures are for the financial year ended 30 September 2020.

Commentaries on performance during the financial year ended 30 September 2021, including information on recent events and future developments, are contained in the Chairperson's Report, Chief Executive's Review and the Financial Review.

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance. During the year the Group was compliant with the Code of Practice for the Governance of State Bodies ("the Code") issued by the Minister for Public Expenditure and Reform in August 2016. The Code sets out the principles of corporate governance which the Boards of State Bodies are required to observe.

The Group also complies with the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001. The Group also has regard to the principles of the UK Corporate Governance Code revised in July 2018 and the Irish Corporate Governance Annex issued in December 2010.

During the year the Group incurred travel costs in Ireland and Northern Ireland of €0.2m (2020: €0.6 m) and overseas travel costs of €0.01m (2020: €0.2m). Settlement and related legal costs for the year were €nil (2020: €nil). Staff Welfare costs were €0.1m, of which external relations were €0.001m (2020: €0.2m, of which external relations were €0.005m).

Directors' Report (continued)

External Support and Specialist Advisory Costs:

	Note	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Electricity Market services	(i)	1,103	2,297
Legal services and advice		2,692	3,248
Transmission Network project services	(ii)	9,739	7,014
IT Systems Support	(iii)	505	565
Corporate Finance advice		374	171
Organisational & Actuarial advice		344	776
Regulatory advisory services		301	1,957
Other		2,831	1,988
Total		**17,889**	**18,016**
Costs charged to Income Statement		9,091	8,963
Costs capitalised		8,798	9,053
Total		**17,889**	**18,016**

Note (i): Electricity Market services include costs of enhancing the all-island electricity market arrangements known as SEM.
Note (ii): Transmission Network project services represents the specialist costs of bringing network projects from initial concept through to the granting of planning permission.
Note (iii): IT Systems Support are external support costs for key systems across the business.

Principles Of Good Governance

Board Members

The Board constitutes a non-executive Chairperson, the Chief Executive, in his role as an executive Director, Deputy Chairperson, an employee representative Director and seven non-executive Directors. All Directors are appointed by the Minister for Environment, Climate and Communications and their terms of office are set out in writing.

The Board

While day to day responsibility for the leadership and control of the Group is delegated to the Chief Executive and his Management Team, within defined authority limits, the Board is ultimately responsible for the performance of the Group.

The Directors have individually resolved to comply with the Group's Code of Business Conduct for Directors.

In line with good practice and the Code of Practice for the Governance of State Bodies, the Board undertakes annual self-assessment evaluation of its own performance. The Board has a formal schedule of matters specifically reserved to it for decision at the Board Meetings normally held monthly. Board papers are sent to Board members in the week prior to Board Meetings.

The Board Members, in the furtherance of their duties, may avail of independent professional advice. All Board Members have access to the advice and services of the Company Secretary. Insurance cover is in place to protect Board Members and Officers against liability arising from legal actions taken against them in the course of their duties.

Directors' Report (continued)

The Board has responsibility for ensuring that effective systems of internal control are instituted and implemented and confirms annually that such systems are operating appropriately. As noted in the Directors' Report, the Board has not identified, nor been advised of, any failings or weaknesses which it has determined to be significant.

Board Committees in 2020/2021

The Board has an effective committee structure to assist in the discharge of its responsibilities, consisting of a number of committees. During the financial year the standing committees were: the Audit and Risk Committee, the Remuneration Committee, the Grid Infrastructure Projects Committee, the Northern Ireland and All-Island Committee (disbanded on 16th December 2020) and the Innovation Committee. During the financial year the Board reviewed the remit of each of the committees.

The Audit and Risk Committee's function is to assist the Board in fulfilling its oversight responsibilities relating t o the financial reporting process, the system of internal control, the internal and external audit processes, monitoring the independence of the auditors and compliance with laws and regulations including the Code of Practice for the Governance of State Bodies. It also provides support to the Board with regard to ensuring ongoing oversight and comprehension of the key strategic risks and the effectiveness of management's response to key risk exposures. Additionally, the Committee advises the Board in its consideration of the overall risk appetite, risk tolerance and risk strategy of EirGrid. The Board is satisfied that at all times during the financial year at least one member of the Committee had recent and relevant financial experience.

EirGrid plc has adhered to Government policy in relation to the total remuneration of the Chief Executive. The Chief Executive's remuneration is set within a range determined by the Minister for Public Expenditure and Reform and the Minister for Environment, Climate and Communications. The Remuneration Committee approves the structure of remuneration for Senior Management.

The Grid Infrastructure Projects Committee's function is to assist the Board in determining the general policy/strategy in relation the development of the Grid and overseeing the implementation of the grid development strategy including reviewing infrastructure projects which are expected to come forward for approval to the Board.

The Innovation Committee's function is to assist the Board in fulfilling its oversight responsibilities relating to the plan for the delivery of the Group's strategic ambition of transforming the power system for future generations and promoting a culture of innovation across the organisation whilst maintaining a balanced approach of risk versus innovation.

Attendance at Meetings

The tables below summarise the attendance of Directors at Board and Committee meetings which they were eligible to attend during the year ended 30 September 2021.

	Eligible to Attend	Attended
Brendan Tuohy	11	11
Theresa Donaldson (Deputy Chairperson)	11	11
Mark Foley	11	11
Shane Brennan	11	11
Tom Coughlan	11	10
Lynne Crowther	11	10
Michael Hand	11	11
Eileen Maher	11	11
Liam O'Halloran (Retired 14 September 2021)	10	10
John Trethowan	11	11

Directors' Report (continued)

Members of the Board at the date of signing of the financial statements were Brendan Tuohy, Theresa Donaldson, Mark Foley, Shane Brennan, Tom Coughlan, Lynne Crowther, Michael Hand, Eileen Maher, and John Trethowan.

Audit and Risk Committee

There were 6 Audit and Risk Committee meetings held during the financial year ended 30 September 2021. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John Trethowan (Chairperson)	6	6
Brendan Tuohy	6	6
Michael Hand	6	6
Eileen Maher	6	6

Members of the Audit and Risk Committee at the date of signing of the financial statements were John Trethowan (Chairperson), Brendan Tuohy, Michael Hand and Eileen Maher.

Remuneration Committee

There were 6 Remuneration Committee meetings held during the financial year ended 30 September 2021. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Brendan Tuohy (Chairperson)	6	6
Theresa Donaldson	6	6
Liam O'Halloran (retired 14 September 2021)	6	6

Members of the Remuneration Committee at the date of signing of the financial statements were Brendan Tuohy (Chairperson) and Theresa Donaldson.

Grid Infrastructure Projects Committee

There were 4 Grid Infrastructure Projects Committee meetings held during the financial year ended 30 September 2021. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Michael Hand (Chairperson)	4	4
Shane Brennan	4	4
Tom Coughlan	4	4
Lynne Crowther	4	4

Members of the Grid Infrastructure Committee at the date of signing of the financial statements were Michael Hand (Chairperson), Shane Brennan, Tom Coughlan, and Lynne Crowther.

Directors' Report (continued)

Innovation Committee

There were 4 Innovation Committee meetings held during the financial year ended 30 September 2021. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Liam O'Halloran (Chairperson – retired 14 September 2021)	4	4
Shane Brennan	4	4
Lynne Crowther	4	4
Eileen Maher	4	4

Members of the Innovation Committee at the date of signing of the financial statements were Shane Brennan, Lynne Crowther and Eileen Maher.

Disbanded Committees

The Northern Ireland and All-Island Committee disbanded on 16th December 2020 so there were no meetings held during the financial year ended 30 September 2021. The Committee Members to the date of disbandment were Theresa Donaldson (Chairperson), Brendan Tuohy, Tom Coughlan and John Trethowan.

Principle Risks and Uncertainties

Risk Management

The Group's Risk Strategy has been developed to ensure that the Group establishes and maintains appropriate risk structures and activities to realise the Group's strategic goals. The Risk Strategy is operationalised through the Risk Management Framework (and its supporting Policies), Risk Appetite Statements and the Risk Monitoring Plan. The Group's risk practices, policies and processes translate the Group's commitment to its values, as well as ethical, legal and regulatory compliance, into established and embedded actions. This is applied at each level of the Group and is consistently applied across Offices. As part of the embedding of risk appetite into the day-to-day culture of the business, the Group strives to ensure risk makes up a crucial part of the decision-making process at each level, from day-to-day operations through to strategic and significant operational decisions. The Governance, Risk & Compliance function continually reviews the effectiveness of mitigating actions via the Risk Monitoring Plan as approved by the Audit and Risk Committee. The Audit and Risk Committee provides support to the Board with regard to ensuring ongoing oversight and comprehension of the key strategic risks and the effectiveness of management's response to key risk exposures. Additionally, the Committee advises the Board in its consideration of the overall risk appetite, risk tolerance and risk strategy of EirGrid.

Covid- 19

There is a risk that work streams associated with strategic actions will be delayed as a consequence of prioritising Covid-19 mitigation measures. Staff wellbeing, cyber threat and return to workplace are also risks associated with Covid-19 that could impact the delivery of the multi-year Strategy Execution Programme.

Brexit

A Review Group has been established by EirGrid to monitor risks associated with Brexit. The Group continues to monitor developments and reports regularly to the Board. It considers a range of Brexit related scenarios and the possible impact on the Group's activities. The Ireland/Northern Ireland Protocol to the Withdrawal Agreement has provided the basis for the continued operation of the Single Electricity Market and trade of wholesale electricity across the island of Ireland, in Northern Ireland after 1 January 2021. Under the Free Trade Agreement (FTA), new SEM-GB trading arrangements for the Day-Ahead market are to be established, agreed and implemented. This will be the focus of work for SONI, SEMO and the UK interconnectors over the short term. Over the short-medium term,

Directors' Report (continued)

new Intra-day and Balancing arrangements are to be clarified as well as a new Co-operation Framework between UK TSOs and ENTSO-E. The directors are confident that new future arrangements can be put in place to reduce any efficiency loss in cross border trading. EirGrid continues to work closely in this regard with the relevant Government Departments in Ireland and the Northern Ireland and with the respective regulators.

Financial

The main financial risks faced by the Group relate to liquidity risk, market risk (specifically foreign exchange rate risk, interest rate risk and cash flow risk) and credit risk. Policies to protect the Group from these risks are regularly reviewed, revised and approved by the Board as appropriate.

The Group's principal financial risk is that there is inadequate liquidity in the event of a significant regulatory under-recovery. EirGrid Group is a regulated entity with regulated tariffs set in advance and as a result can be subject to under recoveries of the required revenues. Any such under recoveries must be funded by EirGrid until such time as the regulated tariffs are uplifted in a subsequent tariff period. The Board seeks to ensure that adequate banking lines are in place to enable it to fund such a requirement, pending recovery in a subsequent regulatory pricing period.

As a regulated business operating in Ireland and Northern Ireland, the Transmission System Operator activities do not involve any significant pricing risks. The Group derives approximately 18% of its revenues from the UK and hence has an exposure to Euro/Sterling currency fluctuations. This risk is partially mitigated by the majority of both revenue and expenditure from UK operations being denominated in Sterling. The Group has sought to further reduce this exposure by funding UK operations using Sterling borrowings.

The Group funds some of its operations using borrowings. The Group seeks to minimise the effects of the interest rate risks arising from its operational and financial activity by using derivative financial instruments to hedge risk exposures. The Group has entered into interest rate derivatives to fix interest rates on its EWIC related debt. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group discharges its Market Operator obligations through contractual joint ventures between EirGrid plc and SONI Ltd. Namely, SEMOpx for the day ahead and intraday markets, and SEMO for the balancing market.

For the day ahead and intraday markets, European Commodities Clearing (ECC) performs the clearing and settlement of the SEMOpx power exchange and takes financial responsibility for all concluded trades. ECC maintain collateral requirements with the exchange members and their clearing banks with any bad debt borne by ECC as the counterparty.

For the balancing market, under the terms of the Trading and Settlement Code for the Single Electricity Market ("SEM") each participant is required to provide credit cover at a level notified to it by the Market Operator. Such credit cover can be provided by means of an irrevocable standby letter of credit or a cash deposit held in a SEM collateral reserve account (security accounts held in the name of market participants). Any bad debt arising in the SEM, to the extent that it exceeds the available credit cover, is shared by market participants and is not borne by the Market Operator.

Appropriate arrangements are also in place to effectively manage the Group's credit risk arising from its Transmission System Operator activities.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts. The Group mitigates its exposure by spreading funds across a number of financial institutions which have a credit rating, from an independent rating agency, consistent with the Treasury Policy approved by the Board. The Group is also exposed to counterparty risk on undrawn facilities and interest rate swap instruments. Consistent with our Treasury Policy the Group deals only with counterparties with high credit ratings to mitigate this risk.

The Group's policy and practice is to settle invoices promptly according to terms and conditions agreed with suppliers.

Directors' Report (continued)

System and Market Operations

The Group is responsible for the secure operation of the transmission systems in Ireland and Northern Ireland. System interruptions can pose a risk to essential services which rely on the secure operation of the transmission systems. The Group is also responsible for the operation of the all-island Single Electricity Market, interruption to which could pose a risk to delay in the timely settlement of the market.

A complete programme is in place to discharge these responsibilities and includes:

- Back-up sites for the control centres in Dublin and Belfast, which are regularly tested;
- Comprehensive insurance program placed in conjunction with expert insurance advisors;
- Comprehensive power system operational procedures which are regularly reviewed and are in line with best international practice;
- Grid maintenance standards and policies, supported by a detailed Infrastructure Agreement with the Electricity Supply Board ('ESB') as the Transmission Asset Owner in Ireland;
- Transmission System Security and Planning Standards, supported by a Transmission Interface Arrangement with Northern Ireland Electricity Networks ('NIE') as the Transmission Asset Owner in Northern Ireland;
- Support of the pre-construction phase of the development of the network in Ireland and Northern Ireland by a fully functioning Program Management Office, which has effective and appropriate policies, processes and controls; and
- Continuous management focus on all aspects of health and safety. A Safety Management System (certified to OHSAS 18001) has been approved and implemented.

Pensions

The Group operates two defined benefit pension plans for qualifying employees called the 'EirGrid Fund' and the 'SONI Pension Scheme'. Risks to the cost of providing such schemes include changes in interest rates, level of return on pension assets, changes in life expectancies and changes in price and salary inflation. The current IAS19 Employee Benefits deficit included in the financial statements at 30 September 2021, before deferred tax, is €42.6m (2020: €42.6m). The EirGrid Fund deficit is €39.8m (2020: €38.2m) and the SONI pension scheme deficit is €2.8m (2020: €4.4m). The Group also operates approved defined contribution schemes for employees of EirGrid plc and SONI Limited.

Network Development

EirGrid has the responsibility to put in place the grid infrastructure required to support the development of Ireland's and Northern Ireland's economies. EirGrid's principal activities in this regard are the planning for, and delivery of, new connections to generators and customers utilising, or seeking to utilise, the high voltage electricity system and transmission network reinforcement projects across Ireland and Northern Ireland. The grid infrastructure required to be built in the 2020 -2025 strategy period is a step change from that which has been delivered in the 2015-2020 period. There is a risk of delay and consequential increase in cost associated with complex network projects of this nature. To manage this, EirGrid publishes guidance on network development and has a robust project assessment framework in place. We also continually assess its processes and procedures to ensure that they are in line with best practice and appropriate for the business and meets the needs of the public and those communities we engage with.

Regulated Environment

EirGrid operates in a regulated environment (with the exception of its Telecoms business which manages the fibre optic connection between Ireland and Great Britain). Regulatory policy changes could materially affect how we operate and our financial performance.

We have a dedicated Regulatory team in place and seek to engage constructively and pro-actively at all times with the Regulatory Authorities.

East West Interconnector

The Group is responsible for the asset management and operation of the East West Interconnector ("EWIC") which links the electricity grids in Ireland and Great Britain. There is a risk of physical damage to EWIC resulting in possible prolonged outage of EWIC together with significant reinstatement costs; however there are comprehensive operational procedures and maintenance arrangements for the East West Interconnector in place, including appropriate insurance arrangements.

Cyber Security

EirGrid recognises Cyber Security as a critical risk. We operate a full suite of security policies and standards and have deployed comprehensive perimeter defence mechanisms. Staff regularly receive security awareness training and we have ongoing Cyber Security monitoring and compliance reporting. We maintain a close working relationship with the National Cyber Security Centre and European TSOs on all cyber matters. We are actively engaged with the relevant Government bodies in Ireland and Northern Ireland on this topic, including activities relating to compliance with the EU Network and Information Systems (NIS) Directive. The Board maintains oversight of Cyber Security related initiatives/mitigations on an ongoing basis, which includes a regular review of our Cyber Security Strategy and the related Cyber Investment Programme along with an insight into the overall threat landscape.

Other – Non-Financial Information

Strategy

In September 2019 EirGrid Group launched its new five year Strategy (2020 – 2025) and its' redefined Purpose Statement "To Transform the Power System for Future Generations".

The new strategy has been shaped by two factors - climate change and the impending transformation of the electricity sector. The response at government, EU and global level is to plan for the transition to a sustainable low carbon future. This is reflected in the 2016 Paris Agreement, the EU Climate and Energy Framework to 2030 and in the Irish Government's 2019 and 2021 Climate Action Plan.

The transition to low carbon and renewable energy will have widespread consequences. There will be major changes in how electricity is generated, bought, sold and used, such as for transport and heat. The electricity system will carry more power than ever before and most of that power will be from renewable sources. As this happens, new technology will allow electricity users to generate and store power, and return any surplus to the grid. Combined with real-time consumption information from electricity users, this creates opportunities for all.

Realising these opportunities will require significant transformation of the electricity system. More importantly, these changes will need to be managed in a co-ordinated and cost effective way. EirGrid Group has a unique role to play in leading the radical transformational that is now required and this is recognised in our strategy which consists of a set of key goals, underpinned by our purpose.

Health, Safety & Environment

EirGrid is committed to achieving and maintaining the highest standards of Health, Safety and Welfare for all of its staff and for any other persons who may be affected by our activities, and to the protection of the Environment.

EirGrid operates a Health, Safety & Environmental (HS&E) Management System based on the requirements of the International Occupational Health & Safety Standard: OHSAS18001:2007 and the Environmental Management Standard ISO14001:2015.

Our HS&E Management System enables us to consider various risks associated with our activities, to staff and others who may be affected by these activities, and those to the environment; and to place these risks in the context of any relevant legal or other requirements, thereby ensuring that preventative & control measures are adequate and meet best practice standards. Our Group Health & Safety Risk Hierarchy of Controls includes a focus on sustainability within the control methods.

We recognise that we have a responsibility to demonstrate sound environmental management and promote sustainability. We have in place a programme to manage our environmental impacts responsibly through setting strategic objectives annually, and will endeavour to implement best practice when practicable. We set strategic objectives annually to support the 'Preservation' area of our corporate social responsibility strategy. Our Preservation Pledge is: "We respect the environment: We strive for best practice in environmental protection when developing the grid. We enable the grid to carry ever-growing amounts of renewable electricity. We carefully manage our own environmental impacts".

Our commitment is to conduct our activities in an environmentally responsible manner to protect the environment from harm, degradation, prevent pollution and continually improve the management systems performance. We will actively promote awareness among our employees through appropriate communication and training programmes. We also recognise the indirect impacts of third parties in our supply chain and operate our procurement processes in line with local Government Guidelines. Policies actively utilised in managing these processes include Anti-Bribery and Modern Slavery Policy.

The Group Health, Safety & Environmental Committee, which is made up of staff members from across the business, is responsible for evaluating and proposing suitable environmental objectives to the Executive Team.

In the context of climate change and the need to decarbonise the electricity supply, EirGrid is playing a key role in connecting high levels of renewable energy and in developing the electricity grid to connect renewable sources, in line with EU and Government targets. EirGrid is developing the Transmission System with due regard for the environment through sound environmental practices and full compliance with its environmental obligations.

Diversity and inclusion is a key pillar of the Group strategy. The Group recognises the value of difference and is aware of the reputational, economic and societal benefits that arise from having a diverse workforce. Diversity and inclusion has been discussed further in the front section of the annual report on page 44.

Governance, Risk & Compliance

Corporate Governance Codes

EirGrid complies with the Code of Practice for the Governance of State Bodies issued by the Minister for Public Expenditure and Reform in August 2016. The Code sets out the principles of corporate governance which the Boards of State Bodies are required to observe.

The Group also complies with the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001 and also has regard to the principles of the UK Corporate Governance Code revised in July 2018 and the Irish Corporate Governance Annex issued in December 2010.

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The system of internal control is designed to provide reasonable but not absolute assurance for the achievement of the following objectives:

- Facilitate effective and efficient operations by enabling the Group to respond to risks;
- Ensure the quality of internal and external reporting; and
- Ensure compliance with applicable laws, regulations and internal policies.

The key elements of the Group's internal control framework are:

- Codes of Conduct for Directors and Employees which set the tone from the top and requiring all employees to maintain the highest ethical standards in conducting business;
- A clearly defined organisational structure, with defined authority limits and reporting mechanisms;
- A corporate governance framework that includes risk management, financial control review and formal annual governance statements by each Executive Director;

Directors' Report (continued)

- Defined policies and procedures in relation to expenditure and treasury matters;
- Timely and regular financial and business performance reporting;
- Preparation of, and monitoring performance against, annual budgets which are reviewed and approved by the Board;
- An internal audit function which reviews critical systems and controls and reports independently to the Audit & Risk Committee;
- An Audit & Risk Committee that:
  - Reviews the programme of Internal Audit and considers its findings and reports;
  - Monitors the status of implementation of recommendations raised previously from Internal Audit reports;
  - Reviews reports of the external auditors which contain details of work carried out on the key audit risks;
  - Reviews and approves Financial Statements before submission to the Board and Shareholders; and
  - Assists the Board in fulfilling its oversight role regarding risk management;
- Procedures to ensure compliance with laws and regulations, including a programme of compliance audits which measures improvements in compliance processes and ensures non-compliance matters are dealt with appropriately.

With regard to risk management, the Executive Management Team and the Board identify the key risks facing the Group in the context of ability to delivery strategic objectives on an ongoing basis. Additionally, these risks are assessed in terms of materiality and risks deemed as material are monitored on a monthly basis and reviewed by the Board as a standing agenda item at each Board meeting during the year.

During the period covered by these financial statements the Board developed and approved the Group's:

- Risk Strategy;
- Risk Management Framework;
- Risk Universe;
- Appetite Statements for all material risks; and
- Assessed the effectiveness of management's mitigation measures and controls in responding to material risks.

The Directors confirm that they have reviewed the effectiveness of the system of internal control operated during the period covered by these Financial Statements.

During this review, the Board has not identified, nor been advised of, any failings or weaknesses which it has determined to be significant.

It is also the Group's aim, always, to comply with agreed reporting requirements of Government Departments, as required, on a timely and accurate basis.

Director's Remuneration

The Financial Statements include €121,840 (2020: €122,000) for Chairperson's and Directors' fees, in accordance with the levels of remuneration for the Chairperson and Board Members of State Bodies as approved by the Minister for Finance and the revised arrangements for payment of board fees to public sector employees under the Minister for Public Expenditure and Reform's "One Person One Salary" Principle. Under the approved remuneration levels, the Chairperson's fees were equivalent to €21,600 per annum during the financial year (2020: €21,600 per annum). Directors' fees were equivalent to €12,600 each per annum during the year (2020: €12,600 each per annum).

The executive Board Member during the year was the Chief Executive Mark Foley. The Chief Executive's remuneration is set within a range determined by the Minister for Public Expenditure and Reform and the Minister for Environment, Climate and Communications.

Directors' Report (continued)

The remuneration of the Chief Executive consists of basic salary, taxable benefits and certain retirement benefits. The retirement benefits of the Chief Executive are calculated on basic pay only and aim to provide in retirement a pension of one-eightieth and a gratuity of three-eightieths of salary for each year of service as Chief Executive.

Chief Executive's Remuneration:

	Basic Salary € '000	Annual Bonus € '000	Taxable Benefits € '000	*Pension contributions paid (all defined benefit) € '000	Director's Fees € '000	Total € '000
Mark Foley	200	–	13	60	–	273
Total 30 Sep 21	**200**	**–**	**13**	**60**	**–**	**273**
Total 30 Sep 20	200	–	13	40	–	253

* Pension contribution has increased compared to prior year due to an increase in the defined benefit funding rate from 20.1% to 29.8%.

Dividends

In evaluating the annual dividend that the Group may propose the Board considers the following key factors:

- Available Cash: The Group receives tariff revenues, which are reflected through the Income Statement which fund operational expenses of the Group and capital projects which are capitalised and depreciated over the future periods. This creates a mismatch between available cash and reported profits.
- Expected adjustment for under/over recovery: Any under or over recovery of costs through tariff revenue is not recognised in the Financial Statements as it will be reflected in future tariff rates. The dividend policy reflects the expected impacts on future profits of the adjustment for the current financial year under/over recovery in future tariff rates.
- Future investments: The Group funds a portion of capital projects through existing resources. The dividend policy considers expected and committed future investments.
- Legal Requirements: The Group must comply with the provisions of the Companies Act 2014 when making distributions.
- Liquidity: As noted previously the Group's principal financial risk is that there is inadequate liquidity in the event of a significant regulatory under recovery. The dividend policy considers the prudent management of this risk. Having considered these factors the Directors of the Group propose the payment of a final dividend of €4,000,000 (2020: €4,000,000) for the financial year ended 30 September 2021.

Directors' and Secretary's Interest in Shares

The Directors and Secretary who held office between 1 October 2020 and 30 September 2021 had no beneficial interest in the shares of the Group.

One ordinary share of the Company is held by the Minister for Environment, Climate and Communications and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform, or on his behalf.

At the balance sheet date 30 September 2021, Brendan Tuohy, Mark Foley and Martin Corrigan held one share each in the share capital of the Company on behalf of the Minister for Public Expenditure and Reform.

Political Donations

The Group does not make political donations.

Directors' Report (continued)

Going Concern

The Directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. The Group undertakes continuous reviews of the Group's liquidity to ensure they have adequate funding in place and the Groups cashflow projections have been stress tested to include downside scenarios including Covid-19 pandemic risk. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Accounting Records

The measures that the Directors have taken to secure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the employment of appropriately qualified accounting personnel and the use of suitable accounting systems and procedures. The accounting records are kept at The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

Post Balance Sheet Events

Details of significant post balance sheet events are set forth in Note 28 of the financial statements.

Auditors

The auditors, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Disclosure of Information to Auditors

So far as each of the Directors in office at the date of approval of the financial statements is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Compliance Statement

For the purposes of section 225 of the Companies Act 2014 (the "Act"), we, the Directors:

- Acknowledge that we are responsible for securing the Company's compliance with its relevant obligations as defined in section 225 (1) of the Act (the "relevant obligations"); and
- Confirm that each of the following has been done:

i. a compliance statement (as defined in section 225(3)(a) of the Act) setting out the Company's policies (that in our opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations has been drawn-up;

ii. appropriate arrangements or structures, that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, have been put in place; and

iii. during the financial year to which this report relates, a review of the arrangements or structures referred to in paragraph (ii) above has been conducted.

Approved by the Board and signed on their behalf:

Brendan Tuohy	**John Trethowan**	**Mark Foley**
Chairperson	Chairperson Audit and Risk Committee	Chief Executive
Brendan Tuohy	John Trethowan	Mark Foley

Date: **15/12/2021**

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with FRS 101 reduced disclosure framework (March 2018). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and the Group as at the financial year end date and of the profit or loss of the Group for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Parent company and the Group financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Approved by the Board and signed on their behalf:

Brendan Tuohy Chairperson	**John Trethowan** Chairperson Audit and Risk Committee	**Mark Foley** Chief Executive
Brendan Tuohy	John Trethowan	Mark Foley

Date: **15/12/2021**

Independent Auditors' Report to the Members of EirGrid PLC

Report on the audit of the financial statements

Opinion on the financial statements of EirGrid plc ("the company")

In our opinion the group and parent company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 30 September 2021 and of the profit of the group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting frameworks and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise: the group financial statements:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 29, including a summary of significant accounting policies as set out in note 2.

The parent company financial statements:

- the Company Balance Sheet;
- the Company Statement of Changes in Equity; and
- the related notes 30(A) to 30(Z), including a summary of significant accounting policies as set out in note 2.

The relevant financial reporting framework that has been applied in the preparation of the group financial statements is the Companies Act 2014 and International Financial Reporting Standards as adopted by the European Union ("IFRS") ("the relevant financial reporting framework"). The relevant financial reporting framework that has been applied in the preparation of the parent company financial statements is the Companies Act 2014 and FRS 101 'Reduced Disclosure Framework' issued by the Financial Reporting Council.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and parent company's internal control.

Independent Auditors' Report to the Members of EirGrid PLC (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company balance sheet is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in those parts of directors' report that have been specified for our review.

The Companies Act 2014 also requires us to report to you if, in our opinion, the company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) for the financial year ended 30 September 2021. We have nothing to report in this regard.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies (August 2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal control required under the Code of Practice as included in the Corporate Governance Statement in the Directors Report does not reflect the group's compliance

Independent Auditors' Report to the Members of EirGrid PLC (continued)

with paragraph 1.9(iv) of the Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ann McGonagle

Date: **20/12/2021**

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2

Consolidated Income Statement

FOR THE FINANCIAL YEAR TO 30 SEPTEMBER 2021

	Note	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Revenue	3	737,359	688,385
Direct costs	3	(535,030)	(518,632)
Gross profit		202,329	169,753
Other operating costs	5	(145,158)	(137,654)
Operating profit		57,171	32,099
Interest and other income	6	19	73
Finance costs	6	(16,475)	(18,139)
Share of equity accounted investments	11	–	5
Profit before taxation	7	40,715	14,038
Income tax expense	8	(4,977)	(2,113)
Profit for the year		**35,738**	**11,925**
Profit attributable to:			
Owners of the Parent Company		35,738	11,925

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR TO 30 SEPTEMBER 2021

	Note	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Items that will not be reclassified to profit or loss:			
Movement in unrealised gain on cash flow hedges	26	19,528	9,842
Deferred tax attributable to movement in unrealised gain on cash flow hedges	8	(2,441)	(1,230)
Currency translation differences		444	(24)
Total of items that may be reclassified subsequently to profit or loss		**17,531**	**8,588**
Items that will not be reclassified to profit or loss:			
Remeasurement (loss)/gain of net defined benefit liability	23	(386)	6,859
Deferred tax credit on remeasurement (loss)/gain	8	(14)	(656)
Total of items that will not be reclassified to profit or loss		**(400)**	**6,203**
Profit for the financial year		35,738	11,925
Total comprehensive income for the year		**52,869**	**26,716**
Total comprehensive income attributable to:			
Owners of the Parent Company		52,869	26,716

Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2021

	Note	30 Sep 2021	30 Sep 2020
Assets		€ '000	€ '000
Non-current assets			
Fair value investments	10	356	356
Equity accounted investments	11	–	55
Intangible assets	12	70,129	81,011
Property, plant & equipment	13	491,515	488,887
Right of use assets	14	41,873	45,288
Deferred tax asset	8	19,304	22,821
Trade and other receivables	15	87,955	54,068
Total non-current assets		**711,132**	**692,486**
Current assets			
Trade and other receivables	15	164,017	165,875
Current tax receivable		–	7,072
Cash and cash equivalents	19	528,583	482,914
Total current assets		**692,600**	**655,861**
Total assets		**1,403,732**	**1,348,347**
Equity and Liabilities			
Capital and reserves			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(63,176)	(80,263)
Translation reserve		540	96
Retained earnings		385,276	353,938
Total equity		**371,860**	**322,991**
Non-current liabilities			
Derivative financial instruments	26	72,201	91,729
Deferred tax liability	8	34,609	36,793
Trade and other payables	16	4,573	4,819
Grants	17	83,792	86,855
Lease liabilities	14	37,162	38,911
Borrowings	24	260,121	349,054
Provisions	20	–	21,500
Retirement benefit obligations	23	42,644	42,612
Total non-current liabilities		**535, 102**	**672,273**
Current liabilities			
Current tax liability		3,670	–
Lease liabilities	14	2,519	2,913
Borrowings	24	21,542	20,519
Provisions	20	51,400	–
Grants	17	3,413	3,667
Trade and other payables	16	414,226	325,984
Total current liabilities		**496,770**	**353,083**
Total liabilities		**1,031,872**	**1,025,356**
Total equity and liabilities		**1,403,732**	**1,348,347**

Consolidated Balance Sheet
AS AT 30 SEPTEMBER 2021 (CONTINUED)

Approved by the Board and signed on their behalf:

Brendan Tuohy
Chairperson

John Trethowan
Chairperson Audit and Risk Committee

Mark Foley
Chief Executive

Brendan Tuohy John Trethowan Mark Foley

Date: **15/12/2021**

Consolidated Statement of Changes in Equity
FOR THE FINANCIAL YEAR TO 30 SEPTEMBER 2021

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Translation reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 Oct 2019	38	49,182	(88,875)	120	339,810	300,275
Profit for the year	–	–	–	–	11,925	11,925
Other comprehensive income						
Remeasurements of defined benefit scheme net of deferred tax	–	–	–	–	6,203	6,203
Cash flow hedge net of deferred tax movement	–	–	8,612	–	–	8,612
Translation reserve movement	–	–	–	(24)	–	(24)
Dividends	–	-	–	–	(4,000)	(4,000)
Balance as at 30 Sep 2020	38	49,182	(80,263)	96	353,938	322,991
Profit for the year					35,738	35,738
Other comprehensive income						
Remeasurements of defined benefit scheme net of deferred tax	–	–	–	–	(400)	(400)
Cash flow hedge net of deferred tax movement	–	–	17,087	–	–	17,087
Translation reserve movement	–	–	–	444	–	444
Dividends	–	–	–	–	(4,000)	(4,000)
Balance as at 30 Sep 2021	**38**	**49,182**	**(63,176)**	**540**	**385,276**	**371,860**

Capital Reserve

The capital reserve arose on the vesting of the TSO operations from ESB to the Company under the Transfer Scheme dated 1 July 2006. There have been no movements in the reserve since this date.

Hedging Reserve

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instruments is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a base adjustment to a non-financial hedged item.

Translation Reserve

The translation reserve represents foreign exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currency into EirGrid's functional currency, being Euro, including the translation of the profits and losses of such operations.

Retained Earnings

Retained earnings comprise accumulated earnings net of dividends in the current financial year and prior financial years.

Consolidated Cash Flow Statement

FOR THE FINANCIAL YEAR TO 30 SEPTEMBER 2021

	Note	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Cash flows from operating activities			
Profit after taxation		35,738	11,925
Share of equity accounted investment		–	(5)
Depreciation of property, plant and equipment	13	21,655	21,810
Depreciation of right of use assets	14	4,052	3,638
Amortisation of intangibles	12	24,622	23,238
Amortisation of grant	17	(3,317)	(3,668)
Interest and other income		(19)	(73)
Finance costs		16,475	18,139
Retirement benefit cost		6,910	3,244
Unrealised foreign exchange gain/(loss)		(1,658)	1,698
Income tax expense		6,339	2,113
Pension contributions paid		(9,217)	(5,420)
Operating cash flows before movements in working capital		**101,580**	**76,639**
Movements in working capital			
Increase/(decrease) in trade and other receivables		(31,653)	78,342
Increase in trade and other payables		113,323	118,304
Cash from operations		**183,250**	**273,285**
Income tax receipts/ (payment)		5,310	(4,203)
Interest received		19	73
Net cash from operating activities		**188,579**	**269,155**
Cash flows from investing activities			
Purchase of property, plant and equipment		(21,746)	(8,007)
Purchase of intangibles		(11,890)	(12,046)
Grants		–	3,224
Net cash used in investing activities		**(33,636)**	**(16,829)**
Cash flows from financing activities			
Dividends paid		(4,000)	(4,000)
Leases paid	14	(3,789)	(4,294)
Borrowings drawndown		–	15,980
Borrowings repaid		(89,235)	(77,270)
Finance costs paid		(15,247)	(16,790)
Net cash used in financing activities		**(112,271)**	**(86,374)**
Net increase in cash and cash equivalents		**42,672**	165,952
Cash and cash equivalents at start of year		**482,914**	**318,621**
Effects of foreign exchange		2,997	(1,659)
Cash and cash equivalents at end of year	19	**528,583**	**482,914**

Notes to the Financial Statements

1. General Information

EirGrid plc ('the Company') is a public limited company, incorporated in Ireland, established pursuant to S.I. No 445 of 2000 – European Communities (Internal Market in Electricity) Regulations, 2000. The Company is licensed by the Commission for Regulation of Utilities (CRU) as the Transmission System Operator (TSO) in Ireland and as Market Operator (MO) for the wholesale electricity market on the island of Ireland. SONI Limited (a subsidiary of EirGrid plc) is licensed by the Utility Regulator (UR) Northern Ireland as the TSO in Northern Ireland and also holds an MO licence for the island of Ireland. EirGrid Interconnector Designated Activity Company (a subsidiary of EirGrid plc) is licensed by the Commission for Regulation of Utilities (CRU) and the Office of the Gas and Electricity Markets (Ofgem) as the operator of the East West Interconnector. The registered office of EirGrid plc is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4 (Registration number 338522). The principal activity of the Company is included in the Directors' Report on page 69.

2. Statement of Accounting Policies

The accounting policies set out below have been consistently applied to all years presented in these consolidated financial statements and have been consistently applied by all Group entities unless otherwise stated.

Basis of preparation

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They are prepared on the basis of all IFRSs and Interpretations that are mandatory for financial year ended 30 September 2021 and in accordance with the Irish Companies Act 2014. The Directors are confident, on the basis of current financial projections and facilities available, that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

The individual financial statements of the Company have been prepared in accordance with FRS 101 Reduced Disclosure Framework ("FRS 101"). A separate Company income statement is not presented in these financial statements as the Company has availed of the exemption provided by section 304 of the Companies Act 2014.

The Financial Statements have been presented in Euro, rounded to the nearest thousand, unless otherwise specified, and have been prepared on a historical cost basis, except for the revaluation of certain financial instruments which are held at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The current period being reported on is the financial year to 30 September 2021. The comparative figures are for the financial year ended 30 September 2020.

Standards, interpretations and amendments to published standards that are not yet effective

The Group has not applied certain new standards, amendments and interpretations to existing standards that have been issued but are not yet effective. These include:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use;

2. Statement of Accounting Policies (continued)

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract;
- IFRS 17 Insurance contracts;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2;
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework;
- Annual improvements to IFRS Standards 2018-2020 Cycle;

Adoption of new standards

In the current financial year, the following new and revised standards and interpretations have been adopted and have affected the amounts reported in these financial statements (for annual financial years beginning on or after 1 January 2020):

- Amendments to IFRS 16, Leases – Covid-19 related rent concessions;
- Amendments to IAS 1 and IAS 8 Definition of Material;
- Amendments to IFRS 3 Business Combinations: Definition of a Business;
- Amendments to IFRS 9, IAS39 and IFRS 7 Interest Rate Benchmark Reform – Phase 1;

The adoption of the amendments listed above did not have a material impact on the current year financial statements.

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its return.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results acquired or disposed of during the financial year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

2. Statement of Accounting Policies (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cashflows relating to transactions between the members of the Group are eliminated on consolidation.

Investments in subsidiaries are carried at cost less impairment in the financial statements of the Company.

Joint operations

The Group and Company Financial Statements incorporate the results of the Group and Company respectively, together with its share of the results and assets and liabilities of the joint operation which it participates, using the proportionate consolidation method as permitted under IFRS 11. As the joint operation is a joint arrangement whereby the parties have joint control of the arrangement, and have rights to the assets and obligations for the liabilities relating to the arrangement, the directors recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation.

The Group's and Company's share of results and net assets of joint operations, are accounted for on the basis of proportionate consolidation from the date on which the contractual agreements stipulating joint control are finalised, and derecognised when joint control ceases. The Company combines its share of the joint arrangements, individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the Company's financial statements.

Equity accounted investments

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investments, until the date on which significant influence or joint control ceases.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the date the Group first acquires control through the Consolidated Income Statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration which is deemed to be a financial asset or a financial liability will be recognised in accordance with IFRS 9 in the Consolidated Income Statement.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

2. Statement of Accounting Policies (continued)

Goodwill

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill acquired in a business combination is allocated, from the acquisition date, to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The goodwill impairment tests are undertaken at the same time each financial year. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the Cash Generating Unit is less than the carrying amount, an impairment loss is recognised. Impairment losses arising in respect of goodwill are not reversed following recognition.

Revenue

Revenue primarily represents the income derived from the provision of electricity transmission, sale of financial transmission rights (FTRs), EWIC capacity income, congestion income derived from EWIC and Market Operator services to customers during the financial year and excludes value added tax.

The Group is deemed to be the principal in the arrangement when it controls a promised service before transferring them to a customer or satisfies the performance obligation itself, and accordingly recognises revenue on a gross basis.

TSO TUoS Revenue:

The main revenue is the Transmission Use of System (TUoS) tariff which is a charge payable by all users of the transmission systems in Ireland and Northern Ireland. Revenue from provision of electricity transmission (performance obligation) is recorded at a point in time (as and when the electricity is transmitted) based on the MW of electricity transported. Billed revenue is recognised as a trade receivable and unbilled revenues are disclosed separately.

Market Operator Revenue:

The Market Operator's obligation is to facilitate the sale of electricity through the continuous settlement (performance obligation) of the Single Electricity Market. SEMO receives market operator tariffs for these services including fixed charges based on participation in the market and variable charges based on MW of electricity traded in the market.

EirGrid plc and SONI Ltd were designated by the relevant regulatory authorities (CRU and UR) as Nominated Electricity Market Operators (NEMO) for Ireland and Northern Ireland respectively. The NEMO designations allow EirGrid plc and SONI Ltd to provide day-ahead auction and intraday markets for trading (performance obligation) in the Single Electricity Market (SEM) through their contractual joint venture SEMOpx. Revenue is recorded at a point in time as and when the transaction occurs.

EWIC - Capacity Revenue:

EWIC participates in the capacity auctions in the SEM and GB markets where a number of auctions are held during the year. EWIC has been successful in these markets and receives capacity revenue for each MW sold to the market in the auction (performance obligation). The capacity revenue is recognised over time as the auctions are run for a specified capacity year that the generator is required to be available. The timelines account for processes to set capacity requirements, local constraints and unit qualification.

2. Statement of Accounting Policies (continued)

EWIC – Congestion Revenue:

EWIC is compensated for reducing price differences ('congestion') between market regions and it receives congestion revenues. It is derived from transporting the electricity (performance obligation) between Ireland and Great Britain.

EWIC – Sale of FTRs:

EWIC sells Long Term Transmission Rights in the form of Financial Transmission Rights (FTRs). FTRs are a form of contract for difference which are linked to prices in two interconnected markets and grant the holder (performance obligation) the right to receive the market spread throughout an FTR period. The administration of FTRs is managed by the Joint Allocation Office ("JAO") and EWIC is not a counterparty to the FTR trading. FTRs are sold through an auction platform in advance in monthly, quarterly, seasonal and annual auctions. Revenue is the amount collected by the Group from auction of FTR recorded on a time proportionate basis over the period of FTR contract.

Regulatory Adjustments:

Where revenue received or receivable results in an amount that exceeds the targeted amount set by regulatory agreement, adjustments will be made to future tariffs to reflect the over-recovery. No liability is recognised as the regulator will reflect this as reduced tariffs in future periods transmission resulting in lower revenues in those periods. Similarly no asset is recognised where a regulatory agreement permits adjustments to be made to future tariffs in respect of an under-recovery expected to be offset by future tariff increases.

As Market Operator for the Single Electricity Market, the Group does not act on its own account in the sale or purchase of electricity. The Group does not recognise as revenue monies derived from the sale of electricity. The payables and receivables associated with electricity trading are recognised in the Balance Sheet. Monies received from tariffs that are subject to regulatory determination are recognised as revenue.

Unbilled income (contract asset) represents income from electricity transmission services which, in compliance with the regulatory timetable, has not been billed. Unbilled income is recognised on an accruals basis and is stated net of value added tax.

Deferred income (contract liability) represents deferred income arising from the FTR auctions and Telecom contracts.

Direct costs

Direct costs primarily represent the costs associated with the provision of electricity transmission services to customers during the financial year, and excludes value added tax. Direct costs include transmission asset owner charges, financial transmission right payouts, and ancillary services. Direct costs are recognised as they are incurred.

Operating profit

The Group has adopted an Income Statement format which seeks to highlight significant items within the results for the period. Accordingly, operating profit is stated after charging direct costs and after other operating costs but before interest income and finance costs.

Other operating costs primarily represents employee costs, professional fees, contractors and establishment costs. Other operating costs are recognised as they are incurred.

Foreign currencies

The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group entity are expressed in Euro, which is the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

2. Statement of Accounting Policies (continued)

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each Balance Sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date, with exchange differences arising recognised in the Consolidated Income Statement as they occur.

On consolidation, the Income Statements of the Group's two foreign currency subsidiaries are translated into Euro at the average exchange rate. The Balance Sheets of these subsidiaries are translated at rates of exchange ruling at the Balance Sheet date. Resulting exchange differences arising from the translation of the Group's foreign currency subsidiaries are taken directly to a separate component of shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of the foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate.

Retirement benefit costs

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Statement of Comprehensive Income.

The retirement benefits obligations recognised in the Balance Sheet represent the present value of the defined benefit obligations reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

A pension asset ceiling is applied to the pension assets if there is no unconditional right to realise the schemes assets at some point during the life of the plan or when the plan is settled.

The retirement benefit current service costs for employees engaged on capital projects are capitalised in the Balance Sheet as the costs are incurred.

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or

2. Statement of Accounting Policies (continued)

substantively enacted at the Balance Sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity as appropriate.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses, except for freehold land which is shown at cost less impairment.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

The depreciation periods for the principal categories of property, plant and equipment are as follows:

- Leasehold building improvements: over the period of the lease;
- Freehold buildings and improvements: 5 to 15 years;
- Fixtures and fittings: 5 years;
- IT, telecommunications equipment and other: 3 to 8 years;
- Integrated Single Electricity Market: 5 years.

The depreciation periods for the East West Interconnector category within property, plant and equipment are as follows:

- Cables: 40 years;
- Converter stations, warehouse and equipment: 30 years;
- Spare transformer and spare parts: 30 years;
- Converter control system: 15 years;
- IT server equipment: 6 years; and
- Marine Survey: 3 years.

No depreciation is provided on freehold land or on assets in the course of construction.

Assets in the course of construction are carried at cost less any recognised impairment loss. Costs include professional fees, wages and salaries, retirement benefit costs and any other costs incurred directly attributable to the construction of such assets. These assets are reclassified to an appropriate category and depreciation of these assets commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

2. Statement of Accounting Policies (continued)

Where variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the interest added to the cost of the qualifying asset is the net interest expense after the effect of hedging.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, these assets are reported at cost less accumulated amortisation and accumulated impairment losses. Where the intangible assets have a finite useful estimated life, amortisation is charged on a straight-line basis over their useful estimated lives.

The Directors are of the view that TSO and MO licence agreements for Northern Ireland have indefinite lives. The following key factors were considered in determining the useful lives of the above licence agreements; expected usage, typical product life cycles of similar assets used in a similar way, stability of the industry in which the asset is operated, period of control over the asset and expiry dates of licence agreements. It is unlikely that the above licences will be cancelled and as the licences are open-ended and renewable and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group, an indefinite life assumption is reasonable. These assets are tested for impairment annually.

Computer software, including computer software which is not an integrated part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and any other directly attributable costs.

Computer software is recognised if it meets the following criteria:

- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met.

The amortisation periods for the principal categories of intangible assets are as follows:

- Integrated Single Electricity Asset: 5 years;
- Other Software: 3 to 8 years.

Software under development is carried at cost less any recognised impairment loss. Costs include professional fees, wages and salaries, retirement benefit costs and any other costs incurred directly attributable to the construction of such assets. These assets are reclassified to an appropriate category and amortisation of these assets commences when the assets are ready for their intended use.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2. Statement of Accounting Policies (continued)

The carrying amount of finite-lived intangible assets are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

Impairment of assets

At each Balance Sheet date, the Group reviews the carrying amounts of its intangible assets and property, plant and equipment to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement, unless the relevant asset or CGU is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Lease liabilities and right of use assets

The Group enters into leases for a range of assets, principally relating to buildings, vehicles and foreshore licences. These leases have varying terms and renewal rights. The terms and conditions of these leases do not impose significant financial restrictions on the Group.

A contract contains a lease if it is enforceable and conveys the right to control the use of a specified asset for a period of time in exchange for consideration, which is assessed at inception. The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office equipment). For these leases the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease. The Group has also elected to separate non-lease components from lease components. The non-lease components comprise of service charges on property leases and maintenance fees on motor vehicles.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;

2. Statement of Accounting Policies (continued)

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Termination options are used in a number of property leases throughout the Group in order to provide operational flexibility in terms of managing the assets. Extension options are only included in the lease term if it the lease is reasonably certain to be extended (or not terminated).

The following factors are generally considered when determining if a termination option should be exercised:

- If there are significant penalties to terminate; the Group is typically reasonably certain not to terminate
- If the use of the asset still aligns with the Groups strategy

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group measures the lease liability and makes a corresponding adjustment to the related Right of use asset, whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right of use assets are presented as a separate line in the consolidated statement of financial position.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with short term leases and all leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

Grants

Grants of a capital nature are accounted for as deferred income in the Balance Sheet if the asset has been brought into use and are released to profit or loss over the expected useful lives of the assets concerned. If the asset is still under construction the grant is netted against the carrying value of the asset.

2. Statement of Accounting Policies (continued)

Revenue grants are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended.

Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Financial assets and liabilities

Financial assets and liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of an instrument. On initial recognition a financial asset is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets. Financial liabilities are measured at amortised cost.

Investments in equity instruments are measured at fair value through other comprehensive income as they are not held for trading.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade receivables, other receivables and deferred project costs meet these conditions and are therefore measured at amortised cost.

Cash and cash equivalents carried at amortised cost comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables are measured at initial recognition at invoice value, which approximates to fair value and subsequently carried at amortised cost. Trade and other payables are non-interest bearing.

Interest-bearing loans and borrowings are initially recognised at fair value, which equates to the value of proceeds received net of any directly attributable arrangement costs. Subsequent to initial recognition these borrowings are stated at amortised cost using the effective interest rate method.

Financial assets and liabilities are derecognised from the Balance Sheet when the Group ceases to be a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the mounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. Statement of Accounting Policies (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

Derivative financial instruments

The Group enters into interest rate swaps to manage its exposure to interest rate risk. Further details of derivative financial instruments are disclosed in note 26.

Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each Balance Sheet date. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using discount factors interpolated from the interest rate curves at the reporting date adjusted for counterparty credit risk. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedging instruments

The Group designates its interest rate swaps as cash flow hedges. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in finance costs in the Income Statement. Amounts accumulated in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, on the same line of the Income Statement as the recognised hedged item, or is included as a base adjustment to a non-financial hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Note 26 sets out details of the fair values of the Group's current interest rate swaps used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Statement of Comprehensive Income.

Impairment of financial assets

IFRS 9 requires the recognition of impairment provisions based on expected credit losses ('ECL'). It applies to financial assets at amortised cost, contract assets under IFRS 15, revenue from contract with customers. For trade receivables and contract assets, the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculations, based on the Group's credit risk management policy, past history, existing market conditions and forward looking estimates at the end of each reporting period.

For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events

2. Statement of Accounting Policies (continued)

over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value, which equates to the value of proceeds received net of any directly attributable arrangement costs. Subsequent to initial recognition these borrowings are stated at amortised cost using the effective interest rate method.

Finance income and costs

Interest income is earned on bank deposits and is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's carrying value.

Income is also earned through the charging of inflation adjusted interest on deferred costs in respect of transmission projects.

Finance costs comprise interest on borrowings and related interest rate swaps. Finance costs are recognised as an expense in the period in which they are incurred, except where finance costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are accounted for as borrowing costs.

Finance costs are calculated using the effective interest rate method, a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements requires management to make estimates and assumptions about the carrying amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenue and expenses during the period that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The nature of estimation means that actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key sources of estimation and uncertainty and critical accounting judgements are as follows:

- **Provisions**
  On 1 January 2020, EU Regulation 2019/943 ("Regulation") on the internal market for electricity came into effect which includes a potential liability for the Group under Article 13. Although the potential liability could be nil, it is probable that the Group has a payment obligation at 30 September 2021 on foot of the Regulation. Whilst a range of outcomes is possible, the directors believe that the reasonable possible range is between €23.6m and €201.2m. A provision of €51.4m (2020: €21.5m) has been estimated as the best estimate within the range. However as this is an estimate, there is a possibility that the potential liability could be nil or above or below that range. In estimating the potential liability, the directors have made assumptions regarding the interpretation of the Regulation as there are a number of complex issues associated with it. The final amount will depend on how the SEM Committee implements Articles 12 and 13 in Ireland and Northern Ireland.
  The consultation process is completed but the timing for the SEM Committee to implement Article 13 into the market is uncertain. Due to the associated uncertainties, it is possible that estimates may need to be revised during the year if interpretations of the Regulation are clarified. See note 20 for further details.
- **Useful lives of property, plant and equipment and intangible assets**
  Property, plant and equipment and intangible assets represent a significant portion of the Group's total assets. The annual depreciation and amortisation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. Management regularly review these useful lives and residual values and change them if necessary to reflect current conditions. The lives are based on

2. Statement of Accounting Policies (continued)

historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Historically, changes in useful lives have not resulted in material changes to the Group's depreciation and amortisation charge.

The Group tests annually whether its licence agreement asset has suffered any impairment. The recoverable amount of the intangible assets allocated to a Cash Generating Unit (CGU) has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2027. These calculations require the use of estimates and assumptions, which are discussed in detail in note 12. The licence agreement included in the intangible assets as at 30 September 2021 was €2.1m (2020: €2.0m).

- **Retirement benefits obligations**
  The Group operates two defined benefit pension plans called the 'EirGrid Fund' and the 'SONI Pension Scheme'. Further detail on the plans is outlined in note 23. The actuarial valuation of the pension plan liabilities is based on various financial and demographic assumptions about the future including discount rates, inflation, salary increases, pension increases and mortality rates. The Group's obligations in respect of the plans are calculated by independent qualified actuaries and are updated at least annually. The obligation at 30 September 2021 is €253.7m (2020: €224.7m) and the fair value of plan assets is €211.1m (2020: €182.1m). This gives a net pension deficit for the Group before deferred tax, of €42.6m (2020: €42.6m).
- **Leases**
  In determining the incremental borrowing rate for lease contracts/liabilities the Group, where possible, has utilised external benchmarked information and has taken the lease term into account. The Group has applied judgement in determining the lease term of contracts that include renewal options. If the Group is reasonably certain of exercising such options this will impact the lease term and accordingly the amount of the lease liabilities and right of use assets recognised. The Group reassess these estimates and judgements if a significant event or a significant change in circumstances occurs.
- **Deferred tax**
  Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations. These calculations require the use of estimates. The deferred tax asset at 30 September 2021 was €19.3m (2020: deferred tax asset of €22.8m). The deferred tax liability at 30 September 2021 was €34.6m (2020: deferred tax liability of €36.8m).

There are other areas where accounting estimates and judgements are required but they are not considered as significant as the ones mentioned above.

3. Segment and Revenue Information

An operating segment is a component of the entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Board, the entity's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Group is analysed into five main reportable segments for internal reporting purposes:

- EirGrid Transmission System Operator (EirGrid TSO), which derives its revenue from providing services as the TSO in Ireland and is regulated by the Commission for Regulation of Utilities (CRU). Trading in EirGrid Telecoms Designated Activity Company, the company that manages the licence of the commercial fibre optic cable built as part of the East West Interconnector project, has been included in the EirGrid TSO segment due to its relative size. The EirGrid TSO share of Celtic Interconnector DACs assets and liabilities has been included in the EirGrid TSO segment and these assets and liabilities are disclosed separately in the joint operation note (note 11).
- Single Electricity Market Operator (SEMO), which derives its revenue from acting as the Market Operator for the wholesale electricity market on the island of Ireland.

3. Segment and Revenue Information (continued)

- Single Electricity Market Operator Power Exchange ('SEMOpx'), which derives its revenue from providing day-ahead auction and intraday markets for trading in the Single Electricity Market (SEM) following its appointment as the nominated electricity market operator ('NEMO') on the island of Ireland.
- SONI Transmission System Operator (SONI TSO), which is licensed by the Utility Regulator Northern Ireland (UR) and derives its revenue from acting as the TSO in Northern Ireland. Trading in EirGrid UK Holdings Limited, the holding company of the SONI subsidiary has been included in the SONI TSO segment.
- Single Electricity Market Operator Power Exchange ('SEMOpx'), which derives its revenue from providing day-ahead auction and intraday markets for trading in the Single Electricity Market (SEM) following its appointment as the nominated electricity market operator ('NEMO') on the island of Ireland.
- Operation and the ownership of East West Interconnector (EWIC), being the link between the electricity grids of Ireland and Great Britain.

3. Segment and Revenue Information (continued)

The segment results for the financial year ended 30 September 2021 are as follows:

Income Statement items	**Note**	**EirGrid TSO € '000**	**SEMO € '000**	**SEMO px € '000**	**SONI TSO € '000**	**EWIC € '000**	**Elimin-ations € '000**	**Total € '000**
Segment revenue		574,209	17,378	3,798	125,520	69,021	(52,567)	737,359
Direct costs		(481,338)	–	(2,191)	(95,809)	(8,259)	52,567	(535,030)
Gross profit		92,871	17,378	1,607	29,711	60,762	–	202,329
Other operating costs (excluding depreciation and amortisation)		(55,727)	(10,262)	(1,390)	(16,626)	(13,910)		(97,915)
Depreciation and amortisation (net of grant amortisation)*		(24,858)	(2,180)	(36)	(6,727)	(13,442)		(47,243)
Total other operating costs		(80,585)	(12,442)	(1,426)	(23,353)	(27,352)		(145,158)
Operating profit		12,286	4,936	181	6,358	33,410		57,171
Interest and other income								19
Finance costs								(16,475)
Share of equity accounted investment								–
Profit before taxation								40,715
Income tax charge								(4,977)
Profit for the year								35,738
Balance Sheet items								
Segment assets		670,473	174,597	3,004	87,701	465,885		1,401,660
Goodwill and intangible assets	12							2,072
Total assets as reported in the Consolidated Balance Sheet								1,403,732
Segment liabilities		617,447	132,797	619	48,022	232,987		1,031,872
Total liabilities as reported in the Consolidated Balance Sheet								1,031,872

* Depreciation (note 13&14) + intangible amortisation (note 12) – EWIC grant amortisation (note 17).
The Sysflex grant amortisation has been included in operating costs to match expenditure as it has been incurred.

3. Segment and Revenue Information (continued)

The comparative segment results for the financial year ended 30 September 2020 are as follows:

Income Statement items	Note	EirGrid TSO € '000	SEMO € '000	SEMO px € '000	SONI TSO € '000	EWIC € '000	Elimin-ations € '000	Total € '000
Segment revenue		533,033	14,236	4,143	115,879	69,747	(48,653)	688,385
Direct costs		(453,966)	–	(1,869)	(92,220)	(19,230)	48,653	(518,632)
Gross profit		79,067	14,236	2,274	23,659	50,517	–	169,753
Other operating costs (excluding depreciation and amortisation)		(52,026)	(11,591)	(1,572)	(16,913)	(9,979)	–	(92,081)
Depreciation and amortisation (net of grant amortisation)*		(23,817)	(1,686)	(16)	(6,491)	(13,563)	–	(45,573)
Total other operating costs		(75,843)	(13,277)	(1,588)	(23,404)	(23,542)	–	(137,654)
Operating profit		3,224	959	686	255	26,975	–	32,099
Interest and other income								73
Finance costs								(18,139)
Share of equity accounted investment								5
Profit before taxation								14,038
Income tax charge								(2,113)
Profit for the year								11,925
Balance Sheet items								
Segment assets		630,083	147,783	2,259	81,725	484,511		1,346,361
Goodwill and intangible assets	12							1,986
Total assets as reported in the Consolidated Balance Sheet								1,348,347
Segment liabilities		668,346	44,903	433	63,475	248,199		1,025,356
Total liabilities as reported in the Consolidated Balance Sheet								1,025,356

Geographical information	**Revenue**		**Non-current assets**	
	30 Sep 2021 € '000	30 Sep 2020 € '000	**30 Sep 2021 € '000**	30 Sep 2020 € '000
Ireland	606,541	567,911	578,911	588,211
UK	130,818	120,474	24,962	27,386
Total	**737,359**	688,385	**603,873**	615,597

3. Segment and Revenue Information (continued)

Information on revenue streams

- EirGrid and SONI TSO revenues consist of Transmission Use of System (TUoS) charges which are necessary for the secure operation of the electricity system.
- The SEMO revenues are SEMO participant market operator charges which are used to recover the costs of administering the market.
- The SEMOpx revenues are SEMOpx participant market charges which allows them to access and trade in the day ahead and intraday markets.
- Revenue for EWIC for the financial year included the financial year regulated tariff of €4.4m (2020: €12.4m). The remainder of revenue in respect of EWIC relates to Financial Transmission Rights (FTRs) auction receipts totalling €5.1m (2020: €17.7m), congestion income of €31.1m (2020: €18.3m) and income from the provision of other system services €15.0m (2020: €13.9m). EWIC also received €13.3m (2020: €9.8m) of capacity payments in the year and other income of €0.1m (2020: (€2.2m)). Brexit has had an impact on the EWIC cross border trading as it is not possible to trade FTRs. Under the Free Trade Agreement, new SEM-GB trading arrangements for the Day-Ahead market are to be established, agreed and implemented so future arrangement may be put in place.

Information about major customers

Included in EirGrid TSO segment revenues of €574.2m for the financial year to 30 September 2021 (2020: €533.0m) are revenues of approximately €222.3m (2020: €208.0m), €87.7m (2020: €100.8m), €78.2m (2020: €71.3m) and €49.4m (2020: €53.4m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €17.4m for the financial year to 30 September 2021 (2020: €14.2m) are revenues of approximately €6.9m (2020: €5.2m), €2.2m (2020: €2.0m), €3.2m (2020: €3.3m) and €1.4m (2020: €1.3m) which arose from sales to the segment's four largest customers.

Included in SEMOpx segment revenues of €3.8m for the financial year to 30 September 2021 (2020: €4.1m) are revenues of approximately €1.1m (2020: €1.1m), €0.5m (2020: €0.6m), €0.3m (2020: €0.4m) and €0.2m (2020: €0.3m) which arose from sales to the segment's four largest customers.

Included in SONI TSO segment revenues of €125.5m for the financial year to 30 September 2021 (2020: €115.8m) are revenues of approximately €39.7m (2020: €28.9m), €27.9m (2020: €22.1m), €21.1m (2020: €20.8m) and €7.4m (2020: €12.8m) which arose from sales to the segment's four largest customers.

Contract balances

Included in trade & other receivables (note 15) is €97.4m (2020: €91.9m) related to receivables from contracts with customers.

Included in trade & other payables (note 16) is €6.8m (2020: €6.2m) related to contract liabilities. €1.4m. (2020: €2.7m) of the prior year contract liabilities were recognised as revenues during the year.

4. Employees

The average number of persons employed by the Group during the year to 30 September 2021 was 488 (2020: 462), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2021 was 86 (2020: 83). The staff costs associated with these employees have been capitalised and totalled €8.2m for the year to 30 September 2021 (2020: €7.3m).

4. Employees (continued)

Average number of persons employed on a monthly basis by business activity:

	Year to 30 Sep 2021 Number	Year to 30 Sep 2020 Number
EirGrid TSO	319	297
SONI TSO	95	89
SEMO	60	62
SEMOpx	7	8
EWIC	7	6
Capital projects	86	83
Total	**574**	**545**

Total remuneration including the Executive Directors' salary, comprised:

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Wages and salaries	40,341	38,617
Social insurance costs	4,331	4,315
Other retirement benefit costs	9,765	5,064
Total remuneration paid to employees	**54,437**	**47,996**
Employee costs charged to Income Statement	46,269	40,655
Employee costs capitalised	8,168	7,341
Total remuneration paid to employees	**54,437**	**47,966**

Key management personnel compensation:	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Salaries and short-term employee benefits	1,689	1,677

Key management personnel is defined as the Board of Directors, Chief Executive and the seven members of the Executive Team.

4. Employees (continued)

Employee benefits bands:	Year to 30 Sep 2021 Number	Year to 30 Sep 2020 Number
€50,000 - €75,000	201	195
€75,001 - €100,000	95	90
€100,001 - €125,000	63	55
€125,001 - €150,000	17	17
€150,000 + *	16	17
Total	**392**	374

Employee benefits exclude employer pension costs.

* In compliance with the Code of Practice for the Governance of State Bodies, salaries above €50,000 are disclosed in bands of €25,000 with the exception of salaries above €150,000 which have been disclosed in a single band in recognition of potential data protection implications. This departure from the Code has been approved by the Department of Environment, Climate and Communications.

5. Other Operating Costs

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Employee costs (note 4)	46,269	40,655
Depreciation of property, plant and equipment (note 13)	21,655	21,810
Amortisation of intangibles (note 12)	24,622	23,238
Depreciation of right of use assets (note 14)	4,052	3,638
Amortisation of grant (note 17)	(3,317)	(3,668)
Operations and maintenance	51,877	51,981
Total	**145,158**	137,654

6. Interest and Other Income, and Finance Costs

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Interest income:		
Interest income on deposits	(19)	(73)
Finance costs:		
Bank loan and overdrafts	15,478	17,075
Lease interest (note 14)	569	605
Net pension scheme interest (note 23)	428	459
Total finance costs	**16,475**	18,139

6. Interest and Other Income, and Finance Costs (continued)

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and through the use of interest rate swap contracts.

7. Profit Before Taxation

The profit before taxation is stated after charging/ (crediting) the following:

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Depreciation (note 13 & note 14)	25,707	25,448
Amortisation of intangibles (note 12)	24,622	23,238
Amortisation of grant (note 17)	(3,317)	(3,668)
Foreign exchange loss	3,287	1,698

Aggregate emoluments paid to or receivable by directors in respect of qualifying services are as follows:

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
– for services as a Director	122	122
– for Executive Director services	213	213
Total	**335**	335

Aggregate contributions paid, treated as paid or payable during the financial year to a retirement benefit scheme in respect of qualifying services of directors:

– defined benefit schemes (for Executive Director)	60	40

There is only one Director (the Chief Executive) in a pension scheme. This is a defined benefit scheme.

Auditor's remuneration in respect of the financial year is analysed as follows:

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
– audit of group companies	272	225
– other assurance services	43	60
– tax advisory services	–	85
– other non-audit services	–	–

8. Income Taxes

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Current tax expense	6,794	258
Adjustment in respect of prior year	(458)	(2,110)
Current tax expense	6,336	(1,852)
Deferred tax relating to the origination and reversal of temporary differences	(2,304)	3,965
Adjustment in respect of prior year	945	–
Deferred tax expense	(1,359)	3,965
Income tax expense for the year	**4,977**	**2,113**

The total charge for the financial year can be reconciled to the accounting profit as follows:

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Profit before tax	40,715	14,038
Taxation at standard rate of 12.5% (2020: 12.5%)	5,089	1,755
Effect of higher rates of tax on other income	113	626
Effect of income and expenses excluded in determining taxable profit	232	452
Effect of higher rates of tax on gains in UK subsidiaries	117	(184)
Adjustments in respect of prior years	487	(2,110)
Other differences	(1,061)	1,574
Income tax expense recognised in Income Statement	**4,977**	**2,113**

Factors that may affect future tax rates and other disclosures

No significant change is expected to the standard rate of corporation tax in Ireland which is currently 12.5%. The standard rate of tax in the UK is 19%. Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind.

8. Income Taxes (continued)

Deferred tax assets/(liabilities) arise from the following:

	Intangible Assets € '000	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Tax losses € '000	Total € '000
Deferred tax (liability)/ asset as at 1 Oct 2019	**(256)**	**(32,244)**	**6,429**	**12,696**	**5,160**	**(8,215)**
Credit/(charge) to the Income Statement for the year	–	(4,409)	(131)	–	575	(3,965)
Charge to the Statement of Comprehensive Income	–	–	(656)	(1,230)	–	(1,886)
Exchange differences	87	29	(22)	–	–	94
Deferred tax (liability)/ asset as at 30 Sep 2020	(169)	(36,624)	5,620	11,466	5,735	(13,972)
Credit/(charge) to the Income Statement for the year	–	2,461	(132)	–	(970)	1,359
Charge to the Statement of Comprehensive Income	–	–	(14)	(2,441)	–	(2,455)
Exchange differences	(247)	(30)	40	–	–	(237)
Deferred tax (liability)/ asset as at 30 Sep 2021	**(416)**	**(34,193)**	**5,514**	**9,025**	**4,765**	**(15,305)**
Deferred tax asset	–	–	5,514	9,025	4,765	19,304
Deferred tax liability	(416)	(34,193)	–	–	–	(34,609)
Total 30 Sep 2021	**(416)**	**(34,193)**	**5,514**	**9,025**	**4,765**	**(15,305)**
Deferred tax asset	–	–	5,620	11,466	5,735	22,821
Deferred tax liability	(169)	(36,624)	–	–	–	(36,793)
Total 30 Sep 2020	**(169)**	**(36,624)**	**5,620**	**11,466**	**5,735**	**(13,972)**

Analysis of deferred tax (liabilities)/assets by tax jurisdiction:

	30 Sep 2021 € '000	30 Sep 2020 € '000
Ireland	(15,986)	(14,003)
UK	681	31
Net deferred tax liability	**(15,305)**	**(13,972)**

9. Dividends

As shown in note 18 the company has one class of share capital in issue, Ordinary Shares. The dividends in respect of this class of share capital are as follows:

Dividends to Shareholders	30 Sep 2021 € '000	30 Sep 2020 € '000
Equity		
Dividend paid - €133.33 per Ordinary Share	4,000	4,000
Total	**4,000**	**4,000**

The Directors of the Group propose the payment of a final dividend of €4,000,000 (2020: €4,000,000) for the financial year ended 30 September 2021.

10. Fair Value Investments

	30 Sep 2021 € '000	30 Sep 2020 € '000
Balance as at 1 Oct 2020	356	356
Additions	–	–
Balance as at 30 Sep 2021	**356**	356

In 2018 EirGrid acquired a 4.75% equity interest in Joint Allocation Office S.A for €0.2m; a company registered in Luxembourg. Under EU Rules TSOs are obliged to implement a Single Allocation Platform for capacity on interconnectors. EirGrid, as the certified TSO for the East West Interconnector, became a shareholder in the Joint Allocation Office (JAO).

Under the European rules (Network Codes), EirGrid is obliged to co-operate on a regional basis with at least one 'Regional Security Co-ordinator' (RSC) so it acquired a 5% equity interest in the RSC Coreso SA for €0.1m in 2018, a company registered in Belgium.

11. Interest in Joint Operations

EirGrid plc, has a 50% equity interest in Celtic Interconnector DAC, a company incorporated in Ireland which is a joint arrangement between EirGrid plc and Réseau De Transport D'Électricité ('RTE'). The Celtic interconnector project is the proposed undersea electricity link connecting Ireland and France. The purpose of the joint arrangement is to carry out certain designated works during the design and consultation stage of the project.

Under IFRS 11, the Group classifies its interest in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making the assessment, the Group considers the structure and legal form of the arrangements, the contractual terms of the arrangement agreed by the parties and when relevant, other facts and circumstances.

Celtic Interconnector DAC was deemed to be a joint venture in the prior years so the investment was accounted for using the equity method of accounting, recognising its initial investment of €50,000 and share of its profits of €5,000 resulting in a value of €55,000 being recognised on the balance sheet.

Although Celtic Interconnector DAC is separate legal entity, the Group has reclassified it as a joint operation due to the contractual arrangements in place between EirGrid plc and RTE. Both parties are providing the cash to settle the Celtic Interconnector DAC liabilities and the output of Celtic Interconnector DAC is provided to both parties.

As a result the Group has derecognised its initial investment and share of profits of Celtic Interconnector DAC and has accounted for its share of Celtic Interconnector DAC assets, liabilities, income and expenses in its Group Financial Statements on a line by line basis. EirGrid plc is deemed to own 50% of the rights to the assets and obligations for the liabilities.

The following amounts of Celtic Interconnector DAC are included in the Group Financial Statements on a line by line basis:

	30 Sep 2021 € '000
Non-current assets	–
Current assets	2,284
Total assets	**2,284**
Total equity	54
Current liabilities	2,230
Total liabilities	2,230
Total equity and liabilities	**2,284**

	Year to 30 Sep 2021 € '000
Revenue	11
Expenses	(10)
Operating profit	**1**

SEMO and SEMOpx is a 75/25 joint operation between EirGrid plc (the Parent) and SONI Limited (100% subsidiary) so 100% of the share of these joint operations is included in the Group Financial Statements and are disclosed separately in note 3. Further disclosures in respect of these joint operations and the Parents 75% share of assets, liabilities, income and expenses is outlined in note 30 (H).

12. Intangible Assets

	Goodwill € '000	Licence agreements € '000	Integrated Single Electricity Market € '000	Other IT Software € '000	Software under development € '000	Total € '000
Cost						
Balance as at 1 Oct 2019	4,360	17,724	95,334	55,441	5,327	178,186
Additions	–	–	–	–	12,159	12,159
Transfer (to)/from other assets	–	–	4,313	1,398	(5,711)	–
Exchange differences	(83)	(354)	(430)	(388)	(53)	(1,308)
Balance as at 30 Sep 2020	4,277	17,370	99,217	56,451	11,722	189,037
Additions	–	–	–	–	12,533	12,533
Transfer (to)/from other assets	–	–	4,900	5,119	(10,019)	–
Exchange differences	216	863	1,114	1,272	108	3,573
Balance as at 30 Sep 2021	4,493	18,233	105,231	62,842	14,344	205,143
Accumulated amortisation						
Balance as at 1 Oct 2019	4,360	15,684	18,677	47,015	–	85,736
Amortisation	–	–	19,830	3,408	–	23,238
Exchange differences	(83)	(300)	(221)	(344)	–	(948)
Balance as at 30 Sep 2020	4,277	15,384	38,286	50,079	–	108,026
Amortisation	–	–	20,533	4,089	–	24,622
Exchange differences	216	777	500	873	–	2,366
Balance as at 30 Sep 2021	4,493	16,161	59,319	55,041	–	135,014
Carrying amount as at 30 Sep 2021	**–**	**2,072**	**45,912**	**7,801**	**14,344**	**70,129**
Carrying amount as at 30 Sep 2020	–	1,986	60,931	6,372	11,722	81,011

The licence agreement of €2.1m (2020: €2.0m) has been allocated to the SEMO cash-generating units (CGUs) to assess possible impairment. The goodwill and licence agreement are not amortised as they have indefinite useful lives.

The recoverable amount of the intangible assets allocated to the CGU has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2027. This is the period to which management believe that discrete forecasts regarding expected cash flows can reasonably be made. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and anticipated regulatory recoveries arising from price controls.

12. Intangible Assets (continued)

The key assumptions used within the calculations include:

- SEMO profitability levels have been based on the regulatory price controls agreed in 2020 and covers the period 2020-2025.
- Discount rates of 3.8% and 4.03% (2020: 4.72% and 5.90%) have been assumed for the SEMO CGU based on the above mentioned price controls;
- Growth rates of 2% (2020: 2.0%) have been assumed into perpetuity for SEMO regulatory asset bases (RAB). A nil% growth rate (2020: nil%) has been assumed into perpetuity for the SEMO regulatory incentives. These assumptions reflect management's expectation for long-term growth.

Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the assumed gearing ratio achievable, the discount rates applied to those cash flows and the expected long term growth rates. The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying values. An increase in the discount rate of 0.5% would result in an impairment to the value of the licence in the SEMO CGU of €nil (2020: nil). A decrease in the RAB perpetuity growth rate of 1.0% would result in an impairment to value of the licence in the SEMO CGU of €nil (2020: €nil).

The SEM has undergone significant change. EU legislation is driving the coming together of energy markets across Europe with the aim of creating a fully liberated internal electricity market. Significant investment was required in the redesign of the SEM and these costs are defined as the Integrated Single Electricity Market ('I-SEM') asset.

13. Property, Plant & Equipment

	Land and buildings * € '000	Fixtures and fittings € '000	IS, telecomm-unications equipment and other € '000	Single Electricity ** € '000	Motor Vehicles € '000	EWIC € '000	Integrated Single Electricity Market € '000	Assets under Construction € '000	Total € '000
Cost									
Balance as at 1 Oct 2019	17,292	3,337	78,876	48,916	77	575,277	3,901	13,557	741,233
Reclassified to right of use assets (Note 14)****						(7,150)	–	–	(7,150)
Additions	–	–	–	–	–	–	–	5,095	5,095
Disposals	–	–	(18,077)	(48,743)	–	–	–	–	(66,820)
Transfers (to)/from other assets	18	–	2,922	–	–	18	–	2,922	–
Exchange differences	(132)	–	(62)	(173)	–	(132)	–	(62)	(173)
Balance as at 30 Sep 2020	17,178	3,337	63,659	–	77	568,897	3,882	14,939	671,969
Additions	10,001	–	–	–	–	–	–	14,029	24,030
Disposals	–	–	–	–	–	–	–	–	–
Transfers (to)/from other assets	–	2,235	1,991	–	–	1,428	–	(5,654)	–
Exchange differences	342	–	190	–	–	–	48	10	590
Balance as at 30 Sep 2021	27,521	5,572	65,840	–	77	570,325	3,930	23,324	696,589
Depreciation									
Balance as at 1 Oct 2019	8,017	2,414	66,283	48,916	50	103,441	763	–	229,884
Reclassified to right of use assets (Note 14)****	–	–	–	–	–	(1,485)	–	–	(1,485)
Charge	647	253	3,793	–	15	16,301	801	–	21,810
Disposals	–	–	(18,077)	(48,743)	–	–	–	–	(66,820)
Exchange differences	(67)	–	(57)	(173)	–	–	(10)	–	(307)
Balance as at 30 Sep 2020	8,597	2,667	51,942	–	65	118,257	1,554	–	183,082
Charge	648	656	3,373	–	10	16,184	784	–	21,655
Disposals	–	–	–	–	–	–	–	–	–
Exchange differences	170	–	145	–	–	–	22	–	337
Balance as at 30 Sep 21	9,415	3,323	55,460	–	75	134,441	2,360	–	205,074
Carrying amount as at 30 Sep 2021	**18,106**	**2,249**	**10,380**	**–**	**2**	**435,884**	**1,570**	**23,324**	**491,515**
Carrying amount as at 30 Sep 2020	8,581	670	11,717	–	12	450,640	2,328	14,939	488,887

* The cost of the Group's buildings include leasehold improvements.

** This asset relates to costs associated with the SEM prior to the redesign of the new market. These assets were decommissioned during 2019/20.

*** This asset relates to costs associated with the redesign of the new SEM market and relates to IT Hardware.

**** The capitalised EWIC Irish foreshore licence related to an upfront payment for use of the asset over a specified period. It has been reclassified to right of use assets on the adoption of IFR16.

13. Property, Plant & Equipment (continued)

***** Assets under Construction consist of the following:

	30 Sep 2021 € '000	30 Sep 2020 € '000
IS and telecommunications equipment	2,434	2,705
Celtic Interconnector Project	18,047	9,815
EWIC	131	105
Facilities	2,712	2,314
Total	**23,324**	**14,939**

14. Right of Use Assets and Lease Liabilities

Right of use assets	Property € '000	Motor vehicles € '000	Foreshore Licence € '000	Total € '000
Cost				
Balance as at 1 Oct 2019	33,314	40	9,907	43,261
Transfer from property plant & equipment (note 13)*	–	–	7,150	7,150
Balance as at 1 Oct 2020	33,314	40	17,057	50,411
Lease modification	633	4	–	637
Balance as at 30 Sep 2021	33,947	44	17,057	51,048
Accumulated depreciation				
Balance as at 1 Oct 2019	–	–	–	–
Transfer from property plant & equipment (note 13)*	–	–	1,485	1,485
Depreciation	3,064	21	533	3,638
Balance as at 1 Oct 2020	3,064	21	2,038	5,123
Depreciation	3,482	17	553	4,052
Balance as at 30 Sep 2021	6,546	38	2,591	9,175
Carrying amount as at 30 Sep 2021	**27,401**	**6**	**14,466**	**41,873**
Carrying amount as at 30 Sep 2020	30,250	19	15,019	45,288

* The capitalised EWIC Irish foreshore licence related to an upfront payment for use of the asset over a specified period. It has been reclassified to right of use assets on the adoption of IFR16.

14. Right of Use Assets and Lease Liabilities (continued)

Lease liabilities	**Total € '000**
Balance as at 1 Oct 2020	41,824
Lease modification	637
Interest	569
Lease payments	(3,789)
Exchange differences	440
Balance as at 30 Sep 2021	**39,681**

Analysed as:	**€ '000**
Current	2,519
Non-current	37,162
Balance as at 30 Sep 2021	**39,681**

The table below shows the maturity analysis of the discounted and undiscounted lease liability arising from the Group's leasing activities.

Lease liabilities	**Discounted € '000**	**Undiscounted € '000**
Within one year	2,519	3,051
Between two and five years	11,506	13,286
After five years	25,656	27,877
Total	**39,681**	**44,214**

Amounts recognised in consolidated income statement	**Total € '000**
Depreciation on right of use assets	4,052
Expenses relating to short terms leases	–
Variable lease payments *	17
Expenses relating to leases of low value leases, excluding short term leases of low value assets	–
Interest on lease liabilities	569

* The Group has a managed print service contract with variable lease payments linked to future use of the underlying asset so these payments have been excluded from the measurement of the lease liabilities.

Amounts recognised in consolidated cash flow statement	**Total € '000**
Total cash outflows for the lease during the year *	3,806

* Includes interest expense, principal repayments, short term and low value lease expenses

15. Trade and Other Receivables

	30 Sep 2021 € '000	**30 Sep 2020 € '000**
Amounts due in less than one year:		
Trade receivables	1,728	505
Prepayments and deferred project costs	35,720	33,290
Unbilled receivables	97,432	91,894
Other receivables	29,137	40,186
Total	**164,017**	**165,875**
Amounts due in more than one year:		
Prepayments and deferred project costs	36,555	32,568
Other receivables	51,400	21,500
	87,955	**54,068**
Total	**251,972**	**219,943**

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

€5.7m (2020: €2.0m) of the other receivables balance relates to payments due from ESB.

Unbilled receivables primarily consist of income for the final two months of the financial year, which, in compliance with the regulatory timetable, had not been billed as at the respective financial year ends.

Other receivables due in less than one year in the prior year included €12.4m owed from the SEM balancing market to SEMO in respect of working capital requirements that occurred in the balancing market during the prior year and was funded by external bank funding provided by EirGrid and SONI through SEMO. This balance was recovered through k-factor tariff adjustments in the year and the working capital facility was repaid. Due to overrecoveries in the market during the year there was a balance owing to the SEM balancing market at 30 Sep 2021 as outlined in note 16.

Other receivables due in more than one year also includes €51.4m relating to recoverable costs arising from the introduction of the EU Regulation 2019/943 on the internal market for electricity which came into effect on 1 January 2020. The Group is satisfied that all costs arising from the implementation of the Regulation will be supported by a regulated, market-based tariff. These costs have been recognised through a provision as outlined in note 20.

Prepayments and deferred project costs include deferred costs in respect of transmission projects of €57.8m. (2020: €52.3m), of which €36.6m (2020: €32.6m) may not be recoverable within twelve months.

16. Trade and Other Payables

	30 Sep 2021 € '000	30 Sep 2020 € '000
Amounts due in less than one year:		
Trade payables	64,360	59,168
Accruals	189,620	172,656
Deferred income	2,166	1,405
Taxation and social insurance	15,379	19,933
Other payables	142,701	72,822
Total	**414,226**	**325,984**
Amounts due in more than one year:		
Deferred income	4,573	4,819
	4,573	**4,819**
Total	**418,799**	**330,803**

Taxation and social insurance comprises of the following:

	30 Sep 2021 € '000	30 Sep 2020 € '000
PAYE/PRSI	1,043	1,256
VAT	13,839	17,766
Withholding tax	497	911
Total	**15,379**	**19,933**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

€56.8m (2020: €55.0m) of the Group trade payables balance and €10.7m. (2020: €4.6m) of the Group accruals balance relates to the charges payable to ESB and NIE as Transmission Asset Owners in Ireland and Northern Ireland respectively. Accruals consist mainly of the direct costs of running the transmission system for the last two months of the accounting period.

Other payables due in less than one year includes €82.1m (2020: €nil) owed to the SEM balancing market due to overrecoveries which will be returned via a k-factor tariff adjustment. The balancing market position was in a receivable position in the prior year as outlined in note 15.

17. Grants

	€ '000
Balance as at 1 Oct 2019	93,368
Additions	822
Amortisation of grant	(3,668)
Balance as at 30 Sep 2020	90,522
Additions	–
Amortisation of grant	(3,317)
Balance as at 30 Sep 2021	87,205

Analysed as:

	€ '000
Current	3,413
Non-current	83,792
Balance as at 30 Sep 2021	**87,205**

Capital grants received related to the East West Interconnector project and were received from the EU Commission. The total grant funding available and received from the EU Commission for the project was €112.3m and €86.9m of unamortised grants is included in the balance at year end. There are no unfulfilled conditions or other contingencies attaching to capital grants received. Capital grants are amortised in line with depreciation of the EWIC asset.

The Horizon 2020 EU-SysFlex project represents an opportunity to lead and participate in a pan-European strategic project which is directly aligned with the strategic objective of the EirGrid Group to be a "world leader in smart grids and integration of renewables". The grant is allowable for certain costs set out in the grant agreement and the grant income is released against the expenditure as it is incurred. There is €0.3m of unamortised grants included in the balance at year end. A failure to comply with the terms and conditions of the EU Commission Grant Agreement could result in a claw back of grant funding received by EirGrid.

The Group receives grants towards the Celtic project under the Connecting Europe Facility (CEF) programme, the EU's financial mechanism supporting trans-European infrastructure. The Celtic Interconnector is a proposed new electrical link between France and Ireland being developed jointly by EirGrid plc and the French TSO – Réseau De Transport D'Électricité ('RTE'). There is €5.1m of CEF grants from prior years netted against the Celtic Interconnector project spend within assets under construction in note 13. The grant will be recognised separately as deferred income when the asset is brought into use.

18. Issue Share Capital

	30 Sep 2021 € '000	30 Sep 2020 € '000
Authorised:		
30,000 ordinary shares of €1.25 each	38	38
Allotted, called-up and fully paid:		
Called up share capital presented as equity:		
30,000 ordinary shares of €1.25 each	38	38

The Company has one class of ordinary share which carries no right to fixed income.

19. Cash and Cash Equivalents

	30 Sep 2021 € '000	30 Sep 2020 € '000
Cash and cash equivalents	528,583	482,914

Cash and cash equivalents primarily comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. The credit risk on liquid funds is limited because the counterparties are banks with relatively high credit-ratings assigned by international credit-rating agencies.

Included in the Group's cash balances is a €80.0m (2020: €62.0m) held on trust for market participants in the SEM and €38.8m (2020: €26.0m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

Included in the Group cash balances are security deposits of €12.3m (2020: €19.4m). Included in the Group's cash balances is €6.7m (2020: €9.2m) which represents cash which can only be used for the purposes of the EWIC asset.

20. Provisions

	€ '000
Balance as at 30 Sep 2020	21,500
Provisions made during the year	29,900
Balance as at 30 Sep 2021	51,400

Analysed as:	€ '000
Current	51,400
Non-current	–
Balance as at 30 Sep 2021	**51,400**

EU Regulation 2019/943 ("Regulation") on the internal market for electricity is part of the Clean Energy Package and came into effect on 1 January 2020. Article 12 of this Regulation refers to dispatching of generation and demand response, and Article 13 refers to redispatching (where a transmission system operator requests a generator to change – in this context usually reduce – its intended level of production). The SEM Committee is continuing to consider how the Regulation will be implemented in Ireland and Northern Ireland.

The SEM Committee launched a consultation on the Regulation focusing on Articles 12 and 13 (SEM-20-028 27 April 2020). The consultation paper outlined that the Regulation will involve updates to existing arrangements (SEM-11-062) to reflect the new requirements in relation to priority dispatch and also updates to arrangements (SEM-13-010) regarding compensation for curtailment and constraints as introduced by the Regulation.

The SEM Committee released a further consultation paper (SEM-21-026) in April 2021, providing details of the Regulatory Authorities minded to position in relation to specific areas raised in consultation paper SEM-20-028, related to the implementation of Articles 12 and 13 focusing on the definitions of dispatch, redispatch and non-market based redispatch in the SEM and arrangements for compensation under Article 13(7). While it was previously indicated that the issues associated with this regulation would be presented as part of a proposed decision paper, a further consultation was published given the number of complex issues associated with the regulation. Subsequently in August 2021, the SEM Committee published the responses received in respect of SEM-21-026 and SEM 21-027, however no final decision paper on the implementation of this regulation has yet been published.

While there is a divergence around the interpretation and proposed implementation of this regulation and although there is a possibility that the potential liability could be nil, we believe it is probable that, on foot of the Regulation, the Group has a payment obligation at 30 September 2021. The final amount will depend on how the Regulatory Authorities decide to implement the Regulation in Ireland and Northern Ireland with regard to constraint payments to renewable generators with firm connections, curtailment payments to renewable generators and constraint payments to renewable generators with non-firm connections. The potential liability is estimated to be in the range of €23.6m to €201.2m. As this is an estimate, there is a possibility that the potential liability could be above or below this range, however, based on the Group's consideration the best estimate within this range is a provision of €51.4m. The timing of payments is uncertain, however payments to affected parties may commence following the conclusion of the consultation process. The Group is satisfied that all costs arising from the implementation of the Regulation will be supported by a regulated, market-based tariff arrangement. Accordingly, a recoverable amount of €51.4m has been included in Trade and other receivables.

21. Capital Commitments

	30 Sep 2021 € '000	30 Sep 2020 € '000
Expenditure contracted for, but not provided for in the Financial Statements	3,458	5,110

The Group has contractual commitments arising from the Celtic Interconnector project, which is the proposed electricity link between Ireland and continental Europe which is in the detailed design and consent stage.

22. Contingent Liabilities

The Group has received a claim for compensation in respect of the reduction in interconnector net transfer capacity (NTC), during a period of reduced generation availability on the island of Ireland, an action taken to ensure security of supply. The total possible value of the purported claim up until the end of September 2021 is €5m, however the final impact (if any) will only be known in due course. No provision has been made in the financial statements as management does not consider there will be a probable loss associated with the claim, given the level of uncertainty around the legal basis on which compensation might be payable. In the event the claim for compensation were to be successful, we would expect the payment would be covered by funds held on the Group Balance Sheet and would have no impact on the Group Income Statement.

23. Retirement Benefits Obligations

Defined Benefit Schemes

The Group operates two defined benefit arrangements for qualifying employees; one is operated for employees of the Company and the Executive Director (the "EirGrid Fund"), a second is operated for employees of SONI Limited (the Focus Section of the "SONI Pension Scheme"; the "SONI Focus Section").

The Group's main pension scheme in Ireland, the EirGrid Fund, operates under Irish trust law and is managed and administered on behalf of its members in accordance with the terms of the underlying trust deed; scheme regulations; and Irish legislation (principally the Pensions Act 1990). Under Irish legislation a defined benefit pension scheme is required to build up and maintain enough funds to pay members their pension entitlements should the scheme be wound up. Pension scheme trustees are required to obtain regular actuarial valuations and reports, put in place a Funding Proposal addressing any statutory funding shortfall and submit same to the Irish Pensions Authority for approval (where relevant).

The EirGrid Fund closed to new entrants with effect from 1st April 2019. New entrants in EirGrid plc were eligible to join an interim group Personal Retirement Savings Account (PRSA) arrangement from 1st April 2019 and they were eligible to join the new defined contribution scheme from August 2021.

The SONI Focus Section operates under UK trust law and is managed and administered on behalf of its members in accordance with the terms of the trust deed, the scheme rules and UK legislation (principally the Pensions Act 1993, the Pensions Act 1995 and the Pensions Act 2004). Under UK legislation a defined benefit pension scheme is required to meet the statutory funding objective of having sufficient and appropriate assets to cover its liabilities. Pension scheme trustees are required to: prepare a Statement of Funding Principles; obtain regular actuarial valuations and reports; put in place a Schedule of Contributions and where relevant, Recovery Plan addressing any funding shortfall; and send regular Summary Funding Statements to members of the pension scheme.

The EirGrid Fund and the SONI Pension Scheme (the "DB Schemes") are administered by separate trusts that are legally separated from the Group. The trusteeship of the DB Schemes is currently executed by a combination of Member Nominated Trustees and Company Nominated Trustees. The DB Schemes' trustees are required to act in accordance with the governing trust documentation and have a fiduciary responsibility to act in the best interests of the respective beneficiaries of the DB Schemes. A non-exhaustive list of the DB Scheme's trustee duties includes; the collection and investment of contributions, determining investment strategy, administration of benefits and acting in good faith and in accordance with the DB Schemes' trust documentation.

23. Retirement Benefits Obligations (continued)

Under the EirGrid Fund, eligible employees are entitled to receive a pension and lump sum on retirement. Under the SONI Focus Section, eligible employees are entitled to receive a pension on retirement. A survivor's pension and/or lump sum may also be payable on death under the DB Schemes. Retirement benefits payable are based on salary and length of service.

There were no amendments or material curtailments and settlements in respect of the EirGrid Fund or SONI Focus Section during the financial year.

The DB Schemes expose the Group to risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the DB Schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on DB Schemes' assets is below this rate, it will create an accounting disclosure deficit (all else being equal).
Interest rate risk	The present value of the DB Schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond yields at the measurement date. A decrease in corporate bond yields will increase the DB Schemes' liability (all else being equal).
Longevity risk	The present value of the DB Schemes' liability is calculated by reference to the best estimate of the mortality of DB Schemes' participants both during and after their employment. An increase in the life expectancy of the DB Schemes' participants will increase the DB Schemes' liability (all else being equal).
Salary risk	The present value of the DB Schemes' liability is calculated by reference to assumptions around future salaries for the DB Schemes' participants. As such, an increase in the salary of the DB Schemes' participants (relative to the chosen assumption) will increase the DB Schemes' liability (all else being equal).

Defined Contribution Scheme

As the SONI Focus Section has been closed to new members since 1998, other than for the purpose of admitting staff as a consequence of the transfer of the planning function in Northern Ireland in prior years, the Group also operates an approved defined contribution scheme, the "SONI Options Section" (which is a defined contribution section of the SONI Pension Scheme for employees of SONI Limited). Contributions are paid by the members and SONI Limited at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a group basis and may be paid in the form of a lump sum and/or survivor's pension. The assets of the SONI Options Section are held under trust and are separate from those of the Group. The only obligation of SONI Limited with respect to the SONI Options Section is to make the specified contributions and pay administration expenses. Obligations for contributions to the SONI Options Section are recognised as an expense in the Income Statement as incurred. The pension charge for the financial year represents the actual contribution paid by SONI Limited and amounted to €1.1m (2020: €1.0m).

EirGrid plc had being operating an interim group Personal Retirement Savings Account (PRSA) arrangement for new entrants after 1 April 2019 prior to setting up a Defined Contribution Scheme (the "EirGrid DC Scheme") in August 2021. The PRSA and defined contributions paid by EirGrid plc amounted to €0.6m (2020: €0.3m).

23. Retirement Benefits Obligations (continued)

Defined Benefit Schemes - Liabilities

The most recent actuarial valuations of the assets and the present value of the defined benefit obligations were carried out at 30 September 2021 for both the EirGrid plan and the SONI Focus plan, under the requirements of International Accounting Standard 19: Employee Benefits (IAS 19). The present values of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The amount included in the Balance Sheet arising from the obligations in respect of these defined benefit plans are as follows:

	Total 30 Sep 2021 € '000	EirGrid Plan 30 Sep 2021 € '000	SONI Focus Plan 30 Sep 2021 € '000	Total 30 Sep 2020 € '000	EirGrid Plan 30 Sep 2020 € '000	SONI Focus Plan 30 Sep 2020 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	**253,746**	208,143	45,603	224,724	183,040	41,684
Fair value of Schemes' assets at end of year	**(211,102)**	(168,315)	(42,787)	(182,112)	(144,870)	(37,242)
Net Liability	**42,644**	39,828	2,816	42,612	38,170	4,442
Deferred tax on net pension obligation (note 8)	**(5,514)**	(4,979)	(535)	(5,620)	(4,771)	(849)
Net Liability after Deferred Tax	**37,130**	**34,849**	**2,281**	36,992	33,399	3,593

The amounts in the Consolidated Income Statement may be analysed as follows:

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2021 € '000
Current service cost	8,085	9,781
Past service credit	–	(6,093)
Net interest expense	428	459
Employer pension cost capitalised	(1,321)	(668)
Amount included in other operating costs relating to defined benefit schemes	7,192	3,479

23. Retirement Benefits Obligations (continued)

The amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	Total Year to 30 Sep 2021 € '000	EirGrid Plan Year to 30 Sep 2021 € '000	SONI Focus Plan Year to 30 Sep 2021 € '000	Total Year to 30 Sep 2020 € '000	EirGrid Plan Year to 30 Sep 2020 € '000	SONI Focus Plan Year to 30 Sep 2020 € '000
Remeasurement of net defined benefit liability:						
Actuarial gain arising on Schemes' assets	18,223	14,497	3,727	1,832	2,382	(550)
Actuarial gain/(loss) arising from changes in demographic assumptions	506	–	505	(2,793)	(3,215)	422
Actuarial gain/(loss) arising from changes in financial assumptions	(22,150)	(18,681)	(3,469)	4,981	7,934	(2,953)
Actuarial gain/(loss) arising from experience adjustments	3,035	2,844	191	2,839	2,847	(8)
Amount included in the Consolidated Statement of Comprehensive Income	**(386)**	**(1,340)**	**954**	6,859	9,948	(3,089)

Movements in the present value of the defined benefit obligations in the current financial year were as follows:

	EirGrid plan		SONI Focus plan	
	30-Sep-21 € '000	30-Sep-20 € '000	30-Sep-21 € '000	30-Sep-20 € '000
Present value of defined obligation at beginning of year	183,040	186,025	41,684	40,877
Current service cost including contributions by Schemes' participants	9,034	10,740	419	497
Past service credit	–	(6,093)	–	–
Interest cost	2,004	1,760	655	745
Actuarial (gain)/loss arising from changes in demographic assumptions	–	3,215	(506)	(422)
Actuarial (gain)/loss arising from changes in financial assumptions	18,681	(7,934)	3,469	2,953
Actuarial (gain)/loss arising from experience adjustments	(2,844)	(2,847)	(191)	8
Benefits paid	(1,772)	(1,826)	(2,056)	(2,143)
Exchange differences	–	–	2,129	(831)
Present value of defined benefit obligation at end of year	**208,143**	183,040	**45,603**	41,684

23. Retirement Benefits Obligations (continued)

Movements in the present value of the plan assets in the current financial year were as follows:

	EirGrid plan		SONI Focus plan	
	30-Sep-21 € '000 Total	30-Sep-20 € '000 Total	30-Sep-21 € '000 Total	30-Sep-20 € '000 Total
Fair value of Schemes' assets at beginning of year	144,870	136,860	37,242	39,400
Interest Income	1,637	1,325	594	722
Gains/(losses) on Schemes' assets	14,497	2,383	3,727	(550)
Contributions by the Companies	7,738	4,715	1,479	705
Contributions by Schemes' participants	1,345	1,413	23	42
Administration costs	–	–	(146)	(223)
Benefits paid	(1,772)	(1,826)	(2,056)	(2,143)
Impact of asset ceiling excluding amounts included in interest expense	–	–	–	–
Exchange differences	–	–	1,924	(711)
Present value of defined benefit obligation at end of year	**168,315**	144,870	**42,787**	37,242

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	EirGrid plan		SONI Focus plan	
Valuation method	30 Sep 2021 Projected Unit	30 Sep 2020 Projected Unit	30 Sep 2021 Projected Unit	30 Sep 2020 Projected Unit
Discount rate	1.4%	1.10%	1.95%	1.55%
Salary increases	2.25% Plus scale	1.55% Plus scale	3.90% Plus scale	3.40% Plus scale
Pension increases	2.0%	1.35%	3.30%	2.45%
Inflation	2.0%	1.30%	3.65%	3.15%
Post-retirement life expectancy for those retiring at age 65 in 2039:				
– Men	24.1 years	24 years	24.7 years	25 years
– Women	26.2 years	26.1 years	26.6 years	26.7 years

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end was 1.40% (2020: 1.10%) for the EirGrid plan and 1.95% (2020: 1.55%) for the SONI Focus plan. The EirGrid plan discount rate was based on the redemption yield on Euro denominated high quality corporate bonds extrapolated to an approximate duration of 27 years (2020: 27 years). The SONI Focus plan discount rate was based on the redemption yield on Sterling denominated high quality corporate bonds extrapolated to an approximate duration of 18 years (2020: 19 years). This is consistent with the estimated term of the post-retirement benefit obligations.

23. Retirement Benefits Obligations (continued)

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. As an indication of the impact of changes in actuarial assumptions, a 50 basis point decrease in discount rates would increase the net pension plan liability by approximately 14% (2020: 13%).

Funding Requirements and Future Cash Flows

An ongoing funding valuation of the EirGrid Fund is required every three years to review the contribution rate required to fund future benefits. The most recent actuarial valuation was carried out as at 1 January 2020. The contribution rate required to fund the future service liabilities for the current active pension members is adjusted to take account of the value of any past service surplus or deficit which exists in the EirGrid Fund.

The Funding Standard position (the statutory minimum funding requirement) of the EirGrid Fund is reviewed annually. Where an Irish defined benefit scheme does not have sufficient assets to satisfy the Funding Standard, accelerated funding, in the form of a Funding Proposal may be required. As the EirGrid Fund meets the Funding Standard, no such Funding Proposal is required.

An actuarial valuation of the SONI Focus Section must take place at least every three years. The most recent actuarial valuation was carried as at 31 March 2019. The main purpose of the funding valuation is to agree the contributions payable by SONI Limited so that the SONI Focus Section is expected to have sufficient assets to pay the benefits promised to members. The Scheme Actuary certifies that the Technical Provisions have been calculated in accordance with the regulations and the Trustees' Statement of Funding Principles and the Statutory Funding Objective is expected to be met by the end of the period covered by the Schedule of Contributions. A Section 179 valuation must also be carried out to ensure the SONI Focus Section has sufficient assets to cover its liabilities in respect of the compensation that would be paid by the Pension Protection Fund.

The major categories of plan assets at the Balance Sheet date for each category are as follows:

	Fair Value	
EirGrid plan	30 Sep 2021 € '000	30 Sep 2020 € '000
Equities	55,867	68,147
Bonds	63,426	30,864
Property	10,607	10,285
Cash	1,247	1,923
Alternatives	32,078	28,416
Annuities	5,090	5,235
Fair value of plan assets	**168,315**	**144,870**

For the EirGrid plan assets all except annuities €163.2m (2020: €139.6m) have quoted market prices in an active market. The annuities €5.1m (2020: €5.2m) have no quoted market prices in an active market.

	Fair Value	
SONI Focus plan	30 Sep 2021 € '000	30 Sep 2020 € '000
Equities	18,996	17,469
Gilts and Bonds	23,605	19,531
Other	186	242
Fair value of plan assets	**42,787**	37,242

For the SONI Focus plan assets all categories €42.8m (2020: €37.2m) have quoted market prices in an active market.

23. Retirement Benefits Obligations (continued)

The actual return on Group scheme assets was a gain of €20.5m (2020: €3.9m). The actual return on the EirGrid Plan scheme assets was a gain of €16.1m. (2020: €3.7m) and the actual return on the SONI Focus Plan scheme assets was a gain of €4.3m (2020: €0.2m).

The Group expects to pay contributions of €7.4m (2020: €8.4m) for the EirGrid Plan and €1.1m. (2020: €0.6m) for the SONI Focus Plan in the financial year to 30 September 2021.

24. Borrowings

Details of the Group's interest-bearing loans and borrowings are outlined below.

Repayable by instalments	30 Sep 2021 € '000	30 Sep 2020 € '000
Repayable within one year:		
Bank loans	21,542	20,519
Total current borrowings	21,542	20,519
Repayable after more than one year		
Between one and two years	22,443	21,386
Between two and five years	63,341	63,484
In five years or more	174,337	196,268
Total non-current borrowings	260,121	281,138
Total borrowings outstanding	**281,663**	301,657

Repayable other than by instalments	30 Sep 2021 € '000	30 Sep 2020 € '000
Repayable within one year:		
Bank loans	–	–
Total current borrowings		–
Repayable after more than one year		
Between one and two years	–	–
Between two and five years	–	67,916
In five years or more	–	–
Total non-current borrowings	–	67,916
Total borrowings outstanding	–	67,916

24. Borrowings (continued)

Total	30 Sep 2021 € '000	30 Sep 2020 € '000
Included in current liabilities:		
Bank loans	21,542	20,519
Current interest-bearing loans and borrowings	21,542	20,519
Included in non-current liabilities:		
Bank loans	260,121	349,054
Non-current interest-bearing loans and borrowings	260,121	349,054
Total bank loans and overdrafts	281,663	369,573
Total interest-bearing loans and borrowings	281,663	369,573

Borrowings by the subsidiary undertaking, EirGrid Interconnector DAC are guaranteed by EirGrid plc through a cross-guarantee structure. Bank loans are unsecured loans. A proportion of the loans has been converted from floating interest rate which is based on euribor plus a margin to fixed interest rate by using interest rate swap contracts, see note 26 for further details.

New credit facilities were put in place for the go-live of the new SEM. At year end, EirGrid and SONI have drawn down €nil. (2020: €67.9m) from these revolving credit facilities to fund working capital requirements in the balancing market. A term loan of £5.6m (€6.5m) (2020:£8.4m (€9.3m)) remains outstanding at year end. Interest on these borrowings is at floating rates which are based on Euribor and Libor plus a margin.

The Group had unutilised borrowing facilities of €211.5m (2020: €143.1m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/unexpected constraint payments.

The terms of outstanding loans are as follows:

	Currency	Financial year of maturity	At start of year €'000	Cashflow €'000	Non cash €'000	At end of year €'000
Unsecured term loan facility	EUR	2030	89,605	(7,504)	213	82,314
Unsecured term loan facility	EUR	2035	202,791	(9,928)	–	192,863
Term loan	STG	2023	9,261	(3,205)	430	6,486
Revolving credit facility	EUR	2023	50,000	(50,000)	–	–
Revolving credit facility	STG	2023	17,916	(18,598)	682	–
Total			369,573	(89,235)	1,325	281,663

25. Categories of Financial Assets and Financial Liabilities

Carrying Amount	Financial assets at amortised costs €'000	Financial liabilities at amortised costs €'000	Fair value through OCI €'000	Total €'000
30 Sep 2021				
Investments	–	–	356	356
Trade & other receivables	82,265	–	–	82,265
Deferred project costs	57,755	–	–	57,755
Cash and cash equivalents	528,583	–	–	528,583
Trade & other payables	–	(207,061)	–	(207,061)
Borrowings		(281,663)	–	(281,663)
Lease liabilities	–	(39,681)	–	(39,681)
Derivative financial instruments (note 25)	–	–	(72,201)	(72,201)
Total	**668,603**	**(528,405)**	**(71,845)**	**68,353**

	Financial assets at amortised costs €'000	Financial liabilities at amortised costs €'000	Fair value through OCI €'000	Total €'000
30 Sep 2021				
Investments	–	–	356	356
Trade & other receivables	62,191	–	–	62,191
Deferred project costs	52,268	–	–	52,268
Cash and cash equivalents	482,914	–	–	482,914
Trade & other payables	–	(131,956)	–	(131,956)
Borrowings		(369,573)	–	(369,573)
Lease liabilities	–	(41,824)	–	(41,824)
Derivative financial instruments (note 25)	–	–	(91,729)	(91,729)
Total	**597,373**	**(543,353)**	**(91,373)**	**(37,353)**

25. Categories of Financial Assets and Financial Liabilities (continued)

Fair Value	Level 1 €'000	Level 2 €'000	Level 3 €'000	Level 4 €'000
30 Sep 2021				
Investments	–	–	356	356
Trade & other receivables	–	–	–	–
Deferred project costs	–	–	–	–
Cash and cash equivalents	–	–	–	–
Trade & other payables	–	–	–	–
Borrowings	–	–	–	–
Lease liabilities	–	–	–	–
Derivative financial instruments (note 25)	–	(72,201)	–	(71,201)
Total	**–**	**(72,201)**	**356**	**(71,845)**
30 Sep 2020				
Investments	–	–	356	356
Trade & other receivables	–	–	–	–
Deferred project costs	–	–	–	–
Cash and cash equivalents	–	–	–	–
Trade & other payables	–	–	–	–
Borrowings	–	–	–	–
Lease liabilities	–	–	–	–
Derivative financial instruments (note 25)	–	(91,729)	–	(91,729)
Total	**–**	**(91,729)**	**356**	**(91,373)**

25. Categories of Financial Assets and Financial Liabilities (continued)

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Estimation of fair values

The principal methods and assumptions used in estimating the fair values of financial assets and liabilities are explained below.

Investments

Investments in equity instruments are measured at fair value. There have been no transfers between valuation levels during the year.

Trade & other receivables/payables & deferred project costs

For the receivable and payables, a carrying amount less impairment allowances, where appropriate, is a reasonable approximation of fair value.

Cash and cash equivalents

For short term bank deposits and cash and cash equivalents, the carrying value is deemed to reflect a reasonable approximation of fair value.

Borrowings

The fair value is calculated based on discounted future principal and interest cash flows and there is no material difference between the fair value and carrying value.

Derivative financial Instrument (Interest rate swaps)

The fair value of the Group's interest rate swaps at the reporting date are determined by discounting the future cash flows using market observable interest rate curves at the reporting date and hence are considered to be Level 2 instruments. There have been no transfers between valuation levels during the year.

As the derivatives are out of the money there is no exposure to the bank counterparties and therefore no counterparty credit adjustment is required. The banks who hold the derivatives have high credit ratings and therefore even if there was an exposure to them in terms of derivative mark to market valuations, the Group would not consider credit adjustments necessary. The Group has remained in a stable credit and financial position throughout the financial year ended 30 September 2021 and therefore no credit adjustment is required.

26. Derivative Financial Instruments and Financial Risk Management

Capital management

EirGrid plc, on vesting of the transmission system operator, had capital introduced under the Transfer Scheme dated 1 July 2006. This capital forms the core capital of the Group. There have been no changes to the core capital of the Group during the financial year. Any changes to the capital structure are subject to approval of the Minister for Environment, Climate and Communications.

The Group is funded on an ongoing basis through the regulatory tariff regime. The Group has put in place bank facilities to manage liquidity and cash flow to allow for timing mismatches between regulatory tariff receipts and working capital requirements.

Significant capital expenditure projects are funded through external borrowings and subject to approval by the Minister. The Group's borrowing powers are set through legislation and individual borrowings are subject to approval by the Minister. On 14 March 2008, the Electricity Regulation (Amendment) (EirGrid) Act 2008 was signed into Irish Law. Primarily this Act empowered the Group to construct the East West Interconnector and also increased the borrowing powers of the Group to a limit of €750m.

The Group's policy is to secure a low, stable, acceptable cost of funds over time, subject to acceptable levels of risk. The Group also maintains a balanced maturity profile in relation to its core borrowing portfolio so as to avoid peaked repayments and refinancing risk.

Further details of the borrowing facilities and the related hedging strategies are set out below

Overview of financial risk management

There are no significant concentrations of risk and there has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

The Group's funding, liquidity and exposure to interest and foreign exchange rate risks are managed by the Group's treasury function. Policies to protect the Group from these and other risks are regularly reviewed and approved by the Board.

The key financial risks to which the Group is exposed relate to liquidity, capital, market (including interest rate) and capital risk both arising from day to day operations and from key capital expenditure projects.

The Group manages its liquidity and capital risk for day to day operations through the regulatory process for establishing tariffs with the Commission for Regulation of Utilities (CRU) and the Utility Regulator Northern Ireland (UR) and through internal budgeting and monitoring of variances. The Group has negotiated stand-by facilities with various banks to support cash flow projections and requirements.

For capital expenditure, the Group has in place key expenditure approval and project management processes.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts. The Group mitigates its exposure by spreading funds across a number of financial institutions which have a sovereign guarantee on customer deposits or have a credit rating from an independent rating agency consistent with the treasury policy approved by the Board. The Group is also exposed to counterparty risk on undrawn facilities and interest rate swap instruments. Consistent with our Treasury Policy the Group deals only with counterparties with high credit ratings to mitigate this risk. Management does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

For the balancing market, under the terms of the Trading and Settlement Code for the Single Electricity Market ("SEM") each participant is required to provide credit cover at a level notified to it by the Market Operator.

26. Derivative Financial Instruments and Financial Risk Management (continued)

Such credit cover can be provided by means of an irrevocable standby letter of credit or a cash deposit held in a SEM collateral reserve account (security accounts held in the name of market participants). Any bad debt arising in the SEM, to the extent that it exceeds the available credit cover, is shared by market participants and is not borne by the Market Operator. SEMO market participant trade receivables included in Group other receivables as at 30 September 2021 were €0.3m (2020: €0.4m). Other payables include €82.1m owed to the market in respect of market surplus. The prior year included €12.4m in other receivables in respect of a market deficit. The market balance arises mainly as a result a mismatch between the budgeted tariff income rate versus actual constraint costs which vary each year due to the unpredictable nature of the balancing market. The market balances are settled via a k-factor tariff adjustment in future years.

EPEX manages the day ahead and intraday markets for SEMOpx. The European Commodities Clearing (ECC) performs the clearing and settlement of the SEMOpx power exchange and takes financial responsibility for all concluded trades. ECC maintain collateral requirements with the exchange members and their clearing banks with any bad debt borne by ECC as the counterparty.

Appropriate arrangements are also in place to effectively manage the Group's credit risk arising from its Transmission System Operator activities. All users must deliver to the Group and subsequently maintain security for payment of all monies due to the Group under the Use of System Agreement ("Security Cover") in the form of a letter of credit or a cash deposit.

FTR market participants are governed by JAO's allocations rules. Those allocation rules mandate either a bank guarantee or cash deposit.

The deferred project costs are recovered from the transmission asset owners which are governed by agreements which facilitates the operational interaction between the TSOs and TAOs. Those agreements ensure that the TSOs are not exposed to any credit risk from the recovery of the project costs.

The Group applies the simplified approach to providing expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. An allowance matrix is used to measure the ECLs of the trade receivables but there is no exposure to default due to the credit risk management policies set out above. As a result the loss allowance at 30 September 2021 was nil.

The average credit period on trade receivables is two months. The ageing profile of these past due but not impaired balances is:

	30 Sep 2021 € '000	30 Sep 2020 € '000
60 to 90 days	–	–
90 to 120 days	–	–
Greater than 120 days	–	–
Total	**–**	**–**

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Compliance with the Group's debt covenants is monitored continually based on management accounts.

26. Derivative Financial Instruments and Financial Risk Management (continued)

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. All trade payables at the reporting date are within this credit timeframe. Where the Company causes the late payment of an invoice, interest is paid to the supplier.

The Group has access to funding facilities, the total unutilised amount of which was €200.0m at the Balance Sheet date (2020: €143.1m). The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/unexpected constraint payments. The Group expects to meet its other obligations from operating cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Carrying Amount	Less than 1 month €'000	1 to 12 months €'000	1 to 5 Years €'000	5+ Years €'000	Total €'000
30 Sep 2021					
Trade & other payables	178, 644	28,417	–	–	207,061
Lease liabilities including interest	–	3,051	13,286	27,877	44,214
Borrowings including interest	–	23,294	90,754	177,076	291,124
Interest rate swap– net cash outflows	–	11,665	37,734	32,415	81,814
Total	**178,644**	**66,427**	**141,774**	**237,368**	**624,213**
30 Sep 2020					
Trade & other payables	104,431	27,524	-	-	131,955
Lease liabilities including interest	290	3,191	12,203	31,126	46,810
Borrowings including interest	-	22,482	90,766	200,246	313,494
Interest rate swap – net cash outflows	-	12,099	40,696	40,344	93,139
Total	**104,721**	**65,296**	**143,665**	**271,716**	**585,398**

The cash flow hedges are expected to occur and affect the income statement over a period of 15 years.

The amounts recognised and reclassified out of the cash flow hedge reserve are as follows:

	30 Sep 2021 € '000	30 Sep 2020 € '000
Gain/(Loss) arising during the year	7,039	(4,666)
Reclassified to income statement (included in finance costs)	12,489	14,508
Total	**19,528**	**9,842**

26. Derivative Financial Instruments and Financial Risk Management (continued)

Market Risk

Interest rate risk management

The Group are exposed to interest rate risk as they borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings through the use of interest rate swap contracts.

The interest rates swap liability at year end was €72.2m (2020: €91.7m). The notional amount was €277.0m (2020: €293.4m) at an interest rate of 3.8% (2020:3.8%). which hedged the unsecured term loan facilities of €277.0m (2020: €293.4m).

Under interest rate swap contracts, the Group agree to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of the cash flow exposure on the issued variable rate interest on borrowings.

The Group's interest rate swaps settle periodically and the floating rates are reset between a three and six monthly basis. The Group will pay or receive the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The net settlements under the interest rate swaps and the interest payments on the borrowings occur simultaneously. The amount deferred in equity is recognised in profit or loss over the period that the floating rate interest payments on debt impact profit or loss.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the combined exposure to interest rates for borrowings and derivative instruments at the Balance Sheet date. A 50 basis point increase or decrease is used when reporting interest rate risk and represents management's assessment of reasonably possible changes in interest rates.

If current and forward interest rates had been 50 (2020: 50) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the financial year to 30 September 2021 would have been impacted by €nil (2020: €nil); and
- Other equity reserves would have been impacted by €10.5m/ (€.11.0m)/ (2020: €12.7m/ (€14.4m)), mainly as a result of changes in the fair value of its cash flow hedges.

Foreign currency exchange risk management

The Group is exposed to foreign currency risk through the operations of its two subsidiaries incorporated in Northern Ireland, which have a Sterling functional currency and through Sterling capital expenditure. The risk arising from subsidiaries with Sterling functional currencies is partially mitigated by the majority of both revenue and expenditure from UK operations being denominated in Sterling. The Group has sought to further reduce this exposure by funding operations in Northern Ireland using Sterling borrowings.

Foreign currency exchange sensitivity analysis

The sensitivity analyses below have been determined based on the Group's exposure to its Sterling operations as at the Balance Sheet date. The SONI TSO segment recorded a profit before tax of €5.6m during the year to 30 September 2021 (2020: loss of €1.6m). A 20% increase or decrease has been used when reporting foreign currency exchange risk and represents management's assessment of reasonably possible changes in exchange rates.

If exchange rates had been 20% higher/lower and all other variables were held constant, the Group's profit before tax for the year to 30 September 2021 would be impacted by €10.6m (2020: €8.7m). Other equity reserves would have been impacted by €2.6m (2020: €1.5m).

27. Related Party Transactions

EirGrid plc is an Irish commercial state organisation, and as such is a related party of the Government of Ireland. Brendan Tuohy, Mark Foley and Martin Corrigan hold one share each in the share capital of the Company on behalf of the Minister for Public Expenditure and Reform, one ordinary share of the Company is held by the Minister for Environment, Climate and Communications and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform, or on his behalf.

Board members had no beneficial interest in the Group at any time during the year.

In common with many other entities, the Group deals in the normal course of business with other Government sponsored bodies such as ESB so the major transactions are disclosed below.

An Infrastructure Agreement is in place between the Group and ESB under the auspices of the Commission for Regulation of Utilities (CRU), in relation to the roles of owner and operator of the transmission system. The charges to the Consolidated Income Statements under this Agreement were as follows:

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Transmission asset owner charge	301,108	284,639

At 30 September 2021 a total of €56.8m (2020: €55.0m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Opening balance	55,048	48,524
Charges during the year	341,758	323,065
Payments made during the year	(339,973)	(316,541)
Closing balance	**56,833**	**55,048**

This outstanding balance is unsecured and payable in cash and cash equivalents.

28. Post Balance Sheet Events

There have been no other events between the reporting date and the date on which the financial statements were approved by the Board, which would require disclosure in and/or adjustment to the financial statements.

29. Approval of Financial Statements

The Board approved the Financial Statements on on 15 December 2021.

Financial Statements of the Company

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

Company Balance Sheet

AS AT 30 SEPTEMBER 2021

	Note	30 Sep 2021 € '000	30 Sep 2020 € '000
Fixed assets			
Investments in subsidiaries	30 (E)	155,761	155,761
Equity accounted investments	30 (F)	–	55
Other investments	30 (H)	325	325
Intangibles	30 (I)	49,991	58,646
Property, plant & equipment	30 (J)	50,301	32,749
Right of use assets	30 (K)	26,663	29,478
Total non-current assets		**283,041**	**277,014**
Trade and other receivables: amounts falling due after more than one year	30 (L)	234,363	212,887
Current assets			
Cash and cash equivalents	30 (M)	455,095	413,311
Trade and other receivables	30 (N)	161,502	185,516
Total current assets		**616,597**	**598,827**
Trade and other payables: amounts falling due within one year	30 (O)	(377,998)	(321,325)
Net current assets		**238,599**	**277,502**
Total assets less current liabilities		**756,003**	**767,403**
Trade and other payables: amounts falling due after more than one year	30 (P)	(265,986)	(342,846)
Provisions			
Retirement benefit obligation	30 (T)	(39,828)	(38,170)
Other provisions	30 (U)	(38,550)	(16,125)
Net assets		**411,639**	**370,262**
Capital and reserves			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(49,024)	(61,756)
Retained earnings		411,443	382,798
Total equity		**411,639**	**370,262**

Approved by the Board and signed on their behalf:

Brendan Tuohy
Chairperson
Brendan Tuohy

John Trethowan
Chairperson Audit and Risk Committee
John Trethowan

Mark Foley
Chief Executive
Mark Foley

Date: **15/12/2021**

Company Statement of Changes in Equity

FOR THE FINANCIAL YEAR TO 30 SEPTEMBER 2021

	Issue share capital €'000	Capital reserve €'000	Hedging reserve €'000	Retained earnings €'000	Total attributable to equity holders €'000
Balance as at 1 Oct 2020	38	49,182	(67,142)	359,232	341,310
Profit for the year	–	–	–	18,862	18,862
Other comprehensive income					
Remeasurements of defined benefit scheme net of deferred tax	–	–	–	8,704	8,704
Cash flow hedge movement net of deferred tax	–	–	5,386	–	5,386
Dividends	–	–	–	(4,000)	(4,000)
Balance as at 30 Sep 2020	38	49,182	(61,756)	382,798	370,262
Profit for the year	–	–	–	33,818	33,818
Other comprehensive income					
Remeasurements of defined benefit scheme net of deferred tax	–	–	–	(1,173)	(1,173)
Cash flow hedge movement net of deferred tax	–	–	12,732	–	12,732
Dividends	–	–	–	(4,000)	(4,000)
Balance as at 30 Sep 2021	**38**	**49,182**	**(49,024)**	**411,443**	**411,639**

Capital Reserve

The capital reserve arose on the vesting of the TSO operations from ESB to the Company under the Transfer Scheme dated 1 July 2006. There have been no movements in the reserve since this date.

Hedging Reserve

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instruments is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a base adjustment to a non-financial hedged item.

Retained Earnings

Retained earnings comprise accumulated earnings net of dividends in the current financial year and prior financial years.

30. (A) Statement of Compliance

The individual financial statements of the Company were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (March 2018) ("FRS 101"). The Company financial statements have adopted certain exemptions under FRS 101. These exemptions include:

- a cashflow statement and related notes;
- disclosures in respect of revenue recognition;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- certain comparative information; and
- the effects of new but not yet effective IFRSs.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

30. (B) General Information

EirGrid plc is a public limited company and is incorporated in Ireland. The registered office of EirGrid plc is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4 (Registration number 338522). The principal activity of the Company is included in the Directors' Report on page 69. The largest group of which the Company was a member and for which group accounts are prepared is EirGrid plc. Copies of the consolidated group accounts of EirGrid plc which are included on page 69 to 143 are available from the Company Secretary, EirGrid plc, 160 Shelbourne Road, Dublin 4.

The Company applies consistent accounting policies to those applied by the Group. Please refer to page 93-106 of the Group financial statements for disclosure of the relevant accounting policies.

30. (C) Profits Attributable to EirGrid PLC

Profit for the year attributable to the Parent Company amounted to €33.8m (2020: €18.9m). In accordance with Section 304(2) of the Companies Act, 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting. The Company has also availed of the exemption from filing its individual Income Statement with the Registrar of Companies as permitted by Section 304(2) of the Companies Act, 2014.

30. (D) Employees

The average number of persons employed by the Company during the year to 30 September 2021 was 376 (2020: 356), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2021 was 79 (2020: 71). The staff costs associated with these employees have been capitalised and totalled €7.5m for the year to 30 September 2021 (2020: €6.4m).

30. (D) Employees (continued)

Average number of persons employed on a monthly basis by business activity:

	Year to 30 Sep 2021 Number	Year to 30 Sep 2020 Number
EirGrid TSO	319	297
SEMO	45	47
SEMOpx	5	6
EWIC	7	6
Capital projects	79	71
Total	**455**	**427**

Total remuneration including the Executive Director's salary, comprised:

	Year to 30 Sep 2021 Number	Year to 30 Sep 2020 Number
Wages and salaries	32,755	31,472
Social insurance costs	3,659	3,363
Other retirement benefit costs	8,247	3,581
Total remuneration paid to employees	**44,661**	**38,416**
Employee costs charged to Income Statement	37,208	32,063
Employee costs capitalised	7,453	6,353
Total remuneration paid to employees	**44,661**	**38,416**

30. (E) Investment in Subsidiaries

The Group's subsidiaries, all of which are wholly owned, are:

Subsidiary	**Country of Incorporation**	**Primary Activity**
EirGrid UK Holdings Limited	Northern Ireland	Holding company
SONI Limited Northern Ireland	Northern Ireland	TSO
EirGrid Interconnector Designated Activity Company	Ireland	Interconnection
EirGrid Telecoms Designated Activity Company	Ireland	Telecommunications
EirGrid Celtic Interconnector Designated Activity Company	Ireland	Dormant company

30. (E) Investment in Subsidiaries (continued)

EirGrid UK Holdings Limited, EirGrid Interconnector Designated Activity Company, EirGrid Telecoms Designated Activity Company and EirGrid Celtic Interconnector Designated Activity Company are owned directly by the Company. SONI Limited is owned by EirGrid UK Holdings Limited.

EirGrid plc and EirGrid Interconnector Designated Activity Company are parties to certain financing agreements regarding the ownership of the East West Interconnector which effectively require approval from lending banks for any distributions from EirGrid Interconnector Designated Activity Company to EirGrid plc.

EirGrid Celtic Interconnector Designated Activity Company was incorporated on 12 September 2018 and remained dormant to the end of the financial year.

The registered office of EirGrid Interconnector Designated Activity Company, EirGrid Telecoms Designated Activity Company and EirGrid Celtic Interconnector Designated Activity Company is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

The registered office of EirGrid UK Holdings Limited and SONI Limited is Castlereagh House, 12 Manse Road, Belfast.

Investment in Subsidiaries	30 Sep 2021 € '000	30 Sep 2020 € '000
Balance as at 1 Oct 2020	155,761	155,761
Additions	–	–
Balance as at 30 Sep 2021	**155,761**	**155,761**

The Company has made total advances of €31.7m (2020: €31.7m) to EirGrid Interconnector Designated Activity Company, and on-lent total debt of €285.0m (2020: €285.0m) in 2009. The Company has recognised an investment of €155.5m. (2020: €155.5m) in EirGrid Interconnector Designated Activity Company and €0.2m (2020: €0.2m) in EirGrid Telecoms Designated Activity Company, representing the present value estimate of the commercial rate of interest foregone by the Company over the life of these loans. The on-lent debt balance to EirGrid Interconnector Designated Activity Company at year end is €132.3m. (2020: €135.1m).

30. (F) Joint Arrangement

EirGrid plc, has a 50% equity interest in Celtic Interconnector DAC, a company incorporated in Ireland which is a joint arrangement between EirGrid plc and Réseau De Transport D'Électricité ('RTE'). The Celtic interconnector project is the proposed undersea electricity link connecting Ireland and France. The purpose of the Joint arrangement is to carry out certain designated works during the design and consultation stage of the project.

Under IFRS 11, the Company classifies its interest in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. When making the assessment, the Company considers the structure and legal form of the arrangements, the contractual terms of the arrangement agreed by the parties and when relevant, other facts and circumstances.

Celtic Interconnector DAC was deemed to be a joint venture in the prior years so the investment was accounted for using the equity method of accounting, recognising its initial investment of €50,000 and share of its profits of €5,000 resulting in a value of €55,000 being recognised on the balance sheet.

Although Celtic Interconnector DAC is separate legal entity, the Company has reclassified it as a joint operation due to the contractual arrangements in place between EirGrid plc and RTE. Both parties are providing the cash to settle the Celtic Interconnector DAC liabilities and the output of Celtic Interconnector DAC is provided to both parties.

30. (F) Joint Arrangement (continued)

As a result the Company has derecognised its initial investment and share of profits of Celtic Interconnector DAC and has accounted for its share of Celtic Interconnector DAC assets, liabilities, income and expenses in its Company Financial Statements on a line by line basis which are disclosed in note 30 (H). EirGrid plc is deemed to own 50% of the rights to the assets and obligations for the liabilities.

30. (G) Interest in Joint Operation

The Single Electricity Market (SEM) is the wholesale electricity market operating in Ireland and Northern Ireland, which came into operation on 1 November 2007. On that date the old wholesale electricity market in Ireland ceased and the new SEM commenced. SEMO was established as the contractual joint operation between the Company and SONI Limited responsible for the operation of the wholesale electricity market for the island of Ireland from 1 November 2007 onwards. The Company has a 75% interest in SEMO.

EirGrid plc and SONI Limited have developed and implemented the NEMO services for Northern Ireland and Ireland through SEMOpx, a 75/25 contractual joint operation between EirGrid plc and SONI Limited. SEMOpx was established on 28 September 2018. EirGrid plc is designated by the Commission for Regulation of Utilities (CRU) as a NEMO for Ireland and SONI Limited is designated by the Utility Regulatory (UR) as a Nominated Electricity Market Operator (NEMO) for Northern Ireland. The NEMO designations allow SONI Limited and EirGrid plc to provide day-ahead auction and intraday markets for trading in SEM.

Capacity Market Code JV is a 75/25 joint operation between EirGrid plc and SONI Limited, established on 28 September 2018. Its purpose is to administer the Capacity Market Code.

The Company has considered each of these arrangements a joint operation so the share of assets, liabilities, income and expenses has been included in the Company Financial Statements on a line by line basis.

The following amounts are included in the Company Financial Statements on a line by line basis to reflect SEMO and SEMOpx into the Company accounts.

	30 Sep 2021 € '000	30 Sep 2020 € '000
Non-current assets	9,296	6,837
Current assets	120,744	105,694
Total assets	**130,040**	**112,531**
Total equity	29,979	26,444
Current liabilities	100,061	86,087
Total liabilities	100,061	86,087
Total equity and liabilities	**130,040**	**112,531**

	Year to 30 Sep 2021 € '000	Year to 30 Sep 2020 € '000
Revenue	15,882	13,784
Expenses	(12,347)	(12,651)
Operating profit	**3,535**	**1,133**

30. (G) Interest in Joint Operation (continued)

As outlined in note 30 (F) the Company also considers Celtic Interconnector DAC to be a joint operation. The following amounts of Celtic Interconnector DAC are included in the Group Financial Statements on a line by line basis:

	30 Sep 2021 € '000
Non-current assets	–
Current assets	2,284
Total assets	**2,284**
Total equity	54
Current liabilities	2,230
Total liabilities	2,230
Total equity and liabilities	**2,284**

	Year to 30 Sep 2021 € '000
Revenue	11
Expenses	(10)
Operating profit	**1**

30. (H) Other Investments

	30 Sep 2021 € '000	30 Sep 2020 € '000
Balance as at 1 Oct 2020	325	325
Additions	–	–
Balance as at 30 Sep 2021	**325**	**325**

In 2018 EirGrid acquired a 4.75% equity interest in Joint Allocation Office S.A for €0.2m, a company registered in Luxembourg. Under EU Rules TSOs are obliged to implement a Single Allocation Platform for capacity on interconnectors. EirGrid, as the certified TSO for the East West Interconnector, became a shareholder in the Joint Allocation Office (JAO) which has been proposed by the TSOs as the Single Allocation Platform.

Under the European rules (Network Codes), EirGrid is obliged to co-operate on a regional basis with at least one 'Regional Security Co-ordinator' (RSC) so it has acquired a 3.7% equity interest in the RSC Coreso SA for €0.1m in 2018, a company registered in Belgium.

30. (I) Intangible Assets

	Integrated Single Electricity Market € '000	Other IT Software € '000	Software under development € '000	Total € '000
Cost				
Balance as at 30 Sep 2020	74,988	36,741	9,047	120,776
Additions	–	–	9,295	9,295
Transfer (to)/from other assets	3,675	3,518	(7,193)	–
Balance as at 30 Sep 2021	78,663	40,259	11,149	130,071
Amortisation				
Balance as at 30 Sep 2020	28,967	33,163	–	62,130
Amortisation charge	15,401	2,549	–	17,950
Balance as at 30 Sep 2021	44,368	35,712	–	80,080
Carrying amount as at 30 Sep 2021	34,295	4,547	11,149	49,991
Carrying amount as at 30 Sep 2020	46,021	3,578	9,047	58,646

The SEM has undergone significant change. EU legislation is driving the coming together of energy markets across Europe with the aim of creating a fully liberated internal electricity market. Significant investment was required in the redesign of the SEM and these costs are defined as the Integrated Single Electricity Market ('I-SEM') asset.

30. (J) Property, Plant & Equipment

	Land and Building * € '000	Fixtures and Fittings € '000	IS telecommun-ications equipment and other € '000	Motor Vehicles € '000	Integrated Single Electricity Market Total € '000	Assets under Construc-tion € '000	Total € '000
Cost							
Balance as at 30 Sep 2020	10,407	3,337	59,584	77	2,923	14,648	90,976
Additions	10,001	–	–	–	–	12,408	22,409
Disposals	–	–	–	–	–	–	–
Transfer (to)/from other classes	–	2,235	1,895	–	–	(4,130)	–
Balance as at 30 Sep 2021	20,408	5,572	61,479	77	2,923	22,926	113,385
Depreciation							
Balance as at 30 Sep 2020	5,279	2,665	49,048	65	1,170	–	58,227
Charge	436	656	3,170	10	585	–	4,857
Disposals	–	–	–	–	–	–	–
Balance as at 30 Sep 2021	5,715	3,321	52,218	75	1,755	–	63,084
Carrying amount as at 30 Sep 2021	**14,693**	**2,251**	**9,261**	**2**	**1,168**	**22,926**	**50,301**
Carrying amount as at 30 Sep 2020	5,128	672	10,536	12	1,753	14,648	32,749

* The cost of the Company's buildings represents leasehold improvements.

** This asset relates to costs associated with the redesign of the new SEM market and relates to IT Hardware.

*** Assets under construction consist of the following:

	30 Sep 2021 € '000	30 Sep 2020 € '000
IS and telecommunications equipment	2,352	12,566
Celtic Interconnector Project	18,047	9,815
Facilities	2,527	2,267
Total	**22,926**	**14,648**

30. (K) Right of Use Assets and Lease Liabilities

Right of use assets	Property € '000	Motor vehicles € '000	Total € '000
Cost			
Balance as at 1 Oct 2019	32,478	29	32,507
Additions	–	–	–
Balance as at 1 Oct 2020	32,478	29	32,507
Lease modifications	633	–	633
Balance as at 30 Sep 2021	**33,111**	**29**	**33,140**
Accumulated depreciation and impairment Losses			
Balance as at 1 Oct 2019	–	–	–
Depreciation	3,015	14	3,029
Balance as at 1 Oct 2020	3,015	14	3,029
Depreciation	3,436	12	3,448
Balance as at 30 Sep 2021	6,451	26	6,477
Carrying amount as at 30 Sep 2021	**26,660**	**3**	**26,663**
Carrying amount as at 30 Sep 2020	29,463	15	29,478

Lease liabilities	Total € '000
Balance as at 1 Oct 2020	32,043
Lease modification	633
Interest	429
Lease payments	(3,420)
Balance as at 30 Sep 2021	**29,685**

Analysed as:	€ '000
Current	2,239
Non-current	27,446
Balance as at 30 Sep 2021	**29,685**

30. (K) Right of Use Assets and Lease Liabilities (continued)

The table below shows the maturity analysis of the discounted and undiscounted lease liability arising from the Group's leasing activities.

Lease liabilities	Discounted € '000	Undiscounted € '000
Within one year	2,239	2,634
Between two and five years	10,361	11,635
After five years	17,085	17,766
Total	**29,685**	**32,035**

Amounts recognised in consolidated income statement	Total € '000
Depreciation on right of use assets	3,448
Expenses relating to short terms leases	–
Variable lease payments *	17
Expenses relating to leases of low value leases, excluding short term leases of low value assets	–
Interest on lease liabilities	429

* The Group has a managed print service contract with variable lease payments linked to future use of the underlying asset so these payments have been excluded from the measurement of the lease liabilities.

Amounts recognised in consolidated income statement	Total € '000
Total cash outflows for the lease during the year *	3,437

* Includes interest expense, principal repayments, short term and low value lease expenses

30. (L) Trade and Other Receivables – Amounts Falling due After More than One Year

	Note	30 Sep 2021 € '000	30 Sep 2020 € '000
Prepayments and deferred project costs		21,548	20,101
Other receivables		38,550	16,125
Amounts owed by subsidiary undertakings		162,250	163,540
Deferred tax	30 (S)	12,015	13,121
Total		**234,363**	**212,887**

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Company prepayments and deferred project costs include deferred costs in respect of transmission projects of €21.5m (2020: €20.1m) respectively, all of which may not be recoverable within twelve months.

Other receivables includes €38.6m relating to recoverable costs arising from the introduction of the EU Regulation 2019/943 on the internal market for electricity which came into effect on 1 January 2020. The Group is satisfied that all costs arising from the implementation of the Regulation will be supported by a regulated, market-based tariff. These costs have been recognised through a provision as outlined in note 30 (U).

30. (M) Cash and Cash Equivalents

	30 Sep 2021 € '000	30 Sep 2020 € '000
Cash and cash equivalents	455,095	413,311

Cash and cash equivalents primarily comprises cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. The credit risk on liquid funds is limited because the counterparties are banks with relatively high credit ratings assigned by international credit rating agencies.

Included in the cash balances are security deposits of €8.8m (2020: €12.9m). Included in the cash balances is €60.0m. (2020: €46.5m) held on trust for market participants in the SEM and €29.1m (2020: €19.5m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

30. (N) Trade and Other Receivables – Amounts Falling Due Within One Year

	30 Sep 2021 € '000	30 Sep 2020 € '000
Trade receivables	1,744	500
Prepayments and deferred project costs	29,562	27,713
Unbilled receivables	90,430	84,767
Other receivables	23,464	34,647
Current tax receivables	–	6,460
Amounts owed by subsidiary undertakings	16,302	31,429
Total	**161,502**	**185,516**

€5.7m (2020: €2.0m) of the other receivables balance relates to payments due from ESB as Transmission Asset Owner in Ireland.

Company prepayments and deferred project costs include deferred costs in respect of transmission projects of €21.2m. (2020: €19.2m), all of which expected be recoverable within twelve months.

Other receivables due in less than one year in the prior year included €9.3m owed from the SEM balancing market to SEMO in respect of working capital requirements that occurred in the balancing market during the prior year and was funded by external bank funding provided by EirGrid and SONI through SEMO. This balance was recovered through k-factor tariff adjustments in the year and the working capital facility was repaid. Due to overrecoveries in the market during the year there was a balance owing to the SEM balancing market at 30 Sep 2021 as outlined in note 30 (O).

30. (O) Trade and Other Payables – Amounts Falling Due Within One Year

	Note	30 Sep 2021 € '000	30 Sep 2020 € '000
Trade payables		63,845	59,174
Accruals		166,327	158,269
Deferred income		1,712	1,109
Taxation and social insurance		13,366	12,844
Current tax payable		4,242	-
Other payables		108,899	58,051
Amounts owed to subsidiary undertakings		6,869	18,955
Grants	30 (Q)	147	356
Borrowings	30 (R)	10,352	9,928
Lease liabilities	30 (K)	2,239	2,639
Total		**377,998**	**321,325**

Taxation and social insurance comprises of the following:

	30 Sep 2021 € '000	30 Sep 2020 € '000
Income tax deducted under PAYE	549	512
Pay-related social insurance	494	505
VAT	11,901	11,079
Withholding tax	422	748
Total	**13,366**	**12,844**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. €57.8m (2020: €55.0m) of the Company trade payables balance relates to the charge payable to ESB as Transmission Asset Owner. Accruals consist mainly of the direct costs of running the transmission system for the last two months of the accounting period.

Other payables due in less than one year includes €61.6m (2020: €nil) owed to the SEM balancing market due to overrecoveries which will be returned via a k-factor tariff adjustment. The balancing market position was in a receivable position in the prior year as outlined in note 30 (N).

30. (P) Trade and Other Payables – Amounts Falling Due After More Than One Year

	Note	30 Sep 2021 € '000	30 Sep 2020 € '000
Derivative financial instrument		56,029	70,579
Grants	30 (Q)	–	–
Borrowings	30 (R)	182,511	242,863
Lease liabilities	30 (K)	27,446	29,404
Total		**265,986**	**342,846**

30. (Q) Grants

	30 Sep 2021 € '000	30 Sep 2020 € '000
Balance as at 1 Oct 2020	356	114
Additions	–	797
Amortisation	(209)	(555)
Balance as at 30 Sep 2021	**147**	**356**

Analysed as:

Current	147	356
Non-Current	–	–
Closing balance	**147**	**356**

The Horizon 2020 EU-SysFlex project represents an opportunity to lead and participate in a pan-European strategic project which is directly aligned with the strategic objective of the EirGrid Group to be a "world leader in smart grids and integration of renewables". The grant is allowable for certain costs set out in the grant agreement. The grant income is released against the expenditure as it is incurred and there was €0.1m of unamortised grants at year end. A failure to comply with the terms and conditions of the EU Commission Grant Agreement could result in a clawback of grant funding received by EirGrid.

30. (R) Borrowings

Repayable by instalments	30 Sep 2021 € '000	30 Sep 2020 € '000
Repayable within one year	10,352	9,928
Repayable within one and two years	10,793	10,352
Repayable within two and five years	35,217	33,775
Repayable greater than five years	136,501	148,736
Total	**192,863**	**202,791**

Repayable other than by instalments	30 Sep 2021 € '000	30 Sep 2020 € '000
Repayable within one year	–	–
Repayable within one and two years	–	50,000
Repayable within two and five years	–	–
Repayable greater than five years	–	–
Total	**–**	**50,000**

Total Borrowings	30 Sep 2021 € '000	30 Sep 2020 € '000
Repayable within one year	10,352	9,928
Repayable within one and two years	10,793	60,352
Repayable within two and five years	35,217	33,775
Repayable greater than five years	136,501	148,736
Total	**192,863**	**252,791**

A proportion of the loans have been converted from floating interest rate to fixed floating interest rate by using interest rate swap contracts. See note 25 of the consolidated financial statements.

The Company had unutilised borrowing facilities of €150.0m (2020: €100.0m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Company has sufficient standby facilities to meet unbudgeted and unexpected constraint payments.

30. (S) Deferred Tax

	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash Flow Hedges € '000	Total € '000
Deferred tax asset as at 1 Oct 2019	(943)	6,146	9,592	14,795
(Charge)/Credit to the Income Statement for the year	471	(131)	–	340
Charge to the Statement of Comprehensive Income	–	(1,244)	(770)	(2,014)
Deferred tax asset as at 30 Sep 2020	(472)	4,771	8,822	13,121
(Charge)/Credit to the Income Statement for the year	505	40	–	545
Charge to the Statement of Comprehensive Income	–	167	(1,818)	(1,651)
Deferred tax asset as at 30 Sep 2021	**33**	**4,978**	**7,004**	**12,015**

30. (T) Retirement Benefit Obligations

The amount included in the Balance Sheet arising from the obligations in respect of these defined benefit plans are as follows:

	30 Sep 2021 € '000	30 Sep 2020 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	208,143	183,040
Fair value of Schemes' assets at end of year	(168,315)	(144,870)
Net Liability	**39,828**	38,170

As outlined in note 23, there is one pension scheme held on the balance sheet of EirGrid plc. Information has been provided on these pension schemes as per note 23 of the consolidated financial statements. As there are no material differences between the information given in the consolidated notes and the Company information, it has been chosen not to reproduce this information.

30. (U) Other Provisions

	30 Sep 2021 € '000	30 Sep 2020 € '000
Opening balance	16,125	16,125
Provisions made during the year	22,425	–
Closing balance	**38,550**	16,125

EU Regulation 2019/943 ("Regulation") on the internal market for electricity is part of the Clean Energy Package and came into effect on 1 January 2020. Article 12 of this Regulation refers to dispatching of generation and demand response, and Article 13 refers to redispatching (where a transmission system operator requests a generator to change – in this context usually reduce – its intended level of production). The SEM Committee is continuing to consider how the Regulation will be implemented in Ireland and Northern Ireland.

The SEM Committee launched a consultation on the Regulation focusing on Articles 12 and 13 (SEM-20-028 27 April 2020). The consultation paper outlined that the Regulation will involve updates to existing arrangements (SEM-11-062) to reflect the new requirements in relation to priority dispatch and also updates to arrangements (SEM-13-010) regarding compensation for curtailment and constraints as introduced by the Regulation.

The SEM Committee released a further consultation paper (SEM-21-026) in April 2021, providing details of the Regulatory Authorities minded to position in relation to specific areas raised in consultation paper SEM-20-028, related to the implementation of Articles 12 and 13 focusing on the definitions of dispatch, redispatch and non-market based redispatch in the SEM and arrangements for compensation under Article 13(7). While it was previously indicated that the issues associated with this regulation would be presented as part of a proposed decision paper, a further consultation was published given the number of complex issues associated with the regulation. Subsequently in August 2021, the SEM Committee published the responses received in respect of SEM-21-026 and SEM 21-027, however no final decision paper on the implementation of this regulation has yet been published.

While there is a divergence around the interpretation and proposed implementation of this regulation and although there is a possibility that the potential liability could be nil, we believe it is probable that, on foot of the Regulation, the Company has a payment obligation at 30 September 2021. The final amount will depend on how the Regulatory Authorities decide to implement the Regulation in Ireland and Northern Ireland with regard to constraint payments to renewable generators with firm connections, curtailment payments to renewable generators and constraint payments to renewable generators with non-firm connections. The potential liability is estimated to be in the range of €17.7m to €150.9m. As this is an estimate, there is a possibility that the potential liability could be above or below this range, however, based on the Company's consideration the best estimate within this range is a provision of €38.6 m. The timing of payments is uncertain, however payments to affected parties may commence following the conclusion of the consultation process.

The Company is satisfied that all costs arising from the implementation of the Regulation will be supported by a regulated, market-based tariff arrangement. Accordingly, a recoverable amount of €38.6m has been included in Trade and other receivables in note 30 (L).

30. (V) Capital Commitments

	30 Sep 2021 € '000	30 Sep 2020 € '000
Expenditure contracted for, but not provided for in the Financial Statements	3,458	5,110

The Company has contractual commitments arising from the Celtic Interconnector project, which is the proposed electricity link between Ireland and continental Europe which is in the detailed design and consent stage

30. (W) Contingent Liabilities

The Company is not aware of any contingent liabilities at the financial year end (2020: nil).

30. (X) Related Party Transactions

Borrowings by EirGrid Interconnector Designated Activity Company are guaranteed by EirGrid plc through a cross-guarantee structure. The Company has issued letters of support for its EirGrid UK Holdings Limited, EirGrid Interconnector Designated Activity Company and the EirGrid Celtic Interconnector Designated Activity Company subsidiaries.

EirGrid plc has given a Parent Company Undertaking to SONI Limited to the value of £10.0m (2020: £10.0m).

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

30. (Y) Post Balance Sheet Events

There have been no other events between the reporting date and the date on which the financial statements were approved by the Board, which would require disclosure in and/or adjustment to the financial statements.

30. (Z) Approval of Financial Statements

The Board approved the Financial Statements on 15 December 2021.

Notes

EirGrid
The Oval,
160 Shelbourne Road,
Ballsbridge,
Dublin, D04 FW28

T +353 1 677 1700
eirgridgroup.com