Transform the power system for future generations

EirGrid plc **Annual Report 2019**

EIRGRID GROUP

The current. The future.

Our cover shows some of the EirGrid Group staff who helped develop our new strategy. Left to right: Conor Farrell, Caoimhe McWeeney, Ciara Corby, Katie Killeen and Alan Campbell.

We spent the past year developing our new strategy for 2020-25. To discover our focus for the next five years meant considering in detail what we do, why we do it, and how it could be even better.

As a result, this year's annual report focuses not only on our achievements this year, but also on our ambitions for the future.

In this report, we will also share with you some stories from the people at EirGrid Group. They work tirelessly to ensure the power system delivers a reliable supply of electricity at a competitive price.

In everything they do, they embody the purpose that is the ultimate goal of our new strategy: to transform the power system for future generations.

EirGrid Group operates and develops the electricity system in Ireland and Northern Ireland. This comprises the grid, the wholesale electricity market and interconnection with other systems.

In both jurisdictions, we implement and enable government policies on electricity. We are regulated as monopoly service providers. We perform our services for the benefit of every electricity user on the island of Ireland. We support the economy in both jurisdictions rather than to pursue our own commercial interests. We are an independent entity, with no vested interest in the generation or selling of electricity. We don't own the grid infrastructure and have no self-interest in adding to it.

Grid

The high voltage transmission grid is the backbone of the electricity supply chain. It transports power from where it is generated to where it is needed – in every part of Ireland and Northern Ireland. We balance supply and demand every minute of the day, while also planning for the island's long-term electricity needs.

The transmission grid brings power to industry and businesses that use large amounts of electricity. The grid also powers the distribution network. This supplies the electricity you use every day in your homes, businesses, schools, hospitals, and farms.

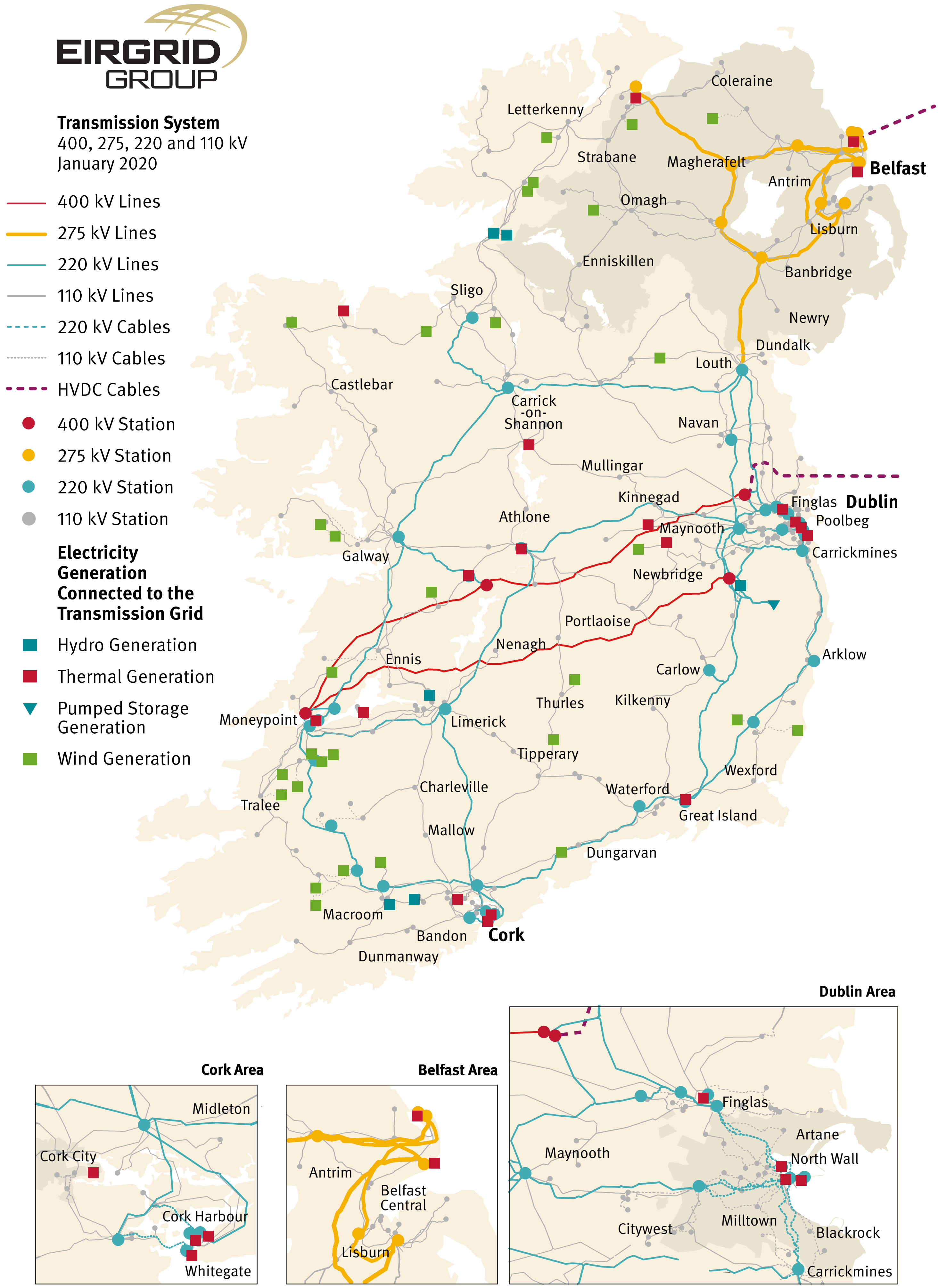
In Ireland, we deliver this service as EirGrid. In Northern Ireland, we are SONI – the System Operator for Northern Ireland.

Electricity market

Our services include SEMO, the Single Electricity Market Operator. This wholesale market is run on an all-island basis, and operates 24 hours a day, seven days a week. It is integrated with European markets so electricity users always have reliable power at a competitive price.

Interconnection

EirGrid Group develops and operates interconnections with neighbouring grids. This includes the East West Interconnector that connects with Great Britain. We are also developing the North South Interconnector between Ireland and Northern Ireland, and the Celtic Interconnector with France. Finally, we enable interconnections developed and operated by third parties. These include the Moyle Interconnector and the proposed Greenlink Interconnector.


EIRGRID GROUP
Transmission System
400, 275, 220 and 110 kV
January 2020
400 kV Lines
275 kV Lines
220 kV Lines
110 kV Lines
220 kV Cables
110 kV Cables
HVDC Cables
400 kV Station
275 kV Station
220 kV Station
110 kV Station
Electricity Generation Connected to the Transmission Grid
Hydro Generation
Thermal Generation
Pumped Storage Generation
Wind Generation
Coleraine
Letterkenny
Strabane
Magherafelt
Antrim
Belfast
Omagh
Lisburn
Enniskillen
Banbridge
Sligo
Newry
Dundalk
Louth
Castlebar
Carrick -on- Shannon
Navan
Mullingar
Kinnegad
Finglas
Dublin
Poolbeg
Athlone
Maynooth
Galway
Carrickmines
Newbridge
Portlaoise
Nenagh
Ennis
Carlow
Arklow
Thurles
Kilkenny
Moneypoint
Limerick
Tipperary
Wexford
Charleville
Waterford
Tralee
Great Island
Mallow
Dungarvan
Macroom
Bandon
Cork
Dunmanway
Cork Area
Midleton
Cork City
Cork Harbour
Whitegate
Belfast Area
Antrim
Belfast Central
Lisburn
Dublin Area
Finglas
Artane
Maynooth
North Wall
Citywest
Milltown
Blackrock
Carrickmines

Report from the Chair

Steering through the challenges of transformation

Brendan Tuohy, **Chair**

Wind Record

On 12th December 2018, the record for most all-island wind-generation in a single day was broken.

3,990 MW

"We need a rapid and deep change in the way we do business, how we generate power, how we build cities, how we move, and how we feed the world. If we don't urgently change our way of life, we jeopardize life itself."

António Guterres, Secretary-General of the United Nations

The past year has seen a significant increase in the recognition of the scale of the challenges posed by climate change. There is also now a widespread acknowledgement of the urgency required to address these challenges.

In June 2019, the Irish Government published the Climate Action Plan. Its objective is to enable Ireland to meet EU targets. To support the Climate Action Plan, EirGrid must prepare the power system so that renewable energy can provide 70% of all electricity by 2030. This is an ambitious but necessary target.

Meanwhile, in relation to Northern Ireland, the UK Committee on Climate Change published a significant report in February 2019.

Entitled *'Reducing Emissions in Northern Ireland'*, the report states:

'The proposals in the report are not a prescriptive list of policy actions over the next decade. Instead, they serve as a starting point for the general principles and policy areas that policymakers could prioritise to deliver the necessary long-term decarbonisation of the Northern Ireland economy.'

The transition to low-carbon and renewable energy will require a significant transformation of the electricity system. There will be major changes in how electricity is generated, how it is bought and sold and in how electricity is 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. Coal, peat and oil based generation will be phased out.

These changes will start the journey towards decarbonisation of the power system in Ireland and Northern Ireland.

And while this is happening, new technology will allow electricity users to generate and store power, and return any surplus to the grid.

These changes will need to be managed in a coordinated and cost effective way. EirGrid Group is uniquely placed to play a leading role in the radical transformation that is now required.

In September 2019, EirGrid published *'Strategy 2020-2025: Transform the Power System for Future Generations.'* This is our response to these challenges.

By 2030, Ireland will need 8,400MW and Northern Ireland 1,600 MW of new renewable generation - and offshore wind will play a major role.

This clean energy will be essential to replace fossil-fuel generators and meet expected growth in demand. As we transition from other fossil fuels, gas-fired generation will still play a key role to meet demand for electricity.

There will also be a need to increase significantly the level of interconnection from the island of Ireland to Great Britain and Europe. This will need to rise to at least 15% of total capacity from the current 7%. Work is already underway in these areas.

This includes the Celtic Interconnector, an estimated €1bn plan to connect the grids of France and Ireland. EirGrid and Réseau de Transport d'Électricité (RTÉ), our French counterparts, are committed to delivering this landmark project. The European Commission recently committed €530m of funding to the project, with EirGrid and RTÉ investing the balance.

Similarly, in Northern Ireland, SONI published its strategy for 2020-2025. This commits SONI to designing a green energy system that can accommodate 95% renewable energy at any one time.

This is a significant increase from the current 65% – reaching it would be a world-leading achievement. This increase will also be necessary if Ireland is to reach its 70% renewable energy target by 2030.

The transition required to achieve climate change targets can only be realised with major societal change. New and strengthened grid infrastructure will be essential - including the critical North South Interconnector. Over the next five years, an investment of €2 billion and £500 million will be required in the respective grids in Ireland and Northern Ireland.

EirGrid Group recognises that it cannot achieve this transition on its own. There will need to be work with partners to deepen and broaden community engagement.

EirGrid will also support an education and information programme on climate change. This was a key recommendation from the Joint Oireachtas Committee on Climate Action and the Youth Assembly on Climate Action.

Similarly, SONI will deepen and broaden its community engagement in Northern Ireland. SONI will also seek to work with partners to support an education and information programme on climate change.

EirGrid Group needs to deepen relationships with communities, businesses and the non-profit sector. It needs to strengthen ties to local authorities, public bodies, governments, regulators and the EU Commission. Finally, EirGrid Group will seek to build strong links with education institutions and research bodies.

These organisations can assist in helping EirGrid Group to deliver the required transformation. Strong partnerships are essential - not only to address the technical challenges, but also to win hearts and minds. We need communities, and the public at large, to support the huge transformation that is required of us all. We can only successfully address climate change in a timely manner with this support.

I would like to express my sincere thanks to my predecessor, John O'Connor, for his stewardship of the board for the past six years. He has left behind a very impressive and successful company.

I also wish to express my gratitude to the very committed board members. They offered their dedication, expertise and service during the year.

I wish to thank Mark Foley, Chief Executive, and his colleagues on the executive, who offered me a very warm welcome. In particular, I want to thank the staff in the Group, many of whom I have already met in person. I have been hugely impressed by their dedication, professionalism and sense of commitment. They appreciate the vision and purpose of the Group. They also see the importance of its ambition to 'transform the power system for future generations'.

I would like to thank the Minister for Communications, Climate Action and Environment, Richard Bruton, TD. I am grateful for the honour he has given me by appointing me as Chairperson of EirGrid.

I wish to offer my congratulations to Northern Ireland's Minister for the Economy, Diane Dodds MLA, as she takes office. I also want to thank the officials in the Department for the Economy in Northern Ireland. They been very supportive and have worked very well with the company.

I look forward to working with my fellow directors, management and staff in Dublin and Belfast for the good of all the people on the island of Ireland.

Finally - we are living in a time of major transition, and some may have a sense of despair and powerlessness at the existential threat of climate change.

However, I am reminded of the words of the Kerry poet, Brendan Kennelly. In his poem, 'Begin', he reminds us that, as humans, we possess an indomitable spirit. It is this spirit that we can now call upon to address climate change:

"Though we live in a world that dreams of ending,

that always seems about to give in,

something, that will not acknowledge conclusion, insists that we forever begin."

Chief Executive's Review

The journey towards our new purpose

Mark Foley, **Chief Executive**

2019 was a notable year for EirGrid Group. The highlight was the development and publication of the EirGrid Group strategy 2020-2025. Against the backdrop of the imperative for action on climate change and the decarbonisation of society, this is a seminal milestone in our history.

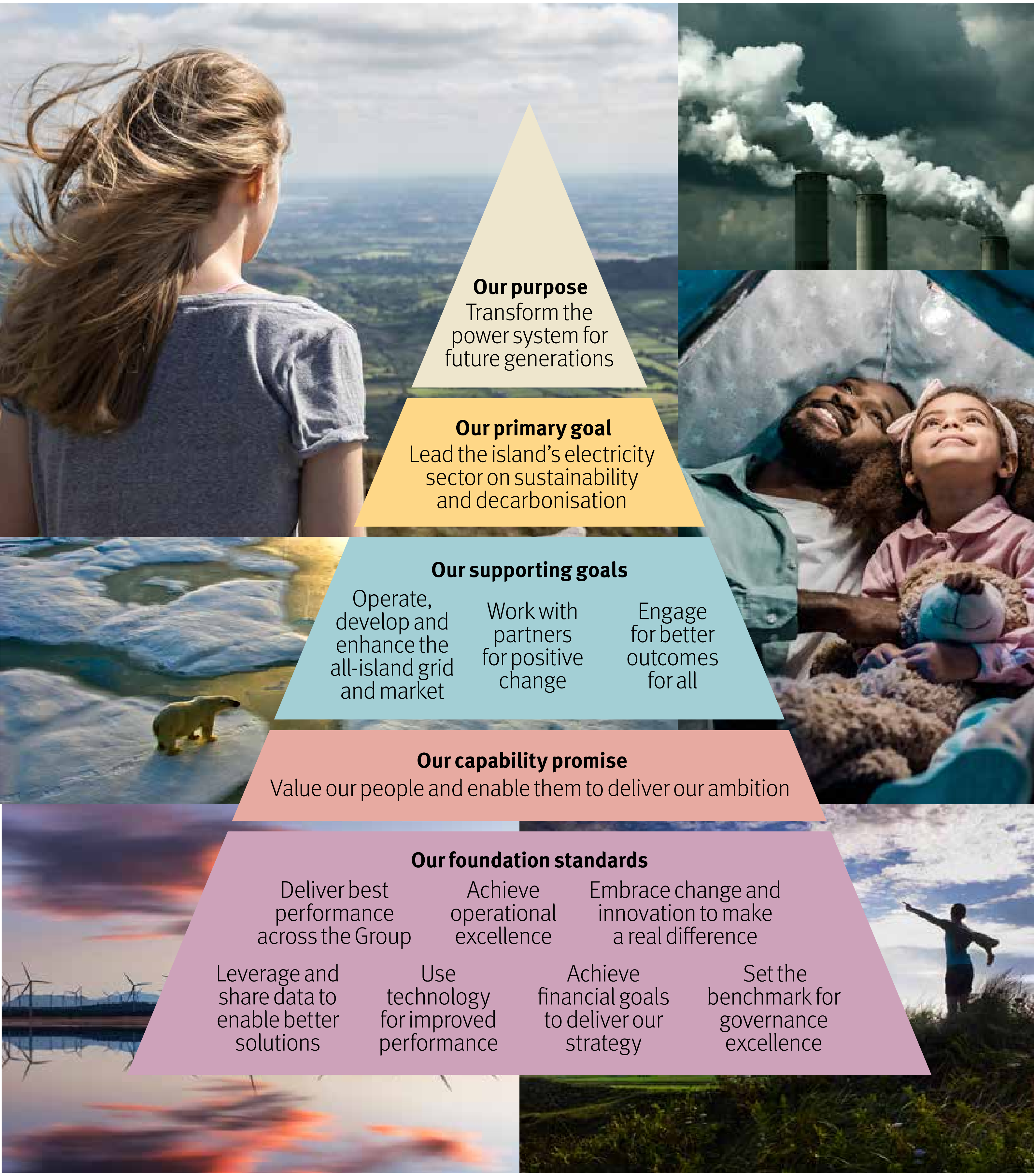
Towards a greener power system

A transformation of the power system is afoot due to the disruptive effects of climate change. EirGrid Group will be at the forefront of a revolution that will impact every individual on the island of Ireland. Electricity from renewable sources is going to play a pivotal role in this island's response to the climate crisis.

That is the motivation behind our new strategy. EirGrid Group now aims to provide real leadership of the island's electricity sector on decarbonisation and sustainability.

In particular, we now have the key target in Ireland of meeting 70% of electricity demand from renewable sources by 2030. This target, as set out in the Government's Climate Action Plan, published in June 2019, is one of the most important drivers of our strategy. It will provide a clear focus for our organisation in the years ahead. I know we have the capability within the Group to achieve this ambitious goal.

The UK Government, meanwhile, has set a goal of achieving net zero carbon emissions by 2050. While Northern Ireland has not yet set a target, the move to clean energy generation is well underway.



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

Our capability promise
Value our people and enable them to deliver our ambition

Our foundation standards
- Deliver best performance across the Group
- Achieve operational excellence
- Embrace change and innovation to make a real difference
- Leverage and share data to enable better solutions
- Use technology for improved performance
- Achieve financial goals to deliver our strategy
- Set the benchmark for governance excellence

In Northern Ireland, over 40% of electricity consumption was generated by renewable sources in the 12 months to September 2019. In Ireland, we operated with an average of 36% of renewables on the system in the same period.

Sustaining a dependable power system

Throughout 2019, we continued to operate a safe, secure and reliable power system. We achieved this while overseeing the first year of the restructured all-island wholesale market, which is now integrated with the European electricity market.

During its first year, the new market design has delivered improved efficiency in cross-border trading. It has also opened up new opportunities for market participants and has seen trade move in response to price changes. This means that we buy electricity from neighbouring markets when they are cheaper, and sell to them when they are more expensive. This benefits both the end customers and those investing in generation. This was the result we planned to achieve when implementing the new market.

Developing the grid

There have been significant developments made on the grid. During 2019, EirGrid progressed a major upgrade to the network that supplies power to Intel's proposed new manufacturing plant in Leixlip. We carried out several successful consultation events on this project. In November An Bord Pleanála approved our planning application for the infrastructure needed to support Intel's expansion. This work enabled the largest ever foreign direct investment in Ireland.

This year EirGrid also began consulting on a new electricity project called Capital Project 966. This project will help us achieve our primary strategy goal: to lead the island's electricity sector on decarbonisation. It will contribute to this goal by strengthening the electricity grid between Dunstown and Woodland in Kildare and Meath. This will ensure that the high amount of wind generation in the west of Ireland is transferred to and distributed to the east of the country. In turn, this will help meet growing electricity demand in this region.

Enhancing interconnection

We also carried out a number of consultation events for the Celtic Interconnector project. This project will create a vital link between Ireland and the European energy network. It will be a key element in our strategy to deliver 70% renewables on the power system by 2030.

In October 2019 we welcomed the decision by the European Commission to provide €530 million of funding to the Celtic Interconnector. This followed the submission in June of an application for funding. This was made jointly by EirGrid and our French counterpart, Réseau de Transport d'Électricité.

The North South Interconnector also cleared a major hurdle this year. This project is a proposed new electrical link between Ireland and Northern Ireland.

In February 2019, the last of the legal challenges in Ireland was dismissed for this project. However, in Northern Ireland, prior planning approval was withdrawn. This was due to a legal challenge that argued permission could not be granted in the absence of the Infrastructure Minister. The application has now returned to the Department for Infrastructure for re-consideration. We are hopeful that the recently appointed Infrastructure Minister will make a new decision in the coming months.

Forecasting for the future

Planning for and managing growing demand on the system has become part of the everyday challenge for the EirGrid Group. According to our Generation Capacity Statement for 2019-2028, demand in Ireland is expected to increase significantly over the next decade.

This is due to increased economic growth and the expansion of many large energy users, including data centres. In contrast, demand in Northern Ireland has been relatively stable and this is expected to continue.

However, we need always to plan ahead. This is why we hold auctions every year where we seek bids to ensure the system has adequate capacity in the near to medium term. The first four year capacity auction took place in March 2019. This secured capacity to meet our forecasted needs for power from October 2022 to September 2023.

Since 2017, we have introduced scenario planning in our grid development process - called "Tomorrow's Energy Scenarios". This examines a range of future visions for demand and supply on the power system, depending on a range of different assumption sets.

In 2019, we went out to consultation on our future energy scenarios for Ireland and Northern Ireland. The feedback from this process will help us to outline a clear pathway for the island's clean energy transition over the next twenty years. It will also ensure we continue to operate the system in a safe, secure and stable manner.

Managing the transition towards renewable energy

EirGrid and SONI are recognised as world leaders in integrating renewable sources of electricity on the power system. In particular, we have a track record of meeting the technical challenges in running a power system with very high levels of wind energy.

In 2019 we continued our important work in this area by leading a major EU research project into the deployment of renewable energy. EU-SysFlex, entering its third year, comprises 34 organisations from 15 countries across Europe and has a budget of €26 million.

The project aims to make practical improvements and to offer recommendations for policy-makers. In the second year of the project, detailed analysis of a range of future scenarios has been conducted. In 2019 we also devised the Flex-Tech Initiative. This initiative provides a platform for engagement with stakeholders across the island of Ireland.

We use this to explore how to transform the power system so it can handle ever-increasing levels of renewable electricity. Through Flex-Tech, we collaborate with industry, regulators, ESB Networks and NIE Networks. This helps us to identify and breakdown key barriers to the integration of renewables in Ireland and Northern Ireland. Learnings here will inform our European counterparts and stakeholders in the EU-SysFlex project.

Thanks and appreciation

I wish to record my thanks to John O'Connor who retired as chair of the board of EirGrid Group in November 2019. This followed six years of outstanding and dedicated service, including stewardship of the process which created our new strategy. I am delighted to welcome our new chair Brendan Tuohy to the role, and I look forward to working with him.

I also wish to thank Minister for Communications, Climate Action and Environment, Richard Bruton TD, and his officials.

In Northern Ireland, we look forward to supporting Minister for the Economy, Diane Dodds MLA in her role to develop and implement an energy policy. I also want to thank officials in the Department of the Economy. Both departments provided constructive relationships and support throughout a milestone year.

Finally, I would like to thank the EirGrid Group staff and executive team. In particular, I want to recognise those who engaged with and contributed to the development of our new Strategy for 2020-2025. This achievement would not have been possible without your hard work and dedication. I look forward to the execution phase of this ambitious and exciting strategy which will transform the power system for future generations.

Forecasting the future of electricity

It's our job to make sure the grid works today, tomorrow - and in twenty years. To do this, we think about what the future might look like, and how it could affect the power system. We call this Tomorrow's Energy Scenarios.

The need for grid development is driven by long-term changes - in how the grid will be used, in the location and scale of generation, and in the demand for electricity. We don't know exactly what these changes will be, so we use scenario planning to consider all eventualities.

We know that Irish government policy - and the likely direction of policy in Northern Ireland - points towards a huge shift away from fossil fuels. What we don't know is how quickly this transformation will happen.

Despite this uncertainty, we have to plan for a safe, secure and reliable electricity system. So we use Tomorrow's Energy Scenarios to assess several ways that future changes could affect the grid. Each time we publish these scenarios, we look at three levels of possible change.

We then ask the public, industry, our regulators and our expert partners to tell us what they think. Based on their response, we update the scenarios, and use them to help plan for a stronger, more flexible electricity system.

We publish separate scenarios for Ireland, and for Northern Ireland. In our latest scenarios, we look at how the move to renewable energy could happen in different ways, and at different speeds. These include a government-led move away from fossil fuels, enabled by large renewable energy projects. We also considered a scenario with a slower pace of change – that doesn't hit targets. Finally, we looked at a scenario with a proactive, individually-led move towards energy efficiency. If this happened at the same time as a big switch to renewable energy, we would see a dramatically different power system.

Arthur Moynihan, Head of Scenario Planning.
Watch here: **bit.ly/EirGrid_Scenarios**

Financial Review

Reported profits rise due to statutory rules on financial reporting

Aidan Skelly, **Executive Director, Finance and Legal**

Our reported operating profit increased from €82.9m in 2018 to €113.4m in 2019. Reported profit before tax also increased from €65.8m in 2018 to €96.0m in 2019.

EirGrid Group consists of several regulated businesses. In any year, the revenues collected by these businesses may vary from the levels that were previously agreed with its 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.

When this happens, it can make our reported profits appear inflated - as is the case for this financial year. Disregarding these statutory adjustments, the underlying profit before tax for the Group was €22.3m in 2019.

Regulation

Our TSO activities in Ireland and Northern Ireland are regulated by the Commission for Regulation of Utilities and the Utility Regulator respectively.

The Group also holds two licences as Interconnector Operator, one from the Commission for Regulation of Utilities and one from the Office of Gas and Electricity Markets (Ofgem) in the UK.

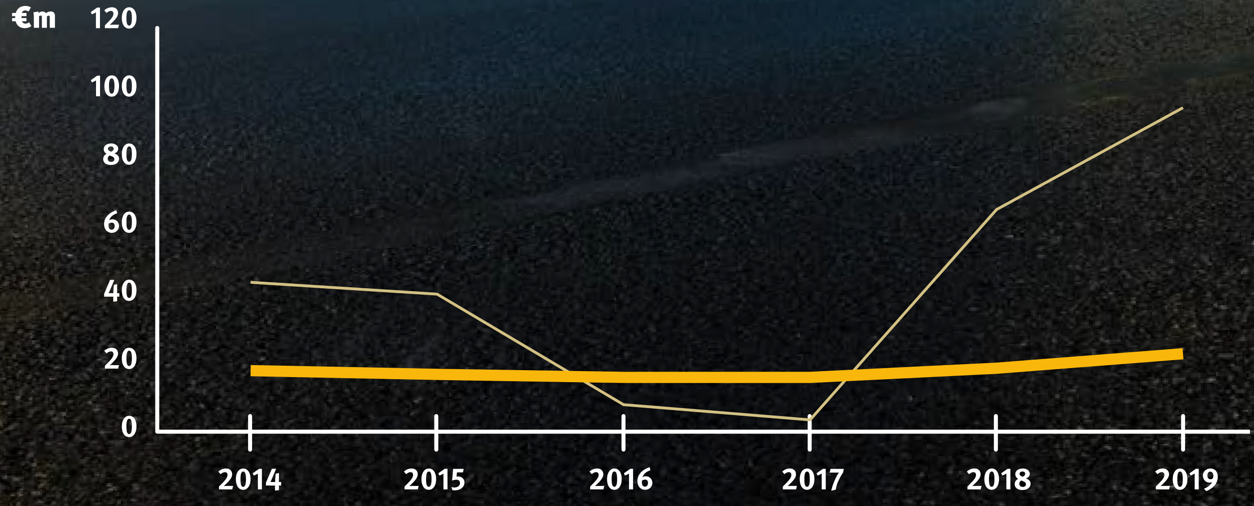
SEMO in its role as Market Operator for the SEM, is regulated by the SEM Committee. This comprises the Commission for Regulation of Utilities (CRU), the Utility Regulator (UR), an independent member and a deputy independent member.

Key Financial Highlights **€m**

Consolidated Financial Results

	2019	2018
Revenue	**747.8**	758.4
Direct Costs	**(495.2)**	(572.2)
Other Operating Costs	**(139.2)**	(103.3)
Operating Profits	**113.4**	82.9
Finance Costs	**(17.4)**	(17.1)
Profit Before Tax	**96.0**	**65.8**
Underlying Profit	**22.3**	**18.7**

Underlying profits compared to reported profits



Reported profit before tax

Underlying profit before tax

Underlying profit is not a term used in International Financial Reporting Standards. We define underlying profit as a measure of profit that excludes estimated regulatory adjustments.

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 a 75/25 joint venture between EirGrid plc and SONI Ltd.

In advance of each tariff period, we submit forecasts to the relevant regulatory authority. These cover customer demand, operating 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.

As with any forecast, there can be variations between the projections and the actual revenue recovery, or cost out-turn. This can result in regulatory under or over recoveries. Any such under or over recoveries are adjusted for in the reported revenue for a subsequent accounting period.

This can give rise to volatility in the statutory reporting of earnings for the Group. This is because accounting regulations do not permit results to be smoothed by anticipating under or over recoveries.

In 2019, ancillary service costs were much lower than expected. This resulted in an over recovery of €63.4m which makes up a significant element of the profit before tax of €96.0m. The over recovery was as a result of contracted volumes been lower than expected in some services.

One of the reasons for this was the forecast was set for the new SEM Market without the availability of live market data. This made it more difficult to compile an accurate forecast of spending on DS3 system services, as assumptions can change quickly. Dispatches were more benign from a DS3 system services perspective so the annual spend was significantly lower as a result. Local reserve contracts were also under budget.

EirGrid TSO is operating under the 2015-2020 Price Control issued by the Commission for Regulation of Utilities in December 2015. SEMO is operating under the 2016-2019 Price Control, as published by the SEM Committee in August 2016.

SONI is operating under the 2015-2020 Price Control, as amended in November 2017. This was due to a determination from the Competition and Markets Authority (CMA) following an appeal from SONI. Price Controls for SEMO and SEMOpx are determined by the SEM Committee which is responsible for the regulation of both the SEMO and SEMOpx.

The SEMO and SEMOpx price controls provide, on a combined basis, for the recovery of allowances for the EirGrid (75%) and SONI (25%) portions of SEMO and SEMOpx operating costs and depreciation and return on their Regulatory Asset Bases (RAB).

The current SEMO Price Control period runs from 1 October 2018 to 30 September 2021. The current SEMOpx Price Control period runs from 1 October 2018 to 30 September 2019. Consultation on the next SEMOpx Price Control period from 1 October 2019 to 30 September 2022 is currently ongoing.

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 SEM. Revenues are also derived from the use of the East West Interconnector through auctions. We also earn congestion income for the provision of daily capacity into the energy markets.

Group revenue for the year to 30 September 2019 of €747.8m was slightly lower (€10.6m 1.5%) than the previous year.

The profit before tax for 2019 was €96.0m. This is up from €65.8m in 2018, mainly as a result of lower than anticipated costs relating to new DS3 System Services arrangements.

Excluding the impact of over and under recoveries on reported profit, management's estimate of the underlying profit for 2019 was €22.3m. EirGrid paid a dividend of €4.0m in April 2019 in respect of 2017/18.

A dividend of €4.0m in respect of 2018/19 is proposed to be paid in the second quarter of 2020.

Financing

The Group continues to be in a sound financial position. The Group's largest borrowings relate to the East West Interconnector and have long repayment dates and are fully hedged against interest rate fluctuations.

New credit facilities were put in place for the go-live of the new SEM. During the year, the Group had drawn down €109.6m from these revolving credit facilities. This was used to fund working capital requirements in the balancing market. Interest on these borrowings is at floating rates.

Lead the island on sustainability and de-carbonisation

In 2019, EirGrid connected

11

new wind farms adding

300 MW

of renewable energy to the electricity system in Ireland

From 2020, our new strategy commits us to be at the forefront of climate action in our sector, across Ireland and Northern Ireland. This ambition is built on our long-standing work to prepare the electricity system for the transition away from fossil fuels. In 2019, there were several notable developments in this area.

Managing wind power

As we move towards less predictable generation, we must ensure the electricity system stays secure and reliable. We face two key challenges: managing too much wind, and too little wind.

During the storm season in 2018-19, there were six that reached orange warning status: Callum, Diana, Deirdre, Erick, Gareth and Hannah. In response, we carried out a number of defensive and preparedness actions.

First, we prioritised the return to service of any lines that are already undergoing works, so the grid is as strong as it can be before the storm.

We then made detailed plans for conventional generation to balance the system. This takes into account that we will first have more wind power, but we may then have less - as turbines are disabled if wind speeds go higher than 90km per hour.

We also needed to plan for potential changes in demand if schools and workplaces close, and as lines fail on the distribution system. This comprehensive approach has allowed us to successfully weather the storms of recent years.

In contrast, when forecasts show we have little or no wind, we also have to make careful plans. In this context, the power system increasingly relies on fast-start gas turbine generators.

Unlike legacy fossil-fuel burning stations, these can come online very quickly. Although they cannot yet provide high capacities, they have proved to be a useful tool to help manage the uncertainty of wind generation.

Climate Action Plan for Ireland

The Irish Government's Climate Action Plan was published in June 2019. EirGrid is central to facilitating the implementation of government policy on climate change as outlined in the plan.

The plan requires that renewable energy provides 70% of all electricity by 2030. This electricity will be generated from renewable sources such as offshore wind, solar and onshore wind. EirGrid is actively working with stakeholders to deliver our contribution to this plan.

Offshore wind will be a key component of a clean electricity system. We need to ensure that offshore wind is developed to suit the context of the electricity system across the island of Ireland. To achieve this, we are carrying out an objective assessment of offshore grid delivery models around the world.

Addressing Climate Change in Northern Ireland

The current Strategic Energy Framework comes to an end in 2020. While Northern Ireland's exact target for 2030 is not known, the direction of travel is clear. The UK has made a legislative commitment to achieving net zero greenhouse gas emissions by 2050.

In the absence of a target, SONI has published its strategy for 2020 - 2025. This is focused on transforming the power system so that it can be ready to manage increasing levels of electricity from renewable sources. This transition is necessary to realise net zero carbon emissions by 2050.

Through the period of this report SONI has worked and continues to work closely with key stakeholders. These include the Department for the Economy, NIE Networks and the Utility Regulator. We are aiming to inform the Department's development of the next energy strategy for Northern Ireland. For this reason the first Northern Ireland-specific 'Tomorrow's Energy Scenarios' was a vital step in 2019.

Renewable Customer Connections

Ireland

In 2019, 11 new wind farms were connected to the Grid in the South West, West and North West providing a total of 300 MW of renewable energy. This includes new wind farms at Booltiagh, Glenree, Knockacummer, Knockalough, and Srahnakilly (Oweninny).

This follows 739 MW of wind farms that EirGrid connected to the system in the previous three years from 23 renewable projects. We anticipate that an additional 906 MW of renewable energy will be connected, from 18 renewable projects, by the end of 2020. This will provide a total of 1,945 MW of renewable generation connected to the electricity system since 2016.

Northern Ireland

In Northern Ireland, approximately 1,035 MW of renewable projects were connected to the system during the 2016-2018 period.

An additional 131 MW of wind farms have applied for connection to the transmission system in Northern Ireland. There are also accepted connection offers for a 100 MW data centre project and five battery storage projects – with a total capacity of 300 MW.

Battery storage will be vital to balance the system as more renewable energy is added in the coming years.

Renewable Energy Support Scheme

A key part of realising Ireland's 2030 climate action targets will be the Renewable Energy Support Scheme (RESS). This in an initiative from the Department of Communications, Climate Action and Environment to encourage community participation in smaller renewable energy projects. The goal across the EU is for this scale of project to make up 32% of all renewable generation by 2030. This diversity will increase security of supply.

EirGrid has been tasked with developing and managing the auction process for this scheme. Considerable progress was made this year on the high-level design of the first RESS auction. This concluded with EirGrid signing off on the agreed approach. This was co-signed with the CRU and the Department of Communications, Climate Action and Environment.

East Coast Opportunity Generation Assessment

In February 2019, EirGrid published the East Coast Opportunity Generation Assessment. This report identifies the capacity available for new offshore wind at multiple locations along the east coast of Ireland.

It also considers the capacity available for new conventional generation along the east coast. The report states how the grid would need to be reinforced to increase capacity.

The DS3 System Services Framework

We want to make sure that the power system operates securely and efficiently. At the same time, we need to facilitate higher levels of renewable energy. To achieve this, we established our DS3 Programme - Delivering a Secure, Sustainable Electricity System.

One of the key elements of this programme is System Services. These support the electricity system to make it more flexible. This is essential when we have high levels of renewable on the systems. We use a range of technologies to provide this flexibility. They include conventional generators, wind units and other new technologies.

System Services also gives us a mechanism to trial new technologies. This allows us to prove their capability before we integrate these services on the electricity system.

To date, we have used System Services to integrate technologies such as wind, batteries and demand-side management. These services will form a key part of our plans to integrate high levels of renewables onto the power systems of Ireland and Northern Ireland.

Opposite page: Oweninny wind farm in County Mayo, which was connected to the grid in autumn 2019.

EU-SysFlex

To combat climate change, electricity systems across Europe must integrate more renewable generation. The EU-SysFlex project, now entering its third year, is a European Commission funded project led by EirGrid. The project seeks to enable the transition to a pan-European power system with high-levels of renewables.

The project aims to make practical improvements and to offer recommendations for policy-makers. In the second year of the project, detailed analysis of a range of future scenarios has been conducted.

The analysis indicates that integrating high levels of renewables brings many benefits to the power system. It reduces reliance on fossil fuels and carbon emissions. However, the project has also shown that a greener power system will be more technically challenging to operate.

The EU-SysFlex studies also show that the challenges are not only technical; they are also financial. As renewables increase, the changing market environment will cause the cost of energy to fall.

Future revenues may not be sufficient to cover the costs of investing in wind and solar technologies. The studies show that a further revenue stream is needed to meet renewable generation investment costs.

It is essential that the correct signals are provided to wind and solar generators, and to investors in these schemes. This will be key to driving the transition to a more sustainable power system.

Mitigations and solutions are required and EU-SysFlex will propose a range of these in the third and fourth years of the project. One of the solutions that will be proposed is the System Services Framework. This has already been implemented with great success in Ireland and Northern Ireland.

Looking ahead

Across Europe, energy policy continues to change at a significant rate.

This is apparent in national climate change objectives that followed 2016 Paris Agreement. There will also be new EU policies implemented in the coming years.

EirGrid Group has an active role in the development of these policies, and together with our partners, we will deliver the ambitious targets. This will provide a sustainable energy future for Ireland and Northern Ireland.

How we manage our environmental impact when planning the network

Respect for the environment is a key consideration in the development and operation of the transmission system.

Electricity transmission infrastructure includes elements such as overhead lines, underground cables and substations. These all interact in different ways with many environmental factors.

To comply with European and national laws in Ireland and Northern Ireland, we carry out Strategic Environmental Assessments (SEA). These assessments are based on our plans to develop the grid, and are published every five years.

Our current plans and SEAs cover the period 2017-2022. The latest Transmission Development Plans (TDP) 2018-2027 were published by SONI in July 2019 and EirGrid in August 2019 and they set out the transmission projects we are developing or intending to develop for the period of the plan. They also contain information about the needs and drivers of the projects.

In August 2019, EirGrid published an Environmental Appraisal Report (EAR). This report makes an environmental assessment of our current Transmission Development Plan. In particular, it looks at how our new plan complies with the SEA for our Grid Implementation Plan 2017-2022. Individual projects are all subject to environmental assessment outside of the SEA process. Some projects fall under a class of development requiring an Environmental Impact Assessment (EIA). When this happens, we submit an Environmental Impact Statement to the relevant planning authority.

In 2019 an EIA was completed for the North-South Interconnector in both jurisdictions. This was submitted to An Bord Pleanála in Ireland, and the Department for Infrastructure in Northern Ireland.

Energy use & environmental policies

EirGrid Group aims to lead the way by pursuing energy reduction and efficiency in our own operations. These efforts make a modest difference, but show our commitment - at a detailed level - to sustainability and decarbonisation.

Year on year, we have achieved a minimum standard of 3% energy reduction for our Dublin sites. This totals a 42% reduction since 2009, exceeding the 2020 reduction target of 33% set for public bodies. Our sources of energy usage across the group are from electricity and natural gas.

In 2019 EirGrid consumed 3,355 MWh of energy in both our Dublin locations. This energy use can be broken down as follows:

- 2,787 MWh of electricity, and
- 568 MWh of natural gas.

We continue to find ways to reduce our own energy use. In 2019, this included installing LED lighting in our second Dublin site.

We also installed LED lights in certain locations at our Dublin and Belfast offices. In 2020 we will continue to refurbish our headquarters to further improve energy efficiency and increase capacity.

Energy performance in SONI's office has improved by 3% on electricity and 11% on gas compared to 2015. This year, SONI consumed 1,955 MWh of energy. This is broken down as follows:

- 1,456 MWh of electricity, and
- 499 MWh of fossil fuels.

In SONI we intend to change the remaining office lighting to LED. We will also install a building energy monitoring system to better manage energy usage.

Awards

Our work towards greater sustainability in the energy sector was recognised with a number of awards and nominations in 2019. These included:

- **SEAI Energy Awards (Oct'18)** – Winner in the Renewable Energy Project category for DS3;
- **Irish Times Innovation Awards (Nov'18)** – Short-listed in the Sustainability category;
- **Green Awards 2019 (Feb'19)** – Short-listed in the Sustainable Energy Achievement Award category for DS3. Also short-listed in the Green Technology Award category for Power Off and Save,
- and **Responsible Business Awards in Northern Ireland (Mar'19)** – Short-listed for Environmental Leadership Award and Responsible Product / Service Award.


Enough power,
at the right price

Part of what EirGrid Group does is run the wholesale electricity market. This allows us to make sure that across the island of Ireland, the right amount of power is always available at the right time - at a competitive cost.

Key to this is the capacity market. This market sets the most economic price for future capacity to balance demand on the system. This helps ensure that enough power is available to everyone who needs it.

This capacity could be in the form of generation, or in battery storage. It could even be a commitment from groups of customers to reduce their energy usage when we ask - this is known as demand-side capacity.

We need to have this extra capacity on hand to cope with changes in demand for power. This is becoming particularly important as the electricity system uses more renewable generation. We have to cater for windy days with low demand and still days with high demand – and all the scenarios in-between.

The new capacity market works as a competitive auction amongst pre-qualified bidders. This is designed to strike a balance between ensuring we have enough reliable capacity, but at the lowest possible cost. We ask bidders to offer their most competitive price to provide an agreed amount of power for a specific period in the future.

We run one auction for a year ahead - called T-1 - and another for four years ahead - called T-4. The four year auction gives bidders time to build further capacity if they're successful. This approach ensures the successful bidders are ready to provide capacity if the system needs it down the line.

We held the first T-1 auction in December 2017, and the first T-4 auction in March 2019. They're a really important step in the transformation of the power system.

Aodhagán Downey, Market Operations.
Watch here: **bit.ly/EirGrid_Capacity**

Operate, develop and enhance the all-island grid and market

The key pillar of our new strategy is to maintain and improve the operation of the power system throughout the island. This has been the cornerstone of our day-to-day work from our foundation, and will always be a key measure to assess our performance.

European Integration

Overall, it has been a very successful first year of the new energy and capacity markets.

The all-island Single Electricity Market integrated with wider European energy markets in October 2018.

During the first year of operation, the new market has delivered improved efficiency in cross-border trading. This increased liquidity in the long and medium term markets and opened up new opportunities for market participants.

EirGrid and SONI have also introduced new operational and planning procedures as well as grid connection processes. These reflect the harmonised European practices, and so allow for seamless trading with Europe.

We continue to engage closely with our stakeholders for future market amendments. The Day Ahead market coupling has seen interconnector trade move in the direction of price changes. This means that we can buy electricity when its cheaper, and sell it when it's more expensive. This was one of the key reasons for integrating the market with Europe, and is exactly what we set out to achieve.

Capacity Market

The capacity market is a key service to secure the stability of the electricity system. It allows EirGrid Group to find the most economic price for the forecasted amounts of electricity needed to meet demand in future. This ensures there is always power available to everyone who needs it. To read more about the capacity market, see our case study on page 25.

Tomorrow's Energy Scenarios

Ireland

In June, EirGrid launched a consultation called Tomorrow's Energy Scenarios 2019. This report outlined EirGrid's first revision to the scenarios originally produced in 2017. The new scenarios reflect changes driven by a number of evolving factors.

Most notably, they capture changes in climate and energy policy. These reflect new multi-sector targets for decarbonising energy use, as set out in the Government's Climate Action Plan.

Many stakeholders participated in the consultation and provided a lot of useful feedback. The consultation included a briefing session with external stakeholders at Engineer's Ireland. This was very well attended and facilitated positive debate about Ireland's energy future.

It also shows the vital role that Tomorrow's Energy Scenarios plays from an industry and government policy perspective.

Northern Ireland

In September 2019, SONI launched Tomorrow's Energy Scenarios for Northern Ireland. This report detailed a first set of draft scenarios. These were based on feedback from stakeholders in the earlier scenario-building phase.

This report outlined three potential pathways for the Northern Ireland energy system to 2040. These pathways reflect the impact of societal, political, economic, technological and environmental changes.

The common factor across all three scenarios is the switch to low-carbon electricity for Northern Ireland. Where the scenarios differ is in the pace of change. To read more about Tomorrow's Energy Scenarios, see our case study on page 13.

Cyber Security

EirGrid and SONI provide a critical service, as every person, every business, and every household is dependent on the power system that we run. Increasingly, grid operators are under threat from the risk of cyber attack from malicious third parties. We make it a priority to respond to this threat.

At a foundation level, we fulfil our obligations for cyber security under the EU critical Network Information Systems directive. We are doing so in co-operation with the relevant authorities in Ireland and Northern Ireland.

At an operational level, we have a set of mission-critical procedures on cyber security to ensure our operations are as secure as possible. This includes defensive actions, as well as trialling our response to potential attacks.

At an individual level, we carry out a Group-wide awareness programme to educate our people on the risks, and how they can mitigate them. These include computer based training and monthly educational communications.

Large-Demand Customer Connections

Since 2016, we have seen in Ireland a significant increase in the number of, and consumption by, large-demand customers. The pace at which the customers want to connect is quicker than previously seen.

The same pressures from large-demand customers do not apply in Northern Ireland. However, there has still been an uptake in connection requests.

The large-demand customers in Ireland are almost exclusively made up of data centres. For data centre projects, we have connected 251 MVA across five projects since 2016.

In the same time-frame, we commenced the connection of six further data centres. These will add an additional 716 MVA of demand and will make for a total of 11 data centre projects connected to the grid. These additional data centres are expected to connect by the end of 2021.

Opposite page: the King and Queen of Sweden visiting the EirGrid national control centre in May 2019.

During 2019 we worked with ESB Networks to start connecting the new Castlebagot 220 kV station to the transmission system. When connected in late 2019, the station will support large industry in the area.

A new 220 kV and 110 kV station is nearing completion in North County Dublin at Belcamp. This will relieve load congestion at the existing Finglas 220 kV station, and support future expansion in the area. This includes Dublin Airport, Beaumont Hospital and several high-profile business parks and data centres supported by the IDA.

In North Kildare, Intel has applied for an increased power supply. This will support ongoing and future manufacturing activities at the facility. To accommodate this, we identified a new connection method.

This will connect the existing Maynooth – Woodland 220 kV overhead line to a new 220 kV station using 2.3km of underground cable. We held public open days in Leixlip, Co Kildare in early and mid-2019, and there was good local engagement. Planning consent was approved by An Bord Pleanála in November 2019.

East West Interconnector

EirGrid owns and operates the East West Interconnector. This is a 500 MW high voltage direct current electricity interconnector that links the grids in Ireland and Great Britain. It helps provide a safe, secure, reliable and affordable energy supply for both systems.

EirGrid continues to maintain the East West Interconnector to a high standard. This includes the recertification of the Asset Management System to the ISO 55001:2014 standard in June 2019.

This ensures the interconnector is available to help further integration of renewable energy on the system. In doing so, it will help to transform the power system for future generations – the primary purpose of our new strategy. In December 2018 we also celebrated our strong safety record of five years of operations with no lost time accidents.

North South Interconnector

The North South Interconnector is a key project for EirGrid and SONI. It will provide a second high-capacity connection between the two electricity systems on the island of Ireland.

Delivery of the North South Interconnector is critical to deliver value for consumers across the island. This project will make the grid more robust, which will allow for the connection of more renewable generation. It will also enhance security of supply and will enable more competition in the wholesale electricity market.

This will benefit householders, communities, businesses and the economy - in both jurisdictions. We estimate that these benefits will save electricity users at least €20 million per annum when put into service.

In Ireland, planning approval for the North South Interconnector was granted by An Bord Pleanála in December 2016. The approval faced a number of legal challenges, the last of which was dismissed by the Supreme Court in February 2019.

This ruling means that the North South Interconnector has now cleared all of the planning related legal hurdles in Ireland. It is now clear to proceed to construction in this jurisdiction.

In Northern Ireland planning approval was granted in January 2018. However, in February 2019, that planning approval was withdrawn. This was due to a legal challenge that argued that it could not be granted in the absence of the Infrastructure Minister. The application has now returned to the Department for Infrastructure for re-consideration. We are hopeful that the recently appointed Infrastructure Minister can make a new decision in the coming months.

Other transmission projects progressed this year

Every year, EirGrid and SONI works to strengthen the electricity grid. This includes refurbishment and upgrades, as well as the development of new infrastructure, when necessary.

Ireland

Poolbeg Reactor (50 Mvar)
The second Poolbeg reactor was energised in October 2018. Reactors provide a combination of benefits to the grid, but in this context they help us manage voltage issues in the region, when needed.

Carrick-on-Shannon-Arigna-Corderry 110 kV line uprate
This was completed in October 2018. This project is a system reinforcement to enable the connection of wind generation in the North West region. It allowed us to grant a further 1113 MW of access to generators in this region.

Moneypoint 400 kV transmission station
There was a range of works competed to support this station, which is a key for security of supply. This included the transfer of the Moneypoint to Oldstreet 400 kV line, two transformers and the Moneypoint to Prospect 220 kV line.

North Connacht 110 kV Project
In January 2019, EirGrid announced the best performing locations for this new 110 kV line to connect to the grid. These are Moy (Ballina, Co. Mayo) and Tonroe (Ballaghaderreen, Co. Roscommon).

Throughout 2019, we engaged with stakeholders and local authorities in the region. Our liaison team also visited Tubbercurry and Swinford and held public information days.

We used this engagement to collect information on technical, environmental and other constraints. In turn, this will inform the proposed route for both the overhead line and underground cable options.

Cross Shannon 400 kV Cable
In October 2018, we started the marine survey operations for this project, which were completed in December. This allowed EirGrid and its consultants to identify the best performing marine route.

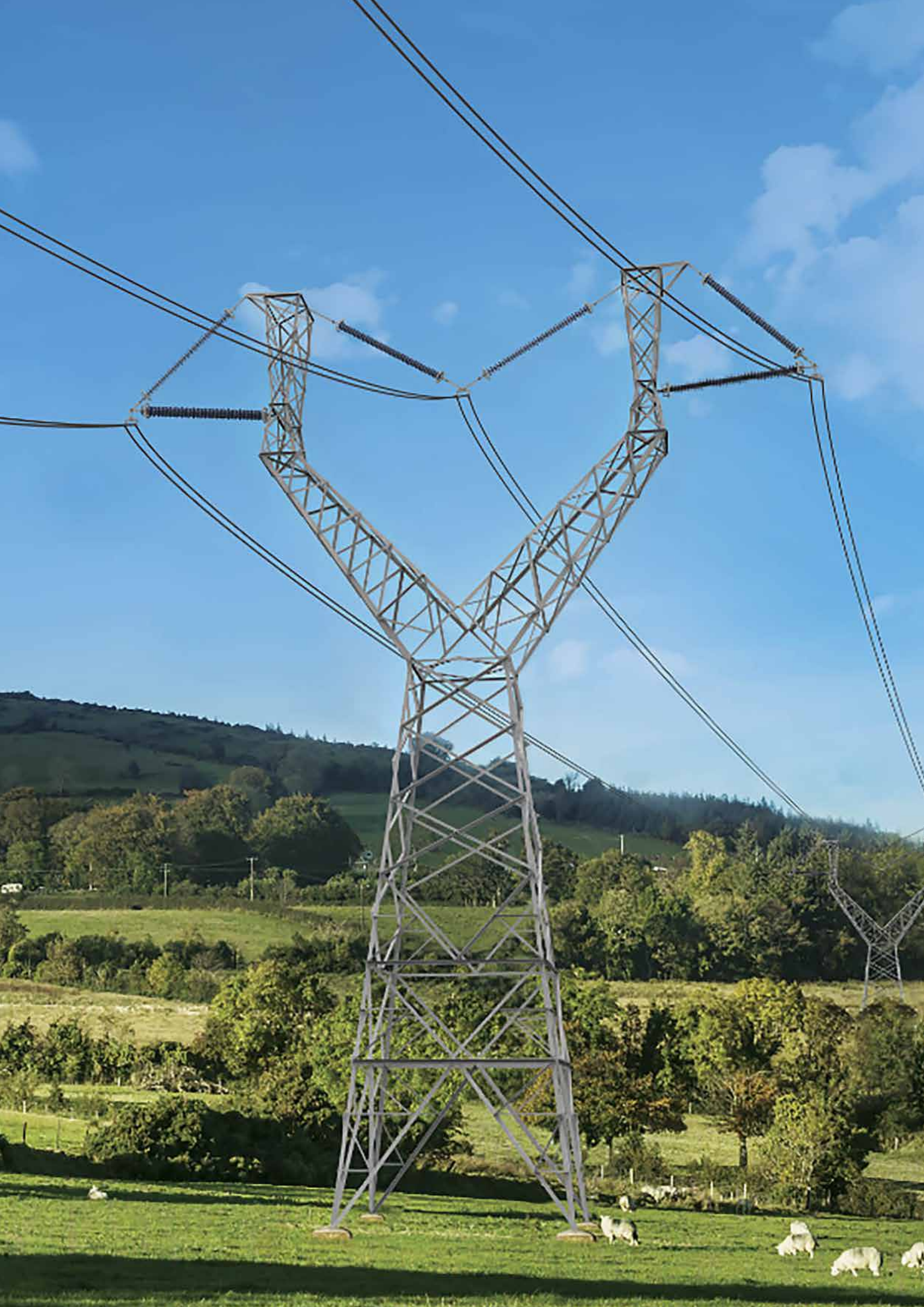
We also developed cable routes and associated infrastructure. Public consultation on the best performing project option started in June 2019, and engagement is ongoing. EirGrid is currently preparing the applications for a foreshore licence for this project.

Lanesboro 110 kV Substation Redevelopment
Public consultation took place in April 2019. The feedback received from local residents, community groups and local representatives was positive. We submitted a planning application to Longford County Council in July 2019 and expect planning consent in early 2020.

Kilbarry 110 kV Station
This is one of the key 110 kV stations supplying load to Cork city and the surrounding areas.

Its development allows us to meet requests for distribution system load connections. Planning permission was received from Cork County Council in June 2019.

This photo on the opposite page shows a visualisation of a pylon for a 220 kV line converted to carry 400 kV



Northern Ireland

Airport Road 110 kV substation

This is a reinforcement of the transmission system in Belfast. This is driven mainly by recent growth in demand due to several redevelopment sites.

The most notable of these is Titanic Quarter, which has the potential to increase total demand growth in the city by over 50 MVA.

To meet this demand, we are developing a new 110/33 kV substation and uprating an existing 110 kV double circuit tower line currently operated at 33 kV. We held public consultations for this project in March 2019. We held a public consultation event for this project in March 2019. We submitted the planning application in December 2019, with construction expected to commence in 2021.

Agivey 110 kV Wind Farm Project

We submitted a planning application for the new 110/33 kV station and 110 kV overhead line in February 2019. The new station and circuit will allow for the connection of 90 MW of renewable energy to the grid in the Garvagh area of Northern Ireland

Drumkee and Mullavilly Battery Energy Storage

We started to work on the connection of two new 50 MW battery storage schemes. These are near the Tamnamore and Tandragee 275/110 kV substations. SONI and NIE Networks are working closely to meet the target energisation date of Q3 2020.

Strengthening the grid in the East

This year EirGrid ran a consultation on a new electricity project called Capital Project 966. This project aims to strengthen the grid in the east of the country. It will transfer electricity from the west of Ireland and distribute it across the network in Meath, Kildare and Dublin.

Following the consultation, several best-performing technical solutions emerged. These have now progressed to the next stage for further evaluation. At the end of this next stage we will put forward a best-performing solution which will then be developed.

Laois Kilkenny 400 kV Substation

National infrastructural development projects can generate considerable debate and, on occasion, public opposition.

An example of this is the Laois Kilkenny project. In this instance, protesters are blocking access to a construction site for a 400 kV substation.

The project itself is a vital development. It will resolve the quality and security of supply issues across the Midlands and South East.

EirGrid is working in conjunction with ESB Networks to resolve the issues raised by local interest groups. We will continue to reach out to them over the duration of the project.

Statcom Projects

In the south west of Ireland, significant levels of wind generation are connected to the electricity system. This will continue to increase in the coming years.

Growing levels of renewables requires further reactive power support.

The optimal solution here is to install two new ±100 Mvar Statcoms at existing stations.

A Statcom is a dynamic and fast-acting voltage control device. New devices will be installed in Ballynahulla station in Co. Kerry and in Ballyvouskill station in Co. Cork. Planning permission was received for these projects this year.

Trials to increase voltage on existing lines from 220 kV to 400 kV

New developments in electrical composite insulators have made it possible to convert existing 220 kV lines to 400 kV. In 2019 we investigated an innovative solution to increase the transmission capacity of 220 kV lines.

We achieve this by redesigning the top portion of the pylons. This technology has the potential to greatly increase power capacity on the electricity grid. Most importantly, this could be achieved without requiring new lines that are costly and slow to develop.

This innovative up-voltage project is being trialled on the existing Donard test line in West Wicklow. The next phase of this voltage uprate trial is to build the single circuit and double circuit towers on this test line. Planning consent was granted in October 2019 by Wicklow County Council. The construction of these towers will take place in 2020.

Managing a system alert

When we operate the grid, we classify the potential problems. Amber alerts are the lowest category - they happen if we suddenly lose some electricity generation. These kinds of problems don't often happen - but when they do, it takes expertise, cool heads and clear thinking to resolve them.

At 2:30pm on 9th October 2018, something almost unprecedented happened. Two large Northern Ireland generators suddenly went down at the same time. In order to ensure system stability in Northern Ireland, three large generators need to be on the system at all times. This loss made the Northern Ireland electricity system vulnerable.

And on top of this, too much power was now being pulled from Ireland. If the line between the two jurisdictions had become overloaded - or if another larger generator went down - it risked a complete system collapse.

The team in the SONI control room near Belfast acted quickly. We ordered fast-start generators dispersed across the region to come online immediately. This geographic spread reduced the risk of further system deterioration if we experienced another generator loss.

As the fast-start plants started to produce power, we then needed to slowly re-balance the power flows from Ireland to Northern Ireland. But we faced a worsening of the situation as the afternoon moved closer to peak demand time in the evening. This is because the fast-start generators can't provide the same capacity as the large units that were down. So, we then asked customers who could reduce their power use - we call them demand-side units - to stop drawing electricity from the system.

In combination with the fast-start generators, this successfully got us through till 6.57pm. At that point the large generators were back on the system, and we could clear the Amber alert.

It was a challenging event, but the professionalism of our team ensured that the lights stayed on across Northern Ireland.

Tom McCartan Assistant Grid Control Manager
Michael Flynn Assistant Grid Control Engineer
John O'Higgins Grid Control Engineer
Watch here: **bit.ly/SONI_Alert**

Work with partners for positive change

Opposite page: Minister for Communications, Climate Action and Environment, Richard Bruton; Minister for Business, Enterprise and Innovation, Heather Humphreys; Taoiseach Leo Varadkar; Stéphane Crouzat, French Ambassador to Ireland; and Mark Foley, EirGrid Group Chief Executive, pictured at the announcement in 2019 of €530 million in EU funding for this project.

Partnerships across the island

Strategy Development

As part of the strategy development process we engaged closely with our partners and key stakeholders. These included our shareholder, ESB Networks, NIE Networks, our regulators, and government departments in Ireland and Northern Ireland.

Our partners and stakeholders were asked about their views on industry and policy trends and the likely impact on EirGrid Group. We also discussed their priorities and strategic objectives. The aim was to see how EirGrid Group could assist them in achieving their goals, and to seek their views on EirGrid Group's own strategic ambitions. These meetings helped us enormously in creating EirGrid Group's strategy for the next five years.

The FlexTech Initiative

Another area where we are supported by and work closely with our partners is the FlexTech Initiative. This initiative, which we devised in 2019, is a platform of engagement for our sector. It brings together key decision makers across the island. This includes operators of transmission and distribution systems, regulators and the wider industry.

FlexTech aims to maximise opportunities for effective use of new and existing technologies. It also identifies and helps to break down key barriers to integrating renewables on the island. The electricity industry is evolving at an ever increasing pace in response to the move away from carbon-emitting fuels. To react to this, transmission and distribution system operators need to work together.

FlexTech gives EirGrid and SONI the chance to embrace opportunities and resolve issues as they arise.

In June 2019, EirGrid and SONI held the first FlexTech Integration Initiative industry forum. This was in partnership with ESB Networks and NIE Networks. It was a welcome opportunity to engage with industry and gain cross-sectoral insight in Ireland and Northern Ireland.

SONI and NIE Networks Joint Working Group

We established a joint working group between SONI and NIE Networks in August 2019. It aims to produce a common roadmap for the move towards a decarbonised energy system in Northern Ireland.

This working group will provide input as the Department of the Economy develops the future energy strategy for Northern Ireland.

Distributed Series Reactors

Since 2016, EirGrid has trialled Distributed Series Reactors (DSRs) in County Waterford. This was done in collaboration with Smart Wires and ESB networks.

DSRs are power flow devices that operate by diverting power flows to underutilised assets. They are installed on existing overhead line infrastructure.

When installed, they resolve existing or anticipated thermal loading issues. In doing so, they maximise the use of existing transmission infrastructure.

The success of the trial with SmartWires and ESB networks was on an 110kV line in Cullenagh, County Waterford.

This means DSR technology is now tested and ready to be used, when needed. In 2019, EirGrid visited the French TSO RTE. This allowed us to gather insights on RTÉ's recent experiences in deploying the DSR technology on their transmission system.

Later in 2019, a procurement process was completed by ESB Networks. This resulted in Smart Wires being awarded the contract for supply of a large number of DSR units for deployment on the transmission system.

A project is being progressed in 2020 for the DSRs to be installed on a 110 kV line in County Roscommon.

Global Partnerships:
Development of the Celtic Interconnector

EirGrid, together with our French counterpart Réseau de Transport d'Électricité (RTÉ) is continuing to develop this project.

The Celtic Interconnector is a proposed link to allow for the movement of electricity between Ireland and France. It will send high voltage electricity as high-voltage direct current (HVDC) using an undersea cable.

The European Commission sees interconnection between member states as strategically important. This is because interconnection makes the European electricity system stronger and more integrated.

Because of this, the Celtic Interconnector has been designated as a Project of Common Interest. This means it benefits from accelerated procedures and funding.

In October 2019 the European Commission announced that it would provide €530 million of grant funding to the project.

This interconnector will be Ireland's first direct electricity link to continental Europe. It will allow large amounts of electricity to be exported to and imported. When complete, it will have the capacity to import and export up to 700 megawatts of electricity, enough to power 450,000 homes. The interconnector is scheduled to begin operation in 2026.

The Celtic Interconnector will put downward pressure on electricity prices for end users. It will also offer increased options for market participants in terms of where to buy and sell electricity.

Adding this interconnector will also increase security of supply for the power system here. This will help us break new ground in the amount of renewable energy we can integrate. For these reasons, this project is a key step towards our new focus on sustainability and decarbonisation.

New York Power Authority

In September 2019, EirGrid and ESB Networks formed a memorandum of understanding on a project in the United States. This agreement sees both organisations collaborating with the New York Power Authority.

Together, we will carry out research with the Electric Power Research Institute, a U.S. non-profit organisation. This agreement lays out plans to model, create and test new solutions for energy systems.

This will take place in New York state's first collaborative electric utility research facility. The collaboration aims to accelerate improvements to energy infrastructure.

The benefits of this work will be more reliable and efficient electric grids. This will allow distributed generation and related resources to be integrated on local and regional power grids.

This page, top left: SONI and NIE Networks working together
This page, top right: EirGrid and AES partnering on battery storage
Opposite: The VOS Sweet, a survey vessel for the Celtic Interconnector


VOS SWEET

Partnering for a more flexible power system

One of our core strategic goals is to build stronger partnerships with the service providers who support the power system. We are always looking to find ways to work better together. We want to understand and meet their needs more effectively and more efficiently.

One of our core partnerships is with companies who supply power and other services to the grid - we call them our customers. Most of the capacity on the power system comes from generators, but an increasing amount comes from demand side units. These are high-volume users of electricity who agree to use less power at peak times, or on request.

This year, we've worked to build a stronger working relationship with DRAI - the Demand Response Aggregators of Ireland. They are a representative body for demand-side management across the island of Ireland. They provide several services to help us operate and manage the power system more efficiently. They're particularly useful in allowing us to increase the amount of renewable electricity we can carry on the system.

Before this year, we sometimes worked with DRAI, and sometimes with individual companies on an ad hoc basis - which wasn't always effective. In 2019, we set up quarterly meetings with DRAI members to prioritise key issues and to work on specific challenges.

These meetings have provided a platform for each party to understand the other's needs, and to find common ground. DRAI also now have a regular opportunity to raise and progress key issues directly with us. As we start to work on these issues, we've already had some positive feedback from members.

Paddy Finn, a DRAI member and MD of Electricity Exchange, said: 'The regular meetings are a welcome development. They encourage delivery on action items, and help to progress decisions. The new relationship also allowed us to set up sub-groups to explore complex issues in more detail - which is already starting to deliver results.'

Lisa McMullan, a DRAI member and head of regulatory affairs at GridBeyond, said: 'The new engagement approach is very helpful. We now have the opportunity to discuss market issues in detail, and to present our perspective to decision-makers. This gives us all a better understanding of how each issue affects different stakeholders. We're now able to develop lasting solutions.'

Gill Nolan
Customers & Stakeholders
Watch here: **bit.ly/EirGrid_Partners**

Engage for better outcomes for all

EirGrid and SONI recognise the need to broaden and deepen our current approach to engagement. This is essential if we are to successfully deliver our shared strategic goals. Our new strategy will test the advances we have already made to date, and challenges us to go even further. The climate crisis, and our strategy to help tackle it, provide an urgent rationale.

Engagement with the public

Asking landowners and local communities to accept new infrastructure is challenging. Our aim is to achieve the highest standards of engagement, and to deliver better results as a consequence. We will enhance our role in educating on climate change, and we will respond in meaningful and persuasive ways to fears and concerns.

We made significant progress in this area in the last financial year. To provide a solid platform for our engagement and to raise awareness and understanding of what we do, EirGrid rolled out a new advertisement campaign in Ireland. This was entitled “Grid of Life”, and was launched in late 2018. The campaign depicts the role of electricity in scenes of everyday life. It demonstrates how critical EirGrid’s role is in keeping this electricity flowing across the country.

This campaign ran throughout the year. It appeared on TV, in cinemas, on national and local radio, and digital and social media. It reached a wide audience, including over half a million impressions on Twitter and two million impressions on Facebook leading to an increase in awareness and understanding.

Opposite page: The launch of the Knockanure community fund in 2019.

From an engagement perspective it has been a busy year. Our mobile information centre and liaison team continued to travel around the country. We provided updates at local agricultural events on key projects such as the North South Interconnector.

These included the Castleblayney Agricultural Show in Monaghan and the Virginia Agricultural Show in Cavan. We also updated members of the public and stakeholders on the North Connacht project at the Bonniconlon Agricultural Show. Finally, we attended the National Ploughing Championships on three beautiful days of sunshine in September.

We also carried out eight weeks of consultation on the Celtic Interconnector project.

We looked for feedback on a short-list of three proposed landfall locations for the cable and six proposed location zones for the converter station in east Cork.

In Northern Ireland, we also continued our engagement in relation to our grid projects at several agricultural events. These included the Balmoral Show, the Armagh Show, the Omagh Show and the Clogher Valley Show. Our stands were busy, and our agricultural liaison team answered many questions from the public. Our work at these shows deepened our relationship with landowners and the wider community.

Our regional offices in Armagh, Carrickmacross and Castlebar have remained open. We are always happy to receive members of the public in our regional offices and to answer any questions they might have.

Our community fund programme has continued to go from strength to strength. Last year we awarded over €70,000 to community groups in north Kerry as part of the Knockanure-Duagh Community Fund. The money was used for a wide range of community initiatives. These included the purchase of a defibrillator and training on its use. It also funded basketball equipment for a junior team, and the purchase of laptops for an after-school club.

In recent years, our organisation has taken great care to ensure the material with which we communicate with the public is accessible. This effort was recognised at the Plain English Awards during the year. We received two awards this year in the 'Highly Commended' category for two of our infrastructure project brochures.

Political engagement

At a political level, we continued to engage with elected representatives. We do so to inform them of our activities, and so we can answer queries from their constituents. We engaged with local authorities, regional assemblies, the Oireachtas, and with European Union representatives.

We also appeared at a number of Oireachtas Committee meetings throughout the year.

These included the Committees on Communications and on Climate Action and Environment. We also appeared before the Climate Change Committee as they deliberated on the report from the Citizen's Assembly.

In Northern Ireland, SONI continued to engage despite the absence of the Stormont Executive.

Our team engaged with members of the NI Civil Service across various departments. Through sharing knowledge and data, SONI is supporting the Department for the Economy as they shape their updated energy policy. In addition, we continued to educate and inform elected representatives in Northern Ireland. This spanned local government, Stormont and Westminster.

We also engaged with representatives and members at party conferences, and held briefings at constituency offices.

We have and will continue to engage with broad range of stakeholders in relation to Brexit. It creates a potential for uncertainty in our operations, but we are planning on the basis that Brexit will not materially impact our activities.

This reflects assurances from the UK and Irish Governments, as well as the EU. All have stated their commitment to maintaining the all-island Single Electricity Market.

Our sponsorships and supports

EirGrid and SONI carried out a number of sponsorships in 2019. The aim of these activities is to raise awareness and understanding of what we do while giving something back.

We continued our sponsorships at grassroots level. This included our main sponsorship programmes with Monaghan United Cavan Football Partnership, the Hinterland Festival in Kells and the Ed Reavy Music Festival in Cavan. Other small sponsorships last year included Meath Chambers, Armagh Hockey Club, Carrick on Shannon Carnival Committee and Youth Work Ireland in Cavan Monaghan.

Above: EirGrid success at the NALA Plain English Awards, 2019.

2019 was the fourth year of the EirGrid GAA U20 Football Championships. In Northern Ireland, we continued our sponsorship of the Ulster Rugby Premiership. We built on our partnership with Armagh RFC by delivering the well-supported Armagh Blitz event. Over 1,400 children from all parts of the country took part in this one day tournament.

These partnerships give us a platform to engage with communities. They also increase awareness and understanding of our work in the region.

Removing barriers to education is one of our key CSR focus areas. In support of this, SONI extended its partnership with Book Trust NI. This promotes early years' literacy by providing book packs to families to encourage reading together.

EirGrid also partnered with the DCU Access Programme to support students from a socio-economically disadvantaged background.

Finally, we participated in the 'Access to the Workplace' programme. This sees DCU Access students carrying out summer internships in EirGrid. SONI also hosts several week-long work experience placements for Northern Ireland students throughout the year.

Customers and stakeholders

A key highlight of the year was engaging with our customers and stakeholders about our future strategy. We carried out this work as part of the development and roll-out of the new EirGrid Group strategy, launched in September 2019.

As part of EirGrid and SONI's new strategy development process, we held executive level meetings with 35 organisations. These ranged across the spectrum of stakeholders in Ireland and Northern Ireland.

In Ireland, this included ESB, the National Advisory Committee, Chambers Ireland, the Sustainable Energy Authority of Ireland, the European Commission and IBEC. In Northern Ireland, we sought the views and insights of NIE Networks, the Ulster Farmers Union, the Northern Ireland business community, the energy industry and Consumer Council Northern Ireland.

Above: Daniel Caines from our liaison team meets members of the public at the National Ploughing Championship.

Another key event of the year from a stakeholder perspective was SONI's engagement with the Stakeholder Expert Challenge Group.

This group was established by the Utility Regulator in Northern Ireland as part of the SONI Price Control process.

This group was made up of independent stakeholders who have in-depth industry experience and knowledge of the Northern Irish electricity sector. This was an important milestone in the commencement of engagement on the next Price Control period. It also provided a good opportunity for SONI to set out clearly where it expects to go over the next five year period.

EirGrid also welcomed the creation by the CRU of the Networks Stakeholder Engagement Evaluation Panel.

This is composed of CRU staff, industry and wider stakeholders. The panel were tasked with assessing and scoring the network operators.

The aim was to assess the quality, implementation and effectiveness of their stakeholder engagement strategies. EirGrid was pleased to be awarded a score of 7.14 out of a possible 10 by the Panel for its activities in 2018.

We also welcomed the feedback of the panel on potential areas of focus into the future. As continuous improvement is a principle that underpins all our work we are striving to attain a higher score in 2019.

We continued to grow our relationships with the business community. This helps us better understand the challenges they face and assists us in planning for future electricity use. In Northern Ireland, we engaged with the Confederation of British Industry, the Institute of Directors, NI Chamber, the Federation of Small Businesses, Retail NI and Londonderry Chamber.

In Ireland we engaged with the IDA, IBEC, the Electricity Association of Ireland, Chambers Ireland and many of the local chambers around the country.

Being a responsible business

Business in the community

In 2019, EirGrid was once again very involved with the Business in the Community Ireland Leaders' Group on Sustainability.

EirGrid co-chairs the Low Carbon Economy sub-group with Gas Networks Ireland. This Group was responsible for developing the 'Low Carbon Pledge'.

This pledge commits companies to halve their greenhouse gas emissions by 2030. EirGrid was proud to sign this pledge in 2018, and the first collective progress report was published in June 2019.

Also in 2019, EirGrid achieved the Business Working Responsibly Mark for the fourth time. This is an external validation that we prioritise corporate social responsibility and sustainability. Most importantly, this achievement was a team effort. People all across the business played their part to input into the submission, gather evidence, and undergo the audit.

Our CSR pledges

EirGrid Group is committed to being a socially responsible business. 2019 was the second year of our corporate social responsibility strategy. The strategy is based on five pledges for excellence. Activities under each pledge this year included:

Principles

We added sustainability as a core CSR focus area. This sits alongside education and community infrastructure.

Power

We developed an information video to mark the end of the 'Power Off and Save' programme in late 2018.

Opposite Page: Fergal Keenan, agricultural liaison officer, meets members of the public at the Armagh Show.

This pilot programme took place across Ireland between 2016 and 2018. It educated consumers on the options that EirGrid uses to manage the grid, and rewarded them for reducing their energy use at times of high demand.

Preservation
EirGrid Group signed the Marine Grid Declaration. The Declaration pledges to develop marine projects in line with principles of nature conservation and early stakeholder engagement.

Positivity
We launched 'Give Time, Get Time' a competition for staff in SONI and EirGrid to win paid days' volunteering with a charity of their choice.

People
Our diversity programme aims to ensure that we attract and retain a diverse range of talent across all of our businesses.

We are particularly focused on improving gender diversity across the group and at all levels. We support this aim with several initiatives. These include partnering with Professional Women's Network Dublin, our graduate entry programmes and our development and training schemes. We also ran related events on International Women's Day and carried out a social media campaign highlighting our key female talent.

Running a community fund

“

Accepting new overhead transmission lines can be a big ask for nearby communities. That’s why on these projects we set up an EirGrid community support fund. They recognise the local knowledge, support and co-operation that we depend on.

Recently, EirGrid developed a new substation and some connecting overhead lines at Kilmorna in North Kerry. To thank the local community for their input and support on this project, we established the Knockanure-Duagh fund, which was worth €70,500.

This was the first Community Fund I worked on. We ran this fund in partnership with Kerry County Council. We asked the local communities to identify projects that could use this fund.

We want to give grants so they benefit as much of the community as possible - so we looked for community education projects, or plans for local amenities. There were applications for nearly double the total fund amount, so the independent assessment team had to choose carefully.

We announced the successful projects at an event in Knockanure Community Centre in October 2018. It was great to be back to share the good news with the community.

In total, this fund awarded grants to 13 projects. They ranged from a public walkway around the pitch in Duagh GAA Club, to a community garden in Scoil Chorp Chríost.

We also funded some disabled parking spaces at the Knockanure Community Centre. I got to see the workers completing them when we went down with our giant cheques for the launch!

It’s been one year since these grants, so now we’re getting updates from the groups we funded. It’s really satisfying to see what a wide and positive impact this fund has made.

”

Derval O’Brien
Corporate Social Responsibility Programme Manager
Watch here: **bit.ly/EirGrid_Community_Fund**

CSR Achievements 2019

PRINCIPLES

80,000

sheets of paper saved in 2019 through electronic tendering resulting in approx.

333kgs of CARBON SAVINGS

€4 MILLION

paid to the

Irish Exchequer

EirGrid received the **'Business Working Responsibly Mark'** for the 4th time

SONI

shortlist

shortlisted in the **Responsible Business awards**

POWER

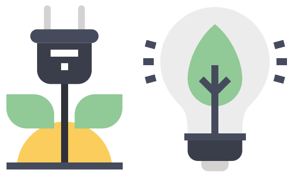
Northern Ireland met

40%

of electricity demand from renewable sources in the **12 months** to **October 2019**

Published scenarios for **future energy use** in Ireland and held **consultation on same** in Northern Ireland

EirGrid committed to 70% renewables target by 2030 as outlined in **Strategy 2020-2025**



PRESERVATION

EirGrid **achieved a 42% reduction** in its energy use against baseline, **exceeding its 33% target**

Sowed wild flower meadow in SONI

INTRODUCED **compostable food containers** in EirGrid

Supported **Friends of the Earth 'Solar for Schools'** programme

POSITIVITY

23% increase in corporate volunteering hours

€110,878 donated to charities & community groups across Ireland & Northern Ireland

41 days of community consultation on key infrastructure projects

LAUNCHED NEW 'Give Time | Get Time' volunteering programme

PEOPLE

0 ZERO workplace accidents

International Women's Day activities in Belfast and Dublin

SKILLS DEVELOPMENT

Engineering, Business, Economics, IT (Multidisciplinary Graduate Programme), **Internship and Work Placement Programmes**

Early-career programme opportunities to start a career in the **energy sector**

DIVERSITY & INCLUSION

32 different nationalities

Value our people and enable them to deliver our ambitions

At EirGrid Group, we are proud of our people and their achievements. That's why we've featured their stories throughout this report. Throughout 2019, we also carried out day-to-day work to make sure our team could deliver on our ambitions.

This year we refreshed our staff recognition programme 'Going the Extra Mile'. We expanded the programme to include more categories of work across the Group.

Staff members nominate individuals or teams who exemplify any one of our values and put them forward for recognition.

At EirGrid Group, we place significant emphasis on the development of our people.

As a result, we run our "EirSkills" staff and leadership development programmes every year. 343 team members participated in a training programme this year.

We continually refine and improve the training and development programmes we offer. This ensures the interventions align with our strategy and meet the needs of our people.

This year we delivered a new programme for our customer-facing staff members. Titled 'Managing Community Relations', this is a highly interactive and practical course.

Core to the delivery of the EirGrid Group strategy is an engaged workforce. We have a busy annual calendar of events. These include International Women's Day celebrations, 'Going the Extra Mile awards', group induction programmes and sports & social events.

In September 2019, we held a series of "Wellness Week" initiatives with the emphasis on physical and mental well-being. Staff engaged in workshops, speaker events, fitness classes and health checks.

The highlight of the week was an on-site spinning challenge for all levels of ability - where many in EirGrid and SONI donned their Lycra and fitness wear for the day!

We are embracing digitalisation through the use of social media and the internet. We use these channels to enhance our corporate brand as an employer of choice and to attract top talent.

We have introduced the use of technology-driven assessment centres in graduate recruitment. This has both reduced our environmental impact and increased our efficiency. Over the next two years, we will seek to pilot this process in our wider recruitment drives.

This year we welcomed a large intake of graduates in September. They have been deployed across the group through our diverse and engaging graduate programme.

Strategy development

This year we placed a particular focus on staff engagement for the Group 2020-25 Strategy. We sought out feedback and insights from individuals across the group in a process that saw many staff contributing to the strategy. We also conducted research projects on information technology and also on culture. We did this to understand the key trends and their potential strategic impact for EirGrid and SONI.

We also held a series of semi-structured interviews. These were held with other transmission systems operators, technology companies and Irish semi-states.

We also engaged and informed staff on how the strategy development was progressing throughout the year. The strategy launch in September recognised staff contributions towards building the strategy. It also generated considerable excitement about the opportunities ahead.

Information Technology

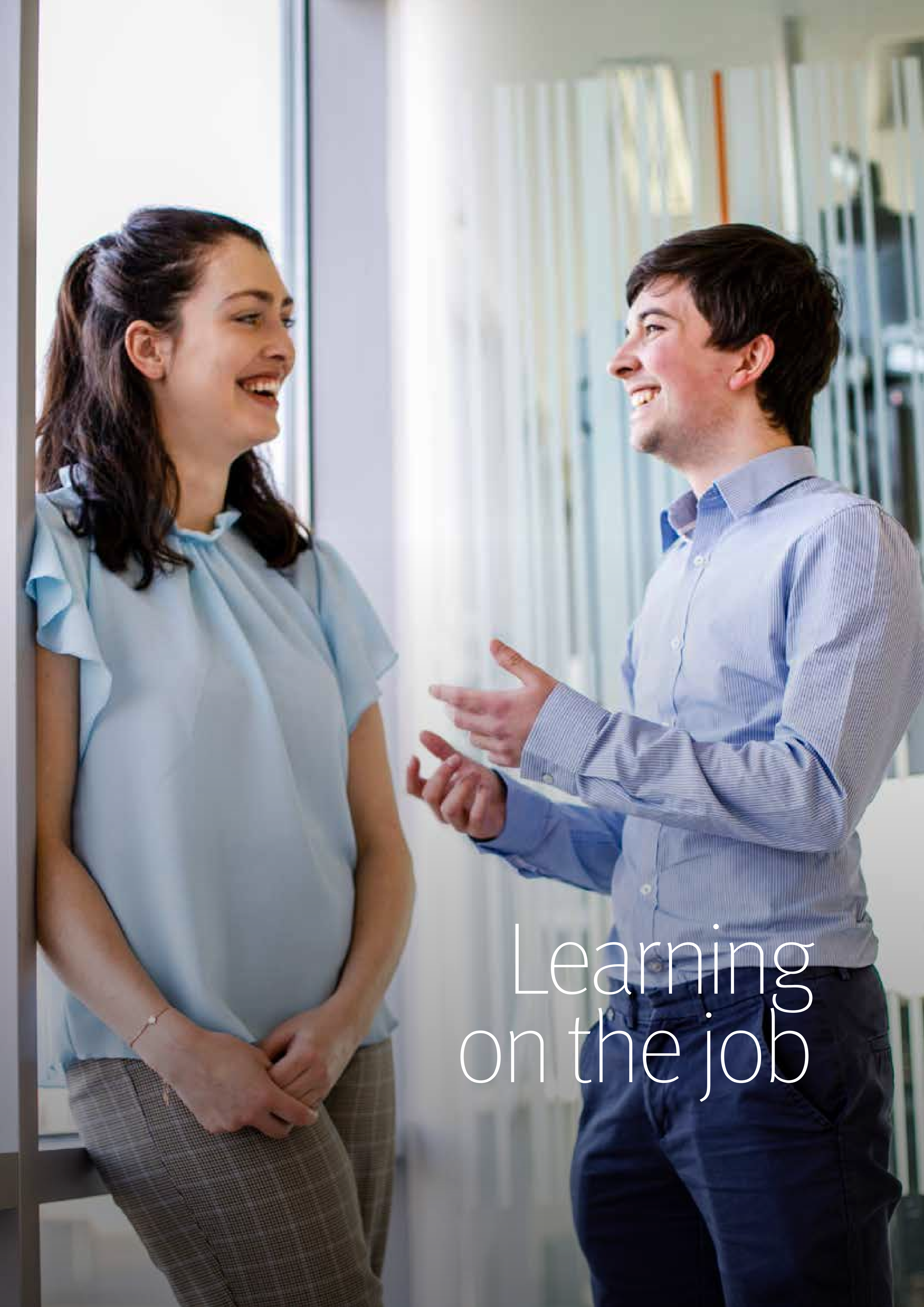
A suite of highly complex, interdependent IT systems underpin our core functions. The performance of these systems is essential to help our people achieve our strategic goals.

To assess the effectiveness of our critical systems, we measure their availability. The energy management system and the newly integrated Single Electricity Market systems held a 99%+ availability in 2019.

The focus of 2019 was in transitioning the market systems to normal operations. This followed the integration of the Single Electricity Market with wider European energy markets on October 1st 2018.

We improved our service capability in several ways. This included the creation of a service catalogue, assigning service ownership, and reviewing our service management processes. We also moved to operate a 24x7 on-site IT service to support the new market.

We also developed an innovative IT data visualisation tool. This tool enables data exploration and advanced analytics, and has proved very useful in analysing price spikes. It also automates the creation of a number of reports relating to the operation of the Single Electricity Market.



Learning on the job

“The main reason I wanted to work in EirGrid Group was you get the opportunity to work across a range of disciplines. Also, it has an inspiring focus on sustainability.” **-** *Rachel*

"I was lucky enough to spend my university placement year working for SONI. I really enjoyed learning about the technical challenges of operating the transmission system. Given this, I was thrilled to gain a place on the graduate programme following the completion of my studies in power systems engineering." - *Matthew*

"The graduate programme offers a really broad experience. I studied Commerce in UCD, so I can apply my learning in many ways. Working here, I get exposed to lots of disciplines - I'll work with three different teams in two years." **-** *Rachel*

"I've worked across two teams at SONI so far. First in the access planning team, and now in energy systems analysis. In this role I'm working on modelling the European transmission system for a variety of economic scenarios. These scenarios help European transmission systems decide how to meet renewable energy targets. It's a big learning curve, but the people in SONI have been really generous in sharing their insights and skills to support me in this challenge." - *Matthew*

"My main role now is internal comms and employee engagement. In my first placement, I worked on the launch of the new strategy to 500 employees in both Dublin and Belfast. That was a highlight. In my job, I ensure that employees understand how their work plays a critical role in delivering the strategy. This means I'm connecting with staff across the seven directorates - including the senior leadership team - which is very rewarding experience." - *Rachel*

"The amount of responsibility the company has taken on is inspiring. It’s an exciting time to be a power engineer. It's also great to know we are making a real difference by transforming the power system for future generations." - *Matthew*

Rachel Harrington & Matthew Whiteside
Graduate programme participants
Watch here: **bit.ly/EirGrid_Graduates**

Board of EirGrid Group

Back Row, left to right:
Liam O'Halloran, Lynne Crowther, Tom Coughlan, John Trethowan, Michael Hand, Shane Brennan, Michael Behan.

Front Row, left to right:
Eileen Maher, Brendan Tuohy, Dr Theresa Donaldson, Mark Foley.

Board of EirGrid Group

Brendan Tuohy
Chairperson
Brendan Tuohy was appointed to chair of the EirGrid Board in November 2019. He served as Secretary General of the Department of Communications, Energy and Natural Resources from 2000-2007. Since then, he has been a director of several boards of companies.

He holds a degree in Civil Engineering from University College Cork, and postgraduate qualifications in environmental engineering and management from Dublin University Trinity College. He is a Chartered Engineer, Fellow of the Institution of Engineers of Ireland and a Fellow of the Irish Academy of Engineering.

Brendan is also currently chairman of MAREI (the Science Foundation Centre for Climate, Energy and Marine); Chairman of TILDA (Irish Longitudinal Study on Ageing); Chairman of the UN body Global eSchools and Communities Initiative and Chairman 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 with the Institute of Directors.

She holds Non- Executive Director roles with NI Probation Board, NI Equality Commission and the Centre for Effective Services.

She is a member of the Lord Chief Justice Solicitors' Disciplinary Panel for NI and is a member with NI Appeals Committee for BBC Children in Need. She was Chief Executive of Lisburn & Castlereagh City Council (June 2014-September 2018) and Chief Executive of Craigavon Borough Council (2010-2014). Prior to this Theresa 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 of the public sector having served as chairman of various committees and boards at national and local levels.

Tom is the Chairperson of the Health and Safety Authority and non- executive Director of Fáilte Ireland. He is a lay member of the Complaints and Client Relations Committee of the Law Society of Ireland, an Associate Tutor with the Institute of Public Administration, and a member of the Institute of Directors of Ireland.

Lynne Crowther

Board Member

Lynne is an experienced social media consultant who has developed and implemented award winning online content for many blue chip organisations.

She has worked on local, national and international initiatives for a wide range of companies and provides guidance, training, mentoring, activation and evaluation.

Lynne also 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 five years. Michael has extensive experience over 30 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.

He has also acted 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. He has also worked with distinction as a volunteer and Director in the voluntary community sector.

Michael is highly qualified in Engineering and Business. He holds a Degree in Civil Engineering from NUIG and a Masters in Business Administration from UCD. In 2014, he was conferred with an Honorary Doctorate by TU Dublin in recognition of his contribution as an engineer, a public servant and as a servant to his community. 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 having spent the past 30 years in the telecoms industry. She is also a member of the Board of Nama and the Compliance Committee of the Broadcasting Authority of Ireland.

She was the Director of Strategy and External Affairs in Vodafone. She has strong strategic, commercial, transformation, regulatory and legal experience. She has a track record for developing and executing key strategic infrastructure projects. She also has a history of negotiating commercial joint ventures, partnerships and acquisitions.

Liam O'Halloran

Board Member

Liam O'Halloran has extensive senior management experience in multinational electronic and telecommunications companies. Liam previously held the position of Senior Vice President of DEX Europe, a US based company providing repair and logistics services to major electronics multinationals and Vice President of European Operations for Jabil Global Services, a global electronics services company.

Liam was also Director of Customer Operations and Regulation at Magnet Networks and later served as Executive Chairperson of ALTO, the Association of Alternative Telecommunications Operators. He is a Director of Alcomis, a company development consultancy with clients in Electronics, Software, Distribution and Services sectors.

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John Trethowan

Board Member

John Trethowan is a native of County Down, and is married with one son. He is a career Banker, and is currently the Head of the Credit Review Office, which provides an appeals mechanism for Small Businesses and Farms which have been refused bank credit in Ireland. He is also a Commissioner of the Central Bank of Ireland, where he is a member of its Audit Committee and Risk Committee. John chairs the EirGrid Audit Committee, and is a member of the Risk Committee. He has extensive Boardroom experience in Banking, Public Transportation, Public Healthcare and in the Voluntary Sector.

Michael Behan

Company Secretary (Interim)

Michael Behan was appointed Company Secretary of EirGrid on an interim basis in April 2019. He also holds the Group Financial Controller role for the EirGrid Group. He is an experienced Chartered Accountant with over 25 years' experience in industry and audit practice. He is a Fellow Chartered Accountant and holds a Diploma in Corporate Finance.

Our Executive Team

Jo Aston
Managing Director, SONI.
Jo Aston joined EirGrid Group as Managing Director of SONI Ltd in May 2019. Jo joined from the Utility Regulator, where she most recently served as Director of Wholesale Energy Regulation for more than five years. In this role, she was responsible for the regulation of the Single Electricity Market (SEM) on the island, in partnership with the electricity regulator in the Republic of Ireland.

In 2018, Jo led a fundamental redesign of the Single Electricity Market. This involved the introduction of new arrangements to both increase competition and downward pressure on prices.

Prior to her work in the regulation of electricity, Jo was director of water regulation for seven years. She is a graduate of Queens University, Belfast, is a chartered civil engineer and has worked in the private and public sectors.

Rodney Doyle
Executive Director – Market Operations and General Manager, SEMO
Rodney Doyle was appointed Director of Market Operations and General Manager, Single Electricity Market Operator (SEMO) in July 2015 having previously held the position of Director of Information Services since February 2013.

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. Rodney has across his roles led projects to deliver major systems and policies which are in use today across the electricity market and the TSOs.

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 and before that worked in consultancy.

Rodney is a member of a number of key European TSO and market cooperation groups. Rodney has a BA (Economics), MA (Economics) and an MBA from UCD.

Mark Foley
Chief Executive
See biography on page 59.

Michael Mahon
Executive Director – Grid Development & Interconnection.
Michael Mahon joined EirGrid Group as Director of Grid Development and Interconnection in August 2019. In his role he is responsible for planning and consents for grid infrastructure across the island. This includes public consultation processes and landowner engagement.

He previously held the position of General Manager, ESB Smart Energy Services. Michael has 20 years' experience with ESB, with significant leadership experience in the delivery of major projects. He is also a Chartered Engineer with Post Graduate Diplomas in both Project Management and Management.

Robin McCormick
Director – Grid 2030.
Robin McCormick is Director of Grid 2030. Robin previously held the role of General Manager of SONI and of the Single Electricity Market Operator (SEMO).

He has significant experience in the power industry in a regulated utility environment. In his role as Director, he is responsible for the operation and planning of the power system in Ireland and Northern Ireland.

Robin is a fellow of the Institution of Engineering and Technology, Fellow of the Institution of Civil Engineers and Fellow of the Institute of Directors. He holds an MBA from the University of Ulster, Jordanstown, and an MSc from Napier University, Edinburgh.

Liam Ryan
Interim Executive Director – Grid Development & Interconnection
Liam Ryan was appointed Interim Director of Grid Development & Interconnection in November 2018. Prior to this, Liam was head of the Integrated Single Electricity Market transition, responsible for the overall readiness, transition and deployment of the market solution, which fully integrated the Single Electricity Market to Europe.

Liam also held a number of other positions in EirGrid including Head of Transmission Engineering & Maintenance, Head of Market Operations, Head of Power System Operational Planning and Head of Programme Management Office for developing the transmission grid. In all cases he lead the development of policies and innovations which are central to the performance of the market and system operator functions.

Before joining EirGrid, Liam held a number of senior engineering roles in Hewlett Packard manufacturing and innovation departments and before that worked in consultancy. Liam is a member of a number of key European TSO corporation groups. A graduate of Trinity College Dublin, he has a PhD and Bachelor of Mechanical Engineering and holds a Masters in Mathematics.

Aidan Skelly

Executive Director – Finance and Legal

Aidan Skelly was appointed Director of Finance and Legal in July 2015. Aidan previously held the position of Chief Financial Officer since June 2005. He was formerly Finance Director with Waterford Stanley Limited. He worked with Waterford Crystal from 1987 to 2002, during which time he held a number of finance and commercial 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. Aidan acted as Interim Chief Executive during the period from January to June 2018.

Rosemary Steen

Executive Director – External Affairs

Rosemary Steen was appointed Director of External Affairs in July 2015 having previously held the position of Director of Public Affairs since joining EirGrid in 2014. Rosemary also serves on the board of the European Movement. Rosemary has extensive Corporate Affairs, Government Relations and Corporate Social Responsibility experience from the Telecommunications, Utilities and Business Industry Body sectors. She has previously held senior positions in Vodafone, Shell and IBEC.

Rosemary has a BA in Economics and Philosophy from Trinity College Dublin, an MBS in Logistics and Manufacturing from University College Dublin and a Postgraduate Diploma in Legal Studies from Dublin Institute of Technology.

Siobhán Toale

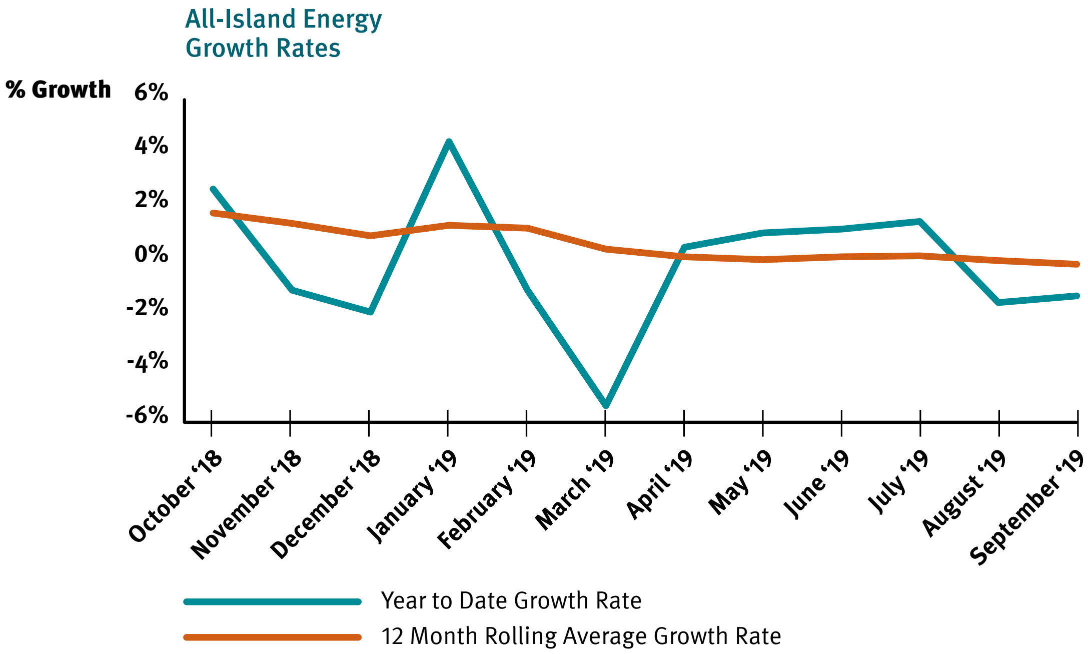
Executive Director – Human Resources and Corporate Services

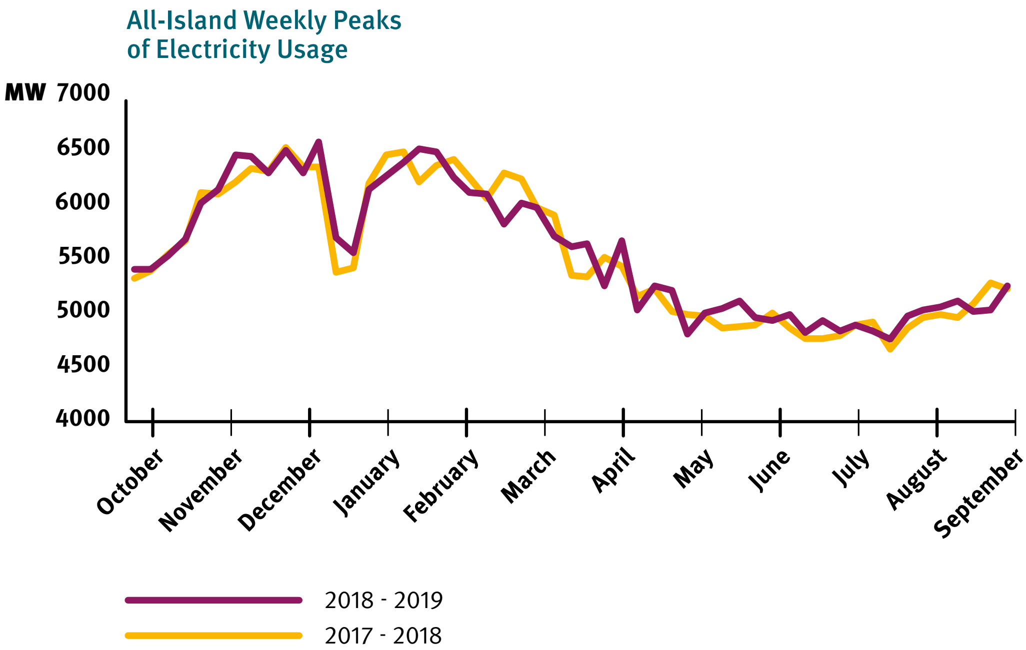
Siobhán Toale was appointed Executive Director Human Resources and Corporate Services in 2015 having previously held the role of HR Director.

In this role Siobhán is responsible for Information Systems, HR and Organisation Development with a remit to manage change and improve processes across the organisation.

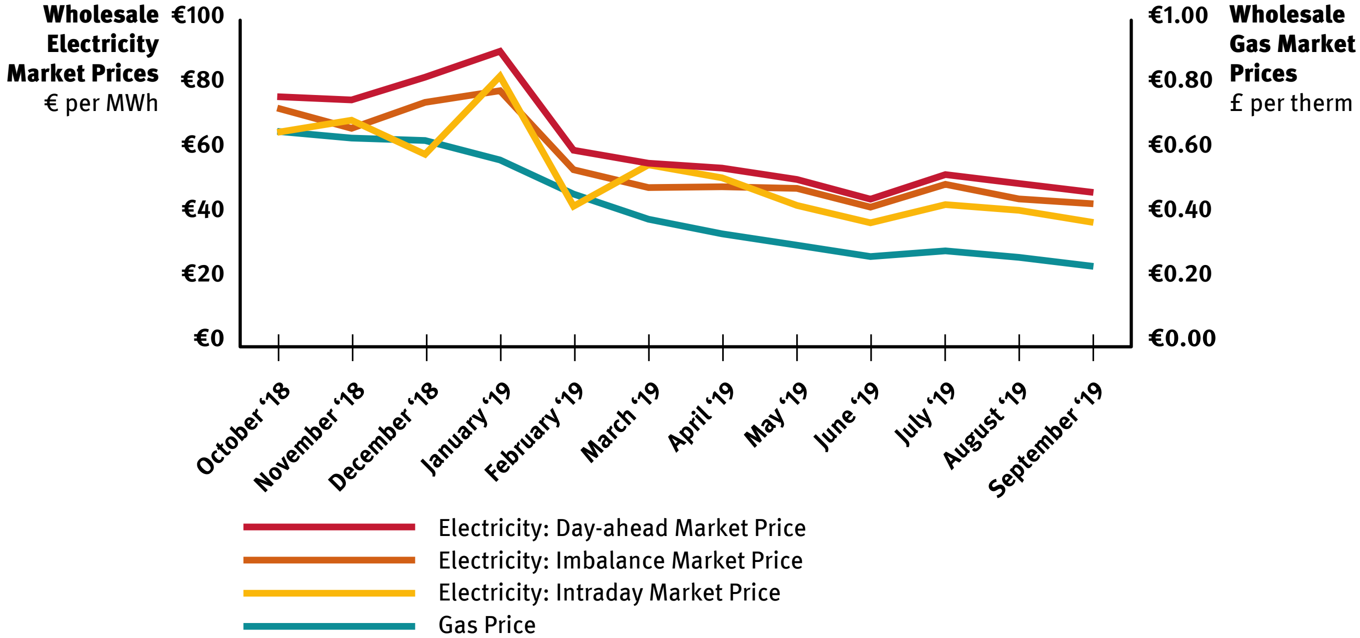
Prior to joining EirGrid, Siobhán held leadership positions in Eir,Telefonica O2 and Bank of Ireland. Siobhán has a BSc in Computer Science from Trinity College Dublin and an MSc in Organisational Behaviour from Birkbeck College, University of London. She is a Chartered Fellow of the Institute of Personnel Development.

Key Operations Data

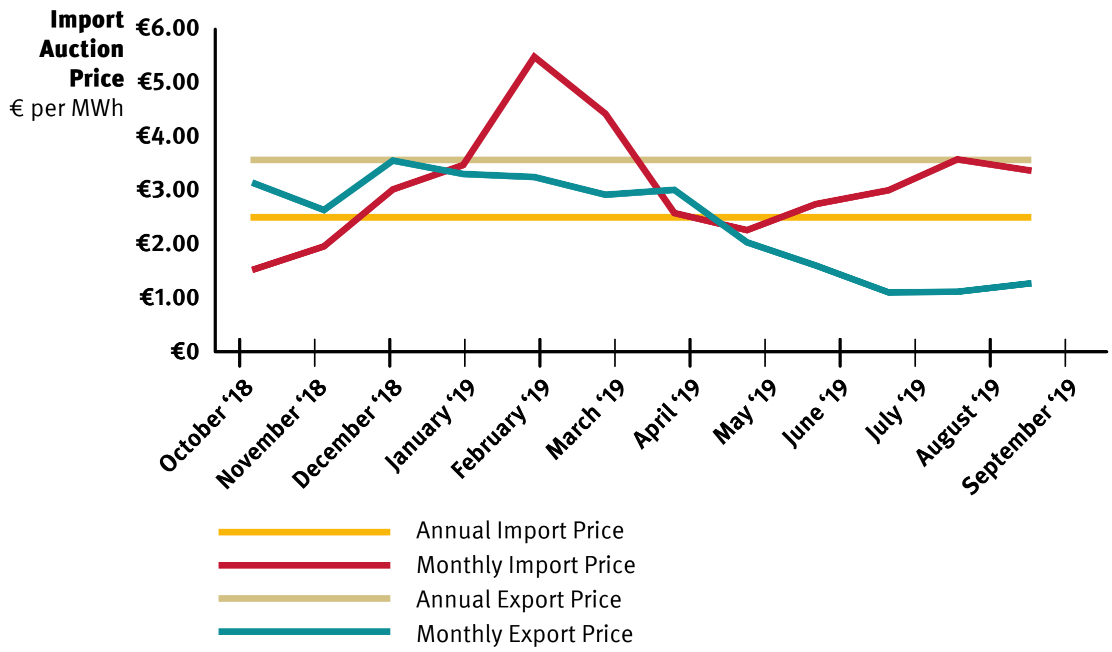




Electricity Prices
Compared to Gas Prices



Capacity Auction Price:
Monthly vs Annual Prices



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.

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
See "substation".

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.

Decarbonisation
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 in Ireland by the ESB. It delivers power from the transmission network to households and businesses.

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.

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

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.

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).

Monopoly provider
An organisation that offers a service without any competitors.

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.

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.

Réseau de Transport d'Électricité (RTÉ)
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.

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.

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.

Transmission line
A high-voltage power line running at 400 kV, 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 around 6,800 km of high-voltage power lines, cables and substations across Ireland. It links generators of electricity to the distribution network and supplies large demand customers. It is operated by EirGrid and owned by the ESB.

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.

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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 2019. The Group comprises of the Parent Company and its subsidiaries disclosed in note 29 (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.

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 and telecommunications activities on EWIC).

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 89 and the related notes 1 to 28.

The current period being reported on is the financial year ended 30 September 2019. The comparative figures are for the financial year ended 30 September 2018.

Commentaries on performance during the financial year ended 30 September 2019, including information on recent events and future developments, are contained in the Chairperson's Report and the Chief Executive's 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 Department of 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 €1.1m (2018: €1.1m) and overseas travel costs of €0.4m (2018: €0.4m). Settlement and related legal costs for the year were €nil (2018: €nil). Staff Welfare costs were €0.25m, of which external relations were €0.02m (2018: €0.22m, of which external relations were €0.01m).

External Support and Specialist Advisory Costs:

	Notes	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Electricity Market services	(i)	11,104	24,095
Legal services and advice		2,723	3,619
Transmission Network project services	(ii)	5,019	5,648
IT Systems Support	(iii)	500	323
Corporate Finance advice		403	1,256
Organisational & Actuarial advice		765	520
Other		1,841	591
Total		**22,355**	**36,052**
Costs charged to Income Statement		4,421	2,972
Costs capitalised		17,934	33,080
Total		**22,355**	**36,052**

Note (i): Electricity Market services include costs of implementing the new all-island electricity market arrangements known as new SEM reflecting the European target model. This target model arises from the EU's Third Energy Package and is a set of harmonised arrangements for the cross-border trading of wholesale energy and balancing services across different timeframes throughout Europe. The new SEM went live on 30 September 2018.

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 Communications, Climate Action and Environment 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.

Annual reviews are conducted of the performance of the Board and the Chairperson. 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.

Principles Of Good Governance (continued)

The Board conducts an annual review of the effectiveness of the system of internal controls including financial, compliance and risk management. As noted in the Internal Controls section of 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 2019

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 Committee, the Remuneration Committee, the Grid Infrastructure Projects Committee, the Public Affairs Committee and the Risk Committee. During the financial year the Board reviewed the remit of each of the committees.

The Audit Committee's function is to assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, the system of internal control, the audit process, monitoring the independence of the auditors and compliance with laws and regulations including the Code of Practice for the Governance of State Bodies. 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 Department of Public Expenditure and Reform and the Department of Communications, Climate Action and Environment. The Remuneration Committee approves the structure of remuneration for Senior Management.

The Grid Infrastructure Projects Committee's function is to oversee the implementation of grid development strategy and review infrastructure projects which are expected to come forward for approval to the Board.

The Public Affairs Committee's function is oversight of public affairs and stakeholder engagements across the Group.

The Risk Committee's function is to oversee and monitor the Risk Management Policy and Risk Management Framework, review EirGrid's risk appetite and review the effectiveness of responses to key risk exposures.

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 2019.

	Eligible to Attend	Attended
John O'Connor (Chairperson - retired 11 November 2019)	11	11
Mark Foley	11	11
Tom Coughlan	11	11
Shane Brennan	11	11
Lynne Crowther	11	10
Theresa Donaldson	11	10
Michael Hand	11	10
Eileen Maher	11	11
Liam O'Halloran	11	11
John Trethowan	11	10

Members of the Board at the date of signing of the financial statements were Brendan Tuohy (Chairperson – appointed 12 November 2019), Mark Foley, Tom Coughlan, Shane Brennan, Lynne Crowther, Theresa Donaldson, Michael Hand, Eileen Maher, Liam O'Halloran, and John Trethowan.

Audit Committee

There were 6 Audit Committee meetings held during the financial year ended 30 September 2019. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John Trethowan (Chairperson)	6	6
Tom Coughlan	6	6
Michael Hand	6	5
Eileen Maher	6	6

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

Remuneration Committee

There were 9 Remuneration Committee meetings held during the financial year ended 30 September 2019. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson - retired 11 November 2019)	9	9
Liam O'Halloran	9	9
Theresa Donaldson	9	8

Members of the Remuneration Committee at the date of signing of the financial statements were Brendan Tuohy (Chairperson – appointed 12 November 2019), Liam O'Halloran and Theresa Donaldson.

Attendance at Meetings (continued)

Grid Infrastructure Projects Committee

There were 4 Grid Infrastructure Projects Committee meetings held during the financial year ended 30 September 2019. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Michael Hand (Chairperson)	4	3
John O'Connor (Retired 11 November 2019)	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), Brendan Tuohy (Appointed 12 November 2019), Tom Coughlan, and Lynne Crowther.

Public Affairs Committee

There were 4 Public Affairs Committee meetings held during the financial year ended 30 September 2019. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Theresa Donaldson (Chairperson)	4	4
Shane Brennan	4	4
Lynne Crowther	4	4
Eileen Maher	4	4

Members of the Public Affairs Committee at the date of signing of the financial statements were Theresa Donaldson (Chairperson), Shane Brennan, Lynne Crowther and Eileen Maher.

Risk Committee

There were 4 Risk Committee meetings held during the financial year ended 30 September 2019. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Liam O'Halloran (Chairperson)	4	4
Shane Brennan	4	4
John Trethowan	4	4
John O'Connor (Retired 11 November 2019)	4	4

Members of the Risk Committee at the date of signing of the financial statements were Liam O'Halloran (Chairperson), Shane Brennan, John Trethowan and Brendan Tuohy (Appointed 12 November 2019).

Principal Risks And Uncertainties

Risk Management

The Group has in place an appropriate risk management process that identifies the critical risks to which it is exposed and ensures that appropriate risk mitigation measures are taken. The Directors continually carry out robust assessments of the principal risks facing the Group. The Group's internal audit function continually reviews the internal controls and systems throughout the business and makes recommendations for improvement to the Audit Committee. The Group has a Risk Committee in place to oversee and monitor the Risk Management Policy and Risk Management Framework, review EirGrid's risk appetite and review the effectiveness of responses to key risk exposures.

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. 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 19% 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.

Principal Risks And Uncertainties (continued)

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.

System and Market Operations

The Group is responsible for the secure operation of the transmission systems in Ireland and Northern Ireland, interruption to which could pose a risk to the essential services of 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 ESB as the Transmission Asset Owner in Ireland;
- Transmission System Security and Planning Standards, supported by a Transmission Interface Arrangement with 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

EirGrid operates two defined benefit schemes for qualifying employees. 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 2019, before deferred tax, is €50.6m (2018: €32.4m). 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. 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. It also continually assesses 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.

Principal Risks And Uncertainties (continued)

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.

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 main area of focus has been the continued operation of the SEM and in particular the operation of the day ahead auction between the SEM and the rest of Europe. The services provided by the East West Interconnector could also be impacted. EirGrid continues to work closely in this regard with the relevant Government Departments in Ireland and the Northern Ireland and with the respective regulators.

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. Security Awareness training is rolled out to all staff and we have ongoing IT 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 cyber security matters and on preparations for complying with the Network and Information Systems (NIS) Directive.

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 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. And while 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 new strategy which consists of a set of key goals, underpinned by our purpose.

Other – Non Financial Information (continued)

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.

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.

Internal Controls

An internal control system encompasses the policies, processes, tasks, behaviours and other aspects of a Group that, taken together:

- 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 Board has overall responsibility for the Group's systems of internal control and for monitoring their effectiveness and in this regard the Board's objective is to maintain a sound system of internal control to safeguard shareholders' interests and the Group's assets. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. In order to discharge its responsibility in a manner which ensures compliance with legislation and regulations, the Board established an organisational structure with clear reporting procedures, lines of responsibility, authorisation limits, segregation of duties and delegated authority.

Internal Controls (continued)

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

- Defined policies and procedures in relation to expenditure and treasury matters;
- Timely financial reporting on a monthly basis;
- 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;
- An Audit Committee that considers reports and Financial Statements before submission to the Board;
- Regular performance of a risk management process;
- Procedures to ensure compliance with laws and regulations; and
- A Risk Committee to assist the Board in fulfilling its oversight responsibilities relating to the management of risk.

The Group has put in place a framework for monitoring and reviewing the effectiveness of internal controls, including its risk management process. 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 the course of this review, the Board has not identified, nor been advised of, any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

The Group has an internal audit function which delivers an annual programme of audits to ensure that there are effective controls operating across key financial processes and those areas of higher risk exposure. The Group's Head of Internal Audit & Compliance reports to the Audit Committee quarterly and, on an annual basis, presents an assurance statement on the effectiveness of internal control, risk management and corporate governance. Under the internal audit arrangements in place, Internal Audit has access to external specialist resources to support its activities.

Directors' Remuneration

The Financial Statements include €122,000 (2018: €122,000) for Chairperson's and Directors' fees, in accordance with the Department of Finance approved levels of remuneration for the Chairperson and Board Members of State Bodies and the revised arrangements for payment of board fees to public sector employees under the Department of Public Expenditure and Reform's "One Person One Salary" Principle. In 2009 the Department of Communications, Climate Action and Environment issued an instruction that Chairperson and Directors' fees be reduced. Prior to this instruction being issued the Chairperson and Directors had already decided to take a voluntary 10% reduction in their fees. Under the approved remuneration levels, the Chairperson's fees were equivalent to €21,600 per annum during the financial year (2018: €21,600 per annum). Directors' fees were equivalent to €12,600 each per annum during the year (2018: €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 Department of Public Expenditure and Reform and the Department of Communications, Climate Action and Environment.

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.

Directors' Remuneration (continued)

Chief Executive's Remuneration:

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Basic salary	200	206
Annual Bonus	-	-
Taxable benefits	13	15
Pension contributions paid (all defined benefit)	40	39
Director's fees	-	-
Total	**253**	**260**

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 (2018: €4,000,000) for the financial year ended 30 September 2019.

Directors' And Secretary's Interest In Shares

The Directors and Secretary who held office between 1 October 2018 and 30 September 2019 had no beneficial interest in the shares of the Group.

One ordinary share of the Company is held by the Minister for Communications, Climate Action and Environment 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 2019, John O'Connor, Mark Foley and Michael Behan 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.

Going Concern

The Financial Statements are prepared on a going concern basis as the Board, after making appropriate enquiries, is satisfied that the Group has adequate resources to continue in operation for the foreseeable future.

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 27 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.

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:

18 December 2019

Brendan Tuohy
Chairperson

John Trethowan
Chairperson Audit Committee

Mark Foley
Chief Executive

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 2019 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 framework 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 28, 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;
- the Company Cash Flow Statement; and
- the related notes 29(A) to 29(X), including a summary of significant accounting policies as set out in notes 2 and 29(A).

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 (IFRS) as adopted by the European Union ("the relevant financial reporting framework applicable to the group"). 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 ("the relevant financial reporting framework applicable to the company").

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.

Independent Auditors' Report To The Members Of EirGrid Plc (continued)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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.

Independent Auditors’ Report To The Members Of EirGrid Plc (continued)

Auditor’s responsibilities for the audit of the financial statements (continued)

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.
- 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.

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.

Independent Auditors' Report To The Members Of EirGrid Plc (continued)

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 those parts of the directors' report as specified for our review is consistent with the financial statements and 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 the 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 2019. 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 financial 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 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.

Ciarán O'Brien

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

20 December 2019

Consolidated Income Statement

For The Financial Year To 30 September 2019

	Note	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Revenue	3	747,825	758,432
Direct costs	3	(495,284)	(572,160)
Gross profit		252,541	186,272
Other operating costs	5	(139,199)	(103,356)
Operating profit		113,342	82,916
Interest and other income	6	110	-
Finance costs	6	(17,490)	(17,098)
Profit before taxation	8	95,962	65,818
Income tax expense	9	(16,315)	(8,531)
Profit for the year		**79,647**	**57,287**
Profit attributable to:			
Owners of the Parent Company		79,647	57,287

Consolidated Statement Of Other Comprehensive Income

For The Financial Year To 30 September 2019

	Note	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Items that may be reclassified subsequently to profit or loss:			
Movement in unrealised (loss)/gain on cash flow hedges	25	(24,479)	9,383
Deferred tax attributable to movement in unrealised loss/(gain) on cash flow hedges	9	3,060	(1,173)
Currency translation differences		(99)	34
Total of items that may be reclassified subsequently to profit or loss		(21,518)	8,244
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	22	(15,324)	(6,283)
Deferred tax credit on remeasurement	9	2,022	800
Total of items that will not be reclassified to profit or loss		(13,302)	(5,483)
Profit for the financial year		79,647	57,287
Total comprehensive income for the year		**44,827**	**60,048**
Total comprehensive income attributable to:			
Owners of the Parent Company		44,827	60,048

Consolidated Balance Sheet

As at 30 September 2019

	Note	30 Sep 2019 € '000	30 Sep 2018 € '000
Assets			
Non-current assets			
Investments	11	406	356
Intangible assets	12	89,090	98,847
Property, plant & equipment	13	514,709	532,925
Deferred tax asset	9	24,285	18,850
Trade and other receivables	14	44,983	38,383
Total non-current assets		673,473	689,361
Current assets			
Trade and other receivables	14	255,008	140,541
Current tax receivable		233	1,170
Cash and cash equivalents	18	318,621	251,276
Total current assets		573,862	392,987
Total assets		**1,247,335**	**1,082,348**
Equity And Liabilities			
Capital and reserves			
Called up share capital presented as equity	17	38	38
Capital reserve		49,182	49,182
Hedging reserve		(88,875)	(67,456)
Translation reserve		120	219
Retained earnings		339,810	277,465
Total equity		300,275	259,448
Non-current liabilities			
Derivative financial instruments	24	101,571	77,092
Deferred tax liability	9	32,500	27,659
Trade and other payables	15	1,749	1,237
Grants	16	90,140	93,407
Borrowings	23	411,255	308,598
Retirement benefit obligations	22	50,642	32,375
Total non-current liabilities		687,857	540,368
Current liabilities			
Borrowings	23	19,776	15,886
Grants	16	3,228	3,750
Trade and other payables	15	236,199	262,896
Total current liabilities		259,203	282,532
Total liabilities		947,060	822,900
Total equity and liabilities		**1,247,335**	**1,082,348**

Approved by the Board and signed on their behalf:

18 December 2019

Brendan Tuohy
Chairperson

John Trethowan
Chairperson Audit Committee

Mark Foley
Chief Executive

Consolidated Statement Of Changes In Equity

For The Financial Year To 30 September 2019

	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 30 Sep 2017	38	49,182	(75,666)	185	229,661	203,400
Profit for the year	-	-	-	-	57,287	57,287
Other comprehensive income						
Remeasurements of defined benefit scheme net of deferred tax	-	-	-	-	(5,483)	(5,483)
Cash flow hedge net of deferred tax movement	-	-	8,210	-	-	8,210
Translation reserve movement	-	-	-	34	-	34
Dividends	-	-	-	-	(4,000)	(4,000)
Balance as at 30 Sep 2018	38	49,182	(67,456)	219	277,465	259,448
Profit for the year	-	-	-	-	79,647	79,647
Other comprehensive income						
Remeasurements of defined benefit scheme net of deferred tax	-	-	-	-	(13,302)	(13,302)
Cash flow hedge net of deferred tax movement	-	-	(21,419)	-	-	(21,419)
Translation reserve movement	-	-	-	(99)	-	(99)
Dividends	-	-	-	-	(4,000)	(4,000)
Balance as at 30 Sep 2019	**38**	**49,182**	**(88,875)**	**120**	**339,810**	**300,275**

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 2019

	Note	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Cash flows from operating activities			
Profit after taxation		79,647	57,287
Depreciation of property, plant and equipment	13	23,442	23,832
Amortisation of intangibles	12	21,563	2,028
Amortisation of grants	16	(3,789)	(3,313)
Interest and other income		(110)	-
Finance costs		17,490	17,098
Retirement benefit cost		7,382	6,117
Unrealised foreign exchange loss		348	794
Income tax expense		16,315	8,531
Pension contributions paid		(5,812)	(5,765)
Operating cash flows before movements in working capital		**156,476**	**106,609**
Movements in working capital			
(Increase)/decrease in trade and other receivables		(131,749)	14,333
(Decrease)/increase in trade and other payables		(7,464)	6,770
Cash from operations		**17,263**	**127,712**
Income taxes paid/(refunded)		(8,175)	3,838
Interest received		110	-
Net cash from operating activities		**9,198**	**131,550**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,990)	(10,680)
Purchase of intangibles		(21,761)	(29,485)
Investment acquisition		(50)	(356)
Grants		-	1,246
Net cash used in investing activities		**(26,801)**	**(39,275)**
Cash flows from financing activities			
Dividends paid		(4,000)	(4,000)
Borrowings drawndown		125,920	-
Borrowings repaid		(19,510)	(15,149)
Finance costs paid		(16,739)	(16,497)
Net cash used in financing activities		**85,671**	**(35,646)**
Net increase in cash and cash equivalents		**68,068**	**56,629**
Cash and cash equivalents at start of year		**251,276**	**194,783**
Effects of foreign exchange		(723)	(136)
Cash and cash equivalents at end of year	18	**318,621**	**251,276**

Notes To The Consolidated 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 72.

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. See 'Adoption of new standards' policy below in relation to IFRS 15, Revenue from Contracts with customers and IFRS 9, Financial Instruments.

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 2019 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 2019. The comparative figures are for the financial year ended 30 September 2018. Certain amounts in the balance sheet of the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements and there was no adjustment to profit and opening reserves.

2. Statement Of Accounting Policies (continued)

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 2018):

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 22 Foreign Currency Transactions and Advanced Consideration
- Amendments to IAS 28 Investments in Associates and Joint Ventures

The new standards, interpretations and amendments did not result in a material impact on the Groups results. However IFRS 9 and IFRS 15 had implications for the Group so the nature and effect of changes required are described below:

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, replaces IAS 18, Revenue and IAS 11, Construction Contracts and related interpretations. IFRS 15 establishes a five-step model for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognised as well as requiring enhanced disclosures. The core principle of the standard requires an entity to recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for transferring those goods or services to the customer. Revenue is recognised when an identified performance obligation has been met and the customer can direct the use of and obtain substantially all the remaining benefits from a good or service as a result of obtaining control of that good or service.

Based on the Group's contractual and trading relationships, the impact of adopting IFRS 15 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 October 2018. However imperfection revenues and countertrading revenues did not meet the performance obligation criteria under IFRS 15 so revenues could not be recognised. €176.0m of revenue and direct costs would have been recognised in the year ended 30 September 2019 if the old IAS18 standard had been applied. The Group has adopted IFRS 15 from 1 October 2018, using the modified retrospective approach (without practical expedients) and has not restated comparatives for 2018

In accordance with the requirements of IFRS 15, new disclosures outlining the disaggregation of revenue by primary geographic markets and principle activities and services are outlined in note 3 to the consolidated financial statements.

Financial Instruments

IFRS 9, Financial Instruments, is the standard which replaces IAS 39, Financial Instruments: Recognition and Measurement. The Standard addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and new impairment model for financial assets. The Group has adopted IFRS 9 (without practical expedients) from 1 October 2018 and comparatives for 2018 have not been restated.

The impact of adopting IFRS 9 on our consolidated Financial Statements was not material for the Group and there was no adjustment to retained earnings on application at 1 October 2018.

2. Statement Of Accounting Policies (continued)

Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, or fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows.

The table below details the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Groups financial assets and financial liabilities.

	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39 – 30 Sep 2018 € '000**	**Carrying amount under IFRS 9 – 1 Oct 2018 € '000**
Financial Assets				
Investments	Fair value through OCI	Fair value through OCI	356	356
Trade & other receivables	Loans and receivables	Amortised cost	42,381	42,381
Deferred project costs	Loans and receivables	Amortised cost	45,383	45,383
Cash and cash equivalents	Loans and receivables	Amortised cost	251,276	251,276
Financial liabilities				
Trade & other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(146,934)	(146,934)
Borrowings and bank overdrafts	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(324,484)	(324,484)
Derivative financial instruments	Fair value through OCI hedging instrument	Fair value through OCI	(77,092)	(77,092)

2. Statement Of Accounting Policies (continued)

Impairment of financial assets

The Group's financial assets measured at amortised cost, the most significant of which are trade receivables, are subject to IFRS 9's new expected credit loss model. The Group's impairment methodology has been revised in line with the requirements of IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables, which requires the use of a lifetime expected loss provision. The inputs to the expected loss calculations are based on forward looking estimates, past history, market conditions and credit management policy. As part of the IFRS 9 transition project, the Group assessed its existing trade and other receivables for impairment, using reasonable and supportable information that is available without undue cost or effort, to determine the credit risk of the receivables at the date on which they were initially recognised and compared that to the credit risk as at 1 October 2018. Given historic loss rates, normal receivable ageing and the significant portion of trade receivables that are within agreed terms, the move from an incurred loss model to an expected loss model has not resulted in any adjustment to trade and other receivables.

Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. The Group's current hedge relationship qualify as continuing hedges upon the adoption of IFRS 9. Accordingly there has not been a significant impact to the financial position of the Group as a result of adopting IFRS 9.

Standards in issue but not yet effective

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective for the accounting period reported on:

- IFRS 16 – Leases - (Effective 1 January 2019)

The Directors are currently assessing the impact of this standard on the Financial Statements (effective date: EirGrid plc financial year beginning 1 October 2019):

This standard will replace IAS 17 Leases. IFRS 16 was endorsed by the EU in October 2017. The changes under IFRS 16 are significant and will predominantly affect lessees, the accounting for which is substantially reformed. The main impact on lessees is that almost all leases will be recognised on the balance sheet as the distinction between operating and finance leases is removed for lessees. Under IFRS 16, an asset (the right to use the leased item) and a financial liability (obligation to pay rentals) are recognised. The only exemptions are short-term and low-value leases. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required.

The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 16. IFRS 16 will impact on the Group's Consolidated Income Statement and Consolidated Balance Sheet as follows:

Income Statement

Operating expenses will decrease, as the Group currently recognises operating lease expenses in administration expenses. The Group's lease expense for 2019 was €3.8m (2018: €3.6m) and is disclosed in Note 8 to the Consolidated Financial Statements. Depreciation and finance costs as currently reported in the Group's Income Statement will increase, as under the new Standard the right-of-use asset will be capitalised and depreciated over the term of the lease with an associated finance cost applied annually to the lease liability.

2. Statement Of Accounting Policies (continued)

Balance Sheet

The Group's commitment outstanding on all leases as at 30 September 2019 is €42.8m (2018: €46.3m) (see Note 19). The Group has been assessing the impact of the new Standard, however, the approximate financial impact of the Standard is as yet unknown, as a number of factors impact the calculation of the liability, such as discount rate, the expected term of leases including renewal options and exemptions for short-term leases and low-value items need to be determined. The Group's commitment as at 30 September 2019 provides an indication of the scale of leases held but this amount should not be used as a proxy for the impact of IFRS 16 on the Consolidated Balance Sheet. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new Standard.

In addition to the impacts above, there will also be significant increased disclosures when the Group adopts IFRS 16.

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.

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.

2. Statement Of Accounting Policies (continued)

Joint operations

The Company Financial Statements on page 142 to 154 incorporate the results of the Company, 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 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.

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.

2. Statement Of Accounting Policies (continued)

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.

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.

2. Statement Of Accounting Policies (continued)

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.

Leases

Leases are recognised from the date from which the lessee is entitled to exercise its right to use the leased asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the user's benefit. Benefits receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

2. Statement Of Accounting Policies (continued)

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.

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.

2. Statement Of Accounting Policies (continued)

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 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;
- Single Electricity Market asset: 5 years; and
- 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;
- Foreshore licences: 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.

2. Statement Of Accounting Policies (continued)

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.

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.

2. Statement Of Accounting Policies (continued)

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.

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.

Grants

Grants of a capital nature are accounted for as deferred income in the Balance Sheet and are released to profit or loss over the expected useful lives of the assets concerned.

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.

2. Statement Of Accounting Policies (continued)

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

Trade receivables are measured at initial recognition at invoice value, which approximates to fair value.

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.

Where market participants have entered into Settlement Reallocation Agreements the related receivables and payables are stated net, as there is an intention to settle these simultaneously on a net basis under the Trading and Settlement Code. The Settlement Reallocation process allows Participants to reduce Credit Cover requirements in the Single Electricity Market by offsetting debts and credits and reducing circular flows of money. Settlement Reallocation is an arrangement as specified in the Trading and Settlement Code. The Trading and Settlement Code provides the rules by which the market and its participants may operate, setting out the detailed rules and procedures concerning the sale and purchase of wholesale electricity in the market.

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.

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 25.

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. 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.

2. Statement Of Accounting Policies (continued)

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 25 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 has introduced a new impairment model which 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, 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 instruments, 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 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.

2. Statement Of Accounting Policies (continued)

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

- **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 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 2025 and are sensitive to the finalisation of price control determinations with regulatory authorities. 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 2019 was €2.0m (2018: €2.0m).

- **Retirement benefits obligations**
  The Group operates two defined benefit pension plans. The actuarial valuation of the pension plan liabilities are 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 2019 is €226.9m (2018: €192.8m) and the fair value of plan assets is €176.3m (2018: €165.9m). A pension asset ceiling had been applied to the SONI pension assets in the year to 30 September 2018 as, under IFRS rules (IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction requirements), SONI does not have an unconditional right to realise the schemes assets at some point during the life of the plan or when the plan is settled. This gives a net pension deficit for the Group before deferred tax, of €50.6m (2018: €32.4m).

- **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 2019 was €24.3m (2018: deferred tax asset of €18.9m). The deferred tax liability at 30 September 2019 was €32.5m (2018: deferred tax liability of €27.7m).

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 license 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.
- 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.
- 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 segment.
- Operation and the ownership of East West Interconnector (EWIC), being the link between the electricity grids of Ireland and Great Britain.

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 2. Due to the transition method chosen in applying IFRS 15; comparative information has not been restated to reflect the new requirements so SEMO revenues and direct costs are lower in the current year.

3. Segment and revenue information (continued)

The segment results for the financial year ended 30 September 2019 are as follows:

Income Statement items	EirGrid TSO € '000	SEMO € '000	SEMO px** € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total € '000
Segment revenue	529,468	17,886	4,116	143,058	99,154	(45,857)	747,825
Direct costs	(410,977)	-	(1,901)	(102,260)	(26,003)	45,857	(495,284)
Gross profit	118,491	17,886	2,215	40,798	73,151	-	252,541
Other operating costs (excluding depreciation and amortisation)	(56,114)	(11,810)	(1,510)	(18,854)	(8,992)	-	(97,280)
Depreciation and amortisation (net of grant amortisation)*	(19,687)	(2,251)	-	(6,229)	(13,752)	-	(41,919)
Total other operating costs	(75,801)	(14,061)	(1,510)	(25,083)	(22,744)	-	(139,199)
Operating profit	42,690	3,825	705	15,715	50,407	-	113,342
Interest and other income							110
Finance costs							(17,490)
Profit before taxation							95,962
Income tax charge							(16,315)
Profit for the year							79,647
Balance Sheet items							
Segment assets	494,614	187,045	1,458	70,703	491,475		1,245,295
Goodwill and intangible assets (note 12)							2,040
Total assets as reported in the Consolidated Balance Sheet							1,247,335
Segment liabilities	597,909	42,956	370	60,506	245,319		947,060
Total liabilities as reported in the Consolidated Balance Sheet							947,060

*Depreciation (note 13) + intangible amortisation (note 12) - EWIC grant amortisation (note 16). The sysflex grant amortisation has been included in operating costs to match expenditure as it has been incurred.

** EirGrid plc and SONI Ltd implemented the Nominated Electricity Market Operator services through SEMOpx which is a new segment so there are no comparatives stated.

3. Segment and revenue information (continued)

The comparative segment results for the financial year ended 30 September 2018 are as follows:

Income Statement items	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total € '000
Segment revenue	423,029	195,209	121,816	60,149	(41,771)	758,432
Direct costs	(331,317)	(184,656)	(97,958)	-	41,771	(572,160)
Gross profit	91,712	10,553	23,858	60,149	-	186,272
Other operating costs (excluding depreciation and amortisation)	(48,690)	(8,183)	(14,840)	(9,096)	-	(80,809)
Depreciation & amortisation (net of grant amortisation)	(5,390)	(1,298)	(1,397)	(14,462)	-	(22,547)
Total other operating costs	(54,080)	(9,481)	(16,237)	(23,558)	-	(103,356)
Operating profit	37,632	1,072	7,621	36,591	-	82,916
Interest and other income						-
Finance costs						(17,098)
Profit before taxation						65,818
Income tax charge						(8,531)
Profit for the year						57,287

Balance Sheet items						
Segment assets	398,240	119,546	56,997	505,516		1,080,299
Goodwill and intangible assets (note 12)						2,049
Total assets as reported in the Consolidated Balance Sheet						1,082,348
Segment liabilities	467,458	88,093	21,024	246,325		822,900
Total liabilities as reported in the Consolidated Balance Sheet						822,900

Geographical information

	Revenue		Non-current assets	
	30 Sep 2019 € '000	30 Sep 2018 € '000	**30 Sep 2019 € '000**	30 Sep 2018 € '000
Ireland	599,266	587,813	572,184	596,608
UK	148,559	170,619	32,021	35,521
Total	**747,825**	758,432	**604,205**	632,129

3. Segment 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 €27.9m (2018: €20.8m). The remainder of revenue in respect of EWIC relates to Financial Transmission Rights (FTRs) auction receipts totalling €23.2m (2018: €nil), congestion income of €24.3m (2018: nil) and income from the provision of other system services €14.0m (2018: €12.4m). EWIC also received €9.8m (2018: €1.2m) of capacity payments in the year.

Information about major customers

Included in EirGrid TSO segment revenues of €529.5m for the financial year to 30 September 2019 (2018: €423.0m) are revenues of approximately €203.1m (2018: €169.3m), €97.4m (2018: €67.8m), €71.9m (2018: €59.6m) and €52.2m (2018: €39.2m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €17.8m for the financial year to 30 September 2019 (2018: €195.2m) are revenues of approximately €5.7m (2018: €63.7m), €3.4m (2018: €30.3m), €3.7m (2018: €37.0m) and €1.5m (2018: €15.4m) which arose from sales to the segment's four largest customers.

Included in SEMOpx segment revenues of €4.1m for the financial year to 30 September 2019 are revenues of approximately €1.1m, €0.6m, €0.3m and €0.3m which arose from sales to the segment's four largest customers.

Included in SONI TSO segment revenues of €143.1m for the financial year to 30 September 2019 (2018: €121.8m) are revenues of approximately €37.0m (2018: €33.5m), €25.8m (2018: €21.4m), €17.6m (2018: €18.2m) and €23.4m (2018: €14.0m) which arose from sales to the segment's four largest customers.

Contract balances

Included in trade & other receivables (note 14) is €95.2m (2018: €82.9m) related to receivables from contracts with customers.

Included in trade & other payables (note 15) is €2.7m (2018: €4.2m) related to contract liabilities. €2.9m 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 2019 was 437 (2018: 389), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2019 was 79 (2018: 122). The staff costs associated with these employees have been capitalised and totalled €7.3m for the year to 30 September 2019 (2018: €11.8m).

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

	Year to 30 Sep 2019 Number	Year to 30 Sep 2018 Number
EirGrid TSO	262	254
SONI TSO	100	97
SEMO	61	32
SEMOpx	8	0
EWIC	6	6
Capital projects	79	122
Total	**516**	511

Total remuneration including the Executive Director's salary, comprised:

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Wages and salaries	36,847	37,560
Social insurance costs	4,141	4,021
Other retirement benefit costs	9,173	8,152
Total remuneration paid to employees	**50,161**	49,733
Employee costs charged to Income Statement	42,850	37,898
Employee costs capitalised	7,311	11,835
Total remuneration paid to employees	**50,161**	49,733

Key management personnel compensation:	**Year to 30 Sep 2019 € '000**	Year to 30 Sep 2018 € '000
Salaries and short-term employee benefits	1,486	1,451

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

4. Employees (continued)

Employee benefits bands:	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
€50,000 - €75,000	189	177
€75,001 - €100,000	89	83
€100,001 - €125,000	52	55
€125,001 - €150,000	19	22
€150,000 + *	21	16
Total	**370**	353

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 Department of Communications, Climate Action and Environment.

5. Other Operating Costs

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Employee costs (note 4)	42,850	37,898
Depreciation of property, plant and equipment (note 13)	23,442	23,832
Amortisation of intangibles (note 12)	21,563	2,028
Amortisation of grant (note 16)	(3,789)	(3,313)
Operations and maintenance	55,133	42,911
Total	**139,199**	103,356

6. Interest Income, Other Income And Finance Costs

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Interest income:		
Interest income on deposits	(110)	-
Finance costs:		
Bank loan and overdrafts	17,062	16,710
Net pension scheme interest (note 22)	428	388
Total finance costs	**17,490**	17,098

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. East-West Interconnector Operations

The East West Interconnector ("EWIC") links the electricity grids in Ireland and Great Britain. As part of new wholesale electricity market arrangements for Ireland and Northern Ireland, the interconnector now provides long-term (or 'forward') transmission rights in the form of Financial Transmission Right Options (FTRs) and has successfully bid into all SEM capacity auctions to date.

8. Profit Before Taxation

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Depreciation (note 13)	23,442	23,832
Amortisation of intangibles (note 12)	21,563	2,028
Amortisation of grant (note 16)	(3,789)	(3,313)
Operating lease rentals	3,838	3,630
Foreign exchange loss	348	794

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
– for services as a Director	122	122
– for Executive Director services	213	221
Total	335	343

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)	40	39

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 2019 € '000	Year to 30 Sep 2018 € '000
– audit of group companies	215	162
– other assurance services	22	4
– tax advisory services	50	128
– other non-audit services	-	11

9. Income Taxes

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Current tax expense	10,555	2,533
Adjustment in respect of prior year	1,280	64
Deferred tax relating to the origination and reversal of temporary differences	4,480	5,934
Income tax expense for the year	16,315	8,531

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Profit before tax	95,962	65,818
Taxation at standard rate of 12.5% (2018: 12.5%)	11,995	8,227
Effect of higher rates of tax on other income	131	148
Effect of income and expenses excluded in determining taxable profit	404	(298)
Effect of R&D tax credit	-	(577)
Effect of higher rates of tax on gains in UK subsidiaries	1,045	420
Adjustments in respect of prior years	1,280	64
Other differences	1,460	547
Income tax expense recognised in Income Statement	16,315	8,531

Factors that may affect future tax rates and other disclosures

No significant change is expected to the standard rate of corporation tax in the Republic of Ireland which is currently 12.5%. The standard rate of tax in the UK is 19%. A UK tax rate of 17% applies with effect from 1 April 2020. Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind. As such, the rate reduction to 17% is reflected in the closing deferred tax balance.

9. 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 2017	(334)	(21,288)	3,013	10,809	5,219	(2,581)
Credit/(charge) to the Income Statement for the year	-	(6,116)	241	-	(59)	(5,934)
Credit/(charge) to the Statement of Other Comprehensive Income	-	-	800	(1,173)	-	(373)
Exchange differences	83	(4)	-	-	-	79
Deferred tax (liability)/asset as at 30 Sep 2018	(251)	(27,408)	4,054	9,636	5,160	(8,809)
Credit/(charge) to the Income Statement for the year	-	(4,833)	353	-	-	(4,480)
Credit/(charge) to the Statement of Other Comprehensive Income	-	-	2,022	3,060	-	5,082
Exchange differences	(5)	(3)	-	-	-	(8)
Deferred tax (liability)/asset as at 30 Sep 2019	**(256)**	**(32,244)**	**6,429**	**12,696**	**5,160**	**(8,215)**
Deferred tax asset	-	-	6,429	12,696	5,160	24,285
Deferred tax liability	(256)	(32,244)	-	-	-	(32,500)
Total 30 Sep 2019	**(256)**	**(32,244)**	**6,429**	**12,696**	**5,160**	**(8,215)**
Deferred tax asset	-	-	4,054	9,636	5,160	18,850
Deferred tax liability	(251)	(27,408)	-	-	-	(27,659)
Total 30 Sep 2018	(251)	(27,408)	4,054	9,636	5,160	(8,809)

Analysis of deferred tax (liabilities)/assets by tax jurisdiction:	**30 Sep 2019 € '000**	30 Sep 2018 € '000
Ireland	(8,311)	(8,411)
UK	96	(398)
Net deferred tax liability	(8,215)	(8,809)

10. Dividends

As shown in note 17 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 2019 € '000	30 Sep 2018 € '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 (2018: €4,000,000) for the financial year ended 30 September 2019.

11. Investments

	30 Sep 2019 € '000	30 Sep 2018 € '000
Balance as at 1 Oct 2018	356	-
Additions	50	356
Balance as at 30 Sep 2019	**406**	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.

On 14 December 2018, EirGrid Celtic Interconnector DAC, a wholly owned subsidiary of EirGrid plc, acquired 50% equity interest in Celtic Interconnector DAC, a company incorporated in Ireland which is a joint venture between EirGrid Celtic Interconnector DAC 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 Venture is to carry out certain designated works during the design and consultation stage of the project. There has been no material activity in the Joint Venture to the 30 September 2019. The Company's net interest in joint ventures equals the investment in share capital.

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 2017	4,426	18,023	-	46,861	-	69,310
Transfer from assets under construction (Note 13)	-	-	90,867	3,193	-	94,060
Exchange differences	(78)	(332)	-	-	-	(410)
Balance as at 30 Sep 2018	4,348	17,691	90,867	50,054	-	162,960
Additions	-	-	-	-	6,372	6,372
Transfer to other assets			4,405	-	(4,405)	-
Transfer from assets under construction (Note 13)	-	-	-	5,345	-	5,345
Exchange differences	12	33	62	42	-	149
Balance as at 30 Sep 2019	4,360	17,724	95,334	55,441	1,967	174,826
Accumulated Amortisation and impairment Losses						
Balance as at 1 Oct 2017	4,426	15,922	-	42,095	-	62,443
Amortisation	-	-	-	2,028	-	2,028
Exchange differences	(78)	(280)	-	-	-	(358)
Balance as at 30 Sep 2018	4,348	15,642	-	44,123	-	64,113
Amortisation	-	-	18,705	2,858	-	21,563
Exchange differences	12	42	(28)	34	-	60
Balance as at 30 Sep 2019	4,360	15,684	18,677	47,015	-	85,736
Carrying amount as at 30 Sep 2019	**-**	**2,040**	**76,657**	**8,426**	**1,967**	**89,090**
Carrying amount as at 30 Sep 2018	-	2,049	90,867	5,931	-	98,847

12. Intangible Assets (continued)

The licence agreement of €2.0m (2018: €2.0m) has been allocated to the SEMO cash-generating units (CGUs) to assess possible impairment. The goodwill and license 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 2025. 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.

The key assumptions used within the calculations include:

- SEMO profitability levels have been based on the regulatory price controls agreed in 2016 and covers the period from 2016-2019 and the I-SEM determination for the period 2018-2021.
- Discount rates of 4.72% and 5.9% (2018: 4.72% and 5.90%) have been assumed for the SEMO CGU based on the above mentioned price controls;
- Growth rates of 2% (2018: 2.0%) have been assumed into perpetuity for SEMO regulatory asset bases (RAB). A nil% growth rate (2018: 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 (2018: 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 (2018: €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, telecoms equipment and other €'000	Single Electricity Market ** €'000	Motor vehicles €'000	EWIC €'000	Integrated Single Electricity Market *** €'000	Assets under construction **** €'000	Total €'000
Cost									
Balance as at 1 Oct 2017	15,551	2,501	75,696	49,160	77	571,084	-	71,711	785,780
Additions	-	-	292	-	-	3,422	-	47,299	51,013
Transfers to Intangibles (Note 12)	-	-	-	-	-	-	-	(94,060)	(94,060)
Transfers to other assets	69	202	5,249	-	-	-	3,995	(9,515)	-
Exchange differences	(122)	-	(377)	(162)	-	-	-	(355)	(1,016)
Balance as at 30 Sep 2018	15,498	2,703	80,860	48,998	77	574,506	3,995	15,080	741,717
Additions	-	-	25	(106)	-	702	(73)	10,088	10,636
Transfers to Intangibles (Note 12)	-	-	-	-	-	-	-	(5,345)	(5,345)
Transfers to other assets	-	788	2,120	-	-	-	-	(2,908)	-
Exchange differences	19	(95)	21	24	-	-	(21)	4	(48)
Balance as at 30 Sep 2019	15,517	3,396	83,026	48,916	77	575,208	3,901	16,919	746,960
Depreciation									
Balance as at 1 Oct 2017	4,994	2,078	60,008	49,054	20	69,316	-	-	185,470
Charge	651	180	5,436	-	15	17,550	-	-	23,832
Exchange differences	(51)	-	(297)	(162)	-	-	-	-	(510)
Balance as at 30 Sep 2018	5,594	2,258	65,147	48,892	35	86,866	-	-	208,792
Charge	643	216	5,279	-	15	16,507	782	-	23,442
Exchange differences	7	-	5	24	-	-	(19)	-	17
Balance as at 30 Sep 2019	6,244	2,474	70,431	48,916	50	103,373	763	-	232,251
Carrying amount as at 30 Sep 2019	**9,273**	**922**	**12,595**	**-**	**27**	**471,835**	**3,138**	**16,919**	**514,709**
Carrying amount as at 30 Sep 2018	9,904	445	**15,713**	106	42	487,640	3,995	15,080	**532,925**

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

13. Property, Plant & Equipment (continued)

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

	30 Sep 2019 € '000	30 Sep 2018 € '000
IS and telecommunications equipment	6,828	4,401
Celtic Interconnector Project	8,488	5,860
System Services Project	-	3,880
EWIC	678	-
Facilities	925	939
Total	**16,919**	15,080

14. Trade And Other Receivables

	30 Sep 2019 € '000	30 Sep 2018 € '000
Amounts due in less than one year:		
Trade receivables	811	1,166
Prepayments and deferred project costs	17,467	15,242
Unbilled receivables	95,168	82,918
Other receivables	141,562	41,215
	255,008	140,541
Amounts due in more than one year:		
Prepayments and deferred project costs	44,983	38,383
	44,983	38,383
Total	**299,991**	178,924

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. €20.1m (2018: €0.6m) of the other receivables balance relates to payments due from ESB Networks.

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 includes €113.1m owed from the SEM balancing market to SEMO in respect of working capital requirements that occurred in the balancing market during the year and was funded by external bank funding provided by EirGrid and SONI through SEMO. (2018: €8.9m [shown as other payables in note 15]) owed by SEMO to the SEM market to be returned to the market via a k-factor tariff adjustment.)

Prepayments and deferred project costs include deferred costs in respect of transmission projects of €51.2m (2018: €45.4m), all of which €45.0m (2018: €38.4m) may not be recoverable within twelve months.

Prepayments and deferred project costs due in more than one year consists of (i) an upfront payment made on an operating lease to secure the use of a docklands site in relation to the East West Interconnector asset (further details of the lease are shown in note 19) and (ii) balances related to deferred costs in respect of transmission projects.

15. Trade And Other Payables

	30 Sep 2019 € '000	30 Sep 2018 € '000
Amounts payable in less than one year:		
Trade payables	55,344	64,274
Accruals	127,080	100,125
Deferred income	971	2,919
Taxation and social insurance	15,305	12,918
Other payables	37,499	82,660
	236,199	**262,896**
Amounts payable in more than one year:		
Deferred income	1,749	1,237
	1,749	**1,237**
Total	**237,948**	**264,133**

Taxation and social insurance comprises of the following:

	30 Sep 2019 € '000	30 Sep 2018 € '000
PAYE/PRSI	1,164	1,165
VAT	13,742	11,446
Withholding tax	399	307
Total	**15,305**	**12,918**

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.

€48.5m (2018: €44.2m) of the Group trade payables balance and €3.7m (2018: €3.5m) 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.

16. Grants

	€ '000
Balance as at 1 Oct 2017	99,224
Additions	1,246
Amortisation of grant	(3,313)
Balance as at 30 Sep 2018	97,157
Additions	-
Amortisation of grant	(3,789)
Balance as at 30 Sep 2019	**93,368**

Analysed as:	**€ '000**
Current	3,228
Non-current	90,140
Balances at 30 Sep 2019	**93,368**

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. 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.

In 2018 the Company received an EU-SysFlex grant of €1.2m. 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. 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.

17. Issued Share Capital

	30 Sep 2019 € '000	30 Sep 2018 € '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.

18. Cash And Cash Equivalents

	30 Sep 2019 € '000	30 Sep 2018 € '000
Cash and cash equivalents	318,621	251,276

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 cash balances are security deposits of €10.0m (2018: €9.4m). Included in the Group's cash balances is €9.8m (2018: €8.1m) which represents cash which can only be used for the purposes of the EWIC asset. Included in the Group's cash balances is a further €11.7m (2018: €21.9m) held on trust for market participants in the SEM and €23.0m (2018: €32.7m) held in SEM collateral reserve accounts (security accounts held in the name of market participants). .

19. Operating Lease Arrangements

Future minimum lease payments under non-cancellable operating leases, which are primarily in respect of the Group's buildings and a land lease for the East West Interconnector asset, fall due as follows:

	30 Sep 2019 € '000	30 Sep 2018 € '000
Within one year	3,832	3,788
In the second to fifth years inclusive	14,431	14,585
After five years	24,487	27,885
Total	**42,750**	46,258

The operating lease for the Group's head office building is for a term of 25 years which commenced on 1 March 2007. There was a rental holiday for the first three years of the lease term. The lease cost is based on open market value and is subject to rent review every 5 years. Following a scheduled rent review on 1 March 2017 an adjustment was made to rent payable.

The Group has agreed a lease of land in the port of Liverpool, secured via an upfront payment. The agreement includes a break clause after the first 30 years of the lease. After this 30 year term, lease payments will be subject to inflationary increases.

There are no significant or unusual restrictions imposed on the Group by the terms of the operating leases.

20. Capital Commitments

	30 Sep 2019 € '000	30 Sep 2018 € '000
Expenditure contracted for, but not provided for in the Financial Statements	-	475

21. Contingent Liabilities

The Group is not aware of any contingent liabilities at the financial year end (2018: €nil).

22. Retirement Benefits Obligations

Defined Benefit Schemes

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

The Group's main pension scheme in the Republic of Ireland, the EirGrid Plan, operates under Republic of Ireland 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 Republic of Ireland legislation (principally the Pension Schemes Act 1990). Under Republic of Ireland 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 fund trustees are required to obtain regular actuarial valuations and reports, put in place a recovery plan addressing any funding shortfall and submit that plan to the Irish Pensions Board for approval.

EirGrid closed its defined benefit scheme to new entrants from 1st April 2019. New entrants in EirGrid plc are eligible to join a new defined contribution scheme from 1st April 2019.

The SONI Focus Plan 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 Pension Schemes 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 fund trustees are required to: prepare a statement of funding principles; obtain regular actuarial valuations and reports; put in place a recovery plan addressing any funding shortfall; and send regular summary funding statements to members of the scheme.

The defined benefit schemes are administered by separate trusts that are legally separated from the Group. The trusteeship of the defined benefit schemes is currently executed by members of the defined benefit schemes and comprise of both member appointed and Company appointed trustees. The trustees of the defined benefit schemes are required to act in accordance with the governing trusts documentation and have a fiduciary responsibility to act in the best interests of the beneficiaries of the defined benefit schemes. A non-exhaustive list of 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 defined benefit schemes' trust documentation.

Under the EirGrid Plan, employees are entitled to receive a pension and lump sum on retirement. Under the SONI Focus Plan, employees are entitled to receive a pension on retirement. A survivors pension and/or lump sum may also be payable on death under the defined benefit 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 defined benefit schemes during the financial year.

Under the defined benefit schemes, employees are entitled to a pension calculated based on salary and service. The defined benefit scheme exposes the Company to risks such as investment risk, interest rate risk, longevity risk and salary risk.

22. Retirement Benefits Obligations (continued)

Investment risk	The present value of the defined benefit plans' liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.
Interest rate risk	The present value of the defined benefit plans' 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 schemes' liabilities.
Longevity risk	The present value of the defined benefit plans' liability is calculated by reference to the best estimate of the mortality of plans' participants both during and after their employment. An increase in the life expectancy of the plans' participants will increase the plans' liability.
Salary risk	The present value of the defined benefit plans' liability is calculated by reference to the future salaries of plans' participants. As such, an increase in the salary of the plans' participants will increase the plans' liability.

Defined Contribution Scheme

As the SONI Focus Plan 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 Plan" (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 Plan are held under trust and are separate from those of the Group. The only obligation of SONI Limited with respect to the SONI Options Plan is to make the specified contributions and pay administration expenses. Obligations for contributions to the SONI Options Plan 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 €1.2m (2018: €0.9m).

22. 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 2019 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 2019 € '000	**Eir Grid Plan 30 Sep 2019 € '000**	**SONI Focus Plan 30 Sep 2019 € '000**	Total 30 Sep 2018 € '000	EirGrid Plan 30 Sep 2018 € '000	SONI Focus Plan 30 Sep 2018 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	226,902	186,025	40,877	192,831	156,071	36,760
Fair value of Schemes' assets at end of year	(176,260)	(136,860)	(39,400)	(165,896)	(123,696)	(42,200)
Net liability/(asset) before asset ceiling	50,642	49,165	1,477	26,935	32,375	(5,440)
Impact of asset ceiling excluding amounts included in interest expenses	-	-	-	5,440	-	5,440
Net liability recognised in Balance Sheet at end of period after impact of asset ceiling	50,642	49,165	1,477	32,375	32,375	-
Deferred tax on net pension obligation (note 9)	(6,429)	(6,148)	(281)	(4,054)	(4,054)	-
Net liability after deferred tax	**44,213**	**43,017**	**1,196**	28,321	28,321	-

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Current service cost	8,206	7,300
Net interest expense	428	388
Employer pension cost capitalised	(824)	(1,183)
Amount included in other operating costs relating to defined benefit schemes	**7,810**	6,505

22. Retirement Benefits Obligations (continued)

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

Group	Total 30 Sep 2019 € '000	Eir Grid Plan 30 Sep 2019 € '000	SONI Focus Plan 30 Sep 2019 € '000	Total 30 Sep 2018 € '000	EirGrid Plan 30 Sep 2018 € '000	SONI Focus Plan 30 Sep 2018 € '000
Remeasurement of net defined benefit liability:						
Actuarial gain arising on Schemes' assets	9,289	6,503	2,786	4,746	3,599	1,147
Actuarial gain arising from changes in demographic assumptions	(2,075)	-	(2,075)	303	-	303
Actuarial gain/(loss) arising from changes in financial assumptions	(30,601)	(24,270)	(6,331)	(11,047)	(12,048)	1,001
Actuarial gain/(loss) arising from experience adjustments	2,623	4,210	(1,587)	2,883	2,079	804
Asset ceiling release/(restriction)	5,440	-	5,440	(3,168)	-	(3,168)
Amount included in the Consolidated Statement of Comprehensive Income	**(15,324)**	**(13,557)**	**(1,767)**	(6,283)	(6,370)	87

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 2019 € '000	30 Sep 2018 € '000	**30 Sep 2019 € '000**	30 Sep 2018 € '000
Present value of defined obligation at beginning of year	156,071	136,027	36,760	42,463
Current service cost including contributions by Schemes' participants	9,414	8,097	422	717
Interest cost	3,182	2,983	954	1,132
Actuarial gain arising from changes in demographic assumptions	-	-	2,075	(303)
Actuarial (gain)/loss arising from changes in financial assumptions	24,270	12,048	6,331	(1,001)
Actuarial (gain)/loss arising from experience adjustments	(4,210)	(2,079)	1,587	(804)
Benefits paid	(2,702)	(1,005)	(7,327)	(4,737)
Exchange differences	-	-	75	(707)
Present value of defined benefit obligation at end of year	**186,025**	156,071	**40,877**	36,760

22. 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 2019 € '000 Total	30 Sep 2018 € '000 Total	30 Sep 2019 € '000 Before Asset Ceiling	30 Sep 2019 € '000 Impact of Asset Ceiling	30 Sep 2019 € '000 Total	30 Sep 2018 € '000 Before Asset Ceiling	30 Sep 2018 € '000 Impact of Asset Ceiling	30 Sep 2018 € '000 Total
Fair value of Schemes' assets at beginning of year	123,696	111,924	42,200	(5,440)	36,760	44,735	(2,272)	42,463
Interest Income	2,591	2,523	1,117	-	1,117	1,204	-	1,204
Gains on Schemes' assets	6,503	3,599	2,786	-	2,786	1,147	-	1,147
Contributions by the Companies	5,204	5,081	608	-	608	684	-	684
Contributions by Schemes' participants	1,568	1,574	62	-	62	75	-	75
Administration costs	-	-	(180)	-	(180)	(134)	-	(134)
Benefits paid	(2,702)	(1,005)	(7,327)	-	(7,327)	(4,737)	-	(4,737)
Impact of asset ceiling excluding amounts included in interest expense	-	-		5,440	5,440	-	(3,168)	(3,168)
Exchange differences	-	-	134		134	(774)	-	(774)
Fair value of Schemes' assets at end of year	**136,860**	123,696	**39,400**	**-**	**39,400**	42,200	(5,440)	36,760

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

	EirGrid Plan		SONI Focus Plan	
Valuation method	**30 Sep 2019 Projected Unit**	30 Sep 2018 Projected Unit	**30 Sep 2019 Projected Unit**	30 Sep 2018 Projected Unit
Discount rate	0.95%	2.05%	1.85%	2.85%
State pension increase	1.05%	1.65%	2.35%	2.45%
Salary increases	1.55% plus scale	2.15% plus scale	3.60% plus scale	3.70% plus scale
Pension increases	1.55%	2.15%	2.35%	2.45%
Inflation	1.30%	1.90%	3.35%	3.45%
Post-retirement life expectancy for those retiring at age 65 in 2039:				
- Men	23.9 years	23.8 years	25.2 years	23.6 years
- Women	26.0 years	25.9 years	26.8 years	25.7 years

22. Retirement Benefits Obligations (continued)

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end was 0.95% (2018: 2.05%) for the EirGrid plan and 1.85% (2018: 2.85%) 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 (2018: 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 20 years (2018: 20 years). This is consistent with the estimated term of the post-retirement benefit obligations.

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% (2018: 13%).

Funding Requirements and Future Cash Flows

An ongoing funding valuation of the EirGrid Plan 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 April 2017. 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 Plan.

The Funding Standard position (the statutory minimum funding requirement) of the EirGrid Plan 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 EirGrid's Plan meets the minimum funding standards no such Funding Proposal is in place.

An actuarial valuation of the SONI Focus Plan must take place at least every three years. The most recent actuarial valuation was carried as at 31 March 2016. The main purpose of the scheme funding valuation is to agree the contributions payable by SONI Limited so that the SONI Focus Plan 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 Plan 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 2019 € '000**	30 Sep 2018 € '000
Equities	53,923	50,892
Bonds	31,888	23,643
Property	8,896	8,806
Cash	6,843	4,433
Alternatives	29,562	30,364
Annuities	5,748	5,558
Fair value of plan assets	**136,860**	123,696

For the EirGrid plan assets all except annuities €131.2m (2018: €118.1m) have quoted market prices in an active market. The annuities €5.7m (2018: €5.6m) have no quoted market prices in an active market.

22. Retirement Benefits Obligations (continued)

SONI Focus plan	Fair Value 30 Sep 2019 € '000	 30 Sep 2018 € '000
Equities	18,040	23,852
Gilts and bonds	21,181	17,640
Other	179	708
Fair value of plan assets	**39,400**	**42,200**

For the SONI Focus plan assets all categories (€39.4m) (2018: €42.2m) have quoted market prices in an active market.

The actual return on Group scheme assets was a gain of €13.0m (2018: €8.4m). The actual return on the EirGrid Plan scheme assets was a gain of €9.1m (2018: €6.2m) and the actual return on the SONI Focus Plan scheme assets was a gain of €3.9m (2018: €2.4m).

The Group expects to pay contributions of €5.1m (2018: €5.5m) for the EirGrid Plan and €0.6m (2018: €1.0m) for the SONI Focus Plan in the financial year to 30 September 2019.

23. Borrowings

Details of the Group's interest-bearing loans and borrowings are outlined below.

Repayable by instalments	30 Sep 2019 € '000	30 Sep 2018 € '000
Repayable within one year:		
Bank loans	19,776	15,886
Total current borrowings	19,776	15,886
Repayable after more than one year		
Between one and two years	20,579	16,629
Between two and five years	63,924	54,931
In five years or more	217,122	237,038
Total non-current borrowings	301,625	308,598
Total borrowings outstanding	**321,401**	**324,484**

23. Borrowings (continued)

Repayable other than by instalments	30 Sep 2019 € '000	30 Sep 2018 € '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	109,630	-
In five years or more	-	-
Total non-current borrowings	109,630	-
Total borrowings outstanding	**109,630**	**-**

Total borrowings	30 Sep 2019 € '000	30 Sep 2018 € '000
Included in current liabilities:		
Bank loans	19,776	15,886
Current interest-bearing loans and borrowings	19,776	15,886
Included in non-current liabilities:		
Bank loans	411,255	308,598
Non-current interest-bearing loans and borrowings	411,255	308,598
Total interest-bearing loans and borrowings	**431,031**	**324,484**

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 25 for further details.

New credit facilities were put in place for the go-live of the new SEM. During the year, EirGrid and SONI drewdown €109.6m from these revolving credit facilities to fund working capital requirements in the balancing market. A term loan of £14.0m was also drawn during the year and £11.2m (2018: €12.6m) 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 €101.6m (2018: €103.5m) 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.

23. Borrowings (continued)

The terms of outstanding loans are as follows:

Total	Currency	Financial year of maturity	Carrying amount € '000
30 Sep 2019			
Unsecured term loan facility	EUR	2030	96,509
Unsecured term loan facility	EUR	2035	212,303
Term loan	STG	2023	12,589
Revolving credit facility	EUR	2023	81,250
Revolving credit facility	STG	2023	28,380
Total			431,031
30 Sep 2018			
Unsecured term loan facility	EUR	2030	103,050
Unsecured term loan facility	EUR	2035	221,434
Total			**324,484**

24. Categories Of Financial Assets And Financial Liabilities

The effect of initially applying IFRS 9 on the Groups financial instruments is described in Note 2. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

Carrying Amount	Financial assets at amortised costs € '000	Financial liabilities at amortised cost € '000	Fair value through OCI € '000	Total € '000
30 Sep 2019				
Investments	-	-	356	356
Trade & other receivables	142,373	-	-	142,373
Deferred project costs	51,204	-	-	51,204
Cash and cash equivalents	318,621	-	-	318,621
Trade & other payables	-	(92,843)	-	(92,843)
Borrowings	-	(431,031)	-	(431,031)
Derivative financial instruments (note 25)	-	-	(101,571)	(101,571)
Total	**512,198**	**(523,874)**	**(101,215)**	**(112,891)**

24. Categories Of Financial Assets And Financial Liabilities (continued)

Carrying Amount	Loans and receivables € '000	Financial liabilities at amortised cost € '000	Fair value through OCI € '000	Total € '000
30 Sep 2018				
Investments	-	-	356	356
Trade & other receivables	42,381	-	-	42,381
Deferred project costs	45,383	-	-	45,383
Cash and cash equivalents	251,276	-	-	251,276
Trade & other payables	-	(146,934)	-	(146,934)
Borrowings	-	(324,484)	-	(324,484)
Derivative financial instruments (note 25)	-	-	(77,092)	(77,092)
Total	339,040	(471,418)	(76,736)	(209,114)

Fair Value	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
30 Sep 2019				
Investments	-	-	356	356
Trade & other receivables	-	-	-	-
Deferred project costs	-	-	-	-
Cash and cash equivalents	-	-	-	-
Trade & other payables	-	-	-	-
Borrowings	-	-	-	-
Derivative financial instruments (note 25)	-	(101,571)	-	(101,571)
Total	**-**	**(101,571)**	**356**	**(101,215)**
30 Sep 2018				
Investments	-	-	356	356
Trade & other receivables	-	-	-	-
Deferred project costs	-	-	-	-
Cash and cash equivalents	-	-	-	-
Trade & other payables	-	-	-	-
Borrowings	-	-	-	-
Derivative financial instruments (note 25)	-	(77,092)	-	(77,092)
Total	-	(77,092)	356	(76,736)

24. 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.

For the receivable and payables, a carrying amount less impairment allowances, where appropriate, is a reasonable approximation of fair 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 2019 and therefore no credit adjustment is required.

25. 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 Department of Communications, Climate Action and Environment.

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.

25. Derivative Financial Instruments And Financial Risk Management (continued)

Significant capital expenditure projects are funded through external borrowings and subject to approval by the Department. The Group's borrowing powers are set through legislation and individual borrowings are subject to approval by the Department. 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. 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 2019 were €3.8m (2018: €33.3m). Other receivables also include €113.1m owed by the market in respect of market deficits arising mainly as a result a mismatch between the budgeted tariff income rate versus actual constraint costs. This will be returned to the market 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.

25. Derivative Financial Instruments And Financial Risk Management (continued)

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. Due to the credit risk management policy the loss allowance at 30 September 2019 and 1 October 2018 (on adoption of IFRS 9) was nil.

The average credit period on trade receivables is two months. Included in the trade receivable balance are debtors which are past due at the reporting date which have not been provided as the amounts are still considered recoverable. The ageing profile of these past due but not impaired balances is:

	30 Sep 2019 € '000	30 Sep 2018 € '000
60 to 90 days	-	43
90 to 120 days	-	-
Greater than 120 days	-	-
Total	-	43

The credit quality of Group and Company financial assets that are neither past due nor impaired is considered satisfactory.

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.

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 €101.6m at the Balance Sheet date (2018: €103.5m). 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.

25. Derivative Financial Instruments And Financial Risk Management (continued)

	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Total € '000
30 Sep 2019					
Non-interest bearing – trade & other payables	(92,843)	-	-	-	(92,843)
Borrowings	-	35,216	133,389	271,625	440,230
Total	**(92,843)**	**35,216**	**133,389**	**271,625**	**347,387**
30 Sep 2018					
Non interest bearing – trade & other payables	(138,009)	-	-	-	(138,009)
Borrowings	-	31,286	125,216	302,678	459,180
Total	(138,009)	31,286	125,216	302,678	321,171

The cash flow hedges are expected to occur and affect the income statement over a period of 16 years.

The amounts recognised and reclassified out of the cash flow hedge reserve are as follows:

	30 Sep 2019 € '000	30 Sep 2018 € '000
Losses arising during the year	(37,657)	(4,393)
Reclassified to income statement (included in finance costs)	13,178	13,776
Total	**(24,479)**	9,383

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 following interest rate swap contracts were in place at the year end:

	Average contracted interest rate		Notional principal amount		Interest rate swap asset/(liability)	
Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:	**30 Sep 2019 %**	30 Sep 2018 %	**30 Sep 2019 € '000**	30 Sep 2018 € '000	**30 Sep 2019 € '000**	30 Sep 2018 € '000
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.80%	3.80%	311,016	326,902	(101,571)	(77,092)
Total active swap contracts	3.80%	3.80%	311,016	326,902	(101,571)	(77,092)

25. Derivative Financial Instruments And Financial Risk Management (continued)

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 month 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 (2018: 50) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the financial year to 30 September 2019 would have been impacted by €nil (2018: €nil); and
- Other equity reserves would have been impacted by €14.4m/(€15.3m) (2018: €14.3m/(€15.2m)), 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 an operating profit of €15.7m during the year to 30 September 2019 (2018: €7.6m). 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 2019 would be impacted by €8.7m (2018: €7.3m). Other equity reserves would have been impacted by €1.6m (2018: €0.4m).

26. Related Party Transactions

EirGrid plc is an Irish commercial semi-state organisation, and as such is a related party of the Government of Ireland. John O'Connor, Mark Foley and Michael Behan 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 Communications, Climate Action and Environment 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 2019 € '000	Year to 30 Sep 2018 € '000
Transmission asset owner charge	252,002	230,125

At 30 September 2019 a total of €37.6m (2018: €41.0m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	30 Sep 2019 € '000	30 Sep 2018 € '000
Opening balance	41,012	39,378
Charges during the year	252,002	230,125
Payments made during the year	(255,373)	(228,491)
Closing balance	**37,641**	41,012

This outstanding balance is unsecured and payable in cash and cash equivalents.

27. Post Balance Sheet Events

On 2nd October 2019 the European Commission announced it was awarding €530.7m funding to the Celtic Interconnector Project from 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 have been no other significant events affecting the Group since the year end.

28. Approval Of Financial Statements

The Board approved the Financial Statements on 18 December 2019.

Company Balance Sheet

As At 30 September 2019

	Note	30 Sep 2019 € '000	30 Sep 2018 € '000
Fixed assets			
Investments in subsidiaries	29 (E)	155,761	155,761
Other investments	29 (F)	325	325
Intangibles	29 (H)	63,765	70,638
Property, plant & equipment	29 (I)	35,079	36,877
Total non-current assets		254,930	263,601
Trade and other receivables: amounts falling due after one year	29 (J)	**244,588**	**243,560**
Current assets			
Cash and cash equivalents	29 (K)	271,822	216,765
Trade and other receivables: amounts falling due within one year	29 (L)	249,895	172,189
Total current assets		**521,717**	**388,954**
Trade and other payables: amounts falling due within one year	29 (M)	(269,984)	(295,976)
Net current assets		**251,733**	**92,978**
Total assets less current liabilities		**751,251**	**600,139**
Trade and other payables: amounts falling due after more than one year	29 (N)	(360,776)	(268,526)
Provisions			
Retirement benefit obligation	29 (R)	(49,165)	(32,375)
Net assets after retirement benefit obligations		**341,310**	**299,238**
Capital and reserves			
Called up share capital presented as equity	17	38	38
Capital reserve		49,182	49,182
Hedging reserve		(67,142)	(49,060)
Retained earnings		359,232	299,078
Total equity		**341,310**	**299,238**

Approved by the Board and signed on their behalf:

18 December 2019

Brendan Tuohy
Chairperson

John Trethowan
Chairperson Audit Committee

Mark Foley
Chief Executive

Company Statement Of Changes In Equity

For Financial Year To 30 September 2019

	Issued share capital €'000	Capital reserve €'000	Hedging reserve €'000	Retained earnings €'000	Total attributable to equity holders €'000
Balance as at 1 Oct 2017	**38**	**49,182**	**(54,226)**	**244,934**	**239,928**
Profit for the year	-	-	-	63,718	63,718
Other comprehensive income					
Remeasurements of defined benefit scheme net of deferred tax	-	-	-	(5,574)	(5,574)
Cash flow hedge movement net of deferred tax	-	-	5,166	-	5,166
Dividends	-	-	-	(4,000)	(4,000)
Balance as at 30 Sep 2018	38	49,182	(49,060)	299,078	299,238
Profit for the year	-	-	-	76,016	76,016
Other comprehensive income					
Remeasurements of defined benefit scheme net of deferred tax	-	-	-	(11,862)	(11,862)
Cash flow hedge movement net of deferred tax	-	-	(18,082)	-	(18,082)
Dividends	-	-	-	(4,000)	(4,000)
Balance as at 30 Sep 2019	**38**	**49,182**	**(67,142)**	**359,232**	**341,310**

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.

Notes to the Company Financial Statements

29 (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.

29 (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 72. 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 72 to 141 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 94-107 of the group financial statements for disclosure of the relevant accounting policies

29 (C). Profits attributable to EirGrid Plc

Profit for the year attributable to the Parent Company amounted to €76.0m (2018: €63.7m). 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.

29 (D). Employees

The average number of persons employed by the Company during the year to 30 September 2019 was 326 (2018: 282), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2019 was 69 (2018: 98). The staff costs associated with these employees have been capitalised and totalled €6.2m for the year to 30 September 2019 (2018: €9.4m).

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
EirGrid TSO	262	254
SEMO	52	22
SEMOpx	6	-
EWIC	6	6
Capital projects	69	98
Total	**395**	380

Total remuneration including the Executive Director's salary, comprised:

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Wages and salaries	27,250	28,699
Social insurance costs	3,134	3,022
Other retirement benefit costs	7,846	6,523
Total remuneration paid to employees	**38,230**	**38,244**
Employee costs charged to Income Statement	32,077	28,875
Employee costs capitalised	6,153	9,369
Total remuneration paid to employees	**38,230**	**38,244**

29 (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	Holding company

29 (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 2019 € '000	30 Sep 2018 € '000
Balance as at 1 Oct 2018	155,761	155,711
Additions	-	50
Balance as at 30 Sep 2019	155,761	155,761

The Company has made total advances of €31.7m (2018: €31.7m) to EirGrid Interconnector Designated Activity Company, and on-lent total debt of €285.0m (2018: €285.0m). The Company has recognised an investment of €155.5m (2018: €155.5m) in EirGrid Interconnector Designated Activity Company and €0.2m (2018: €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.

29 (F). Other Investments

	30 Sep 2019 € '000	30 Sep 2018 € '000
Balance as at 1 Oct 2018	325	-
Additions	-	325
Balance as at 30 Sep 2019	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.

29 (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 venture 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 venture 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 2019 € '000	30 Sep 2018 € '000
Non-current assets	4,561	1,448
Current assets	152,559	108,796
Total assets	**157,120**	**110,244**
Total equity	24,156	20,755
Current liabilities	132,964	89,489
Total liabilities	132,964	89,489
Total equity and liabilities	**157,120**	**110,244**

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Revenue	16,501	146,407
Expenses	(13,101)	(145,539)
Operating profit	**3,400**	**868**

29 (H). Intangible Assets

	Integrated Single Electricity Market *€ '000	Other IT Software € '000	Software under development € '000	Total € '000
Cost				
Balance as at 30 Sep 2018	68,286	31,632	-	99,918
Additions	-	-	4,940	4,940
Transfer from other assets	3,465	-	(3,465)	-
Transfer from assets under construction (note 29 (I))	-	4,065	-	4,065
Balance as at 30 Sep 2019	71,751	35,697	1,475	108,923
Amortisation				
Balance as at 30 Sep 2018	-	29,280	-	29,280
Amortisation charge	14,069	1,809	-	15,878
Balance as at 30 Sep 2019	14,069	31,089		45,158
Carrying amount as at 30 Sep 2019	57,682	4,608	1,475	63,765
Carrying amount as at 30 Sep 2018	68,286	2,352	2,352	70,638

*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.

29 (I). Property, Plant & Equipment

	Buildings * €'000	Fixtures and fittings €'000	IS, telecoms equipment and other €'000	Motor vehicles €'000	Single Electricity Market ** €'000	Integrated Single Electricity Market *** €'000	Assets under construction **** €'000	Total €'000
Cost								
Balance as at 30 Sep 2018	10,407	2,549	77,021	77	41,418	2,996	13,690	148,158
Additions	-	-	18	-	-	(73)	8,127	8,072
Transfer to intangibles (note 29 (H))	-	-	-	-	-	-	(4,065)	(4,065)
Transfer to other classes	-	788	2,531	-	(513)	-	(2,806)	-
Balance as at 30 Sep 2019	10,407	3,337	79,570	77	40,905	2,923	14,946	152,165
Depreciation								
Balance as at 30 Sep 2018	4,411	2,197	63,733	35	40,905	-	-	111,281
Charge	434	216	4,555	15	-	585	-	5,805
Balance as at 30 Sep 2019	4,845	2,413	68,288	50	40,905	585	-	117,086
Carrying amount as at 30 Sep 2019	**5,562**	**924**	**11,282**	**27**	**-**	**2,338**	**14,946**	**35,079**
Carrying amount as at 30 Sep 2018	5,996	352	13,288	42	513	2,996	13,690	36,877

* 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.
*** 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 2019 €'000	30 Sep 2018 €'000
IS and telecommunications equipment	5,630	3,899
Celtic Interconnector Project	8,488	5,860
System Services Project	-	3,011
Facilities	828	920
Total	**14,946**	13,690

29 (J). Trade And Other Receivables – Amounts Falling Due After More Than One Year

	Note	30 Sep 2019 € '000	30 Sep 2018 € '000
Prepayments and deferred project costs		30,549	27,605
Amounts owed by subsidiary undertakings		199,244	205,301
Deferred tax	29 (Q)	14,795	10,654
Total		**244,588**	243,560

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 €30.5m (2018: €27.6m) respectively, all of which may not be recoverable within twelve months.

29 (K). Cash And Cash Equivalents

	30 Sep 2019 € '000	30 Sep 2018 € '000
Cash and cash equivalents	271,822	216,765

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 €7.4m (2018: €9.4m). Included in the cash balances is €8.7m (2018: €16.4m) held on trust for market participants in the SEM and €17.3m (2018: €24.5m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

29 (L). Trade And Other Receivables – Amounts Falling Due Within One Year

	30 Sep 2019 € '000	30 Sep 2018 € '000
Trade receivables	787	1,073
Prepayments and deferred project costs	12,871	12,567
Unbilled receivables	86,186	75,012
Other receivables	112,337	32,881
Current tax receivables	1,759	65
Amounts owed by subsidiary undertakings	35,955	50,591
Total	**249,895**	172,189

29 (L). Trade And Other Receivables – Amounts Falling Due Within One Year (continued)

€20.1m (2018: €0.6m) 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 €7.0m (2018: €7.0m), all of which expected be recoverable within twelve months.

Other receivables includes €84.8m owed from the SEM balancing market to SEMO in respect of working capital requirements that occurred in the balancing market during the year and was funded by external bank funding provided by EirGrid and SONI through SEMO. (2018: €6.7m (shown as other payables in note 29 (M)) owed by SEMO to the SEM market to be returned to the market via a k-factor tariff adjustment).

29 (M). Trade And Other Payables – Amounts Falling Due Within One Year

	Note	30 Sep 2019 € '000	30 Sep 2018 € '000
Trade payables		53,845	63,779
Accruals		112,578	85,779
Deferred income		803	2,804
Taxation and social insurance		13,528	11,397
Other payables		27,114	62,034
Amounts owed to subsidiary undertakings		52,490	60,416
Grants	29 (O)	114	635
Borrowings	29 (P)	9,512	9,132
Total		**269,984**	**295,976**

Taxation and social insurance comprises of the following:

	30 Sep 2019 € '000	30 Sep 2018 € '000
Income tax deducted under PAYE	552	496
Pay-related social insurance	366	441
VAT	12,222	10,158
Withholding tax	388	302
Total	**13,528**	**11,397**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. €48.5m (2018: €44.2m) 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.

29 (N). Trade And Other Payables – Amounts Falling Due After More Than One Year

		30 Sep 2019 € '000	30 Sep 2018 € '000
Derivative financial instrument		76,735	56,069
Grants	29 (O)	-	155
Borrowings	29 (P)	284,041	212,302
Total		**360,776**	268,526

29 (O). Grants

	30 Sep 2019 € '000	30 Sep 2018 € '000
Balance as at 1 Oct 2018	790	-
Additions	-	1,002
Amortisation	(676)	(212)
Balance as at 30 Sep 2019	**114**	790
Analysed as:		
Current	114	635
Non-Current	-	155
Balance as at 30 Sep 2019	**114**	790

In 2018 the Company received an EU-SysFlex grant of €1.0m. 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. 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.

29 (P). Borrowings

Repayable by instalments	30 Sep 2019 € '000	30 Sep 2018 € '000
Repayable within one year	9,512	9,132
Repayable within one and two years	9,928	9,512
Repayable within two and five years	32,391	31,073
Repayable greater than five years	160,472	171,717
Total	**212,303**	221,434

29 (P). Borrowings (continued)

Repayable other than by instalments	30 Sep 2019 € '000	30 Sep 2018 € '000
Repayable within one year	-	-
Repayable within one and two years	81,250	-
Repayable within two and five years	-	-
Repayable greater than five years	-	-
Total	**81,250**	-

Total Borrowings	30 Sep 2019 € '000	30 Sep 2018 € '000
Repayable within one year	9,512	9,132
Repayable within one and two years	91,178	9,512
Repayable within two and five years	32,391	31,073
Repayable greater than five years	160,472	171,717
Total	**293,553**	221,434

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 €69.0m (2018: €90.0m) 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.

29 (Q). Deferred Tax

	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Total € '000
Deferred tax asset as at 1 Oct 2017	729	3,013	7,940	11,682
(Charge)/Credit to the Income Statement for the year	(1,131)	238	-	(893)
(Charge)/Credit to the Statement of Other Comprehensive Income	-	796	(931)	(135)
Deferred tax asset as at 30 Sep 2018	(402)	4,047	7,009	10,654
(Charge)/Credit to the Income Statement for the year	(541)	404	-	(137)
(Charge)/Credit to the Statement of Other Comprehensive Income	-	1,695	2,583	4,278
Deferred tax asset as at 30 Sep 2019	**(943)**	**6,146**	**9,592**	**14,795**

29 (R). Retirement Benefit Obligations

As outlined in note 22, there is one pension scheme held on the balance sheet of EirGrid plc. Information has been provided on these pension schemes as per note 22 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.

29 (S). Operating Lease Arrangements

Future minimum lease payments under non-cancellable operating leases, which are primarily in respect of the Company's buildings, fall due as follows:

	30 Sep 2019 € '000	30 Sep 2018 € '000
Within one year	3,822	3,788
In the second to fifth years inclusive	14,421	14,585
After five years	24,487	27,885
Total	**42,730**	**46,258**

The operating lease for the Company's head office building is for a term of 25 years which commenced on 1 March 2007. There was a rental holiday for the first three years of the lease term. The lease cost is based on open market value and is subject to rent review every 5 years. Following a scheduled rent review on 1 March 2017 an adjustment was made to rent payable. There are no significant or unusual restrictions imposed on the Company by the terms of the operating leases.

29 (T). Capital Commitments

	30 Sep 2019 € '000	30 Sep 2018 € '000
Expenditure contracted for, but not provided for in the Financial Statements	-	475

29 (U). Contingent Liabilities

The Company is not aware of any contingent liabilities at the financial year end (2018: €nil).

29 (V). Related Party Transactions

Borrowings by EIDAC 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 (2018: £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.

29 (V). Post Balance Sheet Events

On 2nd October 2019 the European Commission announced it was awarding €530.7m funding to the Celtic Interconnector Project from 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 have been no other significant events affecting the Company since the year end.

29 (X). Approval Of Financial Statements

The Board approved the Financial Statements on 18 December 2019.

Notes

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