Securing today, sustaining tomorrow.

EirGrid plc **Annual Report 2020**

EIRGRID GROUP

Delivering a cleaner energy future

EirGrid Group operates and develops the electricity system in Ireland and Northern Ireland. Our primary role is to operate, develop and enhance the all-island power system and the wholesale electricity market. We also develop and operate interconnections with neighbouring grids and enable third-party interconnectors.

We send power from where it is generated to where it is needed, at the most economic price possible. We also ensure that electricity is always available, when and where it's needed, every second of every day – and for decades to come.

Because electricity can be generated without carbon emissions, it will play a crucial role in our response to climate change.

The growth in clean electricity from renewable sources will require a decade of change to the electricity system. It is our responsibility to define and deliver much of this transformation.

Our annual report covers the period from 1 October 2019 through to 30 September 2020. The second half of these twelve months was a time of immense challenge for the entire world, due to the COVID-19 pandemic.

This report outlines our efforts this year to secure the supply of electricity in the context of restrictions and lock-downs. And at the same time, we continued to develop our plans for a sustainable electricity future for Ireland and Northern Ireland.

Securing today, sustaining tomorrow.

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Report from the Chair 2019/2020

> "Climate change is moving faster than we are – and its speed has provoked a sonic boom SOS across our world. We face a direct existential threat."
>
> **António Guterres, United Nations Secretary-General**

Brendan Tuohy
Chair, EirGrid Group

I am very pleased to present the Annual Report for EirGrid Group for the financial year 2019/2020. This year the theme of the report is "Securing today, sustaining tomorrow", a theme chosen because we consider that it accurately reflects the year gone by, both across the island and within the EirGrid Group.

The year was in two distinctly different parts – the five months to the end of February, which were relatively normal, and the remaining period to the end of September which presented some unprecedented challenges for society and, indeed, for every organisation, including our own. These challenges posed by the global pandemic, while being global in nature, required local responses that tested the capability, resilience and nimbleness of most organisations.

Thankfully, as an organisation, EirGrid Group responded well to these challenges by building on the organisational preparedness, quickly re-configuring the work environment and drawing upon a sustained commitment from all staff. That commitment and response is much appreciated.

The past financial year was the first year of the new EirGrid Group Strategy (2020-2025) – a strategy aimed at de-carbonising the island's electricity system, with a key target of delivering 70% renewable energy on the power system in Ireland by 2030. This target was informed by the Irish Government's Climate Action Plan (2019) and reinforced in the Programme for Government (2020).

In Northern Ireland, we pledged to significantly increase the amount of renewable electricity we manage on the system, rising from the current world-leading 65% that can be handled on the all-island power system at any given time.

The Department for the Economy has also begun the process of developing a new energy strategy, with a goal of de-carbonising the Northern Ireland energy sector by 2050. Minister for the Economy, Diane Dodds MLA, signalled an interim target of at least 70% by 2030, which aligns with the target set for Ireland.

The COVID-19 pandemic created an unprecedented and challenging backdrop for the first year of Strategy 2020-2025, but this did not prevent the organisation from staying focused on the key goals to support the delivery of the strategy, while also learning lessons from such a challenging experience.

Climate change in the context of a pandemic

The crucial driving force behind the EirGrid Group Strategy (2020-2025) is addressing climate change and this is still, despite the pandemic, the most urgent existential global crisis facing humanity.

It is gratifying to see the continued strides made by EirGrid Group in the area of renewable electricity integration on the power system. Northern Ireland has already achieved its target of 40% renewable electricity by 2020 and Ireland is on track to achieve its 40% renewable electricity target by the end of 2020. Moreover, February 2020 was a record-breaking month for wind generation, reaching its highest level ever of 4,249 MW on 21 February 2020.

The threat posed by climate change is accepted (almost) universally and, notably, at EU level, where a twin-track approach to the economic response in the aftermath of the COVID-19 pandemic is aligned with the European Green Deal, which encompasses a significant commitment to addressing the challenges of climate change.

However, the transition to a low carbon society is hugely challenging. There are significant obstacles to be overcome – political, policy, economic, technical and scientific. But the greatest challenge will be the significant behavioural changes that will be required, particularly at local community and individual level.

There is a parallel to the challenges of addressing COVID-19. Despite the significant scientific challenges of developing new vaccines to address COVID-19, there was a huge level of co-operation between normally competing companies and research institutions and there was wide-scale global collaboration and sharing of information to tackle what was perceived as a common adversary.

But the public also had a key role to play in mitigating the effects of the pandemic. The decisions by individuals to limit contacts, to practice correct hand-washing and to wear masks show how individual choices play a key role in determining the outcomes of societal challenges.

Tackling climate change will also require significant behavioural changes. Collaboration and sharing of accurate information is key, as are the actions taken by individuals and communities to embrace the challenge and accept the solutions – over a sustained period.

At best, this process can be facilitated by Government and others, including State companies, but local communities and the individuals within them will always have a critical role to play.

Working with communities

Reaching our renewable energy targets will be hugely challenging and a major part of the overall response to meeting our targets will require a significant increase (more than 33%) in the generation of electricity, much of this to cater for the large energy users and also the electrification of heating and transport. The electricity network will require large upgrading to accommodate additional renewable generation and a significant proportion of this new generating capacity will be required to come from the offshore and almost all from renewable energy sources.

There will also be a requirement for additional interconnection to other countries and, if the full capability of Ireland's offshore is to be utilised, a new approach to the integration of offshore generation into the European grid will be required, with Ireland becoming an exporter of renewable electricity to Europe.

Therefore, we acknowledge and hugely appreciate the important role that communities play in facilitating new and upgraded grid infrastructure. As we work with local communities in providing the necessary electricity infrastructure, we would hope to contribute to creating suitable ecosystems that support the creation of new businesses and jobs that are built upon the transition to low carbon.

We recognise the opportunities we have had to work with local communities in 2020, in areas such as South Armagh, Lanesboro (Co Longford), Leixlip (Co Kildare) and North Kerry and we would like to extend our gratitude to these communities for facilitating the Group.

The European Union and the Government of Ireland have also identified the importance of a 'Just Transition' and this will ensure that communities that may have been reliant upon fossil fuel industries will be assisted to transition to a low carbon future. We also see the 'Just Transition' as relevant to the communities that facilitate the transition to low carbon by supporting the erection of electricity infrastructure in their local communities, even though they may not see themselves as immediate beneficiaries of that infrastructure.

Gratitude

I would like to thank all the staff in EirGrid and SONI who have worked so diligently throughout the year to keep critical operations going and to seek to deliver on key milestones. I would also like to thank Chief Executive, Mark Foley, the Group's Chief Officers and my fellow Board members for their strong leadership and support during this time.

I would especially like to thank the members of the cross-functional Crisis Management Team, which was established to ensure contingency plans were in place to cater for all potential outcomes of the pandemic.

I would also like to thank the Minister for the Environment, Climate and Communication, Eamon Ryan TD and his officials, who have given us unwavering support throughout the year. Similarly, I wish to thank Minister for the Economy, Diane Dodds MLA and Minister of Infrastructure, Minister Nichola Mallon MLA and their officials in Northern Ireland, who have been very supportive and have worked very well with the Group in one of the most challenging years in recent history.

Finally, I would like to thank the Commission for the Regulation of Utilities in Ireland and the Utility Regulator in Northern Ireland for working so constructively with the company.

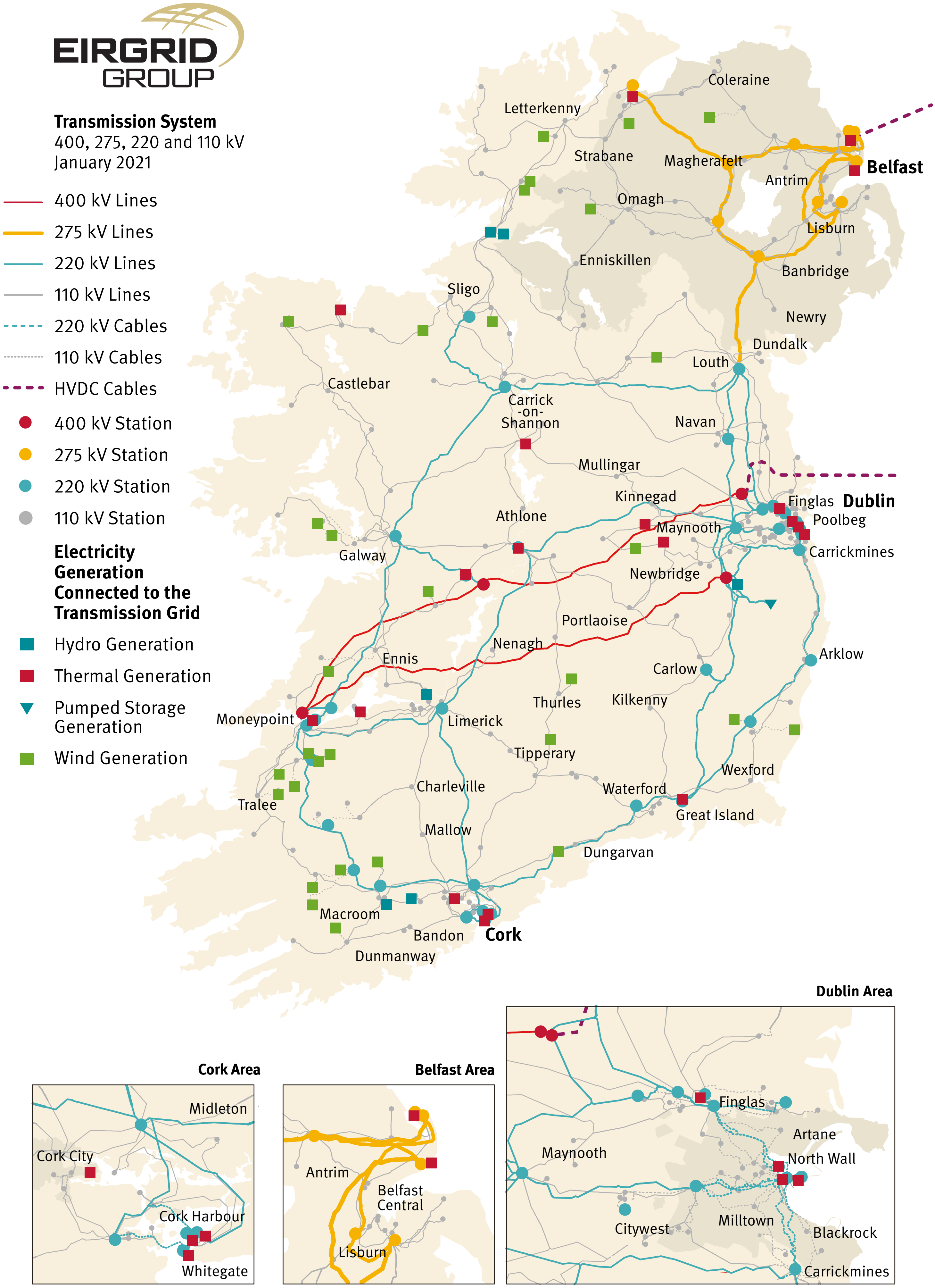
The Challenges Ahead

EirGrid Group will continue to stay focused on its key goal of creating a cleaner power system that will help address the challenges of climate change, while also enabling our sustainable economic development and supporting local communities to prosper as low carbon communities.

I would like to conclude with a quote from President John F Kennedy that could be seen to reflect where we are now on the path towards trying to halt and reverse the damage of climate change. In many ways, the difficulties of putting the first person on the moon, while hugely challenging in its day, is dwarfed by the challenges of addressing climate change, as these challenges are not just technical, but also political, economic and behavioural and will require whole-scale change at a depth, scope and speed that is unprecedented.

"Frank O'Connor, the Irish writer, tells in one of his books how, as a boy, he and his friends would make their way across the countryside, and when they came to an orchard wall that seemed too high and too doubtful to try and too difficult to permit their voyage to continue, they took off their hats and tossed them over the wall – and then they had no choice but to follow them.

"This nation has tossed its cap over the wall of space, and we have no choice but to follow it. Whatever the difficulties, they will be overcome. Whatever the hazards, they must be guarded against…. we will climb this wall with safety and with speed – and we shall then explore the wonders on the other side." – John F Kennedy, President of the United States of America, 21 November 1963


Transmission System
400, 275, 220 and 110 kV
January 2021
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
Dublin Area
Cork Area
Belfast Area
Midleton
Cork City
Cork Harbour
Whitegate
Antrim
Belfast Central
Lisburn
Finglas
Artane
Maynooth
North Wall
Citywest
Milltown
Blackrock
Carrickmines

Chief Executive Report 2019/2020

“The last 12 months have been a period of unprecedented challenge for everyone on the island.”

Mark Foley
Chief Executive, EirGrid Group
See Mark introduce this year’s Annual Report at **eirgridgroup.com/annual-report-2020**

As operator of the transmission grids and the electricity market in Ireland and Northern Ireland we have played our part through the global pandemic, keeping the power flowing while keeping our people safe.

The pandemic created a challenging context for the first year of our Strategy 2020-2025, the objective of which is to ensure that renewable energy accounts for 70% of all electricity use by 2030 – almost double current levels.

Key to the new strategy is upgrading the power system so that it can handle world-leading levels of renewable energy, supplied through a combination of offshore and onshore wind, along with solar energy.

Like many other businesses, the majority of our people have been working remotely. Despite this challenge, our organisation continued to maintain focus on the key goals that underpin the delivery of our strategy 2020-2025.

This is reflected in our financial performance for 2019 – 2020, which saw Group revenues of €688.4 million and profits before tax of €14.0 million. Profits after tax were €11.9 million. As a result, we can deliver a proposed dividend of €4.0m to the shareholder, which is in line with previous years and shareholder expectations.

We have also delivered key elements of our business plan. The first auction held under the new Renewable Electricity Support Scheme (RESS) resulted in almost 500 megawatts (MW) of onshore wind projects, 796 MW of solar projects and seven community projects.

This represents a really excellent start for the Irish Government’s Climate Action Plan, delivering both a substantial quantity of new capacity but also adding diversity in terms of technologies and also rewarding communities for their endeavours and willingness to become part of this vital new ecosystem. It is very exciting and a positive step towards reaching our 2030 target.

The Celtic Interconnector linking the Irish and French electricity grids is a flagship project for the group and significant progress was made during the year.

Just after our financial year finished, we selected a site at Ballyadam near Carrigtwohill in East Cork on which to build the converter station, a key component of this €1 billion electricity project.

This is an important milestone and marked the final stage of our public consultation on the project, during which we received more than 1,000 responses to the most recent phase.

We are now moving to the next stage of the project, the planning process, and we look forward to submitting a planning application in the spring.

I am proud to say that our consultation work on the Celtic Interconnector received international recognition in the autumn from the prestigious Berlin-based Renewable Grid Initiative (RGI) organisation.

The jury selected EirGrid for the Good Practice of the Year in the Communication & Engagement category. RGI described the engagement around the Celtic Interconnector as “an extremely holistic engagement approach that includes a diverse set of high-quality measures.”

We are deploying the same good practices on our other grid development projects throughout the country, most notably the Kildare-Meath Grid Upgrade, the North Connacht Project and the East Meath to North Dublin Project.

In September, SONI welcomed the decision by Minister Mallon MLA to approve planning permission for the North South Interconnector. This will be a key catalyst for Northern Ireland’s response to climate change, will reduce consumer costs and will provide a secure long-term electricity supply to Northern Ireland.

The project is a much needed high-capacity and resilient link between the electricity grids in Northern Ireland and Ireland and will remove costly blockages on the network. It will allow for the flow of 900 MW of renewable electricity across the border, in both directions, enough to power 600,000 homes with green energy.

Due to its economic, environmental and societal benefits, the North South Interconnector has received strong backing from the Department for the Economy, as well as from business, industry, academia, consumer and third-party organisations in our sector and beyond.

One of my great pleasures during the year was welcoming new people to our organisation. In this financial year, there were 32 nationalities represented in our workforce. This brings new capabilities and fresh perspectives from Ireland and internationally. It also reflects the strength of our recruitment campaigns.

In our role, leading the island’s electricity sector on sustainability and de-carbonisation, we have a commitment to engage for better outcomes for all.

Towards the end of the financial year, we developed a TV and billboard public information campaign in Ireland as the first step of a strategic communications plan to reposition EirGrid and its activities in the context of the societal imperative to address climate change.

This high-profile campaign began in early October and allows us to lay the foundations for our activities in 2021.

I am proud of the public information campaign. It is just one example of our efforts to provide real thought leadership in the climate change mitigation space. The challenge in 2021 is to extend this type of approach across Government and other state agencies as we seek to participate in a co-ordinated, holistic approach to communication and education around the Climate Action Plan.

As more renewables come on to the power system, the challenge of balancing supply and demand is even greater, requiring our people in our core operations functions to rise to new challenges. I want to acknowledge those staff who are critical to this aspect of our business.

In the next year, we will continue to increase the levels of renewably generated electricity that can be securely accommodated on the grid.

It is of vital importance that the power system can be operated to accommodate the wind energy when it is blowing. In calendar year 2020, EirGrid and SONI operated the power system with an average of 43% of electricity coming from renewable sources. (This excludes data from small-scale and micro-generation sources that aren’t grid connected.)

In the coming year, we will continue to push the boundaries as we head towards 70% by 2030. This will be enabled by a suite of innovations, including leading-edge control centre tools. These sustained efforts will allow us to operate the system securely and economically as more renewable generation is connected in the coming years.

I would like to thank Brendan Tuohy, Chairman of EirGrid plc, and the members of the EirGrid Board who have provided exceptional support to me and my executive team in a year of unprecedented challenge. Similarly, I would like to thank Minister for Communications, Climate Action and Environment, Eamon Ryan TD and his predecessor Richard Bruton TD, for their positive engagement and support.

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

Finally, I want to acknowledge the contribution of all our people and to commend their hard work and commitment to making this challenging year a success. Their work ensures that the electricity network, market and infrastructure all meet the needs of our customers and of the communities we serve.

Financial Review

Reported profits lower due to significant regulatory over-recoveries in the previous year

Aidan Skelly
Chief Financial Officer

Revenues and Profitability

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

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

Group revenue for the year to 30 September 2020 of €688.4m was lower (€59.4m / 7.9%) than the previous year.

The profit before tax for 2020 was €14.0m. This is down from €96.0m in 2019, mainly as a result of the occurrence of significant regulatory over recoveries in the previous year.

Excluding the impact of over and under recoveries on reported profit, management's estimate of the underlying operating profit for 2020 was €18.3m (2019: €22.3m).

EirGrid paid a dividend of €4.0m in June 2020 in respect of 2018/19. A dividend of €4.0m in respect of 2019/20 is proposed to be paid in the second quarter of 2021.

Regulation

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

Key Financial Highlights **€m**
Consolidated Financial Results

	2020	2019
Revenue	688.4	747.8
Direct Costs	(518.6)	(495.2)
Other Operating Costs	(137.7)	(139.2)
Operating Profits	32.1	113.4
Finance Costs	(18.1)	(17.4)
Profit Before Tax	14.0	96.0
Underlying Profit	**18.3**	**22.3**

Finally, EirGrid plc and SONI Limited were designated as Nominated Electricity Market Operators (NEMOs) by CRU in Ireland and UR in Northern Ireland respectively. We provide NEMO services through a Group company called SEMOpx, which is a 75/25 joint venture between EirGrid plc and SONI Ltd.

The Group's licensed activities are subject to multi-year price controls. These generally are for a five year period. The TSO price controls in Ireland and Northern Ireland for the five years to 2025 were finalised in December 2020.

In addition to the multi-year framework, in advance of each tariff year each licensee submits a forecast to the relevant regulatory authority. This covers customer demand, direct costs and other revenue requirements. Following a detailed review process, the regulators then issue a formal determination of the allowable revenue that the business can recover.

In any year, the revenues collected under these licences may vary from the levels that were previously agreed with the regulators. This is because tariffs are agreed based on forecasts and are collected based on actual energy consumption. Costs may also vary from forecast levels.

Therefore the financial results in any year can include regulatory over or under recoveries in the year in question or the correction of prior year over or under recoveries. Underlying profits are based on the elimination of such regulatory deviations.

In the year to September 2020 the profit before tax was €14.0m and the underlying profit was €18.3m. However, in the previous year direct costs, in particular the procurement of certain system services from generators, were significantly below the ex-ante (forecasted) regulatory allowance and this gave rise to the profit before tax of €96.0m compared to the underlying profit of €22.3m. The related over-recovery will be returned to customers through the reduction of tariffs in future years.

Financing

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

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

Lead the island on sustainability and de-carbonisation

> "We need to kick the old habits of burning fossil fuels and shift towards a cleaner energy system. That's going to take a change of unprecedented scale over the next decade."

Dave McGowan
Team Lead Future Networks, SONI
See Dave talk about the challenges of the next decade at **eirgridgroup.com/annual-report-2020**

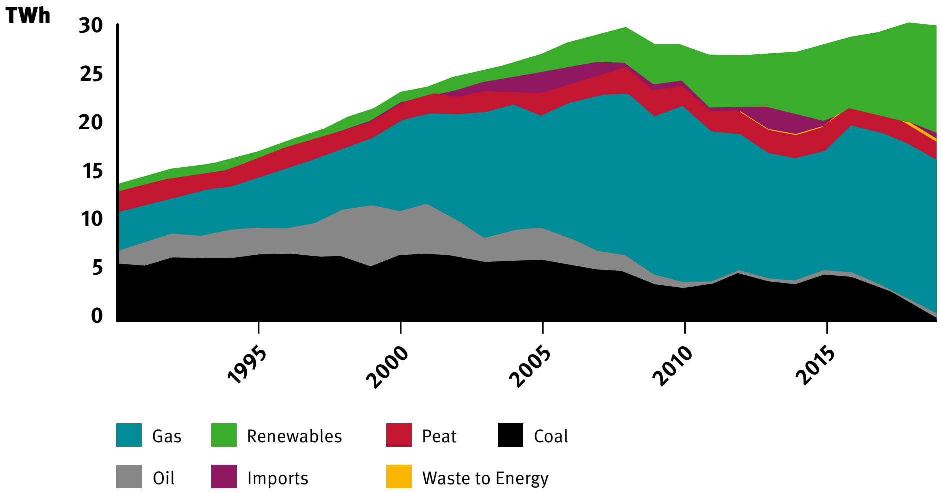
As the world moves away from fossil fuels, clean electricity will become the dominant energy source. Everyday habits that traditionally burned dirty fuels – from commuting to home heating – will switch to electric power. Combined with the projected growth in population and economies, this means more electricity will be used for more reasons than ever before.

This means we have to prepare for three challenges. First, an unprecedented increase in the demand for electricity. Second, most electricity will come from renewable sources like wind and solar power. These forms of generation depend on the weather and are more technically challenging to manage. And finally, strong sources of renewable energy are typically located far away from urban centres that need the most power.

Climate Action Plan
2030 Targets to Reduce Carbon Emissions in Ireland

Reduction amount (Million tonnes Co2)

Demand for Electricity and Generation Sources for Electricity
Historical Trends in Ireland



This graph shows the doubling in demand for electricity over the past thirty years. It also shows the increasing role played by clean, renewable generation to meet this growing need. Forecasted growth (page 20) shows that it may take only ten years for demand to double again.

EirGrid and SONI operate the electricity transmission systems in Ireland and Northern Ireland respectively.

We have a responsibility to plan and develop these systems in response to government policy. In both jurisdictions, there is a policy to phase out the use of fossil fuels to generate electricity. The Irish Government's policy is driven by the ten year targets in the Climate Action Plan, while Northern Ireland is working towards net zero by 2050.

This means we must ensure the whole island is ready for at least 70% of its electricity coming from renewable sources by 2030. This will require direct actions, but also a process of working with other stakeholders across the wider energy sector.

EirGrid Group is uniquely positioned for this role. Our expertise and insights allow us to offer trusted, independent advice to policy makers at a local, national and European level. The policy moves in both the EU and UK towards a "Green New Deal" – to revive economies after the pandemic – shows how crucial our role is. A reliable, safe and secure electricity supply has always been the foundation of a strong economy. And now, the evolution of our sector has the potential to transform both economies on the island of Ireland.

Activities in Ireland

In 2019, the Government of Ireland published a Climate Action Plan with the ambition of significantly reducing CO_2 emissions in the next decade. This plan aims to meet EU and international targets and to support the policies that underpin these targets. It sets out the reductions needed by sector – and electricity has been asked to achieve the greatest reduction. (See diagram on page 12.)

This places a clear responsibility on EirGrid. We must enable and deliver the greatest change to Ireland's power system since the rural electrification project that began in the 1940s and spanned over two decades.

The Programme for Government agreed in June 2020 set even higher ambitions. This was followed by the Climate Action and Low Carbon Development (Amendment) Bill in October 2020. This bill commits Ireland, in law, to move to a carbon neutral economy by 2050. It also requires the government to revise and update the Climate Action Plan on an annual basis. EirGrid's 2020-25 Strategy aligns with the Climate Action Plan – we are key contributors to 14 out of the 21 actions for the electricity sector in this plan.

In the year covered by this Annual Report, EirGrid completed the following actions under the Climate Action Plan. They help move Ireland closer to 70% by 2030.

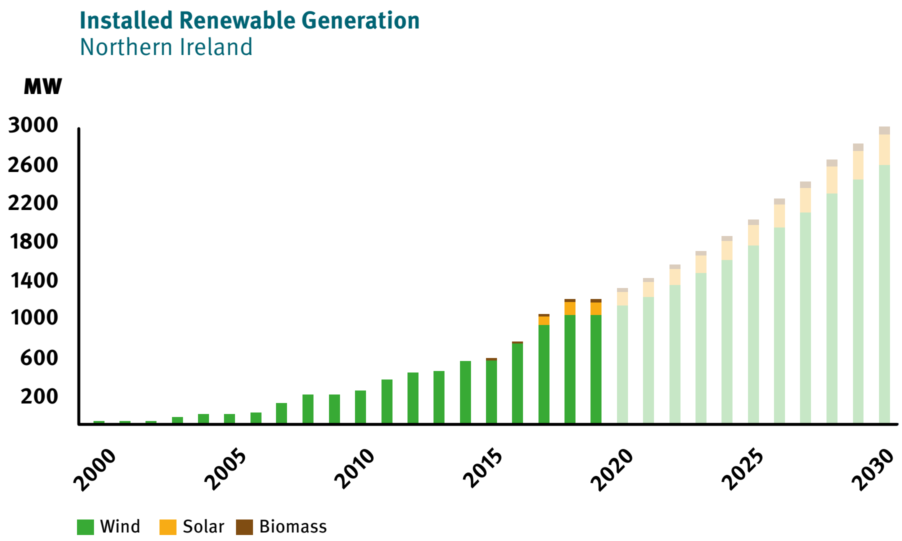
August-September 2019

In partnership with ESB Networks, we published new rules on connecting new renewable generation. The Climate Action Plan projects that Ireland will need an additional 10,000 MW of renewable generation to achieve 2030 targets. We subsequently accepted over 150 applications for connection and continue to process new applications.

December 2019

We published a System Needs Assessment report. This identified where the transmission network in Ireland will need development. The assessment of these needs is based on the scenarios we published in Tomorrow's Energy Scenarios 2019.

We published funding proposals on network development, operational and service delivery plans for 2021-2025. EirGrid must seek funding approval from the Commission for Regulation of Utilities every five years. As part of our proposals, we outlined our plans to operate and develop the grid. These plans are largely driven by the needs of the 70% target.



March 2020
We developed and published an options paper for Offshore Grid Models. Offshore wind is crucial to 2030 goals – see page 15 to learn more.

August 2020
We successfully delivered the auction for the first Renewable Energy Support Scheme (RESS). This offers Government-funded incentives for smaller-scale renewable electricity generation, including local community projects. EirGrid has been tasked with implementing and operating the auction processes for RESS. You can learn more about the RESS 1 auction on page 21.

Throughout the year
We published the Transmission Development Plan 2019-28, the All-Island Generation Capacity Statement 2020-29 and the All-Island Transmission Forecast Statement 2019. These reports outline the work required to meet increased capacity requirements and to make the grid more resilient.

Activities in Northern Ireland

In Northern Ireland, the Department for the Economy (DfE) has begun the process of developing a new energy strategy. Their goal is to de-carbonise the Northern Ireland energy sector by 2050.

Whilst work is ongoing to set an interim target, the Economy Minister Diane Dodds MLA has stated her belief that this should not be below 70% by 2030. SONI is using its expertise to support the DfE in this process and we are working closely with NIE Networks as we do so. During the past year, SONI worked on the following tasks to support these aims.

We collaborated with NIE Networks to align our respective energy modelling scenarios. This will provide the Department of Economy with a set of agreed scenarios as they develop Northern Ireland's energy strategy.

Our work together involved projecting agreed growth rates for the use of low carbon technologies – such as solar energy, electric vehicles and heat pumps. These shared projections then allow us to underpin our respective processes.

As a result, we agreed on a range of common scenarios that were then used in our 2020 report on Tomorrows Energy Scenarios for Northern Ireland. NIE Networks will then use these scenarios in their next price control process.

SONI participated in two of the five thematic working groups convened by the Department for Energy to support the development of their energy strategy. As members of the power and consumer working groups, SONI provided information and evidence to the DfE. This included information on how the different scenarios could affect the electricity sector. We informed the DfE that there will need to be development of transmission grid infrastructure to meet a 70% goal.

As part of its work on the energy strategy, DfE is developing whole system energy modelling. In partnership with NIE Networks, SONI helped DfE to develop an Energy Transition Model for Northern Ireland. The model is specific to Northern Ireland and takes account of its unique characteristics. Ultimately this model will provide insights into the different choices for the future of the energy sector.

Every five years, SONI seeks funding approval from the Utility Regulator in Northern Ireland. In October 2019 we submitted our operational and network development plans for 2021-25.

Louise O’Flanagan
Principal Engineer,
New Connections, EirGrid Group
See Louise talk about the importance of offshore wind at **eirgridgroup.com/annual-report-2020**

Offshore Wind

This form of generation will play a significant role in helping to reach the goal of 70% renewable electricity by 2030. These forms of renewable generation have several advantages compared to onshore wind. First, their location allows them to benefit from more consistent wind speeds. Secondly, offshore locations can have larger numbers of turbines with higher hub heights and longer blades – and so generate more power.

The Irish Government’s Climate Action Plan (published in 2019) has an ambition of achieving at least 3.5GW of offshore wind by 2030. The Programme for Government published in July increased this target to 5GW. It also outlines a clear ambition for at least a further 30GW of offshore floating wind off the Atlantic Coast from 2030 to 2050.

The Irish Government plans to introduce a policy framework to deliver these targets. In March 2019, EirGrid published a paper on Offshore Grid Delivery Model Options. We commissioned a consultancy firm to review international models and propose options. This report was then put out to consultation by the Department of Environment, Climate and Communications. This consultation process will then help inform their policy framework.

In the meantime, EirGrid continues to work with offshore developers that request connection to the grid. Following our 2019 East Coast Study, we are now assessing the grid reinforcements needed for these connections. We expect to complete this work in early 2021.

At a European level, EirGrid supports the EU’s ambition to be the first climate-neutral continent by 2050. We took part in the consultation on the European Green Deal and on the EU Offshore Renewable Energy Strategy.

In Northern Ireland, Tomorrow’s Energy Scenarios outlined three credible projections showing growth of offshore wind.

These range from a current base of 0 MW to a range of 350 MW to 500 MW by 2030. Our most progressive scenario anticipates total decarbonisation in twenty years. Called Accelerated Ambition, this scenario also projects growth of tidal energy up to 100 MW by 2030.

EirGrid and SONI will continue to work closely with key stakeholders to support this emerging industry. Although offshore wind plays a minor role now, it is a critical enabler for a cleaner energy future.

Shaping our electricity future

Achieving 70% by 2030 will need a scale and pace of change to the electricity system that is without precedent. EirGrid Group has been working since 2019 on developing our approaches to this challenge.

We must identify and resolve the technical, operational, infrastructural, regulatory and market challenges. These transformations will need to happen while we continue to sustain a reliable and efficient power system. Finding the best route to 2030 is driven by the need to protect the security of your electricity supply while still pursuing a cleaner energy future.

Our work to investigate and resolve these challenges is careful, detailed and ambitious. In the year covered by this report, we started to consider what paths are available for us to reach 2030 and 2050 goals.

The key considerations are the transmission network, interconnection, the operation of the system and the running of the wholesale market. All will need considerable changes. And these changes need the consent of government, regulators and the public – in Ireland and Northern Ireland.

Developing the options

Throughout this year, our teams developed approaches to running the power system and electricity market in 2030. This was done on an integrated, all-island basis and used new analyses and existing insights. We also sought expertise and insights from external bodies, as well as from within EirGrid Group.

We then started to define a selection of possible alternative solutions to minimise these impacts. The final approach, determined after consultation, will involve a combination of actions across grid, system and market. We are not going to find a solution in a single, binary choice. A successful route to 2030 will involve a range of new approaches, rather than one overarching change.

The lessons of lock-down

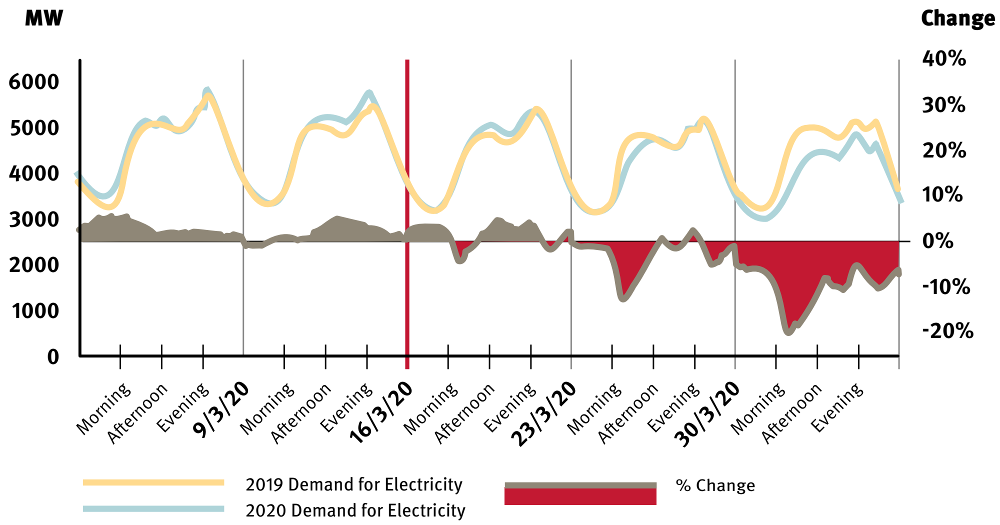
In 2020, the COVID-19 pandemic radically changed lives across the globe in a very short period of time. Governments around the world imposed extensive quarantine measures throughout the year. This led to the immediate and widespread closure of most workplaces and households spending most of their time at home. This alteration in behaviour created a significant shift in electricity consumption patterns.

This was most notable in the first lock-down in March 2020, which was more extensive. In Ireland, this led to a notable drop of approximately 10% in electricity consumption. In the UK, including Northern Ireland, the reduction was 20%.

There was also a notable change in when power was used. For example, the typical peak in demand before the morning commute was now dispersed throughout the morning.

These changes are a useful preview of the challenges of a power system dominated by renewable generation. As demand for electricity dropped in March 2020, we had a system that was sometimes dominated by renewably generated power.

Daily Demand Pattern for Electricity Use
Averaged by Week



Our response
The sudden reduction in the demand for electricity and the change in the profile of use was a challenge to the Control Centres in EirGrid and SONI. Our Control Centre operators had to quickly adapt to the evolving demand patterns – when there was too much or too little power on the system.

At times this needed short-notice transfers of power to and from Great Britain using the Moyle and East West Interconnectors. These transfers were essential to ensure the integrity of the electricity system. This kind of fast-response co-operation had long been flagged as a vital tool to maintain the stability of a renewables-led system. They show the importance of interconnection as we move towards a system where most power comes from renewables.

One of the other issues arising from the drop in the demand for electricity was the challenge of maintaining system voltage. With an unprecedented decrease in power use, we had to ensure voltage levels remained stable – a challenge in this context.

Left unchecked, this would result in the electricity system becoming unstable. In turn, this could damage and disconnect vital grid infrastructure, which could ultimately cause power loss.

In response, one of the actions we took was to redirect power around sections of the electricity grid. This gave us the ability to successfully manage voltage levels and so prevent any risk to the system.

This issue highlights the importance of voltage controls. The grid of 2030 will need generators, users and technology partners to help with voltage control. This is why greater use of renewables requires grid reinforcement, to make it more flexible, resilient and responsive.

You can learn more about an issue that is intrinsically linked to voltage – maintaining system frequency – on page 25.

Another key challenge this year that offers learnings for 2030 is that of curtailment. This is when we need to ask wind generators to stop their turbines due to excess power on the system. 2020 saw higher curtailment levels compared to previous years, as we simply could not have forecast the drop in demand due to the pandemic. By 2030 we need to operate the network and market with high levels of renewable generation yet with minimal unplanned curtailment.

Finally, the key learning of 2020 was to highlight the skill and adaptability of the people in Dublin and Belfast who run our critical operations. This reassures us we that can meet the challenge of 2030. It also demonstrates the capability and competence of our workforce.

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

“We are aware of how crucial a secure supply of electricity is for the economy and for life.”

Emma Morris
System Operational Manager, SONI
Read about how we respond to system alerts on page 22 and see Emma talk about how we manage system alerts at **eirgridgroup.com/annual-report-2020**

While EirGrid Group now has a long-term goal of enabling renewable generation, our core purpose is always to sustain a secure supply of electricity. Maintaining this balance will require continued hard work and innovation on our part.

This is vital for economic and societal stability throughout Ireland and Northern Ireland. We meet this promise through our work to operate, develop and enhance the all-island grid and market. This section of our annual report showcases the work we did this year on that topic. We start with an overview of progress on key projects.

Key project progress this year

North-South Interconnector
In September 2020, the Northern Ireland Minister for Infrastructure, Nichola Mallon MLA, approved planning permission for this project in Northern Ireland. (It was granted planning permission in Ireland in December 2016.)

This project is critical to improving the security of electricity supply across the island of Ireland. Due to its economic, environmental and societal benefits, this project is strongly backed by governments in both jurisdictions. In particular, it resolves an historical bottleneck on the all-island grid that is vital if we are to carry more renewables in future. It will allow for the flow of 900 MW of renewable electricity across the border, in both directions. This is enough to power 600,000 homes using clean electricity from renewable sources.

Kildare-Meath Upgrade
This project will lead to a high-capacity connection between substations in Kildare and Meath. When complete, this upgrade will create a new link between two key lines that transfer power from the west to the east of the country.

Visuals comparing traditional steel lattice pylons (left) to composite poles (right).

This will make these transfers more effective and secure and will also provide new options to distribute power in the project region. This project is key to move power from likely future sources of renewable energy on the west coast to areas of high energy use on the east coast.

In 2020, we started to engage with the public in the project area on the overall need for the work and on the broad range of solutions. This included both overhead and underground options. Shortly after the end of this financial year we held a consultation on a short-list of five options.

North Connacht

In September 2020 EirGrid restarted public consultation for the North Connacht 110 kV Project. This followed work over the summer to communicate to the public in North Connacht on the need for the project and on how we planned to meet those needs. The project will lead to a new overhead line or underground cable that runs from Ballina in Mayo to Ballaghaderreen in Roscommon. This will underpin investment in the region and allow for more growth of renewable energy from this area.

Drumkee and Mullavilly Battery Storage

These two 50MW battery storage projects will be the first large-scale storage schemes connected to the grid on the island of Ireland. Their principal function will be system services – such as a offering a fast solution to stabilise frequency (see page 25). This will help enable an even larger integration of renewable generation on the grid.

Connecting battery storage requires consideration and changes throughout the electricity system. This year, despite the interruptions due to COVID-19, the delivery schedule remained on track. These battery storage installations were both energised at the end of calendar year 2020.

Cross Shannon Cable

This is a submarine cable that will link the substation at Kilpaddoge in North Kerry to the Moneypoint generating station in Clare. In the south and west of Ireland there are large amounts of existing and projected sources of renewable generation.

When this project is complete, this cable will help flows of power from these sources to areas of high consumption on the east coast. In July, we submitted an application for planning permission. This covers the cables and related infrastructure at the existing substations. Subject to approval, we plan to construct this project in 2022 and make it operational in 2023.

Research and Development on Composite Poles

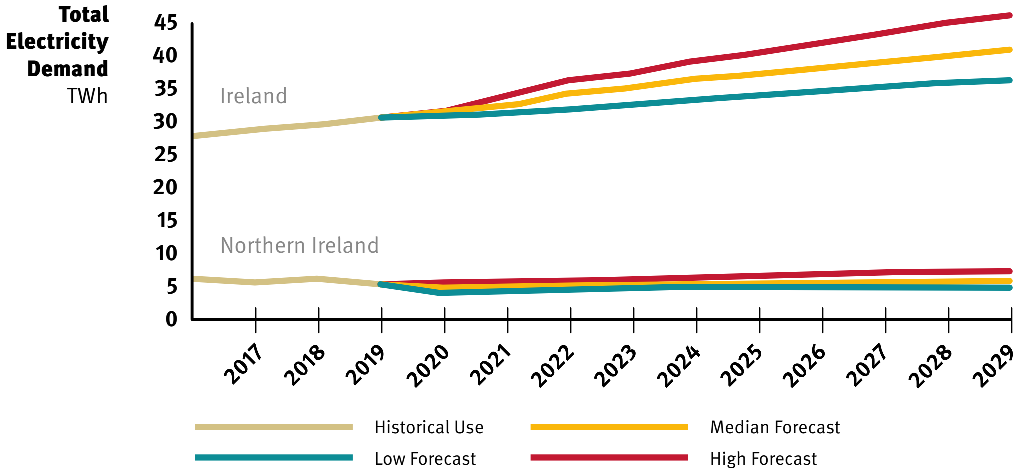
This year, EirGrid studied alternative supports to carry lines on the electricity grid in Ireland. Steel lattice pylons are often resisted because of visual impact, but wood poles are limited in the capacity they can reliably carry.

Finding a more visually acceptable structure would increase the options open to us when upgrading the grid or developing a new line. Composite poles have great potential in this regard. Made from composite materials like resin and fibreglass, they have been successfully adopted in other transmission and distribution systems.

EirGrid is currently investigating composite poles as a solution to uprate existing 110 kV lines to carry 220 kV. The benefits of this solution include an increase of up to four times as much power using an existing line route. This would be achieved with minimal visual impact, as composite poles are almost indistinguishable from wood poles. Composite poles also have ultraviolet (UV) protection – which means they don't need preservative treatments or repainting. This offers significant operational savings and environmental benefits in their 80 years of predicted use.

In 2021 we will complete our studies and then expect to approve this technology for future use. We can then review the network to identify specific lines where we can implement upgrades to 220 kV using composite poles.

Forecasted Demand for Electricity in Ireland and Northern Ireland



Planning for the future

Planning for and managing growing demand for electricity has always been a part of the everyday challenges in EirGrid Group. According to our recent Generation Capacity Statement 2020-29, demand in Ireland is expected to grow significantly in the next decade. Our forecasts predict a rise of between 19% in the low demand scenario, to 50% in the high scenario. This is due to increased economic growth and the expansion of many large energy users, including data centres. Even in our median demand scenario, the demand for power from large energy users could make up a quarter of all demand in Ireland by 2029. In contrast, demand in Northern Ireland has been relatively stable and this is expected to remain stable in the next decade.

The COVID-19 pandemic has had a significant real-time impact on electricity demand. This occurred across the all-island electricity system and all over the world. While there are signs that this may be short-term, at the time of writing (January 2021) it was too soon to assess the length and duration of COVID-19 impacts. Our initial analysis shows around an average 4% drop across Ireland and Northern Ireland for the year as a whole. This is a strong recovery from the drop in demand seen in March 2020.

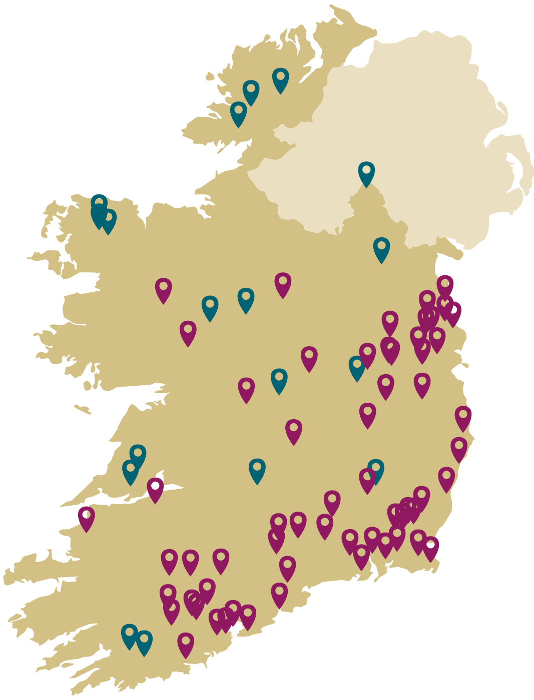
In Ireland, EirGrid has incorporated the Governments targets from the Climate Action Plan 2019 to shape our path to 2030. This plan offers guidance for anticipated levels of electric vehicles and heat pumps by 2030. We are factoring in these targets and will update them as more incentives are announced and public uptake is assessed.

Recent analysis shows that, based on our median forecast, Ireland may not have enough electricity to meet demand from 2026 onwards. This is based on two assumptions. First, that the coal-fired Moneypoint power station is expected to close – it has a generation capacity of 915 MW. Secondly, that long term demand continues to rise.

In contrast, Northern Ireland has a forecasted surplus of electricity in all scenarios in 2026. However, high demand forecasts show a potential lack of capacity in both jurisdictions by 2028. These projections also highlight the continuing and growing need to deliver the new North South Interconnector. Without this project, there remains a significant bottleneck that impedes our ability to balance supply and demand across the two jurisdictions.

These projected shortfalls show why we always need to plan ahead. For this reason, in collaboration with regulators in both jurisdictions, we hold auctions for the all-island Single Electricity Market every year. These allow us to seek bids to ensure the system has adequate capacity of electricity in the near to medium term. We based our forecast of the demand for electricity on the five year Generation Capacity Statements that we update every year. This forecast is then used to calculate how much capacity we need to seek bids for in our Capacity Market auctions.

Since 2017, we have run several auctions for best-priced capacity in the year ahead (T-1 auctions), for two years ahead (T-2 auction) and four years ahead (T-4 auctions). The most recent auction was a T-4 auction aimed at securing competitive bids to deliver electricity from October 2023 to September 2024. This auction took place in April 2020 and secured 7.3 GW of future electricity at competitive prices for Ireland and Northern Ireland.



Edel Leddin
Principal Engineer, Operations Development & Compliance, EirGrid Group
See Edel Leddin talk about the first RESS auction at **eirgridgroup.com/annual-report-2020**

Auction for Renewable Electricity Support Scheme (RESS)

The Renewable Electricity Support Scheme is a pivotal component of the Irish Government's Climate Action Plan (2019). It offers Government-funded incentives for smaller-scale renewable electricity generation. This includes projects organised by local communities. EirGrid was asked to run the auctions where participants bid to obtain supported pricing for their electricity. Successful bidders can then develop their projects, based on the security of a guaranteed price for their power. The completion of this auction was a notable first step in delivering on the potential of RESS.

On 28 July 2020, EirGrid operated the first Renewable Electricity Support Scheme auction (RESS 1). This was the culmination of work led by the Department of Environment, Climate and Communications and the Commission for Regulation of Utilities.

RESS 1 used a competitive auction process to provide support to a set of renewable generators at the best price to the end-consumer. Projects successful in the RESS 1 Auction receive support over a period of 15 years in the form of a guaranteed price.

If the wholesale price for electricity is below the guaranteed price, supported projects are paid the difference. But if the wholesale price is above the guaranteed price, supported projects return the difference. This mechanism means better value for the end-users of electricity, as it caps the government subsidy.

In spite of the challenges from COVID-19, the RESS 1 qualification window opened for an eight-week period over March and April 2020. A total of 114 projects applied and 109 projects were qualified to participate in the auction. This included eight community projects. A community project is one with at least 51% ownership by the community and where at least 51% of the profits from the project are returned to the community.

The RESS 1 Auction submission window opened for a week at the end of July. A total of 108 projects submitted an Offer Price for their project via the online portal before the deadline. The auction took place on 28 July. A total of 82 out of 108 projects were successful, including seven of the eight community projects. The process secured 2237 GWh of electricity at an average price of 74.08 €/MWh – which represents significant savings on previous schemes.

The final auction results were approved by the Minister for Environment, Climate and Communications on 10 September 2020.

Community – at the heart of RESS

RESS 1 included the use of a preference category for community projects, worth approximately 1% of the auction volume. Seven out of eight community projects that participated in this auction were successful. This should encourage other communities to develop their own renewable energy projects and sell the electricity back to the grid.

The 2020 Programme for Government recognises the importance of community involvement in energy projects. Apart from the community category, RESS also required commercial bidders to offer community benefit funds. These funds will deliver approximately €4.5 million to local communities every year.

These funds will be targeted at sustainable projects in communities near the successful RESS 1 projects. The community focus of RESS will be expanded in future auctions. Communities and individuals will have the opportunity to invest in commercial projects and there will be increased allocations for community-owned projects.

Status of Electricity System	Definition
Alert	When there is an ***elevated risk*** that there may not be enough electricity to meet the demand on the system. It can also describe the risk of breaking operational security limits on key measures like frequency or voltage.
Emergency	When there is a ***high risk*** of failure to meet the demand for electricity on the system, or of breaking operational security limits.
Blackout	When more than 50% of the electricity system has lost power, or when the system has been split into sections, some of which are without power.

Managing Supply Alerts

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

On five occasions during the year, we experienced a reduction in the margin between supply and demand below normal levels. On these occasions we issued an alert to generation and supply companies. These alerts highlight an increased potential risk of failure to meet the daily peak demand for electricity. Three of these alert events occurred in Northern Ireland. They were on 6 November 2019 and on 21 January and 11 March 2020. Two occurred in Ireland – on 5 August and 15 September 2020.

The circumstances behind each of these alerts are unique. However, there are several common factors that generally contribute to alerts. These are:

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

Alerts tend to be active for several hours over the peak demand period of the day, generally between 5 and 7pm. This is typically when generating sources reach their maximum production level.

We resolve alerts by operating the power system in a more defensive manner. This affects generation, demand side reductions and interconnection. At these times, we use all available generation. We also call on demand side partners – large power users who can lower their demand on request – to reduce their consumption of electricity. Finally, we can secure emergency power using the East West and Moyle Interconnectors with Great Britain.

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

EirGrid staff in our Dublin office watch the then Taoiseach Leo Varadkar announce COVID-19 restrictions on 12 March 2020.

Maintaining Stability during Lock-down

As noted in the previous section, COVID-19 lock-downs gave us unique learning opportunities for a system led by renewables. But these learnings were hard-earned in response to considerable and totally unprecedented challenges.

The most fundamental challenge was to protect the operational security of our grid Control Centres in Dublin and Belfast. This was our first priority and ensured we could sustain uninterrupted service during a global pandemic. We started to take first precautionary measures at the start of the calendar year. This was when China first reported serious outbreaks and before restrictions were announced locally.

First, we implemented social distancing, cleaning and contact tracing protocols for Control Centres. We also activated the use of our standby Control Centres in each jurisdiction. This allowed us to split Control Centre staff into separate “bubbles”. It also gave us the option to have a back-up if either of the primary Control Centres in Dublin and Belfast became unavailable due to a suspected or confirmed outbreak.

Throughout the pandemic, we maintained contact with generators to assess their risks. Where system stability allowed, we could then respond with flexibility.

For instance, some generators restricted working arrangements at their facilities due to COVID-19. To mitigate this, we committed to giving extra notice when asking these generators to increase or decrease supply of electricity.

Planned outages for generator maintenance play an important role in ensuring system stability. The initial lock-down came into place at the start of the traditional outage window. Most generators had to cancel this maintenance due to COVID-19 restrictions.

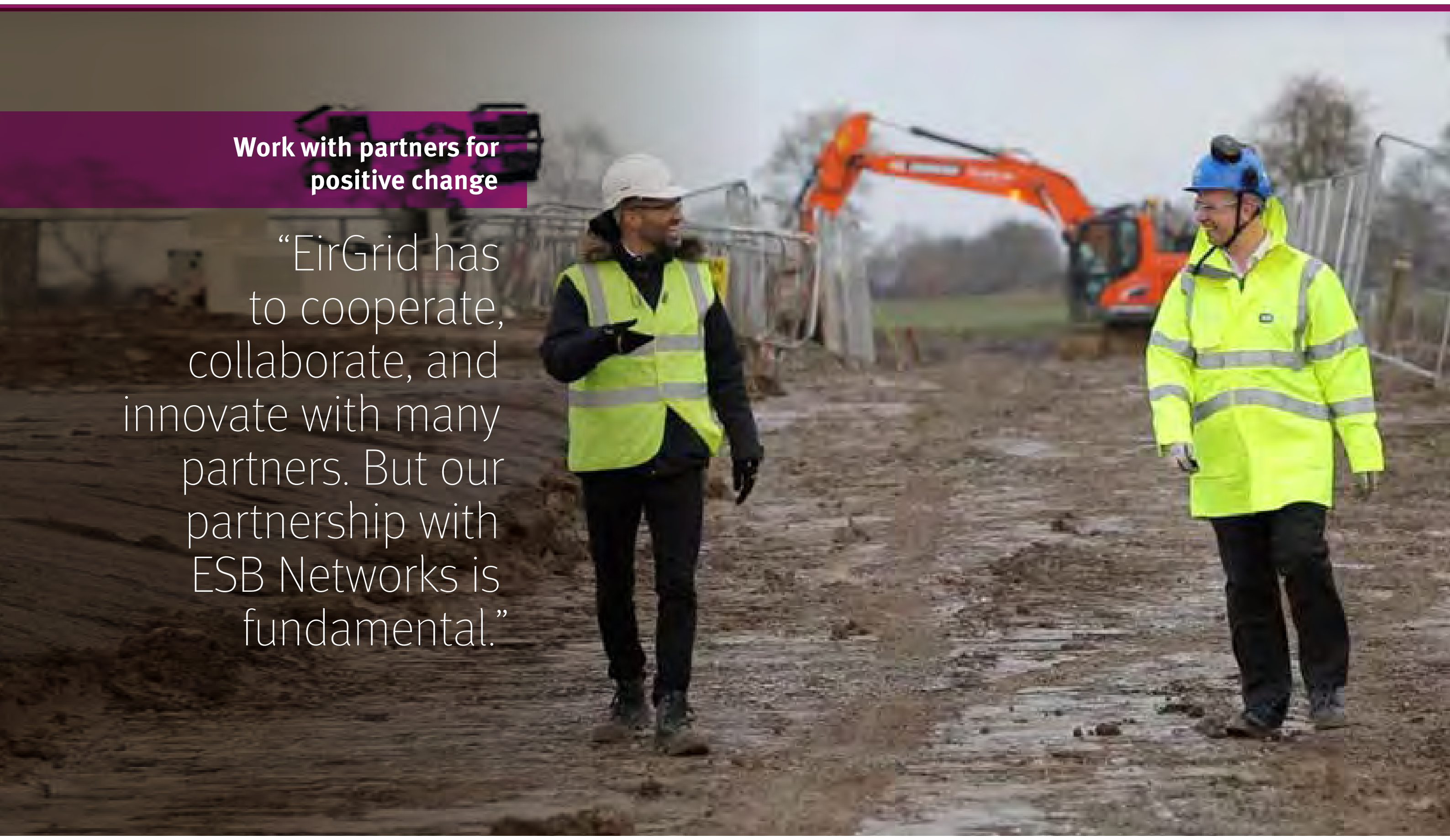
We then had to facilitate and manage requests for postponed maintenance over the summer. This was to ensure system stability over the more demanding winter months. We managed a similar process to reschedule planned testing of generators.

Similarly, some key transmission lines were due to be taken offline in 2020 for planned maintenance. During the initial lock-down, a large number of maintenance and development works had to be postponed. From May, as grid asset owners developed pandemic-safe work practices in line with Government and industry guidelines, work was re-planned and recommenced.

We then worked to strike a balance between essential works that were priority for system stability and those that we could defer. This was a highly collaborative and co-operative process with ESB Networks and NIE Networks. We wish to recognise both organisations for their flexibility and hard work during this challenging period.

The other consequence of the pandemic was shortages and delays of both personnel and materials on key transmission works. Most notably, work on the Arklow – Carrickmines 220 kV line went on a forced outage for these reasons in May. The overseas personnel required to complete these repair works could not attend on-site until October. This had a significant impact on generation constraints in the south east and south during that period.

Finally, throughout the pandemic, we maintained close lines of communication with key stakeholders. This included governments, regulators and distribution system operators in both jurisdictions. We also maintained regular contact to share insights with Gas Networks Ireland and Mutual Energy in Northern Ireland.



Work with partners for positive change

"EirGrid has to cooperate, collaborate, and innovate with many partners. But our partnership with ESB Networks is fundamental."

Paul Moran
Head of Programme Management Office, EirGrid Group
Declan Whyte
Networks Project Delivery Manager Engineering & Major Projects, ESB Networks
See Paul and Declan talk about the partnership between EirGrid and ESB Networks at **eirgridgroup.com/annual-report-2020**

Achieving 70% by 2030 will require an unprecedented transformation of the entire electricity sector. This places the need for action far beyond the roles of the companies in the EirGrid Group. However, as the operator of the transmission system and electricity market, we have a central role in the overall power system that gives us a unique responsibility.

In particular, we must identify and encourage cooperation, collaboration and innovation with key partners. This process will encourage and enable the critical changes that are needed over the next decade. This section talks about some of these partnerships and the progress made this year.

ESB Networks and NIE Networks

Getting electricity from where it is generated to where it is used is a partnership in itself. On any electricity system, the high capacity grid sends power to a distribution network that supplies homes and businesses.

On the island of Ireland, ESB Networks operates the distribution system in Ireland, while NIE Networks does so in Northern Ireland. EirGrid became independent from ESB Networks in 2006. This was in response to EU initiatives to increase competition. In 2009, EirGrid acquired SONI, the transmission system operator for Northern Ireland. This followed the establishment of the all-island single electricity market in 2007. In 2010, NIE Networks was acquired by ESB Group.

While EirGrid and SONI plan for the future of the electricity grid, it is ESB Networks and NIE networks that build and own the assets on this grid. This means we must work very closely with both ESB Networks and NIE Networks. They are our core partners to ensure we operate the all-island transmission system in a safe, secure and reliable manner.

This year we continued to work with these partners to reach an understanding of the shared challenge to achieve 2030 goals.

How does the grid work?

Generation companies create electricity and compete to supply it at the best price.

EirGrid and SONI ensure there is enough electricity, then safely deliver this directly to large energy users and all around the grid.

ESB Networks and NIE Networks take electricity from the grid and send to everyone who needs it.

Consumers choose an electricity supplier, confident that they'll have a reliable and secure supply - now and in future.

We established new joint working groups to start progressing a common roadmap. The roll-out of this roadmap will see the implementation of several major and transformative initiatives.

2020 also saw the successful implementation of a new standard on the electricity system. Occasionally there will be an imbalance between supply and demand. This can happen, for example, when a generator disconnects and its power is lost.

In this scenario, the supply from the system will be temporarily below the demand and so the system frequency of 50 Hz will start to fall. Maintaining a constant frequency is important for anything that runs on electricity – see the side bar to learn more.

EirGrid and SONI are responsible for restoring the balance – and getting back to 50 Hz – in the moments after it drops. The rate at which frequency falls is called the rate of change of frequency (RoCoF).

During 2020 we started a trial with all industry participants, including ESB Networks and NIE Networks. This led to an agreement on doubling the safe limit for changes in frequency – from 0.5Hz to 1Hz per second. This will help integrate greater levels of renewables.

Partnership with ESB Networks

EirGrid and ESB Networks are regulated monopolies. This means we both need to secure funding from the regulator for significant spending.

In 2020 we collaborated on an extensive joint submission to the Commission for Regulation of Utilities for 2021 to 2025. This will see us jointly invest €1bn in the power system over the next 5 years. These investments will be key to achieving 70% clean electricity by 2030.

This funding will help us work together to adopt new technologies and scale the use of existing technologies. This collaboration is already showing promise on current needs, such as the Kildare-Meath project. This project was put out to public consultation in 2020 and offered five possible options.

What is frequency and why is it important? European electricity systems operate at a frequency of 50Hz. This is because legacy power stations burn fossil fuels to spin generation turbines at 3,000 revolutions per minute – or 50 times per second. If a generator unexpectedly goes offline, the system frequency will momentarily dip below 50Hz. Other generators will then supply extra power, known as "operating reserve", to help restore the frequency to 50Hz. But if the frequency drop is too large, other generators may disconnect to protect their own equipment – which could lead to a black-out.

Jason Kenna
Senior Lead Engineer, EirGrid
See Jason talk about the challenges of undergrounding the electricity grid at **eirgridgroup.com/annual-report-2020**

Why can't we put everything underground?
When we upgrade the grid, we always consider underground and overhead options – but underground cables have more limitations. The question of which option is best for a particular project is complex and depends on several technical issues. This means we have to consider the strength of the existing grid in the area of the project and the particular needs that prompted the upgrade. What works well for one project may not be a viable option for another: there is no "one size fits all" answer when it comes to overhead vs underground. We always look for solutions that are best for the area and that secure Ireland's grid for the future.

Two of these options are technically innovative and have never been used in Ireland before. One increases the capacity of existing infrastructure by using new pylon technology to increase the voltage carried on existing lines.

The other uses a 400 kV underground cable running for approximately 50km. If progressed, this will be the longest such cable in Ireland. However, it should be noted that this use of a high-capacity, long-distance underground AC cable is only possible because the local grid is already relatively strong and well connected.

In 2020 we also increased the number of projects developed jointly with ESB Networks by 30%. One example was our work together to successfully negotiate with landowners on a project in Leixlip. This work was required to deliver a new connection to the grid for a large high-tech manufacturing facility. We secured landowner and planning consent thanks to successful community engagement from EirGrid and ESB Networks. Construction is now well advanced and will deliver the 220kV substation and associated connections on time.

Partnership with NIE Networks

The SONI and NIE Networks relationship is governed by Transmission Interface Arrangements (TIA). This year, we worked together to review and update these arrangements to improve services for customers and consumers. In particular, we improved the clarity and transparency for both companies' pre-construction roles. This culminated in a consultation process that took place in summer 2020.

This year, SONI also continued to work with NIE Networks to progress elements of the North South Interconnector. This took place while awaiting the planning decision of the Infrastructure Minister, Nichola Mallon MLA, that came at the end of the year.

The lack of this interconnector is limiting the efficiency of the wholesale energy market and the electricity system. Its completion is critical to the delivery of any increased renewable electricity ambitions. As a result, SONI and NIE Networks worked together closely to make progress wherever possible.

The role of NIE Networks is also evolving. This year, we established a working group to focus on their role as distribution system operator and on how we can work better together to benefit Northern Ireland.

SONI is also working closely with NIE Networks to provide input to the Department for the Economy (DfE) as part of their energy strategy development. A joint working group provided analysis and feedback to the DfE in an aligned and consistent manner. This recognises that the future delivery of policy will lead to even greater collaboration between SONI and NIE Networks.

The Celtic Interconnector

This project will create a direct, high-capacity electrical link between Ireland and France that will allow a two-way flow of power. It is being developed jointly by EirGrid and its French counterpart, Réseau de Transport d'Électricité (RTÉ.) The Celtic Interconnector responds to the needs of the energy transition in response to climate change. It is an EU "Project of Common Interest" and has strong support from French and Irish governments and from the European Commission.

When completed, this project will be a key enabler for greater levels of renewably generated electricity. When Ireland has excess power from renewable sources, we will be able to export this surplus to the integrated European grid. And if we have a deficit of power, we can then import power from Europe. This is key for sustaining security of supply on a system dominated by renewable electricity.

Celtic Interconnector Main Benefits

Competition
Apply downward pressure on the cost of electricity to consumers in Ireland and France

Sustainability
Help facilitate Ireland's transition to a low carbon energy future

Security of Supply
Enhanced security of supply for Irish electricity consumers

Fibre Optics
Provide a direct telecommunications link between Ireland and France (and continental Europe)

Celtic Interconnector Key Facts

575km
length of the interconnection (500km subsea)

2
project promoters (working in partnership)

700 MW
capacity (450,000 homes)

Just as important, the European grid will gain access to Ireland's enormous potential for renewables. Also, the integration of our grid with Europe will increase competition on the wholesale market. This should lead to lower prices for consumers of electricity. Finally, the project also includes a fibre-optic link that will increase broadband connectivity between Ireland and Europe.

This year, the project team at EirGrid and RTÉ made further progress on this vital project. In particular, they progressed the technical specifications for the connection. This included agreeing the specific technology to be used in the undersea cable. Joint committees also agreed developments on topics such as procurement, governance and finance.

As a long-distance, high-capacity electricity cable, this project will need to convert power from AC to DC and back again at either end. (See the "Why can't we put everything underground?" video on page 26 to learn why this is necessary.)

Switching between AC and DC requires substantial converter stations. At the Irish end of the cable, EirGrid continued with our engagement process to agree the location for our converter station.

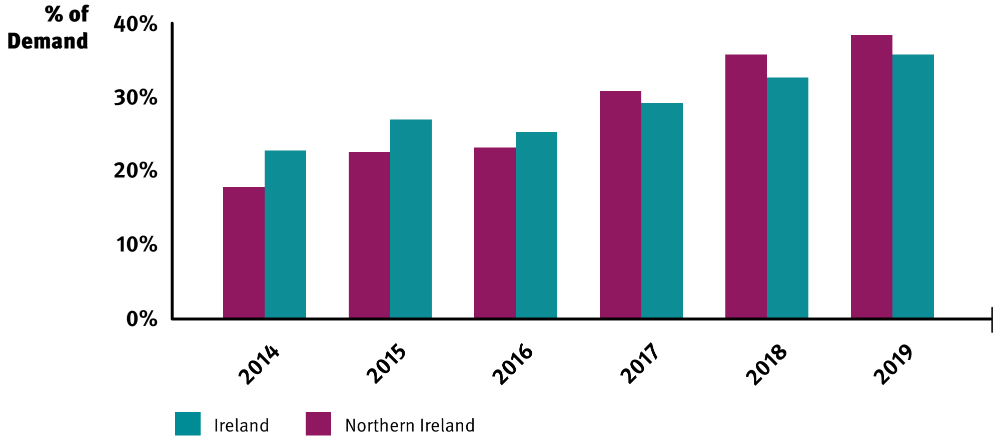
We consulted with communities in Co Cork on the specific landfall site and on the route the inland cable will take. Our engagement process also covered discussions on how the project could benefit the local area. This process continued without delay or interruption, despite the unexpected challenges of COVID-19.

The Celtic Interconnector is due to enter the construction phase in 2022 and is expected to be complete in 2026. It will be approximately 575 km long and will have a capacity of 700 MW – enough to power 450,000 homes. It has a projected cost of approximately €1bn and is part-funded by the EU.

Our customers as partners

EirGrid and SONI customers are those directly connected to the transmission system. Some customers generate electricity from conventional or renewable sources. Other customers have a high demand for electricity, which only our grid can provide. Some of these are demand-side units that agree to reduce power when asked. Others provide the services necessary for operating the transmission system.

Renewable Electricity
as a Percentage of Demand



Finally, interconnector customers provide access to neighbouring electricity systems. The insights and experience these organisations bring is important to us and we need their support to achieve 2030 goals. When we work together with stakeholders like our customers we can make better decisions for the electricity system. That's why one of the foundations of our strategy is to build stronger partnerships.

Just as with the public, it is important that customers affected by our decisions are given the chance to have their say and to input into our decision-making process. They can then understand how their contributions have been considered and contributed to demonstrably better outcomes. This year marked the start of a renewed focus on engagement activities with our customers.

Our customer partnership processes are focused on quality engagement. This includes customer clinics, account management, conferences, forums and webinars on specific topics.

We also ensure that our website contains easily accessible content that meets customers' needs. This includes date lists of consultations, publications, forums and grid development project consultations.

From the start of the COVID-19 pandemic, we acted quickly to continue engagement through the channels that were still available online. We also worked with customers to move meetings, forums and working groups online in place of in-person contacts. This allowed us to continue to engage meaningfully.

We used these channels to provide updated information on our risk mitigation steps. We also used them to discuss the impacts due to government restrictions or in response to customer circumstances.

Using insights received from our customers, we regularly review and aim to improve our partnerships. As this progresses through the lifetime of each customer's connection, we can then work together to achieve 70% by 2030.

FlexTech – Partnerships to integrate renewables

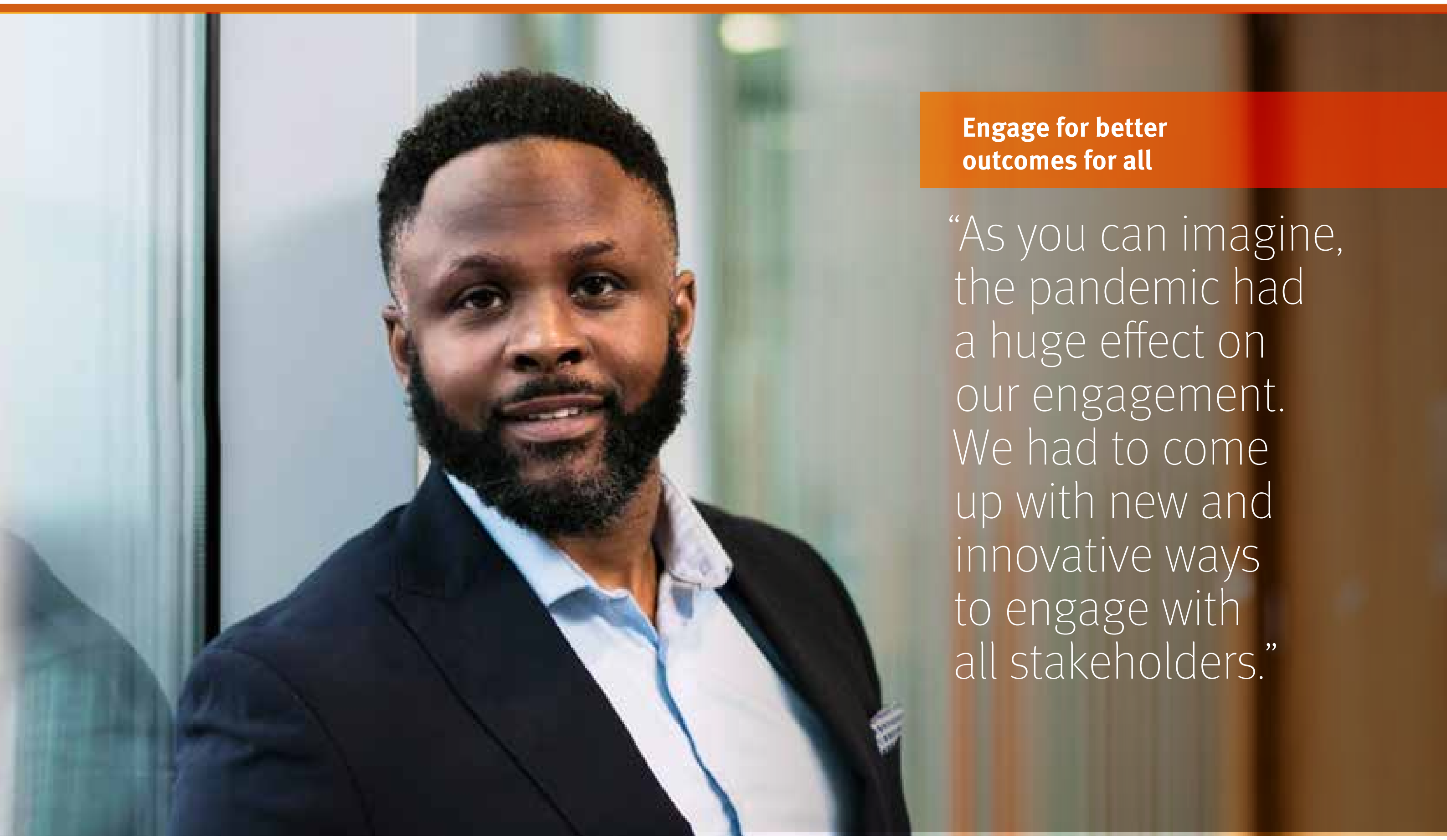
The Flexible Technology Integration Initiative, otherwise known as FlexTech, is an all-island initiative to support greater use of renewables.

Conventional generators deliver power at a constant voltage and frequency, which is in sync with the grid itself. Renewable electricity is more challenging, because the amount of power is variable, as is its voltage and frequency. This makes renewable energy much more complex to integrate on an electricity system.

At EirGrid Group we recognise that enhanced engagement across the sector is essential to help make this happen. It provides a way for system operators, regulatory bodies and industry to find solutions together.

FlexTech is run in collaboration with ESB Networks and NIE Networks. Our shared aim is to foster greater cooperation and collaboration across the sector to solve this common challenge.

This year, we established a working group to look into how hybrid technologies could be implemented. This term refers to a system-wide view of renewables, storage and control changes for more flexible grid operations. This gives system operators the chance to optimise existing assets yet still diversify how power is generated. Most importantly, the hybrid approach has the potential to improve security of supply as use of renewables increases.



Leading an unprecedented change in the electricity system could be seen as a mainly technical or engineering problem. But the scale and pace of this challenge needs collective support from a wide range of stakeholders. When most electricity is renewable, the grid will need to carry more power, over longer distances and from variable sources.

This is both a key solution for climate change, but also a challenge to deliver. It will require a decade of work to make grid infrastructure more resilient and flexible. As a result, more communities and individuals will be asked to accept new or upgraded infrastructure.

This process of transformation offers the chance to collaborate with communities on a common journey towards sustainability and a low-carbon electricity system.

We need to prioritise and resource how we listen, inform and persuade. This will help us achieve support for our projects – and so deliver the required infrastructure – with fewer delays. This is essential to address the challenge of climate change.

For this reason, both EirGrid and SONI’s five-year strategy recognised engagement as a key enabler. This section of our Annual Report explains what we did in financial year 2020 to engage more effectively.

Developing a better way to engage with the public

We have been tasked with preparing for 70% of electricity coming from renewable sources by 2030. For this to happen, EirGrid and SONI will need to make an revolutionary shift in how we engage with the public.

More than ever before, we need the support of individual landowners, their neighbours and their wider communities. We must acknowledge the cooperation we seek from individuals and communities for the benefit of wider society. If we don’t engage successfully with those affected by grid development plans, we won’t achieve climate action goals.

Daniel Caines
Senior Communications Specialist, EirGrid Group
See Daniel talk about engaging during a pandemic at **eirgridgroup.com/annual-report-2020**

In recent years, we've seen key benefits if we prioritise social acceptance when creating or assessing projects. Faster project time-lines and fewer disruptive actions have often compensated for higher project costs. This has resulted in work this year to start creating a new approach to engaging with communities on our grid development projects.

In early 2020 EirGrid established a programme delivery team to achieve this purpose. This team then started a detailed process of investigation and recommendation. They outlined objectives, assessed practices, gathered learnings and defined a path to new standards.

This process was informed by a comprehensive analysis of independent reviews on this topic. The research also considered insights from workshops held with internal and external stakeholders. Finally, the team evaluated local case studies and a range of international, European and UK best practice reviews.

This process allowed us to consider specific lessons learnt from our own projects and from similar work across the energy sector.

Our new engagement strategy will be developed to work across the EirGrid Group. SONI will then localise this approach to suit their specific regulatory and social context.

With these changes, we are endeavouring to make community engagement and communication a central part of our core competence. This will compliment and enable our well-established expertise in electrical engineering. It will be a significant development for EirGrid Group and shows our commitment to achieving renewable goals in a cohesive way.

Engagement with elected representatives and government

EirGrid and SONI are regulated monopoly utilities. Our work is defined by public policy – at national and EU level. We are subject to regulatory oversights and enabled or constrained by their decisions on budgets and resources. It is important to sustain positive working relationships with government and political stakeholders. We need each other's support for shared goals and to meet our societal obligations.

Ireland

This year EirGrid continued our ongoing engagement with the government department responsible for our work. Before government formation, this was the Department of Communication, Climate Action and Environment. The Department was then renamed Environment, Climate and Communication. We work with Minister Eamon Ryan TD and his officials to implement government policy and to engage collaboratively to secure sustainable decarbonisation.

A key area of delivery this year was EirGrid's running of the Renewable Electricity Support Scheme auction on behalf of the Department. The successful auction saw the go-ahead being given for 82 new renewable energy projects, including seven community projects.

EirGrid's government liaison team also continued to sustain support for the Celtic Interconnector. This project helps meet both national and EU policy objectives, so we need to keep governments and EU institutions informed.

In January, EirGrid signed the grant agreement of €530 million for the Celtic Interconnector. The Department was represented by the former Minister of State, Seán Canney TD. Also in attendance was EU Commissioner for Energy Kadri Simson, former Irish EU Commissioner Phil Hogan and François Brottes, the former President of our French counterparts – RTÉ France.

The signing ceremony in January 2020 for the grant agreement of €530m for the Celtic Interconnector.

Another area of ongoing engagement is the Department's working group on offshore wind. This year, EirGrid developed a comprehensive options paper on this topic. This paper explored the potential models for delivery of this key area in Ireland's future growth of renewable energy.

As well as working with Department officials, EirGrid also maintained contacts with all public representatives. This took place at a national, regional and local level. Our intent with this engagement was to ensure that elected representatives were kept up to date on our activities. We also provided information on grid projects that were progressing in various constituencies.

Northern Ireland

In recent years, the lack of a devolved administration in Stormont has presented a challenge in terms of our engagement with government in Northern Ireland. Despite this, SONI continued to engage in a meaningful and inclusive way with elected representatives across the political spectrum. This covered local councils, MLAs and Members of Parliament. It also included representatives of the Secretary of State at the Northern Ireland Office.

This engagement included exhibiting at a number of party conferences, which allowed the SONI team to discuss energy issues both with grass roots membership and party leaders. These discussions ranged from our transmission development proposals, to the green economy and the climate emergency.

SONI welcomed the return of devolved government in January 2020 following the New Decade New Approach agreement. In particular, SONI welcomed its ambitious climate action commitments. SONI sustained this momentum by engaging with key departments, ministers and spokespersons. This ensured SONI's new purpose and strategy were understood, as was the unique role of the power system in enabling climate action.

This process of engagement allowed us to make the case for grid investment as a vital step in moving away from fossil fuels. This culminated in the granting of planning approval for the North South Interconnector from Minister for Infrastructure, Nichola Mallon MLA.

Our engagement with Stormont also included giving evidence to the Committee for the Economy in June 2020. This was to support the development of a new energy strategy from Minister for the Economy, Diane Dodds MLA and her officials. SONI also submitted a response to the Macro Economic Micro Inquiry held by the Committee for the Economy.

During this time three significant grid development projects went live in Northern Ireland. These were the Agivey Cluster Project, the Kells Cluster Project and the Sydenham Road Substation Project. As part of a community consultation process for these projects, we also engaged in extensive briefings of elected representatives. These engagements included contact with constituency MPs and MLAs to help them respond to constituency queries. We also formally engaged with local councillors by presenting at their planning committee meetings.

Our Framework for Grid Development

Step 1
How do we identify the future needs of the electricity grid?

Step 2
What technologies can meet these needs?

Step 3
What's the best option and what area may be affected?

Step 4
Where exactly should we build?

Step 5
The planning process.

Step 6
Construction, energisation and benefit sharing.

Engaging during a pandemic

The challenging public health context of the COVID-19 pandemic had a significant impact on how EirGrid and SONI could engage this past year. Our direct contacts with communities, landowners and elected representatives were significantly affected. We could no longer safely hold open exhibition days, visit landowners, or engage with the public in our mobile information unit. This was disappointing, as our liaison teams have achieved greater acceptance of grid projects in recent years.

However, this context gave us an opportunity to accelerate our innovation in the digital engagement space.

In the first instance, we postponed all planned project consultation for the first half of 2020. We then used this time to build our capacity internally to prepare for virtual engagement.

We investigated technical solutions, conscious of the need to stay accessible for stakeholders.

We then trained our liaison, communication, engagement and project management teams. Finally, we trialled solutions including webinars, digital workshops, virtual exhibitions and micro-sites.

As we investigated solutions for projects, we reviewed our communications and engagement plans. In some cases, this saw us extend consultation periods. We also created further project communications or considered new ways to reach stakeholders.

This ensured that the appropriate level of information could reach all our project stakeholders in good time. And throughout the year, we diligently monitored and followed public health restrictions in both jurisdictions.

In summary, we successfully completed 23 consultation events throughout this financial year. Many of these benefited from innovations required due to COVID-19 restrictions.

Engagement innovations on the Kildare-Meath Project

The Step 3 phase of public consultation on this project was due in the summer of 2020. Its strategic importance led to trials of new ways to deliver a safe yet wide-reaching consultation. On this project, we could not carry out face-to-face engagement to assess levels of awareness and understanding.

That prompted us to run a "recap" campaign on the project. This aimed to inform the public on the need for the project and of the constraints that shaped our options.

In July, we started a 10-week campaign. This saw 50,000 leaflets distributed to homes and businesses and the creation of a new standalone website. This site included a suite of interactive maps that allowed visitors to use their Eircode to explore local constraints.

We also partnered with local authorities, Public Participation Networks (PPNs), Chambers of Commerce and Library Services. This ensured project information was widely available.

This clear and informative content was then supported by a persuasive and engaging public information campaign. This was the first time we ran a fully realised public information campaign – on newspaper, radio, billboards and digital channels – for a local project. The campaign – 'Upgrading Lines, Upgrading Lives' – used emotive messaging to inform locals of the need for and benefits of the project.

The awareness-raising phase was then followed by a 12-week consultation period. To increase accessibility and avoid a digital divide, we worked closely with NALA, the National Adult Literacy Agency. We also created a freepost address for respondents, offered a call back service and sent a questionnaire to all homes in the project area.

Engagement innovations on the North Connacht 110kV Project

This project was also due to start key consultations, in this case Stage 4, when the pandemic intervened. As with Kildare-Meath, we pivoted to new forms of engagement, starting with a postal survey. This asked respondents how they wanted to engage with us and receive information on the project.

We also used leaflet distribution and created an online questionnaire to gather feedback. And while our mobile information unit could not be staffed or host visitors, we used it as a mobile billboard across the project area.

Finally, this project pioneered EirGrid's use of a virtual open day. This online format allowed stakeholders to see information typically seen on project open days. Site visitors entered a virtual "room" displaying project information posters. They could then walk through the room and get more detail by interacting with each poster. The virtual exhibition space also allowed for stakeholders to register for webinars and submit their views – all in one place. This model was adopted by leading developers on high-profile projects across a range of sectors in Ireland this year.

Learnings for future projects

Collectively, this work ensured that local stakeholders were aware of key project consultations. We also offered multiple ways to learn about projects and to respond to options. This was all achieved within the COVID-19 restrictions. The lessons learnt from these projects have the potential to improve the reach and effectiveness of all future consultations.

Amy Nora Fitzgibbon
Digital Communications Specialist, EirGrid Group
See Amy talk about creating the national campaign at **eirgridgroup.com/annual-report-2020**

Preparing and producing a national campaign

At EirGrid, we regularly track levels of public understanding and awareness of what we do. This is because we know from our nationally representative surveys that when somebody understands our role, they're twice as likely to trust us. And crucially, those who understand what we do are 50% more likely to accept new grid infrastructure in their community. Our research also helps us understand the quality of our engagement with the public and identify areas where we need to improve. It also helps us identify localised regions where levels of concern may need particular attention.

Research in 2019 showed us that awareness had increased since our previous public information campaign which last ran that year. The focus of that campaign was simply to tell the public who we are and what we do. But in 2020 we had a greater challenge. Achieving the Irish Government's target of 70% renewably generated electricity by 2030 will lead to many grid projects. And to complete these in time will require a significant shift in public support and acceptance. For all these reasons, EirGrid began preparations for its new campaign in spring 2020, with the aim of launching in October 2020.

This campaign has a very simple purpose. It spells out who we are and what we do, which we know is critical to improving levels of trust and acceptance. But this campaign also explains how our role puts EirGrid at the heart of Ireland's climate action. Our research for this campaign showed this was a key message to help persuade people on the need for grid reinforcement projects.

We then adapted this message so that it appeals to people's hearts as well as their minds. Therefore, we based the campaign on the theme of "stepping up". This shows how people are already taking their own climate actions and compares this to the scale of change we can deliver – with public support. We featured real people telling their real stories throughout the campaign, to help underscore the credibility of our message.

The campaign elements, including a series of videos, were produced over a busy week in September, with the EirGrid team overseeing shoots across the country. The production was tailored to COVID-19 restrictions at the time, to protect the health of the volunteer groups and individuals in the ad.

We are also aware that the public has more questions about EirGrid than can be answered in a short video. So we also created a standalone public-facing website at eirgrid.ie. For the first time, this offers a simple and accessible explanation of our role and how this is key to climate action. It also answers questions – in text and videos – on the topics we most frequently encounter during project engagement.

This campaign is just one part of an integrated effort to achieve the societal support we need to transform the electricity system. It will support, and be supported by, a range of initiatives across everything we do.









EIRGRID
Luke Jacobs


Being a Responsible Business

Donations to charities and community groups

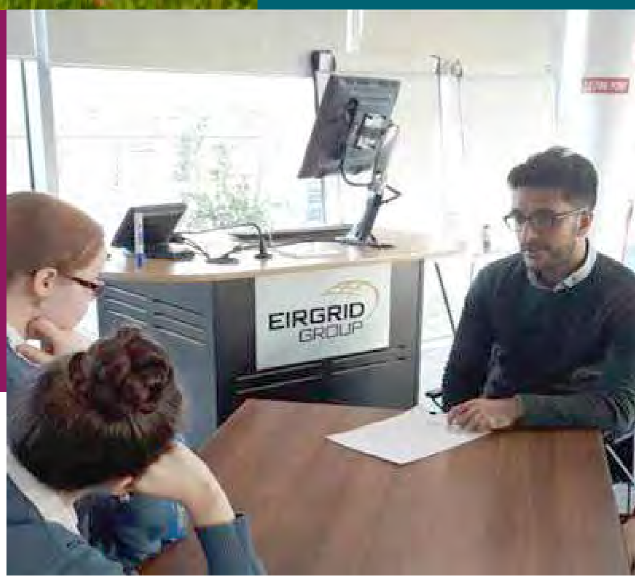
€319,108

Staff volunteering hours this year

1,070

Reduction in carbon emissions from our offices since 2018

22%



Top: Kerry Muldoon (left) at a SONI Book Trust event in autumn 2019. **Middle:** Wild flowers like those planted in Castlereagh House **Bottom:** EirGrid staff offering support and mentoring to students from Margaret Aylward Community College.

This section of our annual report gathers together an overview of some of the activities carried out to support our commitment to being a responsible business.

Our own environmental impacts

EirGrid Group has a target to cut our own organisation's energy consumption in half by 2030. In the last financial year, we achieved our target to ensure this goal is met – energy use in our offices fell by 4% compared to 2019.

In Ireland, we continued to co-chair the 'Low Carbon Economy' leaders group as part of our commitment to Business in the Community. This initiative sees participants committing to reduce their carbon emissions by 50% by 2030. Working towards this target, we reported a 22% reduction in emissions compared to 2018.

In Northern Ireland, SONI became a 'Climate Champion' for Business in the Community Northern Ireland. This saw SONI sign the 'Climate Action Pledge' that challenges businesses to set and achieve ambitious greenhouse gas reduction targets.

Finally, this year we also continued our financial support for the Friends of the Earth 'Hands up for Solar' campaign. This sees schools in Ireland compete to win solar panels.

Biodiversity

This year, we expanded the size of the wild-flower meadow at SONI's offices in Belfast and planted more pollinator friendly seeds. This is a local effort that reflects our wider sustainability efforts, which saw biodiversity initiatives on six of our grid projects.

Supporting Communities

COVID-19 had an immediate impact on communities across Ireland and Northern Ireland. In 2020 EirGrid Group made donations to both the Community Foundation of Ireland and the Community Foundation of Northern Ireland. This was in response to appeals to support those most affected by the pandemic.

These specific donations were just part of a total of €319,108 donated to charities and community groups this year. These donations were made through the Corporate Social Responsibility Programme and our Community Funds.

Just as important, our staff donated their time to good causes, with 1,070 volunteering hours supported across the Group this year. Staff at EirGrid also continued their support for ElectricAid, a charity that funds development projects in Ireland and overseas.

EirGrid continued to work with Margaret Aylward Community College. This Dublin secondary school for girls is recognised for its work with pupils from disadvantaged communities. Our volunteers offer practical skill-based and mentoring support to pupils and teachers. This year, we started a pilot programme with 2nd year students to encourage continued participation in the education system.

We also delivered workshops to teaching staff on social media and online tools – which became unexpectedly useful during pandemic school closures. During the restrictions, the school requested funding for health and hygiene care parcels for students at home and we were happy to help.

Removing barriers to education is a core focus of our community investment strategy. SONI has a partnership with BookTrust NI to encourage an early love of reading. This year, pupils from four secondary schools in South Armagh received a book and visit from author Dan Freedman. SONI was named a Responsible Business Champion for its work with Book Trust NI.

This year, EirGrid also continued to support the DCU Access Programme. This provides financial support to disadvantaged students to pursue a college education. We also sponsored a lesson in the Science and Technology in Action Education pack distributed to secondary schools across the country. This lesson focused on our work to prepare the grid for 2030 goals and shows the real world application of the secondary school curriculum to help tackle climate change.

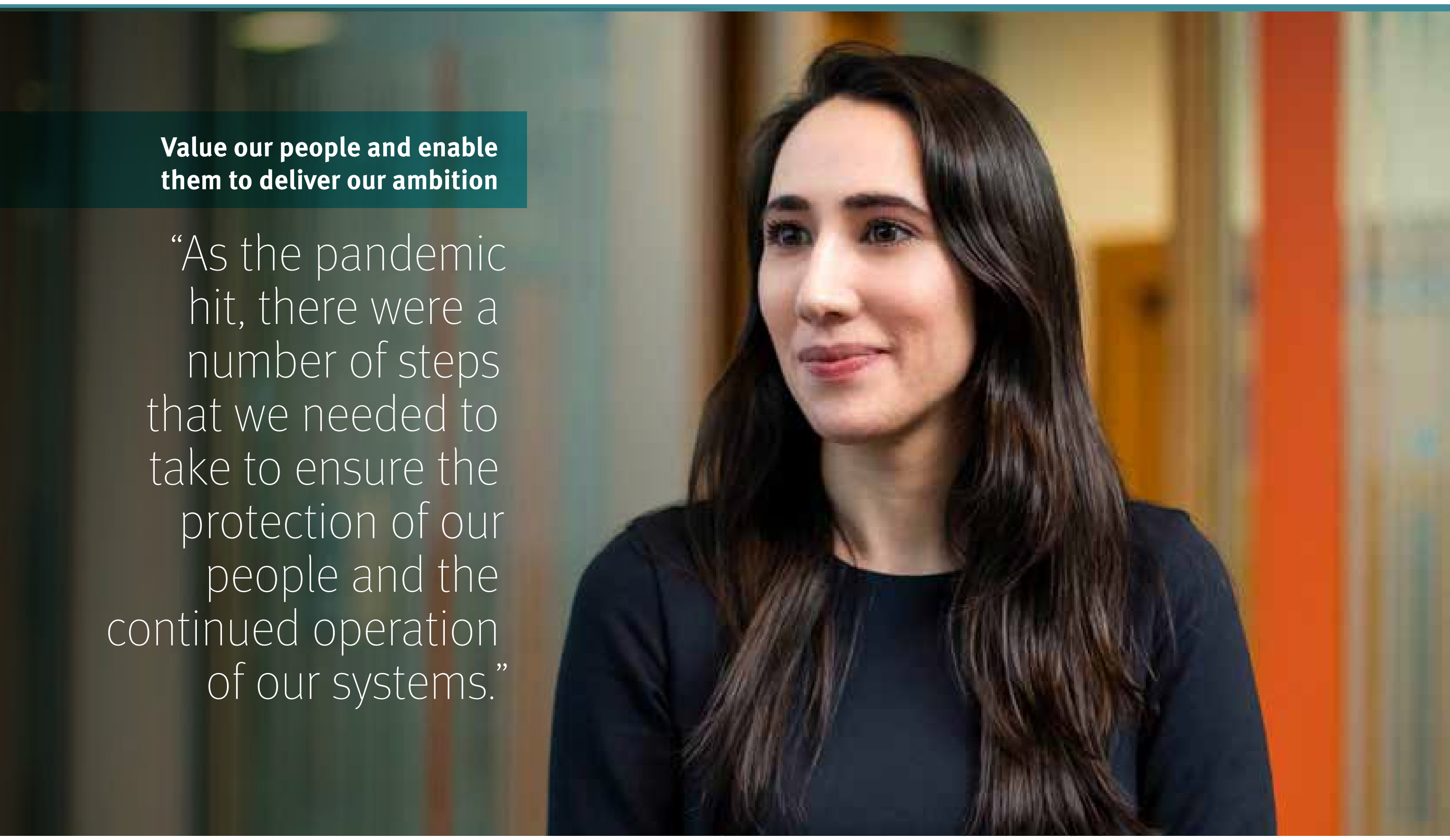
External Recognition

This year, EirGrid was awarded the Business Working Responsibly Mark for the fourth time. This is the leading standard for CSR and Sustainability Certification in Ireland.

During the year, SONI started the process of independent certification to the CORE corporate responsibility standard. This involved a detailed audit from the perspective of people, planet and place.

In addition, SONI was named a Responsible Business Champion in the NI Responsible Business Awards 2020.

Finally, EirGrid was recertified for the ISO 14001 (Environmental) and ISO 45001 (Health and Safety) quality standards for management systems.



Value our people and enable them to deliver our ambition

"As the pandemic hit, there were a number of steps that we needed to take to ensure the protection of our people and the continued operation of our systems."

Shiral Critch
Engagement and Internal Communications Lead, EirGrid Group
See Shiral talk about the how the EirGrid and SONI teams worked safely during pandemic restrictions at **eirgridgroup.com/annual-report-2020**

When we developed the five-year strategies for EirGrid and SONI (2020-25), we recognised that our people were the foundation of our commitments and our ambitions. This truth was never more tested than this year, as EirGrid Group – and the whole world – responded to a global pandemic.

Thanks to their commitment and hard work, we sustained a secure supply of electricity throughout this period, while still delivering a significant part of our planned work programme for the year. This section of our annual report explains how our people helped us to deliver our goals and how we supported them as they did so.

Safeguarding our people – and your power supply

At EirGrid Group the safety and well-being of the people who work for us is a priority – and was of particular significance this year. As the pandemic hit, we took several important steps to protect our people and to ensure the continued operation of critical systems.

From early in 2020, our team closely monitored the developing situation as a notable risk. In the early stages of the crisis, we acted pre-emptively to protect our workforce and our essential operations – even before Government advice was issued. We established a Crisis Management Team to create contingency plans for different potential scenarios, in line with our business continuity protocols.

As operators of essential services in both jurisdictions, we had a responsibility to keep the power system operating to the highest standard. Running the electricity system required critical staff to work in the Dublin and Belfast Control Centres. These critical operations then needed to be supported by back-office operations and critical IT services. Finally, we had to ensure that all other staff could continue to work remotely.

We implemented additional measures to ensure that critical people who needed to be at our workplaces could do so in as safe a manner as possible. We also needed to ensure that the all-island wholesale electricity market continued to run effectively. Finally, it was vital that critical infrastructure construction continued. We achieved all these goals, enabled by solid processes, stable IT systems and thanks to the goodwill and flexibility of our people.

We recognise that we are fortunate that our business has not been impacted to the same extent as other sectors across the island of Ireland. However, some of our colleagues still had to deal with difficult situations and challenges during this pandemic. Because of this, our employee assistance programme has been essential during this time. This service offered information, advice and counselling for staff members that requested help – for any reason.

This year we also introduced a well-being service called Positive Occupational & Wellness Resources – or POWR. It ensures our people had the encouragement and supports to look after their health and well-being. It allowed staff to create a personal plan for ongoing well-being across a range of areas, including physical and mental health.

This year, more than ever, there was an unprecedented demand to collaborate and share information. Returning to work together in our offices will enable this even more. It will be an important step forward as an organisation and will catalyse our work to transform the power system for future generations.

At the time of writing, we are not yet out of this pandemic. We are, however, ready to safely move forward again once restrictions allow us to return to our offices.

Enabling work from home

Before it became mandatory, EirGrid Group had already developed remote working protocols. Some of our people already had the option of working occasionally from home, so this gave us a platform to build on.

The speed of the unprecedented change presented us with challenges. But it also enabled the implementation of new systems and supports that will serve our needs long after the pandemic.

We had to substantially increase our remote working capability so that most of our people could work effectively from home by the middle of March 2020. This rapid change truly shows how COVID-19 influenced our digital transformation.

While the initial focus was to maintain critical operations, it soon became clear that this new approach would continue for some time. As a result, EirGrid placed a significant importance on sustaining and improving the experience for our people at home. We expedited the roll-out of laptops and remote working solutions to all our people and rolled out a platform for virtual meetings. This enabled video conferencing and instant messaging in a secure way across the organisation. It was a major step to help colleagues get much-needed face time and to enable less formal communication options.

These unusual times led to a need for change in the way we approached our communications strategy. By introducing vlogs and blogs we managed to keep staff engagement interesting, fresh and relevant.

We established a dedicated portal for staff to stay updated, share information and stay connected. This provided a focal point for our people to access all available collaboration technologies. It also allowed them to ask questions, share learnings and most importantly, to learn how to stay secure. This portal then evolved to include information on mental health and well-being, as well as "how to" technical guides.

The pandemic has accelerated our digital transformation. This applies equally to our employee experience and to our customer and stakeholder experience. Looking to a brighter future after the pandemic, we have a real opportunity to embrace new ways of working. We will be able to leverage modern collaboration tools and information technology solutions. And at the same time, we will still effectively protect our critical access from cyber threats.

Diversity and Inclusion

"Diversity is being asked to the party, inclusion is being asked to dance"

For us, diversity means all the ways we differ – and it includes everyone. It includes visible disabilities and visible differences such as gender, race, ethnicity and age. It also includes our unseen disabilities and invisible differences. These can include sexual orientation, social class, heritage, religion, education and family status. It can even include diversity of how people view or think about a situation.

For EirGrid Group, inclusion means valuing and celebrating differences. It also means encouraging a workplace culture where all can thrive. This means individuals are supported, respected, engaged and have a voice. It means they are able to develop skills and talents in line with our values.

In the financial year 2019-2020 there were 32 nationalities represented in our workforce. This shows the level of diversity in our teams and is reflected in their fresh perspectives and new ideas.

We continue to hire a range of graduates to join our diverse and engaging group graduate programme at EirGrid Group. This aims to give the organisation a pipeline of future talent that complements more experienced people we hire on an ongoing basis.

The injection of early talent to the organisation has a very positive impact on the environment and culture. Last year, we hired 25 graduates with a wide variety of experiences and backgrounds.

We also run an early career programme. This supports those who wish to enter employment after second level instead of proceeding to third level. It allows people to join us and add immediate value while pursuing third level qualifications part-time.

In January 2020, EirGrid Group Managers and Team Leads attended a training session on unconscious bias. This aimed to increase awareness of personal biases and learn practical ways to address them. This will help nurture a culture of inclusivity, respect and dignity.

Encouraging female engineers

At EirGrid Group our core purpose has traditionally been driven by engineering expertise, although we also value other areas of expertise. Historically, engineering has attracted more men than women. Alongside parallel changes in society and education, we want to enable more women to pursue and succeed in engineering. This is a long-term challenge that requires change far beyond EirGrid Group – but we will do all we can to achieve this aim.

Part of our journey towards this ambition is our support of International Women's Day. This year our planned in-person events in Dublin and Belfast were cancelled due to COVID-19. Our networking then moved online. As a corporate partner of Professional Women's Network in Dublin our staff participated in several webinars and forums.

You can learn more about how three of our female engineers pursued successful careers on page 41.

Our journey: the experiences of female engineers from EirGrid Group

Jana: During school I was always interested in sciences and maths. I was really curious about how things work and what's happening in the world. And I think I always wanted to make a difference.

Sarah: I loved maths, I loved science. But engineering was never really proposed as an option until my dad, who studied engineering, helped steer me down that path.

Jana: My parents always treated my brother and me exactly the same. They never said, "Oh yeah, she's a girl, she should be doing a certain job." My dad worked in an engineering profession; he would have been very handy and hands-on at home as well – and I was always very curious. And I think that really showed me that I had a real interest in how things work and how to put things together and take them apart.

Sarah: If I told anyone I was studying engineering, they'd say, "Wow, you must be the only girl in your class," which wasn't true at all. Out of maybe 250 people, we had 100 girls – and they were getting the top marks.

Jana: The biggest challenge in secondary school is that – in sciences and maths – you don't really have many women teaching. And in university it's very similar. And I always think if you can't see somebody else doing it, it's very difficult to motivate yourself and to believe that you are able to do it yourself. When I was leaving school and I applied for an internship in an engineering company, they told me I couldn't do it – because they didn't have facilities for ladies. It really shouldn't be like that.

Sarah: The biggest challenge is in second and third level education. I went to an all girls school and there just weren't options to study engineering, technical graphics, or even accounting. These subjects are seen as "male subjects." I studied applied maths as an extra subject for the Leaving Cert, and I came in before school in the morning to take my applied maths classes at 8:00 AM. I think a lot of girls would be interested in engineering if they knew it was available to them.

Marie-Therese: I think for girls coming through, it's difficult for them to see what roles are available to them. EirGrid and SONI have a lot of female engineers in the company, thankfully. We can educate and be role models in that space.

Jana: I've always been really interested in renewable energies. EirGrid – being a transmission system operator and supporting renewable energies – was a very obvious choice. Being able to make a difference for the renewable energy targets is really great.

Sarah: Three years ago I was doing all the sustainable things – I had my keep cup, I became vegetarian, I was cycling more. And I had this light bulb moment when I thought, "OK – I studied engineering and I'm really interested in having a positive effect on the environment. Those two things can be married together."

Marie-Therese: We're facing a real crisis in terms of climate change. Although our role can seem quite abstract, I just look at the paradigm shift over the last 10, 15 years: we are now putting more renewables onto the grid than ever before.

Sarah O'Rourke
System Operations Readiness Engineer, EirGrid Group
Jana Heppner
Senior Project Manager, EirGrid Group
Marie Therese Campbell
Operations Lead, SONI
See these three female engineers talk about how they pursued their careers at **eirgridgroup.com/annual-report-2020**

Board of EirGrid Group

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

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 in the public sector having served as chairman and director of various committees and boards at national and local levels. Tom is Chairperson of the Health and Safety Authority and Chairperson of the Legal Practitioners Disciplinary Tribunal. He is also a non-executive Director of EirGrid plc and Failte 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 as Group 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 executives 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.

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 Software, eLearning and Services sectors.

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.

Martin Corrigan
Company Secretary
See biography on page 46.

Our Executive Team

Alan Campbell
Interim Managing Director & Head of Infrastructure Projects and Connections, SONI.
Alan Campbell was appointed as Interim Managing Director of SONI in October 2020 and to the SONI Board in December 2020. Alan joined SONI in July 2017 as Head of Grid Infrastructure Projects and Connections from ESB where he was responsible for managing its 400MW Coolkeeragh Power Station in the North West. Alan graduated from Queen's University Belfast with a First Class Honours degree in Mechanical Engineering and began his career at AstraZeneca in England before joining ESB. Alan has over 18 years' experience working in the electricity industry.

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

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

Mark Foley
Chief Executive
See biography on page 44.

Michael Mahon

Chief Infrastructure Officer

Michael Mahon joined EirGrid Group in August 2019. In his role he is responsible for planning and consents for grid infrastructure across the island, including 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 major project delivery. He is also a Chartered Engineer with Post Graduate Diplomas in both Project Management and Management.

Liam Ryan

Chief Innovation and Planning Officer

Liam Ryan is the Chief Innovation and Planning Officer of EirGrid Group. Prior to this Liam was Interim Director of Grid Development & Interconnection.

Liam also held a number of other positions in EirGrid including Head of the Integrated Single Electricity Market transition, Head of Transmission Engineering & Maintenance, Head of Market Operations, Head of Power System Operational Planning and Head of Programme Management Office. Before joining EirGrid, Liam held a number of senior roles in Hewlett Packard manufacturing and innovation departments and before that worked in consultancy. A graduate of Trinity College Dublin, he has a PhD and Bachelor of Mechanical Engineering and holds a Masters in Mathematics.

Aidan Skelly

Chief Financial Officer

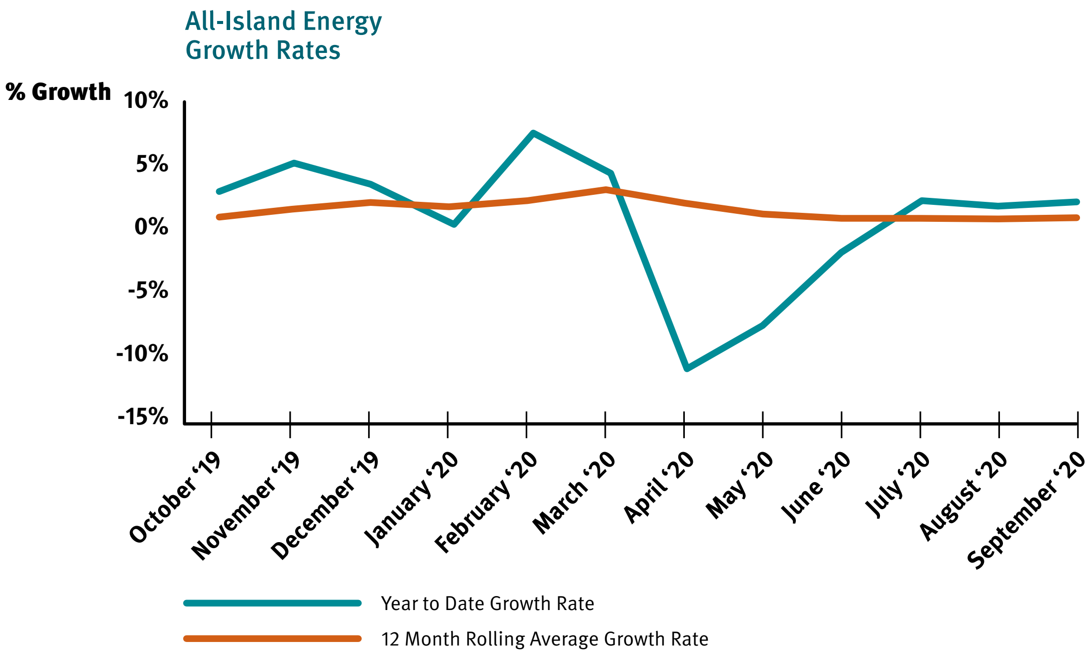
Aidan Skelly is the Chief Financial Officer of EirGrid Group. He has held this position since June 2005. He was also Interim Chief Executive of EirGrid Group between January 2018 and June 2018. Aidan was formerly Finance Director with Waterford Stanley Limited. He also worked with Waterford Crystal from 1987 to 2002, during which time he held a number of finance 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.

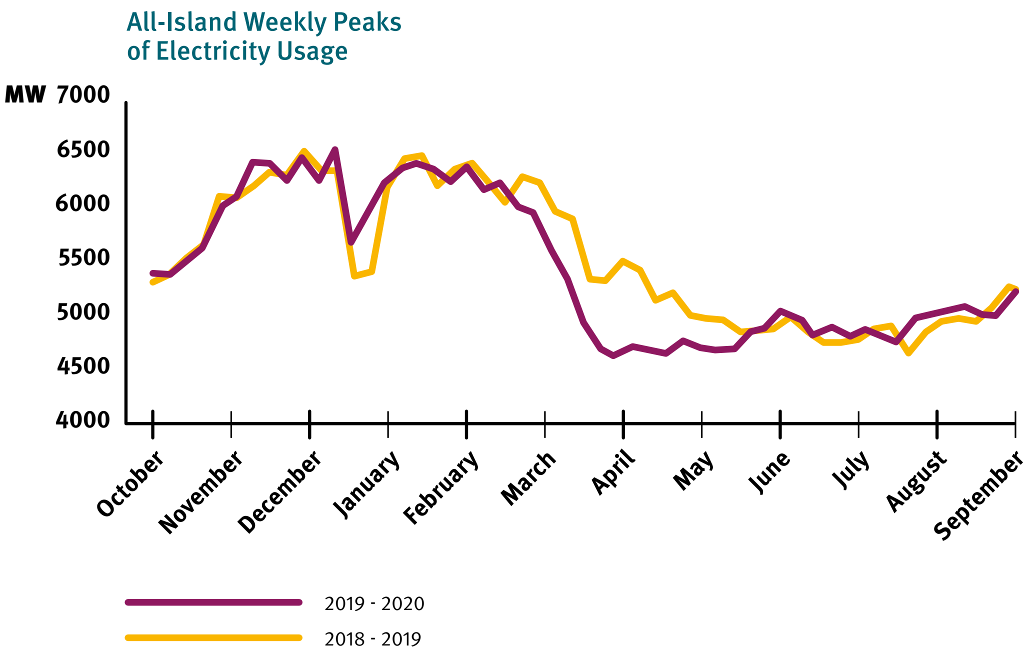
Siobhán Toale

Chief People and Information Officer

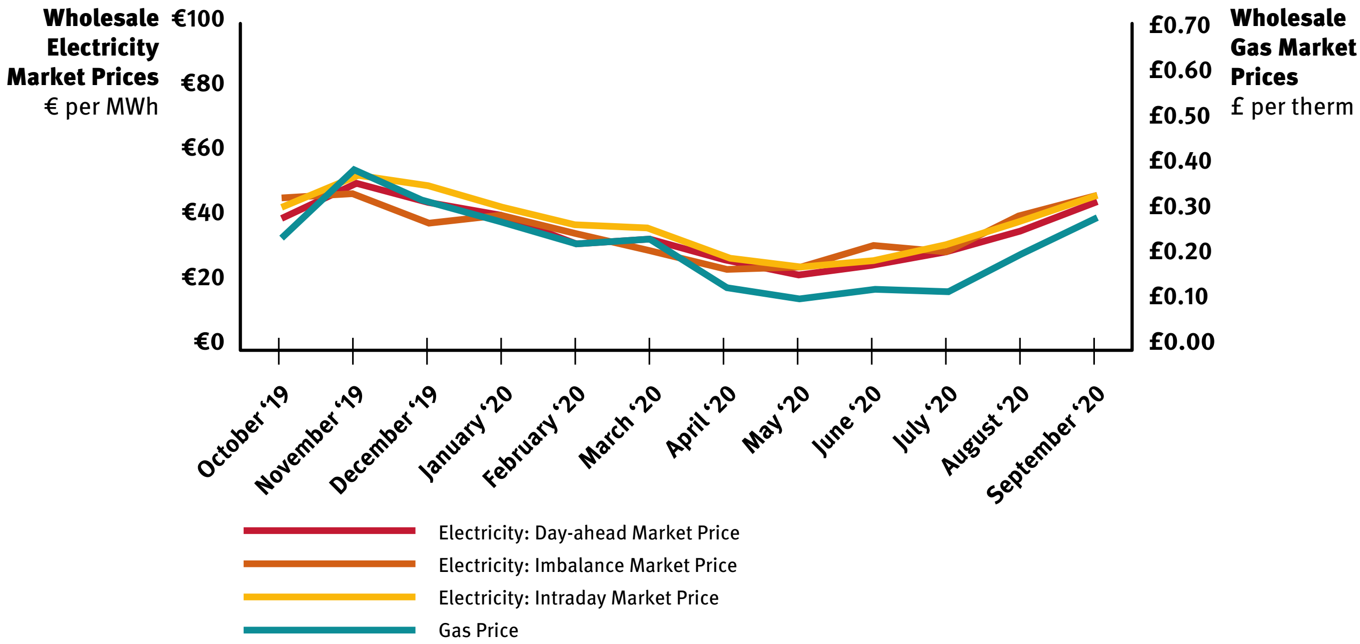
Siobhan Toale is the Chief People and Information Officer at EirGrid. Siobhan previously held the role of Human Resources Director within EirGrid. In her current role Siobhan is responsible for information systems, HR and organisation development with a remit to manage change and improve processes across the organisation. Prior to joining EirGrid, Siobhan held leadership positions in Eir, Telefonica O2 and Bank of Ireland. Siobhan holds a BSc in Computer Science from Trinity College Dublin and a Masters in Organisational Behaviour from the University of London. She is a Chartered Fellow of the Institute of Personnel Development.

Key Operations Data

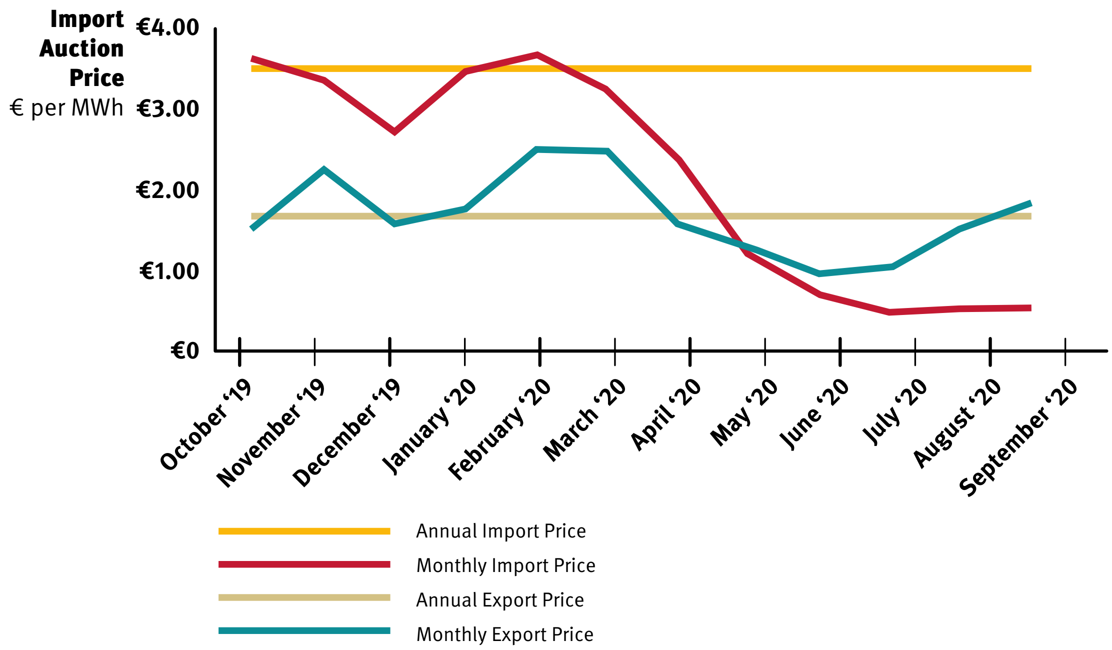




Electricity Prices Compared to Gas Prices



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

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

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

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

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

Distribution Network
This is the lower voltage network, owned and operated 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.

Financial Statements
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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 2020. The Group comprises of the Parent Company and its subsidiaries disclosed in note 30 (e).

Principal Activities

The Group's principal activities are to deliver quality connection, transmission and market services to generators, suppliers and customers utilising the high voltage electricity system in Ireland and Northern Ireland. EirGrid plc also has the responsibility to put in place the grid infrastructure required to support the development of Ireland's and Northern Ireland's economies. The Group is also responsible for the operation of the wholesale electricity market for the island of Ireland. The Group owns and operates the East West Interconnector ("EWIC") linking the electricity grids in Ireland and Great Britain.

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 70 and the related notes 1 to 29.

The current period being reported on is the financial year ended 30 September 2020. The comparative figures are for the financial year ended 30 September 2019.

Commentaries on performance during the financial year ended 30 September 2020, 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 Minister for Public Expenditure and Reform in August 2016. The Code sets out the principles of corporate governance which the Boards of State Bodies are required to observe.

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

During the year the Group incurred travel costs in Ireland and Northern Ireland of €0.6m (2019: €1.1m) and overseas travel costs of €0.2m (2019: €0.4m). Settlement and related legal costs for the year were €nil (2019: €nil). Staff Welfare costs were €0.2m, of which external relations were €0.005 m (2019: €0.25m, of which external relations were €0.02m).

External Support and Specialist Advisory Costs:

	Notes	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Electricity Market services	(i)	2,297	11,104
Legal services and advice		3,248	2,723
Transmission Network project services	(ii)	7,014	5,019
IT Systems Support	(iii)	565	500
Corporate Finance advice		171	403
Organisational & Actuarial advice		776	765
Regulatory advisory services		1,957	325
Other		1,988	1,516
Total		**18,016**	**22,355**
Costs charged to Income Statement		8,963	4,421
Costs capitalised		9,053	17,934
Total		**18,016**	**22,355**

Note (i): Electricity Market services include costs of enhancing the all-island electricity market arrangements known as SEM.
Note (ii): Transmission Network project services represents the specialist costs of bringing network projects from initial concept through to the granting of planning permission.

Note (iii): IT Systems Support are external support costs for key systems across the business.

Principles Of Good Governance

Board Members

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

The Board

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

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

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.

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.

Principles Of Good Governance (continued)

Board Committees in 2019/2020

The Board has an effective committee structure to assist in the discharge of its responsibilities, consisting of a number of committees. During the financial year the standing committees were: the Audit and Risk Committee (Separate Audit and Risk Committees merged on 18 March 2020), the Remuneration Committee, the Grid Infrastructure Projects Committee, the Northern Ireland and All-Island Committee and the Innovation Committee. The Public Affairs Committee was dissolved on 18 March 2020. During the financial year the Board reviewed the remit of each of the committees.

The Audit and Risk Committee's function is to assist the Board in fulfilling its oversight responsibilities relating 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. It also oversees and monitors the Risk Management Policy and Risk Management Framework, review EirGrid's risk appetite and review the effectiveness of responses to key risk exposures. The Board is satisfied that at all times during the financial year at least one member of the Committee had recent and relevant financial experience.

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

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

The Northern Ireland and All-Island Committee's function is to provide support in matters relating to Northern Ireland and matters that affect the operation and efficiency of the all-island Electricity System and Market.

The Innovations Committee's function is provide assistance in establishing a culture of innovation across the organisation, reviewing key work streams to support and guide a balanced approach of risk versus innovation.

Attendance at Meetings

The tables below summarise the attendance of Directors at Board and Committee meetings which they were eligible to attend during the year ended 30 September 2020.

	Eligible to Attend	Attended
John O'Connor (Chairperson - retired 11 November 2019)	1	1
Brendan Tuohy (Chairperson - appointed 12 November 2019)	10	10
Theresa Donaldson (Deputy Chairperson)	11	11
Mark Foley	11	11
Shane Brennan	11	11
Tom Coughlan	11	11
Lynne Crowther	11	11
Michael Hand	11	11
Eileen Maher	11	11
Liam O'Halloran	11	11
John Trethowan	11	11

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

Attendance at Meetings (continued)

Audit and Risk Committee

This committee was established on 18 March 2020 merging the Audit and Risk Committees.

There were 3 Audit and Risk Committee meetings held during the financial year ended 30 September 2020. The Committee Members' attendances at these meetings were as set out below

	Eligible to Attend	Attended
John Trethowan (Chairperson)	3	3
Brendan Tuohy	3	3
Michael Hand	3	3
Eileen Maher	3	3

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

Remuneration Committee

There were 8 Remuneration Committee meetings held during the financial year ended 30 September 2020. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson - retired 11 November 2019)	1	1
Brendan Tuohy (Chairperson - appointed 12 November 2019)	7	7
Theresa Donaldson	8	8
Liam O'Halloran	8	8

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

Grid Infrastructure Projects Committee

There were 4 Grid Infrastructure Projects Committee meetings held during the financial year ended 30 September 2020. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Michael Hand(Chairperson)	4	4
Brendan Tuohy (Retired 18 March 2020)	2	2
Shane Brennan (Appointed 18 March 2020)	2	2
Tom Coughlan	4	4
Lynne Crowther	4	4

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

Northern Ireland and All-Island Committee

There were 7 Northern Ireland and All-Island Committee meetings held during the financial year ended 30 September 2020. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Theresa Donaldson (Chairperson)	7	7
Brendan Tuohy	7	7
Tom Coughlan	7	7
John Trethowan	7	7

Members of the Northern Ireland and All-Island Committee at the date of signing of the financial statements were Theresa Donaldson (Chairperson), Brendan Tuohy, Tom Coughlan, and John Trethowan.

Attendance at Meetings (continued)

Innovation Committee

There were 3 Innovation Committee meetings held during the financial year ended 30 September 2020. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Liam O'Halloran (Chairperson)	3	3
Shane Brennan	3	3
Lynne Crowther	3	3
Eileen Maher	3	3

Members of the Innovation Committee at the date of signing of the financial statements were Liam O'Halloran (Chairperson), Shane Brennan, Lynne Crowther and Eileen Maher.

Committees merged/dissolved

Risk Committee

This committee merged with the Audit Committee to establish the Audit and Risk Committee on 18 March 2020.

There were 2 Risk Committee meetings held during the financial year ended 30 September 2020. The Committee Members' attendances at these meetings were as set out below::

	Eligible to Attend	Attended
Liam O'Halloran (Chairperson)	2	2
Shane Brennan	2	2
John Trethowan	2	2

Audit Committee

This committee merged with the Risk Committee to establish the Audit and Risk Committee on 18 March 2020.

There were 3 Audit Committee meetings held during the financial year ended 30 September 2020. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John Trethowan (Chairperson)	3	3
Tom Coughlan	3	3
Michael Hand	3	3
Eileen Maher	3	3

Public Affairs Committee

This committee ended on 18 March 2020.

There were 2 Public Affairs Committee meetings held during the financial year ended 30 September 2020. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Theresa Donaldson (Chairperson)	2	2
Shane Brennan	2	2
Lynne Crowther	2	2
Eileen Maher	2	2

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 and Risk Committee. The Group has an Audit and 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.

Covid- 19

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

Brexit

A Review Group has been established by EirGrid to monitor risks associated with Brexit. The group continues to monitor developments and reports regularly to the Board. It considers a range of Brexit related scenarios and the possible impact on the group's activities. The Ireland/Northern Ireland Protocol to the Withdrawal Agreement has provided the basis for the continued operation of the Single Electricity Market and trade of wholesale electricity across the island of Ireland, in Northern Ireland after 1 January 2021. Under the Free Trade Agreement (FTA), new SEM-GB trading arrangements for the Day-Ahead market are to be established, agreed and implemented by April 2022. This will be the focus of work for SONI, SEMO and the UK interconnectors over the short term. Over the short-medium term, new Intra-day and Balancing arrangements are to be clarified as well as a new Co-operation Framework between UK TSOs and ENTSO-E. The directors are confident that new future arrangements can be put in place to reduce any efficiency loss in cross border trading. EirGrid continues to work closely in this regard with the relevant Government Departments in Ireland and the Northern Ireland and with the respective regulators.

Financial

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

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

As a regulated business operating in Ireland and Northern Ireland, the Transmission System Operator activities do not involve any significant pricing risks. The Group derives approximately 17% 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.

Principal Risks And Uncertainties (continued)

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

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

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

System and Market Operations

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

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

- Back-up sites for the control centres in Dublin and Belfast, which are regularly tested;
- Comprehensive insurance program placed in conjunction with expert insurance advisors;
- Comprehensive power system operational procedures which are regularly reviewed and are in line with best international practice;
- Grid maintenance standards and policies, supported by a detailed Infrastructure Agreement with 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 2020, before deferred tax, is €42.6m (2019: €50.6m). The Group also operates approved defined contribution schemes for employees of EirGrid plc and SONI Limited.

Network Development

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

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.

Principal Risks And Uncertainties (continued)

East-West Interconnector

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

Cyber Security

EirGrid recognises Cyber Security as a critical risk. We operate a full suite of security policies and standards and have deployed comprehensive perimeter defence mechanisms. 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. As this happens, new technology will allow electricity users to generate and store power, and return any surplus to the grid. Combined with real-time consumption information from electricity users, this creates opportunities for all.

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

Health, Safety & Environment

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

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

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

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

Other – Non Financial Information (continued)

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

Diversity and inclusion is a key pillar of the Group strategy. The Group recognises the value of difference and is aware of the reputational, economic and societal benefits that arise from having a diverse workforce. Diversity and inclusion has been discussed further in the front section of the annual report on page 40.

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.

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 and Risk Committee that considers reports and Financial Statements before submission to the Board;
- Regular performance of a risk management process; and
- Procedures to ensure compliance with laws and regulations.

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 and Risk 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 (2019: €122,000) for Chairperson's and Directors' fees, in accordance with the levels of remuneration for the Chairperson and Board Members of State Bodies as approved by the Minister for Finance and the revised arrangements for payment of board fees to public sector employees under the Minister for Public Expenditure and Reform's "One Person One Salary" Principle. Under the approved remuneration levels, the Chairperson's fees were equivalent to €21,600 per annum during the financial year (2019: €21,600 per annum). Directors' fees were equivalent to €12,600 each per annum during the year (2019: €12,600 each per annum).

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

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

Chief Executive's Remuneration:

Mark Foley	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Basic salary	200	200
Annual Bonus	-	-
Taxable benefits	13	13
Pension contributions paid (all defined benefit)	40	40
Director's fees	-	-
Total	**253**	253

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 (2019: €4,000,000) for the financial year ended 30 September 2020.

Directors' And Secretary's Interest In Shares

The Directors and Secretary who held office between 1 October 2019 and 30 September 2020 had no beneficial interest in the shares of the Group.

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

At the balance sheet date 30 September 2020, Brendan Tuohy, Mark Foley and Martin Corrigan held one share each in the share capital of the Company on behalf of the Minister for Public Expenditure and Reform.

Political Donations

The Group does not make political donations.

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. Since March 2020 Covid-19 has had a significant impact on local and global economic conditions. While there has been some drop in electricity demand, there was no significant drop in the EirGrid Group turnover due to Covid-19. However the Group is undertaking continuous reviews of the Group's liquidity and is satisfied that there is adequate funding and banking facilities to withstand the adverse impact of a range of electricity demand scenarios that may arise from Covid-19.

Accounting Records

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

Post Balance Sheet Events

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

Auditors

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

Disclosure Of Information To Auditors

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

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

Directors' Compliance Statement

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

- Acknowledge that we are responsible for securing the Company's compliance with its relevant obligations as defined in section 225 (1) of the Act (the "relevant obligations"); and
- Confirm that each of the following has been done:
  - (i). a compliance statement (as defined in section 225(3)(a) of the Act) setting out the Company's policies (that in our opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations has been drawn-up;
  - (ii). appropriate arrangements or structures, that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, have been put in place; and
  - (iii). during the financial year to which this report relates, a review of the arrangements or structures referred to in paragraph (ii) above has been conducted.

Approved by the Board and signed on their behalf:

21 January 2021

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

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:

21 January 2021

Brendan Tuohy
Chairperson

John Trethowan
Chairperson Audit and Risk 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 2020 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 29, including a summary of significant accounting policies as set out in note 2.

the parent company financial statements:
- the Company Balance Sheet;
- the Company Statement of Changes in Equity; and
- the related notes 30(A) to 30(Z), including a summary of significant accounting policies as set out in notes 2 and 30(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 the directors’ report is consistent with the financial statements and the directors’ report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

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

The Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) for the financial year ended 30 September 2020. 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.

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

29 January 2021

Consolidated Income Statement

For The Financial Year To 30 September 2020

	Note	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Revenue	3	688,385	747,825
Direct costs	3	(518,632)	(495,284)
Gross profit		169,753	252,541
Other operating costs	5	(137,654)	(139,199)
Operating profit		32,099	113,342
Interest and other income	6	73	110
Finance costs	6	(18,139)	(17,490)
Share of equity accounted investments	11	5	-
Profit before taxation	7	14,038	95,962
Income tax expense	8	(2,113)	(16,315)
Profit for the year		**11,925**	**79,647**
Profit attributable to:			
Owners of the Parent Company		11,925	79,647

Consolidated Statement Of Other Comprehensive Income

For The Financial Year To 30 September 2020

	Note	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Items that may be reclassified subsequently to profit or loss:			
Movement in unrealised gain/(loss) on cash flow hedges	26	9,842	(24,479)
Deferred tax attributable to movement in unrealised (gain)/loss on cash flow hedges	8	(1,230)	3,060
Currency translation differences		(24)	(99)
Total of items that may be reclassified subsequently to profit or loss		**8,588**	**(21,518)**
Items that will not be reclassified to profit or loss:			
Remeasurement gain/(loss) of net defined benefit liability	23	6,859	(15,324)
Deferred tax credit on remeasurement (gain)/loss	8	(656)	2,022
Total of items that will not be reclassified to profit or loss		6,203	(13,302)
Profit for the financial year		11,925	79,647
Total comprehensive income for the year		**26,716**	**44,827**
Total comprehensive income attributable to:			
Owners of the Parent Company		26,716	44,827

Consolidated Balance Sheet

As at 30 September 2020

	Note	30 Sep 2020 € '000	30 Sep 2019 € '000
Assets			
Non-current assets			
Fair value investments	10	356	356
Equity accounted investments	11	55	50
Intangible assets	12	81,011	92,450
Property, plant & equipment	13	488,887	511,349
Right of use assets	14	45,288	-
Deferred tax asset	8	22,821	24,285
Trade and other receivables	15	54,068	44,983
Total non-current assets		692,486	673,473
Current assets			
Trade and other receivables	15	165,875	255,008
Current tax receivable		7,072	233
Cash and cash equivalents	19	482,914	318,621
Total current assets		655,861	573,862
Total assets		**1,348,347**	**1,247,335**
Equity And Liabilities			
Capital and reserves			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(80,263)	(88,875)
Translation reserve		96	120
Retained earnings		353,938	339,810
Total equity		322,991	300,275
Non-current liabilities			
Derivative financial instruments	26	91,729	101,571
Deferred tax liability	8	36,793	32,500
Trade and other payables	16	4,819	1,749
Grants	17	86,855	90,140
Lease liabilities	14	38,911	-
Borrowings	24	349,054	411,255
Provisions	20	21,500	-
Retirement benefit obligations	23	42,612	50,642
Total non-current liabilities		672,273	687,857
Current liabilities			
Lease liabilities	14	2,913	-
Borrowings	24	20,519	19,776
Grants	17	3,667	3,228
Trade and other payables	16	325,984	236,199
Total current liabilities		353,083	259,203
Total liabilities		1,025,356	947,060
Total equity and liabilities		**1,348,347**	**1,247,335**

Approved by the Board and signed on their behalf:

21 January 2021

Brendan Tuohy
Chairperson

John Trethowan
Chairperson Audit and Risk Committee

Mark Foley
Chief Executive

Consolidated Statement Of Changes In Equity

For The Financial Year To 30 September 2020

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Translation reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 Oct 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**
Profit for the year	-	-	-	-	11,925	11,925
Other comprehensive income						
Remeasurements of defined benefit scheme net of deferred tax	-	-	-	-	6,203	6,203
Cash flow hedge net of deferred tax movement	-	-	8,612	-	-	8,612
Translation reserve movement	-	-	-	(24)	-	(24)
Dividends	-	-	-	-	(4,000)	(4,000)
Balance as at 30 Sep 2020	**38**	**49,182**	**(80,263)**	**96**	**353,938**	**322,991**

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 2020

	Note	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Cash flows from operating activities			
Profit after taxation		11,925	79,647
Share of equity accounted investment		(5)	-
Depreciation of property, plant and equipment	13	21,810	23,442
Depreciation of right of use assets	14	3,638	-
Amortisation of intangibles	12	23,238	21,563
Amortisation of grants	17	(3,668)	(3,789)
Interest and other income		(73)	(110)
Finance costs		18,139	17,490
Retirement benefit cost		3,244	7,382
Unrealised foreign exchange loss		1,698	348
Income tax expense		2,113	16,315
Pension contributions paid		(5,420)	(5,812)
Operating cash flows before movements in working capital		**76,639**	**156,476**
Movements in working capital			
Decrease/(Increase) in trade and other receivables		78,342	(131,749)
Increase/(Decrease) in trade and other payables		118,304	(7,464)
Cash from operations		**273,285**	**17,263**
Income taxes paid		(4,203)	(8,175)
Interest received		73	110
Net cash from operating activities		**269,155**	**9,198**
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,007)	(4,990)
Purchase of intangibles		(12,046)	(21,761)
Investment acquisition		-	(50)
Grants		3,224	-
Net cash used in investing activities		**(16,829)**	**(26,801)**
Cash flows from financing activities			
Dividends paid		(4,000)	(4,000)
Lease liability principal payments	14	(4,294)	-
Borrowings drawndown		15,980	125,920
Borrowings repaid		(77,270)	(19,510)
Finance costs paid		(16,790)	(16,739)
Net cash used in financing activities		**(86,374)**	**85,671**
Net increase in cash and cash equivalents		**165,952**	**68,068**
Cash and cash equivalents at start of year		**318,621**	**251,276**
Effects of foreign exchange		(1,659)	(723)
Cash and cash equivalents at end of year	19	**482,914**	**318,621**

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 54.

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 16 Leases.

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 2020 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 2020. The comparative figures are for the financial year ended 30 September 2019. 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 2019):

- IFRS 16 Leases
- Amendments to IAS 19: Plan, Amendment, Curtailment or Settlement
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Annual improvements to IFRS Standards 2015-2017 Cycle

As a result of adopting IFRS 16 the Group has changed its accounting policy for Leases. IFRS 16 had implications for the Group so the nature and effect of changes required are described below. The adoption of the other amendments listed above did not have a material impact on the current year financial statements.

IFRS 16 Leases

This standard replaced IAS 17 Leases. The changes under IFRS 16 are significant and predominantly affect lessees, the accounting for which is substantially reformed. The main impact on lessees is that almost all leases are now 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 has applied IFRS 16 from the 1 October 2019 and comparatives for the 2019 financial year have not been restated as the Group has selected the modified retrospective approach on transition to IFRS 16. The cumulative effect of initially applying the standard was recognised as an adjustment to retained earnings (€Nil effect). Under this transition option the lease liabilities are measured using the discount rate, lease term and other assumptions (reasonable certainty of extension, termination etc.) at 1 October 2019. The Group has recognised right of use assets of €43.3m and lease liabilities of €45.3m on 1 October 2019, the transition date. €2.8m in accruals relating to incentive payments was offset against the right of use asset on transition and €0.8m in prepayments relating to an upfront payment on a right of use asset was reclassified as a right of use asset on transition. A reconciliation explaining the difference between IAS 17 lease commitments at 30 September 2019 and the lease liability at the date of transition to IFRS 16 leases has been included in note 14. The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application was 1.1%.

A number of practical expedients were availed of by EirGrid in relation to IFRS 16; these are detailed below:

Grandfather exemption

EirGrid has availed of the 'grandfather exemption' transition expedient in relation to IFRS 16. EirGrid is not required to reassess whether a contract contains a lease at the date of initial application so it can apply the standard to contracts that were previously identified as leases and not apply this standard to contracts that were not previously identified as leases under IAS17 and IFRIC 4.

Low value exemption

The low value lease exemption (where the value of the underlying asset is less than €5,000) has been applied where relevant. The associated lease payments are expensed to the income statement as they are incurred.

Non lease components

EirGrid has elected to separate non-lease components from lease components. The non-lease components comprise of service charges on property leases and maintenance fees on motor vehicles.

2. Statement Of Accounting Policies (continued)

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.

Joint operations

The Company Financial Statements on pages 121 to 136 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.

2. Statement Of Accounting Policies (continued)

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.

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.

2. Statement Of Accounting Policies (continued)

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.

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.

2. Statement Of Accounting Policies (continued)

Operating profit

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

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

Foreign currencies

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

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;
- Integrated Single Electricity Market: 5 years.

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

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

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

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.

Lease liabilities and right of use assets

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

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

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

2. Statement Of Accounting Policies (continued)

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

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

The Group did not make any such adjustments during the periods presented.

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

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

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

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

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

Grants

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

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.

2. Statement Of Accounting Policies (continued)

Financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

Provisions and contingent liabilities

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

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

2. Statement Of Accounting Policies (continued)

Derivative financial instruments

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

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

Hedging instruments

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

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

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

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

Impairment of financial assets

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

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

2. Statement Of Accounting Policies (continued)

Finance income and costs

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

- **Provisions**
  On 1 January 2020, EU Regulation 2019/943 ("Regulation") on the internal market for electricity came into effect which includes a potential liability for the Group under Article 13. Although the potential liability could be nil, it is probable that the Group has a payment obligation at 30 September 2020 on foot of the Regulation. Whilst a range of outcomes is possible, the directors believe that the reasonable possible range is between €9.9m and €68.7m. A provision of €21.5m has been estimated as the best estimate within the range. However as this is an estimate, there is a possibility that the potential liability could be nil or above or below that range. In estimating the potential liability, the directors have made assumptions regarding the interpretation of the Regulation as there are a number of complex issues associated with it. The final amount will depend on the outcome of a SEM Committee consultation which is focused on the implementation of Articles 12 and 13 in Ireland and Northern Ireland (the "Consultation"). The timing for the SEM Committee to complete the Consultation and implement Article 13 into the market is uncertain. Due to the associated uncertainties, it is possible that estimates may need to be revised during the year if interpretations of the Regulation are clarified during the Consultation process. See note 20 for further details.

- **Useful lives of property, plant and equipment and intangible assets**
  Property, plant and equipment and intangible assets represent a significant portion of the Group's total assets. The annual depreciation and amortisation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. Management regularly review these useful lives and residual values and change them if necessary to reflect current conditions. The lives are based on 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 2026. 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 2020 was €2.0m (2019: €2.0m).

2. Statement Of Accounting Policies (continued)

- **Retirement benefits obligations**
  The Group operates two defined benefit pension plans called the 'EirGrid Fund' and the 'SONI Pension Scheme'. Further detail on the plans is outlined in note 23. The actuarial valuation of the pension plan liabilities 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 2020 is €224.7m (2019: €226.9m) and the fair value of plan assets is €182.1m (2019: €176.3m). This gives a net pension deficit for the Group before deferred tax, of €42.6m (2019: €50.6m). There was a plan amendment in respect of the EirGrid Fund at 30 September 2020; the method of discretionary indexation changed from being salary related to price inflation related which resulted in a past service credit of €6.1m to the Income Statement.

- **Leases**
  This is the first year of adoption of IFRS 16. In determining the incremental borrowing rate for lease contracts/liabilities the Group, where possible, has utilised external benchmarked information and has taken the lease term into account. The Group has applied judgement in determining the lease term of contracts that include renewal options. If the Group is reasonably certain of exercising such options this will impact the lease term and accordingly the amount of the lease liabilities and right of use assets recognised. The Group reassess these estimates and judgements if a significant event or a significant change in circumstances occurs.

- **Deferred tax**
  Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations. These calculations require the use of estimates. The deferred tax asset at 30 September 2020 was €22.8m (2019: deferred tax asset of €24.3m). The deferred tax liability at 30 September 2020 was €36.8m (2019: deferred tax liability of €32.5m).

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

3. Segment and revenue information

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

- EirGrid Transmission System Operator (EirGrid TSO), which derives its revenue from providing services as the TSO in Ireland and is regulated by the Commission for Regulation of Utilities (CRU). Trading in EirGrid Telecoms Designated Activity Company, the company that manages the licence of the commercial fibre optic cable built as part of the East West Interconnector project, has been included in the EirGrid TSO segment due to its relative size.
- 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.

3. Segment and revenue information (continued)

The segment results for the financial year ended 30 September 2020 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	533,033	14,236	4,143	115,879	69,747	(48,653)	688,385
Direct costs	(453,966)	-	(1,869)	(92,220)	(19,230)	48,653	(518,632)
Gross profit	79,067	14,236	2,274	23,659	50,517	-	169,753
Other operating costs (excluding depreciation and amortisation)	(52,026)	(11,591)	(1,572)	(16,913)	(9,979)	-	(92,081)
Depreciation and amortisation (net of grant amortisation)*	(23,817)	(1,686)	(16)	(6,491)	(13,563)		(45,573)
Total other operating costs	(75,843)	(13,277)	(1,588)	(23,404)	(23,542)	-	(137,654)
Operating profit	3,224	959	686	255	26,975	-	32,099
Interest and other income							73
Finance costs							(18,139)
Share of equity accounted investment							5
Profit before taxation							14,038
Income tax charge							(2,113)
Profit for the year							11,925
Balance Sheet items							
Segment assets	630,083	147,783	2,259	81,725	484,511		1,346,361
Goodwill and intangible assets (note 12)							1,986
Total assets as reported in the Consolidated Balance Sheet							1,348,347
Segment liabilities	668,346	44,903	433	63,475	248,199		1,025,356
Total liabilities as reported in the Consolidated Balance Sheet							1,025,356

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

3. Segment and revenue information (continued)

The comparative segment results for the financial year ended 30 September 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

Geographical information

	Revenue		Non-current assets	
	30 Sep 2020 € '000	30 Sep 2019 € '000	**30 Sep 2020 € '000**	30 Sep 2019 € '000
Ireland	567,911	599,266	588,211	572,184
UK	120,474	148,559	27,386	32,021
Total	**688,385**	747,825	**615,597**	604,205

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 €12.4m (2019: €27.9m). The remainder of revenue in respect of EWIC relates to Financial Transmission Rights (FTRs) auction receipts totalling €17.7m (2019: €23.2m), congestion income of €18.3m (2019: €24.3m) and income from the provision of other system services €13.9m (2019: €13.3m). EWIC also received €9.6m (2019: €9.8m) of capacity payments in the year and other income of (€2.2m) (2019: €0.7m).

Information about major customers

Included in EirGrid TSO segment revenues of €533.0m for the financial year to 30 September 2020 (2019: €529.5m) are revenues of approximately €208.0m (2019: €203.1m), €100.8m (2019: €97.4m), €71.3m (2019: €71.9m) and €53.4m (2019: €52.2m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €14.2m for the financial year to 30 September 2020 (2019: €17.8m) are revenues of approximately €5.2m (2019: €5.7m), €2.0m (2019: €3.4m), €3.3m (2019: €3.7m) and €1.3m (2019: €1.5m) 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 2020 (2019: €4.1m) are revenues of approximately €1.1m (2019: €1.1m), €0.6m (2019: €0.6m), €0.4m (2019: €0.3m) and €0.3m (2019: €0.3m) which arose from sales to the segment's four largest customers.

Included in SONI TSO segment revenues of €115.8m for the financial year to 30 September 2020 (2019: €143.1m) are revenues of approximately €28.9m (2019: €37.0m), €22.1m (2019: €23.4m), €20.8m (2019: €25.8m) and €12.8m (2019: €15.9m) which arose from sales to the segment's four largest customers.

Contract balances

Included in trade & other receivables (note 15) is €91.9m (2019: €95.2m) related to receivables from contracts with customers.

Included in trade & other payables (note 16) is €6.2m (2019: €2.7m) related to contract liabilities. €2.7m of the prior year contract liabilities were recognised as revenues during the year.

4. Employees

The average number of persons employed by the Group during the year to 30 September 2020 was 462 (2019: 437), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2020 was 83 (2019: 79). The staff costs associated with these employees have been capitalised and totalled €7.3m for the year to 30 September 2020 (2019: €7.3m).

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

	Year to 30 Sep 2020 Number	Year to 30 Sep 2019 Number
EirGrid TSO	297	262
SONI TSO	89	100
SEMO	62	61
SEMOpx	8	8
EWIC	6	6
Capital projects	83	79
Total	**545**	516

4. Employees (continued)

Total remuneration including the Executive Directors' salary, comprised:

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Wages and salaries	38,617	36,847
Social insurance costs	4,315	4,141
Other retirement benefit costs	5,064	9,173
Total remuneration paid to employees	**47,996**	50,161
Employee costs charged to Income Statement	40,655	42,850
Employee costs capitalised	7,341	7,311
Total remuneration paid to employees	**47,966**	50,161

Key management personnel compensation:	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Salaries and short-term employee benefits	1,677	1,486

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

Employee benefits bands:	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
€50,000 - €75,000	195	189
€75,001 - €100,000	90	89
€100,001 - €125,000	55	52
€125,001 - €150,000	17	19
€150,000 + *	17	21
Total	**374**	370

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 Environment, Climate and Communications.

5. Other Operating Costs

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Employee costs (note 4)	40,655	42,850
Depreciation of property, plant and equipment (note 13)	21,810	23,442
Amortisation of intangibles (note 12)	23,238	21,563
Depreciation of right of use assets (note 14)	3,638	-
Amortisation of grant (note 17)	(3,668)	(3,789)
Operations and maintenance	51,981	55,133
Total	**137,654**	139,199

6. Interest Income, Other Income And Finance Costs

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Interest income:		
Interest income on deposits	(73)	(110)
Finance costs:		
Bank loan and overdrafts	17,075	17,062
Lease interest (note 14)	605	-
Net pension scheme interest (note 23)	459	428
Total finance costs	**18,139**	17,490

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

7. Profit Before Taxation

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

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Depreciation (note 13 & 14)	25,448	23,442
Amortisation of intangibles (note 12)	23,238	21,563
Amortisation of grant (note 17)	(3,668)	(3,789)
Operating lease rentals	-	3,838
Foreign exchange loss	1,698	348

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

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
– for services as a Director	122	122
– for Executive Director services	213	213
Total	**335**	335

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

– defined benefit schemes (for Executive Director)	40	40

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

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

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
– audit of group companies	225	215
– other assurance services	60	22
– tax advisory services	85	50
– other non-audit services	-	-

8. Income Taxes

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Current tax expense	258	10,555
Adjustment in respect of prior year	(2,110)	1,280
Deferred tax relating to the origination and reversal of temporary differences	3,965	4,480
Income tax expense for the year	2,113	16,315

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

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Profit before tax	14,038	95,962
Taxation at standard rate of 12.5% (2019: 12.5%)	1,755	11,995
Effect of higher rates of tax on other income	626	131
Effect of income and expenses excluded in determining taxable profit	452	404
Effect of higher rates of tax on gains in UK subsidiaries	(184)	1,045
Adjustments in respect of prior years	(2,110)	1,280
Other differences	1,574	1,460
Income tax expense recognised in Income Statement	2,113	16,315

Factors that may affect future tax rates and other disclosures

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

8. Income Taxes (continued)

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

	Intangible assets € '000	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Tax losses € '000	Total € '000
Deferred tax (liability)/asset as at 1 Oct 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 to the Statement of 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)**
Credit/(charge) to the Income Statement for the year	-	(4,409)	(131)	-	575	(3,965)
Credit to the Statement of Comprehensive Income	-	-	(656)	(1,230)	-	(1,886)
Exchange differences	87	29	(22)	-	-	94
Deferred tax (liability)/asset as at 30 Sep 2020	**(169)**	**(36,624)**	**5,620**	**11,466**	**5,735**	**(13,972)**
Deferred tax asset	-	-	5,620	11,466	5,735	22,821
Deferred tax liability	(169)	(36,624)	-	-	-	(36,793)
Total 30 Sep 2020	**(169)**	**(36,624)**	**5,620**	**11,466**	**5,735**	**(13,972)**
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)

Analysis of deferred tax (liabilities)/assets by tax jurisdiction:	**30 Sep 2020 € '000**	30 Sep 2019 € '000
Ireland	(14,003)	(8,311)
UK	31	96
Net deferred tax liability	**(13,972)**	(8,215)

9. Dividends

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

Dividends to Shareholders	30 Sep 2020 € '000	30 Sep 2019 € '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 (2019: €4,000,000) for the financial year ended 30 September 2020.

10. Fair Value Investments

	30 Sep 2020 € '000	30 Sep 2019 € '000
Balance as at 1 Oct 2019	356	356
Additions	-	-
Balance as at 30 Sep 2020	**356**	356

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

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

11. Equity Accounted Investments

	30 Sep 2020 € '000	30 Sep 2019 € '000
Balance as at 1 Oct 2019	50	-
Additions	-	50
Share of profit after tax	5	-
Balance as at 30 Sep 2020	**55**	50

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'). On 10 June 2020, the 50% equity interest in Celtic Interconnector DAC was transferred to EirGrid plc. 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 2020. The Company's net interest in joint ventures equals the investment in share capital plus its share of the profit after tax.

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 2018	4,348	17,691	90,867	50,054	5,194	168,154
Additions	-	-		-	9,877	9,877
Transfer (to)/from other assets	-	-	4,405	5,345	(9,750)	-
Exchange differences	12	33	62	42	6	155
Balance as at 30 Sep 2019	4,360	17,724	95,334	55,441	5,327	178,186
Additions	-	-	-	-	12,159	12,159
Transfer (to)/from other assets	-	-	4,313	1,398	(5,711)	-
Exchange differences	(83)	(354)	(430)	(388)	(53)	(1,308)
Balance as at 30 Sep 2020	4,277	17,370	99,217	56,451	11,722	189,037
Accumulated Amortisation						
Balance as at 1 Oct 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
Amortisation	-	-	19,830	3,408	-	23,238
Exchange differences	(83)	(300)	(221)	(344)	-	(948)
Balance as at 30 Sep 2020	4,277	15,384	38,286	50,079	-	108,026
Carrying amount as at 30 Sep 2020	**-**	**1,986**	**60,931**	**6,372**	**11,722**	**81,011**
Carrying amount as at 30 Sep 2019	-	2,040	76,657	8,426	5,327	92,450

12. Intangible Assets (continued)

The licence agreement of €2.0m (2019: €2.0m) has been allocated to the SEMO cash-generating units (CGUs) to assess possible impairment. The goodwill and licence agreement are not amortised as they have indefinite useful lives.

The recoverable amount of the intangible assets allocated to the CGU has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2026. 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 2018 and covers the period 2018-2021.
- Discount rates of 4.72% and 5.90% (2019: 4.72% and 5.90%) have been assumed for the SEMO CGU based on the above mentioned price controls;
- Growth rates of 2.0% (2019: 2.0%) have been assumed into perpetuity for SEMO regulatory asset bases (RAB). A nil% growth rate (2019: 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 (2019: 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 (2019: €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 2018	17,273	2,644	76,710	48,998	77	572,814	3,995	9,804	732,315
Additions	-	-	25	(106)	-	702	(73)	6,662	7,210
Transfers (to)/from other assets		788	2,120					(2,908)	-
Exchange differences	19	(95)	21	24	-	-	(21)	(1)	(53)
Balance as at 30 Sep 2019	17,292	3,337	78,876	48,916	77	573,516	3,901	13,557	739,472
Reclassified to right of use assets (Note 14)****						(7,150)	-	-	(7,150)
Additions	-	-	-	-	-	-	-	5,095	5,095
Disposals	-	-	(18,077)	(48,743)	-	-	-	-	(66,820)
Transfers (to)/from other assets	18	-	2,922	-	-	770	-	(3,710)	-
Exchange differences	(132)	-	(62)	(173)	-	-	(19)	(3)	(389)
Balance as at 30 Sep 2020	17,178	3,337	63,659	-	77	567,136	3,882	14,939	670,208
Depreciation									
Balance as at 1 Oct 2018	7,367	2,198	60,999	48,892	35	85,173	-	-	204,664
Charge	643	216	5,279	-	15	16,507	782	-	23,442
Exchange differences	7	-	5	24	-	-	(19)	-	17
Balance as at 30 Sep 2019	8,017	2,414	66,283	48,916	50	101,680	763	-	228,123
Reclassified to right of use assets (Note 14)****	-	-	-	-	-	(1,485)	-	-	(1,485)
Charge	647	253	3,793	-	15	16,301	801	-	21,810
Disposals	-	-	(18,077)	(48,743)	-	-	-	-	(66,820)
Exchange differences	(67)	-	(57)	(173)	-	-	(10)	-	(307)
Balance as at 30 Sep 2020	8,597	2,667	51,942	-	65	116,496	1,554	-	181,321
Carrying amount as at 30 Sep 2020	**8,581**	**670**	**11,717**	**-**	**12**	**450,640**	**2,328**	**14,939**	**488,887**
Carrying amount as at 30 Sep 2019	9,275	923	12,593	-	27	471,836	3,138	13,557	511,349

* 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.
**** The capitalised EWIC Irish foreshore licence related to an upfront payment for use of the asset over a specified period. It has been reclassified to right of use assets on the adoption of IFRS 16.

13. Property, Plant & Equipment (continued)

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

	30 Sep 2020 € '000	30 Sep 2019 € '000
IS and telecommunications equipment	2,705	3,466
Celtic Interconnector Project	9,815	8,488
EWIC	105	678
Facilities	2,314	925
Total	**14,939**	13,557

14. Right Of Use Assets And Lease Liabilities

Right of use assets	Property € '000	Motor vehicles € '000	Foreshore Licence € '000	Total € '000
Costs				
Balance as at 1 Oct 2019	33,314	40	9,907	43,261
Transfer from property plant & equipment (Note 13)*	-	-	7,150	7,150
Balance as at 30 Sep 2020	33,314	40	17,057	50,411
Accumulated depreciation				
Balance as at 1 Oct 2019	-	-	-	-
Transfer from property plant & equipment (Note 13)*	-	-	1,485	1,485
Depreciation	3,064	21	553	3,638
Balance as at 30 Sep 2020	3,064	21	2,038	5,123
Carrying amount as at 30 Sep 2020	**30,250**	**19**	**15,019**	**45,288**

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

Lease liabilities	Total € '000
Balance as at 1 Oct 2019	45,390
Additions	-
Interest	605
Lease payments	(4,294)
Exchange differences	123
Balance as at 30 Sep 2020	**41,824**

Analysed as:	€ '000
Current	2,913
Non-current	38,911
Balance as at 30 Sep 2020	**41,824**

14. Right Of Use Assets And Lease Liabilities (continued)

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

Lease liabilities	Discounted € '000	Undiscounted € '000
Within one year	2,913	3,470
Between two and five years	10,314	12,203
After five years	28,597	31,126
Total	**41,824**	**46,799**

Extension and termination payments

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

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

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

Amounts recognised in consolidated income statement	Total € '000
Depreciation on right of use assets	3,638
Expenses relating to short terms leases	-
Variable lease payments *	20
Expenses relating to leases of low value leases, excluding short term leases of low value assets	-
Interest on lease liabilities	605

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

Amounts recognised in consolidated cash flow statement	Total € '000
Total cash outflows for the lease during the year *	4,899

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

Reconciliation of IAS 17 lease commitments and IFRS 16 lease	Total € '000
Future minimum lease payments under non-cancellable operating leases as at 30 September 2019	51,080
Add/(less) adjustments for:	
Future lease payments on short term & low value leases	-
Total future lease payments	51,080
Effect of discounting	(5,690)
Lease liability at 30 Sep 2019	**45,390**

15. Trade And Other Receivables

	30 Sep 2020 € '000	30 Sep 2019 € '000
Amounts due in less than one year:		
Trade receivables	505	811
Prepayments and deferred project costs	33,290	17,467
Unbilled receivables	91,894	95,168
Other receivables	40,186	141,562
Total	**165,875**	**255,008**
Amounts due in more than one year:		
Prepayments and deferred project costs	32,568	44,983
Other receivables	21,500	-
	54,068	**44,983**
Total	**219,943**	**299,991**

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

€2.0m (2019: €20.1m) of the other receivables balance relates to payments due from ESB.

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

Other receivables due in less than one year includes €12.4m (2019: €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. It will be returned by the market via a k-factor tariff adjustment.

Other receivables due in more than one year also includes €21.5m relating to recoverable costs arising from the introduction of the EU Regulation 2019/943 on the internal market for electricity which came into effect on 1 January 2020. The Group is satisfied that all costs arising from the implementation of the Regulation will be supported by a regulated, market-based tariff. These costs have been recognised through a provision as outlined in note 20.

Prepayments and deferred project costs include deferred costs in respect of transmission projects of €52.3m (2019: €51.2m), of which €32.6m (2019: €45.0m) may not be recoverable within twelve months. The prior year greater than one year balance also included an upfront payment made on an operating lease to secure the use of a docklands site in relation to the East West Interconnector asset. This has been reclassified as a right of use asset under IFRS 16 on 1 October 2019.

16. Trade And Other Payables

	30 Sep 2020 € '000	30 Sep 2019 € '000
Amounts payable in less than one year:		
Trade payables	59,168	55,344
Accruals	172,656	127,080
Deferred income	1,405	971
Taxation and social insurance	19,933	15,305
Other payables	72,822	37,499
Total	**325,984**	236,199
Amounts payable in more than one year:		
Deferred income	4,819	1,749
	4,819	1,749
Total	**330,803**	237,948

Taxation and social insurance comprises of the following:

	30 Sep 2020 € '000	30 Sep 2019 € '000
PAYE/PRSI	1,256	1,164
VAT	17,766	13,742
Withholding tax	911	399
Total	**19,933**	15,305

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.

€55.0m (2019: €48.5m) of the Group trade payables balance and €4.6m (2019: €3.7m) 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.

17. Grants

	€ '000
Balance as at 1 Oct 2018	97,157
Additions	-
Amortisation of grant	(3,789)
Balance as at 30 Sep 2019	93,368
Additions	822
Amortisation of grant	(3,668)
Balance as at 30 Sep 2020	**90,522**

Analysed as:	**€ '000**
Current	3,667
Non-current	86,855
Balances at 30 Sep 2020	**90,522**

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.

An EU-SysFlex grant of €0.8m was received during the year. 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.

A Celtic grant of €2.2m was also received during the year under the Connecting Europe Facility (CEF) programme, the EU's financial mechanism supporting trans-European infrastructure. The Celtic Interconnector is a proposed new electrical link between France and Ireland being developed jointly by EirGrid plc and the French TSO - Réseau De Transport D'Électricité ('RTE'). This grant has been netted against the Celtic Interconnector project spend (note 13) and the grant will be recognised separately as deferred income when the asset is brought into use.

18. Issued Share Capital

	30 Sep 2020 € '000	30 Sep 2019 € '000
Authorised:		
30,000 ordinary shares of €1.25 each	38	38
Allotted, called-up and fully paid:		
Called up share capital presented as equity:		
30,000 ordinary shares of €1.25 each	38	38

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

19. Cash And Cash Equivalents

	30 Sep 2020 € '000	30 Sep 2019 € '000
Cash and cash equivalents	482,914	318,621

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

Included in the Group's cash balances is a further €62.0m (2019: €11.7m) held on trust for market participants in the SEM and €26.0m (2019: €23.0m) held in SEM collateral reserve accounts (security accounts held in the name of market participants). Included in the Group cash balances are security deposits of €19.4m (2019: €10.0m). Included in the Group's cash balances is €9.2m (2019: €9.8m) which represents cash which can only be used for the purposes of the EWIC asset.

20. Provisions

	€ '000
Balance as at 30 Sep 2019	-
Provisions made during the year	21,500
Balance as at 30 Sep 2020	**21,500**

Analysed as:	**€ '000**
Current	-
Non-current	21,500
Balances at 30 Sep 2020	**21,500**

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

The SEM Committee launched a consultation on the Regulation focusing on Articles 12 and 13 (SEM-20-028 27 April 2020). The consultation paper outlined that the Regulation will involve updates to existing arrangements (SEM-11-062) to reflect the new requirements in relation to priority dispatch and also updates to arrangements (SEM-13-010) regarding compensation for curtailment and constraints as introduced by the Regulation. There are a number of complex issues associated with this Regulation. This is acknowledged in the SEM Committee consultation paper, which also indicates that further workshops and a further process of consultation may be required in relation to the implementation of Articles 12 and 13.

Although there is a possibility that the potential liability could be nil, it is probable that, on foot of the Regulation, the Group has a payment obligation at 30 September 2020. The final amount will depend on how the Regulatory Authorities decide to implement the Regulation in Ireland and Northern Ireland with regard to constraint payments to renewable generators with firm connections, curtailment payments to renewable generators and constraint payments to renewable generators with non-firm connections. The potential liability is estimated to be in the range €9.9 m to €68.7 m. As this is an estimate, there is a possibility that the potential liability could be above or below this range, however, based on the Group's consideration of the likely outcome of the consultation process the best estimate within this range is a provision of €21.5m. The timing of payments is uncertain, however payments to affected parties may commence following the conclusion of the consultation process.

The Group is satisfied that all costs arising from the implementation of the Regulation will be supported by a regulated, market-based tariff arrangement. Accordingly, a recoverable amount of €21.5m has been included in Trade and other receivables in note 15.

21. Capital Commitments

	30 Sep 2020 € '000	30 Sep 2019 € '000
Expenditure contracted for, but not provided for in the Financial Statements	5,110	-

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

22. Contingent Liabilities

The Group is not aware of any contingent liabilities at the financial year end (2019: €nil).

23. Retirement Benefits Obligations

Defined Benefit Schemes

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

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

The EirGrid Fund closed to new entrants with effect from 1st April 2019. New entrants in EirGrid plc were eligible to join a new defined contribution arrangement from 1st April 2019.

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

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

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

There were no amendments or material curtailments and settlements in respect of the SONI Focus Section during the financial year. There was a plan amendment in respect of the EirGrid Fund; the method of discretionary indexation changed from being salary related to price inflation related which has resulted in a past service credit of €6.1m to the Income Statement.

23. Retirement Benefits Obligations (continued)

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

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

Defined Contribution Scheme

As the SONI Focus Section has been closed to new members since 1998, other than for the purpose of admitting staff as a consequence of the transfer of the planning function in Northern Ireland in prior years, the Group also operates an approved defined contribution scheme, the "SONI Options Section" (which is a defined contribution section of the SONI Pension Scheme for employees of SONI Limited). Contributions are paid by the members and SONI Limited at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a group basis and may be paid in the form of a lump sum and/or survivor's pension. The assets of the SONI Options Section are held under trust and are separate from those of the Group. The only obligation of SONI Limited with respect to the SONI Options Section is to make the specified contributions and pay administration expenses. Obligations for contributions to the SONI Options Section are recognised as an expense in the Income Statement as incurred. The pension charge for the financial year represents the actual contribution paid by SONI Limited and amounted to €1.0m (2019: €1.2m).

EirGrid plc is currently operating an interim group Personal Retirement Savings Account (PRSA) arrangement for new entrants after 1 April 2019 and are in the process of setting up a Defined Contribution Scheme (the "EirGrid DC Scheme"), which is subject to approval from the Minister for Environment, Climate and Communications. The PRSA contribution paid by EirGrid plc amounted to €0.3m (2019: €0.1m).

23. Retirement Benefits Obligations (continued)

Defined Benefit Schemes - Liabilities

The most recent actuarial valuations of the assets and the present value of the defined benefit obligations were carried out at 30 September 2020 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 2020 € '000	**Eir Grid Plan 30 Sep 2020 € '000**	**SONI Focus Plan 30 Sep 2020 € '000**	Total 30 Sep 2019 € '000	EirGrid Plan 30 Sep 2019 € '000	SONI Focus Plan 30 Sep 2019 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	**224,724**	183,040	41,684	226,902	186,025	40,877
Fair value of Schemes' assets at end of year	**(182,112)**	(144,870)	(37,242)	(176,260)	(136,860)	(39,400)
Net liability	**42,612**	38,170	4,442	50,642	49,165	1,477
Deferred tax on net pension obligation (note 8)	**(5,620)**	(4,771)	(849)	(6,429)	(6,148)	(281)
Net liability after deferred tax	**36,992**	**33,399**	**3,593**	**44,213**	**43,017**	**1,196**

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

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Current service cost	9,781	8,206
Past service credit	(6,093)	-
Net interest expense	459	428
Employer pension cost capitalised	(668)	(824)
Amount included in other operating costs relating to defined benefit schemes	3,479	7,810

23. Retirement Benefits Obligations (continued)

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

	Total year to 30 Sep 2020 € '000	Eir Grid Plan year to 30 Sep 2020 € '000	SONI Focus Plan year to 30 Sep 2020 € '000	Total year to 30 Sep 2019 € '000	EirGrid Plan year to 30 Sep 2019 € '000	SONI Focus Plan year to 30 Sep 2019 € '000
Remeasurement of net defined benefit liability:						
Actuarial gain arising on Schemes' assets	1,832	2,382	(550)	9,289	6,503	2,786
Actuarial gain/(loss) arising from changes in demographic assumptions	(2,793)	(3,215)	422	(2,075)	-	(2,075)
Actuarial gain/(loss) arising from changes in financial assumptions	4,981	7,934	(2,953)	(30,601)	(24,270)	(6,331)
Actuarial gain/(loss) arising from experience adjustments	2,839	2,847	(8)	2,623	4,210	(1,587)
Asset ceiling release/(restriction)	-	-	-	5,440	-	5,440
Amount included in the Consolidated Statement of Comprehensive Income	**6,859**	**9,948**	**(3,089)**	(15,324)	(13,557)	(1,767)

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 2020 € '000	30 Sep 2019 € '000	30 Sep 2020 € '000	30 Sep 2019 € '000
Present value of defined obligation at beginning of year	186,025	156,071	40,877	36,760
Current service cost including contributions by Schemes' participants	10,740	9,414	497	422
Past service credit	(6,093)	-	-	-
Interest cost	1,760	3,182	745	954
Actuarial gain arising from changes in demographic assumptions	3,215	-	(422)	2,075
Actuarial (gain)/loss arising from changes in financial assumptions	(7,934)	24,270	2,953	6,331
Actuarial (gain)/loss arising from experience adjustments	(2,847)	(4,210)	8	1,587
Benefits paid	(1,826)	(2,702)	(2,143)	(7,327)
Exchange differences	-	-	(831)	75
Present value of defined benefit obligation at end of year	**183,040**	186,025	**41,684**	40,877

23. Retirement Benefits Obligations (continued)

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

	EirGrid Plan		SONI Focus Plan			
	30 Sep 2020 € '000 Total	30 Sep 2019 € '000 Total	**30 Sep 2020 € '000 Total**	30 Sep 2019 € '000 Before Asset Ceiling	30 Sep 2019 € '000 Impact of Asset Ceiling	30 Sep 2019 € '000 Total
Fair value of Schemes' assets at beginning of year	136,860	123,696	39,400	42,200	(5,440)	36,760
Interest Income	1,325	2,591	722	1,117	-	1,117
Gains on Schemes' assets	2,383	6,503	(550)	2,786	-	2,786
Contributions by the Companies	4,715	5,204	705	608	-	608
Contributions by Schemes' participants	1,413	1,568	42	62	-	62
Administration costs	-	-	(223)	(180)	-	(180)
Benefits paid	(1,826)	(2,702)	(2,143)	(7,327)	-	(7,327)
Impact of asset ceiling excluding amounts included in interest expense	-	-	-	-	5,440	5,440
Exchange differences	-	-	(711)	134	-	134
Fair value of Schemes' assets at end of year	**144,870**	136,860	**37,242**	39,400	-	39,400

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

	EirGrid Plan		SONI Focus Plan	
Valuation method	**30 Sep 2020 Projected Unit**	30 Sep 2019 Projected Unit	**30 Sep 2020 Projected Unit**	30 Sep 2019 Projected Unit
Discount rate	1.10%	0.95%	1.55%	1.85%
State pension increase	1.05%	1.05%	2.45%	2.35%
Salary increases	1.55% plus scale	1.55% plus scale	3.40% plus scale	3.60% plus scale
Pension increases	1.35%	1.55%	2.45%	2.35%
Inflation	1.30%	1.30%	3.15%	3.35%
Post-retirement life expectancy for those retiring at age 65 in 2039:				
- Men	24 years	23.9 years	25 years	25.2 years
- Women	26.1 years	26.0 years	26.7 years	26.8 years

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end was 1.10% (2019: 0.95%) for the EirGrid plan and 1.55% (2019: 1.85%) 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 (2019: 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 19 years (2019: 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 5% (2019: 6%).

23. Retirement Benefits Obligations (continued)

Funding Requirements and Future Cash Flows

An ongoing funding valuation of the EirGrid Fund is required every three years to review the contribution rate required to fund future benefits. The most recent actuarial valuation was carried out as at 1 January 2020. The contribution rate required to fund the future service liabilities for the current active pension members is adjusted to take account of the value of any past service surplus or deficit which exists in the EirGrid Fund.

The Funding Standard position (the statutory minimum funding requirement) of the EirGrid Fund is reviewed annually. Where an Irish defined benefit scheme does not have sufficient assets to satisfy the Funding Standard, accelerated funding, in the form of a Funding Proposal may be required. As the EirGrid Fund meets the Funding Standard, no such Funding Proposal is required.

An actuarial valuation of the SONI Focus Section must take place at least every three years. The most recent actuarial valuation was carried as at 31 March 2019. The main purpose of the funding valuation is to agree the contributions payable by SONI Limited so that the SONI Focus Section is expected to have sufficient assets to pay the benefits promised to members. The Scheme Actuary certifies that the Technical Provisions have been calculated in accordance with the regulations and the Trustees' Statement of Funding Principles and the Statutory Funding Objective is expected to be met by the end of the period covered by the Schedule of Contributions. A Section 179 valuation must also be carried out to ensure the SONI Focus Section has sufficient assets to cover its liabilities in respect of the compensation that would be paid by the Pension Protection Fund.

The major categories of plan assets at the Balance Sheet date for each category are as follows:

	Fair Value	
EirGrid plan	**30 Sep 2020 € '000**	30 Sep 2019 € '000
Equities	68,147	53,923
Bonds	30,864	31,888
Property	10,285	8,896
Cash	28,416	6,843
Alternatives	1,923	29,562
Annuities	5,235	5,748
Fair value of plan assets	**144,870**	136,860

For the EirGrid plan assets all except annuities €139.6m (2019: €131.2m) have quoted market prices in an active market. The annuities €5.2m (2019: €5.7m) have no quoted market prices in an active market.

	Fair Value	
SONI Focus plan	**30 Sep 2020 € '000**	30 Sep 2019 € '000
Equities	17,469	18,040
Gilts and bonds	19,531	21,181
Other	242	179
Fair value of plan assets	**37,242**	39,400

For the SONI Focus plan assets all categories (€37.2m) (2019: €39.4m) have quoted market prices in an active market.

The actual return on Group scheme assets was a gain of €3.9m (2019: €13.0m). The actual return on the EirGrid Plan scheme assets was a gain of €3.7m (2019: €9.1m) and the actual return on the SONI Focus Plan scheme assets was a gain of €0.2m (2019: €3.9m).

The Group expects to pay contributions of €8.4m (2019: €5.1m) for the EirGrid Plan and €0.6m (2019: €0.6m) for the SONI Focus Plan in the financial year to 30 September 2020.

24. Borrowings

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

Repayable by instalments	30 Sep 2020 € '000	30 Sep 2019 € '000
Repayable within one year:		
Bank loans	20,519	19,776
Total current borrowings	20,519	19,776
Repayable after more than one year		
Between one and two years	21,386	20,579
Between two and five years	63,484	63,924
In five years or more	196,268	217,122
Total non-current borrowings	281,138	301,625
Total borrowings outstanding	**301,657**	**321,401**

Repayable other than by instalments	30 Sep 2020 € '000	30 Sep 2019 € '000
Repayable within one year:		
Bank loans	-	-
Total current borrowings	-	-
Repayable after more than one year		
Between one and two years	-	-
Between two and five years	67,916	109,630
In five years or more	-	-
Total non-current borrowings	67,916	109,630
Total borrowings outstanding	67,916	109,630

Total borrowings	30 Sep 2020 € '000	30 Sep 2019 € '000
Included in current liabilities:		
Bank loans	20,519	19,776
Current interest-bearing loans and borrowings	20,519	19,776
Included in non-current liabilities:		
Bank loans	349,054	411,255
Non-current interest-bearing loans and borrowings	349,054	411,255
Total bank loans and overdrafts	369,573	431,031
Total interest-bearing loans and borrowings	369,573	431,031

Borrowings by the subsidiary undertaking, EirGrid Interconnector DAC are guaranteed by EirGrid plc through a cross-guarantee structure. Bank loans are unsecured loans. A proportion of the loans has been converted from floating interest rate which is based on euribor plus a margin to fixed interest rate by using interest rate swap contracts, see note 26 for further details.

24. Borrowings (continued)

New credit facilities were put in place for the go-live of the new SEM. At year end, EirGrid and SONI have drawn down €67.9m (2019: €109.6m) from these revolving credit facilities to fund working capital requirements in the balancing market. A term loan of £8.4m (€9.3m) (2019:£11.2m (€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 €143.1m (2019: €101.6m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/ unexpected constraint payments.

The terms of outstanding loans are as follows:

	Currency	Financial year of maturity	At start of year €'000	Cashflow €'000	Non cash €'000	At end of year €'000
Unsecured term loan facility	EUR	2030	96,509	(7,117)	213	89,605
Unsecured term loan facility	EUR	2035	212,303	(9,512)		202,791
Term loan	STG	2023	12,589	(3,182)	(146)	9,261
Revolving credit facility	EUR	2023	81,250	(31,250)		50,000
Revolving credit facility	STG	2023	28,380	(10,229)	(235)	17,916
Total			431,031	(61,290)	(168)	369,573

25. Categories Of Financial Assets And Financial Liabilities

Carrying Amount	Financial assets at amortised costs € '000	Financial liabilities at amortised cost € '000	Fair value through OCI € '000	Total € '000
30 Sep 2020				
Investments	-	-	356	356
Trade & other receivables	62,191	-	-	62,191
Deferred project costs	52,268	-	-	52,268
Cash and cash equivalents	482,914	-	-	482,914
Trade & other payables		(131,956)	-	(131,956)
Borrowings		(369,573)	-	(369,573)
Lease liabilities		(41,824)	-	(41,824)
Derivative financial instruments (note 25)			(91,729)	(91,729)
Total	**597,373**	**(543,353)**	**(91,373)**	**(37,353)**

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

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	142,372	-	-	142,372
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	512,197	(523,874)	(101,215)	(112,892)

Fair Value	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
30 Sep 2020				
Investments	-	-	356	356
Trade & other receivables	-	-	-	-
Deferred project costs	-	-	-	-
Cash and cash equivalents	-	-	-	-
Trade & other payables	-	-	-	-
Borrowings	-	-	-	-
Lease liabilities	-	-	-	-
Derivative financial instruments (note 25)	-	(91,729)	-	(91,729)
Total	**-**	**(91,729)**	**356**	**(91,373)**
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)

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

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Estimation of fair values

The principal methods and assumptions used in estimating the fair values of financial assets and liabilities are explained below.

Investments

Investments in equity instruments are measured at fair value. There have been no transfers between valuation levels during the year.

Trade & other receivables/payables & deferred project costs

For the receivable and payables, a carrying amount less impairment allowances, where appropriate, is a reasonable approximation of fair value.

Cash and cash equivalents

For short term bank deposits and cash and cash equivalents, the carrying value is deemed to reflect a reasonable approximation of fair value.

Borrowings

The fair value is calculated based on discounted future principal and interest cash flows.

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 2020 and therefore no credit adjustment is required.

26. Derivative Financial Instruments And Financial Risk Management

Capital management

EirGrid plc, on vesting of the transmission system operator, had capital introduced under the Transfer Scheme dated 1 July 2006. This capital forms the core capital of the Group. There have been no changes to the core capital of the Group during the financial year. Any changes to the capital structure are subject to approval of the Minister for Environment, Climate and Communications.

The Group is funded on an ongoing basis through the regulatory tariff regime. The Group has put in place bank facilities to manage liquidity and cash flow to allow for timing mismatches between regulatory tariff receipts and working capital requirements.

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

Significant capital expenditure projects are funded through external borrowings and subject to approval by the Minister. The Group's borrowing powers are set through legislation and individual borrowings are subject to approval by the Minister. On 14 March 2008, the Electricity Regulation (Amendment) (EirGrid) Act 2008 was signed into Irish Law. Primarily this Act empowered the Group to construct the East West Interconnector and also increased the borrowing powers of the Group to a limit of €750m.

The Group's policy is to secure a low, stable, acceptable cost of funds over time, subject to acceptable levels of risk. The Group also maintains a balanced maturity profile in relation to its core borrowing portfolio so as to avoid peaked repayments and refinancing risk.

Further details of the borrowing facilities and the related hedging strategies are set out below.

Overview of financial risk management

There are no significant concentrations of risk and there has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

The Group's funding, liquidity and exposure to interest and foreign exchange rate risks are managed by the Group's treasury function. Policies to protect the Group from these and other risks are regularly reviewed and approved by the Board.

The key financial risks to which the Group is exposed relate to liquidity, capital, market (including interest rate) and capital risk both arising from day to day operations and from key capital expenditure projects.

The Group manages its liquidity and capital risk for day to day operations through the regulatory process for establishing tariffs with the Commission for Regulation of Utilities (CRU) and the Utility Regulator Northern Ireland (UR) and through internal budgeting and monitoring of variances. The Group has negotiated stand-by facilities with various banks to support cash flow projections and requirements.

For capital expenditure, the Group has in place key expenditure approval and project management processes.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts. The Group mitigates its exposure by spreading funds across a number of financial institutions which have a sovereign guarantee on customer deposits or have a credit rating from an independent rating agency consistent with the treasury policy approved by the Board. The Group is also exposed to counterparty risk on undrawn facilities and interest rate swap instruments. Consistent with our Treasury Policy the Group deals only with counterparties with high credit ratings to mitigate this risk. Management does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

For the balancing market, under the terms of the Trading and Settlement Code for the Single Electricity Market ("SEM") each participant is required to provide credit cover at a level notified to it by the Market Operator. 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 2020 were €0.4m (2019: €3.8m). Other receivables also include €12.4m (2019: €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.

26. 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 and contract assets. An allowance matrix is used to measure the ECLs of the trade receivables but there is no exposure to default due to the credit risk management policies set out above. As a result the loss allowance at 30 September 2020 was nil.

The average credit period on trade receivables is two months. The ageing profile of these past due but not impaired balances is:

	30 Sep 2020 € '000	30 Sep 2019 € '000
60 to 90 days	-	-
90 to 120 days	-	-
Greater than 120 days	-	-
Total	-	-

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 €143.1m at the Balance Sheet date (2019: €101.6m). 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.

26. 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 2020					
Trade & other payables	104,431	27,524	-	-	131,955
Lease liabilities including interest	290	3,191	12,203	31,126	46,810
Borrowings including interest	-	22,482	90,766	200,246	313,494
Interest rate swap – net cash outflows	-	12,099	40,696	40,344	93,139
Total	**104,721**	**65,296**	**143,665**	**271,716**	**585,398**
30 Sep 2019					
Trade & other payables	92,843	-	-	-	92,843
Borrowings including interest	-	22,563	92,852	222,769	338,184
Interest rate swap – net cash outflows	-	12,653	40,537	48,856	102,046
Total	92,843	35,216	133,389	271,625	533,073

The cash flow hedges are expected to occur and affect the income statement over a period of 15 years.

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

	30 Sep 2020 € '000	30 Sep 2019 € '000
Losses arising during the year	(4,666)	(37,657)
Reclassified to income statement (included in finance costs)	14,508	13,178
Total	**9,842**	(24,479)

Market Risk

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

The interest rates swap liability at year end was €91.7m (2019: €101.6m). The notional amount was €293.4m (2019: €311.0m) at an interest rate of 3.8% (2019:3.8%).

Under interest rate swap contracts, the Group agree to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of the cash flow exposure on the issued variable rate interest on borrowings.

The Group's interest rate swaps settle periodically and the floating rates are reset between a three and six monthly basis. The Group will pay or receive the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The net settlements under the interest rate swaps and the interest payments on the borrowings occur simultaneously. The amount deferred in equity is recognised in profit or loss over the period that the floating rate interest payments on debt impact profit or loss.

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

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 (2019: 50) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the financial year to 30 September 2020 would have been impacted by €nil (2019: €nil); and
- Other equity reserves would have been impacted by €12.7m/ €14.4m (2019: (€13.4m)/ (€15.3m)), 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 €m during the year to 30 September 2020 (2019: €15.7m). 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 2020 would be impacted by €8.7m (2019: €8.7m). Other equity reserves would have been impacted by €1.5m (2019: €1.6m).

27. Related Party Transactions

EirGrid plc is an Irish commercial state organisation, and as such is a related party of the Government of Ireland. Brendan Tuohy, Mark Foley and Martin Corrigan hold one share each in the share capital of the Company on behalf of the Minister for Public Expenditure and Reform, one ordinary share of the Company is held by the Minister for Environment, Climate and Communications and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform, or on his behalf.

Board members had no beneficial interest in the Group at any time during the year.

In common with many other entities, the Group deals in the normal course of business with other Government sponsored bodies such as ESB so the major transactions are disclosed below.

An Infrastructure Agreement is in place between the Group and ESB under the auspices of the Commission for Regulation of Utilities (CRU), in relation to the roles of owner and operator of the transmission system. The charges to the Consolidated Income Statements under this Agreement were as follows:

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Transmission asset owner charge	**284,639**	252,002

At 30 September 2020 a total of €43.4m (2019: €37.6m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	30 Sep 2020 € '000	30 Sep 2019 € '000
Opening balance	37,641	41,012
Charges during the year	284,639	252,002
Payments made during the year	(278,890)	(255,373)
Closing balance	**43,390**	37,641

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

28. Post Balance Sheet Events

The Group's licensed activities are subject to multi-year price controls. The TSO price controls in Ireland and Northern Ireland for the five years to 2025 were finalised in December 2020.

The Brexit transition period ended on 31st December 2020 and with a draft Trade and Cooperation Agreement between the UK and the EU now in place, new electricity trading arrangements between SEM and GB have been operational since 1 January 2021. Additional Brexit related disclosures are included on page 59.

There have been no other events between the reporting date and the date on which the financial statements were approved by the Board, which would require disclosure in and/or adjustment to the financial statements.

29. Approval Of Financial Statements

The Board approved the Financial Statements on 21 January 2021.

Company Balance Sheet

As At 30 September 2020

	Note	30 Sep 2020 € '000	30 Sep 2019 € '000
Fixed assets			
Investments in subsidiaries	30 (E)	155,761	155,761
Equity accounted investments	30 (F)	55	-
Other investments	30 (G)	325	325
Intangibles	30 (I)	58,646	66,098
Property, plant & equipment	30 (J)	32,749	32,746
Right of use assets	30 (K)	29,478	-
Total non-current assets		**277,014**	**254,930**
Trade and other receivables: amounts falling due after more than one year	30 (L)	212,887	244,588
Current assets			
Cash and cash equivalents	30 (M)	413,311	271,822
Trade and other receivables	30 (N)	185,516	249,895
Total current assets		**598,827**	**521,717**
Trade and other payables: amounts falling due within one year	30 (O)	(321,325)	(269,984)
Net current assets		**277,502**	**251,733**
Total assets less current liabilities		**767,403**	**751,251**
Trade and other payables: amounts falling due after more than one year	30 (P)	(342,846)	(360,776)
Provisions			
Retirement benefit obligation	30 (T)	(38,170)	(49,165)
Other provisions	30 (U)	(16,125)	-
Net assets		**370,262**	**341,310**
Capital and reserves			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(61,756)	(67,142)
Retained earnings		382,798	359,232
Total equity		**370,262**	**341,310**

Approved by the Board and signed on their behalf:

21 January 2021

Brendan Tuohy
Chairperson

John Trethowan
Chairperson Audit and Risk Committee

Mark Foley
Chief Executive

Company Statement Of Changes In Equity

For Financial Year To 30 September 2020

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 Oct 2019	**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
Profit for the year	-	-	-	18,862	18,862
Other comprehensive income					
Remeasurements of defined benefit scheme net of deferred tax	-	-	-	8,704	8,704
Cash flow hedge movement net of deferred tax	-	-	5,386	-	5,386
Dividends	-	-	-	(4,000)	(4,000)
Balance as at 30 Sep 2020	**38**	**49,182**	**(61,756)**	**382,798**	**370,262**

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

30 (A). Statement Of Compliance

The individual financial statements of the Company were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (March 2018) ("FRS 101"). The Company financial statements have adopted certain exemptions under FRS 101. These exemptions include:

- a cashflow statement and related notes;
- disclosures in respect of revenue recognition;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- certain comparative information; and
- the effects of new but not yet effective IFRSs.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

30 (B). General Information

EirGrid plc is a public limited company and is incorporated in Ireland. The registered office of EirGrid plc is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4 (Registration number 338522). The principal activity of the Company is included in the Directors' Report on page 54. 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 54-120 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 75-88 of the group financial statements for disclosure of the relevant accounting policies.

30 (C). Profits attributable to EirGrid Plc

Profit for the year attributable to the Parent Company amounted to €18.9m (2019: €76.0m). In accordance with Section 304(2) of the Companies Act, 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting. The Company has also availed of the exemption from filing its individual Income Statement with the Registrar of Companies as permitted by Section 304(2) of the Companies Act, 2014.

30 (D). Employees

The average number of persons employed by the Company during the year to 30 September 2020 was 356 (2019: 320), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2020 was 71 (2019: 69). The staff costs associated with these employees have been capitalised and totalled €6.4m for the year to 30 September 2020 (2019: €6.2m).

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

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
EirGrid TSO	297	262
SEMO	47	46
SEMOpx	6	6
EWIC	6	6
Capital projects	71	69
Total	**427**	389

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

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Wages and salaries	31,472	27,250
Social insurance costs	3,363	3,134
Other retirement benefit costs	3,581	7,846
Total remuneration paid to employees	**38,416**	38,230
Employee costs charged to Income Statement	32,063	32,077
Employee costs capitalised	6,353	6,153
Total remuneration paid to employees	**38,416**	38,230

30 (E). Investment In Subsidiaries

The Group's subsidiaries, all of which are wholly owned, are:

Subsidiary	Country of Incorporation	Primary Activity
EirGrid UK Holdings Limited	Northern Ireland	Holding company
SONI Limited Northern Ireland	Northern Ireland	TSO
EirGrid Interconnector Designated Activity Company	Ireland	Interconnection
EirGrid Telecoms Designated Activity Company	Ireland	Telecommunications
EirGrid Celtic Interconnector Designated Activity Company	Ireland	Holding company

30 (E). Investment In Subsidiaries (continued)

EirGrid UK Holdings Limited, EirGrid Interconnector Designated Activity Company, EirGrid Telecoms Designated Activity Company and EirGrid Celtic Interconnector Designated Activity Company are owned directly by the Company. SONI Limited is owned by EirGrid UK Holdings Limited.

EirGrid plc and EirGrid Interconnector Designated Activity Company are parties to certain financing agreements regarding the ownership of the East West Interconnector which effectively require approval from lending banks for any distributions from EirGrid Interconnector Designated Activity Company to EirGrid plc.

EirGrid Celtic Interconnector Designated Activity Company was incorporated on 12 September 2018 and remained dormant to the end of the financial year.

The registered office of EirGrid Interconnector Designated Activity Company, EirGrid Telecoms Designated Activity Company and EirGrid Celtic Interconnector Designated Activity Company is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

The registered office of EirGrid UK Holdings Limited and SONI Limited is Castlereagh House, 12 Manse Road, Belfast.

Investment in Subsidiaries	**30 Sep 2020 € '000**	30 Sep 2019 € '000
Balance as at 1 Oct 2019	155,761	155,761
Additions	-	-
Balance as at 30 Sep 2020	**155,761**	155,761

The Company has made total advances of €31.7m (2019: €31.7m) to EirGrid Interconnector Designated Activity Company, and on-lent total debt of €285.0m (2019: €285.0m) in 2009. The Company has recognised an investment of €155.5m (2019: €155.5m) in EirGrid Interconnector Designated Activity Company and €0.2m (2019: €0.2m) in EirGrid Telecoms Designated Activity Company, representing the present value estimate of the commercial rate of interest foregone by the Company over the life of these loans. The on-lent debt balance at year end is €135.1m (2019:137.7m).

30 (F). Equity Accounted Investments

	30 Sep 2020 € '000	30 Sep 2019 € '000
Balance as at 1 Oct 2019	-	-
Additions	50	-
Share of profit after tax	5	-
Balance as at 30 Sep 2020	**55**	-

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'). On 10 June 2020, the 50% equity interest in Celtic Interconnector DAC was transferred to EirGrid plc. 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 2020. The Company's net interest in joint ventures equals the investment in share capital plus its share of the profit after tax.

30 (G). Other Investments

	30 Sep 2020 € '000	30 Sep 2019 € '000
Balance as at 1 Oct 2019	325	325
Additions	-	-
Balance as at 30 Sep 2020	325	325

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

Under the European rules (Network Codes), EirGrid is obliged to co-operate on a regional basis with at least one 'Regional Security Co-ordinator' (RSC) so it has acquired a 3.7% equity interest in the RSC Coreso SA for €0.1m in 2018; a company registered in Belgium.

30 (H). 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.

30 (H). Interest In Joint Operation (continued)

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 2020 € '000	30 Sep 2019 € '000
Non-current assets	6,837	4,561
Current assets	105,694	152,559
Total assets	**112,531**	**157,120**
Total equity	25,386	24,156
Current liabilities	87,145	132,964
Total liabilities	87,145	132,964
Total equity and liabilities	**112,531**	**157,120**

	Year to 30 Sep 2020 € '000	Year to 30 Sep 2019 € '000
Revenue	13,784	16,501
Expenses	(12,651)	(13,101)
Operating profit	**1,133**	**3,400**

30 (I). Intangible Assets

	Integrated Single Electricity Market *€ '000	Other IT Software € '000	Software under development € '000	Total € '000
Cost				
Balance as at 30 Sep 2019	71,753	35,697	3,806	111,526
Additions	-	-	9,520	9,520
Transfer (to)/from other assets	3,235	1,044	(4,279)	-
Balance as at 30 Sep 2020	74,988	36,741	9,047	120,776
Amortisation				
Balance as at 30 Sep 2019	14,069	31,089	-	45,158
Amortisation charge	14,898	2,074	-	16,972
Balance as at 30 Sep 2020	28,967	33,163	-	62,130
Carrying amount as at 30 Sep 2020	46,021	3,578	9,047	58,646
Carrying amount as at 30 Sep 2019	57,684	4,608	3,806	66,098

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

30 (J). Property, Plant & Equipment

	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 2019	10,407	3,337	75,112	77	40,905	2,923	12,602	145,363
Additions	-	-	9	-	-	-	4,827	4,836
Disposals			(18,318)		(40,905)		-	(59,223)
Transfer (to)/from other classes	-	-	2,781	-	-	-	(2,781)	-
Balance as at 30 Sep 2020	10,407	3,337	59,584	77	-	2,923	14,648	90,976
Depreciation								
Balance as at 30 Sep 2019	4,845	2,413	63,819	50	40,905	585	-	112,617
Charge	434	252	3,547	15	-	585	-	4,833
Disposals	-	-	(18,318)	-	(40,905)	-		(59,223)
Balance as at 30 Sep 2020	5,279	2,665	49,048	65	-	1,170	-	58,227
Carrying amount as at 30 Sep 2020	**5,128**	**672**	**10,536**	**12**	**-**	**1,753**	**14,648**	**32,749**
Carrying amount as at 30 Sep 2019	5,562	924	11,293	27	-	2,338	12,602	32,746

* The cost of the Group's buildings include leasehold improvements.
** This asset relates to costs associated with the SEM prior to the redesign of the new market. These assets were decommissioned during the financial year
*** 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 2020 €'000	30 Sep 2019 €'000
IS and telecommunications equipment	2,566	3,286
Celtic Interconnector Project	9,815	8,488
Facilities	2,267	828
Total	**14,648**	12,602

30 (k). Right of Use Assets and Lease Liabilities

Right of use assets	Property € '000	Motor vehicles € '000	Total € '000
Cost			
Balance as at 1 Oct 2019	32,478	29	32,507
Additions	-	-	-
Balance as at 30 Sep 2020	32,478	29	32,507
Accumulated depreciation			
Balance as at 1 Oct 2019	-	-	-
Depreciation	3,015	14	3,029
Balance as at 30 Sep 2020	3,015	14	3,029
Carrying amount as at 30 Sep 2020	**29,463**	**15**	**29,478**

Lease liabilities	Total € '000
Balance as at 1 Oct 2019	35,450
Additions	-
Interest	464
Lease payments	(3,871)
Balance as at 30 Sep 2020	**32,043**

Analysed as:	€ '000
Current	2,639
Non-current	29,404
Balance as at 30 Sep 2020	**32,043**

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

Lease liabilities	Discounted € '000	Undiscounted € '000
Within one year	2,639	3,061
Between two and five years	9,240	10,632
After five years	20,164	21,108
Total	**32,043**	**34,801**

30 (k). Right of Use Assets and Lease Liabilities

Extension and termination payments

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

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

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

Amounts recognised in consolidated income statement	**Total €'000**
Depreciation on right of use assets	3,029
Expenses relating to short terms leases	-
Variable lease payments *	20
Expenses relating to leases of low value leases, excluding short term leases of low value assets	-
Interest on lease liabilities	464

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

Amounts recognised in consolidated cash flow statement	**Total €'000**
Total cash outflows for the lease during the year *	4,335

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

Reconciliation of IAS 17 lease commitments and IFRS 16 lease	**Total €'000**
Future minimum lease payments under non-cancellable operating leases as at 30 Sep 2019	38,682
Add/(less) adjustments for:	
Future lease payments on low value & short term leases	-
Total future lease payments	38,682
Effect of discounting	(3,232)
Lease liability at 30 Sep 2019	35,450

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

	Note	30 Sep 2020 € '000	30 Sep 2019 € '000
Prepayments and deferred project costs		20,101	30,549
Other receivables		16,125	-
Amounts owed by subsidiary undertakings		163,540	199,244
Deferred tax	30 (S)	13,121	14,795
Total		**212,887**	**244,588**

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 €20.1m (2019: €30.5m) respectively, all of which may not be recoverable within twelve months.

Other receivables includes €16.1m relating to recoverable costs arising from the introduction of the EU Regulation 2019/943 on the internal market for electricity which came into effect on 1 January 2020. The Group is satisfied that all costs arising from the implementation of the Regulation will be supported by a regulated, market-based tariff. These costs have been recognised through a provision as outlined in note 30 (U).

30 (M). Cash And Cash Equivalents

	30 Sep 2020 € '000	30 Sep 2019 € '000
Cash and cash equivalents	413,311	271,822

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 €12.9m (2019: €7.4m). Included in the cash balances is €46.5m (2019: €8.7m) held on trust for market participants in the SEM and €19.5m (2019: €17.3m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

30 (N). Trade And Other Receivables – Amounts Falling Due Within One Year

	30 Sep 2020 € '000	30 Sep 2019 € '000
Trade receivables	500	787
Prepayments and deferred project costs	27,713	12,871
Unbilled receivables	84,767	86,186
Other receivables	34,647	112,337
Current tax receivables	6,460	1,759
Amounts owed by subsidiary undertakings	31,429	35,955
Total	**185,516**	**249,895**

€2.0m (2019: €20.1m) 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 €19.2m (2019: €7.0m), all of which expected be recoverable within twelve months.

Other receivables includes €9.3m (2019: €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. It will be returned by the market via a k-factor tariff adjustment.

30 (O). Trade And Other Payables – Amounts Falling Due Within One Year

	Note	30 Sep 2020 € '000	30 Sep 2019 € '000
Trade payables		59,174	53,845
Accruals		158,269	112,578
Deferred income		1,109	803
Taxation and social insurance		12,844	13,528
Other payables		58,051	27,114
Amounts owed to subsidiary undertakings		18,955	52,490
Grants	30 (Q)	356	114
Borrowings	30 (R)	9,928	9,512
Lease liabilities	30 (K)	2,639	-
Total		**321,325**	**269,984**

Taxation and social insurance comprises of the following:

	30 Sep 2020 € '000	30 Sep 2019 € '000
Income tax deducted under PAYE	512	552
Pay-related social insurance	505	366
VAT	11,079	12,222
Withholding tax	748	388
Total	**12,844**	**13,528**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. €55.0m (2019: €48.5m) 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.

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

	Note	30 Sep 2020 € '000	30 Sep 2019 € '000
Derivative financial instrument		70,579	76,735
Grants	30 (Q)	-	-
Borrowings	30 (R)	242,863	284,041
Lease liabilities	30 (K)	29,404	-
Total		**342,846**	**360,776**

30 (Q). Grants

	30 Sep 2020 € '000	30 Sep 2019 € '000
Balance as at 1 Oct 2019	114	790
Additions	797	-
Amortisation	(555)	(676)
Balance as at 30 Sep 2020	**114**	790
Analysed as:		
Current	356	114
Non-Current	-	-
Closing balance	**356**	114

An EU-SysFlex grant of €0.8m was received during the year. 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.

30 (R). Borrowings

Repayable by instalments	30 Sep 2020 € '000	30 Sep 2019 € '000
Repayable within one year	9,928	9,512
Repayable within one and two years	10,352	9,928
Repayable within two and five years	33,775	32,391
Repayable greater than five years	148,736	160,472
Total	**202,791**	212,303

30 (R). Borrowings (continued)

Repayable other than by instalments	30 Sep 2020 € '000	30 Sep 2019 € '000
Repayable within one year	-	-
Repayable within one and two years	50,000	81,250
Repayable within two and five years	-	-
Repayable greater than five years	-	-
Total	**50,000**	81,250

Total Borrowings	30 Sep 2020 € '000	30 Sep 2019 € '000
Repayable within one year	9,928	9,512
Repayable within one and two years	60,352	91,178
Repayable within two and five years	33,775	32,391
Repayable greater than five years	148,736	160,472
Total	**252,791**	293,553

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 €100.0m (2019: €69.0m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Company has sufficient standby facilities to meet unbudgeted and unexpected constraint payments.

30 (S). Deferred Tax

	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Total € '000
Deferred tax asset as at 1 Oct 2018	(402)	4,047	7,009	10,654
(Charge)/Credit to the Income Statement for the year	(541)	404	-	(137)
Credit to the Statement of Comprehensive Income	-	1,695	2,583	4,278
Deferred tax asset as at 30 Sep 2019	**(943)**	**6,146**	**9,592**	**14,795**
(Charge)/Credit to the Income Statement for the year	471	(131)	-	340
Charge to the Statement of Comprehensive Income	-	(1,244)	(770)	(2,014)
Deferred tax asset as at 30 Sep 2020	**(472)**	**4,771**	**8,822**	**13,121**

30 (T). Retirement Benefit Obligations

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

	30 Sep 2020 € '000	30 Sep 2019 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	183,040	186,025
Fair value of Schemes' assets at end of year	(144,870)	(136,860)
Total	**38,170**	49,165

As outlined in note 23, there is one pension scheme held on the balance sheet of EirGrid plc. Information has been provided on these pension schemes as per note 23 of the consolidated financial statements. As there are no material differences between the information given in the consolidated notes and the Company information, it has been chosen not to reproduce this information.

30 (U). Other Provisions

	€ '000
Balance as at 30 Sep 2019	-
Provisions made during the year	16,125
Balance as at 30 Sep 2020	**16,125**

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

The SEM Committee launched a consultation on the Regulation focusing on Articles 12 and 13 (SEM-20-028 27 April 2020). The consultation paper outlined that the Regulation will involve updates to existing arrangements (SEM-11-062) to reflect the new requirements in relation to priority dispatch and also updates to arrangements (SEM-13-010) regarding compensation for curtailment and constraints as introduced by the Regulation. There are a number of complex issues associated with this Regulation. This is acknowledged in the SEM Committee consultation paper, which also indicates that further workshops and a further process of consultation may be required in relation to the implementation of Articles 12 and 13.

Although there is a possibility that the potential liability could be nil, it is probable that, on foot of the Regulation, the Company has a payment obligation at 30 September 2020. The final amount will depend on how the Regulatory Authorities decide to implement the Regulation in Ireland and Northern Ireland with regard to constraint payments to renewable generators with firm connections, curtailment payments to renewable generators and constraint payments to renewable generators with non-firm connections. The potential liability is estimated to be in the range €7.4m to €51.5m. As this is an estimate, there is a possibility that the potential liability could be above or below this range, however, based on the Group's consideration of the likely outcome of the consultation process the best estimate within this range is a provision of €16.1m. The timing of payments is uncertain, however payments to affected parties may commence following the conclusion of the consultation process.

The Company is satisfied that all costs arising from the implementation of the Regulation will be supported by a regulated, market-based tariff arrangement. Accordingly, a recoverable amount of €16.1m has been included in Trade and other receivables in note 30 (L).

29 (V). Capital Commitments

	30 Sep 2020 € '000	30 Sep 2019 € '000
Expenditure contracted for, but not provided for in the Financial Statements	5,110	-

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

29 (W). Contingent Liabilities

The Company is not aware of any contingent liabilities at the financial year end (2019: €nil).

30 (X). Related Party Transactions

Borrowings by EirGrid Interconnector Designated Activity Company are guaranteed by EirGrid plc through a cross-guarantee structure. The Company has issued letters of support for its EirGrid UK Holdings Limited, EirGrid Interconnector Designated Activity Company and the EirGrid Celtic Interconnector Designated Activity Company subsidiaries.

EirGrid plc has given a Parent Company Undertaking to SONI Limited to the value of £10.0m (2019: £10.0m).

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

30 (Y). Post Balance Sheet Events

The Company's licensed activities are subject to multi-year price controls. The TSO price control in Ireland for the five years to 2025 was finalised in December 2020.

The Brexit transition period ended on 31st December 2020 and with a draft Trade and Cooperation Agreement between the UK and the EU now in place, new electricity trading arrangements between SEM and GB have been operational since 1 January 2021. Additional Brexit related disclosures are included on page 59.

There have been no other events between the reporting date and the date on which the financial statements were approved by the Board, which would require disclosure in and/or adjustment to the financial statements.

30 (Z). Approval Of Financial Statements

The Board approved the Financial Statements on 21 January 2021.

Notes

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