



# Investor Update

## ESB Networks Price Review 5 (2021 – 2025)

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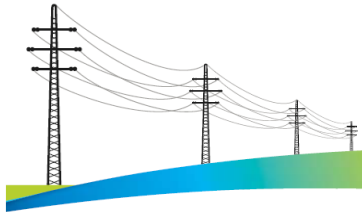
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# Overview of ESB



- Established 1927 - leading Irish diversified and vertically integrated utility
- C. 96% Government-owned
- Operating in Ireland and Great Britain
- Brighter Future Strategy is to lead the transition to low carbon energy future

## REGULATED NETWORKS



### ESB NETWORKS

### NIE NETWORKS

- Owner of the Regulated ROI & NI transmission & distribution networks contributing to c two thirds of Group EBITDA and Group Assets
- *Brighter Future* focus is to enable the connection of increased renewable and distribute generation

## GENERATION



### GENERATION & TRADING

- C. 20%-25%\* of EBITDA and Group Assets
- *Brighter Future* focus is to transition the generation portfolio to low carbon technologies

## CUSTOMER SOLUTIONS



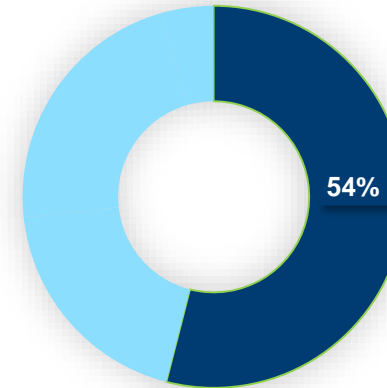
### ELECTRIC IRELAND

### ESB ENERGY

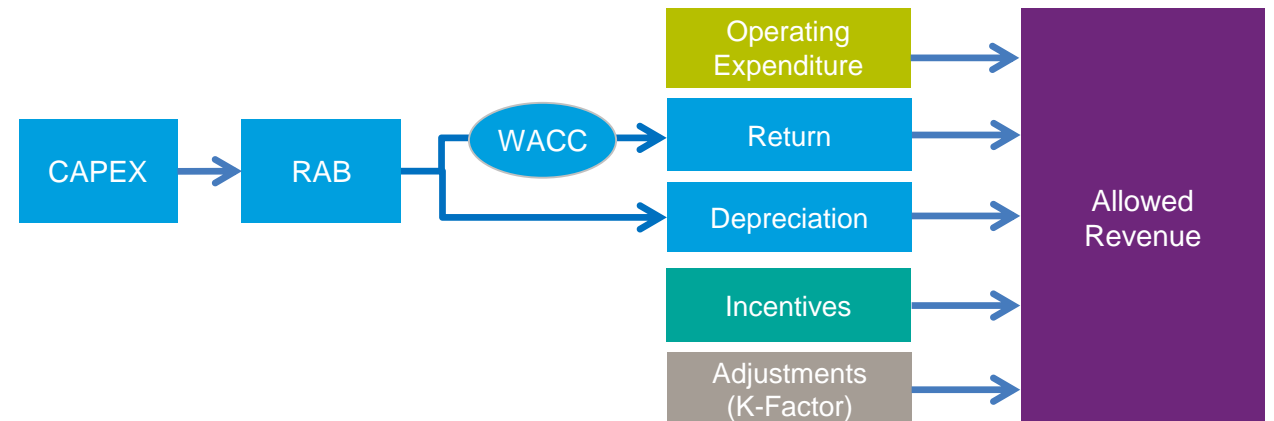
- C. 5-8%\* EBITDA and Group Assets
- *Brighter Future* focus is to provide smart energy services to customers including EV infrastructure roll out

H1 2020 ESB Group EBITDA - €604m / ESB Networks EBITDA - €326m

- Sole owner and operator of the distribution network and sole owner of the transmission network in ROI
- Operates as a ring-fenced business within ESB
- Business Strategy – Smart reliable networks to support decarbonisation
- 54% of Group EBITDA and 55% of Group Assets (H1 2020)
- Operates under 5 yearly price controls determined by Commission for the Regulation of Utilities (CRU)
- Current Price review – PR5 2021 -2025



## Regulatory Revenue Model



- **PR 5 Final Determination for ESB Networks published by CRU on 18<sup>th</sup> December 2020 covering the period 2021 - 2025**
- **Suite of documents available on CRU website including:**
  - [PR5 Summary](#)
  - [DSO](#)
  - [TSO & TAO](#)
- **CRU's PR5 Strategic Objectives**
  1. Facilitating a Low Carbon Future
  2. Increasing Efficiency and Protecting Customers
  3. Transforming Our Role as DSO
  4. Resolving Local Security of Supply

# ESB Networks –PR4 Outturn vs PR5 Determination

ESB Networks	PR4 Outturn*	PR5 Determination **
WACC (pre-tax, real)	4.95%	3.80%
Overall revenue	€5.2bn	€5.83bn***
Gross Capex	€2.7bn	€4.4bn
Operating Allowances	€1.7bn	€1.96bn
Closing RAB	€8.5bn	€10 bn
Asset Life	Transmission – 50 years Distribution – 45 years	Transmission – 50 years Distribution – 45 years  Revised secondary assets to technical life (10-17 years)

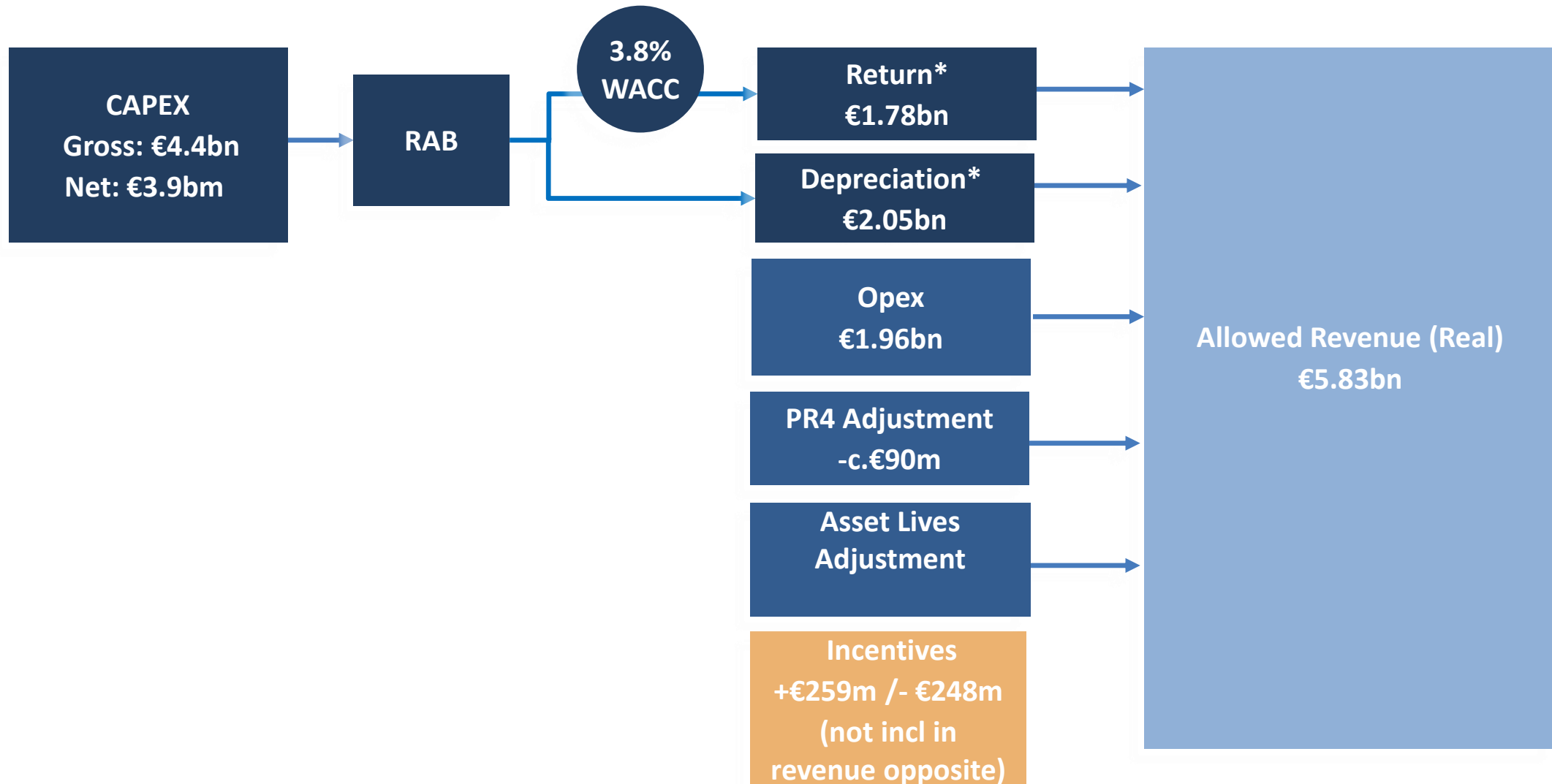
\* Nominal

\*\* 2019 money

\*\* Excluding Incentive revenue

- **Regulatory Model**
  - Regulatory model substantially the same.
  - A new *Agile Investment Framework* introduced which will accommodate uncertainty and the changing needs of the electricity market.
  - This framework includes:
    - (i) an uncertainty mechanism which releases revenues in response to investment required due to increasing use of low carbon technologies;
    - (ii) and a flexibility mechanism which allows the reallocation of capital expenditure to operational expenditure to facilitate better investment solutions.
  - The aim of the framework is to enable the delivery of the targets set out in the Government of Ireland's Climate Action Plan and the Clean Energy Package.
- **Incentives**
  - Performance incentives increased : +€260m / - €250m (PR4 +€163m / - €194m) over 5 year period
  - New cost incentive mechanism rewarding efficiency for delivery of outputs
- **Asset Lives**
  - Change to allow recovery of certain secondary assets over their technical lives (10 – 17 years)

# Final Determination (2019 money)



\* Before the asset life adjustment (shown separately)

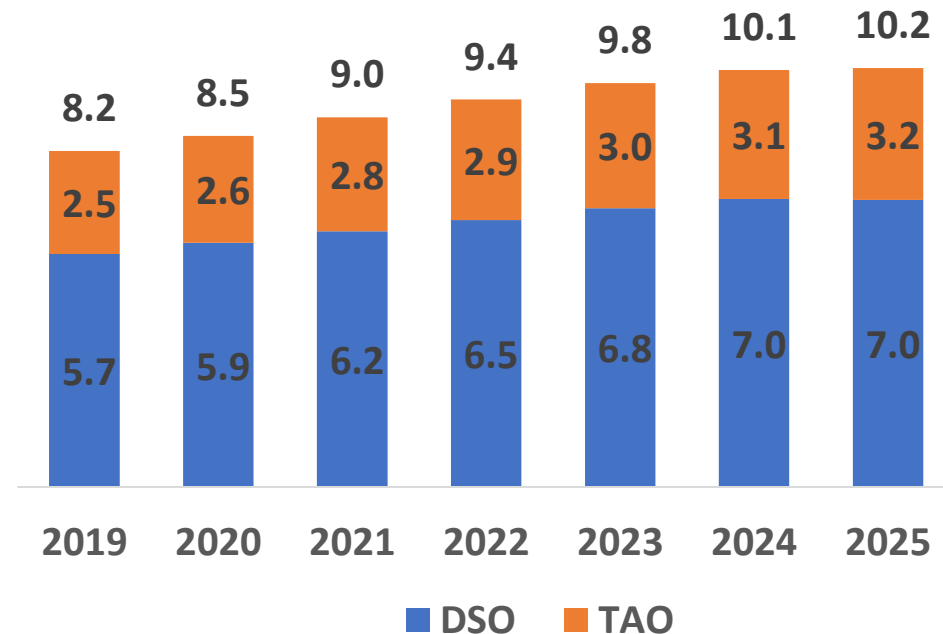


# Capex Allowance Overview

Capex	PR5 €bn Real 2019
Transmission	1.1
Distribution	2.4
Smart Meters	0.9
<b>Gross*</b>	<b>4.4</b>
Contributions	(0.5)
<b>Net Capex</b>	<b>3.9</b>

\* 60% increase in gross capex vs PR4 outturn (€2.7bn)

## RAB Growth (€bn, real 2019)



- Satisfactory outcome
- Key focus now will be on the implementation, focusing on:
  - Government of Irelands Climate Action Plan and the role of ESB Networks has in supporting this
  - Scaling up delivery capability
  - Maximising incentive revenues
  - Achieving cost efficiency



**ESB**  
Two Gateway  
East Wall Road  
Dublin D03 A995  
Ireland



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**ÉILISH DOLAN**

MANAGER, INVESTOR  
RELATIONS & CREDIT RATING

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+353 1 702 6756  
eilish.dolan@esb.ie  
www.esb.ie/ir