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CREDIT OPINION
18 September 2024

Update

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RATINGS

Electricity Supply Board (ESB)

Domicile	Dublin, Ireland
Long Term Rating	A3
Type	LT Issuer Rating
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Electricity Supply Board (ESB)

Update following outlook change to positive

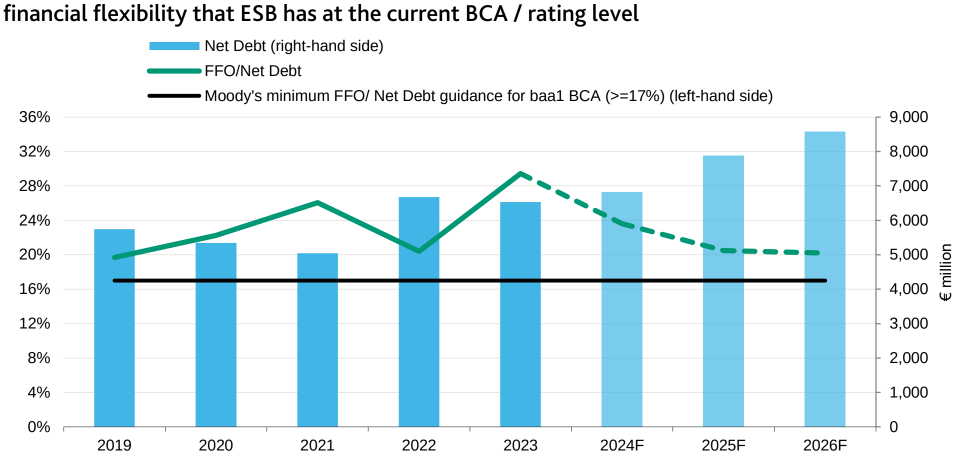
Summary

Electricity Supply Board (ESB)'s (A3/P-2 positive) credit quality is supported by: (1) the majority of the group's earnings, typically nearly 70% of EBITDA, derived from its position as the monopoly onshore electricity transmission asset owner and electricity distribution system operator in both the Republic of Ireland (Aa3 positive) and Northern Ireland; (2) the well-established and transparent regulatory regimes governing these operations; and (3) its solid financial profile, which has been supported by higher earnings from its generation and trading business in recent years and a continued prudent financial policy.

ESB's credit quality is, however, constrained by (1) the material portion of the group's earnings coming from unregulated generation and its supply businesses; (2) the group's large capital investment programme, around €11 billion over 2024-28 on a net basis (net of customer contributions and repayment of shareholder loans); and (3) increasingly material additional debt in the group's joint ventures.

ESB's A3 rating incorporates a one-notch uplift from its standalone credit quality, or Baseline Credit Assessment (BCA), of baa1, reflecting our expectation of a strong likelihood of support from the Government of Ireland (Aa3 positive), which owns 97% of ESB, in case of financial distress.

Exhibit 1
Execution of the group's large investment programme will absorb some of the significant financial flexibility that ESB has at the current BCA / rating level



All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Financial Metrics, Moody's Ratings forecasts

Credit strengths

» Majority of earnings, typically around 70%, derived from monopoly electricity network businesses operating under well-established and transparent regulatory frameworks

» Consistently strong financial metrics underpinned by prudent financial policy

» Continuation of elevated wholesale power prices will support earnings from generation and trading operations; planned growth of renewables portfolio will, over time, improve quality and quantity of earnings from this segment given contracted revenues

» Government ownership

Credit challenges

» A material portion of the group's earnings come from unregulated generation and supply businesses

» Execution of the group's large capital investment programme will increase leverage

» Material additional debt in the group's joint ventures which may increase further as the group progresses towards its 2030 renewables targets

» Significant losses, to-date, from retail energy supply in Great Britain

Rating outlook

The positive outlook reflects (1) the positive outlook on the Government of Ireland's ratings; and (2) our expectation that ESB will maintain financial metrics in line with our ratio guidance for the baa1 BCA, namely funds from operations (FFO)/net debt of at least 17%.

Factors that could lead to an upgrade

» The ratings could be upgraded if the sovereign rating of the Government of Ireland was upgraded, assuming unchanged support and ESB maintaining financial metrics in line with our ratio guidance for the baa1 BCA

» Upwards rating pressure could also arise if, following regulatory determinations for its network businesses for their next regulatory period, ESB was expected to maintain FFO/net debt in the low 20s, in percentage terms, on a sustained basis, with no increase in business risk

Factors that could lead to a downgrade

» Downwards pressure on the BCA is not currently anticipated given our expectation that ESB will retain significant financial flexibility at the current level as it executes its planned investment programme. However, downwards rating pressure on the BCA could arise if (1) ESB appeared unlikely to maintain FFO/net debt of at least 17%. A one-notch downgrade of the BCA may not necessarily lead to a rating downgrade

» A deterioration in the group's business risk profile, either as a result of growth in the group's non-regulated businesses or substantial increase in investments in debt-funded minority shareholdings (as a percentage of the consolidated group's net debt), could lead to a tightening of the upgrade and downgrade financial metric thresholds

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2
Electricity Supply Board (ESB)

	2019	2020	2021	2022	2023	2024F	2025F
FFO Interest Coverage	6.7x	8.2x	9.6x	9.2x	9.4x	8.4x	7.6x
Net Debt / Fixed Assets	51.4%	48.4%	44.1%	57.0%	52.6%	50.1%	52.3%
FFO / Net Debt	19.7%	22.2%	26.1%	20.4%	29.4%	23.6%	20.5%
RCF / Net Debt	18.9%	21.3%	24.5%	18.5%	24.4%	20.4%	17.5%

All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Financial Metrics, Moody's Ratings forecasts

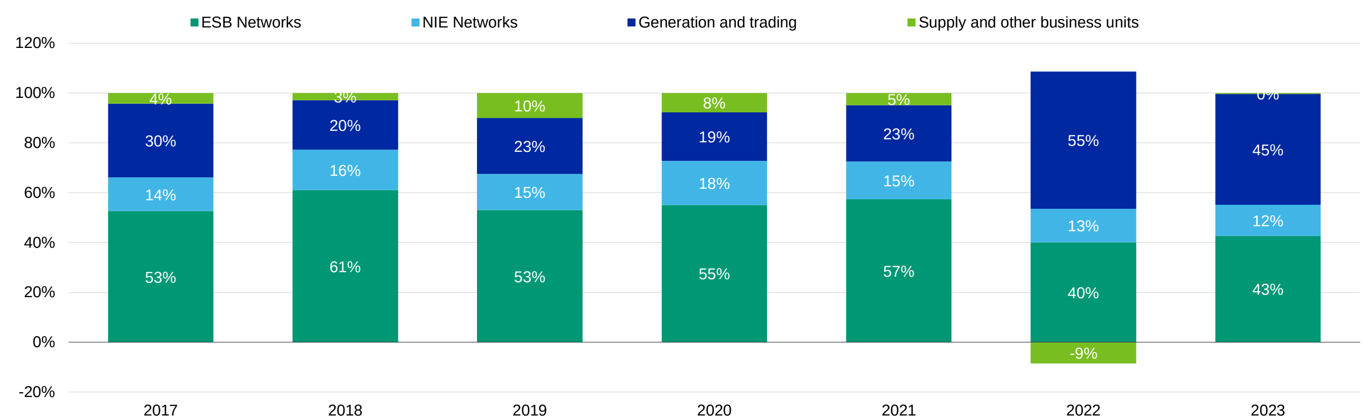
Profile

Electricity Supply Board (ESB) is the former incumbent vertically integrated electric utility in the Republic of Ireland (RoI). It holds leading market positions in power generation (27%) and electricity supply (40%) and is the monopoly onshore electricity transmission asset owner and electricity distribution system operator across RoI and Northern Ireland (NI).

Regulated businesses contribute most of the group's earnings (typically nearly 70% of EBITDA). ESB's networks businesses (ESB Networks in RoI and NIE Networks in NI) had a combined regulatory asset base (RAB) of €13.2 billion as of 31 December 2023. As of 31 December 2023, ESB's generation fleet had an installed capacity of over 5 gigawatts (GW) and operate across the all-island Irish Single Electricity Market (I-SEM) and Great Britain markets. Of this capacity nearly 1.4 GW was in either renewables (0.98 GW across wind and hydro) or renewables enabling assets (batteries and pumped storage). Its supply businesses, Electric Ireland (electricity and gas in RoI and in NI) and So Energy (electricity and gas in Great Britain), serve over 2 million customer accounts throughout the island of Ireland and Great Britain.

ESB is 97% owned by the Government of Ireland, through the Minister for Public Expenditure and Reform and the Minister for Communications, Climate Action and Environment. The remaining stake is held by an employee share ownership trust.

Exhibit 3
Regulated networks typically account for nearly 70% of ESB's EBITDA



EBITDA breakdown before exceptional items and impairments.
Source: Company reports, Moody's Ratings

Detailed credit considerations

Majority of earnings from electricity network businesses operating under consistent and transparent regulatory frameworks

Over the last three years (2021-23), the group's price-regulated transmission and distribution businesses in the island of Ireland have together delivered average annual EBITDA of over €1 billion. These businesses typically account for around 70% of the ESB group's EBITDA, see Exhibit 3, although the percentage will be impacted by (1) the performance of the group's non-network businesses, in particular generation and trading businesses which performed exceptionally strongly the last two years; and (2) to a lesser extent, regulatory timing differences that affect collected networks revenue and EBITDA.

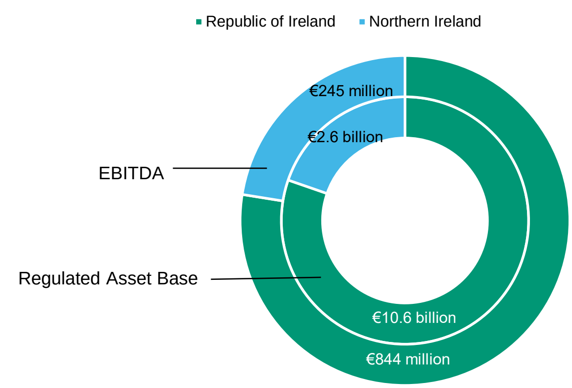
Both network businesses, ESB Networks in RoI and NIE Networks in NI, are governed by transparent, stable and predictable regulatory regimes and have good cash flow visibility through 2025 under the regulatory determinations for the current price controls. ESB Networks comprises around 80% of the group's networks RAB and usually accounts for a similar proportion of the group's networks EBITDA. Both ESB Networks businesses and NIE Networks are undertaking material investment programmes as they facilitate the ambitious decarbonisation objectives set out in Ireland's and Northern Ireland's Climate Action Plans.

Exhibit 4
Price control summary

Republic of Ireland	
Regulated Business	ESB Networks
Regulator/Price Control	Commision for Regulation of Utilities (CRU) / PR5
Price control term	Jan 2021 - Dec 2025
Allowed return	3.80% pre-tax real
Regulated Asset Base	€10.6 billion (Dec-2023): €3.3bn tx; €7.3bn dx
Northern Ireland	
Regulated Business	NIE Networks
Regulator/Price Control	Utility Regulator (UR) / RP6
Price control term	Oct 2017 - Mar 2025[1]
Allowed return	3.27%[2] (vanilla real, RPI-stripped)
Regulated Asset Base	£2.2 billion / €2.5 billion (Dec-2023)

(1) The price control was originally scheduled to end 31 March 2024 but was extended by one year by the regulator in March 2023. (2) Reflecting the true-up for out-turn funding costs under the regulatory cost of debt mechanism following issuance of bonds in 2018 and 2022(3.18% in final determination).
Source: ESB, CRU, UR

Exhibit 5
Relative size of networks, 2023



Source: ESB

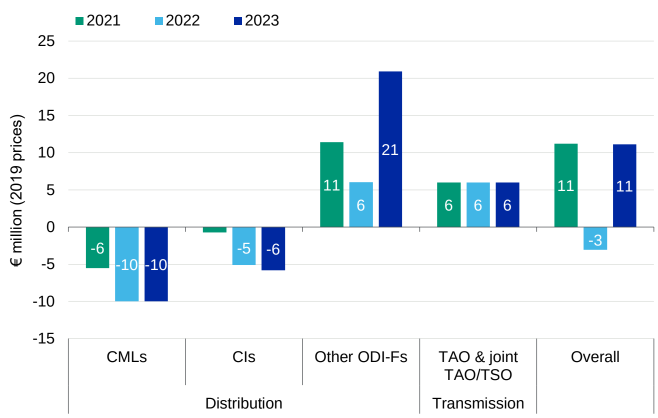
Republic of Ireland (RoI)

ESB's transmission and distribution networks in the RoI benefit from a very transparent, stable and predictable regulatory regime based on clearly defined risk and reward principles. They are overseen by an experienced regulator, the Commission for Regulation of Utilities (CRU), which has a long track record of consistent decision making. ESB's networks benefit from good visibility of revenues and cash flows until December 2025 under the CRU's regulatory determination for the current price control for electricity networks (PR5), which began on 1 January 2021 and runs until 31 December 2025. The PR5 price review confirmed our view of the regulation of Irish energy networks as among the most transparent regimes globally (see ESB: Supportive PR5 determination confirms Irish regulation among world's most stable and predictable, 17 May 2021).

ESB's networks receive a fixed allowed return of 3.8% (real, pre-tax) with the allowed equity return component higher than that for many other European regulated networks, especially when the benefit of the very high levels of inflation seen in 2022 and 2023 is taken account of. ESB has backloaded capital expenditure relative to regulatory allowances in the current regulatory period (€3.9 billion in 2019 prices) due to (1) some planned investments being delayed due to the Covid-19 pandemic at the start of PR5; and (2) electing for incremental annual increases in investment levels (rather than seeing a step down once the rollout of smart meters that it is responsible for completes), given material further increases are likely in the next regulatory period. This higher capex across the final two years of the control (c. €2.5 billion in FY2024 and FY2025 we estimate) will increase leverage, from modest levels, and lead to a closing RAB of around €12.3 billion under the PR5 final determination and our estimates of HICP inflation levels.

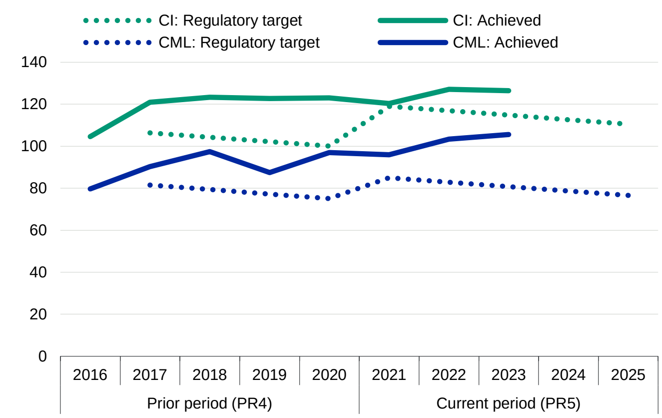
We expect ESB's operational performance on output delivery incentives carrying financial incentives (ODI-Fs) to continue to be mixed over the remainder of PR5. While the transmission business has earnt all available incentive income (€6 million per annum in 2019 prices) in each of the first three years of PR5, the sizeable penalties accrued by the distribution business on the highest powered ODI-F (network reliability, as measured by customer interruptions [CIs] and customer minutes lost [CMLs]) has effectively offset cumulative incentive income earnt on most other metrics.

Exhibit 6
ESB has earnt €18.6 million of incentive income in PR5 to-date
Breakdown of earnt rewards/penalties by ODI-F



Source: ESB annual performance reports

Exhibit 7
But incentive income would have much higher if network reliability targets had been met



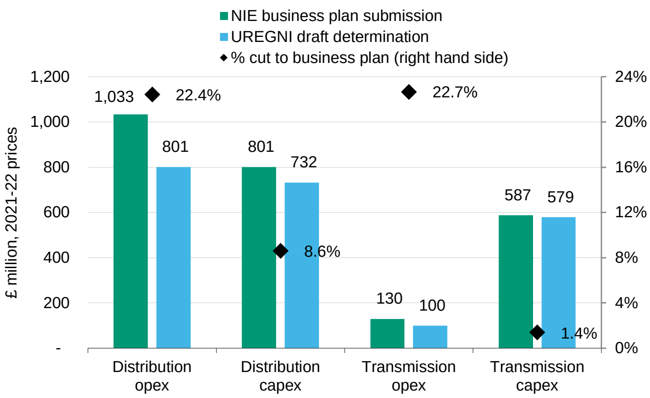
Source: ESB's Distribution Annual Performance Reports; CRU; Moody's Ratings

In April 2024, the CRU published its Strategy Paper for the next five-year regulatory period (PR6, 2026-30). [1] ESB will submit its business plan for PR6 by the end of October 2024. Draft and final determinations are expected in the first and second half, respectively, of 2025. We expect a material further step up in investment levels to ensure secure and resilient networks and decarbonise the electricity grid, in line with both National Policy Objectives, including the Climate Action Plan 2024 (CAP 2024), and ESB's Networks for Net Zero Strategy, published in January 2023[2], that seeks to deliver a net zero ready electricity network by 2040. CAP 2024 sets 2030 targets that include 80% of electricity to come from renewable sources, around one million electricity vehicles, and 680,000 heat pumps.

Northern Ireland

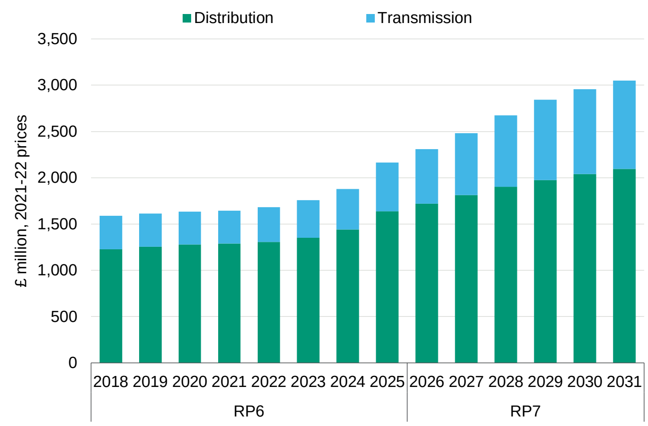
On 28 November 2023, Northern Ireland's Utility Regulator (UREGNI) published its draft determination for Northern Ireland Electricity Networks (NIEN, owned by ESB), which owns the country's electricity transmission network and owns and operates its distribution network, for the six-year regulatory period beginning in April 2025 (RP7). The draft determination provides for £2.21 billion (in 2021/22 prices) of total expenditure (totex) costs - a 13% cut to the company's request. This represents a 58% increase from the current period on a comparable basis (see ESB: NIEN's significant capex plans will only modestly raised parent ESB's leverage, March 2024, for more information). This, together with the significant increase in cash allowed returns (from 3.18% to 4.79%, both real vanilla) will boost EBITDA, although the majority of the increase is due to the higher regulatory cost of debt allowance to reflect the higher interest rate environment. We believe the scope for NIEN to deliver material operational outperformance in RP7, as it has done in RP6 through opex outperformance and earning maximum available incentive income on network reliability, is limited under the draft determination, without the company realising material operational efficiencies. The final determination will be published by the end of October 2024.

Exhibit 8
UREGNI's proposed cuts to NIEN's requested cost allowances are larger for opex than capex items



The majority of transmission capex is for major transmission projects (D5 capex), £493 million. UREGNI did not assess NIEN's submission as D5 capex allowances are determined during the price control period - the £579 million of transmission capex allowances includes NIEN full D5 capex request.
Source: UREGNI

Exhibit 9
NIEN's RAB will grow by more than 40% in real terms over RP7 under the draft determination
RAB figures as of March in each year

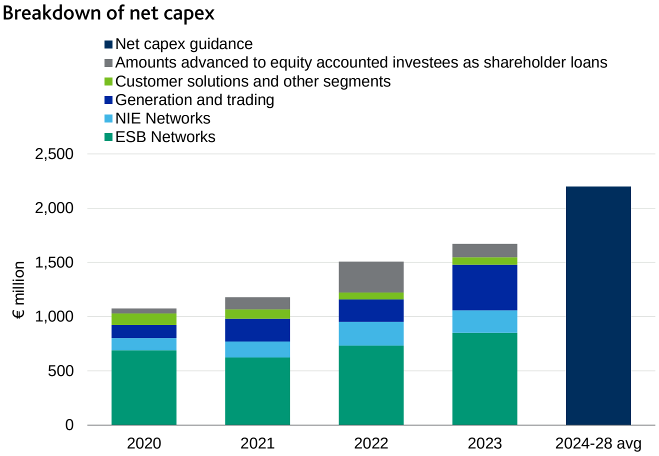


[1] Transmission figures include NIEN's requested D5 capex. [2] RAB figures for Mar-18 to Mar-24 from UREGNI's final determination for RP6. RAB figures for Mar-25 to Mar-31 from UREGNI's draft determination for RP7
Source: UREGNI, Moody's Ratings

First five-year plan shows further step-up in level of planned investments with core focus on regulated networks and renewable generation

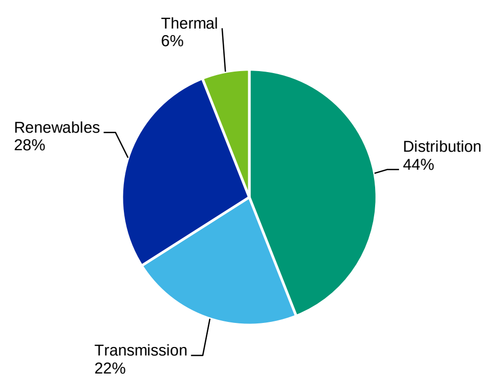
In March 2024, alongside publication of its FY2023 results, ESB published its 5-year plan for 2024-28 - the first time the group has provided forward looking guidance for both capex and EBITDA. ESB expects planned investments over this period to total approximately €11 billion on a net basis (net of customer contributions and repayment of shareholder loans). The associated annual average level of planned investments (€2.2 billion) is double that undertaken over the 2019-21 period and equates to 15-17% of net PP&E per year.

Exhibit 10
ESB's total investment has grown materially in recent years; further step-up planned
Breakdown of net capex



(1) Networks expenditure shown on a net basis. Allocation of network supply contribution between NIE Networks and ESB Networks not disclosed in ESB's accounts. However, NIE Networks discloses 'customer cash contributions' and we have assumed this is is NIE Networks share. (2) ESB's 2024-28 net capex guidance uses net repayment of shareholder loans but only new shareholder loans advanced disclosed for historical numbers.
Source: ESB, NIE Networks

Exhibit 11
Two thirds of planned investment (on a net basis) will be in electricity networks businesses
Breakdown of ESB's planned investments over 2024-28 period



Source: ESB

ESB anticipates that around two thirds of all investments will be in its electricity network businesses but the final amount will depend on the regulatory determinations for PR6 and RP7. ESB has guided to over €3 billion of investments in renewables over the 2024-28 period. These investments will facilitate the group making significant progress towards its target of having 5 GW of installed renewable capacity by 2030 and 63% of its output coming from zero carbon sources by 2030 (20% in 2023). As of December 2023, ESB's share of installed renewable capacity was 0.98 GW with the company having either secured renewable subsidies or taken investment decision on a further 1.8 GW (all in Great Britain or on the island of Ireland). This 1.8 GW comprises offshore wind (43%), solar (26%) and onshore wind (31%) for projects that were successful in the last two renewable auctions held in GB (Allocation Rounds [AR] 4, 5 and 6 [plus AR1 for Neart Na Gaoithe]) and Ireland (Renewable Energy Support Scheme [RESS] 2, 3 and 4). Out of this total, ESB's share of successfully awarded first-time contracts was 385 MW in the framework of the most recent AR 6 and RESS 4 auctions, whose results were published in early September 2024. The technology split will depend on contract awards in future renewable auctions which typically happen annually.

Planned investments will increase leverage but maintain ESB's strong business risk profile

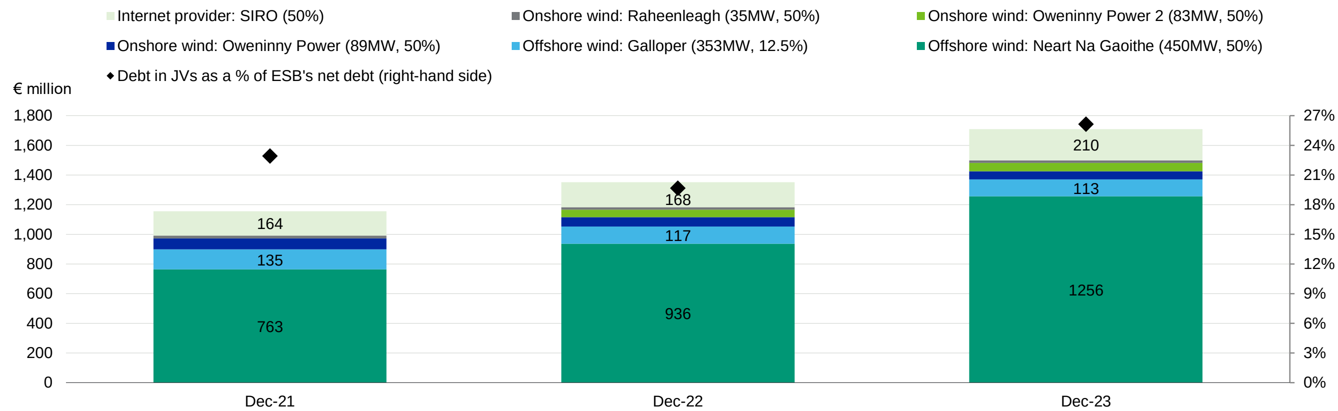
This material investment programme will significantly increase ESB's (Moody's adjusted) consolidated net debt, which excludes debt in joint ventures - from €6.5 billion as of December 2023 to nearly €10 billion by December 2028 we project. Since earnings will not grow as quickly as borrowings, execution of the group's large investment programme will absorb some of the significant financial flexibility that ESB has at the current BCA / rating level (see Exhibit 1).

However, since over 90% of ESB's planned investments are in the group's electricity network business and the build-out of its renewables portfolio, the investment programme reaffirms the group's strong business risk profile. This reflects that based on our assumptions of key regulatory parameters for the upcoming RP7 and PR6 regulatory determinations, and power prices remaining elevated, we expect ESB to derive 65-70% of its EBITDA from its regulated network operations over the 2025-28 period. In addition, ESB will receive a contracted revenue stream, once projects are operational, that is either partially (Ireland, for projects successful in renewable auctions held after 2023) or fully (Great Britain) inflation-linked for at least 15 years from the start date of the renewable contract (contracts for difference [CfDs] in Great Britain and renewable energy support scheme [RESS] on the island of Ireland).

Material additional debt in the group's joint ventures which may increase further as the group progresses towards its 2030 renewables targets

ESB uses a partnership model for the development of certain renewable assets, primarily offshore wind but also for some solar and onshore wind projects. In addition to shareholder loans from ESB and other partners, the company's joint ventures have raised significant project-level debt to finance the construction of new assets, particularly wind farms in the UK and Ireland. At December 2023, ESB's share of off-balance sheet debt stood at €1.71 billion (26% of the consolidated group's adjusted net debt). As these joint ventures are equity-accounted, the debt is not reflected in ESB's balance sheet or Moody's-adjusted credit metrics. Material additional debt in joint ventures means, once more projects are operational, that there is sizeable share of cash flows over which ESB does not have full control and may be structurally subordinated to project finance debt.

Exhibit 12
Off-balance sheet debt is a material proportion of the group's consolidated net debt
Evolution of composition of external debt in JVs



All renewable projects bar Neart Na Gaoithe are currently operational, which is scheduled to be commissioned in 2025.
Source: ESB, Moody's Ratings

We expect ESB's share of external in debt in joint ventures will increase materially if the group approves the investment decision on the Inch Cape offshore wind project (a 1.08 GW project of which ESB owns 50%) later this year as offshore wind projects are significantly more capital intensive than either solar or onshore wind projects. The future evolution of joint venture debt will depend on which projects in ESB's development pipeline, currently over 12 GW, are taken forward, in turn dependent on the results of future renewable auctions, as it seeks to deliver its 2030 renewables targets.

While we expect the contribution of the consolidated ESB's group earnings from joint ventures to remain minimal, with annual dividends received being well below 1% of net debt (at least over the period to FY2027), we note that the build-out of ESB's renewable portfolio is imperative to delivering the company's 2030 renewable targets (as well as its Net Zero by 2040 strategy, published in February 2022)[3] and government policy objectives. The company may choose to provide financial support to the wind joint ventures, should this become necessary, given the importance of renewables to the company's strategy. We note ESB has delayed investment decision on Inch Cape, due to the material increase in project costs in the intervening period. However, ESB successfully rebid in the AR 6 a portion (25%) of the previously contracted CfD capacity, securing a 45% higher strike price compared to AR 4.

Thermal generation and energy supply also contribute to earnings, though businesses are higher risk

A material portion of the group's earnings come from its higher risk businesses - generation, principally thermal, and customer solutions, principally ESB's energy supply businesses. These accounted for nearly half, compared to up to a third more typically, of ESB's EBITDA in both FY2022 and FY2023 due to the exceptionally strong earnings from ESB's generation and trading (GT) business when wholesale power prices were exceptionally high in 2022 and still high, despite moderating, in 2023. The very high power prices in 2022 allowed ESB to lock-in favourable forward hedges, notably at its largest and most efficient combined cycle gas turbine (Carrington, 881 MW), which contributed to ESB's GT segment recorded EBITDA of €0.9 billion in both FY2022 and FY2023, more than the cumulative EBITDA of the prior three years.

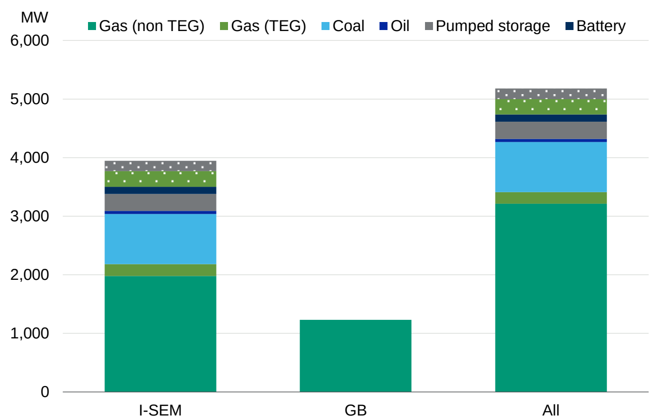
As of December 2023, ESB had over 4.6 GW of non-renewable capacity, with its six CCGT plants comprising over 3.3 GW, of this. A growing portion of its non-renewable capacity provides ancillary services to the system operators (EirGrid in RoI, SONI in NI) in the Irish Single Electricity Market (I-SEM) and contributes to ensuring security of supply, particularly in the Greater Dublin area where constraints are most acute, which ESB is remunerated for. Over 2022-23, ESB commissioned 324 MW of batteries and temporary emergency generation (TEG) facilities with a further 442 MW in construction that will be commissioned before the end of 2024. The TEG contracts with EirGrid are for an initial term of three years, though EirGrid can elect to extend for a further two years, and allow ESB to recover its cost on a timely basis, a credit positive. EirGrid has also entered into a Services Agreement with ESB for the provision of security of supply services by ESB's three Moneypoint units (together 855 MW, subject to planning permission) which could run through to March 2029 while allowing the transition of plant to use heavy fuel oil, rather than coal, from 2025 which reduces carbon intensity. (See CRU: Security of Electricity Supply - Retention of Moneypoint Units (MP1, MP2 & MP3), October 2023, for more information.)

This together with the material increase in capacity market revenue from 2026, primarily due to higher clearing prices in recent auctions but also due to the 10-year capacity contract for ESB's proposed new open cycle gas turbine at Poolbeg (256 MW) commencing, provides ESB with improved cash flow visibility for an increasing share of its thermal earnings. For its unregulated operations, ESB enters into forward commodity price contracts in relation to power, gas, coal and carbon emissions allowances for up to three years ahead in order to reduce the group's exposure to movements in wholesale electricity prices arising from such commodity price fluctuations.

Exhibit 13

ESB's non-renewable capacity will soon exceed 5 GW

Installed capacity as of December 2023 by market (dotted bars are capacity under construction)

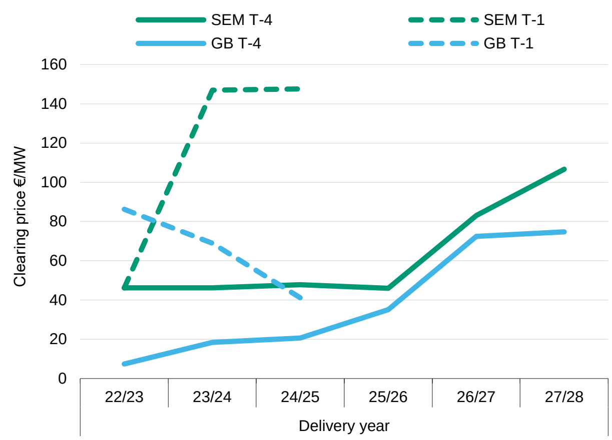


Figures do not include construction of three aero-derivative gas turbines in the Dublin area with a total capacity of 190 MW

Source: ESB; Moody's Ratings

Exhibit 14

Recent capacity auctions have cleared at increasingly higher prices



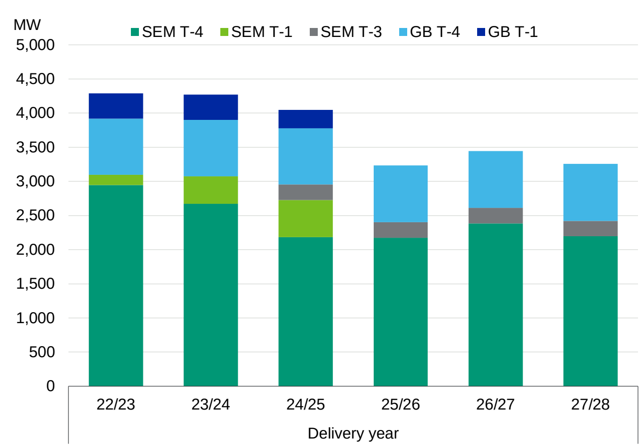
[1] Delivery year runs from October (year t) - September (year t+1). [2] GB clearing prices converted to Euros using a GBPEUR exchange rate of 1.15. [3] 2022/23 GB T-4 was actually a T-3 auction.

Source: SEMO and EMR Portal

Exhibit 15

ESB has consistently secured over 3 GW of capacity contracts in each delivery year

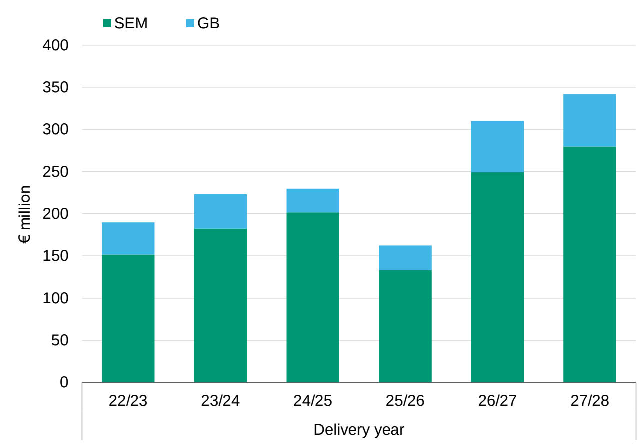
Derated capacity awarded in capacity auctions



Source: SEMO and EMR portal

Exhibit 16

Capacity auction revenue expected to rise from c. €200 million per annum currently to c. €350 million by 2027/28



Source: Moody's Ratings estimates

Large losses in GB retail energy supply business have weighed on performance of customer solutions segment in recent years
ESB's retail energy supply businesses in Ireland (Electric Ireland) and in Great Britain (So Energy), which have over 1.4 million and 0.3 million customer accounts respectively, comprise most of the group's 'customer solutions' reporting segment. This segment has reported operating losses in each of the last three years (€19 million FY2021; €109 million FY2022; and €12 million FY2023), primarily due to substantial losses at So Energy - £230 million over April 2021 - December 2022 - though these were materially lower in 2023 with the fall in wholesale power prices and an improving, though still challenging, operating environment.

With switching rates expected to remain below historical levels and regulatory changes that make achieving allowed EBIT margins more feasible (regulatory cost allowances in the regulated price cap tariff, which most customers in Great Britain are on, being more cost reflective - see Latest proposals credit positive for suppliers but operating environment remains tough, June 2023), we expect So Energy to deliver modest profitability from FY2024 onwards. We expect non-price factors, such as service offering which both Electric Ireland and So Energy have expanded to include installing solar panels, batteries, electric vehicle charging and smart controllers, to become increasingly important.

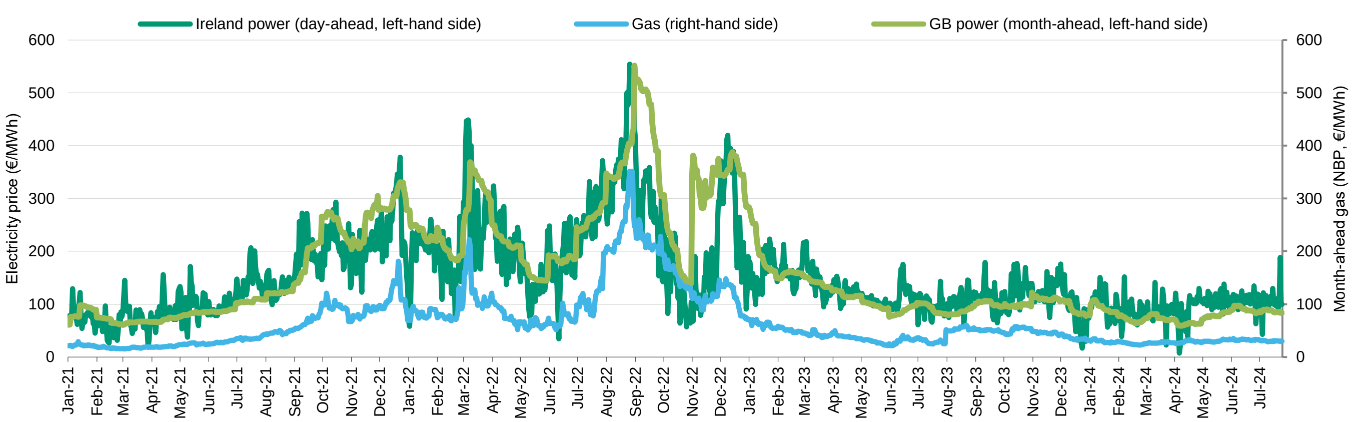
We expect that most of this segment's earnings will come from Electric Ireland, which has an electricity all-island market share of 40% and a 21% share of the residential gas market in the Republic of Ireland. We expect ESB will need to achieve EBIT margins above the low single digits (in percentage terms) from its energy supply businesses in order for customer solutions to return to delivering annual EBITDA of at least €100 million per annum.

Solid financial profile underpinned by prudent financial policy

ESB has exhibited consistently strong financial metrics in recent years, with FFO/net debt averaging 23.6% over the last five financial years (FY2021-23), and maintained net debt/fixed assets around 50%. ESB's solid financial profile has been supported by higher earnings from its generation and trading business in recent years and a continued prudent financial policy. ESB has had a long-standing dividend policy, agreed with its owner the Irish Government in 2013, of a payout ratio of 40% of normalised profit after tax. We expect the government to act in a flexible manner and to support ESB in its explicit aim to sustain a standalone minimum Baa1 credit rating (before uplift for government ownership, discussed below).

We expect that ESB's FFO/net debt will be around 24% in FY2024 with regulatory timing differences boosting networks EBITDA (true-up for the high levels of inflation seen in 2022 and 2023 as both networks businesses operate in a real return regime). Thereafter, we expect FFO/net debt will decline modestly, towards 20%, due to the increase in leverage as it executes its large investment programme (we expect capex to increase throughout the 2024-28 period). We expect earnings from ESB's generation and trading business to average around €0.4-0.5 billion per annum reflecting our expectation that power prices remain at elevated levels, albeit well below 2022, and our understanding that ESB has no hedges in place that are significantly in-the-money.

Exhibit 17
Power and gas prices are still at elevated levels, albeit well below the highs of August 2022



Source: FactSet, SEM and Moody's Ratings

Government ownership supports ESB's credit quality

ESB's A3 rating incorporates a one-notch uplift from its standalone credit quality, which we express as a Baseline Credit Assessment (BCA) of baa1. The uplift to the BCA reflects the credit quality of its 97% owner, the Government of Ireland, and our assessment of a strong probability of government support for the company in the event of financial distress, as well as our view of high default dependence between Ireland and ESB.

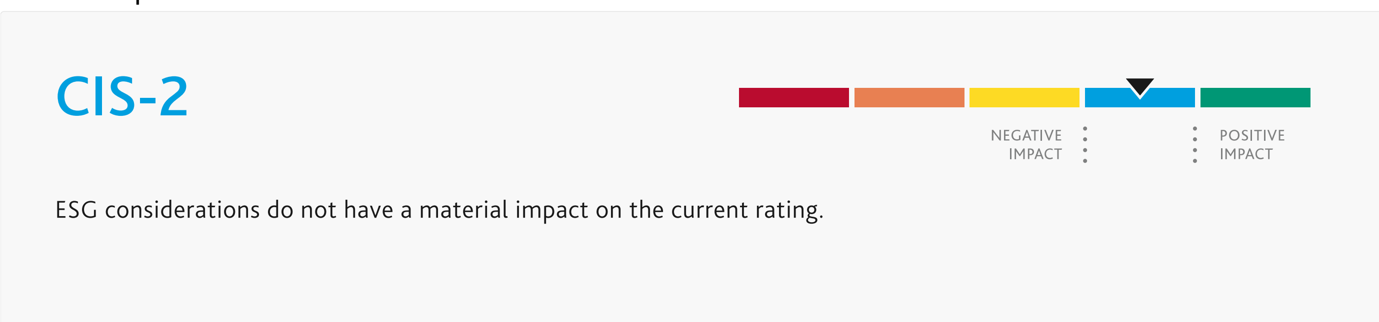
The government maintains control over ESB through its holding of 97% of voting rights and is involved in the supervision of the company through its representatives on the company's board of directors - all appointments to the board are made by the government, with the exception of four Worker Board Members, elected by ESB employees. Delivery of ESB's Net Zero by 2040 Strategy will play a key role in facilitating government decarbonisation objectives, as set out in Ireland's Climate Action Plan 2024 published in May 2024. We also note that the CRU, in its consultation paper on the offshore revenue model to be applied to Eirgrid published in September 2024, expressed the view that an equity injection of State funding will be required for EirGrid to deliver on its investment programme.

Our assessment of high default dependence reflects ESB's significant exposure to the Irish economy, because most of the company's revenue and cash flow are generated from domestic activities.

ESG considerations

Electricity Supply Board (ESB)'s ESG credit impact score is CIS-2

Exhibit 18
ESG credit impact score



Source: Moody's Ratings

ESB's **CIS-2** indicates that ESG considerations are not material to its credit rating. This reflects moderate environmental and low social and governance risks. The effect of ESG risks to the rating is mitigated by our expectation that its government shareholder would support the company if this were to become necessary.

Exhibit 19
ESG issuer profile scores

Source: Moody's Ratings

Environmental

ESB's **E-3** score primarily reflects its exposure to physical climate risk. Whilst the island of Ireland has less extreme weather than many other countries, severe storms or flooding creates risks of physical damage to ESB's network assets, e.g. substations, and may reduce network reliability which carries a financial output delivery incentive under its regulatory frameworks. This exposure is mitigated by (1) weather proofing of the network; and (2) regulatory protections that reduce the adverse impact on operational cash flows of more extreme weather events. ESB's carbon transition risk is low, because the company's strategy is aligned with Ireland's Climate Action Plan - the company has committed to delivering net zero by 2040 - and around 70% of ESB's EBITDA typically comes from regulated electricity networks. ESB's investments in renewables, over €3 billion over the 2024-28 period, will facilitate the group making significant progress towards its 2030 targets of having 5 gigawatts (GW) of installed renewable capacity (0.98 GW as of December 2023) and 63% of output coming from zero carbon sources (20% in 2023).

Social

ESB's **S-2** score reflects that although all regulated utilities face the risk that public concern over environmental, social or affordability issues could lead to adverse regulatory or political interventions, ESB benefits from an exceptionally stable and predictable regulatory framework.

Governance

ESB's **G-2** score reflects that whilst we assess that, as a government-owned company, the independence of ESB's board is relatively weak, board appointments are made from a shortlist drawn up by Ireland's independent Public Appointments Service, and board members are require to act "at all times in good faith and in the best interests of ESB, while having regard to the interests of the shareholder(s), employees and other stakeholders". Government ownership is also associated with positive governance features such as transparent reporting and oversight.

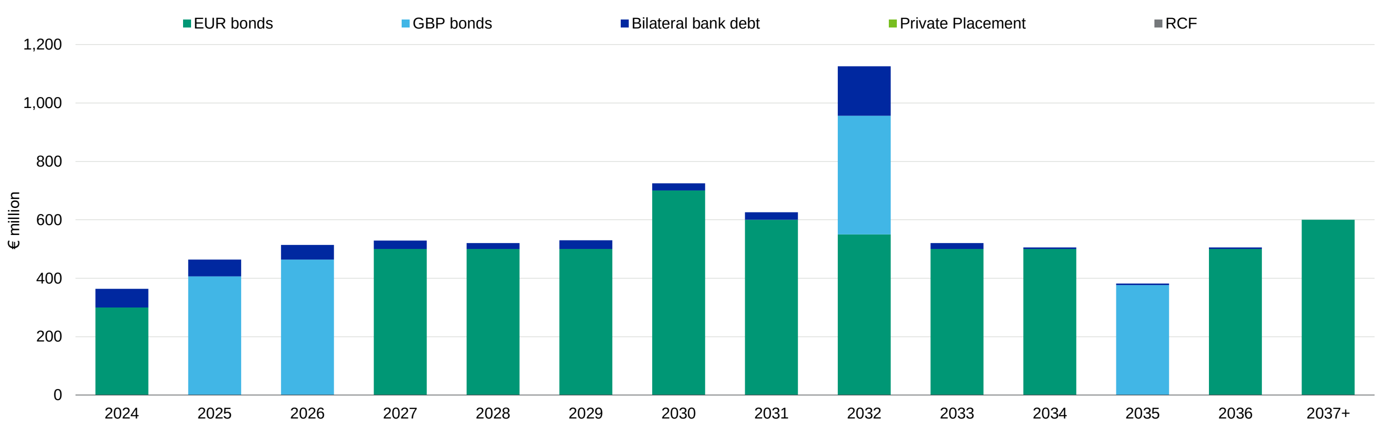
ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity

We view ESB's liquidity as good over the period to December 2025, reflecting the (1) stable and predictable cash flow generated by its regulated electricity networks businesses that allows it to fund the majority of its capex requirements; (2) very large unrestricted cash and cash equivalents, €1.43 billion at December 2023, which cover debt maturities in 2024 and 2025 (together €0.83 billion) as well as expected dividend payments over this period (under €0.5 billion we estimate); (3) access to a €1.4 billion revolving credit facility (RCF) not expiring until February 2027 that was fully undrawn as of 30 June 2024, we understand, and which contains no financial covenants; and (4) well-spread debt maturity profile.

Exhibit 20

ESB has a well-spread debt maturity profile
As of 31 December 2023



(1) Excludes debt at joint ventures (JVs). (2) EUR denominated bonds are issued by ESB's finance subsidiary, ESB Finance Designated Activity Company (ESB Finance, A3 positive). (3) GBP bonds are issued by the finance subsidiary of NIE Networks' business, NIE Finance. The 2035 GBP bond (£325m 1.875% July 2035) was issued by ESB Finance.
Source: Company

Rating methodology and scorecard factors

We use our global Regulated Electric and Gas Networks and Government-Related Issuers methodologies as the primary methodologies for analysing ESB. The scorecard indicates an A2 outcome both for our current and 12-18 months forward view, which is two notches above the actual assigned baa1 BCA. The main reason for the notching difference is the additional risk compared with peers rated under the Regulated Electric and Gas Networks methodology posed by the material contribution to group earnings from unregulated businesses, such as power generation and electricity supply.

Exhibit 21

Rating factors

Electricity Supply Board (ESB)

Regulated Electric and Gas Networks Industry Scorecard	Current FY2023		Moody's 12-18 month forward view	
Factor 1 : Regulatory Environment and Asset Ownership Model (40%)	**Measure**	**Score**	**Measure**	**Score**
a) Stability and Predictability of Regulatory Regime	Aaa	Aaa	Aaa	Aaa
b) Asset Ownership Model	Aa	Aa	Aa	Aa
c) Cost and Investment Recovery (Ability and Timeliness)	A	A	A	A
d) Revenue Risk	Aa	Aa	Aa	Aa
Factor 2 : Scale and Complexity of Capital Program (10%)				
a) Scale and Complexity of Capital Program	Ba	Ba	Ba	Ba
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) FFO Interest Coverage Ratio (3 Year Avg)	9.4x	Aaa	7.6x - 8.4x	Aaa
b) Net Debt / Fixed Assets (3 Year Avg)	51.3%	A	50% - 53%	A
c) FFO / Net Debt (3 Year Avg)	25.2%	A	20% - 24%	A
d) RCF / Net Debt (3 Year Avg)	22.3%	Aa	17% - 21%	A
Rating:				
Scorecard-Indicated Outcome from Grid Factors 1-4		A2		A2
Rating Lift		**0**	**0**	**0**
a) Scorecard-Indicated Outcome		A2		A2
b) Actual BCA Assigned				baa1
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	baa1			
b) Government Local Currency Rating	Aa3 Positive			
c) Default Dependence	High			
d) Support	Strong			
e) Final Rating Outcome	A3 Positive			

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 22

Peer Comparison

Electricity Supply Board (ESB)

	Electricity Supply Board (ESB) (P)A3 Positive			SSE plc Baa1 Stable			Iberdrola S.A. Baa1 Stable			National Grid Elec TX Baa1 Stable		
(in € millions)	FY Dec-21	FY Dec-22	FY Dec-23	FY Mar-22	FY Mar-23	FY Mar-24	FY Dec-21	FY Dec-22	FY Dec-23	FY Mar-22	FY Mar-23	FY Mar-24
Revenue	5,319	7,507	8,684	10,225	14,465	12,120	39,114	53,949	49,335	2,394	2,301	3,170
EBITDA	1,365	1,759	2,053	2,265	3,717	4,353	11,644	12,770	14,107	1,880	1,829	2,615
Total Debt	5,584	7,110	7,958	10,767	11,371	11,772	48,382	53,759	55,703	10,946	11,808	11,970
Net Debt	5,047	6,680	6,530	9,522	10,357	10,562	44,349	49,151	52,684	10,931	11,808	11,965
(FFO + Interest Expense) / Interest Expense	9.6x	9.2x	9.4x	5.3x	6.6x	7.4x	7.6x	5.5x	4.6x	4.7x	3.1x	4.8x
Net Debt / Fixed Assets	44.1%	57.0%	52.6%	55.1%	59.3%	54.7%	54.0%	55.5%	58.6%	63.7%	68.4%	62.7%
FFO / Net Debt	26.1%	20.4%	29.4%	21.5%	26.1%	29.4%	21.7%	20.3%	19.5%	13.8%	11.3%	17.2%
RCF / Net Debt	24.5%	18.5%	24.4%	14.6%	20.6%	18.9%	15.8%	13.8%	10.7%	9.8%	8.4%	14.3%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Exhibit 23

Moody's-adjusted debt reconciliation

Electricity Supply Board (ESB)

(in € millions)	2019	2020	2021	2022	2023
As reported total debt	**5,364**	**5,368**	**5,483**	**7,022**	**7,875**
Pensions	509	223	101	89	83
Moody's-adjusted total debt	**5,873**	**5,592**	**5,584**	**7,110**	**7,958**
Cash & Cash Equivalents	(125)	(249)	(537)	(431)	(1,428)
Moody's-adjusted net debt	**5,748**	**5,343**	**5,047**	**6,680**	**6,530**

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated.
Source: Moody's Financial Metrics™

Exhibit 24

Moody's-adjusted funds from operations reconciliation

Electricity Supply Board (ESB)

(in € millions)	2019	2020	2021	2022	2023
As reported funds from operations (FFO)	**1,276.7**	**931.6**	**1,406.6**	**1,417.8**	**1,966.5**
Pensions	22.5	22.4	22.4	23.6	23.7
Capitalized Interest	(27.5)	(24.2)	(23.9)	(28.6)	(31.9)
Alignment FFO	(8.7)	44.6	57.4	84.6	294.0
Cash Flow Presentation	0.0	14.5	9.4	46.1	(156.5)
Non-Standard Adjustments	(131.4)	199.4	(156.2)	(181.0)	(174.0)
Moody's-adjusted funds from operations (FFO)	**1,131.6**	**1,188.3**	**1,315.7**	**1,362.5**	**1,921.8**

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated.
Source: Moody's Financial Metrics™

Exhibit 25

Overview of selected historical Moody's-adjusted financial data

Electricity Supply Board (ESB)

(in € millions)	2019	2020	2021	2022	2023
INCOME STATEMENT					
Revenue	3,641	3,653	5,319	7,507	8,684
EBITDA	1,345	1,260	1,365	1,759	2,053
EBITDA margin %	36.9%	34.5%	25.7%	23.4%	23.6%
EBIT	539	453	424	842	1,105
EBIT margin %	14.8%	12.4%	8.0%	11.2%	12.7%
Interest Expense	200	164	153	167	230
Net income	290	220	200	565	769
BALANCE SHEET					
Total Debt	5,873	5,592	5,584	7,110	7,958
Cash & Cash Equivalents	125	249	537	431	1,428
Net Debt	5,748	5,343	5,047	6,680	6,530
Net Property Plant and Equipment	11,183	11,030	11,443	11,709	12,423
Total Assets	13,952	13,818	15,967	19,212	19,641
CASH FLOW					
Funds from Operations (FFO)	1,132	1,188	1,316	1,363	1,922
Cash Flow From Operations (CFO)	936	1,290	1,382	523	2,206
Dividends	43	50	81	126	327
Retained Cash Flow (RCF)	1,089	1,138	1,235	1,236	1,595
Capital Expenditures	(793)	(870)	(926)	(1,129)	(1,496)
Free Cash Flow (FCF)	100	370	375	(732)	384
INTEREST COVERAGE					
(FFO + Interest Expense) / Interest Expense	6.7x	8.2x	9.6x	9.2x	9.4x
LEVERAGE					
FFO / Net Debt	19.7%	22.2%	26.1%	20.4%	29.4%
RCF / Net Debt	18.9%	21.3%	24.5%	18.5%	24.4%
FCF / Net Debt	1.7%	6.9%	7.4%	-11.0%	5.9%
Debt / EBITDA	4.4x	4.4x	4.1x	4.0x	3.9x
Net Debt / EBITDA	4.3x	4.2x	3.7x	3.8x	3.2x
Net Debt / Fixed Assets	51.4%	48.4%	44.1%	57.0%	52.6%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated.
Source: Moody's Financial Metrics™

Ratings

Exhibit 26

Category	Moody's Rating
ELECTRICITY SUPPLY BOARD (ESB)	
Outlook	Positive
Issuer Rating	A3
Senior Unsecured MTN -Dom Curr	(P)A3
ST Issuer Rating -Dom Curr	P-2
ESB FINANCE DESIGNATED ACTIVITY COMPANY	
Outlook	Positive
Bkd Senior Unsecured	A3

Source: Moody's Ratings

Endnotes

1 See CRU: Price Review Six: Strategy Paper, 24 April 2024

2 See ESB: Networks for Net Zero Strategy, January 2023

3 ESB: Driven to make a difference: Net Zero by 2040, ESB Strategy 2040 (February 2022) - available at https://cdn.esb.ie/media/docs/default-source/sustainability/esb-net-zero-to-2040-strategy---driven-to-make-a-difference.pdf?sfvrsn=5e132f8b_0

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