Research Update:

Irish Utility Electricity Supply Board Outlook Revised To Positive After Similar Action On Ireland; Ratings Affirmed

December 4, 2024

Primary contact

Renata Gottliebova
Dublin
00353-1-5680608
renata.gottliebova
@spglobal.com

Secondary contacts

Aaron Oneill
Dublin
15680615
aaron.oneill
@spglobal.com

Massimo Schiavo
Paris
33-14-420-6718
Massimo.Schiavo
@spglobal.com

(Editor's note: This research update, originally published on Nov. 22, 2024, has been republished to update the liquidity sources and uses amounts, although the overall liquidity score has not changed. A corrected version follows.)

Rating Action Overview

- On Nov. 15, 2024, we revised our outlook on Ireland to positive from stable on extraordinary fiscal overperformance and affirmed our 'AA/A-1+' long- and short-term ratings.
- Given Electricity Supply Board (ESB)'s role in Ireland's energy transition and its strong link with the Irish government, we continue to believe that there is a moderately high likelihood of extraordinary sovereign support.
- Consequently, we have revised our outlook on ESB to positive from stable and affirmed our 'A-/A-2' long- and short-term issuer credit ratings.
- The positive outlook on ESB mirrors that of Ireland, with our expectation that ESB will continue to generate most of its profits from regulated power transmission and distribution operations under a supportive regulatory framework.

Rating Action Rationale

The positive outlook on ESB mirrors that on the republic of Ireland. On Nov. 15, 2024, S&P Global Ratings revised its outlook on Ireland to positive from stable given the overperformance in corporate tax receipt collections, which are driving fiscal surpluses in Ireland. At the same time, we expect the government will use proceeds to rebuild fiscal buffers rather than increase current expenditure, supporting the resilience of Ireland's small open economy (see "Republic Of Ireland Outlook Revised To Positive On Extraordinary Fiscal Overperformance; 'AA/A-1+' Ratings Affirmed, published on Nov. 15, 2024, on RatingsDirect).

ESB's dominant position in Ireland's energy market and low risk regulated network will continue to support earnings stability and credit quality. The company is a diversified, vertically integrated utility, with operations spanning generation, transmission and distribution, and customer supply. It benefits from monopoly ownership of the transmission and distribution networks in the Republic of Ireland and Northern Ireland. It has the only license to operate the electricity distribution system in both jurisdictions--through its ring-fenced subsidiaries, ESB Networks DAC in Ireland, and Northern Ireland Electricity Networks (NIE Networks) in Northern Ireland. We expect ESB will generate about 70% of its EBITDA from regulated power transmission and distribution activities over 2024-2025 under a supportive regulatory framework. That said, Both ESB Networks and NIE Networks are in the final years of their respective price control periods, with regulatory price control 7 (RP7) beginning in April 2025 for NIE Networks and price review 6 (RP6) commencing in January 2026 for ESB Networks. We will monitor the progress and assess the impact of the final determination on the credit metrics.

ESB will continue to benefit from support from the Irish government (AA/Positive/A-1+). The Irish state owns 96.9% of the company and considers ESB strategically important because it is the largest Irish power generator and the monopoly power distributor. This translates in one notch of uplift from the 'bbb+' stand-alone credit profile (SACP).

Outlook

The positive outlook on ESB mirrors the positive outlook on Ireland.

We also anticipate that the utility will continue to post stable and predictable earnings in the low-risk regulated networks business. We also expect ESB to continue to benefit from its leading market position in the Irish electricity generation and supply markets, with funds from operations (FFO) to debt remaining around 17%, on average, over the medium term.

Downside scenario

We would revise the outlook to stable if we took a similar action on Ireland.

We could also lower the rating if we revised the SACP downward by two notches to 'bbb-', which we view as unlikely.

Upside scenario

We would raise the ratings on ESB if we took a similar action on Ireland, all else being equal.

Company Description

ESB was established in 1927 and is 96.9% owned by the government of Ireland. It reported a S&P Global Ratings-adjusted EBITDA of roughly €2 billion for 2023.

ESB is an integrated utility predominantly operating in Ireland and Northern Ireland. It has a leading market position across the island. ESB's activities span power generation, electricity transmission and distribution, and power supply. ESB is the monopoly owner of the transmission and distribution grids in Ireland and Northern Ireland with a regulated asset base of approximately €13.2 billion (comprising ESB Networks' €10.6 billion and NIE Networks' €2.6 billion) and has a 27% share in the integrated single electricity generation market across the whole island.

NIE is a wholly owned subsidiary of ESB. It is the only electricity transmission asset owner and the electricity distribution network owner and operator in Northern Ireland. In 2023, ESB had a 40% share of the Irish electricity supply market with over 1.4 million customer accounts. Within gas supply, ESB had market share of 21%.

Liquidity

We assess ESB's liquidity position as strong, reflecting our view that its liquidity resources will exceed its funding needs by about 1.8x in the 12 months started Oct. 1, 2024, and by above 1.0x for the following 12 months. The group's ongoing and proactive liquidity and debt management, solid relationships with banks, and ample, proven access to capital markets, further support our assessment.

Principal liquidity sources

- Available cash balance of about €1.0 billion;
- An undrawn committed credit facility of €1.4 billion maturing in February 2027; and
- Annual FFO of about €1.5 billion.

Principal liquidity uses

- Debt maturities of about €60 million;
- Capital expenditure of about €1.9 billion (net of customer contributions); and
- Dividend payments of about €230 million.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	A-/Positive/A-2
Local currency issuer credit rating	A-/Positive/A-2
Business risk	Strong
Country risk	Low
Industry risk	Low
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Positive
Stand-alone credit profile	bbb+

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Related Research

- Republic Of Ireland Outlook Revised To Positive On Extraordinary Fiscal Overperformance; 'AA/A-1+' Ratings Affirmed, Nov. 15, 2024
- Utilities Handbook 2024: Western Europe Regulated Gas, Sept. 16, 2024

Ratings List

Ratings list		
Ratings Affirmed; Outlook Action		
	To	**From**
Electricity Supply Board		
Issuer Credit Rating	A-/Positive/A-2	A-/Stable/A-2
Ratings Affirmed		
ESB Finance DAC		
Senior Unsecured	A-	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available toRatingsDirectsubscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings’ Global Client Support line (44) 20-7176-7176.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.