



An Coimisiún
um Rialáil Fóntas
**Commission for
Regulation of Utilities**

An Coimisiún um Rialáil Fóntas
Commission for Regulation of Utilities

Price Review Six

Investing in Ireland's Energy Future

Summary Paper

Reference:	CRU/202586	Date Published:	03/07/2025	Comments to:	pricereview6@cru.ie
-------------------	------------	------------------------	------------	---------------------	--

Foreword

Price Review 6 or PR6 is the framework through which CRU evaluates and approves the next phase of investment in upgrading Ireland's electricity and related infrastructure. This is a critical period for Ireland in terms of realising government targets and ambition around decarbonisation, expansion of renewables, development of the offshore grid, and improving security of supply and the resilience of the electricity networks. To deliver this, ESB Networks (€9.8bn capex, and €2.8bn opex) and EirGrid (€1.6bn capex, and €1.4bn opex) submitted business plans and investment proposals requesting a total of €15.6bn in baseline funding, with the potential to increase up to €19.0bn assuming one Phase 1 offshore project transfer occurs in PR6.

CRU subjected these proposals to a robust and rigorous assessment process, testing areas such as the needs case and efficiency in order to protect customers and ensure that up front funding is only provided when there is sufficient justification for requests.

In this paper CRU sets out its proposed framework for supporting investments by ESB Networks (€9.2bn in capex, and €2.3bn in opex) and EirGrid (€1.4bn in capex, and €1.2bn in opex), with a proposed initial funding package of €14.1bn in baseline allowances across both network companies over the 5 years 2026 – 2030. This represents an 86.2% increase on current outturn expenditure in PR5, and a 9.4% reduction against the network companies baseline request. As part of the overall financial package, which maintains the stable and predictable approach from previous price reviews, the CRU proposes a Weighted Average Cost of Capital (i.e. the combined cost of equity and debt) for ESB Networks of 3.85% and a range of 4.58% – 5.23% for EirGrid, which will support the scale of investment needed across Ireland's electricity networks.

This is a significant package of investment which will enable the network companies to support Ireland through this period of unprecedented change in terms of our use and demand for electricity, while also ensuring that Ireland has a high-quality network that supports the growth in demand for all customer groups. Moreover, through the Agile Investment and Monitoring Framework set out in this paper, the CRU proposes to introduce a flexible and agile regime that will allow funding to quickly flex up, with a high case estimate of €18.1bn (assuming a single Phase 1 offshore transfer) approved as accessible during PR6. Importantly, this should not be viewed as a cap on the allowances that the network companies may ultimately need to recover in PR6, but as an initial estimate based on the information that has been provided to date.

The Agile Investment and Monitoring Framework will not only improve funding flexibility for ESB Networks and EirGrid, it will also support clearer accountability in delivery and ensure that the outputs and deliverables promised by companies will be delivered with discipline and efficiency as projects and programmes progress.

The role of the CRU is to provide the regulatory and financial framework to enable the network companies to deliver the necessary infrastructure. The network companies are responsible for delivery, and with this package of investment must now progress the move away from fossil fuels to cleaner energy and deliver a range of measures such as microgeneration, electric vehicles, electrification of heat and other services that will provide a more sustainable use for our electricity network.

The major deliverables in PR6 include:

- Increased network capacity headroom facilitating growth in connections,
- Delivery of priority projects unlocking significant additional generation capacity,
- New offshore wind infrastructure capability,
- Enabling delivery of network infrastructure to support growth in connection of electric vehicles and heat pumps, and
- The investment needed for a storm resilient and a smarter grid.

In terms of the cost to the consumer, this will be assessed on a year-by-year basis. The CRU is working to ensure network companies are more transparent and efficient, with a focus on reducing costs where possible and delivering better outcomes for customers. Given the scale of investment with our proposals for PR6, the network charges, which represent around 30% of the average consumer's bill, are expected to increase. As a guide over the five years, the CRU expects the average annual increase for a typical domestic customer's network tariff to be around €6. This may increase to as much as €16 if the high investment case is realised. This does not mean that overall energy bills will rise by an equivalent amount, because some of these investments will drive lower overall system costs, for example through reduction of system constraints, and because these charges are levied on electricity suppliers, who determine what level to absorb or pass on to their customers through billing.

CRU's objective is that this investment ensures a secure energy supply, provides cleaner electricity and treats consumers in a fair and transparent way. The CRU is now seeking comments from stakeholders on its proposals and we look forward to getting the views of a wide range of stakeholders before reaching our Final Determination later in the year.

Jim Gannon, Chairperson

Fergal Mulligan, Commissioner

Dr. Tanya Harrington, Commissioner

Table of Contents

Foreword	1
Executive Summary	4
Providing decarbonised electricity	4
Delivering secure and resilient networks and supplies	5
Empowering customers	6
Introduction	9
Navigating the PR6 Draft Determination	9
PR6 Background and Context	10
PR6 Process	12
PR6 Allowances	15
Review of Historic Expenditure (2021 - 2025)	15
Review of Forecast Expenditure (2026 - 2030).....	17
Summary of Expenditure Allowances	28
Allowed Revenues.....	30
PR6 Regulatory Framework	34
Assessment and Lessons Learned from PR5	34
Agile Investment and Monitoring Framework (AIMF)	34
Performance Incentives	41
Reporting, Monitoring and Governance Arrangements	42
Offshore Regulatory Framework	43
Next steps	45
Appendix 1 – Draft Determination documents	46

Executive Summary

Price Review Six (PR6) proposes to provide EirGrid and ESB Networks with the provision of a €2.6bn (€1.4bn in capex, €1.2bn in opex) and €11.5bn (€9.2bn in capex, €2.3bn in opex) package of investment in the electricity networks, respectively, with the potential to rise to €2.9bn (€1.6bn in capex, €1.3bn in opex) and €15.2bn (€12.7bn in capex, €2.5bn in opex), respectively, to support economic growth and the decarbonisation of electricity in Ireland, deliver secure, reliable and resilient networks and supplies, and empower customers through a more digital, flexible energy system with better customer services.¹

Some of the key outputs and outcomes that will be delivered through this Draft Determination are summarised below:

Providing decarbonised electricity



- **29 priority transmission infrastructure projects** have been fully funded to enable energisation (or reaching of target project stages) by the end of PR6, unlocking over 22,000MVA of additional capacity to maintain security of electricity supply and reduce costly constraints on the transmission network.
- **Support for electrification targets** aligned with Climate Action Plan goals, enabling the development of new network infrastructure that can support the connection of up to 1 million electric vehicles and 680,000 heat pumps, while facilitating low-carbon technology adoption by customers and connecting 4.4GW of renewable generation to the distribution system during PR6.
- **A new state-of-the-art control centre** will be delivered by the EirGrid to support Ireland's transition to a smart, flexible, low-carbon electricity system, directly supporting government decarbonisation goals. This will support the integration of low carbon technologies and the flexible operation of the grid.
- **Offshore wind infrastructure capability** will be established through EirGrid's new Offshore Asset Owner function, including delivery of the Offshore Asset Readiness

¹ Allowed expenditure numbers presented here are gross controllable costs, including the impact of Frontier Shift (Real Price Effects and Ongoing Efficiency), excluding non-controllable costs and other exceptional items, or pass-through costs, assumes 1 Offshore Asset Transfer in PR6, and is in 2024 real prices.

Programme and operations & maintenance capabilities to support more than 5GW of offshore wind capacity in the next 5-10 years.

- **Advanced system management tools** will be implemented through continued investment in systems, capabilities and tools to reliably and flexibly manage demand and a low-carbon electricity system while supporting continued expansion of renewable energy connections.

Delivering secure and resilient networks and supplies



- **Major high-voltage network reinforcement programme** to create additional transformer capacity of 3.6 GW at 110kV, and additional firm capacity of 1.1 GW at 38 kV and 1.5 GW at medium voltage across the distribution network nationwide. Specific delivery obligations are proposed to ensure measurable capacity improvements are achieved.
- **27 new critical 110kV substations** have been fully funded to strengthen resilience, capacity and flexibility of the electricity network, enabling it to support demand, electrification and renewable integration.
- **Reduce imperfections and constraint costs** through a package of network investments, strengthening and reinforcing the grid in the right areas. This investment will lower the need for costly market interventions, helping reduce overall costs and ultimately supporting more stable prices for consumers.
- **Additional transmission projects** including 35 high voltage projects categorised as 'ultra' under EirGrid's 'Shaping our Electricity Future' publication and 10 offshore connections projects. Allowances are provided to enable progress towards energisation of these projects to provide further increases in network capacity alongside the priority projects that form the core focus of investment in PR6.
- **Enhanced storm resilience programme** involving €0.89bn of investment to improve storm resilience, which is expected to enable the DSO to build on the Winter 2025 Grid Resilience Plan, implement lessons learned from Storm Éowyn, and increase activities on areas such as vegetation management and forestry corridor clearance. This is likely to include adoption of robust approaches to network planning, customer service, vulnerable customer protection, organisational resilience and storm damage repair.
- **Comprehensive pole replacement strategy** focusing on ~50,000 poles to address risks from Ireland's ageing electricity infrastructure by maintaining asset health standards,

alongside targeted investment in high-voltage station replacements to ensure continued reliable supply.

Empowering customers



- **Smart grid technology upgrades** including substantial investment in operational systems, control infrastructure and digital capabilities essential for creating a more intelligent, flexible and responsive distribution network, building on the work to date to install up to 2 million smart meters.
- **A package of 26 performance incentives** across the transmission and distribution networks to drive improvements in areas such as reliability and availability, customer satisfaction; and system management and operational capability.
- **Transformation of organisational** capacity of EirGrid and ESB Networks' to increase capabilities, ensuring greater system efficiency and improved services and offerings to customers and network users.






Altogether, the PR6 package will form a transformational investment package to enable the network companies to deliver on the ambitious goals and objectives that were established in the initial strategy paper for PR6. Figure 1 below provides a summary – at a glance – of some of the figures and outcomes that the PR6 package is expected to facilitate.

Figure 1: PR6 at a glance


PR6 package

 **€14.1bn** package of investment in the electricity networks, that can rise to €18.1bn to support economic growth and decarbonisation goals

Providing decarbonised electricity

 <p>29 infrastructure projects that will add over 22,000 MVA of additional capacity</p>	 <p>New EirGrid control centre to support Ireland's transition to a smart system</p>	
 <p>Offshore wind infrastructure capability will be established</p>	 <p>Advanced management for low-carbon systems</p>	 <p>+1m and 680k electric vehicles and heat pumps will connect to the network</p>

Delivering secure and resilience networks and supplies

 <p>35 ultra-high voltage and offshore connections, further increasing network capacity</p>	 <p>Enhanced storm resilience involving €0.89bn of investment</p>
 <p>Pole replacement strategy to replace ~50,000 poles to address ageing infrastructure</p>	 <p>High-voltage reinforcement for additional capacity of +1.1GW</p>

Empowering customers


 <p>Smart-grid technology upgrades including system investments</p>	 <p>27 performance incentives to drive improvements in reliability</p>	 <p>Organisational capacity transformation to ensure greater efficiency</p>
---	--	---

Table 1 below provides a summary of the operational and capital expenditure that the CRU is proposing to allow network companies to recover from network tariffs and charges as part of this Draft Determination. These proposals are subject to the responses that the CRU receives to this consultation and the CRU expects that the allowed revenues for the network companies will change for the Final Determination based on additional evidence and information that is provided in response to this consultation.

Table 1: PR6 Draft Determination Capex and Opex Allowance Summary^{2,3}

€m, 2024 prices		Baseline allowances			Envelope (high case) allowances		
		Capex	Opex	Total	Capex	Opex	Total
Transmission	TSO	659.7	771.4	1,431.1	837.8	851.4	1,689.2
	TAO	4,017.0	193.3	4,210.3	5,675.5	193.3	5,868.8
Distribution	DSO	5,194.9	2,092.7	7,287.6	7,003.4	2,344.3	9,347.7
Offshore	OAO	776.7	402.7	1,179.4	776.7	402.7	1,179.4
Total		10,648.3	3,460.2	14,108.5	14,293.4	3,791.7	18,085.1

The CRU is inviting stakeholders to comment on the Draft Determination proposals across the Transmission, Distribution and Offshore consultation papers. The consultation will close on the 11 September 2025 at 17:00. After consideration of all the responses received and engagement with network companies and other key stakeholders as required, the CRU will publish its Final Determination on PR6 in December 2025.

² Note the numbers presented in this table are gross capex (including customer contributions), and controllable opex including the impact of Frontier Shift, excluding non-controllable costs and other exceptional items, or pass-through costs, assumes 1 ATV in PR6, and is in 2024 real prices.

³ Although not included in the figures presented in this table and throughout this document, it should be noted that the total TAO network capex submission includes the TSO network capex request which is invoiced to the TAO.

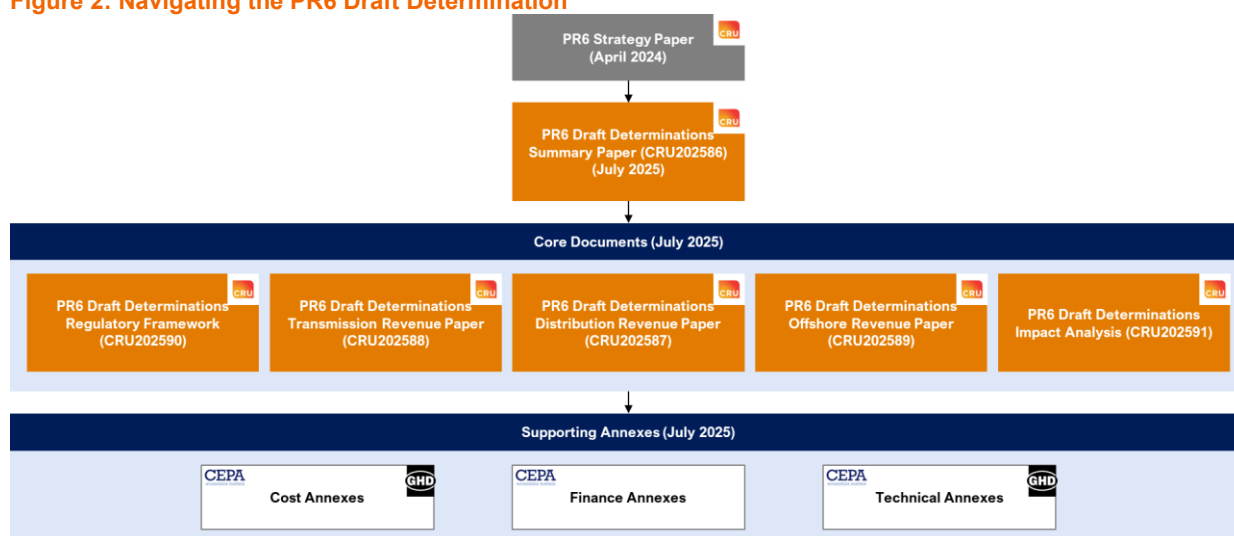
Introduction

1. The Commission for Regulation of Utilities (CRU) has published a suite of consultation papers which set out a range of proposals on the allowed revenues for EirGrid and ESB Networks (together the electricity “network companies”) as part of Price Review Six (PR6). The PR6 proposals that are being consulted on include the revenues for the period 1 January 2026 to 31 December 2030, as well as changes, modifications and enhancements to the regulatory framework for the network companies.
2. This document provides a high-level overview of the CRU's Draft Determination for PR6, summarising the proposals set out for the forthcoming Price Review period. This document also sets out some of the strategic context for PR6, how the proposals seek to address the various challenges and issues, and the key areas on which stakeholder feedback is sought ahead of the CRU making a Final Determination later this year.
3. The Draft Determination is subject to the responses that the CRU receives to the consultation papers. The CRU expects that the allowed revenues for the network companies may change for the Final Determination based on additional evidence and information that is provided in response to this consultation.

Navigating the PR6 Draft Determination

4. This document should be reviewed by stakeholders alongside the following detailed and supporting PR6 Draft Determination documents:

Figure 2: Navigating the PR6 Draft Determination



- PR6 Regulatory Framework document: This document sets out the CRU's detailed Draft Determination proposals on the onshore regulatory framework, including the principles of

cost recovery, the approach to managing uncertainty during the Price Review period, the proposed financial and reputational performance incentives that will apply to both network companies and the reporting, monitoring and governance arrangements.

- DSO Distribution Revenue for 2026-2030: This document sets out the CRU's detailed Draft Determination proposals on the PR6 allowed expenditure and allowed revenues for the DSO.
- TSO and TAO Transmission Revenue for 2026-2030: This document sets out the CRU's detailed Draft Determination proposals on the PR6 allowed expenditure and allowed revenues for the TSO and TAO.
- OAO Offshore Revenue for 2026-2030: This document sets out the CRU's detailed Draft Determination proposals on the PR6 allowed expenditure and allowed revenues for the new offshore price control that the CRU proposes to set for EirGrid's offshore asset owner functions and activities.
- PR6 Regulatory Impact Assessment: This document sets out the assessment of the likely impact of the CRU's Draft Determination proposals on customers, network companies and other relevant stakeholders, where appropriate.
- Cost Annexes: These supporting consultancy papers underpin the CRU's Draft Determination proposals, relevant to cost assessment.
- Finance Annexes: These supporting consultancy papers underpin the CRU's Draft Determination proposals, relevant to regulatory finance.
- Technical Annexes: These additional supporting papers include technical and economic consultancy reports relevant to specific topic areas, cross-referenced in this document where applicable.

A full list of all related and supporting documents is set out in Appendix 1.

PR6 Background and Context

5. ESB Networks is licensed by the CRU as the Distribution System Operator (DSO) and the Transmission Asset Owner (TAO), responsible for operating, maintaining and developing these electricity networks. While EirGrid, licensed by the CRU as the Transmission System Operator (TSO), is responsible for the operating and planning the development of the transmission network and the delivery of offshore grid infrastructure.
6. The electricity distribution network connects all households and the vast majority of businesses to Ireland's electricity system. While the electricity transmission network is responsible for delivering power from generation sources to local distribution networks. Well-functioning distribution and transmission systems are crucial for maintaining resilience and

reliability, security of supply, and supporting the transition to a decarbonised electricity system through integration of renewable energy at scale and the electrification of heat and transport.

7. Ireland's energy system is undergoing rapid change, and PR6 comes at a pivotal time for the sector. There have been major policy developments at national and European level in recent years, including the Climate Action Plan (CAP) which outlines Ireland's plan to fulfil the EU's Renewable Energy Directive (RED II), and Energy Efficiency Directive (EED), setting ambitious renewable energy and carbon reduction targets.⁴ These legislative commitments and associated targets will increase demand for electricity and drive significant expansion in low carbon generation.
8. Offshore wind is one source of low carbon generation that has become central to Ireland's energy, climate and economic ambitions. With a target of 5GW of offshore wind by 2030 and significantly more in the years to follow, offshore energy is essential to achieving national and EU climate commitments, enhancing energy security, and reducing dependence on imported fossil fuels. The scale and complexity of the offshore programme will require significant investment as well as strong coordination and proactive transmission planning on the part of EirGrid to establish a new offshore grid.
9. Alongside these decarbonisation ambitions, Ireland's electricity networks also face challenges with resilience and demand. The impact of recent storms, most notably Storm Éowyn which caused major disruption across Ireland in January 2025, highlights the need for investment to ensure networks are resilient to climate change and these more frequent adverse weather events. Similarly, the National Planning Framework (NPF) projects that an additional 550,000 homes will be required to cater for Ireland's increasing population by 2040, with 50% of the national growth concentrated in Dublin, Cork, Limerick, Galway and Waterford.⁵ Again, significant investment in the networks is required to accommodate these new connections and the increasing demand for electricity.

⁴ CAP sets Renewable Energy Source (RES-E), onshore and offshore wind, solar, demand side flexibility, and electric vehicle and heat pump targets. The latest iteration was CAP24 forecasts 23, CAP24 was published which is the latest iteration of the plan. Available here: <https://www.gov.ie/en/department-of-climate-energy-and-the-environment/publications/climate-action-plan-2024/>

⁵ Department of Public Expenditure and Reform, National Development Plan 2021-2030. Available here: [national-development-plan-2021-2030.pdf](https://www.gov.ie/en/publications/national-development-plan-2021-2030.pdf)

10. Coordination between network companies is critical in delivering this investment across the electricity networks. Such co-ordinated development, if properly planned and enacted, should facilitate improvements in overall grid resilience, enable a lower carbon electricity system, support economic growth in Ireland, while minimising costs to energy customers. The PR6 package itself is also critical in that through PR6, the CRU is responsible for ensuring network companies have sufficient revenues to recover their efficient costs in delivering all these outcomes for customers, and for Ireland more broadly.
11. The investments made by network companies will be paid for by customers through electricity bills. Given the financial pressures that many households currently face, the CRU's role to protect customers interests is more important than ever and it is imperative that the investments that network companies make are value for money and drive benefits and improved services for customers. This will require a sharp focus from the network companies during PR6 in managing costs and accountability for delivery of the network investment to time and to budget.
12. The proposals set out as part of this Draft Determination are the product of an extensive, multi-year process which has involved wide-ranging engagement, thorough analysis of network companies' business plans, the development of proposals for a regulatory framework that seeks to manage the various risks and uncertainties for companies and customers, and revenue allowances that support transformation of Ireland's energy system.

PR6 Process

13. Every five years the CRU carries out the price review process. This involves a review of the network companies' historic capital and operational expenditure (capex and opex) over the previous period (the "lookback review"), and of the forecast expenditure for the forthcoming period (the "look forward review"), and the ex-ante setting of revenues that network companies can recover from customer via network tariffs and charges.
14. The price review process also involves the setting of the regulatory framework, which broadly involves the rules and processes for adjusting revenue allowances during the price review period, as well as defining the outputs and outcomes that are expected to be delivered by network companies, the performance incentive framework, and the reporting, monitoring and governance arrangements.

15. One of the first key steps in the PR6 process was the CRU's publication of its Strategy Paper in April 2024.⁶ This document stressed the importance of network companies submitting ambitious plans that maintain a focus on cost efficiency, evidence that they are financeable and deliverable, and provide tangible benefits (value) to customers. The Strategy Paper also set out the ambition to build on the progress made through the previous price review period, Price Review 5 (PR5), and the following outcomes that should be delivered by the network companies in PR6:

- **Decarbonised electricity:** Network companies must facilitate realisation of Ireland's decarbonisation ambitions, enabling high levels of renewable electricity integration, driving an environmentally sustainable, low carbon energy system;
- **Secure and resilience networks and supplies:** Network companies must ensure safe, secure, resilient electricity networks and supplies that are resilient to physical, climate, and cyber shocks. Manage risk and system adequacy appropriately while complying with relevant standards, to provide services which customers can rely on; and
- **Empowered customers:** Network companies must deliver high quality and reliable services to customers, ensuring their voice is heard and reflected in the work they do, and that the cost of the transition is minimised.

16. The Strategy Paper also set out the key challenges and opportunities that network companies are expected to face during PR6 and the following objectives, central to the delivery of the key outcomes set out above:

- Deliver infrastructure at pace to support decarbonisation, the realisation of Ireland's renewable energy and climate change targets and reducing the cost of constraints to consumers;
- Enhance system efficiency while continuing to meet the needs of the network and protecting the long and short-term customer interest;
- Ensure compliance with security of supply standards by efficiently managing and developing the networks;
- Drive smarter, flexible, more digitally enabled networks and energy system to improve capabilities and ongoing efficiency;

⁶ CRU PR6 Strategy Paper. Available here: https://cruie-live-96ca64acab2247eca8a850a7e54b-5b34f62.divio-media.com/documents/PR6-Strategy_Paper-.pdf

- Customers at the heart of business planning and decision making; and
- For EirGrid only, successfully establishment of the offshore asset owner (OAO) function and integration of the offshore revenue recovery model.

17. Following the publication of the Strategy Paper, the CRU carried out a period of extensive engagement which included working groups and bilateral discussions with network companies and other key stakeholders to PR6. This process involved the issuing of business plan guidance and Business Plan Questionnaire (BPQ) templates to network companies.
18. Following receipt of business plan submissions in October 2024, the CRU conducted an initial assessment of network companies plans, submitting letters to both companies in January/February 2025 identifying areas for further engagement. The CRU also carried out a substantial Supplementary Questions (SQs) process, which involved issuing over 500 questions to both network companies for clarifications, errors or simply where information gaps had been identified.
19. The Draft Determination proposals set out as part of this consultation, reflect the feedback provided by network companies during this process, as well as all previous feedback, representations and reports from consultants and advisors on behalf of network companies, and other relevant stakeholders.
20. The consultation period will run for 10 weeks and close on 11 September 2025 at 17:00. All proposals published in this Draft Determination are subject to consultation. Following consideration of all responses to this consultation, the CRU will publish the Final Determination for PR6 in December 2025.

PR6 Allowances

Review of Historic Expenditure (2021 - 2025)

21. The CRU has applied a rigorous cost assessment process as part of its ex-post (lookback) review of the companies PR5 (1 January 2021 to 31 December 2025) expenditure, that ensures only well-justified and efficient expenditure is recovered from customers.^{7,8}
22. As a result of this review the CRU proposes adjustments to elements of network companies' historic expenditure. Although, these downward adjustments or variances to companies' outturn will not necessarily result in a disallowance. Instead, the CRU expects network companies to provide further information that provides sufficient justification for their outturn costs, in response to the Draft Determination. This information, alongside other responses to the consultation, will be reviewed and inform the Final Determination.
23. A summary of PR5 outturn versus allowances are provided below:
- **Transmission:**
 - TSO: During PR5 the TSO spent €347.8m in gross capex compared to an allowance of €280.9m, representing a €66.9m (23.8%) overspend. While spending €385.7m in controllable opex compared to an allowance of €367.2m, representing a €18.5m (5.0%) overspend.
 - TAO: The TAO spent €1,184.9m in gross capex compared to an allowance of €1,302.9m, representing a €117.8m (9.1%) underspend. While spending €206.7m in controllable opex compared to an allowance of €192.5m, representing a €14.2m (7.4%) overspend.
 - **Distribution:** During PR5 the DSO spent €3,716.2m in gross capex compared to an allowance of €3,873.4m, representing a €157.1m (4.1%) underspend. While spending €1,678.9m in controllable opex compared to an allowance of €1,555.5m representing a €123.4m (7.9%) overspend.
 - **Offshore:** When EirGrid was designated as offshore system operator and asset owner in April 2021, the PR5 period had already begun, and as such no ex-ante allowance had

⁷ PR5 expenditure is referred to as outturn expenditure, although it includes a mix of actual outturn costs for 2021 - 2023, and a mix of some outturn and budgeted or forecast costs for 2024 - 2025.

⁸ All figures presented in this document are in 2024 prices, unless stated otherwise, based on the Harmonised Index of Consumer Prices (HICP).

been provided for these offshore related costs. However, through annual in-period adjustments in PR5, €61.8m in controllable opex allowances were provided by the CRU, against which EirGrid spent €56.2m, representing a €5.6m (9.1%) underspend.

24. The TSO's spend on non-controllable and exceptional opex items is forecast to amount to €5,981.3m during PR5, significantly more than the TSO's controllable opex spend. In PR5, this included items such as Temporary Emergency Generation (TEG) and retention of existing generation units under the security of supply programme, which were key measures to address the shortfall in generation capacity which caused a number of system alerts in 2021 and 2022.
25. Overall, having completed its lookback review, the CRU considers that the majority of network companies outturn costs were justified, and although there were significant variations between cost categories in terms of under and overspends, justification for this has been provided in the PR6 submissions. In several instances, factors that were outside of companies' control (such as COVID-19 pandemic) were key drivers of expected under and overspends of regulatory allowances set by the CRU. The CRU is proposing that all of the network companies outturn expenditure is allowed and ultimately recoverable from customers in network charges except for the following items:
- **Transmission:** €9.1m of miscellaneous controllable opex. No explanation for this outturn opex was provided as part of the TAO's submissions and the proposed decision is to disallow it fully from the PR5 allowances.
 - **Distribution:** €9.7m of miscellaneous non-regulatory controllable opex. No explanation for this outturn opex was provided as part of the DSO's submissions and the proposed decision is to disallow it fully from the PR5 allowances. €84.5m of gross load related and non-load related capex due to absence of transparency on the costs of the projects the DSO progressed in PR5. As costs could not be reconciled with confidence, the proposal is that the capex should not be recoverable until clarity on the reported overspend and outturn is provided.
26. In carrying out this review, the CRU has applied the cost recovery and incentive framework and guidelines that were set out at PR5 Final Determination. The CRU also considers that its disaggregated review of individual projects and programmes through the lookback review, represents a fair and balanced review of the economic and efficient costs incurred by network companies in the delivery of their outputs during PR5. This in the round assessment has ultimately allowed higher outturn costs than ex-ante allowance to be recovered where

suitable justification has been provided, and the CRU only proposes to disallow costs where no such justification is currently available.

27. The CRU will revisit these proposals as part of its Final Determination taking into consideration responses to this consultation, including further information and evidence provided by the network companies.

Review of Forecast Expenditure (2026 - 2030)

Network company requests

28. Network companies requested €15,575.8m of baseline expenditure for PR6. Baseline costs are the requested expenditure prior to additional allowances that the network companies requested under an Agile Investment Framework (AIF) for PR6.

29. The baseline requests are summarised as follows:

- **Transmission:**
 - TSO: For PR6 the TSO proposes €852.3m of gross capex compared to outturn of €347.8m, representing a €504.5m (145.1%) increase compared to PR5. For controllable opex the TSO proposes €950.3m compared to outturn of €385.7m, representing a €564.6m (146.4%) increase.
 - TAO: For PR6 the TAO proposes €3,171.0m of gross capex compared to outturn of €1,184.9m, representing a €1,986.1m (167.6%) increase. For controllable opex the TAO proposes €211.6m compared to outturn of €206.7m, representing a €4.9m (2.3%) increase.
- **Distribution:** For PR6 the DSO proposes €6,617.7m of gross capex compared to outturn of €3,715.8m, representing a €2,901.9m (78.1%) increase. For controllable opex the DSO proposes €2,586.1m compared to outturn of €1,678.9m, representing a €907.2m (54.0%) increase.
- **Offshore:** For PR6, EirGrid presented expenditure proposals across a range of scenarios based on the number of Phase 1 project asset transfers expected to incur during the

period.⁹ For gross capex this ranged from €778.4m to €4,503.2m and for controllable opex this ranged from €408.5m to €453.4m.

30. In addition to the baseline allowance request set out above, network companies also proposed additional allowances under an AIF, which is now referred to as the Agile Investment and Monitoring Framework (AIMF) for PR6 (see regulatory framework proposals below). These requests are summarised below:

- **Transmission:** The TAO requested an additional €2,533.8m of AIF funding, over and above its proposed baseline allowances. This represents 42.8% of the TAO's total request of €5,916.4m (baseline + AIF). The TSO did not request any allowances over and above its baseline request.
- **Distribution:** The DSO requested an additional €874.9m of AIF funding, over and above baseline allowances. This represents 8.7% of the DSO's total request of €10,078.7m (baseline + AIF).
- **Offshore:** No request was made by EirGrid under an AIF, although as noted above, EirGrid's offshore proposals were presented against three different scenarios based on the based on the number of Phase 1 asset transfers that may take place in PR6. EirGrid noted that the regulatory framework in PR6 would need to be sufficiently flexible to manage different outturn scenarios for offshore.

CRU Draft Determination proposals

31. The CRU's Draft Determination for PR6 set out a €14,108.5m package of baseline investment across the transmission and distribution networks, which represents an 86.2% increase on current outturn expenditure in PR5, and a 9.4% reduction against the network companies baseline request.¹⁰ This is summarised as follows:

⁹ Phase 1 constitutes the first phase of EirGrid's offshore wind programme. Phase 1 will see the development and successful transfer of the Offshore Renewable Electricity Support Scheme (ORESS) 1 and Merchant projects from offshore wind developers to EirGrid.

¹⁰ Gross controllable costs, including the net impact of Real Price Effects (RPEs) and the CRU's proposals for an Ongoing Efficiency challenge for both network companies.

- **Transmission:**
 - TSO: For PR6 the CRU proposes €659.7m of baseline gross capex allowances, €192.6m (22.6%) less than requested, and €771.4m of baseline controllable opex allowances, €178.9m (18.8%) less than requested.
 - TAO: For PR6 the CRU proposes €4,017.0m of baseline gross capex allowances, €846.0m (26.7%) higher than requested, and €193.3m of baseline controllable opex allowances, €18.3m (8.6%) less than requested.
- **Distribution:** For PR6 the CRU proposes €5,194.9m of baseline gross capex allowances, €1,422.8m (21.5%) less than requested, and €2,092.7m of baseline controllable opex allowances, €493.4m (19.1%) less than requested.
- **Offshore:** For PR6 the CRU proposes €776.7m of baseline gross capex allowances, €1.7m (0.2%) less than requested, and €402.7m of baseline controllable opex allowances, €50.7m (1.4%) less than requested.¹¹

32. To give confidence to network companies and their supply chains that additional allowances will be available when required, and to manage the level of risk that customers should bear, the CRU proposes to provide clear ex-ante commitment on the envelope of expenditure allowances that may ultimately be required to deliver on the PR6 outcomes and objectives.

33. The newly proposed AIMF for PR6, that builds on the PR5 AIF, is expected to perform a fundamental role as an agile, light-touch framework (or 'contract') that will provide a practical, streamlined, pathway for network companies to flexibly access additional expenditure and associated revenues during PR6. As set out in the CRU's PR6 Regulatory Framework paper (CRU202590), and across the revenue papers, the CRU is proposing:

- ex-ante baseline opex and capex allowances – expenditure that the CRU has the highest current confidence in the deliverability and efficiency; and
- envelope opex and capex allowances which the CRU confirms are accessible to companies via the AIMF (also referred to as 'high case' allowances).

34. The approved envelope (high case) allowances are expenditure that the CRU confirms may be needed and is approving as accessible to network companies during PR6. Network companies are expected to seek approval through the AIMF's targeted (scheme / category

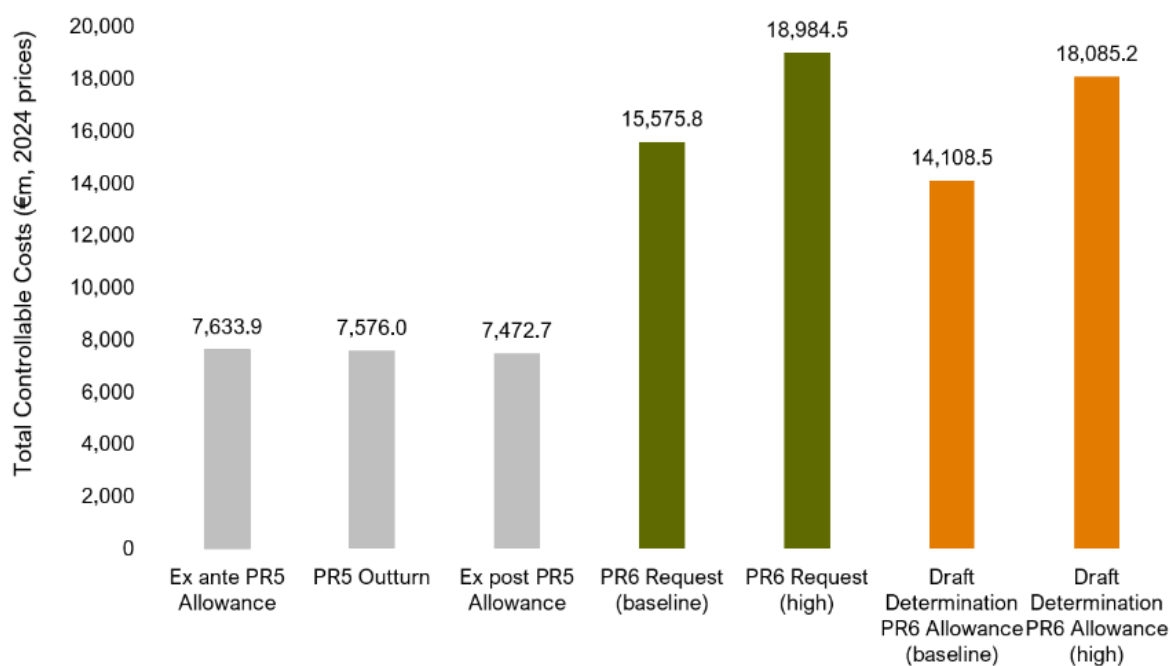
¹¹ Based on EirGrid's most conservative scenario of the number of Phase 1 offshore wind asset transfers during PR6, whereby one project and asset transfer value payment occurs in PR6.

specific) reopeners and volume driver mechanisms for additional allowances to be released into allowed revenues during PR6.

35. Importantly, the envelope allowances should not be viewed as a cap on the allowed revenues that the network companies may ultimately need to recover in PR6. They are a current (higher case) estimate of the allowances the CRU consider may be required by network companies to deliver on the outcomes and objectives for PR6, based on the information that has been provided and the CRU’s cost assessment to date.

36. Figure 3 below provides a summary of the proposed allowances, relative to network companies’ requests.

Figure 3: Cost Evolution from PR5 to PR6¹²



37. To inform these proposals, as set out across the suite of Draft Determination documents, the CRU has undertaken an extensive process of analysis and review, which has included top-

¹² Figure 3 illustrates the PR6 Request and CRU allowances under the assumption that only one Phase 1 ATV occurs in both the baseline and high cases. The submitted PR6 Request value for the high case was €22,754.2m based on a scenario of 6 offshore Phase 1 ATV payments occurring in PR6. This figure included an additional €3,769.7m compared to the €18,984.5m in Figure 3, accounting for five additional ATVs and the associated increases in non-network offshore capex and opex associated with these ATV payments.

down and bottom-up cost assessment of the network companies forecast expenditure for PR6. This has been more important than ever, given the unprecedented increase in expenditure forecast for PR6.

38. There are material risks for customers in allowing speculative requests which lack sufficient justification, or do not pass key tests such as need and efficiency. On the other hand, there are risks to network companies in not allowing necessary costs to upgrade the networks to ensure they can deliver safe, reliable and secure supply of electricity to customers and network users, while supporting Ireland's economy and meeting of decarbonisation and renewable energy targets.
39. While the cost assessment process that the CRU has undertaken has sought to manage these risks, there are elements which the CRU considers are best managed through the PR6 regulatory framework (i.e. the AIMF and the associated uncertainty mechanisms such as reopeners and volume drivers). Please refer to subsequent section below on the regulatory framework where the CRU's proposals are set out.
40. The key steps in the CRU's cost assessment process for PR6 assessing forecast expenditure and setting ex-ante allowances are summarised in the following sections. At a high-level, the top-down analysis has involved an assessment of the needs of the electricity network in PR6 and beyond, and, where possible, comparisons of the network companies historic and forecast expenditure to international peers. The bottom-up review has involved a more detailed, line by line review, of the network companies' BPQs and economic and technical analysis of the business plan submissions.

Network Needs

41. The CRU commissioned an assessment of the electricity network needs i.e. the needs to upgrade parts of the networks to accommodate the anticipated increases in demand from the electrification of heat and transport, provision of new connections (for housing), and integration of new renewable energy sources, as well as to overcome existing network constraints due to changing demand patterns, and historic underinvestment (partly in response to financial constraints since PR3).
42. This network needs assessment also identified the regulatory and technical challenges from a network perspective, associated with these required network upgrades and the achievement of Ireland's decarbonisation ambitions. Please refer to GHD's Network Needs Assessment paper (CRU202597) for full detail of the network needs assessment.
43. The key conclusions from this assessment are summarised below:

- the **significant step change in investment requested by the network companies is aligned with the network needs** i.e. to support economic growth, provide capacity headroom to overcome existing constraints, and to make use of innovative solution to make best use of their assets. These in turn will support Ireland in meeting its energy targets and accelerating the net zero transition;
- there is strong consensus (in Ireland and other jurisdictions) that **accelerated profiles of network investment will be observed in the short-term** in order to deliver against this need for investment and these various challenges; and
- there are areas of **tension within the price review process** in terms of supporting the levels of investment required to contribute to meeting Ireland's ambitions, whilst also considering efficiency and deliverability of investment proposals when setting investment plans and revenue allowances.

44. In response, the CRU proposes to set baseline allowances that can be agilely managed through the regulatory framework during the price review period. This approach ensures that reasonable, and proportionate, protections for consumers are in place, while still enabling network companies significant step increases in allowances to deliver the programmes of network investment that are needed. This proposal comprises a formalised regulatory framework, with streamlined, permissive mechanisms for scaling allowances (principally through AIMF uncertainty mechanisms such as volume drivers and reopeners) and thus the ability to access additional allowances over and above baseline allowances, with relative ease to avoid introducing barriers to delivery. Details of the regulatory framework proposals are discussed in subsequent sections and are set out in full in the CRU's PR6 Regulatory Framework paper (CRU202590).

Storm resilience

45. The DSO has submitted a 'PR6 Scope Review' paper, which identifies additional measures for consideration. However, the DSO concludes that 'given the scale of the existing PR6 CAPEX programme (€13.4bn) and the inherent uncertainty associated with delivering the full portfolio of projects, ESB Networks does not propose to increase the monetary value of the PR6 baseline CAPEX investment scenario (€10.1bn) or the total programme of €13.4bn as submitted'.

46. Based on this, no changes have been made to the allowances proposed following consideration of the original request in the Business Plan submission provided by the DSO in November 2024. However, our analysis indicates that the proposed allowances include €0.89bn of investment to improve storm resilience, building on the Winter 2025 Grid

Resilience Plan to implement lessons learned from Storm Éowyn. This is expected to include adopting robust approaches to network planning, customer service, vulnerable customer protection, organisational resilience and storm damage repair. Furthermore, should any additional specific information become available in the intervening period, then this will be considered as part of the Final Determination.

International Trends

47. To build on some of the conclusions from the network needs assessment, particularly the view that accelerated profiles of investment will be observed in other jurisdictions, the CRU commissioned analysis of the investment profiles and expenditure trends of other electricity transmission network companies (and a comparative benchmarking analysis of ESB Networks' DSO and Distribution Network Operators (DNOs) in Great Britain (GB) which is discussed in the next section).
48. This top-down analysis complements the traditional bottom-up cost assessment of the TAO, TSO and DSO and has been used to assess whether the proposed PR6 investment package is appropriately scaled to meet Ireland's ambitious objectives while balancing significant investment needs with cost efficiency.
49. This international trends analysis, which compared the TAO and TSO's proposed PR6 total expenditure (totex) with other international electricity transmission network companies (Northern Ireland, Great Britain (GB), France, Germany, the Netherlands, and Australia), on a normalised basis i.e. adjusting for scale and environmental factors such as network size, identified the following:
 - All TAOs (across Ireland, Northern Ireland and GB) propose significant step-ups in totex at the start of their respective price controls.¹³ Between the final year of PR5 (2025) and the first year of PR6 (2026), the TAO proposes an increase a 108% increase in totex. In comparison, GB's National Grid Electricity Transmission (NGET) plans to increase totex by 144% over similar time frame.
 - Considering the TAO and TSO together the step-up in proposed totex for PR6 represents the second-largest percentage increase in totex (behind only GB) across the chosen comparator countries, with a 228% increase. The GB TAOs are proposing a step-up of

¹³ RIIO-ET3, the next electricity price control for electricity transmission asset owners in GB is due to commence on 1 April 2026 and run until 31 March 2031.

232% for RIIO-ET3. In contrast, in Northern Ireland, which operates price controls over similar timeframes,¹⁴ there is a more modest increase of 49%.

50. The key takeaway from this analysis was that although the proposed step-up in totex in Ireland is substantial, it is aligned with the scale of step-up being proposed in other jurisdictions, in particular GB TAOs in their RIIO-ET3 business plans.
51. However, it should be noted that a significant portion (75%) of the proposed totex in the RIIO-ET3 business plans is classified as “pipeline” by the GB TAOs. These pipeline projects represent investments the companies aim to undertake but are not yet confirmed as efficient or necessary, and may not receive approval from Ofgem¹⁵. This suggests that while the totex trend for the TAO appears to align with the proposed trends for the GB TAOs over the same period, the GB figures presented may represent upper bounds.
52. The high-level international trends analysis while limited by the availability of comparable data, and the challenges associated with cross-jurisdictional comparisons of transmission networks, including how distribution and transmission networks are classified, has helped put into context the scale of investment required to address Ireland’s goals and objectives in PR6. The analysis has also highlighted the critical importance in ensuring that proposals strike the right balance between ambition and deliverability, and that the large proposed step-up in expenditure in network companies plans is well justified. The international trend analysis also helps to indicate that other regulators have not always approved all proposed totex upfront during price control reviews, and increasingly use regulatory frameworks to manage timing and delivery risks for customers.¹⁶

Totex Benchmarking

53. The CRU also commissioned top-down benchmarking to complement its PR6 bottom-up cost assessment. The bottom-up and top-down analysis are together considered to offer a more

¹⁴ RP7 runs from 1 April 2025 to 31 March 2031.

¹⁵ The GB energy regulator.

¹⁶ For example, in the RIIO-ET2 period, Ofgem disallowed approximately 19% of the proposed totex for GB TAO’s. For the RIIO-ET2 and ET3 periods, Ofgem has also developed new regulatory frameworks, such as the Accelerated Strategic Transmission Investment framework and an Advanced Procurement Mechanism, to facilitate a step up in investment via an agile, supportive, investment framework that can support the financing of the investment programme.

comprehensive picture and understanding of the DSO's costs and performance, and identify trends that warrant further investigation at PR6.

54. To benchmark ESB Networks' DSO-related totex, the CRU commissioned CEPA to develop a series of econometric models that CEPA have used to benchmark the DSO to electricity Distribution Network Operators (DNOs) in GB. These models seek to control for a broad set of cost drivers and network typologies, including units of electricity distributed through the networks, network length, and differences in regional wages.
55. Overall, this analysis indicates historically that the DSO's totex has benchmarked well and consistent with GB peers once a range of external cost drivers and network typologies are controlled for. But during the PR5 period (2021–2024) the DSO's totex has been increasing relative to the expenditure predicted from the models. Viewed in the round, the CRU does not consider this to provide a basis for concluding the DSO's expenditure is not efficient. Given inherent limitations and challenges in the benchmarking process, the CRU considers that this would be an overly strong interpretation of the findings.
56. However, looking forward to PR6, the trend in the DSO's totex compared to GB DNO's points to the need for strong, compelling, bottom-up project and programme business cases from the DSO, to support and justify the substantial step-up in spend requested, particularly for load related expenditure and asset replacement expenditure. The findings on the DSO's relative cost performance also at least raise a question whether there might be opportunities for the DSO to explore how to increase its productivity during PR6 in terms of the output expected to be delivered from the allowances provided, while addressing the high-level network needs and requirements discussed above.
57. Another interpretation of the benchmarking is the system challenges that the DSO now faces may be revealing that the business needs to operate at a higher relative level of totex to deliver on the network needs. The CRU expects that the trends in the DSO's expenditure requirements will increasingly be observed in the expenditure of DNOs in GB and other jurisdictions as they implement their business plans to step up investment to 2030 and beyond. But the DSO's relative level of totex will over time need to reflect the specific challenges and needs of Ireland's electricity system which may diverge from other network areas. The CRU considers this is consistent with the conclusions from both the network needs assessment and the international trends analysis.
58. Overall, the CRU considers the benchmarking supports the DSO's current level of expenditure. But looking forward, it remains important that the further step-up in expenditure that is needed during PR6, is managed efficiently and effectively as possible by the DSO in

the governance and delivery of its investment programmes and exploration of opportunities for productivity improvements where possible.

Bottom-up Cost Assessment: Base-Trend-Step

59. The CRU has carried out bottom-up cost assessment as part of its ex-ante, or forecast review of PR6 (1 January 2026 to 31 December 2030) ensuring only well-justified and efficient expenditure is included within allowances.
60. The approach taken as part of the ex-ante bottom-up cost assessment has included a rigorous project based review, as well as use of a well-established, transparent, analytical approach commonly referred to as ‘base-trend-step’, that accounts for the specific challenges of assessing the efficient costs of the network companies. The approach taken builds upon, and is consistent with how the CRU set allowances in PR5.
61. As the name suggests, the base-trend-step approach consists of three analytical steps:
- **Base:** identifying an efficient base level of expenditure that forms the starting point for forecasting future costs;
 - **Trend:** projecting a forward trend in costs based on changes in cost drivers and other business planning assumptions; and
 - **Step:** identifying any step changes to scope that would result in changes to costs (positive or negative) that are additional to the trend.¹⁷
62. A key strength of the base-trend-step approach is that it makes it clearer to assess what customers are funding in terms of new outputs and deliverables above business-as-usual costs. This approach also helps structure the project and programme based bottom-up review of network companies’ proposals, which aligned with the conclusions from the top-down cost assessment (network needs, international trends, and totex benchmarking), is critical given the significant step-up in investment proposed.
63. As a result of this review the CRU proposes adjustments to elements of network companies’ forecast expenditure. While the CRU has proposed downward adjustments or variances to

¹⁷ Step changes in expenditure have been assessed by the CRU using a common gateway assessment framework of the need, additionality (relative to existing resources) and the cost confidence (value for money / efficiency) of each forecast step request.

companies' request as part of this consultation, this will not necessarily result in a disallowance. Instead, similar to the outcome of the historic review, the CRU expects network companies to provide further information that provides sufficient justification for their requested costs, in response to the Draft Determination. This information, alongside other responses to the consultation, will be reviewed and inform the Final Determination and may result in increases to baseline allowances.

64. The CRU looks forward to receiving this additional information from the network companies to further support the requirements for expenditure in their business plan submissions, as well as feedback from other stakeholder groups on the findings of the CRU's cost assessment to date. Detail on the findings of the CRU's bottom-up cost assessment are provided in the Revenue Determination papers for each of the PR6 revenue controls and the supporting technical annexes that have been prepared by the CRU's technical and economic consultants, CEPA and GHD.

Frontier Shift

65. The CRU commissioned analysis to assess the scope and impact of Real Price Effects (RPEs) and Ongoing Efficiency in PR6, collectively referred to as 'Frontier Shift'.¹⁸
66. The CRU has tended to rely on an ex-post review of network companies' outturn costs as the tool to manage RPEs and to facilitate the recovery of efficiently incurred input costs (such as labour, or materials) over the price review period. However, given pressures on delivery and constraints across supply chains in PR6, the CRU has taken the view that this approach may not provide sufficient predictability to networks companies for the management of RPEs in PR6.
67. For PR6, the CRU is proposing to set ex-ante RPE allowances for opex, to provide that up front certainty to network companies. The CRU is not proposing to set ex-ante RPE allowances for capex, given the challenges in identifying appropriate indices in which to base the ex-ante allowance. Instead the CRU is proposing to manage RPEs for capex solely through the PR6 ex-post assessment process, similar to how this was managed through PR5. This is an area that the CRU welcomes further feedback on in response to this

¹⁸ Frontier Shift is the rate at which the unit costs of an efficient company change over time. It captures both changes in the volume of inputs needed to produce a level of output and in the price of inputs used. Frontier Shift expressed in real terms is the expected Ongoing Efficiency improvements net of RPEs.

consultation. As applied in PR5, network companies will be able to seek to recovery of additional costs in both opex and capex if inflation materially exceeds forecast levels as part of the PR6 ex-post review process.

68. The CRU is proposing to apply the following Frontier Shift adjustments in Opex:

- **Transmission:**
 - TSO: 0.9% net Frontier Shift.
 - TAO: 0.1% net Frontier Shift.
- **Distribution:** 0.1% net Frontier Shift for DSO.
- **Offshore:** 0.9% net Frontier Shift for OAO.

69. This reflects an Ongoing Efficiency challenge of -0.5% for the TSO licensee and -1.0% for the DSO and TAO, consistent with recent regulatory precedent of similar Ongoing Efficiency challenges in recent Ireland and UK price control decisions. As the overall Frontier Shift adjustment is positive (i.e., an increase in allowed opex), this implies that for both network companies RPEs in Opex may be greater than the scope for both network companies' productivity improvements during PR6.

70. This reflects the findings from the analysis carried out by CEPA, which are set out in detail in CEPA's PR6 – Inflation trends and Ongoing Efficiency paper (CRU202593). The CRU will review its proposals on Frontier Shift considering the responses to the consultation papers.

Summary of Expenditure Allowances

71. Table 2 below provides a summary of the CRU's historic and forecast review and the resulting, proposed ex-post allowances for PR5 and ex-ante allowances for PR6.

Table 2: PR6 Draft Determination Historic and Forecast Expenditure Review Summary¹⁹

€m, 2024 prices		Ex-ante PR5 Allowance	PR5 Outturn	Ex-post PR5 Allowance	PR6 Request (baseline)	Draft Determination PR6 Allowance (baseline)
Transmission	TSO	648.1	733.5	733.5	1,802.5	1,431.1
	TAO	1,495.4	1,391.6	1,382.5	3,382.6	4,210.3
Distribution	DSO	5,428.9	5,395.1	5,300.5	9,203.8	7,287.6
Offshore	OAO	61.8	56.2	56.2	1,186.9	1,179.4
Total		7,633.9	7,576.0	7,472.7	15,575.8	14,108.5

72. As noted, in addition to the baseline allowances set out above, the CRU proposes to provide streamlined mechanisms, through the AIMF, in which allowances can be flexibly and quickly adjusted within period, as and when needed. These are presented in Table 3 below against the network company request high case allowances, including the percentage differences in request and allowance.

Table 3: PR6 Draft Determination Request vs. Allowances Summary¹⁹

€m, 2024 prices		PR6 Request (baseline)	Draft Determination PR6 Allowance (baseline)	Diff	PR6 Request (high)	Draft Determination PR6 Allowance (high)	Diff
Transmission	TSO	1,802.5	1,431.1	-20.6%	1,802.5	1,689.2	-6.3%
	TAO	3,382.6	4,210.3	24.5%	5,916.4	5,868.8	-0.8%
Distribution	DSO	9,203.8	7,287.6	-20.8%	10,078.7	9,347.7	-7.3%
Offshore	OAO	1,186.9	1,179.4	-0.6%	1,186.9	1,179.4	-0.6%
Total		15,575.8	14,108.5	-9.4%	18,984.5	18,085.1	-4.7%

¹⁹ All numbers presented are gross controllable totex excluding non-controllable costs and other exceptional items, or pass-through costs, assume 1 offshore ATV during PR6 and are in 2024 real prices. The Draft Determination PR6 Allowances also include Frontier Shift.

Allowed Revenues

Cost of Capital and Financeability

73. The CRU's regulatory finance proposals maintain a stable and predictable approach from previous decisions, whilst looking to ensure that the CRU's decisions reflect the relevant context of PR6.

74. The CRU proposes to allow a Weighted Average Cost of Capital (WACC) of:

- **Transmission:**
 - TSO: 5.23%, which is 34bps higher than the requested WACC of 4.89%.²⁰
 - TAO: 3.85%, which is 38bps less than the requested WACC of 4.23%.
- **Distribution:** 3.85% for the DSO, which is 38bps less than the requested WACC of 4.23%.
- **Offshore:** 4.58% for EirGrid's offshore functions, which is 26bps less than the requested WACC of 4.84%.

75. These proposals on WACC were established by applying the 67th percentile to the recommended WACC ranges provided by CEPA (please refer to CEPA's Onshore and Offshore Cost of Capital papers (CRU202594 and CRU202595) for more detail), consistent with the approach taken at PR5.

76. The CRU is of the view that the TSO WACC of 5.23% and the DSO/TAO WACC of 3.85% are consistent with both network companies being adequately financeable. The financial ratios assessed with reference to rating agency guidance show that there is sufficient headroom for the key credit ratios to be considered financeable, with an indicative credit rating higher than the minimum investment grade credit rating level used by rating agencies such as Moody's and Standard and Poor's.

²⁰ The CRU's proposal is higher than the company request as a result of differences in the proposed treatment of the TSO's relatively high operational gearing which has in prior price reviews been reflected in a separate financial margin to the allowed WACC.

77. To deliver this investment programme, both ESB Networks and EirGrid will need to access significant amounts of new debt and equity capital. Indicative CRU modelling suggests for ESB Networks an equity requirement may be required in the baseline (assuming 55% notional gearing and current ESB dividend policy) which would increase under the high case. The CRU understands that EirGrid requires an equity injection to facilitate offshore grid investment within PR6.
78. The CRU expects to update its WACC proposals for Final Determination based on the latest financial market data and responses to this consultation. It expects there may need to be updates to the allowed rates of return to reflect the investment programmes in the Final Determination and how this may impact the balance of new debt and equity in the financing of the network investment programme.

Regulatory Depreciation

79. The CRU proposes to retain the existing approach to regulatory depreciation including its decisions on the assumed asset lives (what length of time costs should be spread over) and the depreciation profile (the speed at which costs are recovered over that time).
80. The CRU's approach to depreciation ensures that the Regulated Asset Base (RAB) is depreciated at a rate that broadly reflects the useful economic life of the network assets and incentivises investment efficiency.
81. As CRU will be setting its first offshore price control in PR6, it is consulting on the approach to depreciation that it will apply to different categories of investment that form the offshore grid programme.

Revenues

82. The CRU proposes to allow €6,034.5m to EirGrid for the TSO, €2,078.6m to ESB Networks for the TAO, and €6,935.4m for the DSO, and €505.2m to EirGrid for its offshore functions, in baseline revenues over the PR6 period. These proposals reflect the proposals on allowed expenditure, WACC, financeability, and regulatory depreciation, set out in the sections above. As noted, these proposals are discussed in detail across the suite of Draft Determination consultation documents.
83. A summary of the proposed PR6 allowed revenues, alongside network company requests, is presented in Table 4 below. As with the expenditure allowances, the baseline and high case revenues are both based on a scenario of a single offshore Phase 1 transfer and ATV payment taking place during PR6.

Table 4: PR6 Draft Determination Allowed Revenues Summary²¹

€m, 2024 prices		PR6 Request (baseline)	PR6 Request (high)	Draft Determination PR6 Allowance (baseline)	Draft Determination PR6 Allowance (high)
Transmission	TSO	6,445.7	6,737.4	6,034.5	6,391.8
	TAO	2,223.7	2,514.6	2,078.6	2,268.7
Distribution	DSO	8,082.2	8,254.1	6,935.4	7,503.3
Offshore	OAO	556.3	556.3	505.2	505.2
Total		17,307.9	18,062.4	15,553.7	16,669.0

Customer Bill Impact

84. The CRU has used the proposed revenues with demand forecasts provided by the network companies to estimate the likely impact on electricity tariffs and on average customer bills for a range of different customer groups.

85. Table 5 below summarises the CRU’s assessment on the change in bills from the final full tariff year of PR5 (2024/25) to the final full year of PR6 (2029/30) for a range of different customer groups. The table shows the impact on bills based on the baseline allowances, and also under the high scenario, where the high case estimate of the additional funding through the AIMF is realised.²²

Table 5: PR6 Draft Determination Impact on Customer Bills Summary²³

€, nominal		Baseline Scenario		High Scenario	
Example Customer	2024/25	2029/30	Change	2029/30	Change
Domestic	374	404	+29 (+8%)	454	+80 (+21%)
Small non-domestic	3,392	3,636	+243 (+7%)	4,094	+702 (+21%)

²¹ Allowed revenues are broadly a product of opex, depreciation, return on capital.

²² Please note that in contrast to the above allowed revenues and expenditure allowances, which are based on a scenario of a single Phase 1 offshore ATV payment occurring in PR6 in both baseline and high cases, the CRU has based its high scenario for the bill impact assessment on an assumption of 6 ATV transfers occurring during PR6. This illustrates the impact on customer bills if a more optimistic timeline for Phase 1 construction and operation were achieved. In practice, the impact on customer bills of 6 vs 1 ATV payments is mitigated in PR6 as the project transfers are assumed to occur only towards the end of period and the offshore generation grid charge (OG-TUoS) reduces the offshore revenue assumed to be recovered from customers directly through network charges.

²³ Medium non-domestic (1) refers to low-voltage customers such as hotels, while medium non-domestic (2) refers to medium voltage customers such as universities.

€, nominal		Baseline Scenario		High Scenario	
Medium non-domestic (1)	91,887	94,207	+2,320 (+3%)	106,793	+14,906 (+16%)
Medium non-domestic (2)	643,515	616,724	-26,791 (-4%)	708,104	+64,590 (+10%)
Large non-domestic	1,517,530	1,485,862	-31,668 (-2%)	1,698,601	+181,071 (+12%)
XLEU	6,479,356	5,294,345	-1,185,011 (-18%)	6,255,655	-223,701 (-3%)

86. It is important to note that these figures are only indicative and that the actual tariffs will be a function of the annual tariff setting process, which involves updating revenues for changes to electricity demand.

87. Please refer to CRU's Impact Analysis (CRU202591) for more detail on how the CRU's Draft Determination will impact customers and network companies.

PR6 Regulatory Framework

Assessment and Lessons Learned from PR5

88. PR5 represented a significant change for the regulatory framework in Ireland, with a move towards output-based regulation, with increased focus on delivering specific performance measures including network reliability, customer service, and decarbonisation metrics. The CRU considers that, overall, the PR5 framework has had positive, but mixed, results for Irish electricity consumers. In terms of the original guiding principles and objectives for the price control:
89. There is clear evidence that, through the substantial investment enabled by and delivered during PR5, the network companies have helped facilitate a more secure and low carbon future for consumers and the system.
90. The performance incentive regime, alongside flexing of cost allowances achieved via the annual revenue setting process, has helped facilitate the objectives of PR5.
91. However, the ease (and agility) of implementation of the regulatory framework, across a number of components of the regime, has not been as intended.
92. There are also a number of areas where it might be questioned if a fair balance of risk and reward and ‘best in class’ performance has in practice been achieved, particularly in certain key reliability (ESB Networks) and decarbonisation (EirGrid) outcome areas where PR5 allowed for significant expenditure but the actual outcomes for customers have in some cases fallen short of what had been expected.²⁴ Full detail of the CRU’s review is provided in the CRU’s PR6 Regulatory Framework paper (CRU202590).

Agile Investment and Monitoring Framework (AIMF)

93. For PR6, the CRU proposes to continue to build on the PR5 approach, enabling necessary investment, holding the network companies accountable for delivering what customers need, while incentivising innovation and efficient costs. The CRU also proposes that the regulatory framework in PR6 continues to be ‘agile’, allowing the network companies to drive forward

²⁴ The CRU notes that both network companies argue that where there has been underperformance of the PR5 targets this has generally been a result of factors that are beyond their control to manage; for example, as a result of storm events and Ireland being at the forefront of managing the challenges of system operation with high levels of renewable penetration.

their investment programmes with certainty and the ability to adapt to changing circumstances, so that they can deliver value to customers more quickly.

94. The CRU proposes to do this through an enhanced regulatory framework, compared to PR5, placing more emphasis on setting the required outputs and deliverables up front and tracking their delivery through the PR6 period. The PR6 regulatory framework will also include a suite of proposed mechanisms to deal with the inevitable changes in priorities and circumstances (and hence costs) that will arise over the period.

95. As in PR5, the proposed building blocks of the PR6 regulatory framework can be considered in several broad categories. In PR6 this will be referred to as the AIMF and will consist of the following components:

- Ex-ante setting of allowances, outputs/outcomes and deliverables – including regulatory commitment by the CRU to a high case envelope, as well as a baseline of allowed revenues²⁵;
- Incentivised delivery against those outputs/outcomes using performance incentive mechanisms;
- Mechanisms to adjust allowances, outputs/outcomes and deliverables where appropriate and justified during the PR6 period, including reopeners and volume drivers;
- The ex-post review at the end of the PR6 period; and
- An enhanced reporting and monitoring framework.

Delivery Obligations

96. The CRU proposes that all ex-ante baseline allowed expenditure in PR6 is explicitly linked to an output or deliverable. For the most critical outputs/deliverables the ex-ante allowances will be ring-fenced for delivery of the associated outputs/ deliverables, and the requirements will be specified in a formal “delivery obligation”. While new for PR6, delivery obligations are relatively common practice across other jurisdictions and in other regulatory regimes.

²⁵ For the avoidance of doubt, neither the “baseline” or “high case” allowances are caps on expenditure. The intent of the framework is that companies have the opportunity to recover their full efficient costs, which could turn out to be higher than ex-ante allowances for several reasons, including cost inflation, changes in or additional requirements or solutions, etc.

97. The CRU's proposal to introduce delivery obligations is a key feature of the proposed regulatory “contract” for PR6, which also includes the proposed provision of significant ex-ante allowances, with flexible access to additional funds as required. This is consistent with the CRU's ambition to implement a supportive and permissive regulatory regime that prioritises delivery and transparency and balances these against risks to consumers.

98. The Delivery Obligations are intended to provide:

- Clear, unambiguous, regulatory commitment to funding of strategic schemes with the expectation the costs of these programmes will also need to evolve within period as delivery progresses;
- Consumer protections and transparency by ring-fencing allowances that controls reprioritisation/reallocation of funding to other areas of the portfolio without discussion; and
- Clarity of outputs that are needed to deliver on network requirements and a clear basis for ongoing monitoring of delivery.

99. A summary of the CRU's proposed delivery obligations is presented in Table 6 below. Please refer to the CRU's PR6 Regulatory Framework paper (CRU202590) for more detail on each delivery obligation, the associated deliverables and baseline allowances, and the reporting requirements.

Table 6: PR6 Draft Determination Delivery Obligations Summary

€m, 2024 prices		Delivery Obligation	Associated Total Allowance (baseline)
Transmission	TSO	Group 1 – Priority Projects	116.2
		Physical Control Centres	23.4
	TAO	Group 1 – Priority projects (29 separate delivery obligations)	2,942.5
		Group 2 – Remaining Ultra projects	428.1
		Group 4 – Remaining Ultra projects	133.6
Distribution	DSO	HV Reinforcement	832.8
		Renewable Programme 0 MV Lines: PIAM	125.4
		IT and Digital projects	177.4
Offshore	OAo	-	-
Total			4,779.4

100. In summary, the proposed delivery obligations cover c.22% of baseline capex allowances for the DSO, c.21% for the TSO and c.87% for the TAO.

Reopeners

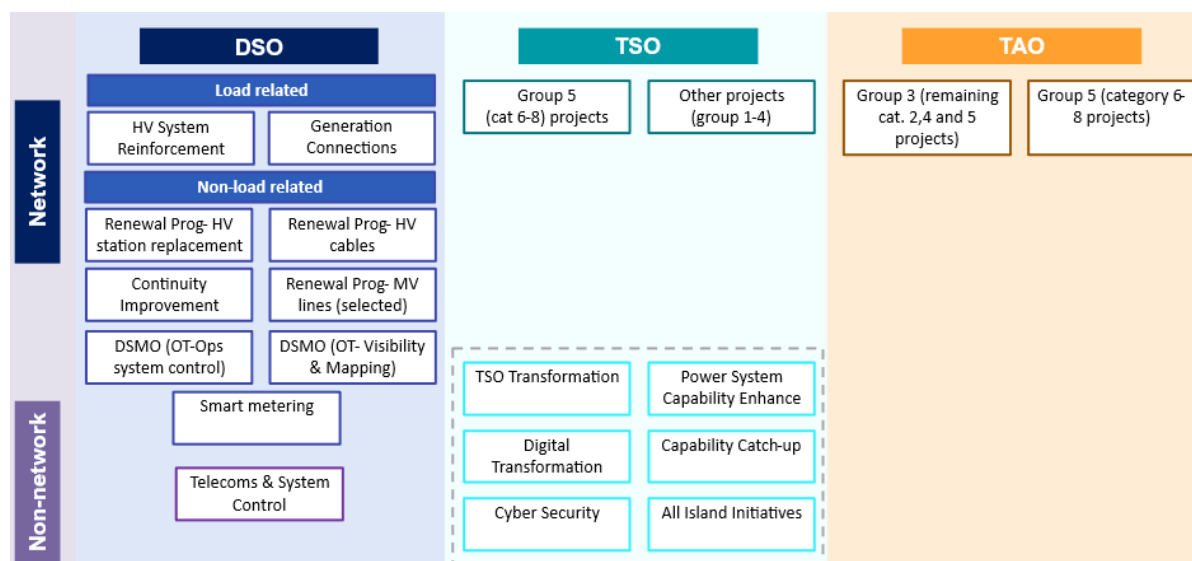
101. The CRU proposes to include reopener mechanisms as part of the AIMF, that will allow network companies to access additional revenues in response to the changing needs of the system and to facilitate a flexible approach to network investments, including where there are material uncertainties or where delivery timing, specifications or costs change.
102. For PR6 the CRU proposes to retain the Flexibility Mechanism (to be renamed the “Opex/Capex Reallocation Mechanism” to distinguish it from the new flexibility services cost recovery mechanism proposed by ESB Networks) and Innovation and R&D Mechanism. The CRU proposes to extend these to cover both EirGrid and ESB Networks so that there are clearly specified mechanisms available for both network companies to adjust between capex and opex allowances within period where it is efficient to do so, and to seek approval from the CRU for additional innovation/R&D projects that are demonstrably to the benefit of consumers and the system.
103. The CRU intends to introduce a new Legal/Regulatory Change Mechanism that will apply to both network companies. This builds on the DSO’s proposal for a mechanism to deal with uncertainty in relation to changing roles and responsibilities as a direct result of changes in legal or regulatory requirements, and the associated impact on PR6 costs. The CRU proposes that this new Legal/Regulatory Change Mechanism be triggered by either the CRU or the network company and can lead to either an upwards or downwards adjustment in allowances depending on whether the legal or regulatory change leads to the addition or removal of functions, activities and costs for the licensee. The party triggering the mechanism will need to demonstrate that there has been new legislative or regulatory requirements, which have directly led to a material impact on the network companies’ costs or scope of activity.
104. The CRU proposes to apply the Force Majeure Mechanism to both network companies. The principles of the mechanism will be unchanged from PR5. The network company will be able to make a submission to the CRU for the recovery of efficiently incurred costs that directly relate to a force majeure event. Given the increased focus on storms and storm impacts, the CRU is interested in stakeholder views on whether it is necessary or proportionate to have a separate storm related mechanism (for example because the nature of evidence or burden of proof might be different for severe weather events compared to other force majeure activities).
105. The CRU proposes to remove the TAO/TSO Capex Adjustment Mechanism because a general capex reopener at the aggregate allowance level is no longer consistent with the

more targeted and ring-fenced set of allowances and delivery obligations that are proposed to be introduced at PR6. In its place, the CRU is to extend from the DSO to the TAO and TSO the PR5 concept of targeted Uncertainty Mechanisms (or “reopeners”). Network companies can use these reopeners to request timely adjustments in deliverables or allowances during the period, whether capex or opex or both.²⁶

106. These will cover all delivery obligations and an additional set of specified schemes/activities outside delivery obligations, where costs and/or requirements are particularly uncertain at this stage. This will allow network companies to more closely match revenues to expenditure during the period while also allowing the CRU to have increased transparency during the PR6 period of delivery and expenditure. The CRU expects that the majority of reopener requests will be for upward adjustments but also envisages that, where there has been significant delay or re-prioritisation of spend in an area, a network company may bring forward a request to reduce the allowance (and associated deliverables) in that area. There could be an accompanying or subsequent reopener request to reallocate the funds that have been released to another area where additional expenditure is expected. As is already available to the DSO in PR5, the network companies will be able to bring forward reopener submissions on an annual basis to feed into the tariff setting process. Reopener requests can be for single or multiple years.
107. A summary of the proposed PR6 reopener mechanisms is presented in Figure 4 below, with further information provided in the CRU’s PR6 Regulatory Framework paper (CRU202590).

²⁶ Where there is opex directly associated with a capex project, the CRU expects the opex allowance to flex up in-period in proportion to any change in capex allowed through the reopener process (subject to confirmation at the ex-post review).

Figure 4: PR6 Draft Determination Reopeners Summary



Volume Drivers

108. There are a number of network company activities where the unit costs of the activity can be determined ex-ante with reasonable confidence and certainty, but the volume of activity that will be delivered over the period is uncertain. These primarily relate to distribution network activities, which are typically higher volume and lower unit cost activities relative to those on the transmission networks.

109. The CRU is proposing 9 volume drivers for the DSO across load related and non-load related expenditure categories, covering c.37% of baseline capex allowances, as summarised in Table 7 below.

Table 7: PR6 Draft Determination DSO Volume Drivers Summary

€m, 2024 prices	Volume Driver	Associated Total Allowance (baseline)
Load related	New connections & associated metering	797.0
	Non-repayable line diversions	182.2
	MV/LV System Improvements (reactive MV/LV SI)	305.0
	20kV conversion covering the following: <ul style="list-style-type: none"> • IFTs associated with 20kV conversion. • 20kV conversion – circuits 	130.0
Non-load related	Asset Replacement – MV lines (selected volume-driven items), covering the following: <ul style="list-style-type: none"> • MV Condition Assessment MV Defect clearance	66.3

€m, 2024 prices	Volume Driver	Associated Total Allowance (baseline)
	Asset Replacement – MV Stations (Replacement of Magnefix Cast-Resin Type Switchgear)	16.8
	Asset Replacement – LV network, covering the following items: <ul style="list-style-type: none"> • LV Urban Condition Assessment and Follow on • LV Rural Condition Assessment and Follow on • LV Defect clearance LV wood pole replacement	42.7
	Meters and Time Switches (CT Planned Meter Replacement)	10.1
	Smart Metering (Smart+ and Retail Transformation: Smart Metering)	393.8
	Total	1,943.9

110. The CRU proposes to set ex-ante baseline allowances for these cost categories based on a reasonable estimate of volumes and an ex-ante unit cost. Revenues for these activities will be adjusted upwards or downwards (i.e. volume drivers are bi-directional) as part of the annual review process based on outturn volumes and the ex-ante unit costs. It will be for the DSO to demonstrate to the CRU the volume of activity delivered, as part of its annual regulatory submission. Please refer to the CRU's PR6 Regulatory Framework paper (CRU202590) for more detail.

Cost Incentives and Ex-post Cost Recovery

111. The CRU proposes to carry out an ex-post review at the end of PR6, in a similar manner to previous Price Reviews. The CRU is proposing to retain the guiding principles from PR5, focussing the review on whether the network companies have achieved their deliverables and incurred their expenditure efficiently.

112. As at PR5, any expenditure not demonstrated to have been efficiently incurred will be disallowed and expenditure demonstrated to have been efficiently incurred (even where greater than baseline allowances as adjusted by AIMF processes) will be allowed.

113. The CRU is proposing to retain the same cost incentive level (100%) as at PR5, i.e. the network company bears 100% of any inefficient overspend and retains 100% of any underspend, so long as the delivery obligation or other specified outputs have been delivered.

114. The principal change from PR5 is the level at which the CRU proposes to assess cost incentives. At PR5, capex and opex were reviewed at a granular level, where possible, summed up for the purposes of the cost incentive. Cost incentives were then applied at the level of total opex and total capex, i.e. applied to the difference between (a) total allowed opex and total outturn opex, and (b) total allowed capex and total outturn capex. For PR6, the CRU proposes that the ex-post assessment and cost incentives are determined individually for each delivery obligation (with the onus on the network companies to justify the efficiency of any proposed reallocations across delivery obligations); for other outputs, the cost incentive will be assessed bottom-up at the output level but aggregated to derive the overall change from the ex-ante allowance (as per PR5). For the capex cost incentive, the CRU will retain a five-year rolling retention mechanism.

Performance Incentives

115. The CRU proposes to streamline the design of most incentives for PR6 to make them more mechanistic in nature, with clearer outcome-based targets set at the beginning of the price review period, for the full price review period. This also involves removing or re-designing some of the balanced scorecard incentives, particularly those requiring the annual development of multi-year plans by network companies and their assessment and approval by the CRU.
116. The CRU proposes to retain many of the PR5 incentives, but with updated targets and/or with amended definitions and performance assessment criteria. Some new incentives are proposed to be introduced to incentivise network companies in the delivery of the PR6 objectives, while other PR5 mechanisms are proposed to be removed where they are no longer aligned with PR6 objectives or adding significant value over other delivery or cost incentives in the framework.
117. The CRU is proposing to retain the overall strength of the performance incentive mechanism for the DSO and TSO, and to increase the size of the TAO package with the addition of new incentives, in terms of annual average percentage return on regulated equity (RoRE). The CRU is also proposing to re-anchor and adjust the strength of individual incentives to sharpen incentives in key areas for network companies.
118. The DSO will be subject to 14 proposed performance incentives, 11 of which are retained or amended from PR5 and three of which are new. The DSO is incentivised across three primary areas: 1) Reliability and Availability, 2) Customer Satisfaction; and 3) System Management and Operational Capability. The CRU proposes to retain the same aggregate size of the DSO performance incentive package in terms of the percentage RoRE (i.e.

+1.80/-1.63). Retaining the same level of aggregate risk of the incentive package aligns with the DSO proposal. For PR6, this is approximately equal to an annual available upside of €71.69 and a potential penalty of -€65.11m.

119. The CRU proposes that the TAO be subject to 4 performance incentives in PR5, including 3 retained incentives (one streamlined to incorporate a new TAO-proposed metric) and 1 new joint incentive with the TSO. The TAO package supports two key outcomes: 1) Infrastructure and Project Delivery; and 2) Outage Planning and Management. The CRU proposes to increase the aggregate size of the TAO performance incentive package in terms of the percentage return on regulated equity to reflect the introduction of 2 new incentives (i.e. +1.00/-1.00 in PR6 compared to +0.51/-0.51). The TAO proposed to retain the same aggregate level of risk exposure. However, given the addition of two incentive proposals nearly doubles the number of incentives and these are in crucial areas for PR6, the CRU has proposed to increase the size of the package accordingly. For PR6, this is approximately equal to an annual available upside and downside of +/-€22.04m.
120. Finally, the TSO will be subject to 11 performance incentives supporting three key outcome areas: 1) Decarbonisation and Consumer Outcomes; 2) Investment Planning and Infrastructure Delivery; and 3) System Operation and Adequacy. The CRU proposes to retain the same aggregate size of the TSO performance incentive package in terms of the percentage return on regulated equity (i.e. +26.80/-13.40). Retaining the same level of aggregate risk of the incentive package aligns with the TSO proposal. For PR6, this is approximately equal to an annual available upside of €32.06m and a potential penalty of -€16.97m.

Reporting, Monitoring and Governance Arrangements

121. The CRU proposes to enhance the reporting and monitoring framework in PR6 to improve regulatory oversight. This will involve the continued publication of clear, concise and accessible reports on the network companies' performance and delivery. In addition, it is proposed that enhanced annual regulatory reporting to the CRU will provide a clear link between the ex-ante allowances and deliverables, spending decisions taken by the network companies during the PR6 period, and the holistic review of the network companies performance over the PR6 period in the ex-post review.
122. The enhanced reporting framework will allow the CRU to conduct effective oversight of the network companies while also allowing for greater flexibility in response to innovation and changing circumstances.

123. Alongside these reports, the CRU intends to publish a PR6 ‘dashboard’ that summarises key metrics and performance indicators.
124. While the CRU proposes to retain much of the PR5 reporting and monitoring arrangements this proposal includes for specific enhancements around reporting of outputs and allowances. These changes are to reflect learnings from PR5, the step up in transparency required alongside the increase in investment by the network companies, and the further transition to a more fully output- and outcome-based approach in PR6.
125. The CRU proposes to retain the TSO Monitoring Committee in PR6. In PR5, the Committee provided independent and on-going oversight of the TSO initiatives that were not fully defined at the start of PR5 but were required during PR5. The CRU considers that it has played a constructive role in providing independent assessment of new propositions before they are brought to the Commission for approval. The CRU is considering whether to extend the concept to the TAO and DSO, such that potentially there could be three separately appointed Monitoring Committees in the PR6 period, each covering one licensee, and whether to extend the Monitoring Committee(s)’ scope to assurance of changes to existing schemes as well as assessment of new propositions, alongside a general review of the existing scope.

Offshore Regulatory Framework

126. Significant investment is needed to develop an offshore grid that can facilitate Ireland’s offshore wind ambitions. The CRU has worked extensively since the publication of its CRU/2024/99 Offshore Revenue Model decision paper to further develop a supportive regulatory framework that will enable EirGrid to deliver and finance its offshore grid investment programme. In summary, the CRU proposes:
- To set a separate offshore price control for PR6 related to EirGrid’s new offshore asset ownership role. This will provide transparency of EirGrid’s offshore related costs during PR6 and beyond and greater predictability for the EirGrid business on the framework for recovery of its offshore costs.
 - An internationally recognised RAB-based revenue model that will allow EirGrid to earn an economic rate of return on its offshore investment to service and reflect the costs of financing a growing offshore grid asset base.
127. To support EirGrid during the initial establishment and financing of its new offshore asset ownership role, the CRU proposes to include cost of debt true-up and liquidity mechanisms as part of EirGrid’s offshore price control. These will act to mitigate EirGrid’s interest rate risk and will help to manage the unique financing and liquidity challenges that the offshore grid

programme raises for EirGrid. The CRU is also proposing to include an uplift in the allowed cost of capital for the offshore price control in PR6 to reflect the upfront business establishment and operating risks of the offshore grid programme. These measures are expected to be transitory and time limited to PR6 and PR7, in support of EirGrid's initial financing of the offshore grid investment programme.

128. The CRU is also proposing a hybrid real and nominal returns framework for the offshore price control that will help to further support EirGrid's operating cash flow. Under this proposal, EirGrid's offshore allowed revenues will be set on a real returns basis for equity and a nominal returns basis for debt – i.e., a hybrid basis. This means that a nominal rate of return will be applied to the debt component of the offshore RAB (at the proposed level of notional gearing – 60%) and a real rate of return to the equity component of the offshore RAB. The debt component of the RAB will not be subject to inflation indexation, while the equity component will be subject to indexation.
129. To support EirGrid's delivery of its offshore capital programme and protect the interests of consumers, the CRU also proposes to establish a new investment gateway monitoring process for EirGrid led (i.e., constructed) offshore grid connections.
- The investment gateway process will be used to monitor EirGrid's management of capital programmes such as Tonn Nua on the South Coast against an envisaged investment cost (capex) envelope for the project.
 - The CRU is consulting on the sizing of this envelope for the Tonn Nua project on as part of the Draft Determination which EirGrid has indicated could be in the range of €1.6-€2.2bn (current prices).
130. The investment gateway process has been designed to align with best regulatory practice for monitoring large infrastructure capital projects. It will be used by the CRU to approve expenditure on the Tonn Nua project on a forward-looking basis and to provide commitments to EirGrid that provided it maintains full transparency of its delivery of the capital programme, once expenditure has been made via a gateway there will be a high bar for any future disallowance. As a result, the investment gateway process will help to manage the inherent risks of the capital programme and will provide a guardrail for protecting the Irish consumer from cost escalation.
131. The CRU is also consulting on a suite of new offshore performance incentives which aim to incentivise EirGrid to delivery its capital programme to time and budget and, once operational, maintain high levels of availability of the offshore grid that will maximise the low

carbon electricity production that can be exported to the grid from the associated offshore wind farms.

132. As noted above, the CRU expects that some of the measures it is proposing for PR6 will be time limited and will only be required during the establishment and initial financing of the offshore grid investment programme during PR6 and PR7. Consistent with any economic regulatory framework, the CRU expects to evolve its approach overtime at each price review as new investment challenges and opportunities arise, and EirGrid becomes a more mature offshore asset ownership business.
133. Finally, as well as a separate price control and regulatory accounts for offshore, the CRU has previously stated (see CRU/2024/99) that it is of the view that a high degree of separation of EirGrid's new offshore asset owner responsibilities and related offshore activities from its existing licenced functions is a key component of a robust and stable regulatory model that protects Irish energy consumers. These governance issues do not form part of this PR6 consultation process, but the CRU continues to consider that separation between the TSO and offshore ownership activities is a necessity and something that EirGrid should begin to work towards immediately.
134. The CRU will require an update from EirGrid on its progress with these issues during the consultation period.

Next steps

135. The CRU is inviting stakeholders to comment on the Draft Determination proposals across the Transmission, Distribution and Offshore consultation papers. The consultation will close on the 11 September 2025 at 17:00. After consideration of all the responses received and engagement with network companies and other key stakeholders as required, the CRU will publish its Final Determination on PR6 in December 2025.

Appendix 1 – Draft Determination documents

Document Reference	Document Title	Document Type
CRU202586	Summary Paper	Consultation Paper
CRU202587	Distribution Paper	Consultation Paper
CRU202588	Transmission Paper	Consultation Paper
CRU202589	Offshore Paper	Consultation Paper
CRU202590	Regulatory Framework Paper	Consultation Paper
CRU202591	Impact Analysis	Consultation Paper
CRU202592	Infographic	Information Paper
CRU202593	Inflation Trends and Ongoing Efficiency	Information Paper
CRU202594	Onshore Cost of Capital	Information Paper
CRU202595	Offshore Cost of Capital	Information Paper
CRU202596	Financeability Assessment	Information Paper
CRU202597	Network Needs Assessment	Information Paper
CRU202598	Review of the Financial Regulatory Framework of the TSO for PR6	Information Paper
CRU202599a	TSO Opex Cost Assessment	Information Paper
CRU202599b	TAO Opex Cost Assessment	Information Paper
CRU202599c	DSO Opex Cost Assessment	Information Paper
CRU202599d	TSO and TAO Capex Cost Assessment	Information Paper
CRU202599e	DSO Capex Cost Assessment	Information Paper
CRU202599f	Offshore Cost Assessment	Information Paper
CRU202599g	TSO Revenue Model	Information Paper
CRU202599h	TAO Revenue Model	Information Paper
CRU202599i	DSO Revenue Model	Information Paper