

PR5 and PR6 TAO Opex Cost Assessment

CRU

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FINAL REPORT

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EXECUTIVE SUMMARY

This report provides CEPA's review and analysis of the Price Review 5 (PR5) and Price Review 6 (PR6) operating expenditure (opex) submissions made by ESB Networks as Transmission Asset Owner (TAO) for the years 2021-2030. A summary of the findings from the PR6 review are provided below in Table 1.

Table 1: Executive Summary

TAO Opex (€m, 2024 prices)	Ex Ante PR5 Allowance	PR5 Outturn	Ex Post PR5 Allowance	PR6 Request	PR6 Allowance	PR6 Allowance to PR5 Outturn Variance		PR6 Allowance to PR6 Request Variance	
						Total	%	Total	%
Transmission Operations	11.7	17.3	17.3	21.8	13.0	-4.3	-24.9%	-8.8	-41%
Planned Maintenance	109.9	109.4	109.4	115.4	112.6	3.2	2.9%	-2.8	-2%
Fault Maintenance	13.5	12.7	12.7	12.7	11.8	-0.8	-6.3%	-0.8	-6%
Transmission Retirements	-	-0.04	-0.04	-	-	-	-	-	-
Asset Management	2.9	4.2	4.2	5.8	4.8	0.6	14.3%	-1.0	-17.4%
Company Wide Costs	21.4 ¹	2.4	2.4	2.1	2.1	-0.3	-12.5%	-0.0	-1%
Corporate Charges		22.2	22.2	20.6	17.8	-4.2	-18.9%	-2.6	-13%
Insurance	3.8	4.4	4.4	1.5	1.5	-2.9	-65.9%	-	-
Legal	1.3	-	-	0.8	-	-	-	-0.8	-100%
Pension	2.4	2.1	2.1	0.9	0.8	-1.3	-61.9%	-0.1	-12%
IT Opex	-	-	-	3.3	3.3	-	-	-	-
Miscellaneous	-	9.1	-	-	-	-	-	-	-
Professional Fees	15.0	13.7	13.7	15.0	14.0	0.3	1.5%	-1.0	-7%
Telecom Fees	10.5	9.2	9.2	11.7	11.0	1.8	19.6%	-0.7	-6%
Total Controllable Opex	192.5	206.7	197.6	211.6	192.8	-13.9	-6.7%	-18.8	-8.8%
Network rates	190.7	165.1	165.1	198.3	198.3	33.2	20.1%	-	-
CER/CRU Levy	6.6	12.3	12.3	16.7	16.7	4.4	35.8%	-	-
Total Non-Controllable Opex	197.3	177.3	177.3	215.0	215.0	37.7	21.3%	-	-
Total Opex	389.9	384.0	374.9	426.6	407.8	23.9	6.2%	-18.7	-4.4%

Source: CEPA analysis.

¹ Company Wide Costs and Corporate Charges were submitted as one unique category in PR5 called 'Corporate Costs'. More detail can be found in Section 2.6.

Based on our ex post (lookback) assessment, we recommend that the TAO be allowed to recover its PR5 outturn expenditure in full, except for €9.1m of miscellaneous expenditure, which we do not consider has been adequately explained in the TAO's supporting submissions. Our recommended ex post allowance for controllable opex for PR5 is €197.6m.

For PR6 we recommended a baseline allowance for controllable opex of €192.8m, which is 8.8% lower than TAO's request of €211.6m in its business plan submission.

We propose to continue to engage with the TAO ahead of the CRU's Final Determinations on these issues, and would welcome further information to support our assessment.

It should be noted that there may be some small inconsistencies in summed values in this report due to rounding errors. Furthermore, where there are differences due to rounding between this paper and the rounded values that have been across the CRU's Draft Determination papers, the values in the CRU's papers should be taken to be the recommended allowances.

1. INTRODUCTION

ESB Networks carries out the function of Transmission Asset Owner (TAO). This report sets out the TAO's operational expenditure (opex) over the PR5 (2021 to 2025) and PR6 (2026 to 2030) periods.

The review considers the costs, processes and initiatives of the TAO over PR5 and identifies key issues to be considered in PR6. The report then reviews the TAO's proposals for expenditure in PR6 and makes recommendations on the level of expenditure, outputs and, if applicable, a regulatory framework to be allowed by the Commission for Regulation of Utilities (CRU).

1.1. DATA SOURCES AND ASSUMPTIONS

The information and data for this report has been gathered from the TAO up to 23rd May 2025. The review has been informed by ESB Networks' Business Plan submission, Business Plan Questionnaire (BPQ) data table, supporting information papers and network plans. Further information was also provided through workshops and engagements between the CRU and ESB Networks, and in response to Supplementary Questions (SQs) that were raised.

Unless otherwise stated, all prices stated within this document are expressed as real prices at 2024 price levels, based on the Harmonised Index of Consumer Prices (HICP).

Again, unless otherwise stated, all recommended PR6 allowances set out in this document are before the application of Real Price Effects (RPEs) and Ongoing Efficiency (OE). Please refer to CEPA's PR6 Inflation trends and Ongoing Efficiency paper (CRU202593) for our proposals on RPEs and OE and the CRU's PR6 Summary paper (CRU202586), which sets out PR6 allowances before and after the application of RPEs and OE.

1.2. OUR APPROACH

Our approach is structured into two parts: the PR5 lookback assessment and the PR6 look forward assessment. Our approach to the review can be described in two parts:

- A 'bottom-up' ex post assessment (or 'lookback' assessment) of network companies' PR5 allowances and PR5 outturn expenditure, as well as output delivery, and efficiency throughout PR5; and
- A 'bottom-up' ex ante assessment (or 'look forward' assessment) of network companies' forecast costs, planned delivery, and efficiency for PR6.

Each of these is discussed in the subsections below.

1.2.1. PR5 Lookback

In the PR5 lookback, we evaluate the TAO's performance in delivering the outputs set by the CRU, focusing on whether there was an underspend or overspend during the period. Additionally, we assess whether any overspend was due to inefficiencies or if an underspend was the result of under delivery or efficiency gains.

The objective of this lookback review is to evaluate the TAO's performance in meeting the outputs required by the CRU during PR5, and to determine whether the opex that was incurred in achieving these outputs were efficient and aligned with expectations.

The opex allowance set by the CRU for the TAO is divided into controllable and non-controllable opex. Controllable opex refers to costs that are within management's control, while non-controllable opex pertains to costs considered outside of management's control and, therefore, passed through to network charges via the annual revenue review process. Controllable costs are, therefore, the focus of our review.

Our comparison of allowed versus actual opex is approached from two key perspectives:

- For any reported differences between outturn and allowed opex, we have conducted a detailed analysis of the evidence submitted by the TAO to explain variances in outputs and costs. This analysis aims to assess whether any underspend results from efficiency gains or under-delivery of outputs.

- For any reported overspend, we assess whether the TAO has demonstrated that the costs are efficient or the result of over-delivery of outputs.

1.2.2. PR6 Look forward: Base-Trend-Step Methodology

This section of the report provides a summary of the base-trend-step cost assessment methodology that we have applied to estimate the efficient controllable opex for the TAO in PR6. Our approach is a well-established and transparent methodology that accounts for the specific challenges of assessing the efficient costs of Ireland's electricity network licensees and builds upon the bottom-up assessment that was taken in PR5.

For each cost category, we have applied an analytical approach that is commonly known as base-trend-step. As the name suggests, the approach consists of three analytical steps:

- identifying an efficient base level of opex that forms the starting point for future costs;
- projecting a forward trend in costs based on cost drivers and other assumptions; and
- identifying any step changes to scope that would result in changes to costs (positive or negative) that are additional to the trend.

Each of these steps is discussed further in the following sections.

A key strength of the base-trend-step approach is that it makes it very clear what customers would be funding in terms of new outputs and deliverables above business-as-usual costs. Taken together with our assessment of OE and RPEs², this approach gives us confidence that our recommendations set challenging but achievable Opex allowances for the TAO, and that they do so transparently.

Step 1: Approach to setting the TAO PR6 base

This step establishes an efficient starting point for the PR6 Opex allowance. Establishing an efficient cost base is important to ensure that outturn inefficiencies or forecasting uncertainties for the latter years of PR5 are not implicitly rolled over into the PR6 control period. Additionally, our understanding of the base is that it represents the fixed, recurring costs necessary to maintain a current level of operations.

Our preferred approach is to set the base on actual outturn costs incurred in by the licensee, and then adjust for new volumes of activity and new outputs through the trend and step. Additionally, we aim for our base to reflect BAU costs. Consequently, if costs grew (or declined) due to unexpected and unforeseen events, that we consider will not take place again, then we should correct for those factors in order to correctly reflect BAU costs.

We believe that the average of 2023 and 2024 is the best starting point for measuring the base cost for PR6, and this is mainly for three reasons. First, we aim to avoid year or year volatility, which refers to fluctuations in costs that may occur in a given year due to unforeseen factors, and are not a true reflection of BAU activities. This suggests that using more than one year is necessary to estimate the base. Second, we want to use up-to-date values, meaning we aim to use outturn values that are as close to the start of the PR6 period as possible. For this reason, we have prioritised using outturn years from 2023 onwards. The underlying assumption is that the closer the actual values are to the start of PR6, the better they will reflect BAU costs associated with BAU activities in PR6. Finally, we want to use actual, realised costs. This means we prefer to consider costs that the TAO has already incurred, avoiding forecasts unless there are clear reasons to use them. For these reasons, unless specified otherwise, our default base for the TAO will be the average of years 2023 and 2024.

On a case-by-case basis, we may adjust our default approach to setting the base where there is evidence to suggest that the approach set out above could represent an inappropriate base for PR6. This has been informed by our ex post review of the TAO's opex over PR5. Finally, where the TAO's proposed base is lower than our assessed base, our default position is to select the TAO's proposed base (this is commonly known as a 'ratchet'). This is consistent with the approach that has been taken at PR5 and in previous price reviews.

² Which as noted above, are assessed separately from this report.

Step 2: Applying a trend projection

After establishing the base, we forecast how efficient costs may evolve over PR6.

The cost projection for PR6 could be based on identifying relevant cost drivers for the category of costs. We define a trend adjustment as the growth in unit costs and volume of an underlying cost driver, which is independent of any step-change, programme, or structural change, as well as the unit cost increases captured by RPEs or OE improvements. As an example, the nature of the TAO's business means that some of its costs (e.g., maintenance) are driven by the length of the network, while other cost categories do not have a concrete driver.

It is important to note that some costs submitted by the TAO as trends in its business plans have been reinterpreted as steps in our assessment. This applies when no clear cost driver was identified, meaning we cannot determine volume growth or unit cost growth. In such cases, the only appropriate approach is to treat these costs as steps, following the framework outlined in the section below.³

Our trend projection for individual cost categories also exclude any adjustment for RPEs or OE. As discussed above, we provide our views on RPEs and OE in a separate report.

Step 3: Identifying step changes

The final step in our approach is to identify whether there are any changes in the outputs the TAO is expected to deliver in PR6 that are not captured by the trend. In general, step-changes will account for new initiatives and requirements faced by the TAO during PR6. For example, a one-off change in regulatory scope may increase or decrease opex. Similarly, the decision to switch from funding an activity through an Opex solution rather than a Capex solution could be accounted for in a step change. Step changes can be positive (i.e. increase efficient opex) or negative (i.e. reduce efficient opex).

This step in our cost assessment methodology is based on our evaluation of the TAO's business plan against the following criteria and gateways:

- **Need:** is there clear evidence that there is expected to be a change in the activities or costs incurred by the TAO? Have the aims and objectives of the step-change been set out? Has it been clearly aligned to the strategic objectives the CRU has set out for PR6? We apply a pass / fail criterion to this gateway.
- **Mapping to the BPQ submission:** has the TAO clearly mapped the step-change to its BPQ? We apply a pass / fail criterion to this gateway.
- **Additionality:** has it been clearly demonstrated that the costs associated with the proposed step-change are additional relative to the base level of opex? This question is not equivalent to asking whether the initiative / project is new or unique. For example, a brand-new IT application could replace an existing application in such a way that there is no additional cost to the consumer. Therefore, we assess whether the TAO demonstrated that existing resources are fully exhausted and additional resources are required to deliver the proposed step-change. A cost challenge of up to 25 percent is applied if we conclude that the TAO has not demonstrated additionality.
- **Cost confidence / value for money / efficiency:** has it been clearly demonstrated that the costs associated with the step-change are efficient? Have other options been explored that could achieve the same outcome? What metrics have been used to test that the requested costs are efficient? Has the TAO provided evidence that costs have been market-tested or benchmarked? Is there a cost build-up for the proposed step? Is there a clear demonstration of customer value associated with the outcomes of the step-change? Was a range of options considered? A qualitative judgement is required in cases where there is a lack of benchmarking data available to assess cost efficiency, for example, if the activity has not been

³ Some examples of the cost categories for which this is applicable are transmission operations, company wide costs, corporate charges, insurance, legal, pension, professional fees, and telecom fees.

delivered by the TAO before and/or comparators are not available. A cost challenge of up to 25 percent is applied in these cases where we conclude that the TAO has not demonstrated confidence in the cost estimate and/or cost efficiency and customer value of the step-change.

The first two gateways are pass / fail. This means that if we do not consider that the need for a step-change has been clearly set out, or if the TAO has not clearly mapped the step-change to the BPQ, our recommendation is that the step-change is not included in the allowance the CRU sets. The latter two gateways can have a partial pass, with up to a 25 percent cost challenge applied at each gateway. If the requested step were to be negative, however, we choose to accept the requested step without applying challenges.

Deciding the level of the cost challenge that should be applied for additionality and/or efficiency is inherently a judgement call. That judgement is necessarily informed by the information provided (or not provided) by the TAO. In addition to the specific types of evidence listed above, we have based that judgement on general considerations such as:

- The completeness, clarity and consistency of the supporting information provided for the proposed step-change.
- The level of detail provided to support the cost forecast for the step-change (relative to the monetary level of the step-change).
- Whether the TAO has demonstrated that the costs of the proposed step-change are proportionate to the customer benefit.

It is important to recognise that in the context of a price review, the obligation is on the TAO to demonstrate the need, additionality, and efficient level of forecast step changes in expenditure. The adjustments we make in the final two gateways, however, should also not be viewed purely as an efficiency challenge. Rather than a binary pass-fail system for these gateways, the adjustments we have applied are intended to signal to the TAO during the PR6 consultation process that further information and evidence is needed to establish the additional level of funded expenditure above the base. This means that where sufficient evidence and information can be provided by the TAO as part of its response to the PR6 consultation, we may revisit the adjustments we have made in these two final gateways.

1.2.3. Scope of analysis

In this report we perform a lookback assessment of the costs the TAO incurred during PR5, and an ex ante assessment of recommended allowances for PR6. We only provide a recommendation for costs within the controllable opex category and so report the TAO's current BPQ forecasts for non-controllable costs in presenting proposals for the ex ante opex allowances for PR6.

1.3. REPORT STRUCTURE

The rest of this report is structure as follows.

- In Section 2, we provide our ex post review of the TAO's PR5 outturn opex as part of our lookback exercise, our assessment of the TAO's performance, our recommendations in terms of any disallowances to outturn expenditure and the impact on the ex ante setting of PR6 allowances; and
- In Section 3, we provide our review of the TAO's requested opex as part of our look forward exercise. We provide our recommendations in terms of challenges or adjustments to the TAO's PR6 request, and the supporting rationale for this.

2. REVIEW OF PR5 OPERATING EXPENDITURE

This section reviews the reported TAO PR5 (2021 to 2025) opex and compares this outturn against the TAO's PR5 opex allowances, as determined by the CRU in the PR5 Final Decision Paper. The 2021 to 2023 performance and cost data are based on actual recorded values, while the 2024 and 2025 performance and cost data are based on the latest available forecast data submitted by the TAO.

Table 2 presents an overview of the TAO's actual and forecast outturn costs for PR6, and the PR5 allowance.

Table 2: Summary of PR5 opex Outturn costs and Allowances

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Transmission Operations	3.1	3.6	3.7	3.5	3.4	11.7	17.3	5.6	47.9%
Planned Maintenance	18.4	21.1	24.2	23.0	22.6	109.9	109.4	-0.5	-0.5%
Fault Maintenance	2.6	2.9	2.3	2.4	2.5	13.5	12.7	-0.8	-5.9%
Transmission Retirements	-0.05	0.01	-	-	-	-	-0.04	0.04	-
Asset Management ⁴	0.9	0.8	0.1	1.2	1.2	2.94	4.2	1.26	42%
Company Wide Costs	0.5	0.4	0.4	0.4	0.6	21.4 ⁵	2.4	3.2	14.9%
Corporate Charges	3.9	3.5	2.9	4.2	7.7		22.2		
Insurance	0.9	0.8	0.6	0.9	1.3	3.8	4.4	0.6	15.8%
Legal	-	-	-	-	-	1.3	-	-1.3	-
Pension	0.8	0.5	0.2	-	0.7	2.4	2.1	-0.3	-12.5%
IT Opex ⁶	-	-	-	-	-	-	-	-	-
Miscellaneous ⁷	3.8	3.6	1.6	-	-	-	9.1	9.1	-
Professional Fees	3.9	2.7	2.3	2.3	2.4	15.0	13.7	-1.3	-8.7%
Telecom Fees	2.3	1.6	1.8	1.8	1.8	10.5	9.2	-1.3	-12.4%
Total Controllable Opex	41.0	41.7	40.0	39.7	44.2	192.5	206.7	14.1	7.3%
Network Rates	36.3	29.1	30.2	31.9	37.7	190.7	165.1	-25.6	-13.4%
CER/CRU Levy	1.3	1.8	2.3	3.4	3.4	6.6	12.3	5.6	84.7%
Total Non-Controllable Opex	37.6	30.9	32.5	35.3	41.1	197.3	177.3	-20.0	-10.1%
Total Opex	78.6	72.6	72.5	75.0	85.3	389.9	384.0	-5.9	-1.5%

Source: ESB Networks, TAO Business Plan Questionnaire.

⁴ This cost category was referred to as 'Wayleaves' during PR5.

⁵ See Section 2.6.1 for discussion of why we treat Company Wide costs and corporate charges as one cost category.

⁶ We include IT Opex within this list because it is a cost category that has been requested for PR6, but that has not been allowed nor spent during PR5.

⁷ These are non-regulated costs and were not taken into account in the setting of allowances.

For PR5, the CRU allowed €192.5m of controllable opex and the forecast outturn by the end of 2025 will be €206.7m. This controllable outturn opex represents a 7.3% increase relative to allowances.

The expected overspend in controllable opex is mostly driven by an increase in two cost categories.

- First, there are €9.1m additional outturn costs from the 'Miscellaneous' cost category. This category relates to accounting provisions and adjustments, and is a cost category that is not included within the allowance requests for PR6.
- Second, a €5.6m increase in Transmission Operations costs.

We set out below a detailed explanation of our PR5 lookback analysis disaggregated by cost category below.

2.1. TRANSMISSION OPERATIONS

2.1.1. Comparison of PR5 Outturn versus Allowance

Transmission Operations costs are expected to be €17.3m, €5.6m (47.9%) higher than the allowed €11.7m at PR5 Final Determinations. This cost category reflects the cost of the daily operation of the transmission network, including activities such as monitoring, switching and investigations.

Table 3: Transmission operations costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Transmission operations	3.1	3.6	3.7	3.5	3.4	11.7	17.3	5.6	47.9%

Source: ESB Networks, TAO Business Plan Questionnaire.

2.1.2. Our Assessment

We understand that the costs associated with Transmission Operations is in part driven by the length of the transmission network.⁸ The longer the network, the higher the costs.

To investigate the drivers of the overspend of the PR5 allowance, we have compared the outturn unit cost for Transmission Operators, based on the actual network length and the actual costs, and a unit cost for the allowance, based on the allowed costs and the length with which the allowance was projected. On the basis we can compare the two unit costs (allowed vs. outturn) as shown in Table 4 and As the table and figure shows, the outturn unit costs in Transmission Operations has been significantly higher than the unit costs assumed in setting the allowance in PR5. In other words, the TAO spent more per kilometre of network than the values that were initially allowed.

Figure 1.

Table 4: Transmission Operations unit costs during PR5, both allowance and outturn

Costs (€m), length (km), unit costs (€/km)	2021	2022	2023	2024	2025
	Actual	Actual	Actual	Forecast	Forecast
Allowance Transmission operations allowance (€m, 2024 prices)	2.3	2.3	2.3	2.3	2.3

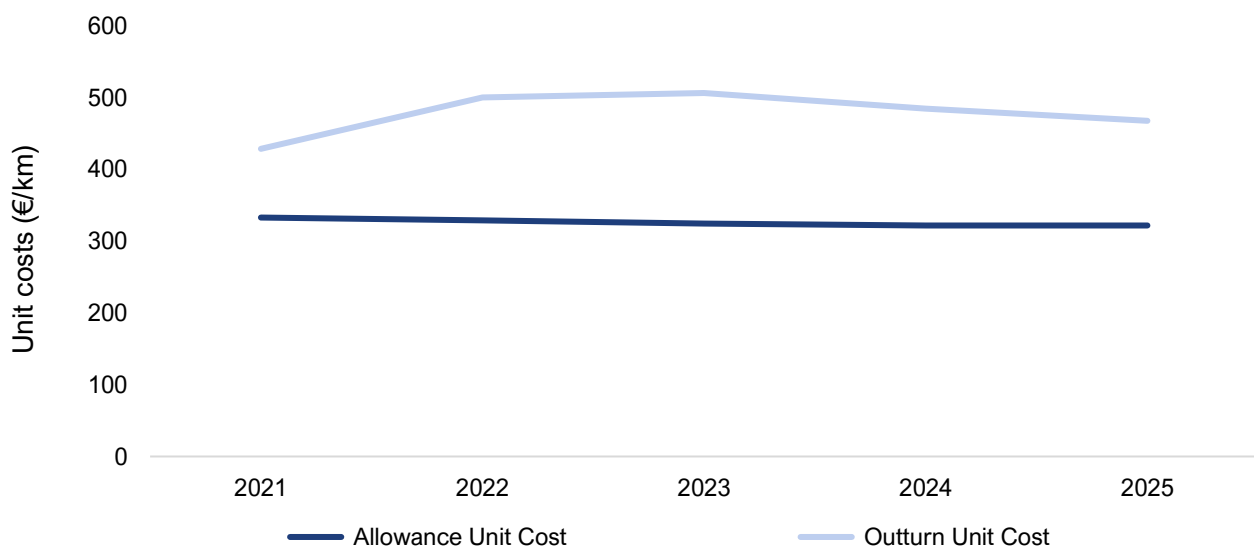
⁸ This is based on regulatory precedent, as the Transmission Network Length, measured in kilometres, was used as a cost driver for Transmission Operations in PR5.

Costs (€m), length (km), unit costs (€/km)		2021	2022	2023	2024	2025
		Actual	Actual	Actual	Forecast	Forecast
	Transmission Network Length (km)	7,074	7,157	7,260	7,318	7,318
	Unit cost (€/km)	332.0	328.2	323.5	321.0	321.0
Outturn	Transmission operations outturn (€m, 2024 prices)	3.1	3.6	3.7	3.5	3.4
	Transmission Network Length (km)	7,093	7,118	7,175	7,204	7,215
	Unit cost (€/km)	433.8	506.1	512.5	490.4	473.3

Source: CEPA, TAO Business Plan Questionnaire.

As the table and figure shows, the outturn unit costs in Transmission Operations has been significantly higher than the unit costs assumed in setting the allowance in PR5. In other words, the TAO spent more per kilometre of network than the values that were initially allowed.

Figure 1: Transmission Operations unit cost (€/km) over PR5, allowance and outturn



Source: CEPA, TAO Business Plan Questionnaire

From our review of the TAO's business plan, and supplementary questions, we understand that this difference has been driven changes in the mix of activities envisaged at the time of the original forecast including additional generation being connected to the network. We are generally satisfied with the explanation that the TAO has provided for the additional costs, and that this has been driven by external drivers, and as a result, we consider that the higher outturn cost should be recoverable by the TAO.

2.1.3. Conclusion

An increase in the amount and diversity of generation being connected to the network throughout the period explains the increase in unit costs. Therefore, we do not consider the overall overspend to be significant, since the TAO has identified external drivers for the higher costs. Consequently, we do not disallow costs within this category.

2.2. PLANNED MAINTENANCE

2.2.1. Comparison of PR5 Outturn versus Allowance

Planned Maintenance costs are forecast to be €109.4m, €0.5m (0.5%) less than allowed total of €109.9m (as shown in Table 5). Maintenance costs are associated with the management of the transmission network assets to ensure that they continue to function as designed and is split between planned and unplanned (fault).

Table 5: Planned maintenance costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Planned Maintenance	18.4	21.1	24.2	23.0	22.6	109.9	109.4	-0.5	-0.5%

Source: ESB Networks, TAO Business Plan Questionnaire.

2.2.2. Our Assessment

The TAO has explained that the underspend is driven by several factors. First, network congestion, which leads to difficulties allocating outage durations to carry out maintenance activities, increased during PR5. This is because the connection of renewable energy projects drove a rise in network congestion. Second, projects related to Temporary Emergency Generation, as resources that would usually be allocated to planned maintenance, were reallocated to these projects.⁹ Third, Covid-19 also played a role in reducing maintenance costs. Overall, these factors have reduced the volume of maintenance the TAO has undertaken.

We have also assessed the evolution of unit costs in planned maintenance for PR5 again using network length as a cost driver (see Table 6 and Figure 2 below).

Table 6: Planned maintenance unit costs during PR5, both allowance and outturn

Costs (€m), length (km), unit costs (€/km)	2021	2022	2023	2024	2025
	Actual	Actual	Actual	Forecast	Forecast
Allowance					
Planned maintenance allowance (€m, 2024 prices)	21.5	21.8	22.1	22.3	22.3
Transmission Network Length (km)	7,074	7,157	7,260	7,318	7,318
Unit cost (€/km)	3,043	3,043	3,043	3,043	3,043
Outturn					
Planned maintenance outturn (€m, 2024 prices)	18.4	21.1	24.2	23.0	22.6
Transmission Network Length (km)	7,093	7,118	7,175	7,204	7,215
Unit cost (€/km)	2,597	2,969	3,366	3,196	3,138

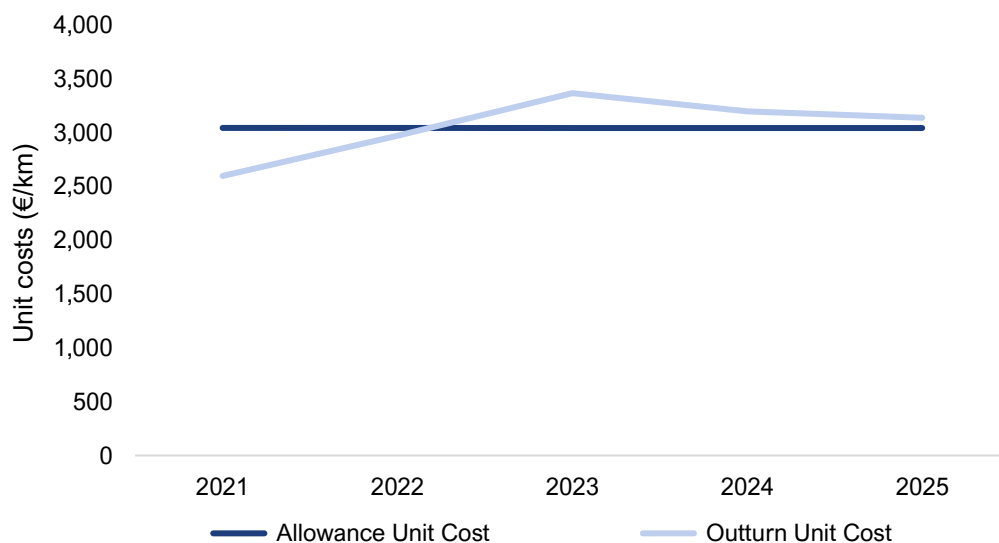
Source: CEPA, TAO Business Plan Questionnaire.

As Figure 2 shows, the outturn unit cost for planned maintenance (on a km of network length basis) was lower in the first two years of the period, and for the last three it is higher. The average unit costs (per km of network length)

⁹ Temporary Emergency Generation refers to the additional generation capacity procured as part of the Security of Supply programme.

in the CRU's allowance were €3,042/km while the outturn unit cost is €3,053/km respectively. At a high level, this indicates that cost of the planned maintenance programme – normalising for the length of the network – has been generally consistent with the ex ante expectation (a difference on average of 0.3%).

Figure 2: Planned Maintenance unit costs during PR5, allowed and outturn



Source: CEPA, TAO Business Plan Questionnaire.

As noted above, planned maintenance in PR5 was disrupted, resulting in less activity than expected based on the ex ante opex allowance. However, since these disruptions were due to external factors and resources appear to have been redirected to other purposes, such as innovation in maintenance, and given that TAO's spending increased later in PR5, we consider the final cost to be reasonable overall.

2.2.3. Conclusion

We consider the PR5 expenditure appropriate and do not propose any disallowance is made.

2.3. FAULT MAINTENANCE

2.3.1. Comparison of PR5 Outturn versus Allowance

Fault Maintenance costs are forecast to be €12.7m, €0.8m (5.9%) less than allowed total of €13.5m (see Table 5). Maintenance costs are those associated with the management of the assets to ensure that they continue to function as designed and is split between planned and unplanned (fault).

Table 7: Fault maintenance costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Fault Maintenance	2.6	2.9	2.3	2.4	2.5	13.5	12.7	-0.8	-5.9%

Source: ESB Networks, TAO Business Plan Questionnaire.

2.3.2. Our Assessment

The reasons behind the underspend in Fault Maintenance are the same ones as the ones outlined for planned maintenance.

As with planned maintenance, we have compared in Table 6 the evolution of fault maintenance unit costs during PR5 per km of network length. Overall, with the exception of 2022, this shows that the outturn cost per km of network length has been lower than the allowed unit cost.

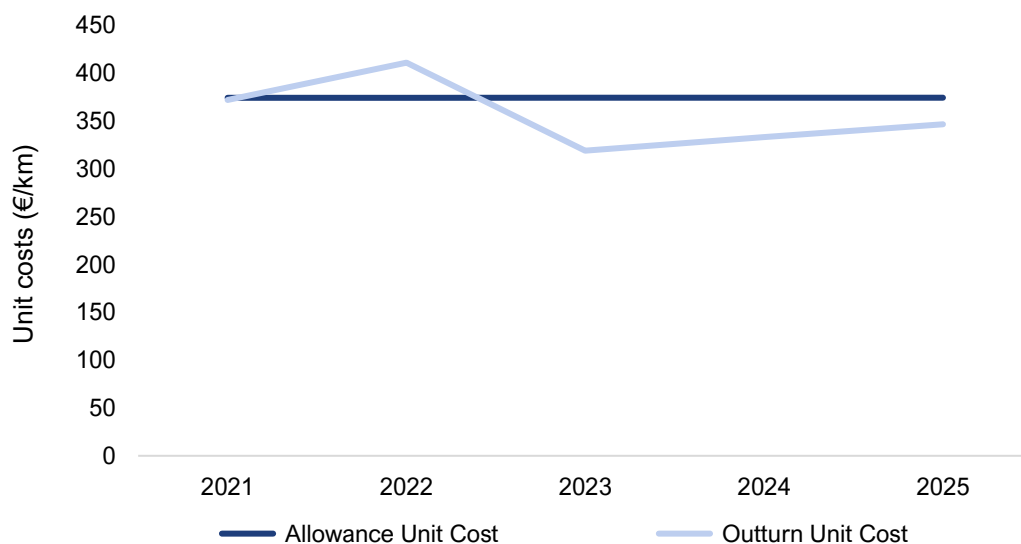
Table 8: Fault Maintenance unit costs during PR5, both allowance and outturn

Costs (€m), length (km), unit costs (€/km)		2021	2022	2023	2024	2025
		Actual	Actual	Actual	Forecast	Forecast
Allowance	Fault maintenance allowance (€m, 2024 prices)	2.6	2.7	2.7	2.7	2.7
	Transmission Network Length (km)	7,074	7,157	7,260	7,318	7,318
	Unit cost (€/km)	374	374	374	374	374
Outturn	Fault maintenance outturn (€m, 2024 prices)	2.6	2.9	2.3	2.4	2.5
	Transmission Network Length (km)	7,093	7,118	7,175	7,204	7,215
	Unit cost (€/km)	372	411	319	333	346

Source: CEPA, TAO Business Plan Questionnaire.

In Figure 3 below we observe the same trend. Overall, Fault Maintenance costs have stayed below the cost per km of network length assumed in setting the ex ante allowance.

Figure 3: Fault Maintenance unit costs during PR5, allowed and outturn



Source: CEPA, TAO Business Plan Questionnaire.

At a high level, this indicates that the cost of the fault maintenance programme – normalising for length of the network – has been consistent or lower than the ex ante expectation. Given that the TAO has generally incurred costs that are aligned with or lower than the allowance, and there is no indication to suggest that there has been an inappropriate volume of activity undertaken, we consider the outturn cost to be reasonable.

2.3.3. Conclusion

We consider the PR5 expenditure appropriate and do not propose any disallowance is made.

2.4. TRANSMISSION RETIREMENTS

2.4.1. Comparison of PR5 Outturn versus Allowance

The TAO has forecast a net saving of €0.04m relating to Transmission Retirements. This was not captured within the PR5 ex ante opex allowance, as shown in Table 9 below.

Table 9: Transmission retirement costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Transmission Retirements	-0.05	0.01	-	-	-	-	-0.04	0.04	-

Source: ESB Networks, TAO Business Plan Questionnaire.

2.4.2. Our Assessment

No allowance was provided for this cost category. Given its materiality, we consider the outturn reasonable.

2.4.3. Conclusion

We consider the outturn cost reasonable and should be allowed in full.

2.5. ASSET MANAGEMENT

2.5.1. Comparison of PR5 Outturn versus Allowance

The TAO has forecast an outturn cost of €4.2m for PR5, €1.3m (42%) higher than the allowance of €2.9m for the period. This cost category covers the costs relating to the development and review of technical and engineering policies, programme and project management, wayleave and forestry management, and managing and operating stores.

Table 10: Asset management costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Asset Management ¹⁰	0.9	0.8	0.1	1.2	1.2	2.9	4.2	1.3	42%

Source: ESB Networks, TAO Business Plan Questionnaire.

2.5.2. Our Assessment

The TAO explained that this allowance is forecast to be overspent due to an increase in mast interference payments above 38kV. Furthermore, from regulatory precedent, we know that asset management costs are driven by the overhead line network length (OHL). As we can see from Table 11, outturn unit costs for asset management have been higher throughout PR5 than assumed in the allowance.

¹⁰ This cost category was referred to as 'Wayleaves' during PR5.

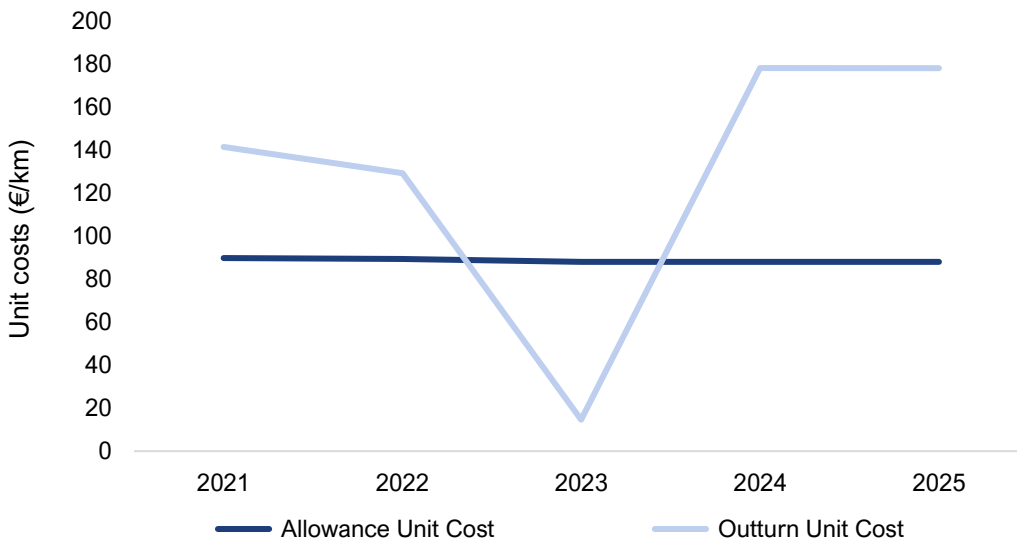
Table 11: Asset management unit costs in PR5, both allowance and outturn

Costs (€m), length (km), unit costs (€/km)		2021	2022	2023	2024	2025
		Actual	Actual	Actual	Forecast	Forecast
Allowance	Asset management allowance (€m, 2024 prices)	0.6	0.6	0.6	0.6	0.6
	OHL Length (km)	6,547	6,576	6,679	6,679	6,679
	Unit cost (€/km)	90	89	88	88	88
Outturn	Asset management outturn (€m, 2024 prices)	0.9	0.8	0.1	1.2	1.2
	OHL Length (km)	6,585	6,582	6,613	6,618	6,620
	Unit cost (€/km)	141	129	15	178	178

Source: CEPA, TAO Business Plan Questionnaire.

While 2023 was an exception, asset management unit costs have generally been higher per km of OHL than assumed in the allowances (see Figure 4).

Figure 4: Asset management unit costs in PR5, allowed and outturn



Source: ESB Networks, TAO Business Plan Questionnaire.

Given that the TAO has identified a reason for why costs in this category should be expected to be higher than was assumed when setting the allowance, and so the cost per OHL would be expected to be higher, we conclude that the outturn cost is reasonable.

2.5.3. Conclusion

The explanation for the increase in cost (in total and on per unit of OHL) and the relatively modest scale of the overspend of the allowance (€1.3 million) leads us to conclude that the costs are reasonable and should be allowed in full as part of the close out of PR5.

2.6. COMPANY-WIDE COSTS AND CORPORATE CHARGES

2.6.1. Comparison of PR5 Outturn versus Allowance

We have chosen to group Company Wide costs and Corporate Charges together, as they were both included under the 'Corporate Costs' category in the PR5 Final Determinations.¹¹ Since these costs were assessed ex ante collectively, individual allowance values for each category are not available. Corporate Charges cover expenses related to the chief executive, group finance, corporate affairs, regulatory functions, and human resources. Company Wide costs include expenditures for the employee stock ownership plan, sports and social subsidies, union group costs, industrial council costs, and pension supplements.

The TAO has forecast expenditure of €2.4m and €22.2m for company-wide costs and corporate charges respectively over the PR5 period. The sum of these two, €24.6m, represents a €3.2m (14.9%) increase relative to the PR5 allowance of €21.4m.

Table 12: Company Wide and Corporate Charges costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Company Wide Costs	0.5	0.4	0.4	0.4	0.6		2.4		
						21.4 ¹²		3.2 ¹³	14.9%
Corporate Charges	3.9	3.5	2.9	4.2	7.7		22.2		

Source: ESB Networks, TAO Business Plan Questionnaire.

2.6.2. Our Assessment

The TAO has indicated that Corporate Charges were expected to rise, particularly in 2024 and 2025, due to the reclassification of legal costs and specific projects such as STEPs and Empower HR. However, no clear explanation was provided for the outturn costs in Company Wide costs, as the narrative submitted by ESB Networks addressed only the DSO and TAO together. The TAO mentioned that Company Wide costs are expected to be underspent in PR5, which leads us to conclude that the overspend in the broader Corporate Costs category is led by Corporate Charges.

2.6.3. Conclusion

Since the overspend can only be attributed to Corporate Charges and is primarily driven by changes in accounting methods and ongoing programs, we recommend not to disallow costs, particularly given expenditure on more indirect activities need to be viewed in the round at a more aggregate total opex spend level.

¹¹ This cost category is also referred to as 'Corporate overheads'.

¹² The PR5 final determination for the broader 'Corporate Costs' category, which includes both corporate charges and company-wide costs, was set at €21.4 million (€18.2 million in 2019 prices).

¹³ This is the difference between (€2.4m + €22.2m) – €21.4m = €3.2m.

2.7. INSURANCE

2.7.1. Comparison of PR5 Outturn versus Allowance

The TAO has forecast an outturn of €4.4m for Insurance costs, a €0.6m (15.8%) increase relative to the €3.8m allowance (see Table 13). This cost category captures the cost of managing the insurance function and insurance premiums and claims paid out.

Table 13: Insurance costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Insurance	0.9	0.8	0.6	0.9	1.3	3.8	4.4	0.6	15.8%

Source: ESB Networks, TAO Business Plan Questionnaire.

2.7.2. Our Assessment

The overspend in Insurance costs is driven by policy cost increases, and in particular, increasing costs of cyber security policies. These increases are likely to continue in PR6 and we understand the cost of gaining cyber security has increased over time, and so we consider the overspend of the allowance reasonable.

2.7.3. Conclusion

We recommend to not disallow costs for this category.

2.8. LEGAL

2.8.1. Comparison of PR5 Outturn versus Allowance

Legal costs cover the cost of all Legal Services, in-house and external, excluding those relating to wayleaves, servitudes, and easements. As we can see from Table 14, there were no incurred legal costs assigned to the TAO during PR5. This would imply an underspend of €1.3m, which was the allowed value for the period.

Table 14: Legal costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Legal	-	-	-	-	-	1.3	-	-1.3	-

Source: ESB Networks, TAO Business Plan Questionnaire.

2.8.2. Our Assessment

During PR5, all incurred Legal Costs were allocated to the DSO, meaning the TAO did not receive any legal cost allocation. ESB's overall forecast, inclusive of both TAO and DSO, anticipates underspending on legal costs due to the use of an in-house resolution team.

2.8.3. Conclusion

Given there is no allocated expenditure to this category, we recommend not to disallow any costs.

2.9. PENSIONS

2.9.1. Comparison of PR5 Outturn versus Allowance

The TAO has forecast an outturn of €2.1m, which represents a €0.3m (12.5%) decrease relative to the €2.4m allowance.

Table 15: Pension costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Pension	0.8	0.5	0.2	-	0.7	2.4	2.1	-0.3	-12.5%

Source: ESB Networks, TAO Business Plan Questionnaire.

2.9.2. Our Assessment

The TAO does not address the underspend in this cost category for these specified costs.

2.9.3. Conclusion

Given the underspend in this category, we recommend not to disallow costs.

2.10. IT OPEX

2.10.1. Comparison of PR5 Outturn versus Allowance

No costs were allowed nor spent in IT opex during PR5. We include IT Opex within our assessment because it is a cost category that has been requested for PR6, but that has not been allowed nor spent during PR5.

Table 16: IT opex costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
IT Opex	-	-	-	-	-	-	-	-	-

Source: ESB Networks, TAO Business Plan Questionnaire.

2.10.2. Our Assessment

No costs were allowed nor spent in IT opex during PR5.

2.10.3. Conclusion

No costs were allowed nor spent in IT opex during PR5 so no adjustments are required ex post.

2.11. MISCELLANEOUS

2.11.1. Comparison of PR5 Outturn versus Allowance

The TAO has forecast an outturn value for Miscellaneous costs of €9.1m, €9.1m less than the allowance, which for this variable was €0m (see Table 18).

Table 17: Miscellaneous costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Miscellaneous	3.8	3.6	1.6	-	-	-	9.1	-9.1	-

Source: ESB Networks, TAO Business Plan Questionnaire.

2.11.2. Our Assessment

According to the TAO, these are non-regulated costs, but no further clarification on what these covered has been provided.

2.11.3. Conclusion

We are unable to assess whether the PR5 outturn is efficient and we therefore reject the outturn.

2.12. PROFESSIONAL FEES

2.12.1. Comparison of PR5 Outturn versus Allowance

The TAO has forecast an outturn value for Professional Fees of €13.7m, €1.3m (8.7%) less than the allowance of €15.0m (see Table 18). These costs relate to contracted services for intermittent support in the operation, maintenance, and management of transmission assets.

Table 18: Professional Fees in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Professional Fees	3.9	2.7	2.3	2.3	2.4	15.0	13.7	-1.3	-8.7%

Source: ESB Networks, TAO Business Plan Questionnaire.

2.12.2. Our Assessment

These costs are expected to be underspent due to Covid-related international travel restrictions, which limited the participation of Original Equipment Manufacturer (OEM) engineers in specific projects and maintenance tasks.

2.12.3. Conclusion

We consider the outturn cost to be reasonable and do not recommend any disallowance.

2.13. TELECOM FEES

2.13.1. Comparison of PR5 Outturn versus Allowance

The TAO has forecast an outturn of €9.2m, €1.3m (12.4%) less than the allowed €10.5m (see Table 19). These are Telecom costs that are used exclusively in the real time management of network assets.

Table 19: Telecom fees in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Telecom Fees	2.3	1.6	1.8	1.8	1.8	10.5	9.2	-1.3	-12.4%

Source: ESB Networks, TAO Business Plan Questionnaire.

2.13.2. Our Assessment

The TAO has stated that large telecommunication projects have been delayed during PR5 due to Covid. These delays implied a reduction in outturn costs.

2.13.3. Conclusion

We consider the outturn cost to be reasonable and do not recommend any disallowance.

2.14. NON-CONTROLLABLE COSTS

Table 20 displays the outturn non-controllable costs, which include Network Rates and the CER/CRU levy. Network Rates have been lower than anticipated, with a forecast outturn of €165.1m, €25.6m (13.4%) less than the allowed €190.7m. On the other hand, the CER/CRU levy has been €5.6m (84.7%) higher than the allowed amount. Overall, non-controllable opex is forecast to be €177.3m, €20m (10.1%) lower than the allowed €197.3m.

Table 20: Non-controllable costs in PR5

TAO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Network Rates	36.3	29.1	30.2	31.9	37.7	190.7	165.1	-25.6	-13.4%
CER/CRU Levy	1.3	1.8	2.3	3.4	3.4	6.6	12.3	5.6	84.7%
Total Non-Controllable Opex	37.6	30.9	32.5	35.3	41.1	197.3	177.3	-20.0	-10.1%

Source: ESB Networks, TAO Business Plan Questionnaire.

2.15. SUMMARY OF PR5 EX POST RECOMMENDATIONS

Table 21 summarises our recommendations on the allowed outturn for PR5.

Table 21: Summary of PR5 Opex Outturn costs and allowances

TAO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	Ex post PR5 Allowance	Variance	
				€m	%
Transmission Operations	11.7	17.3	17.3	-	-
Planned Maintenance	109.9	109.4	109.4	-	-
Fault Maintenance	13.5	12.7	12.7	-	-
Transmission Retirements	-	-0.04	-0.04	-	-
Asset Management ¹⁴	2.9	4.2	4.2	-	-
Company Wide Costs	21.4	2.4	2.4	-	-

¹⁴ This cost category was referred to as 'Wayleaves' during PR5.

TAO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	Ex post PR5 Allowance	Variance	
				€m	%
Corporate Charges		22.2	22.2	-	-
Insurance	3.8	4.4	4.4	-	-
Legal	1.3	-	-	-	-
Pension	2.4	2.1	2.1	-	-
IT Opex ¹⁵	-	-	-	-	-
Miscellaneous ¹⁶	-	9.1	-	-9.1	-
Professional Fees	15.0	13.7	13.7	-	-
Telecom Fees	10.5	9.2	9.2	-	-
Total Controllable Opex	192.5	206.7	197.6	-9.1	-
Network Rates	190.7	165.1	165.1	-	-
CER/CRU Levy	6.6	12.3	12.3	-	-
Total Non-Controllable Opex	197.3	177.3	177.3	-	-
Total Opex	389.9	384.0	374.9	-9.1	-2.3%

Source: CEPA, ESB Networks.

Overall, we have only recommended a disallowance for the Miscellaneous cost category. Aside from this category, we consider that the costs that were incurred appear reasonable and where there have been under or overspends against the category allowances, the TAO has provided an adequate justification for its outturn spend.

Looking forward to PR6, we consider it is crucial that the TAO actively seeks to ensure it is meeting its planned maintenance schedule and plans, as this provides a proactive activity to support the resilience and performance of the transmission network asset base. PR5 had several unique circumstances – in particular, the Covid pandemic – that will not apply in PR6 and so we would expect that the TAO will be able to continue the run rates of planned maintenance activities it has stated are possible in the latter years of PR5.

This is an important aspect of the TAO's delivery for the CRU to monitor as over time, under delivery of planned maintenance will have a long-term detrimental impact. It is within the TAO's control to manage via collaboration with the TSO and active management of its supply chain and internal workforce.

¹⁵ We include IT Opex within this list because it is a cost category that has been requested for PR6, but that has not been allowed nor spent during PR5.

¹⁶ These are non-regulated costs and will not be taken into account in the setting of allowances.

3. REVIEW OF PR6 OPERATING EXPENDITURE

3.1. OVERVIEW OF THE TAO’S PR6 REQUEST

The objective of the CRU in setting allowed opex is to ensure that the TAO can deliver the outputs that are required by customers while challenging the licensee to perform at an efficient level. This should result in setting the TAO challenging but realistic targets and incentives.

In this section of the report, we review the TAO’s requested opex for the PR6 period and develop our independent proposals for the opex allowance for the period from 2026 to 2030.

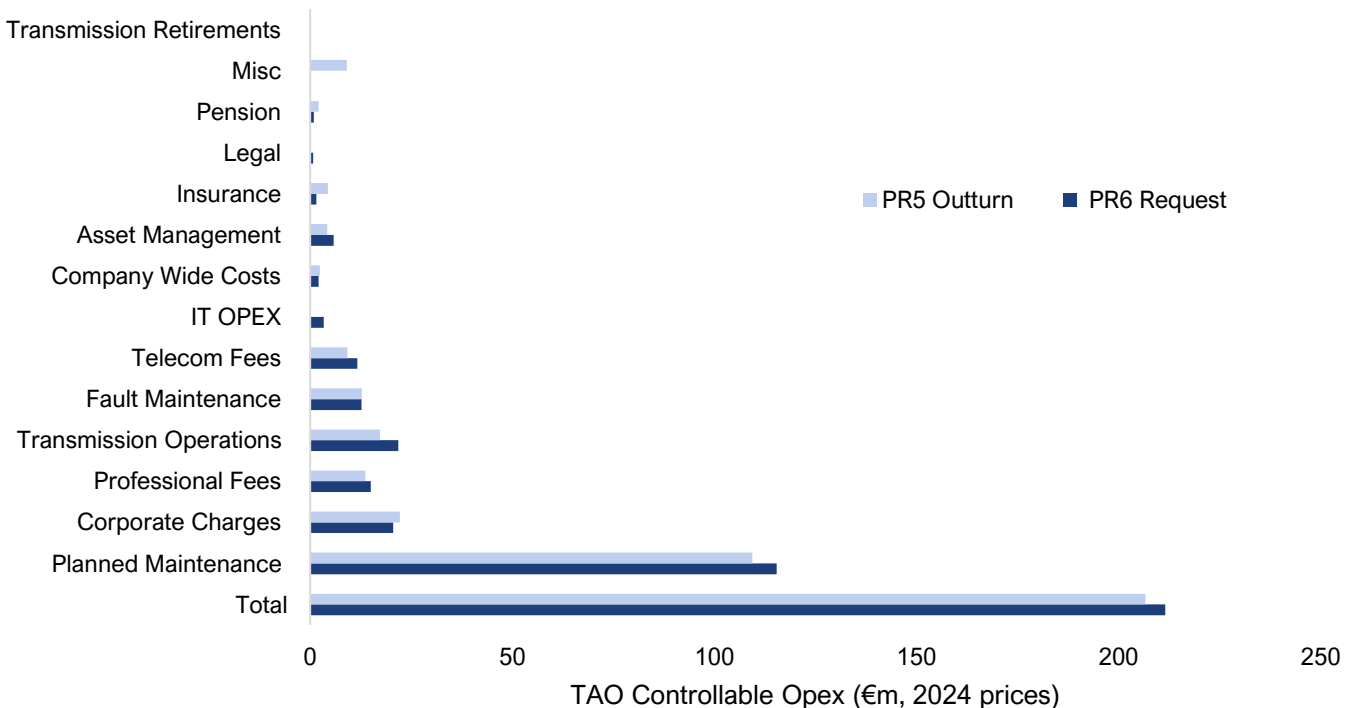
The TAO’s request for the PR6 period represents a 11.1% increase relative to PR5 outturn (see Table 22). The PR5 outturn is forecast to be €384m, while the PR6 request is €426.6m. This creates a total difference of €42.6m. The largest part of this difference, €33.2m, is due to an increase in network rates, which is expected to grow from €165.1m to €198.3m and falls under non-controllable opex.

For controllable opex, the PR6 request represents an increase of €4.9m (2.4%) relative to the PR5 outturn. The biggest increases stem from the two largest cost categories of the TAO’s controllable opex:¹⁷

- Planned maintenance: the difference between the PR5 outturn and the PR6 request is of €6.0m, which represents a 5.5% increase.
- Transmission operations: the difference between the PR5 outturn and the PR6 request is of €4.5m, which represents a 26% increase.

This is illustrated in Figure 5.

Figure 5: Controllable Opex PR5 Outturn and PR6 Request



Source: ESB Networks, TAO Business Plan Questionnaire

¹⁷ We note that the sum of the increases of planned maintenance and transmission operations is higher than the total of €4.9m. This is because some of the cost categories within the PR6 request are expected to decrease.

Table 22: Overview of the TAO's PR6 Request and PR5 Outturn

TAO Opex (€m, 2024 prices)	PR5 Outturn	PR6 Request	Variance	
			€m	%
Transmission Operations	17.3	21.8	4.5	26.0%
Planned Maintenance	109.4	115.4	6.0	5.5%
Fault Maintenance	12.7	12.7	-	-
Transmission Retirements	-0.04	-	-	-
Asset Management	4.2	5.8	1.6	38.1%
Company Wide Costs	2.4	2.1	-0.3	-12.5%
Corporate Charges	22.2	20.6	-1.6	-7.2%
Insurance	4.4	1.5	-2.9	-65.9%
Legal	-	0.8	-	-
Pension	2.1	0.9	-1.2	-57.1%
IT Opex ¹⁸	-	3.3	-	-
Miscellaneous	9.1	-	-	-
Professional Fees	13.7	15.0	1.3	9.5%
Telecom Fees	9.2	11.7	2.5	27.2%
Total Controllable Opex	206.7	211.6	4.9	2.4%
Network Rates	165.1	198.3	33.2	20.1%
CER/CRU Levy	12.3	16.7	4.4	35.8%
Total Non-Controllable Opex	177.3	215.0	37.7	21.3%
Total Opex	384.0	426.6	42.6	11.1%

Source: ESB Networks, TAO Business Plan Questionnaire

In the subsections below we set out our assessment of the TAO's PR6 request.

3.2. TRANSMISSION OPERATIONS

3.2.1. PR6 base: Transmission Operations

To estimate the base for Transmission Operations we first take our standardised approach of estimating the average outturn of years 2023 and 2024. This gives us an initial base cost of €3.60m per year.

As discussed in Section 2.1, outturn values for Transmission Operations were higher than what was assumed when setting the PR5 allowance and the explanation provided by the TAO was this was driven by factors such as volume of connections of generation. Given it is unclear from the TAO's submission how these drivers will impact the ongoing / recurring cost in PR6, and cost per km of network length has been higher than CRU previously allowed, we apply a downwards base adjustment of €5.6m, which we distribute evenly across all PR6 years. The €5.6m value stems from the difference between the PR5 Outturn and the PR5 Allowance.¹⁹

¹⁸ We include IT Opex within this list because it is a cost category that has been requested for PR6, but that has not been allowed nor spent during PR5. It has, however, been requested for PR6.

¹⁹ The values can be seen in Section 2.1. The €5.6m is the result of (€17.3m – €11.7m) = €5.6m.

This downward adjustment reflects that the current levels of outturn, while justified for PR5 due to external unforeseen events, do not reflect an appropriate level of enduring / BAU cost of the activity. If the TAO can substantiate why there should be an increase in unit costs, as shown in Section 2.1, we would expect to revisit our proposal.

This process gives us a final forecast of €12.5m, which is €5.9m lower than the request of €18.4m (see Table 23).

Table 23: PR6 base for transmission operations²⁰

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
	CEPA assessment	2.5	2.5	2.5	2.5	2.5	12.5
	CEPA estimates <i>Average 2023-2024 outturn</i>	3.6	3.6	3.6	3.6	3.6	18.0
Transmission operations	<i>Base adjustment</i>	-1.1	-1.1	-1.1	-1.1	-1.1	-5.6
TAO Submission		3.7	3.7	3.7	3.7	3.7	18.4
Difference		-1.2	-1.2	-1.2	-1.2	-1.2	-5.9

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.2.2. PR6 trend: Transmission Operations

In Table 24, we present our trend adjustment for PR6. Our recommendation of €0.38m is €3.02m lower than the TAO's request of €3.40m. We estimate a trend adjustment by using the unit cost that underpins our base cost allowance and the length of the network, including 400kV lines. We apply the following formula to estimate the trend adjustment:

$$T_t = b * (n_t - n_{t-1}) + T_{t-1};$$

where T_t represents the cumulative trend in year t , b represents the base unit cost expressed in €/km, n_t is the network length in year t and n_{t-1} is the network length from the previous year. Furthermore, to make the trend cumulative over the period, we add T_{t-1} , which represents the estimated trend from the previous year.

Table 24: PR6 trend for Transmission Operations

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
	CEPA cumulative trend	-	0.01	0.10	0.13	0.14	0.38
Transmission operations	CEPA assessment <i>TAO Network Length (km)²¹</i>	7,302	7,328	7,585	7,688	7,704	-

²⁰ Values are rounded to one decimal point.

²¹ We note that the TAO network length in 2025 was estimated at 7,215 km.

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Base unit cost (€/km) ²²	347	347	347	347	347	-
TAO Submission	-	0.28	0.56	1.05	1.52	3.40
Difference	-	-0.3	-0.5	-0.9	-1.4	-3.02

Source: CEPA analysis, TAO Business Plan Questionnaire.

The TAO's request for an upward trend is based on an expected increase in network activity due to the connection of additional and more diverse generation. However, the TAO's explanation does not clearly set out how this trend was estimated. Our proposed approach, consistent with the PR5 precedent, is to model the operational trend based on the length of the TAO's network.

3.2.3. PR6 step: Transmission Operations

There are no requested steps for Transmission Operations costs for PR6. We therefore recommend no step.

3.3. PLANNED MAINTENANCE

3.3.1. PR6 base: Planned Maintenance

Table 25 shows our estimated PR6 Planned Maintenance base costs. Our total for the period is €117.9m, €2.8m less than the requested €120.8m. Our estimated base cost is based on the average outturn from years 2023 and 2024. We do not apply an adjustment to this base cost.

Table 25: PR6 base for Planned Maintenance²³

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Planned maintenance						
CEPA assessment	23.6	23.6	23.6	23.6	23.6	117.9
TAO Submission	24.2	24.2	24.2	24.2	24.2	120.8
Difference	-0.6	-0.6	-0.6	-0.6	-0.6	-2.8

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.3.2. PR6 trend: Planned Maintenance

To estimate a trend adjustment, we apply the equation outlined in Section 3.2.2 using the km length of the network as the cost driver and a base unit cost of €3,281 per km of network. This produced a higher trend adjustment than the TAO had forecast in its BPQ and as a result we align our proposed adjustment with the TAO, -€5.3m.

Table 26: PR6 trend for planned maintenance costs²⁴

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Planned maintenance						
CEPA assessment	-0.3	-0.9	-1.4	-1.5	-1.1	-5.3
CEPA cumulative trend recommendation						

²² This is our adjusted base unit cost. This means that we estimated the unit cost based on the average network length of years 2023 and 2024, and our adjusted base cost of €2.5m.

²³ Values are rounded to one decimal point.

²⁴ Values are rounded to one decimal point.

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
CEPA cumulative trend estimate	0.28	0.37	1.21	1.55	1.60	5.02
TAO Network Length (km) ²⁵	7,302	7,328	7,585	7,688	7,704	-
Base unit cost (€/km)	3,281	3,281	3,281	3,281	3,281	-
TAO Submission	-0.3	-0.9	-1.4	-1.5	-1.1	-5.3
Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

The decrease in Planned Maintenance is largely due to a shift from time-based to condition-based approaches, along with greater use of technologies for real-time monitoring and inspections, including drones, infrared scanning, and helicopter surveys. These developments are expected to lower the need for planned maintenance outages.

3.3.3. PR6 step: Planned Maintenance

There are no requested steps for Planned Maintenance costs for PR6. We therefore recommend no step.

3.4. FAULT MAINTENANCE

3.4.1. PR6 base: Fault Maintenance

We adopt our standard approach to estimate a base cost for fault maintenance by averaging the outturn cost for 2023 and 2024. As shown in Table 27, our estimate of €11.4 million for the PR6 period aligns with the TAO's BPQ submission. This is because we selected the lower value between our averaged outturn, which, in this case, was higher than the TAO's request, and the TAO's requested figure.

Table 27: PR6 base for Fault Maintenance²⁶

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Fault maintenance						
CEPA assessment	2.3	2.3	2.3	2.3	2.3	11.4
TAO Submission	2.3	2.3	2.3	2.3	2.3	11.4
Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.4.2. PR6 trend: Fault Maintenance

We have used network length as a high-level cost driver for fault maintenance costs. Using the equation from Section 3.2.2, we calculate a cumulative trend estimate which we compare to estimated trend proposed by the TAO in its BPQ. Overall, this leads us to propose a smaller trend adjustment than the TAO's request.

²⁵ We note that the TAO network length in 2025 was estimated at 7,215 km.

²⁶ Values are rounded to one decimal point.

Table 28: PR6 trend for Fault Maintenance costs

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
	CEPA cumulative trend	0.03	0.04	0.11	0.15	0.16	0.49
CEPA assessment	TAO Network Length (km ²⁷)	7,302	7,328	7,585	7,688	7,704	-
Fault maintenance	Base unit cost (€/km)	326	326	326	326	326	-
TAO Submission		0.21	0.31	0.11	0.31	0.31	1.26
Difference		-0.18	-0.28	-	-0.16	-0.15	-0.77

Source: CEPA analysis, TAO Business Plan Questionnaire.

The TAO has not set out a technical method for estimating the trend. Our proposed approach, which uses the TAO's network length as a cost driver, is based on regulatory precedent, as this was the method used in PR5.

3.4.3. PR6 step: fault maintenance

There are no requested steps for fault maintenance costs for PR6. We therefore recommend no step.

3.5. TRANSMISSION RETIREMENTS

A base and a step adjustment for transmission retirements were submitted in the TAO BPQ. However, these cancelled each other out, and the overall transmission retirements request for the PR6 period is €0m. Furthermore, the TAO, in the answer to Supplementary Question 248, has clarified that there are no base, trend, and step requests for transmission retirements.

3.6. ASSET MANAGEMENT

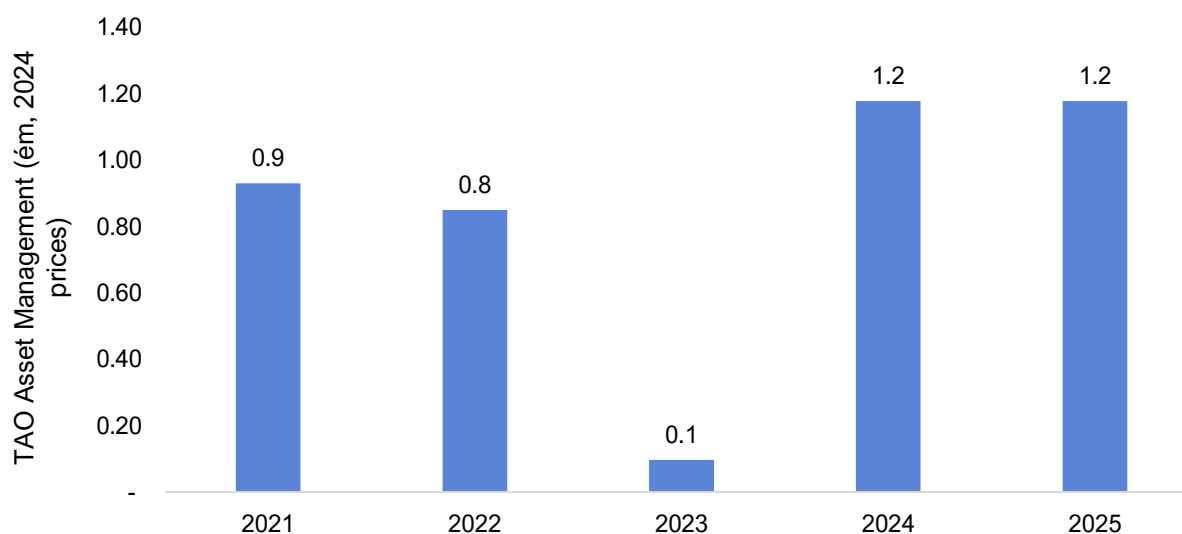
3.6.1. PR6 base: Asset Management

To establish a base for Asset Management costs, we have deviated from our standard approach of averaging the 2023 and 2024 outturns and comparing them to the TAO's request to choose the minimum value.

This decision is based on two key reasons. First, as shown in Figure 6, 2023 is an outlier year compared to Asset Management expenditure during the whole of PR5. Therefore, we have chosen to use only the 2024 outturn as the starting point for our base estimate.

²⁷ We note that the TAO network length in 2025 was estimated at 7,215 km.

Figure 6: Asset Management costs during PR5



Source: CEPA analysis, TAO Business Plan Questionnaire.

Second, the TAO submitted a base request of €0.1m, which, as seen in the figure above, appears too low to sustain a basic, pre-existing level of operations. For this reason, in this case, we do not consider it is reasonable to adopt the lower value between our estimate and the TAO's request. Instead, we will use our modelled value.

In Table 29, we have set out our recommended base cost for PR6. We propose a total base for PR6 of €4.6m, which is €4.1m higher than the TAO's submission of €0.50m. We get to this value by using the 2024 outturn as our starting point to estimate the base, given 2023 appears to be an outlier year. Furthermore, we apply a downward adjustment of €1.3m to this 2024 outturn, which we distribute uniformly across all years of the period. This value is equal to the overspend during PR5, in other words, it is the difference between the PR5 Outturn minus the PR5 Allowance.²⁸

The TAO's explanation for this overspend was that it was driven by an increase in mast interference payments above 38 kV. Our assumption is that this is an unexpected event that we would not expect during PR6, and thus we discount the increase associated with this event from our base, which should illustrate the expected recurring costs necessary to maintain operations. The adjustment reflects what has been an allowed efficient cost per km of network length previously but if the TAO can substantiate the need for a higher base and why factors in PR5 will endure in PR6, we would expect to revisit our proposal.

Table 29: PR6 base for asset management costs²⁹

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
	CEPA assessment	0.9	0.9	0.9	0.9	0.9	4.6
	CEPA estimates						
	<i>2024 outturn</i>	1.18	1.18	1.18	1.18	1.18	5.89
Asset management	<i>Base adjustment</i>	-0.3	-0.3	-0.3	-0.3	-0.3	-1.3
	TAO Submission	0.1	0.1	0.1	0.1	0.1	0.5
	Difference	0.8	0.8	0.8	0.8	0.8	4.1

²⁸ As can be seen in Section 2.5, the difference between PR5 Outturn and Allowance is (€4.2m – €2.9m) = €1.3m.

²⁹ Values rounded to one decimal point.

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.6.2. PR6 trend: Asset Management

As discussed in Section 2.5.2, OHL network length can be used as a high-level cost driver for Asset Management. Using our projected values (see Table 30) and the equation outlined in Section 3.2.2, we obtain our trend adjustment compare this against the TAO submission³⁰ and choose the lowest value. In this case, we adopt our modelled trend adjustment of €0.21m for the PR6 period, which is €5.11m lower than the requested €5.32m.

Table 30: PR6 trend for Asset Management costs

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
	CEPA cumulative trend	0.01	0.01	0.04	0.06	0.09	0.21
CEPA assessment	<i>OHL Network Length (km)³¹</i>	6,657	6,657	6,801	6,802	6,802	-
Asset management	<i>Base unit cost (€/km)³²</i>	138.8	138.8	138.8	138.8	138.8	-
	TAO Submission	1.06	1.06	1.05	1.06	1.08	5.32
	Difference	-1.06	-1.05	-1.01	-1.00	-0.99	-5.11

Source: CEPA analysis, TAO Business Plan Questionnaire.

The TAO's proposed increase in Asset Management costs is intended to account for higher investment in Mast Interference Payments over the period. However, the basis for this estimate is not explained in the narrative. As in PR5, we have chosen to model the trend using the length of the OHL network.

3.6.3. PR6 step: Asset Management

No step for Asset Management was requested. We therefore recommend no step.

3.7. COMPANY-WIDE COSTS

3.7.1. PR6 base: Company Wide costs

In Table 31, we express our recommendation for the base. For this particular case, the average outturn of years 2023 and 2024 was equal to the TAO's request of €2.1m so we accept their proposal.

³⁰ The TAO's BPQ submission categorised these costs as part of the trend, while in document NN-06, they were allocated as a step. Given that the initial base request was notably low and there is insufficient justification for treating these costs as a step, we have opted to classify them as a trend instead. This decision is further supported by the fact that this cost category has in previous regulatory determinations been linked to a cost driver. It is also possible that these costs were originally intended to be part of the base, but this remains unclear and was not addressed in the TAO's submission.

³¹ We note that the OHL network length in 2025 was estimated at 6,620 km.

³² This is our adjusted base unit cost. This means that we estimated the unit cost based on the average OHL network length of years 2023 and 2024, and our adjusted base cost of €0.9m.

Table 31: PR6 base for company-wide costs³³

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Company-wide costs	CEPA assessment	0.4	0.4	0.4	0.4	0.4	2.1
	TAO Submission	0.4	0.4	0.4	0.4	0.4	2.1
	Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.7.2. PR6 trend: company-wide costs

The company submitted a trend request for PR6. Nonetheless, we have not identified a cost driver for this trend. Therefore, we have assessed it as a step-change.

3.7.3. PR6 step: company-wide costs

According to our standard approach to estimating a step adjustment, we expect to challenge the requested step based on the need, additionality and cost confidence / value for money / cost efficiency of the requested values.

However, for this cost category, the requested step is negative, implying that the TAO is projecting a reduction in costs relative to PR5 expenditure. When a step proposal implies a reduction, we do not challenge it. Consequently, our recommendation of -€0.0062m for the step is equal to the request.

Table 32: PR6 step for company-wide costs

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Company-wide costs	CEPA assessment	-0.0021	-0.0018	-0.0014	-0.0008	-0.0001	-0.0062
	TAO Submission	-0.0021	-0.0018	-0.0014	-0.0008	-0.0001	-0.0062
	Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.8. CORPORATE CHARGES

3.8.1. PR6 base: Corporate Charges

In order to estimate the base costs for Corporate Charges, we first estimate the average outturn of years 2023 and 2024. We do so without applying an adjustment, as we have seen from our ex post assessment, as the expenditure in those years reflects a stable base for normal, recurrent costs.

We then take the lower value between our estimate and the TAO's request. As a result, our assessment of base corporate charges for PR6 amounts to €14.5 million (see Table 33).

Table 33: PR6 base for corporate charges³⁴

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Corporate charges	CEPA assessment	2.9	2.9	2.9	2.9	2.9	14.5
	TAO Submission	2.9	2.9	2.9	2.9	2.9	14.6
	Difference	-	-	-	-	-	0.1

Source: CEPA analysis, TAO Business Plan Questionnaire.

³³ Values are rounded to one decimal point, which is why the totals do not match exactly with the individual line items.

³⁴ Values are rounded to one decimal point.

3.8.2. PR6 trend: Corporate Charges

The TAO submitted costs within the trend. However, in our assessment we were not able to identify a suitable cost driver for Corporate Charges that would justify the trend. Therefore, we have assessed the costs as part of the requested step adjustment in the section below.

3.8.3. PR6 step: Corporate Charges

The TAO submitted a total of €5.9m for PR6 as part of the trend, which we have assessed as a step, in addition to the base. Our assessment yields a total of €4.5m for the period, which represents €1.5m less than the request.

Table 34: PR6 step for corporate charges³⁵

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Corporate charges	CEPA assessment	0.7	0.7	0.6	0.6	0.6	3.2
	TAO Submission	1.3	1.3	1.2	1.1	1.1	5.9
	Difference	-0.6	-0.6	-0.5	-0.5	-0.5	-2.7

Source: CEPA analysis, TAO Business Plan Questionnaire.

The TAO explained the forecast increase in this cost category by noting that legal costs will be included within this category, which supports the need for additional funding. However, the total PR5 allowance for legal costs was €1.3m, while the requested step represents an increase of €4.6 million. While we acknowledge the rationale for the need of including these costs, questions around the additionality beyond the base and overall cost efficiency remain unresolved. This means that the additional costs to the base, which we analyse in our additionality gateway, are not addressed in the TAO's submission. We therefore apply a 25% additionality challenge.

Furthermore, cost efficiency / customer value / cost confidence elements have not been addressed for this particular increase. Questions such as how these costs were estimated, how they bring value to customers, and whether they have been benchmarked remain unaddressed. Consequently, we apply a 25% challenge at the cost efficiency gateway.

3.9. INSURANCE

3.9.1. PR6 base: Insurance

In Table 35 we set out our base cost assessment for PR6. We propose a base cost of €4.37m, €0.01m less than the requested €4.38m.³⁶

Table 35: PR6 base for insurance costs

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Insurance	CEPA assessment	0.59	0.59	0.59	0.59	0.59	2.93
	TAO Submission	0.88	0.88	0.88	0.88	0.88	4.38
	Difference	-0.002	-0.002	-0.002	-0.002	-0.002	-0.01

Source: CEPA analysis, TAO Business Plan Questionnaire.

³⁵ Values are rounded to one decimal point.

³⁶ In the TAO BPQ, the PR6 base for insurance costs was based on 2023 values, amounting to €0.59 million. However, in the TAO's response to SQ247, they propose using 2021 costs as the base, noting that the lower outturns in 2022 and 2023 were due to a refund received for Business Interruption insurance premiums. We have therefore interpreted their submission as selecting 2021 as the appropriate base year.

For this base, we use 2024 values alone rather than averaging 2023 and 2024. This approach reflects the TAO's explanation that 2023 figures were unusually low due to a refund received that year and are therefore not representative of a typical year.

3.9.2. PR6 trend: Insurance

The TAO submitted a trend, but since we do not identify a cost driver to underpin this trend, we have assessed the request as a step adjustment.

3.9.3. PR6 step: Insurance

The TAO submitted a negative trend request, which we choose to treat as a step. Since the request is negative, we do not challenge the proposed values. Therefore, our assessment is of -€1.4m for the period, is aligned with the TAO proposal (see Table 36).

Table 36: PR6 step for Insurance costs³⁷

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
	CEPA assessment	-0.3	-0.3	-0.3	-0.3	-0.3	-1.4
Insurance	TAO Submission	-0.3	-0.3	-0.3	-0.3	-0.3	-1.4
	Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.10. LEGAL

3.10.1. PR6 base: Legal

As can be seen in Table 37 below, the TAO did not provide a base proposal for PR6. This is consistent with our proposed approach of estimating the base using the average outturn for 2023 and 2024, both of which were zero. Accordingly, we propose a total PR6 base of €0m, in line with the TAO's submission.

Table 37: PR6 base for Legal costs

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
	CEPA assessment	-	-	-	-	-	-
Legal	TAO Submission	-	-	-	-	-	-
	Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

Based on the TAO's submission, legal costs are meant to be included within corporate charges costs, as seen in Section 3.8.3. This further justifies the definition of a base equal to zero within this specific category.

3.10.2. PR6 trend: Legal

The TAO submitted a trend for its legal costs. Given we did not identify a cost driver for this cost category, we have assessed this request as a step adjustment.

3.10.3. PR6 step: Legal

The TAO requested a step adjustment of €0.77 million in its submission on the basis that additional costs will be incurred in PR6 due to an increase in programme activities. The TAO does not specifically identify which activities these additional legal costs may relate to and given that legal costs are meant to be included within corporate

³⁷ Values are rounded to one decimal point.

charges (see above) we also consider there is a risk regarding additionality. As a result, we have not allowed this step adjustment on the basis of the need gateway. We would revisit our conclusion if the TAO was able to substantiate where it expects additional legal costs may be required and that the step is not already accounted for within its forecast cost and allowances for corporate charges.

Our assessment is summarised in Table 38.

Table 38: PR6 step for legal costs

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
	CEPA assessment	-	-	-	-	-	-
Legal	TAO Submission	0.15	0.15	0.15	0.16	0.16	0.77
	Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.11. PENSION

3.11.1. PR6 base: Pension

Table 39 below summarises our assessment of the base cost for pensions in PR6. Our assessment is €0.76m, which is aligned with the submission made by the TAO.

Table 39: PR6 base for legal costs

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
	CEPA assessment	0.15	0.15	0.15	0.15	0.15	0.76
Pension	TAO Submission	0.15	0.15	0.15	0.15	0.15	0.76
	Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

For pension costs, we estimate the base using only the 2023 outturn as our starting point, rather than the average of 2023 and 2024. This is due to, according to the TAO, underreporting of pension costs in 2024, despite there being factors, such as an increased headcount, that would typically lead to higher costs.

3.11.2. PR6 trend: Pension

The TAO highlights that Pension costs will grow as the headcount base of employees grows during PR6.³⁸ This implies that the cost driver for Pension costs are the number of FTEs. To estimate a trend adjustment, we use the formula seen in Section 3.2.2 and an estimated forecast number of FTEs in transmission.

This leads to an estimated trend adjustment of €0.06m for PR6, €0.11m less than requested by the TAO (€0.17m). Table 40 below summarises the analysis.

Table 40: PR6 trend for pension costs

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Pension	CEPA assessment	0.008	0.012	0.013	0.014	0.014	0.06
	CEPA cumulative trend						

³⁸ The TAO has submitted a total headcount base for both the TAO and DSO, allocating 90% of FTEs to the DSO and the remaining 10% to the TAO.

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Number of employees (FTE)	424	434	437	439	439	-
Base unit cost (€/FTE)	407	384	366	354	349	-
TAO Submission	0.01	0.03	0.04	0.04	0.04	0.17
Difference	-0.01	-0.02	-0.02	-0.03	-0.03	-0.11

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.11.3. PR6 step: Pension

The TAO did not request a step change for this cost category.

3.12. IT OPEX

3.12.1. PR6 base: IT opex

As seen in Section 2.9, there were no IT opex costs during PR5. This means that we do not have a set of fixed, recurring costs we can treat as a base for PR6.

3.12.2. PR6 trend: IT opex

The TAO has not submitted a trend request for PR6.

3.12.3. PR6 step: IT opex

The TAO requested a step adjustment of €3.33m for IT opex in PR6. The TAO has a new team to promote digital collaboration between the TSO and TAO. The goal of this team is to work on initiatives such as performance improvement, reporting, joint incentives, digital collaboration and to work on the Joint Outage Transformation Programme (and will form part of the Digital Collaboration Project). The main aim of the team, overall, is to produce an efficient mechanism for sharing data and critical information.

Given the need for enhanced communication between the TSO and TAO, the need gateway is considered met. Additionally, as there is no existing base, the additionality gateway is also passed with a 0% challenge. We apply a 25% challenge at the cost confidence / efficiency gateway, as the TAO has not explained how this step was estimated or whether the associated costs were benchmarked or market tested.

As set out in Table 41 below, our recommended step for IT opex is €2.5m, €0.83m less than the requested €3.33m.

Table 41: PR6 step for IT opex

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
CEPA assessment	0.50	0.50	0.50	0.50	0.50	2.50
IT opex						
TAO Submission	0.66	0.66	0.66	0.67	0.67	3.33
Difference	0.16	0.16	0.16	0.17	0.17	0.83

Source: CEPA analysis, TAO Business Plan Questionnaire.

3.13. PROFESSIONAL FEES

3.13.1. PR6 base: Professional Fees

Table 42 below summarises our proposed base cost for Professional Fees. Our estimate of €11.6m for PR6 is consistent with the TAO's request.

Table 42: PR6 base for Professional Fees³⁹

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Professional fees	CEPA assessment	2.3	2.3	2.3	2.3	2.3	11.6
	TAO Submission	2.3	2.3	2.3	2.3	2.3	11.6
	Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

To establish the base, we begin by calculating the average outturn for 2023 and 2024, which comes to €2.3m. As this matches the TAO's submitted figure for this cost category, we adopt it as the base estimate.

3.13.2. PR6 trend: Professional Fees

The TAO submitted a trend request, however, we have not been able to identify a cost driver for this cost category. Therefore, we assess the trend as a step request in the section below.

3.13.3. PR6 step: Professional Fees

The TAO has requested a step adjustment of €3.4m for professional fees. The TAO has indicated that an increase in Professional Fees is expected over PR6, primarily due to a rise in capital works requiring additional external professional services. This is driven by the growing need to support the Networks for Net Zero strategy, alongside a broader increase in the scale and pace of infrastructure delivery. In light of this context and justification, we consider the need gateway to be passed.

However, the TAO has not provided a clear rationale regarding additionality. While it is reasonable to expect that increased operations and new initiatives would lead to higher costs relative to the base, the justification for the magnitude of the proposed step increase, €3.4m, has not been articulated. It is unclear why this specific value was chosen over a smaller or larger figure. As a result, we apply a 15% challenge at the additionality gateway.

Finally, we apply a 25% challenge at the cost confidence / efficiency gateway. The TAO has not demonstrated how the proposed costs were built up, whether they deliver clear value to the Irish consumer, or whether the approach reflects an efficient use of resources.

As Table 43 below shows, our recommendation for PR6 Professional Fees costs is €2.4m, €1.1m less than the requested €3.4m.

Table 43: PR6 step for professional fees⁴⁰

TAO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Professional fees	CEPA assessment	0.5	0.5	0.5	0.5	0.5	2.4
	TAO Submission	0.7	0.7	0.7	0.7	0.7	3.4
	Difference	-0.2	-0.2	-0.2	-0.2	-0.2	-1.1

Source: CEPA analysis, TAO Business Plan Questionnaire.

³⁹ Values are rounded to one decimal point.

⁴⁰ Yearly values are rounded to one decimal point, which explains the mismatch between the total and the sum of yearly values.

3.14. TELECOM FEES

3.14.1. PR6 base: Telecom Fees

Table 44 below shows our proposed PR6 base cost compared to the TAO's submission. Our recommendation of €8.9m is equal to the submission of the TAO.

Table 44: PR6 base costs for Telecom Fees⁴¹

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
CEPA assessment	1.8	1.8	1.8	1.8	1.8	8.9
Telecom fees						
TAO Submission	1.8	1.8	1.8	1.8	1.8	8.9
Difference	-	-	-	-	-	-

Source: CEPA analysis, TAO Business Plan Questionnaire.

To establish the base, we begin by calculating the average outturn for 2023 and 2024, which comes to €2.3m. As this matches the TAO's submitted figure for this cost category, we adopt it as the base estimate.

3.14.2. PR6 trend: Telecom Fees

The TAO submitted part of the costs additional to the base as a trend, because it stated they were part of ongoing activities. Nevertheless, since we are unable to identify a cumulative trend and cost driver with the provided information, we choose to assess the request as a step adjustment.

3.14.3. PR6 step: Telecom Fees

Table 45 shows our assessment for the PR6 step for telecom fees. Our recommendation is €2.06m, which is €0.69m less than the requested €2.75m.

Table 45: step for telecom fees

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
CEPA assessment	0.41	0.41	0.40	0.42	0.43	2.06
Telecom fees						
TAO Submission ⁴²	0.55	0.54	0.54	0.55	0.57	2.75
Difference	-0.14	-0.14	-0.13	-0.14	-0.14	-0.69

Source: CEPA analysis, TAO Business Plan Questionnaire.

The TAO has requested additional funding to support increased volumes of ongoing activities, such as fibre, driven by rising repair needs as the network ages, and voice services, which are expected to transition to the cloud. In addition, the most significant cost increases stem from new activities, namely 'Private LTE' and 'Cybersecurity'. The former relates to the operation of the LTE network, while the latter reflects efforts to enhance system security and strengthen the network's resilience against emerging threats. We consider the need gateway passed.

For the additionality gateway, we apply a 0% challenge. This reflects our view that the majority of the proposed increase is driven by new programmes that could not reasonably be delivered using existing resources.

At the cost efficiency gateway, we apply a 25% challenge. The TAO has not provided sufficient detail on how these costs were estimated—specifically, whether they were benchmarked and built up.

Summary of recommendations

⁴¹

⁴² This line represents the sum of values from the submitted trend and the submitted step.

Table 46 presents a summary of our assessment for TAO opex for PR6. Overall, our recommendation for controllable opex is €192.8m, which is a 8.8% lower than the requested €211.6m. Looking at the total, including non-controllable opex, our recommendation amounts to €407.8m, 4.4% lower than the requested €426.6m.

The difference between our proposed opex allowances and the TAO's request mainly arises from adjustments to the base cost and step changes in transmission operations, along with several challenges to specific step increases requested by the TAO. If the TAO provides further evidence, particularly to support confidence in the cost estimates for these step increases, we would be open to revisiting our assessment.

Table 46: Summary of CEPA's TAO allowance assessment for PR6⁴³

TAO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Allowed	Request	Variance	
								€m	%
Transmission Operations	2.5	2.5	2.6	2.7	2.7	13.0	21.8	-8.8	-41%
Planned Maintenance	23.3	22.7	22.1	22.0	22.5	112.6	115.4	-2.8	-2%
Fault Maintenance	2.3	2.3	2.4	2.4	2.4	11.8	12.7	-0.8	-6%
Transmission Retirements	-	-	-	-	-	-	-	-	-
Asset Management	0.92	0.93	0.95	0.98	1.01	4.8	5.8	-1.0	-17.4%
Company Wide Costs	0.4	0.4	0.4	0.4	0.4	2.1	2.1	-0.0	-1%
Corporate Charges	3.6	3.6	3.6	3.5	3.5	17.8	20.6	-2.6	-13%
Insurance	0.3	0.3	0.3	0.3	0.3	1.5	1.5	-	-
Legal	-	-	-	-	-	-	0.8	-0.8	-100%
Pension	0.2	0.2	0.2	0.2	0.2	0.8	0.9	-0.1	-12%
IT Opex	0.7	0.7	0.7	0.7	0.7	3.3	3.3	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Professional Fees	2.8	2.8	2.8	2.8	2.8	14.0	15.0	-1.1	-7%
Telecom Fees	2.2	2.2	2.2	2.2	2.2	11.0	11.7	-0.7	-6%
Total Controllable Opex	39.2	38.6	38.2	38.2	38.6	192.8	211.6	-18.8	-8.8%
Network rates	38.6	39.7	38.2	37.5	44.4	198.3	198.3	-	-
CER/CRU Levy	3.3	3.3	3.3	3.3	3.3	16.7	16.7	-	-
Total Non-Controllable Opex	42.0	43.0	41.6	40.8	47.7	215.0	215.0	-	-
Total Opex	81.1	81.7	79.8	79.0	86.3	407.8	426.6	-18.8	-4.4%

Source: CEPA analysis, TAO Business Plan Questionnaire

⁴³ When the sum of yearly values does not exactly match the total value, it is because of rounding preferences for yearly values. The total values represent the correct totals.



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