

PR5 and PR6 DSO Opex Cost Assessment

CRU

27 June 2025



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 Distribution System Operator (DSO) for the years 2021-2030. A summary of the findings from the review are provided below in Table 1.

Table 1: Executive Summary

DSO 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	%
System Control	107.2	89.6	89.6	172.7	109.5	19.9	22.2%	-63.2	-36.6%
Planned Maintenance	385.5	370.2	370.2	773.2	552.2	181.9	49.1%	-221.1	-28.6%
Fault Maintenance	243.3	303.1	303.1	283.2	281.1	-22.1	-7.3%	-2.2	-0.8%
Asset Management	97.1	134.6	134.6	147.7	142.2	7.6	5.6%	-5.5	-3.7%
Forestry & Wayleaves	28.9	15.6	15.6	35.6	14.5	-1.1	-7.1%	-21.1	-59.3%
Meter Reading	34.6	48.7	48.7	315.3	250.4	201.7	414.2%	-64.9	-20.6%
QH Data	11.4	10.5	10.5	16.2	12.1	1.6	15.2%	-4.1	-25.3%
Data Aggregation	40.2	35.8	35.8	34.7	34.3	-1.5	-4.2%	-0.4	-1.2%
Customer Meter Operation	15.6	4.7	4.7	-	-	-	-	-	-
Keypad / Token Meter	2.1	1.1	1.1	1.9	1.5	0.4	36.4%	-0.4	-21.1%
Smart Metering	69.4	68.8	68.8	-	-	-	-	-	-
Call Centre	38.1	43.9	43.9	60.2	58.6	14.7	33.5%	-1.6	-2.7%
Area Operations	65.3	67.4	67.4	71.7	70.6	3.2	4.7%	-1.1	-1.5%
Customer Relations	41.9	65.1	65.1	107.5	92.5	27.4	42.1%	-15.0	-14.0%
Duos Billing & Accounts Receivable	4.2	3.9	3.9	3.9	3.9	0.0	-	0.1	2.6%
MRSO	11.3	8.4	8.4	27.9	24.8	16.4	195.2%	-3.1	-11.1%
Market Opening	61.7	59.2	59.2	63.5	52.8	-6.4	-10.8%	-10.7	-16.9%
R&D (Innovation)	23.6	22.5	22.5	34.4	25.0	2.5	11.1%	-9.4	-27.3%
Company Wide Costs and Corporate Charges & Corporate Affairs	71.6	76.5	76.5	105.0	69.5	-7.0	-9.2%	-35.5	-33.8%
Insurance	32.2	34.6	34.6	37.8	33.4	-1.2	-3.5%	-4.4	-11.6%

DSO 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	%
Legal	19.1	18.5	18.5	17.8	17.6	-0.9	-4.9%	-0.2	-1.1%
Pension	7.5	10.4	10.4	18.9	7.5	-2.9	-27.9%	-11.4	-60.3%
Environmental	32.8	30.3	30.3	48.4	48.5	18.2	60.1%	0.1	0.2%
Health & Safety	46.8	44.1	44.1	64.3	58.5	14.4	32.7%	-5.8	-9.0%
Telecoms	35.9	28.3	28.3	59.9	55.0	26.7	94.3%	-4.9	-8.2%
IT Opex	0.0	3.8	3.8	9.2	6.3	2.5	65.8%	-2.9	-31.5%
DMSO Flexibility	0.0	9.6	9.6	71.6	59.1	49.5	515.6%	-12.5	-17.5%
Contract and Vendor Management	0.0	-	-	3.6	3.0	-	-	-0.6	-16.7%
DSO Transformation	28.2	-	-	-	-	-	-	-	-
Misc.	0.0	-0.4	-0.4	-	-	0.4	-	-	-
Misc. non- regulatory	0.0	9.7	0	-	-	-9.7	-	-	-
Corporate Costs	0.0	60.2	60.2	-	-	-60.2	-	-	-
Total	1,555.5	1,678.9	1,669.2	2,586.1	2,084.4	405.5	24.2%	-501.7	-19.4%

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment

Based on the findings of our ex post (lookback) assessment for PR5, we recommend that the DSO recover its PR5 Outturn opex in full, except for €9.7m of miscellaneous expenditure, which we do not consider has been adequately explained in the DSO's supporting submissions. Our recommended ex post allowance for PR5 is €1,669.2m compared to the DSO's reported outturn opex of €1,678.9m and its ex ante allowance of €1,555.5m. We will amend our recommendation for Final Determinations if the DSO can explain the miscellaneous expenditure.

For PR6, we recommend a baseline opex allowance of €2,084.4m, which represents an increase of €405.4m (24.1%) relative to the DSO's current outturn opex, and €501.9m (19.4%) less than the DSO's requested opex for PR6. The following categories represent around 70% of the total variance on the DSO's request:

- **Planned maintenance**, which represents 44.1% of the total cost variance. This is primarily driven by our €170.6m reduction to the Timber Overhead cost category. As the DSO request was not split into “base, trend, and step” – the methodology that we apply to assess the DSO's costs, we developed our own estimates. We acknowledged that the contractor costs increased over PR5, which we captured in the baseline, and the volume of timber cutting was set to increase in PR6 to improve network resilience, which we captured in the trend. We do not have sufficient evidence to provide a step assessment, but we determine that the base and trend capture some of the request ESB Networks had intended to be step. We also propose a reopener for this category – see discussion below.
- **Meter Reading**, which represents 12.9% of the adjustment. This is driven by:
 - Difference in the choice of base years for the meter reading cost category (totalling €21.5m).
 - Our trend assessment for Smart Metering Operations Centre (reducing the trend allowance relative to request by €13.5m).

- Additionality challenges applied to meter inspections (which has reduced the requested step adjustment in the DSO's request by €22.1m).
- **System Control**, which represents 12.6% of the adjustment was primarily driven through reductions to the requested trend allowance (€39.2m).

As with the PR5 lookback assessment, we expect to review the variance between the DSO's request and our assessment for Final Determinations. Information submitted by ESB Networks will be considered during and after the consultation period, together with other responses to the consultation, to inform a final proposal.

In addition, we propose that as part of the Agile Investment and Monitoring Framework (AIMF) a series of uncertainty mechanisms be put in place to allow the DSO to flexibly access additional opex allowances when needed and justified. More detail for these mechanisms are provided in the CRU's PR6 Regulatory Framework Paper (CRU25060), but in summary we recommend:

- A reopener mechanism for Planned Maintenance;
- A Force Majeure reopener mechanism, which will provide additional allowances for areas such as Fault Maintenance in the case of severe weather events;
- A reopener mechanism for Forestry & Wayleaves; and
- A reopener mechanism for Innovation and R&D.

Through these uncertainty mechanisms, we estimate – based on BPQ forecast submissions – ESB Networks will have the ability to access an additional €251.6m for opex, resulting in a 'high case' controllable opex allowance of €2,344.3m as compared to the baseline allowance of €2,092.7m as summarised in Table 2 below.

Table 2: DSO baseline allowance and high case allowance

DSO Opex (€m, 2024 prices)	Baseline allowance	High case allowance
Total Controllable	2,092.7	2,344.3

Source: CEPA Assessment

While we have proposed a series of targeted uncertainty mechanisms for the DSO, the proposed annual reopener window that will apply under the PR6 AIMF does not preclude the DSO for seeking variations to its baseline opex allowance for other purposes. The requirements for seeking such a reopener are set out in the CRU's regulatory framework document, but at a high-level will require the DSO to demonstrate the need, additionality and cost confidence / value for money / efficiency of the proposed request.

As is discussed in the CRU's regulatory framework document, the proposed high case allowance is also not intended to be a hard cap on the additional opex allowance that can ultimately be released via the AIMF. We understand there is no cap on the allowed revenue that CRU may ultimately approve based on proposals that are brought forward by the DSO under the AIMF. The high case is rather a statement of intent of the envelope of DSO opex – based on current known information – that can be accessed via the AIMF.

We propose to continue to engage with the DSO 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 Distribution System Operator (DSO) in Ireland. This report sets out the DSO's actual outturn operational expenditure (opex) over PR5 (2021 to 2025) and forecast opex over PR6 (2026 to 2030). The review considers the costs, systems, processes and initiatives of the DSO over PR5 and identifies key issues to be considered in PR6, and recommendations on any ex post adjustments to PR5 expenditure. The report then reviews the DSO's proposals for expenditure in PR6 and makes recommendations on the level of expenditure, and outputs, to be allowed by the Commission for Regulation of Utilities (CRU).

1.1. DATA SOURCES AND ASSUMPTIONS

The data for this report has been gathered from the DSO 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 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 DSO's performance against the allowances and associated outputs, where appropriate, set by the CRU. We also assess whether any overspend was the result of inefficiencies, or if an underspend reflected under-delivery or genuine efficiency gains.

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

The opex allowance set by the CRU 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. Our comparison of allowed versus outturn opex is approached from two key perspectives:

- For any reported differences between allowed and outturn opex, we have conducted a detailed analysis of the evidence submitted by the DSO 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 DSO 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

For the PR6 look forward assessment, we recommend an allowance for the period using a base-trend-step methodology to estimate the controllable opex. Below is a high-level overview of our approach. Our method is both well established and transparent, and it specifically addresses the unique challenges involved in assessing and setting allowances for efficient costs.

Step 1: Approach to setting the 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.

Base costs are intended to reflect the business-as-usual (BAU) operational costs from PR5 and are assumed to provide a coherent baseline for PR6. When outturn costs have been inflated by unforeseen and non-recurring events, we do not consider them a reliable starting point. The base should instead reflect the fundamental costs required to sustain 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 on 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 DSO has already incurred, avoiding forecasts unless there are clear reasons to use them. For these reasons, unless specified otherwise, our default base for the DSO 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 DSO's opex over PR5. For example, there are cases, such as System Control, where we do not consider PR5 outturn costs are an accurate reflection of what BAU costs will be looking into PR6. Therefore, in cases such as these, we have adjusted the base.¹ Finally, where the DSO's proposed base is lower than our assessed base, our default position is to select the DSO'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.

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

¹ For example in some cases, we have adjusted the PR5 outturn to be more aligned with costs in the CRU's PR5 allowance.

improvements. As an example, the nature of the DSO'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 DSO 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.

Our trend projections 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 DSO 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 DSO 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 DSO'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 DSO? 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 DSO 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 DSO demonstrated that existing resources are fully exhausted and additional resources are required to deliver the proposed step-change. A cost adjustment of up to 25 percent is applied if we conclude that the DSO 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 DSO 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 delivered by the DSO before and/or comparators are not available. A cost adjustment of up to 25 percent is applied in these cases where we conclude that the DSO 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 DSO 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 adjustment applied at each gateway.

It is important to recognise that in the context of a price review, the obligation is on the DSO 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 DSO during the PR6

consultation process that further information and evidence is needed to establish the additional level of funded expenditure above the baseline. This means that where sufficient evidence and information can be provided by the DSO as part of its response to the PR6 consultation, we would expect to revisit the adjustments we have made in these two final gateways.

1.2.3. Scope of analysis

In this report we perform an ex post assessment of the costs the DSO 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 DSO'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 structured as follows:

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

2. REVIEW OF PR5 OPERATING EXPENDITURE: DISTRIBUTION SYSTEM OPERATOR

2.1. OVERVIEW OF PR5 OPEX

In Table 3 below we present the DSO's PR5 outturn opex against the associated PR5 allowances, split by the main opex cost categories. Overall, for controllable opex, against an allowance of €1,555.5m, outturn expenditure was €1,678.9m, which represents a 7.9% overspend.^{2,3}

The DSO's gross opex can be split into controllable and non-controllable opex. Our assessment focusses on controllable opex, as these represent the costs that the DSO has influence over, unlike non-controllable opex, which comprises Network Rates and the CRU Levy, which the DSO has no or less influence over.

The gross opex is then adjusted for Telecoms Service Level Agreement (SLA) Income and Other Miscellaneous Income.

- Telecoms SLA refers to deductions of SLA revenue from the telecoms revenue, but this has already been accounted for in the Telecoms estimate.
- Miscellaneous incomes are often provided as incomes earned by the DSO; this may include sale of scrap and profit on the sale of assets.

Finally, the net opex is the opex once credits to the DSO for Telecoms SLA and Miscellaneous Income have been accounted for.

Table 3: Overview of PR5 Opex

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
						Allowed	Outturn	Variance	
								€m	%
System Control	19.2	20.0	18.8	15.1	16.6	107.2	89.6	-17.6	-16.4%
Planned maintenance	53.2	57.9	73.3	88.6	97.2	385.5	370.2	-15.3	-4.0%
Fault maintenance	54.5	56.8	60.5	70.7	60.6	243.3	303.1	59.8	24.6%
Asset Management	24.3	27.5	27.1	27.8	27.9	97.1	134.6	37.5	38.6%
Forestry & Wayleaves	2.2	1.8	2.9	4.4	4.4	28.9	15.6	-13.3	-46.0%
Meter Reading	11.6	11.6	11.3	9.1	5.1	34.6	48.7	14.1	40.9%
QH Data	2.0	2.0	2.2	2.0	2.3	11.4	10.5	-0.9	-7.5%
Data Aggregation	6.6	6.6	7.3	6.7	8.5	40.2	35.8	-4.5	-11.1%

² These figures do not include depreciation.

³ Note in Table 3 we set out outturn commercial costs (which includes include 3rd party damages, other inter-ESB costs, other external repayable and other commercial costs) as the DSO reports these against opex. We do not include commercial costs though in our assessment as the CRU does not set an allowance for these. Similarly, we do not assess depreciation, which is a return of previous capex, although it is reported by the DSO against opex.

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
						Allowed	Outturn	Variance	
								€m	%
Customer Meter Operation	2.3	2.6	-2.2	1.0	1.0	15.6	4.7	-10.8	-69.5%
Keypad / Token Meter	0.2	0.2	0.3	0.2	0.1	2.1	1.1	-1.0	-48.0%
Smart Metering	4.7	8.2	14.3	18.0	23.6	69.4	68.8	-0.6	-0.9%
Call Centre	7.4	8.0	8.8	9.5	10.3	38.1	43.9	5.8	15.3%
Area Operations	11.7	13.0	13.9	14.5	14.3	65.3	67.4	2.1	3.3%
Customer Relations	9.3	9.7	11.3	16.7	18.1	41.9	65.1	23.2	55.3%
Duos Billing & Accounts Receivable	0.7	0.8	0.8	0.8	0.8	4.2	3.9	-0.3	-7.5%
MRSO	1.4	1.4	1.5	2.0	2.2	11.3	8.4	-2.9	-25.2%
Market Opening	10.3	10.0	11.7	13.7	13.5	61.7	59.2	-2.6	-4.2%
Transaction charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
3rd party damages	10.7	12.4	13.3	0.0	0.0	0.0	36.4	36.4	0.0%
Supply repayable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other inter ESB	1.9	3.6	2.5	0.0	0.0	0.0	8.0	8.0	0.0%
Other external repayable	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0%
Other commercial	4.7	5.3	5.7	0.0	0.0	0.0	15.7	15.7	0.0%
Sustainability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
R&D (Innovation)	3.6	3.4	4.0	5.2	6.2	23.6	22.5	-1.2	-4.9%
Company Wide Costs	1.7	1.4	1.4	1.4	1.2	0.0	7.2	7.2	0.0%
Corporate Charges & Corporate Affairs	12.9	11.8	13.9	15.4	15.3	71.6	69.3	-2.2	-3.1%
Insurance	4.7	6.8	6.9	10.2	6.0	32.2	34.6	2.4	7.5%
Legal	3.5	3.7	3.9	3.8	3.7	19.1	18.5	-0.6	-3.2%
Pension	2.5	1.2	3.1	2.1	1.4	7.5	10.4	2.9	38.5%

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
						Allowed	Outturn	Variance	
								€m	%
Environmental	5.5	5.2	5.7	6.9	7.0	32.8	30.3	-2.4	-7.4%
Misc.	-0.3	-0.2	0.1	0.0	0.0	0.0	-0.4	-0.4	0.0%
Health & Safety	8.1	8.3	9.2	9.6	8.9	46.8	44.1	-2.7	-5.8%
Telecoms	2.4	5.2	6.2	6.8	7.6	35.9	28.3	-7.7	-21.3%
IT Opex	0.0	4.9	-1.5	0.2	0.2	0.0	3.8	3.8	0.0%
DMSO Flexibility	0.3	0.0	1.8	3.1	4.4	0.0	9.6	9.6	0.0%
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Contract and Vendor Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Misc. non-regulatory	4.0	26.6	-20.9	0.0	0.0	0.0	9.7	9.7	0.0%
DSO Transformation	0.0	0.0	0.0	0.0	0.0	28.2	0.0	-28.2	-100.0%
Total Controllable	287.6	337.8	319.0	365.8	368.7	1,555.5	1,678.9	123.3	7.9%
Network Rates	68.9	57.5	59.8	62.7	75.1	387.0	324.0	-63.1	-16.3%
CER/CRU Levy	2.6	3.6	4.5	6.8	6.8	12.9	24.4	11.5	89.5%
Total Non-Controllable	71.5	61.1	64.2	69.5	82.0	399.9	348.3	-51.5	-12.9%
Total Gross Opex	359.1	398.9	383.2	435.3	450.7	1,955.4	2,027.2	71.8	3.7%
Telecoms SLA Income	-	-	-	-	-	-	-	-	-
Other Miscellaneous Income	-	-	-	-	-	-	-	-	-
Total Net Opex	359.1	398.9	383.2	435.3	450.7	1,955.4	2,027.2	71.8	3.7%

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment

2.2. NETWORK OPERATIONS AND MAINTENANCE

Network Operations and Maintenance consists of System Control, Planned Maintenance and Fault Maintenance cost categories.

2.2.1. System Control

System Control relates to the business critical operation and monitoring of the distribution network and includes costs associated with the DSO's National Distribution Control Centre (NDCC). There are four sub cost categories within System Control:

- Distribution Network Control, which includes the costs for processing problem calls and directs staff for site attendances;
- Control Room, which includes the costs for managing the High Voltage (HV) and Medium Voltage (MV) distribution networks, and those associated with the NDCC control room;
- Customer Notifications, which includes costs associated with the activities to notify customers of planned outages; and
- Operations Systems and Data, which includes costs associated with the Supervisory Control and Data Acquisition (SCADA) systems, Network Management System (NMS) and Geographical Information System (GIS) software.

Comparison of PR5 Outturn vs Allowance

Table 4 compares PR5 outturn costs, actual and forecast, for System Control costs against PR5 allowances. The DSO's PR5 outturn for System Control was €89.4m, which compared to an allowance of €107.2m, represents a total underspend of €17.8m (16.6%).

Table 4: System Control Opex in PR5⁴

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Distribution Network Control	2.9	3.2	3.0	2.8	2.9	16.3	14.9	-1.4	-8.6%
Control Room	2.9	3.5	3.9	5.0	5.3	17.6	20.7	3.1	17.6%
Customer Notifications	0.4	0.4	0.2	0.2	0.2	2.4	1.4	-1.0	-41.7%
Operations Systems and Data	12.8	12.8	11.6	7.2	8.0	70.9	52.4	-18.5	-26.1%
System Control	19.1	19.9	18.7	15.3	16.4	107.2	89.4	-17.8	-16.6%

Source: ESB Networks, DSO Business Plan Questionnaire, FN-10: Network Operations and Operations Systems Support PR5 Lookback

There is an underspend in all System Control sub cost categories, except for Control Room. For this cost area there was an overspend of €3.1m, which the DSO states was due to disruptions and increased staffing requirements caused by COVID-19.

In 2024, the DSO established an emergency NDCC at their Finglas depot for business continuity reasons (in the event of the NDCC being unavailable). The establishment of the emergency NDCC involved the transferring of the

⁴ We note that there is a small discrepancy between each subcategory in the narrative and the total for System Control in the BPQ on an annual basis. We have used values from the BPQ in line with the CRU's guidance around BPQ information taking precedence over narrative submissions.

existing emergency setup in the DSO's Leopardstown depot to a new installation at the Finglas depot. The DSO also carried out a project to migrate their SCADA data centre, which involved creating a copy of the DSO's SCADA in one of the DSO's lease data centres, replacing an existing backup SCADA system. Both of these projects have improved the DSO's overall resilience and reduce the impact of critical infrastructure such as the NDCC being unavailable. This has however increased the opex in PR5, relative to allowances and is expected to increase opex going forward in PR6 because of costs associated with the rental of data centre space. This overspend in some of these areas though has been offset though by larger underspends across System Control cost categories, which are set out by year in Table 5 below.

Table 5: System Control Over/Underspend by Subcategory

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	Total
	Actual	Actual	Actual	Forecast	Forecast	
PR5 Distribution Network Control € Under / Overspend	-0.1	-0.1	-0.3	-0.5	-0.5	-1.5
PR5 Control Room € Under / Overspend	-0.6	0.0	0.4	1.5	1.8	3.1
PR5 Customer Notifications € Under / Overspend	-0.1	-0.1	-0.3	-0.2	-0.2	-1.0
PR5 Operations Systems and Data € Under / Overspend	1.9	-1.1	-2.8	-7.2	-6.5	-18.5
PR5 System Control € Under / Overspend	1.1	-1.7	-3.3	-7.5	-6.5	-17.8

Source: CEPA Assessment

Our Assessment

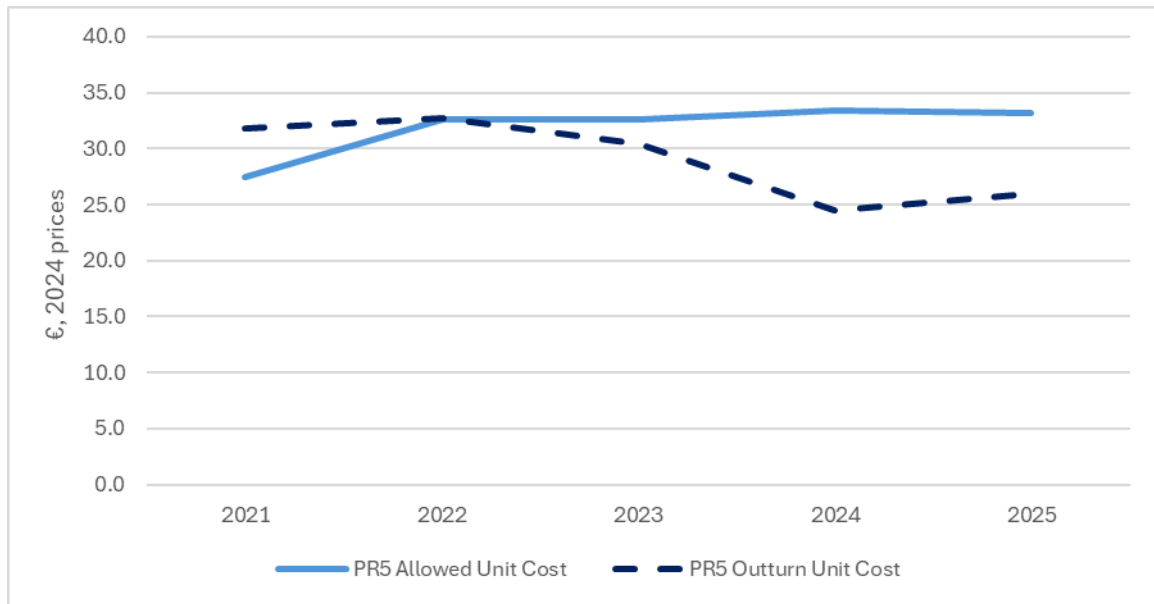
Overall, we note that there was an underspend for every year except 2021; there was an overspend of €1.1m driven by a €1.9m overspend on Operations Systems, which was driven by updates to SCADA systems from Network Manager 3 to 9, and the replacement of hardware as well as other software upgrades in that year. The overspends for Control Room over the period from 2023 onwards, are aligned with the DSO's claim that COVID-19 influenced costs in these years.

We have carried out some unit cost style analysis, considering PR5 allowances and outturn System Control costs against a Composite Scale Variable (CSV) comprised of 50% distribution network length and 50% customer numbers. We think this represents a reasonable driver, or explanatory variable, for the volume of activities likely to be undertaken under System Control, as it captures the size and scale of the network being monitored.

We have used both the PR5 Forecast CSV, which captures forecast distribution network length and customer numbers used at the time of ex ante setting of PR5 allowances, and a PR5 Outturn CSV, which uses latest actual outturn distribution network length and customer numbers. This allows us to more accurately compare the outturn costs against the allowed costs.

A summary of this analysis for System Control costs in the aggregate is presented in Figure 1 below.

Figure 1: System Control: PR5 allowed vs. outturn unit cost analysis (2021 to 2025)



Source: CEPA Assessment

Our analysis indicates a decreasing unit cost over the period, with a slight uptick in 2025, against a relatively flat unit cost allowance from 2022 onwards. Part of this can be explained by the growing underspend throughout the period, although this could also be attributed to efficiency savings and/or under-delivery of the work programme. Similar analysis, but at the more granular Control Room level, shows overspend on a unit cost basis, consistent with the DSO’s narrative around staffing disruptions during the period.

In the DSO’s narrative document, to evidence the efficiency of the DSO’s expenditure, it is noted that the majority of the opex for this activity is delivered through internal resources, with the exception of support contracts which are required for the ongoing maintenance and support of the operating systems. While the internal resourcing of these activities may be a key driver for the lower outturn unit cost relative to the allowed unit cost, highlighted in Figure 1 above, further supporting evidence is required on the activities that the DSO is undertaking, including but not limited to detailed cost-benefit analysis. For example, through quantification and analysis of the benefits of increased system resilience relative to the additional lifetime costs likely to be occurred in building additional resilience.

Conclusion

Based on our analysis/review and having considered the DSO’s submissions, we recommend allowing the full expenditure set at the PR5 outturn cost.

The DSO has provided information explaining the key under and overspends for System Control, including the overspend for the Control Room subcategory, which we accept as being driven by factors outside of the DSO’s control, namely increased staffing requirements caused by COVID-19.

A summary of our assessment is presented in Table 6 below.

Table 6: System Control PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
System Control	107.2	89.4	89.4	-	-

Source: CEPA Assessment

2.2.2. Planned Maintenance

Planned Maintenance refers to scheduled activities to improve the resilience of the distribution networks. There are several sub cost categories within Planned Maintenance, based predominately on asset type or activity:

- High Voltage, which includes costs associated with targeted testing, inspections, overhauls, and servicing of HV stations;
- Overhead (which we have split into Timber and Non-Timber) is the largest activity by cost within Planned Maintenance, and includes inspections, condition assessments, testing, replacement and refurbishment of the overhead network and assets and timber cutting and vegetation management;
- Underground, which includes costs for the replacement of underground cables, MV transformers and switching stations, and LV network assets such as mini-pillars, link boxes, cut-outs and wall boxes; and
- System Protection and Earthing activities are carried out to ensure a safe, secure and reliable power system and includes costs associated with inspection and maintenance of protection devices such as relays, and earthing safety remedial works.

Comparison of PR5 Outturn vs Allowance

Table 7 below compares PR5 outturn costs, actual and forecast, for Planned Maintenance against the PR5 allowances. The DSO's PR5 outturn for Planned Maintenance was €370.2m, which compared to an allowance of €386.2m, represents a total underspend of €16.2m (4.2%) across this cost category.

Table 7: Summary - Planned Maintenance Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
High Voltage	10.8	13.5	19.9	18.7	18.9	89.6	81.8	-7.8	-8.7%
Timber Overhead	23.7	24.1	28.3	42.3	54.5	163.8	172.8	9.0	5.5%
Non-Timber Overhead	13.3	14.6	18.3	21.0	17.5	101.6	84.6	-17.0	-16.7%
Underground	4.7	5.7	6.4	7.1	6.9	28.0	30.8	2.8	9.8%
System protection and Earthing	0	0	0	0	0	3.2	0	-3.2	-100%
Planned Maintenance	53.2	57.9	73.3	88.6	97.2	386.3	370.1	-16.2	-4.2%

Source: ESB Networks, DSO Business Plan Questionnaire, narrative documents RN-02 – RN-05

High Voltage Planned Maintenance

The High Voltage cost category has been broken down further, across the various inspection, testing and maintenance sub categories set out in Table 8 below. For High Voltage planned maintenance there was an underspend of €7.8m, or 8.7%, across PR5.

Table 8: High Voltage Planned Maintenance Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Inspections and Fabric Maintenance	3.8	4.2	5.5	6.8	5.4	29.1	25.7	-3.4	-11.7%

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Operational Testing and Online Diagnostic	0.4	0.9	1.0	1.0	1.0	0.2	4.3	4.0	1720.0%
Equipment Overhaul	4.0	5.3	9.5	9.7	8.7	31.1	37.2	6.1	19.6%
Corrective Maintenance	2.7	3.1	3.9	1.2	3.8	29.1	14.6	-14.5	-49.8%
High Voltage	10.8	13.5	19.9	18.7	18.9	89.6	81.8	-7.8	-8.7%

Source: ESB Networks, DSO Business Plan Questionnaire, RN-02: High Voltage Station Assets

This aggregated underspend of High Voltage Planned Maintenance has been driven primarily by a material underspend of €14.5m, or 49.8% in the Corrective Maintenance sub category, offsetting overspends across Operational Testing and Online Diagnostic and Equipment Overhaul.

In its supporting narrative, the DSO claims that a number of initiatives have been implemented during PR5 to improve the efficiency of expenditure across High Voltage Planned Maintenance. This includes re-using retired equipment with remnant life such as circuit breakers and transformers where these can be re-deployed to cover planned replacements, fault replacements, or new projects where applicable. This means that the cost of a new 38kV or 110kV transformer is saved, through re-use of existing assets. In addition, the DSO has adopted a new approach to programme management, through asset replacement and maintenance orders (ARMO) programmes. This increases the amount of work which can be conducted using one planned outage by combining smaller capital works programmes with maintenance activities, which we surmise would reduce site visitation costs per outage.

For High Voltage planned maintenance overall, there has been an increase in the amount of work outsourced, which has helped the DSO manage the delivery of the work programmes more effectively, although it is unclear what proportion of work is outsourced or how this has changed over time. It is also unclear on what the trade-offs and upsides/downsides are in terms of outsourcing this work versus an insourcing model.

Overhead Planned Maintenance

Overhead planned maintenance refers to the planned maintenance of the Overhead Lines (OHL) which includes inspections of the lines and poles, timber management to prevent damage to the OHLs, and hazard patrol to search for hazards. For Overhead Planned Maintenance costs, we have distinguished between timber related and non-timber related costs. For timber related costs, which are largely related to activities to prevent vegetation from damaging the network, there was an overspend of €9.0m (5.5%), against an allowance of €163.8m as shown in Table 9 below.

Table 9: Timber Overhead Planned Maintenance Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Rural MV/LV Timber	1.4	0.9	0.4	-	-	63.4	2.7	-60.7	-95.7%
Rural Timber (MV Only)	13.6	16.3	20.9	34.0	42.7	34.8	127.6	92.9	267.2%
Urban MV/LV Timber	6.5	5.3	3.8	2.9	4.2	31.6	22.7	-8.9	-28.3%
HV Timber	2.2	1.5	3.2	5.3	7.5	8.7	19.7	11.0	127.0%

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Out-of-Cycle Timber	-	-	0.1	-	-	12.2	0.1	-12.1	-99.0%
LiDAR for Timber Management	-	-	-	-	-	12.0	-	-12.0	-100.0%
Forestry Corridor Maintenance	-	-	-	-	-	1.2	-	-1.2	-100.0%
Timber Overhead	23.7	24.1	28.3	42.3	54.5	163.8	172.8	9.0	5.5%

Source: ESB Networks, DSO Business Plan Questionnaire, RN-03: Overhead Line Assets

While there is a relatively small total overspend (€9.0m, 5.5%) in this cost category relative to the allowance (€163.8m), at the more granular level there are some very large under and overspend swings. For example, on Rural MV/LV Timber and Urban MV/LV Timber there were large underspends of 95.7% and 28.3%, respectively, and for Rural Timber (MV Only) and HV Timber there were large overspends of 267.2% and 127%, respectively.

Due to the relatively small pool of available contractors at the beginning of PR5, the DSO had to refocus its approach and reprioritise different programmes of work. The DSO used data on timber hazards, worst-served customers and outlets to identify areas to prioritise, and reallocated resources to these areas, which was the key driver for the 95.7% underspend on Rural MV/LV timber and the overspend on Rural Timber (MV Only) and HV Timber.

In response to SQ-235, the DSO provided more information in relation to the challenges it has had with contractor costs. The DSO highlighted that the industry has had to increase prices to retain existing contractors, and conduct additional tendering processes to try and attract new market entrants. Existing contractors informed the DSO that the rates were not 'market-facing'. The DSO, in response, raised rates after conducting market research with UK DNOs. These new rates were used in 2024 and represent a material, four-fold increase on previous rates.

The DSO also cites prices of construction materials used by contractors increasing, which is driving material costs of the operations further, although we note that this was not quantified as part of the DSO's submission.

To mitigate the impact of some of these challenges, the DSO sought efficiencies and cost savings through the increased use of data analytics to prioritise vegetation management based on operational and safety data. This has focused on targeted trimming, pruning and removal in prioritised areas, reducing the scope to essential interventions. The DSO also invested in training for staff on the use of these new digital tools, and carried out various innovative trials such as use of drones and satellite imagery. While these types of interventions appear to be reasonable, little supporting information was provided to quantify the benefits or cost savings that were delivered through them, or indeed some of the consequences of de-prioritising non essential interventions and the impact that this will have in future periods.

The DSO describes Out-of-Cycle timber as having been incorrectly assigned to Out-of-Cycle hazards costs. As a result, we note an underspend in this area of €12.1m due to the misallocation but do not assess this. Our assessment of Out-of-Cycle timber costs will be considered within Out-of-Cycle hazards costs.

The DSO have progressed the role of LiDAR in PR5, developing a framework for corridor clearance and a new digital application that uses LiDAR data to calculate clearances to timber. However, because the technology is currently only being used at transmission voltages, with trials ongoing for use at lower voltages, the costs have been allocated to OHL capex projects rather than LiDAR for Timber Management. This cost allocation decision is the reason for the 100% cost underspend here on opex, rather than there being a lack of progression around LiDAR in PR5.

The DSO's supporting narrative for Forestry Corridor Maintenance only states that this cost item has undergone a process review and areas for improvement have been recorded. No outturn expenditure has been reported here,

and thus there is a 100% underspend on this cost category, against an allowance of which suggests an under-delivery against the allowance €1.2m.

For **non-timber** related costs, which represent the other component of Overhead Planned Maintenance, there was an underspend of €17.0m (16.7%), against an allowance of €101.6m, as shown in Table 10 below.

Table 10: Non-Timber Overhead Planned Maintenance Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Hazard Patrol and Follow-on									
LV Urban Hazard Patrol and Follow-on	1.3	0.8	1.4	0.9	0.9	6.9	5.4	-1.5	-22.0%
MV Hazard Patrol and Follow-on	3.3	4.0	4.2	6.1	6.0	19.7	23.6	3.9	19.8%
HV Hazard Patrol and Follow-on	2.3	4.0	5.3	5.2	5.2	24.5	22.0	-2.6	-10.5%
Out-of-Cycle Hazard Clearance	6.0	5.0	6.1	8.0	4.6	14.0	29.7	15.7	111.9%
Steel Pole Maintenance									
LV / Steel Pole Maintenance	-	-	-	-	-	0.7	-	-0.7	-100.0%
MV/LV Planned Maintenance									
Inspect Re-Closers and Follow-on	0.1	0.3	0.4	0.2	0.2	0.5	1.1	0.6	120.9%
Inspect Voltage Regulator and Follow-On	0.1	0.1	0.3	0.2	0.2	2.9	1.0	-1.9	-64.9%
Inspect Switches and Follow-on	0.1	0.3	0.6	0.4	0.4	6.4	1.8	-4.6	-71.3%
Wood Pole Quality Assurance									
Wood Pole Quality Assurance	-	-	-	-	-	26.0	-	-26.0	-100.0%
Non-Timber Overhead	13.3	14.6	18.3	21.0	17.5	101.6	84.6	-17.0	-16.7%

Source: ESB Networks, DSO Business Plan Questionnaire, RN-03: Overhead Line Assets

The key supporting information provided by the DSO for each sub category is explained as follows:

- LV Urban Hazard Patrol and Follow-on outturn was reportedly lower than the allowance due to the ongoing urban inventory patrol and continuing Fibre Make Ready programme to identify defects as patrolling progresses. For MV and HV hazard patrols, the DSO explains that the quantity of work is unknown until after patrols are complete, and that overspends across these sub categories is simply a result of higher than expected investment requirements.
- The overspend for Out-of-Cycle Hazard clearance was caused primarily by the misallocation of Out-of-Cycle timber costs as previously noted, as well as high labour costs and increased overhead network inspections. More faults have been identified through both these inspections and more severe weather events. Combining the allowance from Out-of-Cycle Timber with the allowance for this subcategory, we see that the outturn was €29.8, against an allowance of €26.2m.

- The steel pole painting work programme did occur, particularly around the Dublin area, but this task was incorporated into localised system improvement projects, as this has minimised required outages and was therefore deemed to be a more efficient means of delivery.
- For MV/LV overhead planned maintenance, the DSO reportedly prioritised the recloser inspections programme over the voltage regulator inspections programme, due to an increased focus on Worst-Performing Outlets and Worst-Served Customers. For the Inspect Switches and Follow-on subcategory, Triple Pole Switch inspections were also postponed so that resources could be reallocated to capex asset replacement programmes. Additionally, €0.3m was incurred as part of a planned maintenance programme of battery changes and ops tests.
- The Wood Pole Quality Assurance programme outturn does not include the work conducted by the OHL Network Assets team; this was incorporated into other programmes due to resourcing issues and outages, explaining the 100% underspend against this sub-category. As a new specification for wood poles was approved in June 2023, a new supply will be tendered for PR6.

Underground Planned Maintenance

Underground Planned Maintenance refers to the planned maintenance of underground cables, as well as substations, mini-pillars and cut-outs connecting to customer interface points. For Underground Planned Maintenance, we have split the outturn expenditure into HV, MV and LV sub-categories. As presented in Table 11 below, the DSO reported an overspend of €2.8m (9.8%) across Underground Planned Maintenance.

Table 11: Underground Planned Maintenance Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
HV Cables	0.2	0.7	1.1	2.9	2.8	8.9	7.8	-1.1	-12.5%
MV Substation	2.2	2.8	2.4	1.0	1.2	9.0	9.7	0.6	6.9%
LV	2.2	2.3	2.9	3.1	2.9	10.1	13.3	3.3	32.3%
Underground	4.7	5.7	6.4	7.1	6.9	28.0	30.8	2.8	9.8%

Source: ESB Networks, DSO Business Plan Questionnaire, RN-04: Underground Network Assets

In its supporting narrative, the DSO explains that it created a 38kV and 110kV (HV) delivery team in 2023 to deliver the HV cables programme, which led to an increase in staff costs. This increased cost is expected to prevail into PR6. However, it is unclear how this process was managed prior to 2023 and the setting up of the new HV delivery team.

The DSO also refer to the higher-than-expected number of Magnefix overhaul interventions: there was an unpredicted need to clear a previous backlog caused by an operational restriction published at the beginning of PR5. The DSO does claim though that delivery of the Magnefix replacement programme will result in significant reduction in Magnefix overhaul expenditure in later years of PR6.

Also, in relation to overspend on Underground Planned Maintenance, the DSO notes that 10-year MV substation inspections were introduced during PR5, as it identified a gap in the maintenance programme i.e. that these interventions were necessary but not being conducted. As a result, expenditure was greater on substations, transformer replacements and switchgear replacements than originally forecasted. The DSO also claims that these interventions should reduce future expenditure on fault maintenance. Although this has not been quantified as part of the DSO's submission and it remains unclear how material these gains might be in PR6.

System Protection and Earthing

The System Protection allowance comprises of relay and earthing maintenance, and as shown in Table 12, the DSO did not incur any expenditure in this area in PR5.

Table 12: System Protection and Earthing Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Relay Maintenance	0	0	0	0	0	3.2	0	-3.2	-100%
Earthing Maintenance	0	0	0	0	0	0	0	0	0%
System Protection and Earthing	0	0	0	0	0	3.2	0	-3.2	-100%

Source: ESB Networks, DSO Business Plan Questionnaire, RN-05: System Protection & Earthing

The DSO states that relay maintenance programmes were not progressed in PR5 as there were difficulties in commencing the programmes, and remedial works associated with earthing maintenance programmes conducted as part of other capex or asset replacement projects.

Our Assessment

Overall, at the aggregate level the DSO is underspending Planned Maintenance by €16.2m (4.2%) in PR5. In the previous section we have discussed outturn expenditure at a more granular, disaggregated level, including the evidence provided by the DSO to justify some of these quite significant under and overspends.

For **High Voltage** planned maintenance, the evidence provided around the re-use of retired equipment with remaining useful life and the optimisation of outages using ARMOs, suggests that the DSO is acting efficiently and that the resulting underspend has been achieved through the efficient delivery rather than the unjustified under-delivery of outputs. However as noted above, it remains unclear how the DSO has considered the benefits and/or trade-offs of moving to a more outsourced model and how this might impact delivery in future periods.

For **timber related Overhead Planned Maintenance**, the DSO has provided evidence to explain some of the key drivers for the significant under and overspends in the sub cost categories, which we have reviewed while noting that at an aggregate level there has only been a relatively small overall overspend of €9.0m (5.5%) in this category. We recognise and acknowledge the challenges that the DSO has faced relating to availability of a limited contracting pool, and the initiatives implemented by the DSO to mitigate the risks of under-delivery, such as using data-led approaches to identify essential activities.

As part of our assessment of timber related Overhead Planned Maintenance, we have carried out some unit cost style analysis, considering PR5 allowances and outturn timber related costs against various activity drivers such as volumes of timber cleared. We think these types of activity drivers represent reasonable drivers of expenditure for the purpose of this type of analysis, as the expenditure for each activity should be closely related to the volume of activities undertaken. We have used both the PR5 Forecast Volumes provided by the DSO as part of its PR5 Request, and PR5 Outturn Volumes, where available, allowing us to more accurately compare the outturn costs against the allowed costs.⁵

A summary of this analysis for the four major timber cutting sub categories is presented in Table 13 below.

⁵ We have estimated the PR5 Forecast Unit Cost based on available information at PR5. The DSO provided us with unit cost information in SQ-235 for MV Rural Only, MV/LV Urban and HV based on the average unit cost paid to timber contractors based on tendered rates. The DSO stated that these unit costs are based on the actual contractor activity over the period, and are therefore a more representative source on cost/activity. In the absence of this information for Rural MV/LV Timber, we have developed our own estimate based on the submitted volumes of timber cutting and sub category costs, which does not take account of actual contractor activities.

Table 13: Timber Delivery over PR5

Timber Units by Category	2021	2022	2023	2024	2025
	Actual	Actual	Actual	Forecast	Forecast
Rural MV/LV Timber (Groups)					
PR5 Forecast Volumes	37,000.0	37,000.0	37,000.0	37,000.0	37,000.0
PR5 Outturn Volumes	2,651.0	1,768.0	658.0	-	-
PR5 Forecast Unit Cost (€ / group)	342.71	345.89	336.37	342.71	345.89
PR5 Outturn Unit Cost ⁶ (€ / group)	531.47	531.27	535.31	-	-
Rural Timber (MV Only) (km)					
PR5 Forecast Volumes	26,338.6	26,338.6	26,338.6	26,338.6	26,338.6
PR5 Outturn Volumes	16,786.0	15,834.0	16,373.0	17,678.0	22,184.0
PR5 Forecast Unit Cost (€ / km)	263.01	267.47	258.55	263.01	267.47
PR5 Outturn Unit Cost (€ / km)	1,782.0	1,782.0	1,782.0	1,782.0	1,782.0
Urban MV/LV Timber (Blocks)					
PR5 Forecast Volumes	150.0	150.0	150.0	150.0	150.0
PR5 Outturn Volumes	147.0	106.0	66.0	81.0	51.0
PR5 Forecast Unit Cost (€ / Blocks)	41,485.22	43,050.70	41,485.22	41,485.22	43,050.70
PR5 Outturn Unit Cost (€ / Blocks)	62,385.5	62,385.5	62,385.5	62,385.5	62,385.5
HV Timber (km)					
PR5 Forecast Volumes	1,880.0	1,880.0	1,880.0	1,880.0	1,880.0
PR5 Outturn Volumes	2,076.0	1,218.0	2,222.0	1,659.0	2,360.0
PR5 Forecast Unit Cost (€ / km)	936.79	936.79	874.34	936.79	936.79
PR5 Outturn Unit Cost (€ / km)	2,047.5	2,047.5	2,047.5	2,047.5	2,047.5

Source: ESB Networks, DSO Business Plan Questionnaire, SQs

From this analysis we can see that there has been material variance in terms of the activity volumes forecast for PR5 and the outturn values across every category except HV Timber. The outturn unit cost across these cost categories is significantly higher than the estimated allowed unit cost established during the ex ante PR5 cost assessment. This higher unit cost is likely explained by lower outturn delivery volumes and higher outturn spend relative to the allowances. We consider that the reasons for the outturn delivery in PR5 have been explained by the DSO, as part of its supporting narratives submitted in the business and supplementary questions. Specifically, the DSO's supporting narrative around contractor costs and the need to retender. The DSO has provided some supporting information around the comparative benchmarking exercise it carried out with UK DNOs to reassess these contractor costs. In addition, the DSO explained how it launched a tender process to address challenges with the delivery of these work programmes and to improve network resilience.

⁶ There was no activity in 2024 and 2025 for Rural MV/LV Timber, so we have not estimated unit costs.

The tendering process based on the information available appears robust, and involved research and discussions with key industry stakeholders. While concerns remain around delivery of workload volumes across these business-critical work programmes, as highlighted in our analysis, we acknowledge the supporting information provided by the DSO and the actions taken in PR5. We would, however, note that while the actions and interventions of the DSO across the various timber related investment programmes appear to be reasonable, there was little supporting information provided to quantify the benefits or cost savings that were delivered through some of the new initiatives. Nor was there sufficient information provided to assess some of the consequences of de-prioritising non-essential interventions, and what impact this has had on network resilience today, and what impact this may have on resilience and cost in future periods.

For some of the other cost categories across Overhead Planned Maintenance, Underground Planned Maintenance, and System Protection and Earthing, under and overspends can be attributed to cost (mis)allocations or the delivery of investment programmes through different packages. While it is reasonable for the DSO to seek to optimise delivery of its investment programme, and that this may indeed drive welcome efficiencies, care should be taken to ensure that costs are reported in line with the regulatory guidance and instruction. Our ability to assess under and overspends against PR5 allowances is impacted by misallocation or misreporting of costs. For example, for LiDAR for Timber Management all expenditure in this area has been reported under capex projects, and the large overspend for Out-of-Cycle Hazard clearance, which has been driven by increased patrolling and labour costs, but also by the misallocation of Out-of-Cycle Timber costs.

Finally, for **System Protection and Earthing maintenance**, no expenditure was incurred, and little supporting information was provided to explain the impact that this may have on the reliability and resilience of the network. While we understand that some of these works may have been carried out and reporting under capex projects, there remains uncertainty around the scale of this under-delivery.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure at the PR5 outturn cost. This view is based on an in the round assessment of the DSO's Planned Maintenance costs, while noting that there are specific subcategories, as set out above, where performance and under/overspends have been explained clearly and others where aspects remain unclear.

For example, for High Voltage Planned Maintenance, evidence suggests that the works were delivered efficiently throughout PR5 resulting in an underspend and for timber related Overhead Planned Maintenance we acknowledge that there have been significant deliverability challenges. In some other areas such as Steel Pole Maintenance, and LiDAR for Timber Management, and Out-of-Cycle Hazard clearance, those under/overspends are based on reprioritisations and reallocations of costs, and the impact and benefits of these decisions are less clear.

A summary of our assessment is presented in Table 14 below.

Table 14: Planned Maintenance PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Planned Maintenance	386.3	370.1	370.1	-	-

Source: CEPA Assessment

2.2.3. Fault Maintenance

Fault Maintenance refers to reactionary, unplanned activities to respond and repair faults of the network, including response to storms. Fault Maintenance costs are split across four sub categories: three of which are based on the maintenance activities at the different network voltage levels, with the final Storm sub category referring to faults on all categories of network explicitly caused by storms.

Comparison of PR5 Outturn vs Allowance

Table 15 compares the PR5 outturn, actual and forecast costs for Fault Maintenance against PR5 allowances. The DSO's PR5 outturn for Fault Maintenance was €303.1m, which compared to an allowance of €243.3m, represents a total overspend of €59.8m (24.6%).⁷

Table 15: Fault Maintenance Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
38kV	2.3	2.3	3.4	3.4	3.4	15.3	14.9	-0.4	-2.31%
110kV/220kV	1.3	0.8	1.4	1.4	1.4	10.8	6.3	-4.5	-41.30%
MV/LV	43.7	45.2	48.1	48.1	48.1	211.5	233.3	21.8	10.33%
Storm	7.2	8.5	7.5	17.7	7.5	5.9	48.4	42.5	724.00%
Fault Maintenance	54.5	56.8	60.5	70.7	60.6	243.3	303.1	59.8	24.6%

Source: ESB Networks, DSO Business Plan Questionnaire, D-01 Fault & Storm Response

Fault maintenance primarily involves use of labour, during and outside of normal hours, due to the spontaneous and uncertain nature of faults. The maintenance activities typically consist of the location of the section of network where the fault has occurred, before work can commence on repairing the network. The DSO state that the overspend against PR5 allowances has been driven by an increasing number of non-storm related faults. The DSO also claim that the increasing size of the MV/LV network, increased customer numbers and system demand have had an impact. As part of its submission, the DSO also described safety improvements implemented over the period, which will continue into PR6, as a driver for some of the overspends. These improved safety standards have had a positive impact on the safety of the Irish electricity system, but there are also trade-offs in terms of the duration of outages and of the labour required to address faults. In response to a clarificatory SQ, the DSO stated that more staff are now required to attend faults, and that these take longer to repair on average.

During PR5 there have been several named storms, which the DSO state has resulted in significant increase in outturn expenditure. These storms include Storm Agnes, Storm Barra, Storm Betty, Storm Debi, and Storm Eunice.

Our Assessment

In Table 16 below we summarise some of the key drivers of fault maintenance, as outlined by the DSO in its submission, over the last two price control periods, where available, as well as the DSO's forecast for PR6.

Table 16: Fault Maintenance Average Driver Volumes

Volumes	PR4	PR5	PR6
Network Length – MV/LV (km)	116,737.1	121,874.7	125,882.8
Network Length – 38kV (km)	5,477.0	5,607.8	5,664.6
Network Length – 110kV/200kV (km)	376.2	389.9	389.9
Customer Numbers (#)	2,294,094.4	2,436,642.6	2,665,459.1
Peak Demand (MW)	-	4,558.8	5,543.8

Source: ESB Networks, DSO BPQ, D-01 Fault & Storm Response, SD-20 PR6 Global Assumptions and Forecasts

⁷ We emphasise that the BPQ was submitted before the advent of Storm Darragh in December 2024 and Storm Éowyn in January 2025. Related costs are therefore not included in this assessment.

Based on this information, we can see that there is a positive trend from PR4 through to PR6 on the average network length at the different voltage levels. We can also identify an increase on both the number of customers on the network and system demand consistent with the DSO's claims.

As a next step in our assessment, we assessed the outturn number of faults per 100km of network, based on information provided in the BPQ and set out in Table 17 below.

Table 17: Number of Faults per 100km of Network

No. Faults by Network Length	2016	2017	2018	2019	2020	2021	2022	2023
110kV	8.1	0.9	23.2	1.6	2.8	3.5	7.2	7.8
38kV	12.3	7.5	31.4	1.8	5.4	4.9	4.8	6.2
MV/LV	137.4	119.1	115.6	38.6	49.5	30.8	38.5	44.8

Source: ESB Networks, DSO Business Plan Questionnaire

This analysis shows that the MV/LV network (comprised of 20kV, 10kV and Low Voltage lines) has the highest number of faults per 100km of network over the period, although this by itself does not explain the overspend in this subcategory.

For all categories, there is a drop in the number of faults in 2021, followed by an increase in faults through to 2023. The DSO claims that this overall increasing trend in all fault types can be attributed to more frequent but localised weather events, and that this also correlates to an increased trend of weather warnings threshold's being breached over the last five-year period by Met Eireann. The DSO does not make reference to, or explain, the fact that for all voltage levels, but particularly in the case for MV/LV, the number of faults per 100km in PR5 is less than the equivalent figures towards the start of PR4. This appears to run counter to the arguments around increasing network length, customer numbers, demand and the impact of increasing weather events.

For the first three categories, we observe that the total overspend is €16.9m (€254.5m against an allowance of €237.6m), or 7.1%. We observe the new safety measures implemented over PR5 are necessary to reduce safety incidents, and that whilst many faults are preventable, faults may be more likely to occur as the network expands.

Storm expenditure was heavily driven by poor weather conditions, spiking at €17.7m in 2024 in response to Storms Isha and Jocelyn, which had combined restoration costs of €14.7m. We would note that while the relationship between Planned Maintenance activities such as timber cutting and Fault Maintenance is not a direct one, there does exist a probabilistic relationship – less timber cutting increases the likelihood that an adverse weather event would result in a fault. There is, as a result, a risk of a relationship between under-delivery of activity volumes across Planned Maintenance activities and the potentially higher than anticipated outturn expenditure on Storms. Additionally, Planned Maintenance is typically less costly than equivalent, unplanned Fault Maintenance activities, and is also less disruptive to customers. Therefore, effective delivery of planned maintenance activities, rather than reactive fault maintenance, may result in lower overall costs, and disruption, for customers.

That being said, we acknowledge that the DSO has experienced a series of severe storms over the course of PR5 with significant restoration costs. Factors such as the length and scale of the Irish overhead system versus the underground system (which is more resilient to weather events) and the increasing impact that wind and weather events are having on the system are important drivers for the overspends in the Storm sub category. The severity of these storms are outside DSO's control, but we emphasise that it is DSO's responsibility to ensure preventative measures are undertaken to lessen the impact of future storms.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure at the PR5 outturn cost. This view is based on an in the round assessment of the DSO's Fault Maintenance costs. There is some supporting evidence that key drivers of non-storm related Fault Maintenance expenditure are increasing, and that there have been several significant storms for the DSO to respond to during PR5 thus far.

We also note that as part of a separate exercise the GHD team have reviewed the DSO's Winter 2025 Resilience Plan, requested by the Irish Government following the major disruptions caused by Storm Éowyn in January 2025. While a summary of our assessment is set out in CRU's PR6 Summary paper (CRU202586), some key points to note which are related to the PR5 lookback assessment for both Planned and Fault Maintenance include:

- It is unclear in certain cases how ESB Network's have reviewed lessons from previous storms that it has faced, or indeed recent nearby storms such as Storm Arwen. The GHD review which offers useful insights and best practices that ESB Network's could consider.
- ESB Networks have not established how ongoing storm review and inspections will influence future planning and maintenance and the effectiveness of resourcing plans remain unclear. The number of staff deployed and how quickly they responded during and after storms are examples of information that should be provided alongside submissions to enable the assessment of performance.
- Reserving materials solely for exceptional storms is considered best practice, and it is encouraging that the DSO's stock levels were sufficient during Storm Éowyn. Also, protecting grid infrastructure in commercial forests is a priority of the Irish government, due to storm risk. The DSO has made progress identifying at-risk network sections using aerial surveys.

We determine that faults will be more likely given necessary network expansion and severe weather events; given the relative unpredictability of such events we see the outturn cost in PR5 as acceptable. We note that our assessment for this category may be subject to further information received from the DSO.

A summary of our assessment is presented in Table 18 below.

Table 18: Fault Maintenance PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Fault Maintenance	243.3	303.1	303.1	-	-

Source: CEPA Assessment

2.3. ASSET MANAGEMENT

Asset Management consists of the Assessment Management and Forestry & Wayleaves cost categories.

2.3.1. Asset Management

Asset Management consists of costs for the teams which progress investments throughout their project lifecycles. This includes:

- Network Development, which supports network planning opportunities such as planning connections;
- Network Assets, which consists of the teams that own each asset and manage investment plans; and
- Network Programmes, which develops and monitors the annual work programme.

Comparison of PR5 Outturn vs Allowance

Table 19 compares PR5 outturn costs, actual and forecast, for Asset Management costs against PR5 allowances. The DSO's PR5 outturn for Asset Management was €134.6m, which compared to an allowance of €97.1m, represents a total overspend of €37.5m (38.6%).

Table 19: Asset Management Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Asset Management	24.3	27.5	27.1	27.8	27.9	97.1	134.6	37.5	38.6

Source: ESB Networks, DSO Business Plan Questionnaire, SQ-173

In its original submission the DSO did not provide a detailed breakdown of the outturn cost for PR5, or mapping of this to the allowance categories identified above. However, in response to an SQ-173, the DSO did provide supporting information, describing the increasing volumes of work in all areas covered by this allowance:

- **Network Development:** The response describes a growing complexity of technologies on the distribution network to support the transition to renewable energy, which requires more effort to plan.

The DSO states that the number of Large Demand Customer Connection Applications has increased from around 250-300 annually before 2022, to over 400 annually since. The number of renewable and flexibility Customer Connection Applications to be processed will have increased four-fold from PR4 to 2025. The Demand and Generation Capacity heatmaps were introduced, and the number required for production increased to three times a year in 2025. A new LV Network Development team was also established, with System Improvement work increasing over the period. These examples demonstrate that there was an increase in delivery requirements beyond what was established in the ex ante assessment, and thus the PR5 allowances.

- **Network Assets:** This area maintained the ISO 55001 accreditation and ensured asset risks were monitored. A new risk management was implemented to align with the CAP2030 goals. This team also implemented plans for critical asset specialist roles.
- **Network Programmes:** This area was restructured to allow for the delivery and monitoring of larger and more complex programmes.

The DSO also state that the Asset Management team have faced an increased volume of work beyond what was included in the PR5 allowances, and have made an effort to prepare proactively for CAP2030 goals.

Our Assessment

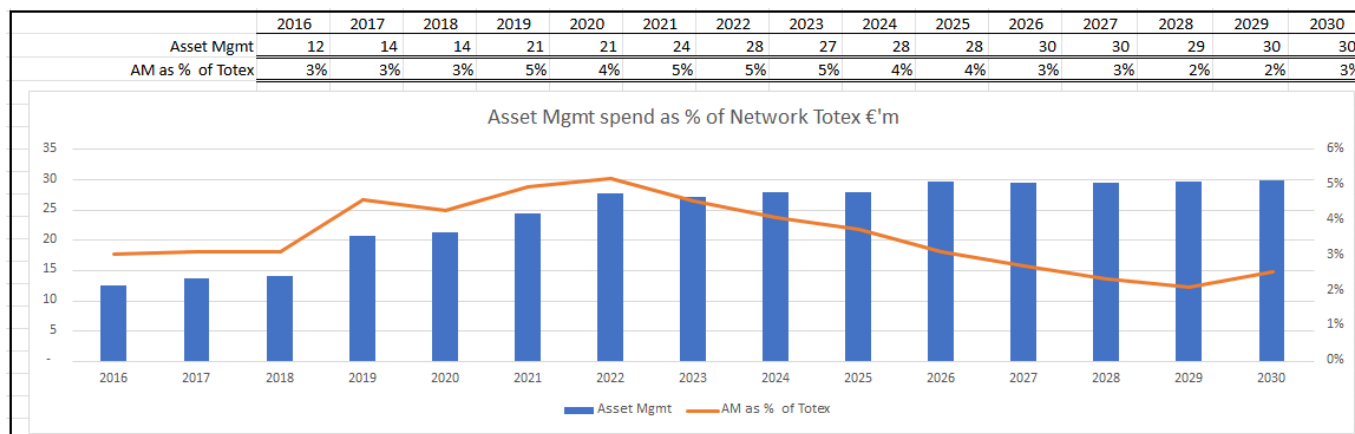
The DSO did not originally provide a supporting narrative to explain its outturn performance on Asset Management. This information was requested as part of SQ-173. In its response the DSO provided the information that we have set out above.

We acknowledge the different activities that the DSO has set out in its response to SQ-173, recognising the volume and complexity of work that the Asset Management teams are delivering.

We note that the DSO's Asset Management costs have been trending up over PR5, increasing each year except in 2023, and that this follows on from an overspend against allowances in PR4 and in PR3.

In its response to SQ-173. The DSO provided a copy of Figure 2 below, that presents Asset Management spend and Asset Management spend as a percentage of total expenditure (totex).

Figure 2: ESB Networks' Analysis of its Asset Management Spend over time



Source: ESB Networks, SQ-173

The DSO states that the declining proportion of Asset Management spend as a percentage of totex over time, against increasing investment levels, suggests operational efficiencies in the activities being undertaken. Based on this analysis we would recognise that Asset Management spend as a percentage of totex appears to be reducing over time, although we would note that Asset Management expenditure was around 3.6% of totex on average in PR4, and around 4.6% of totex in PR5.

We have carried similar ratio analysis as part of our assessment, considering the DSO's Asset Management spend as a proportion of the total controllable opex, using both the PR5 allowances and the PR5 outturn. A summary of this analysis is presented in Table 20 below.

Table 20: Asset Management Opex as a % of Controllable Opex

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Forecast % of Controllable Opex	7.3%	7.1%	5.6%	5.6%	5.6%
PR5 Outturn % of Controllable Opex	7.7%	6.6%	5.5%	4.8%	4.8%

Source: CEPA Assessment

Asset Management outturn as a percentage of controllable opex is lower than when the same calculation is performed using the ex ante figures used to set PR5 allowances. This may indicate that the outturn expenditure reflects efficiencies when considering the DSO's overall programme of investment.

However, our analysis, and indeed the DSO's, is limited by a lack information on outputs or activity volumes. For example, in the DSO's response to SQ-173 it notes the increase in the number of Large Demand Customer Connection applications. In order to better understand whether expenditure was being incurred efficiently, it would be useful to observe year on year volume of applications being processed, relative to the spend for that team. Similarly, the DSO states that the number of flexibility Customer Connection Applications being processed has increased significantly, which has increased the amount of system studies that need to be carried out each year. However, year on year volume information or granular cost breakdowns associated with these specific annual activities were not submitted by the DSO.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure at the PR5 outturn cost. This view is based on an in the round assessment of the DSO's Asset Management costs, recognising the activities that the DSO is performing to ensure it has the capabilities to deliver on the increasing challenging and complexities of managing its assets, while noting that there are concerns around some of the lack supporting information as set out above.

A summary of our assessment is presented in Table 21 below.

Table 21: Asset Management PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Asset Management	97.1	134.6	134.6	-	-

Source: CEPA Assessment

2.3.2. Forestry & Wayleaves

Forestry and Wayleaves refers to payments to landholders for compensation due to restriction on land use, and comprises of:

- Mast Interference Payments – The practice of providing landowners with annual compensation if the DSO’s masts and wood poles interfere with their farming practices. This is only paid for High Voltage assets, at 38kV and above.
- Easements including forestry – The practice of providing landowners with compensation when electricity lines cross over forests (including underground lines), with new safety corridors being created. The DSO states that easements can also apply when existing electricity lines restrict a forestry development. If the landowner loses their right to plant trees, they then grant easement over the land in return for compensation, with the DSO paying their legal and professional fees (This does not apply to LV overhead lines).

Landowners can enter into these agreements voluntarily, and thus there is an element of these costs that are exogenous to the DSO.

Comparison of PR5 Outturn vs Allowance

Table 22 compares PR5 outturn costs, actual and forecast, for Forestry & Wayleaves costs against PR5 allowances. The DSO’s PR5 outturn for Forestry & Wayleaves was €15.6m, which compared to an allowance of €28.9m, represents a total underspend of €13.3m (46.1%).

Table 22: Forestry & Wayleaves Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Forestry & Wayleaves	2.2	1.8	2.9	4.4	4.4	28.9	15.6	-13.3	-46.1%

Source: ESB Networks, DSO Business Plan Questionnaire

Similar to Asset Management, in its original submission the DSO did not provide a detailed breakdown of the outturn cost for PR5, or mapping of this to the allowance identified above. However, in response to SQ-173 and SQ-260, the DSO did provide supporting information and narrative for this cost area.

The DSO state several factors which may have influenced delivery: ongoing negotiations with International Farmers Association (IFA)⁸, COVID-19 restrictions, and a negative national attitude to granting easements. The DSO also cite added complexities from land access challenges and land agents, delays to tree planting licenses, and difficulties negotiating with Capital Investment and ‘Vulture funds’ which are becoming more active in the sector.

As landowners enter into this agreement voluntarily, the DSO attributes the underspend in PR5 to a lower than anticipated number of compensation payments required for landowners. The DSO has agreements with the IFA on

⁸ The DSO gives two agreements as examples: IFA: ESB & IFA Code of Practice for Survey, Construction and Maintenance of Overhead Lines in Relation to the Rights of Landowners (1985) and ESB & IFA Agreement on Compensation for the Loss of Tree Planting Rights (1992).

the payment of compensation, but many potentially affected landowners are not part of the IFA. The DSO also state that many landowners may be waiting for re-negotiations of the 1992 agreement, which could result in increased compensation payments. This process is currently on hiatus for an unspecified period of time at the request of IFA.

Our Assessment

As set out above, the DSO did not originally provide a supporting narrative to explain its outturn performance on Forestry & Wayleaves, but via its response to SQ-260 explained the cost breakdown between Mast Interface Payments (€8.5m) and Easements including forestry (€7.1m), some of the high level differences between these activities, and the different landowners agreements in place, as described above.

In previous bilateral engagements with the DSO, we had proposed use of the distribution OHL network length as a factor that could be used to help assess Forestry & Wayleaves costs. Our rationale was that there may be correlation between the overhead line assets on a network and the need to enter into easement and compensation agreements with affected landowners.

In response, the DSO explained the array of complex variables that mean there is no clear correlation between Forestry & Wayleaves expenditure and the distribution OHL network length. Some of the examples provided by the DSO included:

- That landowners still enter negotiations on a voluntary basis;
- That the underground network can also drive need for compensation payment and that this would not be captured by OHL network length driver;
- Easement payments do not apply to LV structures, which would be captured in the OHL network length driver; and
- The heterogeneity of payments i.e. payments are highly dependent on corridor width and length, land value, and whether additional costs such as fencing are incurred.

We note the challenges associated with this type of volume driver analysis, and did not proceed with the assessment of the DSO's costs on this basis as part of our review. We recognise that the key drivers of spend for Forestry & Wayleaves is whether landowners choose to enter negotiations, and some of the case-specific components of each claim. However, the DSO's submission on its PR5 performance would benefit from a more detailed breakdown of costs, including case studies, and more granular annual volume based information, where available.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure at the PR5 outturn cost. The forecast underspend suggests that the expectations at the time of setting the PR5 allowances, in terms of volumes of activity from farming and other representative groups has not materialised. The underspend appears to be due to a change in volumes of activity outside of the DSO's control.

A summary of our assessment is presented in Table 23 below.

Table 23: Forestry & Wayleaves PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Forestry & Wayleaves	28.9	15.6	15.6	-	-

Source: CEPA Assessment

We consider that the degree of uncertainty around the efficient level of Forestry & Wayleaves should be accounted for when setting the DSO's PR6 allowances i.e. it is unclear when the negotiations with IFA will conclude, and thus certainty around key drivers for spend, as outlined by the DSO, is unclear and is expected to remain unclear into PR6.

2.4. METERING

Metering relates to the DSO's metering operations, services and activities. There are six sub cost categories within Metering, which are described further in the following sub sections:

- Meter Reading;
- QH (Quarter-Hourly) Data;
- Data Aggregation;
- Customer Meter Operation;
- Keypad / Token Meter; and
- Smart Metering.

2.4.1. Meter Reading

Meter Reading falls under the DSO's Retail Meter Services, and includes costs associated with the team that is responsible for managing and monitoring the systems and personnel to deliver metering services to the retail market across remote and manually read sites.

Comparison of PR5 Outturn vs Allowance

Table 24 below compares PR5 outturn costs, actual and forecast, for Meter Reading against PR5 allowances. The DSO's PR5 outturn for Meter Reading was €48.7m, which compared to an allowance of €34.6m, represents a total overspend of €14.1m (40.9%).

Table 24: Meter Reading Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Meter Reading	11.6	11.6	11.3	9.1	5.1	34.6	48.7	14.1	40.9%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-12 Retail Market Services – PR5 Review

In its supporting submission, the DSO states that Meter Reading has performed excellently over PR5, continuing to provide meter reading and interval data to market participants in keeping with its Service Level Agreements (SLAs). It is also noted that Meter Reading's main focus is to actively engage and maintain a presence of meter readers on the ground while smart meters continue to be deployed.

The DSO also discusses some of the key investments over PR5, including the introduction of a customer portal, which provides escalated support to the DSO's customer contact centre on more complex consumption and smart metering based customer queries, and Temetra, a cloud-based manual read management application. It is claimed that this application has improved processes for applying credits/debits to customers and that suppliers are seeing the benefits of this, as it allows for complete registration and change of legal entity on actual reads rather than estimates, reducing bill shock for customers.

The DSO acknowledge the overspend in Meter Reading, and comments that this is primarily due to higher costs associated with meter reading contracts. The DSO note that the PR5 allowances were set based on an estimation of the scale of manual meter reading in the context of smart meter deployment i.e. that manual meter reading decreases as more smart meters are deployed. The DSO argue that while this approach addressed the anticipated volume, it did not account for the increasing unit cost, due to lack of available procurement information at the time.

Finally, the DSO also points to the following reasons for the overspend of the allowance during PR5:

- maintaining of a manual meter reading presence across all of its 34 geographic areas to ensure customers' meter consumption is provided to their suppliers;

- the smart meter deployment delays due to COVID-19;
- the three-phase smart meter deployment having still not commenced; and
- the need to manually read some smart meters due to insufficient mobile coverage.

Our Assessment

We note that there has been a significant overspend of the allowance in Meter Reading across PR5. We also recognise some of the investments in new technologies and applications made by the DSO over the period, which appear to be driving benefit to customers. The submission would benefit from specific cost-benefit analysis or more specific case studies on this, in order to quantify or further justify the value of these investments, particularly in light of the significant overspend in this cost area.

In reviewing the DSO's supporting submissions on Meter Reading we acknowledge some of the challenges that have been faced, particularly around COVID-19, technology/telecommunications issues with some devices, and broader delays to smart meter deployment. Again, it would be helpful to have additional supporting information, with cost breakdowns and timelines, to understand the full impact of these challenges on the DSO and its impact on the DSO's outturn costs.

To support our assessment, we carried out some unit cost style analysis using customer numbers as the key driver of expenditure. We think this is an appropriate driver of Meter Reading expenditure given the direct relationship between manual reads and customer numbers. We also think the use of customer numbers as a driver is consistent with the way in which the DSO prepared its PR6 Meter Reading submission. The trend component of which was explained by the DSO, in response to a query, as being based on providing customers with increasing support over time.

Our analysis uses both the PR5 allowances and outturn costs, alongside the forecast customer numbers used at the time of ex ante setting of PR5 allowances, and the latest actual outturn customer numbers, as set out in Table 25 below. This allows us to more accurately compare the outturn costs against the allowed costs.

Table 25: PR5 Meter Reading Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance (€m)	11.9	9.5	6.9	4.2	2.2
PR5 Forecast Number of Customers	2,402,000.0	2,437,000.0	2,473,000.0	2,507,000.0	2,541,000.0
PR5 Forecast Unit Cost (€/Customer)	4.9	3.9	2.8	1.7	0.9
PR5 Outturn (€m)	11.6	11.6	11.3	9.1	5.1
PR5 Outturn Number of Customers	2,366,009.0	2,399,807.0	2,436,440.0	2,472,094.8	2,508,862.2
PR5 Outturn Unit Costs (€/Customers)	4.9	4.8	4.7	3.7	2.0
PR5 € Under / Overspend	-0.0	0.9	1.9	2.0	1.2

Source: CEPA Assessment

On a unit cost basis, our analysis shows that the outturn expenditure per customer was slightly higher per customer, than that inferred by the PR5 allowances. It cannot be concluded from this analysis whether there is an indication of inefficiency in delivery, as the higher outturn unit cost may be attributed to additional costs associated with increases in workload / activities required for delivery of the overall work programme. For example, in its

submissions, the DSO refers to the increased number of staff it has brought on to support increasing workloads, including increased customer queries, and processing of smart meter data.

In the DSO's submissions, to support this type of analysis in future, it would be helpful for more granular breakdown of Meter Reading costs, across areas which are clearly driven by customers numbers, those which are relatively fixed, and those which may be more clearly explained using workload or activity drivers.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full outturn expenditure at the PR5 outturn cost. This view is based on an in the round assessment of the DSO's Meter Reading costs, recognising some of the positive activities that the DSO has carried out and the challenges and complexities associated with the deployment of smart meters. However, as noted above, there remains some issues around the lack of some supporting information.

A summary of our assessment is presented in Table 26 below.

Table 26: Meter Reading PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Meter Reading	34.6	48.7	48.7	-	-

Source: CEPA Assessment

2.4.2. QH (Quarter-Hourly) Data

QH Data refers to the actions of the Profile Data Services team, and includes the costs associated with the collection, validation and distribution of QH data for the market. These QH meters are installed for the largest commercial and industrial electricity customers in Ireland.

Comparison of PR5 Outturn vs Allowance

Table 27 below compares PR5 outturn costs, actual and forecast, for QH Data against PR5 allowances. The DSO's PR5 outturn for QH Data was €10.5m, which compared to an allowance of €11.4m, and represents a total underspend of €0.9m (7.5%).

Table 27: QH Data Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
QH Data	2.0	2.0	2.2	2.0	2.3	11.4	10.5	-0.9	-7.5%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-12 Retail Market Services – PR5 Review

The DSO reports that the underspend was due to efficiencies in its operations, the impact of COVID-19 (which prevented site visits for extended periods) and finally foreseen resourcing additions not being delivered.

The DSO also adds that despite a very challenging environment over the course of PR5, it has continued to meet all of its SLAs in relation to providing Day+4 data to market participants.

Our Assessment

We note that the DSO marginally underspent its allowance in this area, while delivering against its SLAs. To support our assessment, we have carried out unit cost analysis on the DSO's QH Data, using forecast number of year on year new QH meters installed used in the setting of the PR5 allowances, and the outturn number of QH meters installed, that were provided in the DSO's submissions. Note that there was some lack of clarity around the total volume of QH meters installed, and the new QH meters installed each year as reported by the DSO. Our analysis uses information provided by the DSO in its response to SQ-236.

This approach to assessing QH Data performance, which is summarised in Table 28 below, is consistent with the ex ante setting of PR5 allowances which considered the number of QH meters installed as an appropriate cost driver for QH Data.

Table 28: PR5 QH Data Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance (€m)	2.2	2.2	2.3	2.3	2.4
PR5 Forecast Number of QH meters installed	500.0	500.0	500.0	500.0	500.0
PR5 Forecast Unit Cost (€/QH meters installed)	255.7	331.3	484.8	865.8	1,997.0
PR5 Outturn (€m)	2.0	2.0	2.2	2.0	2.3
PR5 Outturn Number of QH meters installed	1,076.0	1,110.0	1,393.0	1,561.0	119.0
PR5 Outturn Unit Costs (€/QH meters installed)	208.2	198.2	202.2	183.9	204.2
PR5 € Under / Overspend	-47.6	-133.1	-282.7	-681.9	-1,792.9

Source: CEPA Assessment

Based on the information available, there have been more QH meters installed each year in PR5, than that envisaged when setting the PR5 allowances, other than for 2025. This may be one of the key reasons why the DSO's outturn unit cost is less than that inferred by the PR5 allowances, and an indication of economies of scale in delivery, and suggest that the DSO is delivering its QH Data services efficiently. However, we recognise that there are fixed cost activities associated such as IT and that other activities carried within the Profile Data Services team, such as audits on large energy users, that might not be explained through the number of meters installed driver.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure at the PR5 outturn cost. The DSO has marginally underspent its allowances in this area while still delivering on its SLAs, and our analysis suggests that this may be down to operational efficiencies.

A summary of our assessment is presented in Table 29 below.

Table 29: QH Data PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
QH Data	11.4	10.5	10.5	-	-

Source: CEPA Assessment

2.4.3. Data Aggregation

Data Aggregation function includes costs associated with managing the Database for the central market system for meters, dealing with issues related to revenue protection, and managing Long Term No Access accounts.

Comparison of PR5 Outturn vs Allowance

Table 30 below compares PR5 outturn costs, actual and forecast, for Data Aggregation against PR5 allowances. The DSO's PR5 outturn for Data Aggregation was €35.8m, which compared to an allowance of €40.2m, represents a total underspend of €4.5m (11.1%).

Table 30: Data Aggregation Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Data Aggregation	6.6	6.6	7.3	6.7	8.5	40.2	35.8	-4.5	-11.1%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-12 Retail Market Services – PR5 Review

In its submissions, the DSO explains that over the course of the Smart Meter Installation programme there were lower than anticipated cases of meter tampering which would have led to revenue protection investigations. Similarly, fewer meters needed to be resealed as this activity was carried out during to the smart meter exchange programme. Also, consistent with some of the other metering activities, the DSO notes that fewer site visits could be carried out at the start of the period due to COVID-19, resulting in lower-than-expected workload completion, and lower outturn spend.

The increased spend towards the end of PR5 is explained by replacement of more complex metering sites. This is driving additional work for the Database team given the extra complexity of this work.

Finally, the DSO notes that all SLAs were continually met during the period.

Our Assessment

We note the underspend on this cost category and recognise some of the arguments made, including identified efficiencies in operations, and the impacted of the pandemic. Based on information that has been submitted by the DSO, it appears that the underspend has been delivered by flexibly utilising existing staffing levels and, while still delivering the SLAs for this area.

As part of our assessment, we have also carried out some unit cost analysis using the customer numbers as a driver for expenditure in this area. We have compared both forecast customer numbers at the time of setting PR5 allowances, and the latest outturn customer numbers. This approach is similar to that used to set PR5 allowances.

Our analysis is summarised in Table 31 below.

Table 31: Data Aggregation Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance (€m)	7.8	7.9	8.0	8.1	8.2
PR5 Forecast Number of Customers	2,402,000.0	2,437,000.0	2,473,000.0	2,507,000.0	2,541,000.0
PR5 Forecast Unit Cost (€/Customer)	3.3	3.3	3.3	3.2	3.2
PR5 Outturn (€m)	6.6	6.6	7.3	6.7	8.5
PR5 Outturn Number of Customers	2,366,009.0	2,399,807.0	2,436,440.0	2,472,094.8	2,508,862.2
PR5 Outturn Unit Costs (€m/Customer)	2.8	2.7	3.0	2.7	3.4
PR5 € Under / Overspend	-0.5	-0.5	-0.2	-0.5	0.1

Source: CEPA Assessment

On a unit cost basis, our analysis shows that the outturn expenditure per customer was less than that inferred by the PR5 allowances, between 2021 and 2024. For 2025 we identify a small overspend per customer relative to allowances. Overall, this is broadly consistent with the DSO's submission in that it suggests that the DSO has identified efficiencies in its operations.

Given the lack of supporting information though in relation to volumes of activities, it is difficult to assess whether this underspend could be instead attributed to underspends associated with under-delivery of the work programme. However, noting that the DSO has delivered on its SLAs throughout PR5, this appears to be unlikely.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure at the PR5 outturn cost. A summary of our assessment is presented in Table 32 below.

Table 32: Data Aggregation PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Data Aggregation	40.2	35.8	35.8	-	-

Source: CEPA Assessment

2.4.4. Customer Meter Operation

Customer Meter Operation, which is also referred to as Metering Asset Management within the DSO's submissions, includes costs for activities associated with maintaining the condition of meters, addressing the most significant risks of meter failure, and loss of meter data.

Comparison of PR5 Outturn vs Allowance

Table 33 below compares PR5 outturn costs, actual and forecast, for Customer Meter Operation against PR5 allowances. The DSO's PR5 outturn for Customer Meter Operation was €4.7m, which compared to an allowance of €15.6m, represents a total underspend of €10.8m (69.5%).

Table 33: Customer Meter Operation Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Customer Meter Operation	2.3	2.6	-2.2	1.0	1.0	15.6	4.7	-10.8	-69.5%

Source: ESB Networks, DSO Business Plan Questionnaire, MAM-01: Metering Asset Management

The DSO claims to have scaled up its Major Meter Testing programme, successfully testing the largest customers in Ireland within PR5 to date. However, COVID-19 lockdowns have impacted its ability to progress its PR5 work programme.

The DSO argues that its ambitious plans set out in its PR5 submission are mostly on track, with outside factors such as the pandemic influencing the scale up and scale back of some work programmes. It is anticipated that in 2024 and 2025 there will be a renewed focus on certain programs that will aim to give customers a reliable and accurate metering solution.

Our Assessment

While the impact of the pandemic might explain the DSO's underspend in PR5, its submission is lacking sufficient granularity on cost build ups, and additional supporting information to explain this fully.

The DSO noted that as the Metering Assets team grows its technologist base, the volume of work delivered will also increase. While this may be the case, the submission on PR5 performance does not provide detail on the outputs or volumes of work being delivered at present to be able to understand how this might be expected to change going into PR6.

In its submission the DSO refers to both the scaling up and scaling down of different work programmes. Based on the information provided it is not clear what programmes have been scaled up/down, how the decisions and

prioritisation activities were made, and whether factors such as cost-benefit were considered. It is also not clear how the level of underspend in PR5 may impact costs in PR6.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure at the PR5 outturn cost, recognising however that there is a lack of granularity around the impacts of the underspend in PR5 (limited or increased risk of meter failures for example).

A summary of our assessment is presented in Table 34 below.

Table 34: Customer Meter Operation PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Customer Meter Operation	15.6	4.7	4.7	-	-

Source: CEPA Assessment

2.4.5. Keypad / Token Meter

Keypad / Token Meter, which is also referred to as Pay As You Go (PAYG) meters, is a function area that includes cost for the purchase of meters, management of their installation, and the actual cost of installation. These meters are typically installed for customers facing financial difficulties.

Comparison of PR5 Outturn vs Allowance

Table 35 below compares PR5 outturn costs, actual and forecast, for Keypad / Token Meter against PR5 allowances. The DSO's PR5 outturn for Keypad / Token Meter was €1.1m, which compared to an allowance of €2.1m, represents a total underspend of €1.0m (48.0%).

Table 35: Keypad / Token Meter Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Keypad / Token Meter	0.2	0.2	0.3	0.2	0.1	2.1	1.1	-1.0	-48.0%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-10: Pay As You Go Metering

In its submission, the DSO states that installations of PAYG meters were below the expected levels in 2021 and 2022, but that there was an increase in 2023. The DSO notes that this could be associated with the moratorium on de-energisation for non-payment of account as part of COVID-19 and customer protection measures.

Due to the energy crisis in 2022, the emergency credit allowance available to customers increased from €10 to €20, but this does not appear to have had much effect on outturn expenditure.

In 2022 the DSO successfully carried out a proof of concept to move between two secure meters data centres and reduce application downtime in the event of an issue with its software for PAYG metering. This removed the requirement to implement a disaster recovery plan, that would have involved preparation and coordination with the entire electricity supply market across Republic of Ireland and Northern Ireland.

Our Assessment

We note the underspend in this area, and recognise the impact that the COVID-19 has had in relation to the number of PAYG meter installations in the years during and after the pandemic.

We also acknowledge the activities that the DSO has carried out to improve resilience of its PAYG metering, eliminating the need to carry out a larger, and presumably more costly exercise across Ireland.

In the DSO's submission it noted that its PR5 allowances were based on an original estimate that 4,900 PAYG meters would be installed between 2021 and 2023. No meters were due to be installed in 2024 and 2025 due to the anticipation that smart meters would be able to take over PAYG capabilities. In our assessment of the DSO's Keypad / Token Meter performance in PR5, we have carried out some unit cost analysis using the ex ante forecasts of PAYG meters installed per annum and the outturn installations. This is summarised in Table 36 below.

Table 36: Keypad / Token Meter PR5 Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance (€m)	1.0	0.7	0.5	-	-
PR5 Forecast number of PAYG meters installed	2,300.0	1,500.0	1,100.0	-	-
PR5 Forecast Unit Cost (€/PAYG meters installed)	1.2	0.5	0.3	-	-
PR5 Outturn (€m)	0.2	0.2	0.3	0.2	0.1
PR5 Outturn Number of PAYG meters installed	640.0	829.0	1,139.0	1,564.9	2,150.1
PR5 Outturn Unit Costs (€/PAYG meters installed)	11.1	0.9	0.9	0.5	0.3
PR5 € Under / Overspend	9.9	0.4	0.7	0.5	0.3

Source: CEPA Assessment

We can observe that there was lower delivery of PAYG meter installations over the period, relative to the ex ante expectation. But we acknowledge that this is consistent with the information that the DSO has provided in its submission, and that this was likely due to factors outside of its control.

We note that in this particular case, we used the forecast and outturn numbers of PAYG meters from the narrative document for 2021 – 2023, and extrapolated the outturn results for 2024 and 2025. We requested more detail on the forecast number of PAYG figures but were unable to reconcile differences between the figures in SQ-245 and the narrative. As both the forecast and outturn PAYG meters in the narrative were presented together, we decided to use these to present the unit cost for comparability.

We emphasise that whilst the under/overspend may be less accurate, the relationship between unit costs can still be determined. From 2021 – 2023 it appears that there is an overspend on a unit cost basis, which declines over time as the number of meters increases. As there were far fewer PAYG meters installed than predicted, we surmise that this area is highly dependent on fixed costs.

The DSO's narrative states that as well as costs associated with installations, two staff administrate the changes of supplier process, and there is a maintenance cost for the software used for PAYG metering (Liberty Client application). Without more accurate, granular information on PAYG metering, it is difficult to determine whether the DSO's outturn costs are efficient or inefficient, but we surmise that there are factors outside of the DSO's control that have impacted outturn performance.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure set at the PR5 outturn cost. A summary of our assessment is presented in Table 37.

Table 37: Keypad / Token Meter PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Keypad / Token Meter	2.1	1.1	1.1	-	-

Source: CEPA Assessment

2.4.6. Smart Metering

Smart Metering includes costs associated with activities under the Smart Metering Project (SMP), which forms part of the National Smart Metering Programme (NSMP). It is the DSO's responsibility to deliver the national smart metering solution, including the installation of smart meters, the supporting systems including communications and cybersecurity, and changes to the associated retail market business processes.

This is a programme of national significance, critical to offering customers better services and information, and increase competition between suppliers through new and innovative smart tariffs and services.

Comparison of PR5 Outturn vs Allowance

Table 38 below compares PR5 outturn costs, actual and forecast, for Smart Metering against PR5 allowances. The DSO's PR5 outturn for Smart Metering was €68.8m, which compared to an allowance of €69.4m, represents a total underspend of €0.6m (0.9%).

Table 38: Smart Metering Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Smart Metering	4.7	8.2	14.3	18.0	23.6	69.4	68.8	-0.6	-0.9%

Source: ESB Networks, DSO Business Plan Questionnaire, FN-08: Future Networks PR5 Smart Metering

The underspend in the PR5 period is explained as being the result of smart meter installation delays because of coverage issues, which has led to lower maintenance costs to date, significant reductions on data bills (of 55%) from a competitive tendering exercise, and further delayed installations because of the impact of COVID-19.

The DSO notes that completion of Phase 3 of the NMSP approach, which will see the installation of a total of 2.1m smart meters, is now expected in 2025 instead of 2024. This has had the effect of 'pushing back' expenditure to the end of PR5.

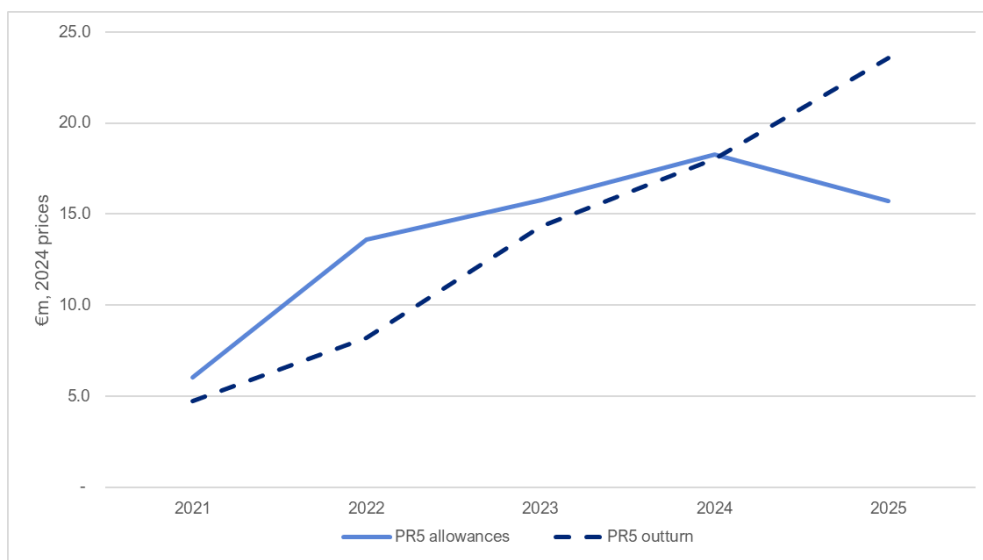
Some other these factors were explained further by the DSO in its narrative submission outlining reasons for its outturn performance in PR5, including potential impact on PR6:

- Some operations centre costs were booked against capex instead of opex in PR5; by recording these costs against opex in PR6, this is likely to raise costs against current outturn;
- Installations to improve coverage for blackspots began in 2023, so maintenance for this area is expected to increase from 2024 into PR6;
- Increased costs for cybersecurity as a result of NIS-D (directive on security of network and information systems) requirements have led to an increase in resources since 2024. It is expected that these additional resources will continue to be part of the operations team for the foreseeable future.

Our Assessment

We note that while the total PR5 outturn is only marginally less than total PR5 allowances, this is a result of forecast overspends in 2024 and 2025 to offset underspends in the early years of PR5, as illustrated in Figure 3 below. Outturn spend for the first three years of PR5, 2021 to 2023, is €27.2m, which is €8.2m or 23.1% less than the equivalent PR5 allowances.

Figure 3: Smart Metering PR5 allowed vs. outturn by year



Source: CEPA analysis

This observation is consistent with the DSO's comments around delays to the smart metering rollout being delayed towards the back end of PR5 and the impact that the pandemic has had at the start of PR5. However, it is unclear from the supporting information that has been provided on how the DSO is going to continue its ramp up and guarantee delivery of the NSMP activities within PR5.

It is positive to note that through a series of competitive tendering exercises and negotiations, the DSO was able to reduce its monthly data bills by 55%. It is unclear though based on the information provided what this amounts to in monetary terms, the time period over which these savings will be incurred, and whether these savings have been used to offset overspends in other parts of the Smart Metering cost area.

As part of our assessment on the DSO's Smart Metering performance over PR5, we have carried out some unit costs analysis using the forecast of the number of smart meters installations per year from the ex ante setting of PR5 allowances, and the outturn number of smart meters installations in that year. This is summarised in Table 39 below.

Table 39: Smart Metering Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance (€m)	6.1	13.6	15.8	18.3	15.7
PR5 Forecast Number of Smart Meter installations	538,900.0	538,900.0	542,500.0	546,821.0	34,206.0
PR5 Forecast Unit Cost (€/Smart Meter installation)	11.2	25.2	29.1	33.4	460.0
PR5 Outturn (€m)	4.7	8.2	14.3	18.0	23.6
PR5 Outturn Number of Smart Meter installations	381,862.0	481,793.0	464,957.0	325,886.0	134,216.0
PR5 Outturn Unit Costs (€/Smart Meter installation)	12.4	17.1	30.8	55.3	175.6
PR5 € Under / Overspend	1.1	-8.2	1.7	21.9	-284.4

Source: CEPA Assessment

Both the unit cost inferred from the PR5 allowances, and the outturn unit cost per smart meter installation vary quite significantly year on year, but with a general positive trend throughout the PR5 period. It is not clear from the information provided why this might be the case, and what impact fixed costs and other factors that impact Smart Metering such as increasing cybersecurity requirements, might be having on this.

The changing profile of smart meter installations relative to the expectation during the ex ante setting of PR5, is also having a significant impact on our unit cost analysis. It should also be noted that the forecast number of smart meter installations and the outturn installations, which were obtained from the DSO's response to SQ-245, do not match, and there are challenges reconciling this with the DSO's narrative around 2.1m installations by 2025.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure at the PR5 outturn cost. The DSO has provided information explaining the key reasons for the programme delay, which we accept as being largely driven by factors outside of the DSO's control, namely COVID-19. Outturn spend is in line with allowances, although it should be noted that this is dependent on a significant uptick in expenditure in the final two years of PR5 (forecasts in our analysis).

A summary of our assessment is presented in Table 40 below.

Table 40: Smart Metering PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Smart Metering	69.4	68.8	68.8	-	-

Source: CEPA Assessment

2.5. CUSTOMER SERVICE

Customer Service relates the DSO's customer service operations, including managing the National Customer Care Centre (NCCC), Area Operations and Customer Relations activities.

2.5.1. Call Centre

The NCCC is an in-house contact centre, and it is facility that all electricity customers use to make enquiries about their electricity supply, faults, new connections, emergencies, and other general queries.

responds to customer queries on areas including faults and new connections.

Comparison of PR5 Outturn vs Allowance

Table 41 compares PR5 outturn costs, actual and forecast, for the Call Centre cost category against PR5 allowances. The DSO's PR5 outturn for Call Centre was €43.9m, which compared to an allowance of €38.1m, represents a total overspend of €5.8m (15.3%).

Table 41: Call Centre Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Call Centre	7.4	8.0	8.8	9.5	10.3	38.1	43.9	5.8	15.3%

Source: ESB Networks, DSO Business Plan Questionnaire, C-06: National Customer Care Centre

In the DSO's supporting narrative, it explains that its outturn spend has been driven primarily by increases in staff numbers during PR5, following organisation analysis that commenced in 2021.

In response to SQ-214, the DSO added that this analysis was carried out by external consultants, and shared a copy of the report that it was provided. We found that it provided a detailed assessment of potential options to be considered in light of the DSO's relatively poor performance against the ESATRAT incentive. We note that none of these options explicitly suggested the quantity of new staff to be hired. This decision appears to have been made by the DSO in response to the report.

Additional staff roles were approved internally by the DSO in 2022, which resulted in a net increase of 10 staff. In 2024, the DSO hired another 8 staff to help with digital customer touchpoints and proactive quality assurance. We note the additional spend associated with these activities appears to be correlated with an improvement in the performance of the call centre. Having received a penalty under the ESATRAT incentive in 2021 and 2022 for poor performance, 2023 was the first year in which the DSO was given a positive reward.⁹

This is summarised in Table 42 below.

Table 42: ESATRAT Rewards in PR5

DSO Opex (€m, 2019 prices)	2021	2022	2023
Performance	86.0%	83.6%	91.7%
Reward/Penalty	-3.4m	-5.9m	1.6m

Source: Electricity Networks Incentives and Reporting Information Paper (2023), CRU

The DSO's performance against this incentive appears to be improving, and we consider it likely that this is being driven by the new staff (and the associated overspend), but we note there are other factors which the DSO has also implemented to improve efficiency and performance, such as new software implementation.

In the DSO's ESATRAT submission, a range of factors are listed to explain historic poor performance, including:

- **Staff absences:** the DSO cited 18% of care centre staff resigning in 2021 and 20% in 2022, compared with roughly 6.5% in 2020. It also cited 5 staff on long-term sick leave in 2021 and heavy levels of absenteeism in 2022; it also had fewer staff pass their probation and fewer summer interns due to COVID-19.
- **Staff recruitment challenges:** In 2022, the DSO explained that it still had 8 call centre vacancies to fill. It stated that it had challenges recruiting staff in a competitive environment, and in onboarding new members of staff.

Additionally, to explain the poor performance related to ESATRAT, the DSO cited a higher volume of work both to support customers working from home during COVID-19 with their meter readings, and as customers become more active participants in the system with aspects such as smart metering.

Our Assessment

As part of our assessment of the DSO's Call Centre costs, we have carried out some unit cost analysis to understand the average cost per customer for operating the call centre. This analysis utilises both the ex ante forecast for customer numbers in PR5, and the actual outturn customer numbers realised in PR5, alongside PR5 allowances and outturn costs, as set out in Table 43 below.

We consider total number of customers acts as a reasonable explanatory variable for this expenditure, in that the number of customer contacts, enquiries, complaints etc. will all be a function of the total number of customers.

Table 43: Call Centre Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance (€m)	7.4	7.5	7.6	7.7	7.8
PR5 Forecast Number of Customers	2,402,000.0	2,437,000.0	2,473,000.0	2,507,000.0	2,541,000.0
PR5 Forecast Unit Cost (€/Customer)	3.1	3.1	3.1	3.1	3.1
PR5 Outturn (€m)	7.4	8.0	8.8	9.5	10.3
PR5 Outturn Number of Customers	2,366,009.0	2,399,807.0	2,436,440.0	2,472,094.8	2,508,862.2

⁹ If the NCCC's performance against ESATRAT falls below 90%, a penalty is imposed.

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Outturn Unit Costs (€/Customer)	3.1	3.3	3.6	3.8	4.1
PR5 € Under / Overspend	0.0	0.3	0.5	0.8	1.0

Source: CEPA Assessment

In the early years of PR5, we can observe an overspend relative to the allowance, of less than or equal to €1.0m per year. This grows over the period, which corresponds to the DSO's narrative around the increasing number of staff.

Our unit cost analysis also shows that on a cost per customer basis, costs are increasing gradually over PR5 and that costs have been consistently higher than those inferred by the ex ante allowances. We do note however that the rising trend in costs appear to be driving improvements in performance, with the increasing spend per customer, likely contributing to improved ESATRAT scores, and outcomes for customers.

The supporting external analysis provided by the DSO is helpful in understanding the various options considered and the rationale for increasing resourcing, although we note that it does not explicitly consider the impact or the costs of the different measures. It is implied though through the levels of complexity of implementation listed in the consultancy report, that these will increase expenditure.

Whilst we see that there is a correlation between the overspend and improved performance, the submitted narrative does not fully explain this causal relationship nor does it explain how the DSO has determined whether its costs are efficient. Whilst we were given details of the number of staff employed and their activities, it is unclear what specific actions were undertaken to lead to improved ESATRAT scores.

Note, our analysis has not considered ESATRAT scores for 2024 and beyond.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full outturn expenditure at the PR5 outturn cost. This view is based on our in the round assessment of the DSO's Call Centre costs, and recognises the improvements that it has made in its performance and importantly the outcomes that customers care most about. A summary of our assessment is presented in Table 44.

Table 44: Call Centre PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Call Centre	38.1	43.9	43.9	-	-

Source: CEPA Assessment

2.5.2. Area Operations

Area Operations includes a wide range of planned and unplanned operational activities carried out by the DSO's network technicians and mainly related to response activities, initiated daily by customers, members of the public or through the DSO's employees.

Comparison of PR5 Outturn vs Allowance

Table 45 compares PR5 outturn costs, actual and forecast, for Area Operations costs against PR5 allowances. The DSO's PR5 outturn for Area Operations was €67.4m, which compared to an allowance of €65.3m, represents a total overspend of €2.1m (3.2%). This was primarily driven by an overspend in the Timber & Safety subcategory of €3.6m (€8.3m against an allowance of €4.7m, or 77.5%).

Table 45: Area Operations Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Area Operations	9.4	10.9	12.4	13.2	13.2	60.6	59.1	-1.5	-2.5%
Timber & Safety	2.2	2.1	1.4	1.4	1.2	4.7	8.3	3.6	77.5%
Area Operations Total	11.7	13.0	13.9	14.5	14.3	65.3	67.4	2.1	3.2%

Source: ESB Networks, DSO Business Plan Questionnaire, D-02: Area Operations

To explain the slight underspend for Area Operations, the DSO states that there was a reduction in in-person operations during COVID-19. It describes the relationship as entirely causal, with fewer area operations activities taking place during the pandemic. 2023 is the first year described as being unaffected by COVID-19. The DSO also reports that an increase in new connections towards the end of the period has required increased site visits, with higher storm winds resulting in a higher-than-normal replacement of meter cabinet doors.

With regards to Timber & Safety, as described further in the Planned Maintenance section, the DSO has had difficulties regarding the procurement of timber contractors. In the Area Operations narrative, it is stated that this is beyond the DSO's control and is caused by whole-industry issues and service providers going out of business. Area Operations also includes the management of Out-of-Cycle Timber Hazards and the DSO states that this is an increasing challenge, given accelerated timber growth observed in recent years, and difficulties securing timber contracting services.

Our Assessment

As per our assessment of Call Centre costs, we have carried out unit cost analysis using the number of customers as the key driver for this expenditure and as a reflection of increased customer-facing activities over the period. This is summarised in Table 46.

Table 46: Area Operations Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance – Area Operations (€m)	11.7	12.0	12.1	12.3	12.4
PR5 Forecast Number of Customers	2,402,000.0	2,437,000.0	2,473,000.0	2,507,000.0	2,541,000.0
PR5 Forecast Unit Cost – Area Operations (€/Customers)	4.9	4.9	4.9	4.9	4.9
PR5 Outturn – Area Operations (€m)	9.4	10.9	12.4	13.2	13.2
PR5 Outturn Number of Customers	2,366,009.0	2,399,807.0	2,436,440.0	2,472,094.8	2,508,862.2
PR5 Outturn Unit Costs – Area Operations (€m/Customers)	4.0	4.6	5.1	5.3	5.2
PR5 € Unit Cost Under / Overspend – Area Operations	-0.9	-0.4	.0.2	0.4	0.3

Source: CEPA Assessment

There is a unit cost overspend from 2023 onwards, offset by a €1.5m underspend in the earlier years of PR5. This appears to be consistent with the DSO's narrative regarding the impact of the pandemic, and then the increasing volume of new connections work and storm based work going forward.

The unit cost assessment also appears to correspond with the DSO's narrative that delivery has been successful despite facing several issues outside of the DSO's control. Against an inferred flat unit cost allowance of €4.9 per customer, the DSO has lower outturn unit costs in 2021 and 2022, and an overspend in the remaining three years. The underspend reflects the impact of COVID-19 as described in the narrative, and the overspend in the latter three years could reflect the increasing number of new connections work.

We have carried out similar unit cost analysis for the Timber & Safety sub cost category, as presented in Table 47 below. Against a forecast unit cost of €0.4 per customer for Timber and Safety, we observe an outturn unit cost exceeding that, but steadily declining over the course of PR5.

Table 47: Timber & Safety Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance – Timber & Safety (€m)	0.9	0.9	0.9	0.9	0.9
PR5 Forecast Number of Customers	2,402,000.0	2,437,000.0	2,473,000.0	2,507,000.0	2,541,000.0
PR5 Forecast Unit Cost (€/Customers) – Timber & Safety	0.4	0.4	0.4	0.4	0.4
PR5 Outturn – Timber & Safety (€m)	2.2	2.1	1.4	1.4	1.2
PR5 Outturn Number of Customers	2,366,009.0	2,399,807.0	2,436,440.0	2,472,094.8	2,508,862.2
PR5 Outturn Unit Costs – Timber & Safety (€/Customers)	0.9	0.9	0.6	0.6	0.5
PR5 € Under / Overspend – Timber & Safety	0.6	0.5	0.2	0.2	0.1

Source: CEPA Assessment

Based on the submitted narrative for planned maintenance, we understand that the overspend for Timber & Safety was likely caused by external factors within the supply chain, noting that this also only resulted in a relatively small overspend for the subcategory as a whole.

Whilst we understand that there is a higher volume of activity than anticipated, for example due to faster growing vegetation, the DSO's narrative is unclear on the relative differences from PR4. We also have limited evidence to indicate how or whether the issues that affected the Timber Overhead Planned Maintenance impacted Timber & Safety in the same way. Although we do understand and acknowledge from that DSO's narrative that the Irish timber industry in its entirety was affected.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full outturn expenditure at the PR5 outturn cost. We conclude that the Timber & Safety subcategory was likely influenced by areas outside of the DSO's control, although the submission would have been enhanced if more information was provided explaining specific impacts that the wider timber industries difficulties have had on this sub category separate from planned maintenance. A summary of our assessment is presented in Table 48 below.

Table 48: Area Operations PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Area Operations	65.3	67.4	67.4	-	-

Source: CEPA Assessment

2.5.3. Customer Relations

Customer Relations cost category includes the following operations and activities:

- Connection Services – This refers to the work of the New Connections Team in processing new connections;
- Customer Awareness / Education – This refers to ESB Networks’ increased media presence, including through promotional materials and the website and TV campaigns, on issues such as safety awareness and internal careers;
- Scheduling Support Centre – The team distributing meter work to technicians;
- Inclusive Customer Communication – This includes methods of improving accessibility to customers, for example through providing resources in the Irish language and resources adapted for disabled customers;
- Transforming the Customer Experience – This refers to the training DSO employees receive on customer excellence, and the planning provided to ensure high standards of service across the company;
- Understanding Customer Needs – This refers to market research conducted into customer opinions of services provided across the business.

Comparison of PR5 Outturn vs Allowance

Table 49 compares PR5 outturn costs, actual and forecast, for Customer Relations against PR5 allowances. The DSO’s PR5 outturn for Customer Relations was €65.1m, which compared to an allowance of €41.9m, represents a total overspend of €23.2m (55.3%).

Table 49: Customer Relations Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Connection Services	2.0	2.6	3.2	3.3	3.1	10.0	14.1	4.1	41.2%
Customer Awareness / Education	2.8	2.1	2.9	3.1	5.3	11.2	16.2	5.0	45.3%
Scheduling Support Centre	4.0	4.5	4.3	8.7	6.9	14.9	28.4	13.5	90.6%
Inclusive Customer Communication	0.2	0.2	0.4	0.6	0.6	2.1	2.0	-0.1	-6.1%
Transforming the Customer Experience	-	-	0.1	0.5	1.8	2.3	2.9	0.6	25.0%
Understanding Customer Needs	0.2	0.4	0.4	0.5	0.5	1.5	2.1	0.5	35.4%
Customer Relations Total	9.3	9.7	11.3	16.7	18.1	41.9	65.1	23.2	55.3%

Source: ESB Networks, DSO Business Plan Questionnaire, C-02: Connections Service, C-03: Customer Awareness, Education & Promotion, C-04: Scheduling Support Centre, C-05: Inclusive Customer Communication, C-07: Transforming the Customer Experience, C-08: Understanding the Customer Needs

The largest overspend is reported in the Scheduling Support Centre category, the function scheduling meter work orders across the DSO’s fleet of technicians to optimise its schedules. This was largely driven by the need to upgrade the existing Click Schedule application, as the existing software reached end of life in December 2023.

Procurement was completed in Q1 2024 with a new vendor. The DSO states that it is investigating how this new software can be used in other work activities. The DSO has broken down the cost of each activity required in implementing the solution, totalling a value of €21.9m (provided as €18.7m in 2019 monies), lower than the overspend on this category. Further drivers of cost include an upgrade to the Click Schedule in 2020, and RPAs (robotic process automation) implemented in 2022 and 2023.

In terms of delivery for this subcategory, the DSO reports that the number of completed Meter Work Orders was lower than expected due to the COVID-19 pandemic reducing the volume of in-person work that could be completed. It states that the number of work orders was 'impacted' by the consumer protection measures implemented by the CRU. It is not explicit from the narrative, but this presumably is what caused the increase from 153,057 completed orders in 2021 to 198,312 orders in 2022.

The DSO states that its overall reason for the Customer Awareness overspend of €5.0m is that there have been increased severe weather events over PR5, and so it has felt it necessary to increase presence and communication around outages with customers. The DSO has an increased social media presence, and an increased staff headcount in the marketing team. It is also in the process of developing a marketing 'centre of excellence', to increase consumer engagement in the transition to Net Zero. This increased expenditure began around H2 of 2022.

The total overspend of roughly €4.0m across Connection Services is explained by unexpected stationery and staff costs, pointing to a lack of digitalisation and unexpected staff costs. The DSO describes its proposed efforts to digitalise the business and standardise quotations in PR6. The DSO also states that it has experienced an increased workload around microgeneration, and faced more complex applications.

Across Inclusive Customer Communications, there has been a small underspend of around €0.1m across the period, represented by underspends from 2021-2023 and overspends in 2024 and 2025. The narrative describes activities to allow the DSO to comply with the Official Languages Act introduced in 2021.

The Transforming the Customer Experience programme began in 2023. The overspend was driven by widening the improving training for the Customer Delivery Team on customer experience. The DSO states that this will be delivered by a third-party contracting company. This programme aims to improve communication with customers on a local basis and improve satisfaction during planned maintenance works.

The Understanding the Customer Needs overspend was driven by an increase in customer research (including into smart metering and National Network, Local Connections Programme (NNLC) attitudes), an increase in brand and advertising tracking from quarterly to continuously and staffing changes including the creation of a new customer insights and research manager role in 2022.

Finally, the Transforming the Customer Experience (customer delivery team training) and Understanding the Customer Needs (customer market research) have reported a small or 0 overspend.

Our Assessment

In Table 50 we present a summary of the results of our unit cost assessment across these categories. For all subcategories except Connection Services, which uses the number of new connections as a driver, we use the number of customers to reflect the volume of work under each subcategory.

Table 50: Unit Cost Overspends for Customer Relations

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Outturn New Connections (€ / Customer)	29,556.0	39,103.0	41,013.0	40,482.0	47,013.0
PR5 Outturn Customers (€ / Customer)	2,366,009.0	2,399,807.0	2,436,440.0	2,472,094.8	2,508,862.2
PR5 Connection Services (€ / Customer)	9.7	8.1	19.4	23.1	6.6
PR5 Customer Awareness / Education (€ / Customer)	0.3	-0.0	0.3	0.3	1.2

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Scheduling Support Centre (€ / Customer)	0.5	0.7	0.6	2.3	1.6
PR5 Inclusive Customer Communication (€ / Customer)	-0.1	-0.1	-0.0	0.1	0.1
PR5 Transforming the Customer Experience ¹⁰ (€ / Customer)			-0.3	-0.1	0.4
PR5 Understanding Customer Needs (€ / Customer)	-0.0	0.0	0.1	0.1	0.1

Source: CEPA Assessment

To explain the overspend on the Scheduling Support Centre on a per-customer basis, we understand that the upgrade and procurement of the new Click Schedule were likely to have impacted the costs more than the impact of the increase in completed meter orders, which were in themselves driven by exogenous and unforeseeable circumstances. Seeing the upgrade to the Click Schedule as necessary we determine that these costs could have been expended efficiently, but we would need to review the procurement process undertaken to examine this further.

For Customer Awareness / Education, we determine these costs as being unforeseeable, due to increased storms and the need to inform customers of demand management strategies and upgrades. It is unclear what caused by the small unit cost overspend in 2021, but this could be explained by COVID-19. For all other years, we understand that the overspend was caused by an expansion of social media presence.

There is a very large overspend on a per-connection basis for Connection Services, but this area has strategic importance for wider PR5 and PR6 objectives. These costs appear necessary and correspond to a large increase in connections completed between 2021 – 2022. Whilst there were unexpected stationery and staff costs, it is clear that the DSO is making progress towards mitigating these issues through digitalisation. We also note the large increase in microgeneration and complex applications which may explain the spike in per-connection costs from 2023 onwards, but we require more evidence as to what is driving this.

For Inclusive Customer Communications, the per-customer outturn is either minimally overspent or underspent across the period. This is necessary expenditure related to the introduction of the Official Languages Act.

The Transforming the Customer Experience overspend is minimal on a per-customer basis across the period, with the rest of the allowance being spent in PR5, but motivated by the need to improve outcomes for customers. We would like to see further evidence of the procurement of the third-party training contractor.

Finally, the overspend for Understanding the Customer Needs is minimal on a per-customer basis and reflects support offered to other customer relations functions. We would like to see evidence of the efficient procurement of the RedC market research agency, and the salary paid for the customer insights and research manager, to determine what is driving these costs.

Conclusion

We determine that the outturn expenditure should be accepted in full for this area. These activities are necessary to inform customers of activities during storm outages and planned maintenance, inform them of demand management strategies, and increase overall customer satisfaction. We would like to see further evidence of procurement processes and cost determinations across PR5 to understand what is driving these costs.

¹⁰ It is implied but not certain that the allowance for Transforming the Customer Experience was €2m between 2023 and 2025.

Table 51: Customer Relations PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Customer Relations	41.9	65.1	65.1	-	-

Source: CEPA Assessment

2.6. PROVISION OF INFORMATION

2.6.1. Distribution Use of System (DUoS) Billing & Accounts Receivable

This cost categories refers to the workings of the DSO's Distribution Access Charges (DAC) team, which invoices customers for DUoS charges, Public Service Obligation (PSO) revenues and Transmission use of System (TUoS) charges on a monthly basis.

Comparison of PR5 Outturn vs Allowance

Table 52 compares PR5 outturn costs, actual and forecast, for DUoS Billing costs against PR5 allowances. The DSO's PR5 outturn for DUoS Billing and Accounts was €3.9m, which compared to an allowance of €4.2m, represents an underspend of €0.3m, or 7.5%.

Table 52: DUoS Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
DuoS Billing & Accounts Receivable	0.7	0.8	0.8	0.8	0.8	4.2	3.9	-0.3	-7.5%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-09: DUoS

The DSO claims that in this area, it was able to deliver an underspend despite additional cost pressures over PR5. Its headcount for this area has increased from 5 to 7 full time employees. It provides examples of unexpected PR5 activities, such as the Electricity Cost Benefit Scheme providing customers with energy credits. It also helped to deliver the Temporary Supply Suspension Scheme, providing financial support to affected businesses during COVID, and describes increased volumes of work associated with the delivery of smart meters and time in use tariff rates. Finally, it notes that this area has moved from Retail Market Services to Finance, without incurring an overspend. Aside from this, the narrative is relatively light on detail and does not include external evidence of the DSO successfully performing against these additional pressures.

Our Assessment

This activity appears to have been successfully delivered over the period as the DSO was involved in several additional necessary functions which were not foreseen at the start of PR5, and the DSO still attained an underspend. We do not identify a volume driver or tangible outcomes for the period and so have reflected on the DSO's stated activities and objectives achieved in this area.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure set at the PR5 outturn cost. A summary of our assessment is presented in Table 53 below.

Table 53: DuoS Billing & Accounts Receivable PR5 Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
DuoS Billing & Accounts Receivable	4.2	3.9	3.9	-	-

Source: CEPA Assessment

2.6.2. Meter Registration System Operator (MRSO)

The MRSO team processes central registrations and performs critical data management services. It also provides meter data to market participants and manages Supplier of Last Resort events and the entry of new participants.

Comparison of PR5 Outturn vs Allowance

Table 54 compares PR5 outturn costs, actual and forecast, for MRSO costs against PR5 allowances. The DSO's PR5 outturn for DUoS Billing and Accounts was €8.4m, which compared to an allowance of €11.3m, represents an underspend of €2.9m or 25.2%.

Table 54: MRSO Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
MRSO	1.4	1.4	1.5	2.0	2.2	11.3	8.4	-2.9	-25.2%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-12: Retail Market Services – PR5 Review

The DSO states that it has performed well in this area. It states that over the period, it has been responsible for 21 SLAs which describe the standards required to be provide by the MRSO service, and these exceeded the target in 95% of these cases. It has also managed cases of supplier of last resort events.

To try and improve efficiency in this area, the DSO developed two teams, Registration and Data Aggregation, to try and improve efficiency by providing cross-team support by allowing faster completion of SAP work items, queries, and the introduction of new suppliers. It is implied in the narrative but not explicit that this was the cause of the underspend.

Our Assessment

We conduct a unit cost assessment in Table 55. As in PR5, we use the number of switching customers, an indication of the work performed by this team, as the volume driver.

Table 55: MRSO Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance (€m)	2.2	2.2	2.3	2.3	2.3
PR5 Forecast Number of Switching Customers	347,256.0	352,530.0	357,885.0	363,321.0	368,840.0
PR5 Forecast Unit Cost (€/ Switching Customers)	6.34	6.32	6.31	6.30	6.28
PR5 Outturn (€m)	1.4	1.4	1.5	2.0	2.2
PR5 Outturn Number of Switching Customers	395,351.0	437,326.0	551,399.0	444,028.0	500,752.0
PR5 Outturn Unit Costs (€/ Switching Customers)	3.43	3.16	2.75	4.40	4.46
PR5 € Under / Overspend	-2.91	-3.16	-3.56	-1.90	-1.83

Source: CEPA Assessment

We observe that when compared with the unit cost expected when the allowance was set, there was an underspend over the period. There were more switching customers over the period than expected, indicative of a higher volume of work over the period. Despite this there was still an underspend on a per-customer basis, which could indicate efficient expenditure.

Conclusion

The combination of the narrative and our unit cost assessment demonstrates that there was a higher volume of work, effectively delivered at an underspend for the MRSO category. We therefore accept the underspend and outturn cost for PR5.

Table 56: MRSO PR5 Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
MRSO	11.3	8.4	8.4	-	-

Source: CEPA Assessment

2.6.3. Market Opening

The Market Opening subcategory is made up of the Retail Market Design Service (RMDS), responsible for retail electricity market design, and the IT support team.

Comparison of PR5 Outturn vs Allowance

Table 57 compares PR5 outturn costs, actual and forecast, for Market Opening against PR5 allowances. The DSO's PR5 outturn for Market Opening was €59.2m, which compared to an allowance of €61.7m, represents an underspend of €2.5m, or 4.1%.

Table 57: Market Opening Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Market Opening IT	8.7	8.2	10.2	12.2	12.1	52.2	51.4	-0.8	-1.6%
Retail Market Design Services	1.6	1.6	1.4	1.4	1.5	9.4	7.5	-1.8	-18.8%
Market Opening	10.3	10.0	11.7	13.7	13.5	61.7	59.2	-2.5	-4.1%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-12: Retail Market Services – PR5 Review

The underspend on Retail Market Design Services was driven by the appointment of a new assurance body through a competitive tender process in 2022, which reduced contract costs. It is not clear whether Version 1, the new assurance body, will continue this role into PR6.

The DSO states that for the Market Opening IT subcategory, it had many new obligations under this period but maintained a small underspend. These included the implementation of Emergency Electricity Cost Benefit Scheme imposed by the CRU as the result of COVID-19 and the energy crisis caused by the invasion of Ukraine. The DSO also implemented a fast tracked Interim Retail Market Microgeneration solution allowing customers to be paid and suppliers to be settled into the wholesale market.

Our Assessment

Table 58 presents our assessment on a unit cost basis. We use the number of customers as a volume driver, as a reflection of activities in the Retail Market.

Table 58: Market Opening PR5 Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance – Market Opening (€m)	10.4	10.4	10.4	10.4	10.4
PR5 Allowance – RMDS (€m)	1.9	1.9	1.9	1.9	1.9
PR5 Forecast Number of Customers	2,402,000.0	2,437,000.0	2,473,000.0	2,507,000.0	2,541,000.0
PR5 Forecast Unit Cost (€/Customers) – Market Opening	4.35	4.29	4.23	4.17	4.11
PR5 Forecast Unit Cost (€/Customers) – RMDS	0.78	0.77	0.76	0.75	0.74
PR5 Outturn – Market Opening (€m)	8.7	8.2	10.2	12.2	12.1
PR5 Outturn – RMDS (€m)	1.6	1.6	1.4	1.4	1.5
PR5 Outturn Number of Customers	2,366,009.0	2,399,807.0	2,436,440.0	2,472,094.8	2,508,862.2
PR5 Outturn Unit Costs – Market Opening (€m/Customers)	3.67	3.42	4.19	4.94	4.82
PR5 Outturn Unit Costs – RMDS (€m/Customers)	0.69	0.68	0.58	0.57	0.61
PR5 € Under / Overspend – Market Opening	-0.68	-0.86	-0.03	0.77	0.71
PR5 € Under / Overspend – RMDS	-0.09	-0.09	-0.18	-0.18	-0.13

Source: CEPA Assessment

It appears from the narrative that the DSO successfully carried out its responsibilities in this area. Overall, the unit cost assessment corroborates with the narrative that costs decreased on a per-customer basis. From this analysis it appears that there was an underspend for RMDS for every year and for market opening from 2021 – 2023. The DSO also implemented solutions as a response to unforeseen circumstances, such as the energy crisis, whilst maintaining this underspend.

Conclusion

The combination of the narrative and our unit cost assessment means we believe that an appropriate value of work was delivered at an underspend for Market Opening. We therefore accept the PR5 outturn expenditure.

Table 59: Market Opening PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Market Opening	61.7	59.2	59.2	-	-

Source: CEPA Assessment

2.7. TELECOMS

Telecoms refers to the operational activities that ESB Networks carries out for the different system operators (DSO and TSO). This includes business critical services such as the provision of a range of supervisory and telemetry solutions that allow system management information to be brought back to the TSO and DSO control centres, located in Dublin and Cork, from many of the 38kV, 110kV, and 220kV stations located throughout Ireland.

Telecoms activities are also critical in facilitating the connection of new renewable generation to the grid and ensures the DSO (and TSO) is able to communicate reliably with the key network infrastructure.

ESB Networks Telecoms is described as an operator of essential services (OES) responsible for critical national infrastructure (CNI) under the Network Information Systems (NIS) directive.

The services that ESB Networks Telecoms provide for the DSO and TSO are funded through SLAs. The opex allowances that are set through the price review process are net of this SLA revenue,¹¹ and that is the basis in which all figures in this section are presented.

Comparison of PR5 Outturn vs Allowance

Table 60 below compares PR5 outturn costs, actual and forecast, for Telecoms against PR5 allowances. The DSO's PR5 outturn for Telecoms was €28.3m, which compared to an allowance of €35.9m, represents an underspend of €7.6m, or 21.2%.

Table 60: Telecoms Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Telecoms	2.4	5.2	6.2	6.8	7.6	35.9	28.3	-7.6	-21.2%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-11: Telecoms

Over the period, whilst reported SLA revenue met expectations, opex spend was lower. COVID-19 delayed some projects including Private LTE (long-term evolution), the network being built by ESB Networks Telecoms, which explains the lower opex in the first 2 years of PR5.

Several other factors drove the underspend, including saved subscription costs from Tetra handset licenses purchases, and a lower-than-expected growth in the number of MV90 meters. However, in 2024 and 2025, video and voice costs are expected to shift from capex to opex as the service changes to being cloud-based.

The costs of Private LTE and cybersecurity are also expected to increase in 2025; for cybersecurity this is due to exogenous factors, and it is not explicit why this is the case for Private LTE.

Our Assessment

We have carried some ratio analysis of Telecoms costs as part of our assessment, considering the outturn spend as a proportion of the total controllable opex, using both the PR5 allowances and the PR5 outturn. A summary of this analysis is presented in Table 61 below.

Table 61: Telecoms Investment PR5 Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
Forecast % of Controllable Opex	2.4%	2.3%	2.3%	2.3%	2.3%
Outturn % of Controllable Opex	0.8%	1.5%	2.0%	1.9%	2.1%

Source: CEPA Assessment

¹¹ ESB Networks Telecoms deliver services to other ESB Networks divisions and to EirGrid and earns revenue for these activities. These services, for which SLA revenue is earned, cover the design, consultancy, support, business- and mission-critical connectivity, and voice services provided across the group. The services provided to EirGrid include the above, as well as 24/7/365 support of critical infrastructure and systems, SCADA connectivity, and black-start.

From this we can observe that the ex ante allowance was equal to an average of around 2.3% of controllable opex over the PR5 period. While the outturn Telecoms spend has been considerably lower in the first few years of PR5, it appears to be increasing to levels consistent with the allowed costs towards the end of PR5.

The lower telecoms outturn spend as a proportion of controllable opex compared to forecast likely reflects the underspend during COVID-19 but it could also point to lower volumes of workload / activities given that many opex cost categories were impacted by the pandemic. For example, there has been lower growth in the number of MV90 meters on the system than originally expected when setting PR5 allowances. Alternatively, this could be driven by efficiencies. For example, the DSO's supporting narrative does describe some of the cost efficiencies that have been realised thus far such as savings made on subscription costs. Based on the information provided, it is unclear to what extent these cost savings have offset activities with increasing costs, such as cybersecurity and the higher video and voice costs following the decision to move to a cloud-based offering.

Conclusion

Based on our analysis/review and having considered the DSO's submissions, we recommend allowing the full expenditure at the PR5 outturn cost. The DSO provides information explaining the key reasons for its underspend, which we accept as being largely driven by factors outside of its control, namely COVID-19. Outturn spend is in line with allowances, although it should be noted that this is dependent on increases in expenditure in the final two years of PR5. A summary of our assessment is presented in Table 62.

Table 62: Telecoms PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Telecoms	35.9	28.3	28.3	-	-

Source: CEPA Assessment

2.8. RESEARCH AND DEVELOPMENT (R&D)

We note that the PR5 Final Determinations, this category was known as 'Sustainability R&D' but in the BPQ the R&D allowance is split into Sustainability and R&D subcategories, although the former has no expenditure reported to it. We therefore only report on the R&D subcategory as representative of the entire Sustainability R&D category.

2.8.1. R&D

The Research & Development allowance is also known as the innovation and electrification allowance. It aims to allow the DSO to progress innovative projects and strategies to achieve strategic objectives.

Comparison of PR5 Outturn vs Allowance

Table 63 below compares PR5 outturn costs, actual and forecast, for R&D against PR5 allowances. The DSO's PR5 outturn for R&D was €22.5m, which compared to an allowance of €23.6m, represents an underspend of €1.2m, or 4.9%.

Table 63: R&D Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
R&D	3.6	3.4	4.0	5.2	6.2	23.6	22.5	-1.2	-4.9%

Source: ESB Networks, DSO Business Plan Questionnaire, FN-11: PR5 Innovation

Over the PR5 period, the DSO states that it progressed over 50 innovation projects. It identified three core themes for projects at the start of PR5:

- Future customers: This included projects involving electric vehicles and demand management schemes such as the Timed Connections Pilot;
- Climate action: This included projects examining the impact assessment of microgeneration;
- Network reliability and resilience: This included projects examining innovative substation design and vegetation management.

Further themes for projects to be progressed were chosen after the Networks for Net Zero Strategy paper was published in 2023.

The DSO states that after the Dingle Project¹² was completed in 2023, team members were moved from the Innovation and Electrification to other business areas to integrate them across the business. The DSO states that this movement, along with COVID-19, reduced the delivery capacity of the innovation team. It has placed a renewed focus on the delivery of these projects after the Net Zero Strategy paper.

Our Assessment

We find some evidence of under-delivery for this allowance. Against an annual allowance of €4.7m, there was an underspend in the first 3 years and an overspend in the last 2, which suggests compensation for earlier delivery issues. As there was a very small underspend, and we were not provided with a cost breakdown by project to assess each project by cost individually, we instead examine project delivery milestones.

Some projects have progressed further than others over PR5: for example, the modelling and impact assessment of Microgeneration operational scenarios project will be transferred to Business As Usual in the next few months. Other projects have not progressed as far, such as the LV modelling to assess reinforcement requirements due to electrification and Microgeneration project: the narrative reports this as being limited by smart meter data restrictions.

We note that almost all of the allowance has been expended. We would like to see more detailed information on timelines and costs for each project under this allowance to help us to determine whether any under-delivery was within the scope of the DSO's control.

Conclusion

We determine that there may have been an under-delivery in this area, but we understand that the delivery of these projects was very likely impacted by COVID-19. We accept the PR5 outturn in full but require further information from the DSO to determine whether these costs were expended efficiently.

Table 64: R&D PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
R&D	23.6	22.5	22.5	-	-

Source: CEPA Assessment

2.9. OTHER COSTS

Other Costs area is made up of costs central to the internal workings of the DSO and includes:

- Corporate Charges;
- Insurance costs;

¹² The Dingle Project focused on the deployment and assessment of the impact and role of a range of new technologies, in the development of a smart resilient, low carbon electricity network. See <https://www.esbnetworks.ie/about-us/projects/the-dingle-project> for further details.

- Legal costs;
- Pensions costs;
- Environmental costs;
- Health and Safety Costs;
- IT Opex; and
- Flexibility Costs.

We also report on costs reported as Miscellaneous and our treatment of the DSO Transformation allowance, which the DSO has relabelled as Market Support Costs.

2.9.1. Corporate Charges

Corporate Charges includes the following two sub cost categories:

- Company-Wide Costs refer to Employee Share Ownership Plan, sports and social subsidies, Group of Union costs, Industrial Council costs and pension. The narrative refers to both DSO and TAO costs, but our assessment splits this into the DSO outturn only.
- Corporate Charges & Corporate Affairs are described as ‘Central ESB’ costs. This is described as referring to “Chief Executive, Group Finance, Treasury, Corporate Affairs, Regulatory, Group HR, Group Safety and Sustainability”. The narrative refers to both DSO and TSO costs, but our assessment splits this into the DSO outturn only.

Comparison of PR5 Outturn vs Allowance

Table 65 below compares PR5 outturn costs, actual and forecast, for a combined total of Company-Wide Costs and Corporate Charges & Corporate Affairs against PR5 allowances. The DSO’s PR5 outturn was €71.6m, which compared to an allowance of €71.6m, represents an overspend of €4.9m, or 6.9%.

Table 65: Company-Wide Costs and Corporate Charges & Corporate Affairs Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Company-Wide Costs	1.7	1.4	1.4	1.4	1.2	0	7.2	7.2	100
Corporate Charges & Corporate Affairs	12.9	11.8	13.9	15.4	15.3	71.6	69.3	-2.2	-3.1%
Corporate Charges Total	14.7	13.2	15.3	16.8	16.5	71.6	76.5	4.9	6.9%

Source: ESB Networks, DSO Business Plan Questionnaire, FIN-01: Support Charges

The DSO incurred €7.2m in the category ‘Company-Wide Costs’. The allowance for this category was included under Corporate Charges & Corporate Affairs, but the DSO has separated this category out, and so there is no corresponding allowance. There was a small underspend of €2.2m (or 3.1%) to the cost item Corporate Charges & Corporate Affairs over PR5.

Our Assessment

It is unclear what has driven the trend in outturn expenditure. We understand that these costs are essential for the DSO to perform its functions. The DSO provided a document covering all Support Charges, but there is little explanation for the overspend. We emphasise that we require more detail to be able to make a full judgement on whether this category delivered against the expectations of the allowance.

Conclusion

We accept the outturn in full based on the necessity of costs, but we emphasise that more information is required to assess the efficiency of the overspend.

Table 66: Corporate Costs PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Corporate Costs	71.6	76.5	76.5	-	-

Source: CEPA Assessment

2.9.2. Insurance

The DSO states that Insurance costs refer to management of insurance policies and staff insurance services.

Comparison of PR5 Outturn vs Allowance

Table 67 below compares PR5 outturn costs, actual and forecast, for Insurance costs against PR5 allowances. The DSO's PR5 outturn was €34.6m, which compared to an allowance of €32.2m, represents an overspend of €2.4m, or 7.5%.

Table 67: Insurance Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Insurance	4.7	6.8	6.9	10.2	6.0	32.2	34.6	2.4	7.5%

Source: ESB Networks, DSO Business Plan Questionnaire, FIN-01: Support Charges

Our Assessment

The overspend may be caused by exogenous factors but we have a lack of evidence for this section. In its supporting narrative, submitted alongside Corporate Charges in the Support Charges document, the DSO states that no material changes have taken place. This area is dependent on policy premiums each year, although we have no evidence to explain this or suggest that any increases will continue into PR6. The narrative groups these costs alongside Enterprise Services and Pensions, and is lacking in detail, which we infer is because the DSO interprets the overspend as being relatively small in value. However, we would judge the overspend of 7.5% to be material and therefore in need of further justification.

Conclusion

We accept the overspend, seeing that there may be an exogenous justification based on the insurance premiums charged, but we require more evidence of this.

Table 68: Insurance PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Insurance	32.2	34.6	34.6	-	-

Source: CEPA Assessment

2.9.3. Legal

In its narrative, the DSO states that legal costs relate to:

- Public liability claims, related to injuries associated with the DSO's assets, material damage to property caused by these assets, and claims for breach of contract;

- Revenue protection prosecutions, associated with electricity theft and asset damage;
- Commercial litigation costs where there are disputes involving the procurement process and contractors;
- ESB Networks' internal legal function assigned to the DSO.

Comparison of PR5 Outturn vs Allowance

Table 69 below compares PR5 outturn costs, actual and forecast, for Legal costs against PR5 allowances. The DSO's PR5 outturn was €18.5m, which compared to an allowance of €19.1m, represents an underspend of €0.6m, or 3.1%.

Table 69: Legal Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Legal	3.5	3.7	3.9	3.8	3.7	19.1	18.5	-0.6	-3.1%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-03 PR6 Legal Submission

Overall, the DSO states that legal costs have been reduced by having an in-house Litigation and Dispute Resolution team. The DSO states that the increased costs from a higher number of employer and liability claims, as well as land access, are expected for the remainder of PR5. Public liability claims are often personal injury claims involving the DSO's assets. The DSO also enters cases relating to the theft of electricity, based on Condition 7 of the DSO Licence. There may also be legal challenges to the prosecution process, amongst other issues.

Our Assessment

Due to the nature of the legal cases described in the narrative, it appears that the activities are correlated with events related to the asset base that are generally outside of the DSO's control. Due to the complex and heterogenous nature of these costs we understand it may be difficult to ascertain what is driving these costs. The DSO predicts that the increased number of employer liability and public liability claims is likely to continue into PR6 because of the increased programme of investment.

Conclusion

Overall, acknowledging the underspend and the fact that these costs appear to be outside of the DSO's control, we accept the outturn in full.

Table 70: Legal PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Legal	19.1	18.5	18.5	-	-

Source: CEPA Assessment

2.9.4. Pension

This subcategory refers to the management of pension schemes paid to retired staff.

Comparison of PR5 Outturn vs Allowance

Table 71 below compares PR5 outturn costs, actual and forecast, for Pensions costs against PR5 allowances. The DSO's PR5 outturn was €10.4m, which compared to an allowance of €7.5m, represents an overspend of €2.9m, or 38.5%.

Table 71: Pension Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Pension	2.5	1.2	3.1	2.1	1.4	7.5	10.4	2.9	38.5%

Source: ESB Networks, DSO Business Plan Questionnaire, FIN-01: Support Charges

In the supporting narrative, the Support Charges document, the DSO describes this area as remaining relatively stable. It states that this is highly dependent on the number of members.

Our Assessment

We find there to be very little information justifying the overspend but understand that the DSO is responsible for its staff and therefore understand that the cost was likely to have been driven by exogenous circumstances.

Conclusion

We accept the PR5 outturn in full but emphasise that we require further justification for the overspend.

Table 72: Pension PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Pension	7.5	10.4	10.4	-	-

Source: CEPA Assessment

2.9.5. Environmental

This category is described in the narrative as Sustainability and Environmental Management. The PR5 outturn covers a range of areas, including staff costs, site assessments, waste disposal, incident responses and training.

Comparison of PR5 Outturn vs Allowance

Table 73 below compares PR5 outturn costs, actual and forecast, for Environmental costs against PR5 allowances. The DSO's PR5 outturn was €30.3m, which compared to an allowance of €32.8m, represents an underspend of €2.4m, or 7.4%.

Table 73: Environmental Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Environmental	5.5	5.2	5.7	6.9	7.0	32.8	30.3	-2.4	-7.4%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-02: Sustainability & Environmental Management

The DSO states that the underspend in this area is due to efficiencies with undertaking environmental site assessments. It explains that by managing Fluid-Filled Cables (FFC) assessments it was able to reduce the number of detailed site investigations. As it has improved its responses to oil spills and leaks, less environmental management is required. It states that in the last 2 years of PR5, it will implement a management plan for bunds, interceptors and drains; it identified the need for this in a review conducted during 2022 and 2023.

Our Assessment

Table 74 below provides our unit cost assessment where a CSV comprised of 50% distribution network length and 50% customer numbers is used as the volume driver. We used this as a volume driver in PR5, and believe that it continues to reflect the growing volume of DSO activities.

Table 74: Environmental Unit Cost Assessment

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025
PR5 Allowance (€m)	6.5	6.5	6.6	6.6	6.6
PR5 Forecast CSV	653,892.8	662,668.8	672,214.1	680,781.8	689,335.2
PR5 Forecast Unit Cost (€/CSV)	9.89	9.82	9.75	9.68	9.62
PR5 Outturn (€m)	5.5	5.2	5.7	6.9	7.0
PR5 Outturn CSV	600,224.3	607,502.4	615,566.9	623,544.5	631,699.9
PR5 Outturn Unit Costs (€m/CSV)	9.17	8.58	9.25	11.12	11.06
PR5 € Under / Overspend (CSV)	-0.72	-1.25	-0.50	1.44	1.44

Source: CEPA Assessment

It appears that the implementation of the management plan in the first two years led to an underspend overall. The changing unit cost reflects developments in the narrative. The unit cost is lower than was provided for in the PR5 allowance for the first 3 years of PR5, but it then exceeded this in the last 2 years. The overspend in the last 2 years can be explained by the new management plan, but it is not clear whether this expenditure will prevail into PR6. We would like to see evidence of this implementation plan to confirm whether or not this expenditure is justified.

Conclusion

We accept the PR5 outturn costs in full. The underspend for Sustainability and Environmental Management, accompanied by a unit cost underspend for the first two years, suggests potential efficiencies at PR5, but we would like to see additional evidence to confirm this.

Table 75: Environmental PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Environmental	32.8	30.3	30.3	-	-

Source: CEPA Assessment

2.9.6. Miscellaneous

As reported in SQ-242, the Miscellaneous cost category comprises of items which are not directly assigned to allowances.

Comparison of PR5 Outturn vs Allowance

Table 76 below compares PR5 outturn costs, actual and forecast, for Miscellaneous costs against PR5 allowances. The DSO's PR5 outturn was -€0.4m, with no allowance set.

Table 76: Miscellaneous Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn to 2023	Variance	
								€m	%
Miscellaneous	-0.3	-0.2	0.1	-	-	0	-0.4	-0.4	100%

Source: ESB Networks, DSO Business Plan Questionnaire

The DSO states that this has been driven by the reclassification of Trafo repairs.

Our Assessment

The negative net cost and small value of the item means we accept the DSO's forecast.

Conclusion

We accept the PR5 outturn as there are negative net costs.

Table 77: Miscellaneous PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Misc.	-	-0.4	-0.4	-	-

Source: CEPA Assessment

2.9.7. Health & Safety

Comparison of PR5 Outturn vs Allowance

Table 78 below compares PR5 outturn costs, actual and forecast, for Health & Safety costs against PR5 allowances. The DSO's PR5 outturn was €44.1m, which compared to an allowance of €46.8m, represents an underspend of €2.7m, or 5.8%. There was an underspend for every category except Safety Standards.

Table 78: Health & Safety Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Senior Leadership Team Outturn	0	0	0	0	0	4.7	-	-4.7	-100.0%
Safety Engagement Outturn	0.9	1.1	0.7	0.7	0.7	4.7	4.1	-0.6	-12.5%
Competence and Assurance Outturn	2.5	2.5	3.4	3.5	3.3	15.9	15.1	-0.7	-4.4%
Road Safety Bureau Outturn	0.5	0.5	0.5	0.5	0.5	3.4	2.3	-1.1	-31.0%
Public Safety Outturn	0.5	0.5	0.5	0.5	0.5	2.8	2.3	-0.5	-16.7%
Safety Standards Outturn	1.4	1.8	1.6	1.8	1.6	4.7	8.2	3.5	75.0%
Safety, Culture and Leadership Outturn	2.2	2.0	2.5	2.6	2.3	9.9	11.6	1.8	17.9%
Health & Safety Total	8.1	8.3	9.2	9.6	8.9	46.8	44.1	-2.7	-5.8%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-01: Safety, Health & Wellbeing

These costs appear to have been spent on necessary activities to promote safety messages across employees. These are as follows:

- There was no expenditure reported for the **Senior Leadership Team** and no reason given for this.
- For **Safety Engagement**, the allowance was spent on national safety committee meetings, Safety Technical Services Supervisors' meetings, and business-as-usual costs for monthly safety briefings.

- For **Competence and Assurance**, the allowance was spent on progressing paused workplans due to COVID-19, developing additional work programmes for the delivery of audits and other activities, and developing safety campaigns for new procedures.
- For **Road Safety Bureau**, the costs were associated with the implementation of road safety training across the company.
- For **Public Safety**, the costs are associated with advertising partnerships and engagement with public stakeholders, such as local authorities and agricultural entities.
- For **Safety Standards**, these costs included safety certifications (ISO 45001), audits, migration of the safety management system, and developments of asbestos management standards.
- For **Safety, Culture and Leadership**, these costs included the embedding in safety messages across the company, gaining the support of local leadership teams, and employee training.

Other than the explanation that the plans for Competence and Assurance were delayed due to COVID-19, it is unclear what caused the under or over-spends in the DSO’s submissions. The DSO states that expenditure in each subcategory is driven by resourcing costs. It states that external providers are selected for efficiency, giving the example under the Safety, Culture and Leadership outturn project.

Our Assessment

The activities under each category have been briefly explained and appear well justified. We did not identify a volume driver for this activity, and it is difficult to measure a comparable outcome for these categories to measure performance. We do not have any reason to believe costs were spent unreasonably, but we would like to see a breakdown of costs by subcategory to confirm this.

Conclusion

Overall, we accept the PR5 outturn in full on account of the underspend and the necessity of these costs towards the promotion of safety for the DSO’s staff and customers.

Table 79: Health & Safety PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Health & Safety	46.8	44.1	44.1	-	-

Source: CEPA Assessment

2.9.8. Market Support Costs / DSO Transformation Allowance

Market Support Costs refer to the DSO Transformation allowance set by the DSO. In the PR5 ex ante assessments, the following step requests submitted were repackaged into this allowance. We present these in 2024 monies below:

- €1.1m for QH Data
- €2.8m for MRSO
- €7.9m for Market Opening
- €19.8m for Flexibility Services

The DSO does not report against this allowance, instead adding the step for each subcategory back to each relevant subcategory. Therefore, there is no outturn or allowance reported against DSO Transformation, and for simplicity we do not report directly against this category.

We note that these Market Support Costs are included and assessed within each corresponding subcategory; for example, the €0.9m for QH Data has been added back to this category and assessed accordingly.

Table 80: DSO Transformation PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
DSO Transformation	28.2	-	-	-	-

Source: CEPA Assessment

2.9.9. IT Opex

Comparison of PR5 Outturn vs Allowance

Table 81 below compares PR5 outturn costs, actual and forecast, for IT opex costs against PR5 allowances. The DSO's PR5 outturn was €3.8m, where there was no ex ante opex allocation for PR5.

Table 81: IT Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
IT Opex	-	4.9	-1.5	0.2	0.2	0	3.8	3.8	100%

Source: ESB Networks, DSO Business Plan Questionnaire, NN-05: Accelerate Digital and Data

Whilst there was no explicit category allowance for IT opex in the PR5 allowances, changing financial accounting rules during PR5 meant that Upgrades and Strategy & Research, previously classed as capex were now to be treated as opex. The DSO does not provide a comparison against any analogous ex ante IT opex allowances in the narrative, or describe these new accounting rules in detail. It provides the IT opex allowance as 0.

- In its narrative, the DSO describes risks to the business over the course of PR5 created by the COVID-19 pandemic, growing cybersecurity concerns, and the development of AI.
- The upgrades refer to software replacements, including the replacement of legacy Tranman and MVRS software, and an improved SaaS solution for software safety. The safety and research item is not linked to a particular asset.

Our Assessment

The IT opex expenditure is linked to necessary upgrades for the business to be able to carry out its strategic aims. It is challenging to make a comparison against the ex ante PR5 allocation, but we acknowledge the necessity of the expenditure in addressing cybersecurity concerns and replacing software. We would like to see evidence of cost determinations for this allowance to determine efficiency.

Conclusion

We accept the PR5 outturn as the IT opex is necessary for the business to continue to function effectively. However, we require further information to determine the efficiency of the spend.

Table 82: IT Opex PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
IT Opex	-	3.8	3.8	-	-

Source: CEPA Assessment

2.9.10. DMSO Flexibility

The DMSO Flexibility allowance relates to projects identified as DMSO Flexibility projects. Whilst the PR5 ex ante assessment stated an allowance was not suitable at the time¹³, the European Commission proposed in July 2025 the Fit for 55 package which mandated that the DSO developed flexible products.

Comparison of PR5 Outturn vs Allowance

In Table 83 below we outline the DMSO Flexibility outturn. There was an overall outturn of €9.6m. Whilst the allowance based on the Final Determinations was 0, the DSO has described the allowance as being its PR5 request, which totals €28.28m.

Table 83: DMSO Flexibility Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn	Variance	
								€m	%
Operational Costs to Deliver the DSO Transformation	0.3	-	1.2	2.4	2.4	-	6.2	6.2	100%
Indicative Spend Projections Service Payments for Flexibility	-	-	0.6	0.7	2.1	-	3.4	3.4	100%
DMSO Flexibility	0.3	-	1.8	3.1	4.4	-	9.6	9.6	100%

Source: ESB Networks, DSO Business Plan Questionnaire, FN-07: National Network, Local Connections Programme

Our Assessment

From public information released by the DSO, we understand that the Flexibility Market is still in the early stages of development.¹⁴ This may reflect slow progress in developing the market, which may be due to factors that were outside of the DSO's control to manage or mitigate (e.g., based on uptake of flexibility tenders / products). Costs are split into Operational Costs to Deliver the DSO Transformation and Indicative Spend Projections Service Payments for Flexibility, and there is no explanation in the ex post narrative to explain this expenditure.

We note that it is legally mandated that the DSO delivers these projects, but we do not have enough information to determine the efficiency of expenditure over PR5 and will require more information on opex expenditure.

Conclusion

Based on our review, we recommend allowing the full expenditure set at the PR5 outturn cost. This expenditure supports programmes required following the European Commission's Fit for 55 package proposed in July 2025, but we add that the submission is lacking detail and more information is required from the DSO.

Table 84: DMSO Flexibility PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
DMSO Flexibility	DMSO Flexibility	-	9.6	9.6	-

Source: CEPA Assessment

¹³ In our PR5 ex ante assessment, we set these equal to 0 as we did not have evidence of market-ready solutions at the time and stated that these should be explored through the regulatory framework instead.

¹⁴ Please see ESB Networks' [Flexibility Market Design Strategy Call for Input \(July 2024\)](#) for more details.

2.9.11. Miscellaneous Non-Regulatory

The DSO did not provide any supporting information as part of its submission on Miscellaneous Non-Regulatory costs. However, in response to SQ-242, the DSO did state that these amounts do not tie into regulatory amounts and are included for information purposes.

Comparison of PR5 Outturn vs Allowance

Table 85 below compares PR5 outturn costs, actual and forecast, for Miscellaneous Non-Regulatory costs against PR5 allowances. The DSO's PR5 outturn was €9.7m, with no allocated allowance.

In below we include the miscellaneous non-regulatory outturn.

Table 85: Miscellaneous Non-Regulatory Opex in PR5

DSO Opex (€m, 2024 prices)	2021	2022	2023	2024	2025	PR5 Total			
	Actual	Actual	Actual	Forecast	Forecast	Allowed	Outturn to 2023	Variance	
								€m	%
Miscellaneous Non-Regulatory	4.0	26.6	-20.9	-	-	0	9.7	9.7	100%

Source: ESB Networks, DSO Business Plan Questionnaire

Our Assessment

We have no explanation provided for the expenditure in this category to be able to determine whether it is justified and efficiently incurred. We note that we requested information from the DSO on this cost in an SQ and were not provided with a full explanation for the expenditure.

Conclusion

We are unable to assess whether the PR5 outturn is justified and efficient and propose to not accept the DSO's request to recover its outturn expenditure in full in this instance.

Table 86: Miscellaneous Non-Regulatory PR5 Lookback Assessment

DSO Opex (€m, 2024 prices)	PR5 Allowance	PR5 Outturn	DD Assessment	Variance	
				€m	%
Misc. Non-Regulatory	-	9.7	-	-9.7	-100.0%

Source: CEPA Assessment

2.10. SUMMARY OF PR5 Ex POST ADJUSTMENTS

Table 87 below provides a summary of the PR5 allowed and outturn opex, and our recommendation on the PR5 ex post allowance following our lookback assessment.

For controllable opex, against an allowance of €1,555.5m, outturn expenditure was €1,678.9m, which represents a 7.9% overspend. Our recommendations is to allow €1,669.2m, a reduction of 0.6% relative to actual outturn.

Table 87: Summary of PR5 Ex Post Adjustments¹⁵

DSO Opex (€m, 2024 prices)	Ex ante PR5 Allowance	PR5 Outturn	Ex post PR5 Allowance	Variance	
				€m	%
System Control	107.2	89.6	89.6	-	-
Planned Maintenance	385.5	370.2	370.2	-	-
Fault Maintenance	243.3	303.1	303.1	-	-
Asset Management	97.1	134.6	134.6	-	-
Forestry & Wayleaves	28.9	15.6	15.6	-	-
Meter Reading	34.6	48.7	48.7	-	-
QH Data	11.4	10.5	10.5	-	-
Data Aggregation	40.2	35.8	35.8	-	-
Customer Meter Operation	15.6	4.7	4.7	-	-
Keypad / Token Meter	2.1	1.1	1.1	-	-
Smart Metering	69.4	68.8	68.8	-	-
Call Centre	38.1	43.9	43.9	-	-
Area Operations	65.3	67.4	67.4	-	-
Customer Relations	41.9	65.1	65.1	-	-
Duos Billing & Accounts Receivable	4.2	3.9	3.9	-	-
MRSO	11.3	8.4	8.4	-	-
Market Opening	61.7	59.2	59.2	-	-
Transaction charges	0.0	0.0	-	-	-
3 rd party damages	0.0	36.4	-	-	-
Supply repayable	0.0	0.0	-	-	-
Other inter ESB	0.0	8.0	-	-	-
Other external repayable	0.0	0.1	-	-	-
Other commercial	0.0	15.7	-	-	-
R&D	23.6	22.5	22.5	-	-

¹⁵ As noted previously, we do not assess Commercial Costs as the CRU do not set allowances for this cost area but have included it in Table 87.

DSO Opex (€m, 2024 prices)	Ex ante PR5 Allowance	PR5 Outturn	Ex post PR5 Allowance	Variance	
				€m	%
Commercial Costs	0	60.2	60.2	-	-
Company Wide Costs and Corporate Charges & Corporate Affairs	71.6	76.5	76.5	-	-
Insurance	32.2	34.6	34.6	-	-
Legal	19.1	18.5	18.5	-	-
Pension	7.5	10.4	10.4	-	-
Environmental	32.8	30.3	30.3	-	-
Misc.	-	-0.4	-0.4	-	-
Health & Safety	46.8	44.1	44.1	-	-
Telecoms	35.9	28.3	28.3	-	-
IT Opex	-	3.8	3.8	-	-
DMSO Flexibility	-	9.6	9.6	-	-
Misc. Non-Regulatory	-	9.7	-	-9.7	-100.0%
DSO Transformation	28.2	-	-	-	-
Total	1,555.5	1678.9	1,669.2	-9.7	-0.6%

Source: CEPA Assessment

For all categories except miscellaneous non-regulatory expenditure, we have taken the conservative approach of recommending that the CRU include the outturn costs in the ex post allowance. For this subcategory, we did not have any evidence to explain the incurred cost €9.7m and so cannot recommend the cost is recoverable. As we have identified in the subsections above, there are also several cost categories where we consider the DSO does still need to provide additional information to substantiate its outturn spend.

While we have in general recommended that the CRU accept the DSO's outturn expenditure, we consider that certain costs incurred during PR5 may not provide a reliable base for the ex ante assessment of allowances for PR6. This is detailed further in the following section.

3. REVIEW OF PR6 OPERATING EXPENDITURE

3.1. OVERVIEW OF THE DSO'S REQUEST

Table 88 below provides an overview of the DSO's PR6 request against PR5 outturn, split by the main opex cost categories. Overall, for controllable opex, against PR5 outturn of €1,678.9m, the DSO has requested €2,586.1m for PR6, which represents an increase of €907.3m (54.0%).

This significant increase is driven primarily by Planned Maintenance, Meter Reading and System Control, which represent 44.4%, 29.4% and 9.2% of the increase in spend respectively.

Table 88: Overview of PR6 Request

Cost category	PR5 Outturn	PR6 Request	€m Change	% Change
System Control	89.60	172.70	83.10	92.7%
Planned maintenance	370.20	773.20	402.90	108.8%
Fault maintenance	303.10	283.20	-20.00	-6.6%
Asset Management	134.60	147.70	13.20	9.8%
Forestry & Wayleaves	15.60	35.60	20.00	128.6%
Meter Reading	48.70	315.30	266.60	547.0%
QH Data	10.50	16.20	5.60	53.5%
Data Aggregation	35.80	34.70	-1.00	-2.9%
Customer Meter Operation	4.70	-	-4.70	-100.0%
Keypad / Token Meter	1.10	1.90	0.80	70.6%
Smart Metering	68.80	-	-68.80	-100.0%
Call Centre	43.90	60.20	16.30	37.0%
Area Operations	67.40	71.70	4.30	6.3%
Customer Relations	65.10	107.50	42.40	65.2%
Duos Billing & Accounts Receivable	3.90	3.90	-	-0.8%
MRSO	8.40	27.90	19.50	230.7%
Market Opening / Market Opening IT	59.20	63.50	4.30	7.3%
Transaction charges	-	-	-	-
3rd party damages	36.40	-	-36.40	-100.0%
Supply repayable	-	-	-	-
Other inter ESB	8.00	-	-8.00	-100.0%

Other external repayable	0.10	-	-0.10	-100.0%
Other commercial	15.70	-	-15.70	-100.0%
Sustainability	-	-	-	-
R&D (Innovation)	22.50	34.40	11.90	53.0%
Company Wide Costs	7.20	7.10	-0.10	-1.6%
Corporate Charges & Corporate Affairs	69.30	97.90	28.60	41.2%
Insurance	34.60	37.80	3.20	9.1%
Legal	18.50	17.80	-0.80	-4.1%
Pension	10.40	18.90	8.60	82.5%
Environmental	30.30	48.40	18.10	59.7%
Misc.	-0.40	-	0.40	-100.0%
Health & Safety	44.10	64.30	20.20	45.8%
Telecoms	28.30	59.90	31.70	111.9%
IT Opex	3.80	9.20	5.40	142.9%
DMSO Flexibility	9.60	71.60	62.00	644.6%
Contract and Vendor Management	-	3.60	3.60	100.0%
Misc. non-regulatory	9.70	-	-9.70	-100.0%
DSO Transformation	-	-	-	-
Total	1,678.90	2,586.10	907.30	54.0%

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment

The DSO's requested controllable opex for PR6 is discussed in more detail in the following sub-sections, as is our assessment of this request and our recommended allowances. We have not assessed the DSO's non-controllable opex, as these costs are treated as a pass-through.

3.2. NETWORK OPERATIONS AND MAINTENANCE

3.2.1. System Control

System Control relates to the business critical operation and monitoring of the distribution network and includes costs associated with the DSO's NDCC.

Table 89 below presents the PR6 request for System Control of €172.7m, which represents an increase of €83.3m (92.7%) from PR5 outturn.

Table 89: System Control PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Distribution Network Control	4.8	5.2	5.3	5.4	5.8	14.9	26.4	77.2%
Control Room	9.3	10.0	10.9	11.9	12.7	20.7	54.6	163.8%
Customer Notifications	0.2	0.2	0.2	0.2	0.2	1.4	1.0	-28.6%
Operations Systems	14.6	15.2	15.9	16.8	17.5	46.6	79.9	71.5%
Data	2.2	2.0	2.1	2.2	2.3	5.9	10.8	83.1%
System Control	31.0	32.5	34.3	36.4	38.5	89.4	172.7	92.7%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

As part of its submission, the DSO proposed the following choice of base year for each of the sub cost categories within its PR6 request for System Control:

- Distribution Network Control, Control Room, and Customer Notifications: 2023 outturn costs. The DSO argue that this choice of base year reflects the ongoing efficient management of the system with no significant outages or issues having arisen during the period.
- Operations Systems and Data: 2023 outturn costs. The DSO argue that this also reflects the efficient costs of the operations systems and data functions.

In both of these instances the DSO has not provided any other additional supporting information on this choice of base year.

As we set out in Section 2.2.1, System Control costs have been consistently underspent in each year of PR5, relative to the PR5 allowances. With the exception of 2021, where there was an overspend driven by specific updates to SCADA systems. Our aggregate unit cost analysis, which utilised total System Control costs and a CSV comprising equally weighted distribution network length and customer numbers, also revealed a decreasing unit cost over the period.

Our proposed approach for all System Control sub cost categories is to set the base using the average between the 2023 and 2024 years. We think this approach captures the DSO's proposal, while benefiting from another year of outturn data, which should reduce year to year volatility, and will capture some of the more recent outturn costs, which as highlighted above have been declining over the PR5 period.

We note that System Control expenditure was impacted by COVID-19 in the earlier years of PR5, driving overspends for the Control Room cost category over the period from 2022 onwards. Our use of the 2023 and 2024 years to set the base, as opposed to relying on earlier outturn costs is consistent with our preference to use up-to-date outturn values, prioritising outturn years from 2023 onwards.

In Table 90 below we summarise the DSO's submitted base costs and our base assessment for each of the System Control sub cost categories.

Table 90: System Control PR6 Base Assessment¹⁶

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Distribution Network Control	DSO Request	3.0	3.0	3.0	3.0	3.0	15.0
	CEPA Assessment	2.9	2.9	2.9	2.9	2.9	14.5
Control Room	DSO Request	3.9	3.9	3.9	3.9	3.9	19.5
	CEPA Assessment	3.9	3.9	3.9	3.9	3.9	19.5
Customer Notifications	DSO Request	0.2	0.2	0.2	0.2	0.2	1.0
	CEPA Assessment	0.2	0.2	0.2	0.2	0.2	1.0
Operations Systems	DSO Request	10.1	10.1	10.1	10.1	10.1	50.5
	CEPA Assessment	8.3	8.3	8.3	8.3	8.3	41.5
Data	DSO Request	1.5	1.5	1.5	1.5	1.5	7.5
	CEPA Assessment	1.1	1.1	1.1	1.1	1.1	5.5
System Control	DSO Request	18.7	18.7	18.7	18.7	18.7	93.7
	CEPA Assessment	16.4	16.4	16.4	16.4	16.4	82.2
	Difference	2.3	2.3	2.3	2.3	2.3	11.5

Source: CEPA Assessment, FN-02: DMSO PR6: Operations Transformation, SQ-251

There is no difference between the DSO's submission and our base assessment for Control Room, and Customer Notifications cost categories, and a minor difference of €0.5m over PR6 for Distribution Network Control.

For Operations Systems and Data there is a difference of €11.1m over PR6, which is driven by the higher outturn costs in 2023 in the DSO's submitted base, versus the lower outturn costs in 2024 included as part of our assessment of base. In the DSO's submission, it notes that its operational systems teams will continue to work to main SCADA, NMS and GIS systems in PR6. We understand from our review, as set out in Section 2.2.1, that these teams are already carrying out these activities within PR5. Therefore, based on the DSO's submission it is unclear why the 2023 and 2024 outturn costs wouldn't appropriately capture the fixed / BAU ongoing recurring costs for these teams throughout PR6.

Trend Assessment

For the Distribution Network Control, and Control Room cost categories, the DSO state that the trend adjustment as being driven by an increased volume of network activities. For Operations Systems and Data, the DSO state that a range of developments are forecast to impact these costs in PR6, including:

¹⁶ Note that in PR5, Operations Systems and Data were reported as a single line item. For PR6 these cost categories have been split out and reported as two separate line items. In order to set the base allowance for these items in PR6, the PR5 outturn costs were apportioned based on the relative weights in the DSO's PR6 submission: Operations Systems (88%) and Data (12%).

- An increased volume of projects required to meet the targets under the CAP (Climate Action Plan) that will lead to increased support, and assurance that it can comply with the NIS-2 directive; and
- the transition of DMS (Distributed Metering System) applications from the Project Delivery to Operations Systems and Data teams will impact resourcing and licensing agreements.

In both of these instances the DSO has not provided any other additional supporting information related to the drivers of its proposed trend adjustments. We also note that no trend was submitted for Customer Notifications.

In estimating our cost projection for PR6 we use a base unit (calculated using our base assessment) and a CSV comprising of 50% distribution network length and 50% customer numbers as the driver to estimate the trend projection for System Control costs over PR6.

We consider that the size of the DSO's network (measured through the distribution network length) and the number of customers connected to the network help explain, or are linked to, the amount of System Control expenditure required to manage the distribution network. This approach is also consistent with that used in the ex ante setting of PR5 allowances, and in our ex post review of PR5 outturn.

A summary of our trend assessment for System Control is presented in Table 91 below.

Table 91: System Control Trend Assessment¹⁷

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
CSV (50% distribution network length and 50% customer numbers)		641,826.4	651,982.4	662,169.7	672,389.7	682,643.9	-
Distribution Network Control	DSO Request	0.5	1.0	1.0	1.2	1.5	5.2
	Base Unit Cost (€)	4.7	4.7	4.7	4.7	4.7	-
	CEPA Assessment	0.0	0.1	0.1	0.2	0.2	0.7
Control Room	DSO Request	2.2	2.9	3.8	4.7	5.6	19.1
	Base Unit Cost (€)	7.2	7.2	7.2	7.2	7.2	-
	CEPA Assessment	0.1	0.1	0.2	0.3	0.4	1.1
Customer Notifications	DSO Request	-	-	-	-	-	-
	Base Unit Cost (€)	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
Operations Systems	DSO Request	1.9	2.5	3.1	4.0	4.9	16.4
	Base Unit Cost (€)	13.4	13.4	13.4	13.4	13.4	-
	CEPA Assessment	0.1	0.3	0.4	0.5	0.7	2.0
Data	DSO Request	0.5	0.4	0.5	0.6	0.7	2.7
	Base Unit Cost (€)	1.8	1.8	1.8	1.8	1.8	-

¹⁷ Note some of our assessed trends are greater than zero but are presented as zero in this table because of the number is in the 10,000's rather than 100,000's and because of rounding.

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
CEPA Assessment	0.0	0.0	0.1	0.1	0.1	0.3	
DSO Request	5.1	6.8	8.4	10.5	12.7	43.4	
System Control	CEPA Assessment	0.3	0.6	0.8	1.1	1.4	4.1
	Variance	4.8	6.2	7.5	9.4	11.3	39.2

Source: CEPA Assessment, FN-02: DMSO PR6: Operations Transformation, SQ-251

Overall, there is a difference of €39.2m between our assessed trend adjustment for System Control relative to the DSO's request. The most material areas of difference are in the Control Room and Operations Systems cost categories. However, as noted above the DSO has not provided any supporting information outlining the approach that it has taken in forecasting the trend adjustments for these cost areas.

Step Assessment

The DSO has described its forecast step adjustment for Distribution Network Control and the Control Room cost category, jointly as part of its submission. The DSO states that the step adjustment is to introduce what it terms as flexible operations, which will involve:

- Improved modelling capabilities and DER (Distributed Energy Resource) profiling capabilities put in place, with a greater emphasis on contingency planning and forecasting;
- New software solutions in the form of MMS (Market Management System) and NMS (Network Management System), will be introduced to allow for the creation of new flexibility orders, the ability to identify flexibility for outages and constraints, and the ability to execute switching plans; and
- A new team, which will include a team lead, supporting analyst and specialists for near real-time operations, and extra staff for the NDCC and HV system management teams including control room operators, dispatchers and system managers.

For Operations Systems, the DSO forecast step adjustment is primarily based on a request for additional staff to support introduction of NMS, SCADA and cybersecurity enhancements, which it argues will facilitate the coordination of flexible operations GIS, SCADA and NMS. The DSO also adds that through this step adjustment, new capabilities and systems will be developed such as LV network mapping in GIS to improve visibility of assets and data management efficiency.

In both instances, the DSO has not provided any cost build ups or additional supporting information such as cost-benefit analysis, breakdowns of volumes of work activities, or detail on the additional staff numbers.

It is unclear based on the information provided that there is a step-change in the activities or indeed the aims and objectives of the operations teams within System Control. We recognise the different activities that the DSO outlines against these three cost categories, including the potential benefit that it may drive to the organisation. However, we have concerns around the additionality of some of these activities relative to activities that are funded under the base level of opex for System Control. In our view, the DSO has not sufficiently evidenced whether or not some or all of these proposed activities as part of its step request could be delivered using existing resourcing, or whether there are potential trade offs that could be made.

We also have concerns around the additionality of the Control Room step request given the potential for overlap, or at least interaction, between requests for other related activities. For example, as part of the DSO's DMSO Flexibility PR6 request, under the Flexibility Market System cost category, it requests costs for integrating flexible systems into the control room. The interaction between these different activities has not been commented on by the DSO as part of its step request for Control, and thus it is not clear whether there are synergies between these two activities that have been considered as part of the DSO's overall request.

For these reasons, we propose a 10% additionality challenge to the Distribution Network Control, Control Room and Operations Systems step requests.

It is unclear whether the step-change in costs proposed by the DSO are efficient and robust, and there is no evidence to suggest that other options, including reprioritisation of other activities, have been considered in order to deliver similar outcomes. As noted above, the DSO has not provided supporting quantitative data or evidence that these additional costs have been market tested. Finally, while we recognise the potential benefit of some of these activities, the DSO has not provided any evidence that demonstrates its attempt to quantify these benefits. For these reasons we propose a 25% efficiency challenge to Distribution Network Control, Control Room and Operations Systems step requests.

In Table 92 below, we summarise the DSO's submitted step adjustment and our step assessment for each of the requested System Control sub cost categories.

Table 92: System Control Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Distribution Network Control	DSO Request	1.3	1.3	1.3	1.3	1.3	6.5
	CEPA Assessment	0.9	0.9	0.9	0.9	0.9	4.4
Control Room	DSO Request	3.2	3.2	3.2	3.2	3.2	16.0
	CEPA Assessment	2.0	2.0	2.0	2.0	2.0	10.1
Operations Systems	DSO Request	2.6	2.6	2.6	2.6	2.6	13.0
	CEPA Assessment	1.7	1.7	1.7	1.7	1.7	8.7
System Control	DSO Request	7.1	7.1	7.1	7.1	7.1	35.4
	CEPA Assessment	4.6	4.6	4.6	4.6	4.6	23.2
	Difference	2.5	2.5	2.5	2.5	2.5	12.2

Source: CEPA Assessment, FN-02: DMSO PR6: Operations Transformation, SQ-251

Overall, there is a difference of €12.2m between our assessed step adjustment for System Control relative to the DSO's request.

Conclusion

In in Table 93 below, we summarise our recommended PR6 allowance for System Control. Our assessment yields a total of €109.5m, €63.2m (36.6%) less than the DSO's request of €172.7m and €20.1m (22.5%) more than the DSO's PR5 outturn.

Table 93: System Control PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						PR6 Request	PR6 Allowance	Variance	
								€m	%
Distribution Network Control	3.8	3.9	3.9	4.0	4.0	26.4	19.6	6.8	-25.7%
Control Room	6.0	6.0	6.1	6.2	6.3	54.6	30.6	24.0	-44.0%
Customer Notifications	0.2	0.2	0.2	0.2	0.2	1.0	1.0	0.0	0.0%

Operations Systems	10.2	10.3	10.5	10.6	10.7	79.9	52.3	27.5	-34.5%
Data	1.2	1.2	1.2	1.2	1.2	10.8	5.9	4.8	-44.8%
System Control	21.3	21.6	21.9	22.2	22.5	172.7	109.5	-63.2	-36.6%

Source: CEPA Assessment

3.2.2. Planned Maintenance

Planned Maintenance refers to scheduled activities to improve the resilience of the distribution network. These activities are split across several sub cost categories, based predominately on asset type or activity.

The DSO provided the following narratives in support of its PR6 request: High Voltage, Overhead (which we have split into Timber and Non-Timber), Underground, and System Protection and Earthing, and Customer Meter Operations.¹⁸

Table 94 below presents the PR6 request for Planned Maintenance of €773.2m, which represents an increase of €398.5m (106.5%) from PR5 outturn. We draw particular attention to the timber overhead request, which represents the largest increase in real terms from the PR5 outturn of the entire DSO request (from €172.8m to €531.3m).

Table 94: Planned Maintenance PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
High Voltage	17.5	17.5	17.5	17.5	17.5	81.8	87.3	6.7%
Timber Overhead	107.4	106.6	105.6	105.5	106.2	172.8	531.3	207.5%
Non-Timber Overhead	19.3	19.8	19.2	19.2	19.8	84.6	97.1	14.8%
Underground	6.8	6.6	6.2	6.2	6.5	30.8	32.2	4.5%
System Protection and Earthing	1.4	1.4	1.4	1.4	1.4	0.0	7.0	100%
Customer Meter Operations	3.4	3.5	3.6	3.7	3.9	4.7	18.1	285.1%
Planned Maintenance Total	155.7	155.3	153.4	153.4	155.2	374.7	773.2	106.5%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

High Voltage Planned Maintenance

The DSO describes its current approach to High Voltage Planned Maintenance as cyclical and resource intensive and one which may not consistently reduce failures, because of its 'one sized fits' all nature. While it provides predictability and logistical efficiency, the DSO has identified drawbacks of its current approach and for PR6 is proposing to explore alternative data led maintenance strategies to improve asset reliability, and efficiencies.

It is unclear however, based on the DSO's submission, the approach that it has taken in setting the base allowance in its PR6 request.

As we set out in Section 2.2.2, the DSO has underspent its High Voltage Planned Maintenance allowance in PR5, and that this has been driven primarily by a material underspend in the Corrective Maintenance sub category, offsetting overspends across Operational Testing and Online Diagnostic and Equipment Overhaul. It is also worth noting that annual outturn spend in the first few years of PR5, 2021 and 2022, was considerably lower than 2023

¹⁸ Note that Customer Meter Operations was not reported under Planned Maintenance in PR5. It was reported separately under Metering.

onwards. Also as part of our review, we highlighted several positive initiatives that the DSO had implemented during PR5 to improve the efficiency of expenditure, including re-use of retired equipment with remnant life.

In line with our default approach to setting the base, we have proposed to use the average between 2023 and 2024 outturn years for all High Voltage Planned Maintenance sub cost categories. We think this approach captures the more recent outturn costs, and best reflects the DSO's BAU, recurring costs. We would also note that given the lack of detail provided by the DSO in its business plan submission, it not clear the approach that it has taken to build up the base costs in its submission.

Table 95 below provides a summary of the DSO's base request and our assessed base for High Voltage Planned Maintenance costs.

Table 95: Base Assessment for High Voltage Planned Maintenance

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Inspections and Fabric Maintenance	DSO Request	3.5	3.5	3.5	3.5	3.5	17.5
	CEPA Assessment	3.5	3.5	3.5	3.5	3.5	17.5
Operational Testing and Online Diagnostic	DSO Request	1.2	1.2	1.2	1.2	1.2	6.1
	CEPA Assessment	1.0	1.0	1.0	1.0	1.0	5.0
Equipment Overhaul	DSO Request	4.4	4.4	4.4	4.4	4.4	21.9
	CEPA Assessment	4.4	4.4	4.4	4.4	4.4	21.9
Corrective Maintenance	DSO Request	8.7	8.7	8.7	8.7	8.7	43.6
	CEPA Assessment	2.5	2.5	2.5	2.5	2.5	12.6
High Voltage	DSO Request	17.8	17.8	17.8	17.8	17.8	89.1
	CEPA Assessment	11.4	11.4	11.4	11.4	11.4	57.0
	Difference	6.4	6.4	6.4	6.4	6.4	32.1

Source: ESB Networks, DSO Business Plan Questionnaire, RN-02: High Voltage Station Assets

For Inspections and Fabric Maintenance, and Equipment Overhaul this resulted in no adjustment to the DSO request, and for Operational Testing and Online Diagnostic our choice of base year results in a relatively minor downward adjustment relative to DSO request.

For Corrective Maintenance, the DSO requested a high base totalling €43.5m (€8.7m per year), no trend adjustment, and a negative step adjustment which totalled to €25.9m i.e. a total request for Correct Maintenance of €17.6m against PR5 outturn of €14.6m (overall a 20.5% increase). The DSO's requested negative step adjustment was intended to reflect operational testing and online condition monitoring reducing activities going forward. We consider that the DSO has misreported its PR6 request across the base and step categories, and as will be explained in the subsequent subsection, which we have assessed the base to be lower than requested (€2.5m per year versus €8.7m per year), we propose to remove the negative step adjustment entirely. We therefore surmise that the lower total cost is captured in a reduced base instead of a higher base and negative step.

Timber Overhead Planned Maintenance

In the DSO's submission it did not provide a breakdown of the base (or the trend or step) components of its requested allowance for the four major timber cutting categories (Rural MV/LV Timber, Rural Timber (MV Only)

Urban MV/LV Timber, and HV Timber). It explained that this was because the request for PR6 was too materially different from PR5. Instead, the DSO has simply provided a total aggregate request for PR6.

We disagree with the approach that the DSO has taken. The base component of the base-trend-step methodology, as summarised in Section 1.2.2, helps establish the efficient starting point for the PR6 opex allowance. While the DSO may be forecasting a significant increase in the overall timber cutting allowances in PR6, these types of activities are carried out as part of its existing operations, and thus we think that it should be possible for the DSO to identify the fixed, recurring cost component. As the DSO has not done so in this instance, and does not provide an alternative cost build, raises questions around the approach the DSO has taken to forecast its significant (207.5% relative to PR5 outturn) increase in Timber Overhead Planned Maintenance costs.

That being said, as discussed in our lookback review, and based on information provided by the DSO in its submission and in SQ-235, we understand that during 2024 a significant increase in contractor costs was experienced following a competitive tender process to appoint contractors on the latest timber cutting framework. Its request for PR6 for timber cutting is therefore based on the new rates established in 2024. Given that these new rates are only now beginning to impact the DSO and with increasing delivery planned for PR6, the DSO argues that outturn costs do not provide a good basis to project PR6 costs on planned timber cutting.

Unlike for the major timber cutting categories, the DSO has set out base cost requests for Out-of-Cycle Timber, LiDAR for Timber Management, Forestry Corridor Maintenance and Fence and Replant. Albeit, for all cost categories other than Out-of-Cycle Timber the DSO has requested a base of zero, which reflects its PR5 outturn performance.

In setting the base for the four major timber cutting categories, we recommend deviating from our default approach of taking the average of the 2023 and 2024 outturn years. Instead, we propose to use the average of the 2024 and 2025 outturn years for Rural Timber (MV Only), Urban MV/LV Timber and HV Timber. This is in recognition of the DSO's arguments around the impact of new contractor rates from 2024. For Rural MV/LV Timber though we propose to take the average of the 2024 and 2025 allowed costs for PR5, which recognises the same arguments from the DSO on rates, but reflects the fact that it has not reported any outturn costs for 2024 and 2025, and in its submission has not provided an alternative base cost build up.

This proposed approach attempts to reflect the increased costs for these activities in the DSO's base, while still trying to ensure that outturn costs, where appropriate, are used as the basis for setting allowances. In this instance, use of pre 2024 outturn costs in the setting of the base, would not reflect the new contractor rates from 2024, which we think would be inconsistent with our rationale, as set out in Section 1.2.2, stating that the base should reflect the fundamental costs required to sustain operations.

For Out-of-Cycle Timber, we propose setting the base based on our default approach, the average of the 2023 and 2024 outturn years. For LiDAR Timber Management and Forestry Corridor Maintenance we propose to take the average of the 2023 and 2024 allowance. For these two categories, the DSO has reported a 100% underspend in PR5, which might infer that a base allowance of zero would be appropriate for PR6. However, for LiDAR Timber Management in particular, the DSO set out some of the positive activities that it progressed during PR5 (including developing a framework for corridor clearance and a new digital application that uses LiDAR data to calculate clearances to timber) and that some of the LiDAR costs in PR5 were allocated to OHL capex rather than opex. This is also an area which can identify risks, and ensure a targeted and effective vegetation management approach, driving overall efficiencies across the timber cutting programme and importantly, improve system reliability and resilience. Our proposed approach for setting the base aims to reflect this, and ensure that the DSO has an allowance that enables it to continue to progress the rollout and implementation of LiDAR for timber management in PR6. The alternative i.e. to use our default approach, would have resulted in zero base allowance for this activity, which we do not think would reflect the fundamental costs required by the DSO to sustain operations in this area.

A new category, Fence and Replant, has been submitted, and only step expenditure was requested, and so we have not carried out a base assessment.

Table 96 below provides a summary of the DSO's submitted base request and our assessment for Timber Overhead Planned Maintenance costs.

Table 96: Base Assessment for Timber Overhead Planned Maintenance

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Rural MV / LV Timber	DSO Request	-	-	-	-	-	-
	CEPA Assessment	12.7	12.7	12.7	12.7	12.7	63.7
Rural Timber (MV Only)	DSO Request	-	-	-	-	-	-
	CEPA Assessment	27.5	27.5	27.5	27.5	27.5	137.4
Urban MV/LV Timber	DSO Request	-	-	-	-	-	-
	CEPA Assessment	3.3	3.3	3.3	3.3	3.3	16.7
HV Timber	DSO Request	-	-	-	-	-	-
	CEPA Assessment	4.2	4.2	4.2	4.2	4.2	21.1
Out-of-Cycle Timber	DSO Request	0.1	0.1	0.1	0.1	0.1	0.6
	CEPA Assessment	0.1	0.1	0.1	0.1	0.1	0.3
LiDAR for Timber Management	DSO Request	0.0	0.0	0.0	0.0	0.0	0.0
	CEPA Assessment	2.5	2.5	2.5	2.5	2.5	12.3
Forestry Corridor Maintenance	DSO Request	0.0	0.0	0.0	0.0	0.0	0.0
	CEPA Assessment	0.2	0.2	0.2	0.2	0.2	1.2
Fence and Replant	DSO Request	0.0	0.0	0.0	0.0	0.0	0.0
	CEPA Assessment	-	-	-	-	-	-
Timber Overhead Planned Maintenance	DSO Request	0.1	0.1	0.1	0.1	0.1	0.6
	CEPA Assessment	50.5	50.5	50.5	50.5	50.5	252.7
	Difference	-50.4	-50.4	-50.4	-50.4	-50.4	-252.1

Source: ESB Networks, DSO Business Plan Questionnaire, RN-03: Overhead Line Assets

At an aggregate level, we propose a base allowance of €252.7m for Timber Overhead Planned Maintenance. This is not comparable though to the DSO's request for the reasons stated above. We will discuss the total allowance for Timber Overhead Planned Maintenance against the DSO's request in the subsequent sections, following review of the trend and step components for these cost categories.

Non-Timber Overhead Planned Maintenance

The DSO has proposed the use of the 2023 outturn year for all hazard patrol and follow-on cost categories. Part of its rationale is that experience and learning from PR4 and PR5 would not suggest that the patrol cycles need to change.

We propose instead to apply our default approach, the average between 2023 and 2024 outturn years. We think this approach captures the DSO's proposal, while benefiting from another year of outturn data, which should reduce year to year volatility, and will capture some of the more recent outturn costs, which as highlighted above have been declining over the PR5 period.

For Out-of-Cycle Hazard Clearance, we propose to use the average of the 2023 – 2024 allowance rather than the outturn in setting the base. As identified in our lookback review, the Out-of-Cycle Timber Cutting was incorrectly assigned to Out-of-Cycle Hazard Clearance and as such the outturn values are inflated and do not accurately reflect the ongoing, recurring costs for these activities. This approach is consistent with the rationale in the DSO's supporting narrative, i.e. the DSO recognises the misallocation of its outturn costs in PR5, and proposes use of allowed costs instead to set the base. However, this does not reconcile with the base cost actually proposed by the DSO.

For LV/steel pole maintenance, we take the average to be the 2023 – 2024 outturn, or 0. During PR5 expenditure was reported against other categories, and we do not have evidence that this will be different in PR6.

For the LV and MV inspection categories (LV / Steel Pole Maintenance, Inspect Re-Closers and Follow-on, Inspect Voltage Regulator and Follow-on, Inspect Switches and Follow-on) and for Wood Pole Quality Assurance, the DSO has proposed base allowances consistent with its PR5 outturn performance. For all of these categories, in line with our default approach, we propose to set the base using the average of the 2023 and 2024 outturn.

The Maintain 38kV MESA switch and Fault Passage Indicators cost categories are new for PR6 and have no base cost requests associated with them and so we have not carried out a base assessment.

Table 97 below provides a summary of the DSO's submitted base request our assessment for Non-Timber Overhead Planned Maintenance.

Table 97: Base Assessment for Non-Timber Overhead Planned Maintenance

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
LV Urban Hazard Patrol and Follow-on	DSO Request	1.3	1.3	1.3	1.3	1.3	6.5
	CEPA Assessment	1.2	1.2	1.2	1.2	1.2	5.9
MV Hazard Patrol and Follow-on	DSO Request	4.2	4.2	4.2	4.2	4.2	20.9
	CEPA Assessment	4.2	4.2	4.2	4.2	4.2	20.9
HV Hazard Patrol and Follow-on	DSO Request	5.3	5.3	5.3	5.3	5.3	26.4
	CEPA Assessment	5.2	5.2	5.2	5.2	5.2	26.1
Out-of-Cycle Hazard Clearance	DSO Request	6.1	6.1	6.1	6.1	6.1	30.6
	CEPA Assessment	2.8	2.8	2.8	2.8	2.8	14.1
LV / Steel Pole Maintenance	DSO Request	0.0	0.0	0.0	0.0	0.0	-
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	-
Inspect Re-Closers and Follow-on	DSO Request	0.4	0.4	0.4	0.4	0.4	2.0
	CEPA Assessment	0.1	0.1	0.1	0.1	0.1	0.5

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Inspect Voltage Regulator and Follow-on	DSO Request	0.3	0.3	0.3	0.3	0.3	1.5
	CEPA Assessment	0.3	0.3	0.3	0.3	0.3	1.5
Inspect Switches and Follow-on	DSO Request	0.6	0.6	0.6	0.6	0.6	3.0
	CEPA Assessment	0.6	0.6	0.6	0.6	0.6	3.0
Maintain 38kV MESA Switch	DSO Request	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
Fault Passage Indicators	DSO Request	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
Wood Pole Quality Assurance	DSO Request	0.0	0.0	0.0	0.0	0.0	0.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Non-Timber Overhead Planned Maintenance	DSO Request	18.2	18.2	18.2	18.2	18.2	90.9
	CEPA Assessment	17.4	17.6	17.3	17.3	17.6	87.4
	Difference	0.8	0.6	0.9	0.9	0.6	3.5

Source: ESB Networks, DSO Business Plan Questionnaire, RN-03: Overhead Line Assets

There is a difference of €3.5m between our proposed base allowance for Non-Timber Overhead Planned Maintenance and the DSO's request. The only material area of difference is in the Out-of-Cycle Hazard Clearance cost category, which is for the reasons described above i.e. an inconsistency between the DSO's submission and its base cost request.

Underground Planned Maintenance

In its submission, the DSO proposes use of the 2023 outturn year to set the base allowance for the various Underground Planned Maintenance cost categories. Its expectation is that opex will continue at levels close to 2023 throughout PR6, while noting that if there is continuation of the capex contractor programme for replacing Magnefix units, then there would be a corresponding reduction in opex.

For HV Cables and MV Substations, we proposed our default approach, the average of the 2023 and 2024 outturn years. In this instance though, for HV Cables, the DSO's proposed base was lower than our assessed base, and so we selected the DSO's proposed base. For LV Underground Planned Maintenance we propose to use the average of the 2023 and 2024 allowances to set the base allowance for PR6. It was not clear based on the information that was provided by the DSO, that the overspends against this programme in PR5 would be expected to recur throughout PR6. For example, the DSO notes that if the contractor programme for LV minipillar replacement was to continue into PR6, then the opex for follow-on work would ramp down accordingly. In light of this, we have decided to take a conservative approach by taken the 2023 and 2024 allowances to set the PR6 base.

Table 98 below provides a summary of our assessment of the PR6 base costs against the DSO's submission for Underground Planned Maintenance.

Table 98: Base Assessment for Underground Planned Maintenance

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
HV Cables	DSO Request	0.7	0.7	0.7	0.7	0.7	3.5
	CEPA Assessment	0.7	0.7	0.7	0.7	0.7	2.2
MV Substation	DSO Request	3.2	3.2	3.2	3.2	3.2	16.0
	CEPA Assessment	1.7	1.7	1.7	1.7	1.7	8.6
LV	DSO Request	2.9	2.9	2.9	2.9	2.9	14.5
	CEPA Assessment	2.2	2.2	2.2	2.2	2.2	9.6
Underground Planned Maintenance	DSO Request	6.8	6.8	6.8	6.8	6.8	33.9
	CEPA Assessment	2.2	2.2	2.2	2.2	2.2	10.9
	Difference	4.6	4.6	4.6	4.6	4.6	23.0

Source: ESB Networks, DSO Business Plan Questionnaire, RN-04: Underground Network Assets

Overall, we propose a base allowance for Underground Planned Maintenance of €10.9m, which is €23.0m less than the DSO request. The main area of difference is in the MV Substation cost category, which is down to the choice of base year. As set out in Section 2.2.2, while the DSO overspent its allowance on MV substation in PR5, this was partly driven by overspends in 2021 to 2023, which were offset by forecast underspends in 2024 and 2025. As such, we consider that our choice of base years better reflect the outturn spend for this cost category.

System Protection and Earthing Planned Maintenance

For System Protection and Earthing Planned Maintenance no base allowance was requested for PR6, because this is a new cost category for PR6. Therefore, we have not carried out a base cost assessment for this cost category, but do carry out a step assessment in the subsequent sections. For completeness, Table 99 summarises the DSO's submission for System Protection and Earthing Maintenance.

Table 99: Base Assessment for System Protection and Earthing Planned Maintenance

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Relay Maintenance	DSO Request	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
Earthing Maintenance	DSO Request	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
System Protection and Earthing Planned Maintenance	DSO Request	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
	Difference	-	-	-	-	-	-

Source: ESB Networks, DSO Business Plan Questionnaire, RN-05: System Protection & Earthing

Customer Meter Operations

For PR6, the DSO has reported Customer Meter Operations as part of Planned Maintenance (previously this cost category was reported as part of Metering). The DSO's base request for Customer Meter Operations is set out on a more disaggregated basis across four sub cost categories (CT Meter Testing (LV/MV/HV), Power Quality Maintenance, LV Whole Current Meter Testing, MV Cubicle Maintenance) than it was for PR5. While this level of granularity is welcome, and should be encouraged going forward in PR6, it presents a challenge for our base assessment as the equivalent granularity has not been provided by the DSO for its outturn expenditure.

As discussed in Section 2.4.4, the DSO underspent its allowances for Customer Meter Operations. In its submission the DSO referred to both the scaling up and scaling down of different work programmes, but it was unclear what programmes were scaled up/down and why. Moreover, it was unclear how this level of underspend would be expected to impact costs going forward. As part of its PR6 request, the DSO appears to have based the base request off of PR5 allowances, which as noted were materially higher than the outturn.

In setting the base allowance for PR6, we propose to consider this cost category in the aggregate. As noted above, we do not have information on the outturn costs at a sufficient granular level to carry out a base assessment on the same basis as that proposed by the DSO.

We propose to deviate from our default approach, and set the base using the average between the 2024 and 2025 outturn years. Our preference would be to use 2023 and 2024 outturn years, for the reasons that we have set out previously, but in this instance the 2023 year contains a large negative outturn cost. This was not explained by the DSO in its submission, but we do not think that this represents the recurring, ongoing BAU costs for this activity. As a result, we do not think that it should be used in the setting of the base allowance for PR6, which is more supportive of the DSO's request i.e. inclusion of the 2023 outturn costs would reduce the base allowance further.

Table 100 below provides a summary of the DSO's request and our base cost assessment for Customer Metering Operations costs.

Table 100: Customer Meter Operations Base Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
CT Meter Testing (LV/MV/HV)	DSO Request	3.0	3.1	3.2	3.3	3.5	15.0
Power Quality Maintenance	DSO Request	0.0	0.0	0.0	0.0	0.0	0.1
LV Whole Current Meter Testing	DSO Request	0.2	0.2	0.2	0.2	0.2	1.0
MV Cubicle Maintenance	DSO Request	0.2	0.2	0.2	0.2	0.2	1.0
Customer Meter Operations Planned Maintenance	DSO Request	3.4	3.5	3.6	3.7	3.9	18.1
	CEPA Assessment	1.0	1.0	1.0	1.0	1.0	5.2
	Difference	2.4	2.5	2.6	2.7	2.9	12.9

Source: ESB Networks, DSO Business Plan Questionnaire, MAM-01: Metering Asset Management

Overall, we recommended a base allowance for Customer Meter Operations Planned Maintenance of €5.2m, €12.9m less the DSO's request. While this represents a material reduction against the request, this proposed allowance is consistent with PR5 outturn expenditure, which as noted in our lookback assessment, the DSO considers is being used to successfully progress the ambitious plans set out in its original PR5 submission.

Trend Assessment

The DSO did not request a trend adjustment for High Voltage, Overhead (Timber and Non-Timber), System Protection and Earthing, or Customer Meter Operations Planned Maintenance cost categories. We have therefore

not carried out a trend assessment for these costs, except for Timber Overhead, for reasons that we describe below.

Timber Overhead Planned Maintenance

As noted, in the previous section the DSO did not provide a breakdown of the base, trend or step components of its requested allowance for the four major timber cutting categories, and has not requested a trend adjustment for any of the other Overhead Planned Maintenance cost categories.

Our approach in these instances is to typically accept the proposal as is, and set the trend component of the allowance to zero. However, due to the scale of the increase in the request for the four major timber categories, (and the importance of this area in ensuring the reliability and resilience of the networks), we have carried out a trend assessment to forecast how efficient costs for these activities may evolve over PR6.

The nature of the timber cutting activities, in our view, lends itself well to this type of assessment, in that costs should be closely driven by the volume of activities carried i.e. the km of network cleared of vegetation, or units of vegetation cut (which the DSO describes in 'groups' or 'blocks').¹⁹ Our trend adjustment is then based on projecting costs for PR6 using this type of driver information for PR5 and PR6 alongside unit costs. It should be noted that this information was not provided by the DSO on a granular, year-by-year basis as part of its submission. It has required SQs and bilateral discussion to obtain the information required, which reflects the total volume for the period over the price control period to get a volume breakdown per year.

Our trend assessment, which is summarised in Table 101 below, utilises this volume information from the DSO alongside base unit cost estimates using our base assessment for these cost categories.

Table 101: Timber Overhead Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Rural MV/LV Timber	DSO Request	-	-	-	-	-	-
	Volumes (Groups)	12,600.0	12,600.0	12,600.0	12,600.0	12,600.0	63,000
	Base Unit Cost (€/Group)	344.3	344.3	344.3	344.3	344.3	-
	CEPA Assessment	4.3	4.3	4.3	4.3	4.3	21.7
Rural Timber (MV Only)	Volumes (km)	27,334.0	27,334.0	27,334.0	27,334.0	27,334.0	136,670
	Base Unit Cost (€/km)	1,782.0	1,782.0	1,782.0	1,782.0	1,782.0	-
	CEPA Assessment	9.2	9.2	9.2	9.2	9.2	45.9
Urban MV/LV Timber	Volumes (Blocks)	149.0	149.0	149.0	149.0	149.0	745
	Base Unit Cost (€/Block)	62,385.5	62,385.5	62,385.5	62,385.5	62,385.5	-
	CEPA Assessment	6.1	6.1	6.1	6.1	6.1	30.6
HV Timber	Volumes (km)	2,134.0	2,134.0	2,134.0	2,134.0	2,134.0	10,670
	Base Unit Cost (€/km)	2,047.5	2,047.5	2,047.5	2,047.5	2,047.5	-
	CEPA Assessment	-0.5	-0.5	-0.5	-0.5	-0.5	-2.3

¹⁹ A 'group' will have multiple poles, anywhere from 1 to 15.

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Timber Overhead Planned Maintenance	DSO Request	-	-	-	-	-	-
	CEPA Assessment	19.2	19.2	19.2	19.2	19.2	95.8
	Difference	19.2	19.2	19.2	19.2	19.2	95.8

Source: CEPA Assessment

At an aggregate level, we propose a trend allowance of €95.8m for Timber Overhead Planned Maintenance using the DSO's forecast volumes, relative to PR5 equivalent volume of delivery, and a base unit cost obtained from our base assessment.

Again, this is not comparable to the DSO's request for the reasons stated in previous section. We will discuss the total allowance for Timber Overhead Planned Maintenance against the DSO's request in the subsequent sections, following review of the step components for these cost categories.

Underground Planned Maintenance

The DSO did propose a separate trend allowance for the LV Underground Planned Maintenance cost category.²⁰ The DSO's proposal included a forecast trend adjustment for mini-pillar hazard patrol (which was negative each year) and mini-pillar hazard patrol follow-on (which was positive each year).

The reason for the negative trend forecast by the DSO for mini-pillar hazard patrol was explained in its narrative as being based an expectation that planned patrol costs would reduce in PR6, relative to PR5. The negative trend adjustment would therefore result in a forecast allowance for PR6 that better reflects the expected level of patrolling. In contrast, the DSO forecasts that mini-pillar hazard patrol follow-on work will trend upwards during PR6. Although based on the information provided, it is unclear what is driving this and why this is different to mini-pillar hazard patrol costs.

In response to SQ-244, the DSO provided aggregate annual volumes of units for LV cables and mini-pillars for PR6. Using this information, alongside base unit cost information obtained from our base assessment we have carried out our trend assessment.

Our assessed trend resulted in a larger negative trend adjustment to that proposed by the DSO, but we've decided to take a conservative approach and accept the DSO's proposal. We note that the DSO's negative trend reflects its supporting narrative which acknowledges that spend for these activities may decline throughout PR6. We think this is an area that should be closely monitored by the CRU, including the outturn volumes for the activities carried out to check whether the identified impact of complementary programmes (such as LV mini pillar replacement) does in fact deliver a reduction in spend in this area. Table 102 below provides a summary of our trend assessment for LV Underground Planned Maintenance costs.

Table 102: Trend Assessment for Other Planned Maintenance Categories

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
LV Underground Planned Maintenance	DSO Request	-0.1	-0.2	-0.4	-0.4	-0.2	-1.3
	Forecast Volumes (LV cables and mini-pillars)	53,500.0	53,500.0	53,500.0	53,500.0	53,500.0	267,500
	Base Unit Cost (€)	415.32	415.32	415.32	415.32	415.32	-

²⁰ For HV Cables, the DSO did also forecast a 'ramp' which we have interpreted as a step adjustment rather than a trend, and included in our step assessment, based on the definition that was provided to support this request.

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
CEPA Assessment	-0.1	-0.2	-0.4	-0.4	-0.2	-1.3
Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

Step Assessment

High Voltage Planned Maintenance

The DSO state that its step adjustment is based on the following new programmes for PR6:

- Regular oil sampling of 38kV transformers to inform maintenance interventions and health-based replacement;
- 38kV transformer condition assessments;
- Asbestos reinspection surveys; and
- Fire inspection surveys.

The DSO also adds that other step changes are driven by making continued improvements in reaching policy targets for equipment overhaul, operational testing and online condition monitoring to reduce faults and corrective maintenance. There was no other additional information provided by the DSO other than this to evidence or support its submission.

It is unclear based on the information provided that there is a step-change in the activities or indeed the aims and objectives of the operations teams within High Voltage Planned Maintenance. The activities provided are broadly those that we would expect to be part of the suite of activities that the DSO carries out as BAU. As such we have some concerns around the additionality of some of these activities relative to activities that are funded under the base level of opex for High Voltage Planned Maintenance. In our view, the DSO has not sufficiently evidenced whether or not some or all of these proposed activities as part of its step request could be delivered using existing resourcing, or whether there are potential trade offs that could be made across the suite of High Voltage Planned Maintenance activities that it already undertakes. We propose to apply a 10% additionality challenge to all categories except corrective maintenance. We have taken this relatively conservative approach recognising that the DSO's step-change proposal is largely offset by a negative step adjustment to the Corrective Maintenance cost category (which we have captured as part of our base assessment, rather than here under the step).

We also have concerns around how these costs were estimated. No information has been provided on the cost build ups, there is no quantitative analysis provided or indeed whether these costs have been market tested. Therefore, we apply a 25% challenge to all categories except Corrective Maintenance. For corrective maintenance, the step requested is negative as it is believed that operational testing and online condition monitoring should reduce the rate of Corrective Maintenance. However, as noted previously, we have adjusted for this in our base assessment. We think that our proposed base allowance, which is lower than the DSO's base request already captures the negative step for Corrective Maintenance, and so we have set this to zero as part of this part of the assessment.

Table 103 below provides a summary of our step assessment, against the DSO's request, for High Voltage Planned Maintenance costs.

Table 103: PR6 Step Assessment for High Voltage Planned Maintenance Costs

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Inspections and Fabric Maintenance						
DSO Request	2.3	2.3	2.3	2.3	2.3	11.5
CEPA Assessment	1.5	1.5	1.5	1.5	1.5	7.7

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Operational Testing and Online Diagnostic	DSO Request	1.2	1.2	1.2	1.2	1.2	6.0
	CEPA Assessment	0.8	0.8	0.8	0.8	0.8	4.0
Equipment Overhaul	DSO Request	1.4	1.4	1.4	1.4	1.4	7.0
	CEPA Assessment	0.9	0.9	0.9	0.9	0.9	4.7
Corrective Maintenance	DSO Request	-5.2	-5.2	-5.2	-5.2	-5.2	-25.9
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
High Voltage Planned Maintenance	DSO Request	-0.3	-0.3	-0.3	-0.3	-0.3	-1.5
	CEPA Assessment	3.3	3.3	3.3	3.3	3.3	16.5
	Difference	-3.6	-3.6	-3.6	-3.6	-3.6	-18.0

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment

While our proposed step adjustment (€16.5m) for High Voltage Planned Maintenance is higher than the DSO's request (-€1.5m), this is predominately because of how we have captured the Corrective Maintenance costs i.e. through a lower base, and no step, as opposed to the DSO's request for a high base and a large negative step.

Timber Overhead Planned Maintenance

As previously noted, the DSO did not propose a step adjustment for the four major timber cutting categories. Instead, the DSO's submission simply noted that its ambitious timber cutting programme aims to deliver the full planned cutting cycle on MV and HV overhead network, as well as a ramp up in delivery over the course of PR6 to achieve greater compliance with LV cutting cycles. There was also some commentary provided on the DSO's proposed new ways of working, which include:

- improving fault data recording to ensure crews are targeting the problem;
- increasing use of live-line and local OHL crews to address immediate concern to avoid expensive out-of-programme work and interrupt expensive planned programmes; and
- removing vegetation as part of capex work programmes and remove and fence or replant with low-growth vegetation.

It is unclear based on the information provided that there is a step-change in the activities or indeed the aims and objectives of the various operational / timber cutting teams. The activities outlined by the DSO are consistent with those that we would expect to be part of the suite of activities that the DSO carries out as BAU. We also have concerns around the additionality of some of these activities relative to activities that are funded under the base level of opex for Timber Overhead Planned Maintenance.

Additionally, in many instances, the DSO refers to an 'increasing level of delivery' when describing its cost request. Broadly speaking we consider that this is captured within our trend assessment, which utilised information provided by the DSO on delivery volumes to forecast out how base costs would evolve over the period. Based on the information provided the DSO has not sufficiently evidenced that a step adjustment is required over and above this.

Finally, the DSO has not sufficiently evidenced how some or all of these proposed activities, such as the increased use of local OHL crews have impacted its cost build up, what trade offs are involved in this decision, and how much more efficient this is relative to say the use of alternative resourcing / contracting arrangements. Importantly, the DSO has provided limited supporting information on how it proposes to mitigate the delivery risks associated with

its significant step up in timber cutting, relative to what it has delivered thus far in PR5. Given the scale of the ask around the timber cutting programme, we would, for example, have expected to see run rate analysis, resourcing breakdowns, as well as risk registers and mitigation plans.

Overall, we believe that the base and trend assessment that we have carried out for Timber Overhead Planned Maintenance addresses the DSO's request, and thus we are not proposing an additional step allowance over and above this.

However, we are sympathetic to the need for the DSO to ensure it has sufficient allowances to deliver its planned timber cutting programmes and to manage the various uncertainties and risks associated with a programme of works of this scale. While our recommended timber cutting allowances (base + trend) provides the DSO with a significant increase on current outturn expenditure in this area, we are also proposing to introduce a targeted reopener mechanism for Planned Maintenance which will provide an opportunity and clear route for the DSO to receive additional allowances in this area. This is discussed further in subsequent section and in the CRU's PR6 Regulatory Framework paper (CRU202590).

For Out-of-Cycle Timber, the DSO state in its narrative that no step change is applicable for this area, but have separately presented an additional allowance request under 'other'. The DSO claims in its narrative submission, that these costs had been incorrectly assigned to Out-of-Cycle hazard during PR5 and thus were not captured in the base assessment for Out-of-Cycle Timber. We accept the DSO's position on this and propose to accept the step change in full.

For all other cost categories within Timber Overhead Planned Maintenance the DSO has submitted a requested discrete step adjustment.

For LiDAR for timber management in the DSO's narrative it states that the step cost relates to a LiDAR based vegetation management approach that would be utilised in PR6, subject to the outcome of certain trials. There is no supporting information however that sets out how the step cost was built up, or cost-benefit analysis that quantifies the potential benefit of this proposed investment. There is also no detail on the success criteria for the related trials, which appear to be the driver for whether these step costs will be realised in PR6.

It is also not clear based on the information provided how these activities relate to those that are provided for through the base allowance for LiDAR. We think the need for this type of work is clear, and we also recognise that the likely benefits that LiDAR can drive in terms of improving prioritisation of timber cutting for risk management, which can lead to direct improvements in the safety, reliability and resilience of the network.

However, for the reasons set out above, and the absence of a cost build up, or indeed other quantified information, we propose to apply a 25% efficiency challenge. We also propose to apply a 10% additionality challenge as a result of our concerns around the lack of demonstration around whether these costs are truly additional, relative to the base level of opex.

For Forestry Corridor Maintenance, the DSO simply states that the step change is based on an increased ambition relating to forestry corridors. The DSO notes that the benefits of the programmes will include improved reliability and resilience of the network by reducing the occurrence of timber contacting the overhead network. There is no further information provided by the DSO to support this request.

The DSO's description does not sufficiently substantiate the change in costs in our view. For example, the benefits of this programme are not specific, or quantified benefits tied to the particular step change request. Instead they are simply the benefits that we would expect from the Forestry Corridor Maintenance programme as a whole. We propose to apply both a 25% efficiency and 25% additionality challenge to this request.

Finally, for the Fence and Replant cost category, there is no base or trend component to the submission. This is a new cost category for PR6, which covers the costs associated with a new programme to manage vegetation using alternatives to cutting based interventions. In its submission the DSO describes initiatives that involve the management of potentially damaging fast-growing vegetation by planting native species, removing timber, and planting fencing. The DSO also notes that this activity will support it in reaching its biodiversity goals. We are content that this activity is needed, and that it is additional to other activities.

There is no cost build up, or quantified information provided that would allow us to assess the efficiency of the Fence and Replant step costs. It is also not clear based on what has been provided, whether the DSO has market tested these costs, demonstrated the customer value associated with the outcomes of the step-change, or even whether a range of options were considered. Broadly these concerns apply for the Timber Overhead Planned Maintenance cost category as a whole, which as noted above, has led to efficiency challenges. However, given that the size of the step change for Fence and Replant is relatively minor, we are not proposing to apply an adjustment for efficiency / confidence in the cost build up.

Table 104 provides a summary of our step assessment for Timber Overhead Planned Maintenance costs.

Table 104: PR6 Step Assessment for Timber Costs

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Rural MV/LV Timber	DSO Request	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
Rural Timber (MV Only)	DSO Request	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
Urban MV/LV Timber	DSO Request	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
HV Timber	DSO Request	-	-	-	-	-	-
	CEPA Assessment	-	-	-	-	-	-
Out-of-Cycle Timber	DSO Request	1.2	1.2	1.2	1.2	1.2	6.0
	CEPA Assessment	1.2	1.2	1.2	1.2	1.2	6.0
LiDAR for Timber Management	DSO Request	1.0	1.0	1.0	1.0	1.0	5.0
	CEPA Assessment	0.7	0.7	0.7	0.7	0.7	3.4
Forestry Corridor Maintenance	DSO Request	0.9	0.9	0.9	0.9	0.9	4.5
	CEPA Assessment	0.5	0.5	0.5	0.5	0.5	2.5
Fence and Replant	DSO Request	0.1	0.1	0.1	0.1	0.1	0.3
	CEPA Assessment	0.1	0.1	0.1	0.1	0.1	0.3
Timber Overhead Planned Maintenance	DSO Request	3.2	3.2	3.2	3.2	3.2	15.8
	CEPA Assessment	2.4	2.4	2.4	2.4	2.4	12.2
	Difference	0.8	0.8	0.8	0.8	0.8	3.6

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment

Overall, our proposed step allowance for Timber Overhead Planned Maintenance is €12.2m, €3.6m less than the DSO's request of €15.8m. This is driven by challenges to the LiDAR for Timber Management and Forestry Corridor Maintenance cost categories, for the reasons set out above.

Non-Timber Overhead Planned Maintenance

In its supporting narrative document, the DSO has set out an aggregated step request for Hazard Patrol and Follow-On maintenance activities, which does not align with way these costs were reported in the BPQ. However, in response to SQ-244, the DSO did provide a breakdown of its Hazard Patrol and Follow-On costs across the three sub cost categories (LV, MV and HV). In summary:

- The DSO did not request a step allowance for LV Urban Hazard Patrol and Follow-ons, and so we do not make an assessment.
- For MV Hazard Patrol and Follow-on cost category, the DSO proposes a negative step adjustment, due to the success of the associated capex defect clearance programmes.²¹ We have accepted the step adjustment as is.
- For HV Hazard Patrol and Follow-on cost category the DSO states that the step change request is due to S1 type patrols being introduced on the 38kV network. There is no further supporting information provided by the DSO to explain this step change request. Nor is there any information provided on the cost build up. The DSO does note that this new activity will prioritise the worst-condition towers, but again it's not clear how this compares to current operations or whether there are existing patrols or follow-on activities that can be re-prioritised. For these reasons, we propose to apply a 15% cost confidence / efficiency adjustment. In addition, we propose to apply a more conservative 10% additionality adjustment, given that we accept that these new patrols might be new for the 38kV network, but it has not been evidenced how these patrols impact the existing programme of patrols, or the existing resourcing requirements.
- As discussed as part of our base assessment for the Out-of-Cycle Hazard Clearance cost category, we recognise the misallocation between this category and Out-of-Cycle Timber Cutting. We believe we have addressed the issue as part of our base assessment, which reduced the base allowance for this cost category relative to the request. In our view this negates the need to then apply the DSO's proposed negative step adjustment to the allowances. We therefore propose to set the step allowance to zero (rather than -€4.2m per year).

For LV / Steel Pole Planned Maintenance the DSO proposed a step change for the PR6 allowance based on an increase in the number of poles to be treated and painted. The programme aims to complete the painting of 5,500 steel poles on the LV network, which the DSO states will extend the life of these assets. This programme will also ensure that these poles, predominantly located in urban locations, meet the DSO's current LV urban standard.

It is unclear based on the information provided how this request relates to base operations, because the DSO has not clearly demonstrated that the costs associated with these proposed step-change activities are additional to those funded through base allowances. For example, as part of its PR5 submission, the DSO states that for LV / Steel Pole Maintenance, it carried out a programme of steel pole painting. Moreover, the DSO notes as part of this submission that significant work had been carried out, particularly in the Dublin areas.

Based on our review, there does not appear to be a clear difference between activities that the DSO currently undertake, and thus those that have been used to establish an efficient starting point for PR6, and those associated with its step change request. For these reasons we propose to apply a 25% additionality adjustment to its requested step allowances.

²¹ Note, in response to SQ-244 the DSO explained that it had undervalued the projected patrol allowance costs, which total around €0.22m per year. This means that whilst it is explicitly not requesting a revision to the submitted allowance, it forecasts that the step should be -€1.5m-1.6m per year, instead of -€2.4m-2.5m.

Similarly, the DSO has not provided any cost build ups or unit cost type information, nor has it demonstrated the value for money or efficiency of its proposed step change. For these reasons we also propose to apply a 25% cost confidence / efficiency adjustment in our assessment.

For the Inspect Reclosers and Follow-on cost category, as part of the DSO's submission it did not provide a breakdown of its step request. However, in response to SQ-244 it set out its request for a negative step adjustment, driven by the PR5 programme exceeding delivery due to successful prioritisation of inspections. For this cost category, we consider that we have already captured this negative step adjustment in our base assessment, and as such we propose to not apply the DSO's requested negative step in our modelling.

For the Inspect Voltage Regulator and Follow-on cost category, the DSO has proposed a positive step adjustment, which it states is driven by an increasing delivery programme during PR6. Again, this breakdown was not provided as part of the DSO's narrative submission, but was provided in response to SQ-244. Similarly for the Inspect Switches Regulator and Follow-on cost category, the DSO provided some limited information in response to SQ-244. It stated that the step adjustment is driven by an increasing number of faults and delivery of Triple Pole Switch activities. We apply a 25% additionality and 25% cost confidence / efficiency adjustment. The information and justification for this step change is extremely limited across both of these cost categories, and as such, consistent with the approach we have taken in other cost categories within Non-Timber Overhead Planned Maintenance, we propose to apply a 25% additionality and 25% cost confidence / efficiency adjustment.

For the Maintain 38kV MESA Switch cost category, the DSO simply stated that its step change request related to the execution of its planned maintenance programme on 38kV MESA switches in PR6. It notes that the programme will ensure the satisfactory performance of the MESA switch, which has an essential role in the operation of the 38kV network.

The DSO also adds that this programme of works is motivated by an operational incident caused by the unplanned operation of a MESA switch. Following this incident, it became apparent to the DSO that no maintenance plan or strategy existed in its maintenance scheduling database. As noted previously, this is a new programme of works that doesn't have any PR5 outturn costs to compare to, or a base allowance request.

We accept that this is a new project, but what remains unclear based on the DSO's submission, is whether the costs associated with this proposed step change are additional relative to the base level of opex for some of the broader MV and HV Inspection and Follow-On activities. We are cognisant though of the safety implications associated with this investment, and that this activity wasn't reported against at PR5, and as a result propose to only apply a conservative 10% adjustment to ESB Networks request.

For the final two cost categories within Non-Timber Overhead Planned Maintenance, Fault Passage Indicators and Wood Pole Quality Assurance, the DSO has stated that the respective step allowance requests are required to implement the proposed programmes.

The programme of works associated with the Fault Passage Indicators cost category aims to progress installations to work towards the goal of having fault passage information for every 5 km of overhead interconnected MV lines. This will be achieved by installing Fault Passage Indicators between existing reclosers and automated sectionalisers. A data concentrator, which will require a SCADA interface to minimise cyber security risks, will also be installed to aggregate sensing information from these new devices.

We are supportive of this proposed investment area, recognising the potential benefits that this may bring to the network, including improved network intelligence, fault response, and efficiency in fault response. It is unclear though whether there are any interactions between this activity, and the activities carried out across other operational teams, for example the Operations Systems and Data team within System Control. Again, there is no supporting cost information associated with this request. For these reasons we propose to apply a conservative 10% efficiency and additionality adjustment to the DSO's request.

Finally, the programme of works associated with the Wood Pole Quality Assurance programme aims to identify and prevent issues causing decay of wood poles and improve the standards for the overhead network. Again, while we are supportive of the need for this type of activity it is not clear how this interacts with existing operations, for example, the four major timber cutting cost categories. As a result, we have concerns around the additionality of

this request, and how it relates to these types of activities that are already receiving significant levels of base funding. For these reasons we propose to apply a conservative 10% efficiency and additionality adjustment.

Table 105 below provides a summary of our step assessment of Non-Timber Overhead Planned Maintenance costs compared to the DSO's request.

Table 105: Step Assessment for Non-Timber Overhead Costs

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
LV Urban Hazard Patrol and Follow-on	DSO Request	0	0	0	0	0	-
	CEPA Assessment	0	0	0	0	0	0
MV Hazard Patrol and Follow-on	DSO Request	-2.4	-2.5	-2.5	-2.5	-2.5	-12.4
	CEPA Assessment	-2.4	-2.5	-2.5	-2.5	-2.5	-12.4
HV Hazard Patrol and Follow-on	DSO Request	3.1	3.0	2.7	2.7	2.9	14.4
	CEPA Assessment	2.4	2.3	2.1	2.1	2.2	11.0
Out-of-Cycle Hazard Clearance	DSO Request	-4.1	-4.2	-4.2	-4.2	-4.2	-20.8
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
LV / Steel Pole Maintenance	DSO Request	2.5	2.4	2.4	2.4	2.5	12.2
	CEPA Assessment	1.4	1.3	1.3	1.3	1.4	6.8
Inspect Re-Closers and Follow-on	DSO Request	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Inspect Voltage Regulator and Follow-on	DSO Request	0.5	0.5	0.4	0.4	0.5	2.3
	CEPA Assessment	0.3	0.3	0.2	0.2	0.3	1.3
Inspect Switches and Follow-on	DSO Request	0.1	0.9	0.9	0.9	0.9	3.7
	CEPA Assessment	0.1	0.5	0.5	0.5	0.5	2.1
Maintain 38kV MESA Switch	DSO Request	0.2	0.2	0.2	0.2	0.2	1.0
	CEPA Assessment	0.2	0.2	0.2	0.2	0.2	0.8
Fault Passage Indicators	DSO Request	0.7	0.7	0.7	0.7	0.7	3.5
	CEPA Assessment	0.6	0.6	0.6	0.6	0.6	2.8
Wood Pole Quality Assurance	DSO Request	0.7	0.7	0.7	0.7	0.7	3.5
	CEPA Assessment	0.6	0.6	0.6	0.6	0.6	2.8
Non-Timber Overhead Planned Maintenance	DSO Request	1.1	1.5	1.1	1.1	1.5	6.3
	CEPA Assessment	3.0	3.2	2.9	2.9	3.2	15.3
	Difference	-1.9	-1.7	-1.8	-1.8	-1.7	-9.0

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment

Overall, our step allowance for Non-Timber Overhead Planned Maintenance is €15.3m, which is higher than the DSO's requested step allowance of €6.3m. This is driven predominately by the treatment of the Out-of-Cycle Hazard Clearance step allowance request, for the reasons set out above.

Once this is taken into consideration our step allowance is less than the DSO's request, driven by challenges on additionality and cost confidence / efficiency across several Non-Timber Overhead Planned Maintenance cost categories.

Underground Planned Maintenance

The Underground Planned Maintenance cost category is split across three sub cost categories. The DSO's proposed step request, alongside our assessment for each is summarised below:

- The DSO has proposed a negative step change for the HV Cables Planned Maintenance cost category, which it describes as a 'ramp', due to a planned reduction in fluid-filled cables over the period. We accept the DSO's proposal on this step adjustment in full, recognising the impact of some of the large capex projects replacing fluid-filled cables. The benefit of which includes improvements to network resilience (reliability and availability), removal of the environmental risk posed by fluid leaks, and increased circuit capacity.
- For the MV Substation Planned Maintenance cost category, the DSO proposes a step change for a new programme of asbestos management an increase required for increased faults due to reduction in Capex plans. The DSO does not provide any other information over and above this to substantiate its request. As result we propose to apply a 25% efficiency and 25% additionality cost adjustment.
- The DSO does not request a step allowance for LV Planned Maintenance cost category. As such we have not carried out an assessment.

Table 106 below provides a summary of our step assessment of Underground Planned Maintenance costs.

Table 106: Step Change for Underground Planned Maintenance Costs

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
HV Cables	DSO Request	-0.2	-0.2	-0.3	-0.3	-0.3	-1.3
	CEPA Assessment	-0.2	-0.2	-0.3	-0.3	-0.3	-1.3
MV Substation	DSO Request	0.3	0.2	0.1	0.1	0.2	0.9
	CEPA Assessment	0.2	0.1	0.1	0.1	0.1	0.5
LV	DSO Request	0.0	0.0	0.0	0.0	0.0	0.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Underground Planned Maintenance	DSO Request	0.1	-	-0.2	-0.2	-0.1	0.1
	CEPA Assessment	-0.0	-0.1	-0.2	-0.2	-0.2	-0.8
	Difference	0.1	0.1	0	0	0.1	0.9

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment

Relay and Earthing Planned Maintenance

In the DSO's submission it explains that in previous price review periods, protection maintenance was carried out by L1 commissioners, but because of changes in relay technology and testing methodologies, L2 commissioners are now the only team who can carry out this work. This has had a knock-on effect on cost, programming, time, and

resourcing implications. The DSO also acknowledges though that the costs for the range of protection maintenance activities that it has proposed have yet to be fully finalised, and this won't be fully understood until this new testing programme is rolled out towards the end of PR5. While costs for the personnel carrying out this work are understood, the time taken to carry out these tasks are as yet unknown, as are some of the other associated costs.

We understand that the step allowance request associated with Relay Maintenance has been made in order to build on the progress made in PR5, which for various procedural, programming, and resourcing constraints, has been slow. Finally, the DSO also refers to discussions with delivery teams, that the allowed costs for PR5, despite being underspent by 100% because the programme didn't fully commence in PR5, would not be adequate to successfully deliver the programme of works in PR6.

We recognise the changing requirements around relay testing has led to a change on the processes, and resources that the DSO can utilise to carry out Relay Maintenance activities and acknowledge that that this request is based on a structural change relative to PR6. However, the absence of sufficient cost build-ups, and detailed analysis on the impact of resourcing in the DSO's submissions, raises concerns on both the cost confidence / efficiency and additionality of the request. These concerns are not addressed through the written submissions provided by the DSO in relation to the underspent PR5 allowances. For these reasons, we propose to apply a 25% cost confidence/ efficiency adjustment and a 10% additionality adjustment to the Relay Maintenance step change request.

For the Earthing Maintenance cost category, the DSO's proposed step change request is based on the introduction of new dedicated earthing maintenance programme, which is intended to drive the resumption of planned earthing maintenance testing.

The DSO acknowledges in its submission that while earthing maintenance testing would previously have been covered under the general HV substation maintenance budget in PR5, no planned earthing maintenance testing has taken place under PR5 due to other priorities, constraints on HV substation commissioning resources, and an absence of clarity/direction on the extent of testing required at individual substation locations.

This raised the following questions as part of our review, which the DSO has not answered in its submission, related to reprioritisations that were carried out during PR5: how were these decisions made, what were the trade offs, what was the perceived impact on PR6 at the time, and importantly, why these same types of reprioritisations (across other related activities for example) cannot be carried out during PR6? Based on the issues identified around the supporting information on these key points, we propose to apply a 25% cost confidence / efficiency and 25% additionality adjustment as it is unclear why this new resourcing is required.

Table 107 below provides a summary of our step assessment for System Protection and Earthing Costs alongside the DSO's request.

Table 107: Step Change for Relay and Earthing Planned Maintenance Costs

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Relay Maintenance	DSO Request	1.0	1.0	1.0	1.0	1.0	5.0
	CEPA Assessment	0.7	0.7	0.7	0.7	0.7	3.4
Earthing Maintenance	DSO Request	0.4	0.4	0.4	0.4	0.4	2.0
	CEPA Assessment	0.2	0.2	0.2	0.2	0.2	1.1
Relay and Earthing Planned Maintenance	DSO Request	1.4	1.4	1.4	1.4	1.4	7.0
	CEPA Assessment	0.9	0.9	0.9	0.9	0.9	4.5
	Difference	0.5	0.5	0.5	0.5	0.5	2.5

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment

Overall, our proposed step allowance for Relay and Earthing Planned Maintenance is €4.5m, €2.5m less than the DSO's request.

Customer Meter Operations

No step allowances are requested under this cost category.

Uncertainty Mechanism

While we propose to allow a significant increase (49.2%) in Planned Maintenance opex in PR6, relative to the current levels of DSO spend (€552.1m versus €370.1m) we also recognise that this represents a large reduction based on the request (€773.2m).

The majority of this reduction is in the Timber Overhead Planned Maintenance category (€170.6m out of the total €221.1m variance), with the rest of the adjustment spread relatively evenly across the other sub cost categories.

As discussed, the rationale for our proposed adjustment to the overall Planned Maintenance request, but particularly the Timber Overhead Planned Maintenance request, is that the DSO has not fully substantiated the full step up in allowances across its submissions, the basis on which costs might increase further, or how it ensures deliverability of the step up across the package as a whole.

The baseline allowances that we have proposed are based on the DSO's business plan and provide allowance for the delivery of the volumes that it forecast. For example, for Rural Timber (MV Only) the baseline allowances that we propose are based on delivery of 136,670km of timber cutting. However, we accept that there are risks and uncertainties around this significant programme of works. This includes risks associated with the supply chain, which we have attempted to manage through the introduction of RPEs (refer to CEPA's Inflation and Cost Trends paper (CRU202593)), and risks associated with deliverability, which we are proposing to manage through the use of a reopener mechanism. Further details for the suite of reopener mechanisms being proposed for PR6, including how they are triggered and how they will be assessed, are set out in the CRU's PR6 Regulatory Framework paper (CRU202590).

Broadly though these reopeners can be used by the DSO to request adjustments to deliverables or allowances on an annual basis, and subject to CRU review, will allow the DSO to more closely match revenues to expenditure during the period, while also improving the transparency of expenditure and delivery.

Planned Maintenance Reopener

We are recommending the introduction of a targeted reopener mechanism covering Planned Maintenance opex, to ensure that subject to uncertainties and risks being realised, that the DSO has sufficient allowances to ensure delivery of these various work programmes.

To trigger the reopener, overall cost forecasts should exceed baseline allowances by more than 10%. If this reopener is activated, then we would expect to see business cases which include but are not limited to:

- Progress and reference to costs incurred compared with the allowed costs and the delivery plan;
- Rationale for changes to delivery and/or scope; and
- Justification for additional costs and volumes of activity.

The 'high case' allowances which we recommend for Planned Maintenance is €773.2m i.e. the DSO's full request, subject to the DSO satisfactorily meeting criteria that demonstrates deliverability and readiness for the additional allowed opex.

Source: CEPA

Consistent with all our proposed recommended baseline allowances for the CRU's draft determination, we expect to review our proposals for final determinations should the DSO be able to come forward with additional information and justification for its planned maintenance opex request in PR6 and addresses the comments and issues we have identified in the subsections above.

Conclusion

In the table below we outline our assessment of Planned Maintenance costs. We suggest a total allowance of €552.1m against a request of €773.2m, which represents a 28.6% reduction. The greatest driver of this reduction is that we have not accepted in full the DSO's requested step for the four major timber overhead categories. This reflects that we do not have sufficient information and evidence based on the DSO's submissions to date that this will be required beyond an increase to the base (reflecting increased contractor costs from PR5) and an increase to the trend (increased timber cutting volumes) which we have reflected in our cost modelling.

Table 108: Planned Maintenance PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
High Voltage	14.7	14.7	14.7	14.7	14.7	87.3	73.5	-13.8	-15.8%
Timber Overhead	72.1	72.1	72.1	72.1	72.1	531.3	360.7	-170.6	-32.1%
Non-Timber Overhead	17.4	17.6	17.3	17.3	17.6	97.1	87.4	-9.7	-10.0%
Underground	4.5	4.3	3.9	3.9	4.2	32.2	20.9	-11.3	-35.1%
System Protection and Earthing	0.9	0.9	0.9	0.9	0.9	7.0	4.5	-2.5	-35.7%
Customer Meter Operations	1.0	1.0	1.0	1.0	1.0	18.1	5.2	-12.9	-71.3%
Total Planned maintenance	110.7	110.7	110.1	110.1	110.6	773.2	552.1	-221.1	-28.6%

Source: CEPA Assessment

We expand on our assessment further in Table 109 below. As shown, as no estimates were provided for a base-trend-step assessment for the four main timber cutting categories, we developed our own allocations using PR5 outturn costs and PR6 volumes. Whilst we did not include a step for timber, we infer that much of the step request for timber was incorporated into base and trend, resulting in higher allowances for these than the request, but a substantially lower step.

Table 109: Planned Maintenance and Timber Cutting - Base-Trend-Step Assessment

DSO Opex (€m, 2024 prices)	Total Base	Total Trend	Total Step	Total
DSO Request	366.4	3.4	403.3	773.2
CEPA Assessment	410.0	94.5	47.6	552.1
% Variance	11.9%	2679.4%	-88.2%	-28.6%
Timber Overhead Planned Maintenance CEPA Assessment	252.7	95.8	12.2	360.7

Source: CEPA Assessment

3.2.3. Fault Maintenance

The Fault Maintenance cost category contains 4 subcategories: 3 refer to fault maintenance on different network voltages, with the Storm category referring to faults on all categories of network explicitly caused by storms.

Table 110 below presents the PR6 request for Fault Maintenance of €283.2m, which represents a decrease of €19.9m (6.6%) from the PR5 outturn.

Table 110: Fault Maintenance PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
38kV	3.3	3.2	3.1	3.1	3.2	14.9	15.9	6.3%
110kV / 220kV	1.4	1.4	1.3	1.3	1.4	6.3	6.8	6.9%
MV / LV	47.3	45.3	43.0	42.1	42.4	233.3	219.9	-5.7%
Storm	8.4	8.2	7.9	8.0	8.2	48.4	40.6	-16.1%
Fault Maintenance Total	60.3	58.0	55.2	54.4	55.1	303.1	283.2	-6.6%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In its narrative, the DSO states that 2023 is used as the base year for all fault activity. Based on our PR5 lookback assessment, we propose to set all four subcategories equal to the average of the 2023 – 2024 outturn, in line with our default approach.

In Table 111 below we summarise the DSO's submitted base costs and our base assessment for each of the Fault Maintenance sub cost categories.

Table 111: Base Assessment for Fault Maintenance

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
38kV	DSO Request	3.4	3.4	3.4	3.4	3.4	16.9
	CEPA Assessment	3.4	3.4	3.4	3.4	3.4	16.9
110kV/220kV	DSO Request	1.4	1.4	1.4	1.4	1.4	7.0
	CEPA Assessment	1.4	1.4	1.4	1.4	1.4	7.9
MV/LV	DSO Request	48.2	48.2	48.2	48.2	48.2	240.8
	CEPA Assessment	48.2	48.2	48.2	48.2	48.2	240.8
Storm	DSO Request	7.5	7.5	7.5	7.5	7.5	37.4
	CEPA Assessment	7.5	7.5	7.5	7.5	7.5	37.4
Fault maintenance	DSO Request	60.4	60.4	60.4	60.4	60.4	302.1
	CEPA Assessment	60.4	60.4	60.4	60.4	60.4	302.1

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment

As can be observed from the above, there is no difference in our proposed base allowances for Fault Maintenance, and those requested by the DSO.

Trend Assessment

Table 112 below, we outline our trend assessment into the submitted Fault Maintenance costs. We received a detailed narrative from the DSO describing how it came to a negative trend. It acknowledges that as the length of the distribution network is increasing, the trend could be expected to be positive. However, it believes that the health of network assets will improve due to an ambitious programme of overhead works for PR6, which it determines determine will lead to fewer faults.

It notes some of the risks with these business planning assumptions: that the negative trend assumes that all overhead planned maintenance plans will progress fully and achieve the intended improvements to asset health. It also acknowledges that the works may not be able to protect against all storms and give the example that a storm may affect a part of the country which has not yet had a full programme of works implemented.

Table 112: Fault Maintenance Trend Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
38kV	Submitted Trend	-0.1	-0.2	-0.3	-0.3	-0.2	-1.1
	Volumes	5,644.3	5,654.4	5,664.6	5,674.7	5,684.8	28,322.8
	Base Unit Cost	606.0	606.0	606.0	606.0	606.0	-
	CEPA Assessment	-0.1	-0.2	-0.3	-0.3	-0.2	
110kV/220kV	Submitted Trend	-	-0.1	-0.1	-0.1	-0.1	-0.4
	Volumes	389.9	389.9	389.9	389.9	389.9	1,949.3
	Base Unit Cost	3,613.9	3,613.9	3,613.9	3,613.9	3,613.9	
	CEPA Assessment	-	-0.1	-0.1	-0.1	-0.1	-0.4
MV/LV	Submitted Trend	-0.9	-2.9	-5.2	-6.1	-5.8	-20.8
	Volumes	124,401.8	125,142.3	125,882.8	126,623.3	127,363.8	629,414.2
	Base Unit Cost	392.9	392.9	392.9	392.9	392.9	
	CEPA Assessment	-0.9	-2.9	-5.2	-6.1	-5.8	-20.8
Storm	Submitted Trend	0.9	0.7	0.4	0.4	0.6	3.0
	Volumes	158,622.3	159,642.7	160,663.2	161,683.7	162,704.1	803,315.9
	Base Unit Cost	80.8	80.8	80.8	80.8	80.8	
	CEPA Assessment	0.1	0.2	0.2	0.3	0.4	1.2
Fault Maintenance	DSO Request	-0.1	-2.5	-5.2	-6.1	-5.5	-19.3
	CEPA Assessment	-0.9	-3.0	-5.3	-6.2	-5.7	-21.1

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Difference	0.8	0.5	0.1	0.1	0.2	1.7

Source: CEPA Assessment

Step Assessment

As the DSO does not request a Step adjustment for Fault Maintenance, we do not make an assessment.

Uncertainty Mechanism

Given the severity of weather over PR5, we propose to continue the Force Majeure mechanism from PR5. However, uncertainty mechanisms in this area are still subject to discussion.

Fault Maintenance Force Majeure Mechanism

There is an existing Force Majeure mechanism in place in the case of severe weather events. The DSO states that this is unsuitable as:

- There is unclear guidance on what qualifies as a Force Majeure event, including the definition of an 'exceptional event' and the required cost thresholds;
- There may be misaligned incentives from the focus on the duration and financial impact of the event. It states that this could delay the response to severe weather events and believe that a more external measure should be adopted.

It is unclear how many severe weather events such as Storm Éowyn are predicted for PR6 and the CRU's assessment of Storm Éowyn is ongoing, but we propose a Force Majeure mechanism, and we will examine the changes proposed by the DSO. The in-period amount of funding provided by this allowance is subject to further discussion.

Conclusion

We present our Fault Maintenance assessment in Table 113. We make a minimal reduction from the request of 0.8% from €283.2m to €281.0m.

Table 113: Fault Maintenance PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Fault maintenance	59.5	57.4	55.1	54.3	54.8	283.2	281.0	-2.2	-0.8%

Source: CEPA Assessment

3.3. ASSET MANAGEMENT

3.3.1. Asset Management

Table 114 below presents the PR6 request for Asset Management of €147.7m, which represents an increase of €13.1m (9.7%) from the PR5 outturn.

Table 114: Asset Management PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Asset Management	29.5	29.4	29.4	29.6	29.8	134.6	147.7	9.7%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

Table 115 presents our Base Assessment for Asset Management.

Table 115: Base Assessment for Asset Management

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Asset Management	DSO Request	27.1	27.1	27.1	27.1	27.1	135.3
	CEPA Assessment	27.1	27.1	27.1	27.1	27.1	135.3
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

Overall, there is no difference between our proposed base allowance and that requested by the DSO. It is unclear from the DSO's narrative, but it appears that 2023 was used as the base year in its request. We determine that the increased programme of work over PR5 is likely to be reflective of increased work at PR6, and determined that our standard approach of taking the 2023- 2024 outturn would be representative of this. We selected from the lower of this outturn and the DSO's request.

Trend Assessment

As the DSO does not request a Trend adjustment for Asset Management, we do not make an assessment.

Step Assessment

Table 116 below displays our Step Assessment for Asset Management.

Table 116: Step Assessment for Asset Management

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Asset Management	DSO Request	2.5	2.4	2.3	2.6	2.8	12.5
	CEPA Assessment	1.4	1.3	1.3	1.4	1.6	7.0
	Difference	1.1	1.1	1.0	1.2	1.2	5.5

Source: CEPA Assessment

In its response to SQ-173, the DSO detailed its Asset Management forecast step increase, which will involve expenditure across Network Development, Network Assets and Programme. Each of these categories of cost, and the requested step increase, is set out below:

Network Development:

- The DSO states that there will continue to be over 400 Large Demand Customer Connection applications. It forecasts an increase during PR6 due to increased new housing targets, and the electrification of the heat and transport sectors.
- From 2025 onwards there will also be a doubling of the number of flexibility Customer Connection Applications and associated system distribution studies.
- The DSO also states that it will need to publish a Special Load Reading Report every year, Demand and Generation Capacity heatmaps every quarter, and Ten Year Distribution Network Development Plans every two years.
- It also states a year-on-year increase in proactive LV system improvement work for PR6.

We note that in many cases described, for example the Large Demand Customer Connection applications, flexibility Customer Connection Applications and documents to be published, that these are activities already carried out in PR5. Whilst these have led to an overspend during PR5, we have reflected this in the base allowance for PR6 which is based on outturn costs. Where there are new activities, they have not always been sufficiently quantified.

Network Assets:

- The DSO states that this function will continue to monitor risks on the network, manage the supply chain to support the enhanced investment programme for PR6, progress asset health models and the investment decision making process.

Programme:

- The DSO states that as investment grows for PR6, enhanced work plan models and reporting will be required. This will involve improving strategic planning activities including procurement, and improving the project pipeline management processes including visibility of progress. It will incorporate the output of the PR6 (AIF) Agile Investment Framework into the work programme, provide enhanced reporting transparency, and finally, refine the development of unit costs.

We note that for increased volumes of activities in both the Network Assets and Programme subcategories, none of these costs have been quantified. The DSO provided us figures to demonstrate that the asset management request remains similar or lower to PR5 expenditure as in Table 117 below, but the PR5 overspend was more adequately quantified.

Table 117: Asset Management Opex as a % of DSO Totex

DSO Opex (€m, 2024 prices)	PR4 Average	PR5 Average	PR6 Average
Approximate Asset Management Opex as % of DSO Totex	3.6%	4.6%	2.6%

Source: CEPA Assessment, SQ-173

Particularly in the case of Network Development, we do not have full evidence that the activities conducted require additional resourcing. We therefore apply a 25% cost confidence / efficiency and 25% additionality adjustment to the DSO’s request on the basis that we do not consider the full step increase in expenditure in PR6 has been justified, particularly given the basis on which we have forecast a base level of expenditure by reference to outturn costs.

Conclusion

We present our assessment of Asset Management in Table 118 below. We made a 3.7% reduction to the request, from €147.7m to €142.3m.

Table 118: Asset Management PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Asset Management	28.4	28.4	28.3	28.5	28.6	147.7	142.2	-5.5	-3.7%

Source: CEPA Assessment

3.3.2. Forestry & Wayleaves

Table 119 below presents the PR6 request for Asset Management of €147.7m, which represents an increase of €13.1m (9.8%) from the PR5 outturn.

Table 119: Forestry & Wayleaves PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Forestry & Wayleaves	7.1	7.1	7.1	7.1	7.2	15.6	35.6	128.2%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

Table 120 shows our base assessment for Forestry & Wayleaves. Rather than using the average of the 2023 – 2024 outturn as the base we accepted ESB Network’s submission as the base.

We note that in the DSO’s narrative it stated that it did not use the outturn from PR5 to forecast PR6 forecasts as the outturn was thought to be unrepresentative because of IFA negotiations, poor national attitude to easements, COVID-19 delivery issues, and increasing market complexities.

Table 120: Base Assessment for Forestry & Wayleaves

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
DSO Request	2.9	2.9	2.9	2.9	2.9	14.3
Forestry & Wayleaves CEPA Assessment	2.9	2.9	2.9	2.9	2.9	14.3
Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We make no change to the DSO’s base request. It is unclear from the narrative but it appears that 2023 was selected as the base year for forestry and wayleaves by the DSO; it is also unclear why this year was selected. We determined that our standard approach of taking the 2023- 2024 outturn would be representative of the number of negotiations at PR6 without accounting for a revised IFA agreement. We selected from the lower of this outturn and the DSO’s request.

Trend Assessment

The DSO states that its assessment has been adjusted to reflect the PR5 forecast, adjusted for PR6 monies; this has been reflected in the trend. This has then been adjusted further to reflect an increase in work volumes, the potential conclusion of IFA negotiations and resulting increase in applications, and inflation in land prices. These figures have not been fully quantified. As we stated in our lookback assessment, neither ourselves nor the DSO believe it is suitable to apply a volume driver to this activity.

Similarly to the capex assessment of the Wayleaves category, we do not have enough information to suggest that there will be a cost increase as reflected in the trend, and that more landowners will enter into negotiations, or that

land prices will increase beyond inflation. As a result, we have not included a trend adjustment in our modelling. We present the assessment against the trend in Table 121 below.

Table 121: Forestry & Wayleaves Trend Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
DSO Request	4.3	4.3	4.2	4.2	4.3	21.4
CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Difference	4.3	4.3	4.2	4.2	4.3	21.4

Source: CEPA Assessment

We acknowledge, however, that a renegotiation of the agreement is still possible and out of the DSO's control. Therefore, we propose including a reopener for Forestry & Wayleaves.

Forestry & Wayleaves Reopener

We are recommending the introduction of a targeted reopener mechanism covering Forestry & Wayleave opex, to ensure that subject to uncertainties and risks being realised, that the DSO has sufficient allowances to support its operations.

To trigger the reopener, the DSO will need to provide evidence that a new agreement with the IFA has been reached, or that overall cost forecasts should exceed baseline allowances by more than 10%. If this reopener is activated, then we would expect to see business cases which include but are not limited to:

- Progress and costs incurred compared with the allowed costs.
- Details of the negotiations and discussions / outcomes of negotiations with the IFA.

The 'high case' allowances which we recommend for Forestry & Wayleaves is €35.6m i.e. the DSO's full request, subject to the DSO satisfactorily meeting criteria and providing justification.

Conclusion

We present the results of our assessment of Forestry & Wayleaves in Table 122 below. We have made a substantial 59.9% reduction to the request, from €35.6m to €14.3m. However, this reflects the uncertainty of the outcomes from the IFA negotiations and we propose that the CRU include a reopener for this category and so the in-period allowance may increase.

Table 122: Forestry & Wayleaves PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Forestry & Wayleaves	2.9	2.9	2.9	2.9	2.9	35.6	14.5	-21.1	-59.9%

Source: CEPA Assessment

3.4. METERING

3.4.1. Meter Reading

The PR6 request for meter reading is made of 3 core categories:

- Meter reading: This refers to the collection and distribution of meter readings and associated data.
- Smart Metering Operations Centre (SMOC): This was previously contained with the National Smart Metering Programme at PR5 before being moved to live operations.
- Meter Inspections: This refers to physical inspections of smart meters taking place as the National Smart Metering Programme concludes. This includes assessing asset health and dealing with revenue protection issues.

Table 123 below presents the PR6 request for Meter Reading of €315.3m, which represents an increase of €266.6m (547.4%) from the PR5 outturn.

Table 123: Meter Reading PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Meter Reading	5.5	5.6	5.9	5.9	6.0	48.7	28.8	-40.9%
SMOC	26.1	27.3	27.9	28.9	29.2	-	139.5	100%
Meter Inspections	29.5	29.4	29.3	29.4	29.5	-	147.2	100%
Meter Reading Total	61.1	62.3	63.1	64.2	64.7	48.7	315.3	547.4%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 124 below, we outline our base assessment of each of the subcategories of this assessment.

Table 124: Base Assessment for Meter Reading

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Meter Reading	DSO Request	11.4	11.4	11.4	11.4	11.4	56.8
	CEPA Assessment	7.1	7.1	7.1	7.1	7.1	35.6
SMOC	DSO Request	14.3	14.3	14.3	14.3	14.3	71.3
	CEPA Assessment	13.8	13.8	13.8	13.8	13.8	68.8
Meter Inspections	DSO Request	0	0	0	0	0	0
	CEPA Assessment	0	0	0	0	0	0
Meter Reading Base Total	DSO Request	25.6	25.6	25.6	25.6	25.6	128.1
	CEPA Assessment	20.9	20.9	20.9	20.9	20.9	104.4
	Difference	4.7	4.7	4.7	4.7	4.7	23.7

Source: CEPA Assessment

We take the Meter Reading PR6 base to be the average of the 2024 – 2025 outturn, as we believe costs from the end of PR5 will be more representative of higher staff costs and increased storage. However, the DSO has used the 2023 outturn year as its base, where the cost was much greater.

We use the average of the PR5 outturn for SMOC. In its response to an SQ-251, the DSO reported that the National Smart Metering Programme “primarily includes SMOC outturn”. We do not currently know what proportion this is, and we have applied an assessment based on the NSMP base assessment here. We decided that due to heavy fluctuations in the outturn cost caused by exogenous factors, our assessment should be based on the average of the PR5 outturn.

No base was submitted for Meter Inspections, and so we have not applied an allowance.

Trend Assessment

We apply a trend assessment to Meter Reading and SMOC in Table 125 based on the submitted request.

- We were informed in our response to a query that the DSO used an increased support to be provided for energy customers as a trend, and not the number of meter reads. We use the number of customers as a volume driver to correlate with this increased level of activity.
- In the narrative of the DSO’s submission, the work of SMOC is described as increasing related to the number of new meters per year. However, the main drivers of the service in PR6 are described as being increases in reporting, analytics and monitoring, as well as improvements to telecoms and cybersecurity. SMOC will act as a centre of excellence, with higher levels of testing. It is reported that customers will expect improvements in data, resilience, and up-time from smart meters, which will require improved delivery. We therefore see an increase in customer related activity as the main driver and again use the number of customers as a volume driver for PR6.

Table 125: Meter Reading Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Meter Reading	Submitted Trend	-7.8	-7.4	-7.1	-7.2	-7.1	-36.5
	Volumes (No. Customers)	2,561,033.3	2,613,225.2	2,665,438.0	2,717,672.0	2,769,927.2	13,327,295.7
	Base Unit Cost (€)	2.9	2.9	2.9	2.9	2.9	-
	CEPA Assessment	-7.8	-7.4	-7.1	-7.2	-7.1	-36.5
SMOC	Submitted Trend	10.5	10.4	10.9	11.8	11.9	55.4
	Volumes (No. Customers)	2,561,033.3	2,613,225.2	2,665,438.0	2,717,672.0	2,769,927.2	13,327,295.7
	Base Unit Cost (€)	58.2	58.2	58.2	58.2	58.2	-
	CEPA Assessment	3.0	6.1	9.1	11.8	11.9	41.9
Meter Reading Trend Total	DSO Request	2.7	3.0	3.8	4.6	4.8	18.8
	CEPA Assessment	-4.7	-1.3	2.0	4.6	4.8	5.4
	Difference	7.4	4.3	1.8	0	0	13.4

Source: CEPA Assessment

Step Assessment

Table 126 below displays our step assessment for each subcategory. Meter inspections is presented entirely as a step.

Table 126: Meter Reading Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Totals
Meter Reading	DSO Request	1.9	1.6	1.6	1.6	1.6	8.3
	CEPA Assessment	1.9	1.6	1.6	1.6	1.6	8.3
SMOC	DSO Request	1.4	2.7	2.8	2.9	3.1	12.9
	CEPA Assessment	0.8	1.5	1.6	1.6	1.7	7.2
Meter Inspections	DSO Request	29.5	29.4	29.3	29.4	29.5	147.2
	CEPA Assessment	25.1	25.0	24.9	25.0	25.1	125.1
Meter Reading Step	DSO Request	32.8	33.7	33.7	33.9	34.2	168.3
	CEPA Assessment	27.8	28.1	28.1	28.2	28.4	140.6
	Difference	5	5.6	5.6	5.7	5.8	27.7

Source: CEPA Assessment

For meter reading, the DSO states its intentions to continue to provide manual reads past the conclusion of the NSMP, which is also necessary if meters fail. The current meter reading team will support the upgrades of the smart meters. The workload of the team is also expected to increase in response to an increasing number of microgeneration connections. We understand that the smart meter upgrades are an additional duty placed on the existing team, and therefore we accept the additionality of this in full. In a response to SQ-234, we received a detailed response explaining how the meter reading costs were developed. This included evidence that the number of manual meter reads per year was reduced for efficiency purposes. Therefore, we accept the step request in full.

For the SMOC step change, the DSO states that it is not expecting to observe a material step change, and cannot quantify any extra workload other than that it will be in contributing data, insights and design expertise. We therefore apply a 25% cost confidence / efficiency and 25% additionality adjustment to this amount as it seems that this step is being treated as a buffer in case of increased activities.

For meter inspections, the DSO states that following the conclusion of the NSMP programme, a meter inspection step will allow for a programme of cyclical visits to ensure asset health and meter sampling (a pilot programme will be conducted in PR6). A remote switch implemented in November 2024 will reduce the number of site visits. This is a new allowance, and as described in SQ-234 it is clear that the DSO has scrutinised costs carefully. We do not apply an efficiency challenge. However, it is unclear whether this work could not have been performed by the manual meter reading team. We therefore apply a 15% additionality challenge.

Conclusion

We present our Meter Reading assessment in Table 127 below. We have made a substantial reduction to the request of 20.6%, from €315.3m to €250.4m.

The relatively large adjustment to the Meter Reading subcategory is driven by adjustments to the base totalling €21.5m, as we used the 2024 – 2025 average outturn costs. The trend and step assessments remain the same as submitted by the DSO.

For SMOC, the adjustment is driven by the decision to use customer numbers as a volume driver, which has reduced the trend by €13.5m.

Finally for meter inspections the 15% additionality adjustment we applied has reduced the step by €22.1m.

Table 127: Meter Reading PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Meter Reading	1.2	1.3	1.6	1.5	1.6	28.8	7.4	-21.4	-74.3%
SMOC	17.6	21.4	24.4	27.2	27.4	139.5	117.9	-21.6	-15.5%
Meter Inspections	25.1	25.0	24.9	25.0	25.1	147.2	125.1	-22.1	-15.0%
Meter Reading Total	43.9	47.7	51.0	53.7	54.1	315.3	250.4	-64.9	-20.6%

Source: CEPA Assessment

For us to increase this allowance at Final Determinations, we would expect the DSO to provide information of:

- Any costs in PR5 for meter reading which may be more representative of the costs incurred in PR6;
- More appropriate volume drivers;
- Evidence demonstrating that the manual meter reading team could not conduct meter inspections, which would remove the additionality challenge for this subcategory.

3.4.2. QH Data

This subcategory refers to the actions of the Profile Data Services team, which collects and distributes QH data.

Table 128 below presents the PR6 request for QH Data of €16.2m, which represents an increase of €5.7m (54.3%) from the PR5 outturn.

Table 128: QH Data PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
QH Data Collection	2.8	2.8	2.8	2.9	2.9	10.5	14.2	35.2%
Profile Metering Attendance	0.4	0.4	0.4	0.4	0.4	-	2.0	100%
QH Data	3.2	3.2	3.2	3.3	3.3	10.5	16.2	54.3%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 129 below we detail our base assessment of QH Meters in PR6. Profile Data Services is the team which collects and distributes QH data for the market.

Table 129: QH Meters Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
QH Data Collection	DSO Request	1.8	1.8	1.8	1.8	9.0
	CEPA Assessment	1.8	1.8	1.8	1.8	9.0
Profile Metering Attendance	DSO Request	0.4	0.4	0.4	0.4	2.0
	CEPA Assessment	0.4	0.4	0.4	0.4	2.0

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
QH Meters Base Total	DSO Request	2.2	2.2	2.2	2.2	2.2	11.0
	CEPA Assessment	2.2	2.2	2.2	2.2	2.2	11.0
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We use the DSO's submission for the base. We did not have information on the breakdown between QH Data Collection and Profile Metering Attendance for PR5, and so we have taken the base for PR6 to be the average of the 2023 – 2024 outturn for both subcategories. However, the DSO's submission, which is described as representative, is based on 2023. This is used as it is the lower of our assessment and the submission.

Trend Assessment

The DSO describes the trend as being heavily related to increased resourcing additions, which we have determined is correlated with the number of QH meters required to be installed. We present our assessment of the trend for QH Data Collection in Table 130 below. No trend was submitted for Profile Metering Attendance, so we do not make an assessment.

Table 130: Trend Assessment for QH Data Collection

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
QH Data Collection	Submitted Trend	0.9	0.9	0.9	1.0	1.0	4.7
	Volumes (No. QH Meters)	1,000.0	1,000.0	1,000.0	350.0	350.0	3,700.0
	Base Unit Cost	194.0	194.0	194.0	194.0	194.0	-
	CEPA Assessment	0.2	0.2	0.2	0.0	0.0	0.6
	Difference	0.7	0.7	0.7	1.0	1.0	4.1

Source: CEPA Assessment

Step Assessment

A step was requested for QH Data Collection only, as summarised in Table 131 below.

Table 131: Step Assessment for QH Data Collection

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
QH Data Collection	DSO Request	0.1	0.1	0.1	0.1	0.1	0.5
	CEPA Assessment	0.1	0.1	0.1	0.1	0.1	0.5
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

The DSO has requested a step change to allow the QH Data team to process the planned exchange of existing LV meters and the addition of 10,000 further meters. It is expecting an increase in customers relating for the Small-Scale Generation and Mini-Generation projects. It describes these changes as resulting in an increase in Business-As-Usual requirements to allow for meter exchanges, meter programming, validation and data provision needs. We accept the DSO's step request in full.

Conclusion

We present our assessment of QH Data in Table 132 below. We make a substantial reduction of 25.5% from the request of €16.2m which reflects the lower trend adjustment in our cost modelling which is based on the forecast number of QH meters.

Table 132: QH Data PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
QH Data	2.5	2.5	2.5	2.3	2.3	16.2	12.1	-4.1	-25.5%

Source: CEPA Assessment

3.4.3. Data Aggregation

The Data Aggregation function incorporates the Database for the central market system for meters, deals with issues of revenue protection, and Long Term No Access accounts.

Table 133 below presents the PR6 request for Data Aggregation of €34.7m, which represents a decrease of €1.1m (3.1%) from the PR5 outturn.

Table 133: Data Aggregation PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Data Aggregation	6.8	6.8	6.9	7.1	7.2	35.8	34.7	-3.1%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

Table 134 presents the result of our base assessment of Data Aggregation.

Table 134: Data Aggregation Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
DSO Request	7.3	7.3	7.3	7.3	7.3	36.7
Data Aggregation CEPA Assessment	7.3	7.3	7.3	7.3	7.3	36.7
Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We took the base as the DSO's submission, which was the lower of our assessed base and the DSO's requested base. We understand the DSO's requested base to be based on 2023 outturn data.

Trend Assessment

We present our trend assessment in Table 135 below. The DSO narrative initially described different allocations of base, trend and step and a reported trend of zero during PR6. The BPQ in contrast reported a negative trend and we understand from the DSO this is the more up-to-date data and so have adopted this forecast in our assessment.

Table 135: Data Aggregation Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Data Aggregation	Submitted Trend	-1.4	-1.4	-1.3	-1.2	-1.1	-6.3
	CEPA Assessment	-1.4	-1.4	-1.3	-1.2	-1.1	-6.3
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We had initially considered using a base unit cost and customer numbers as a volume driver to estimate a trend for this cost category. However, given that the DSO had forecast a negative trend for PR6, and this reflected its expected operational activities in PR6, we adopted this as the basis of our trend forecast.

Step Assessment

In Table 136 below we present our Step Assessment for Data Aggregation.

Table 136: Data Aggregation Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Data Aggregation	DSO Request	0.8	0.9	0.9	0.9	0.9	4.4
	CEPA Assessment	0.8	0.8	0.8	0.8	0.8	3.9
	Difference	0.0	0.1	0.1	0.1	0.1	0.5

Source: CEPA Assessment

In its narrative, the DSO states additional database management will be required due to the cyclic replacement of meters in PR6 (it estimates this to be around 1m single phase meters in PR6). It also states that there will be an enduring Generation solution requiring operational resources for its implementation and support. Due to this scope change in resources, and the narrative supporting the step change described in SQ-243, we apply only a modest adjustment to the DSO's request which reflects a 10% challenge on cost confidence / efficiency.

Conclusion

We present our assessment of Data Aggregation in Table 137 below. We make a relatively small adjustment of 1.2% from €34.7m to €34.3m.

Table 137: Data Aggregation PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Data Aggregation	6.7	6.7	6.8	7.0	7.1	34.7	34.3	-0.4	-1.2%

Source: CEPA Assessment

3.4.4. Keypad / Token Meters

This cost area refers to the installation of Pay As You Go (PAYG) meters for customers facing financial difficulties.

Table 138 below presents the PR6 request for Keypad / Token Meters of €1.9m, which represents an increase of €0.8m (72.7%) from the PR5 outturn.

Table 138: Keypad / Token Meters PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Keypad / Token Meters	0.4	0.4	0.4	0.4	0.4	1.1	1.9	72.7%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 139 below, we present our base assessment for Keypad / Token Meters. We note that only the BPQ submission, not the narrative, presents the breakdown by base-trend and step.

Table 139: Keypad / Token Meter Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Keypad / Token Meters	DSO Request	0.3	0.3	0.3	0.3	0.3	1.5
	CEPA Assessment	0.3	0.3	0.3	0.3	0.3	1.5
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We took the base as the DSO's submission. It is unclear from the narrative but apparently this is based on the 2023 base year. We adopted this approach because it reflected the lower of the DSO's request and our standard approach of calculating the average of the 2023 – 2024 outturn.

Trend Assessment

In Table 140 below, we present our trend assessment of PAYG meters based on the forecast number of PAYG meters over the period.

The trend submitted by the DSO is not described in the narrative but is very small, totalling €0.2m over PR6.

Table 140: Keypad / Token Meter Trend Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Keypad / Token Meters	Submitted Trend	0.0	0.0	0.0	0.0	0.0	0.2
	Volumes (No. PAYG meters)	2,954.1	4,058.8	5,576.6	7,661.9	10,527.1	30,778.6
	Base Unit Cost (€)	0.8	0.8	0.8	0.8	0.8	-
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
	Difference	0.0	0.0	0.0	0.0	0.0	0.2

Source: CEPA Assessment

Step Assessment

As the DSO does not request a Step adjustment for Keypad/Token Meters, we do not make an assessment.

Conclusion

We present our assessment of Keypad / Token Meter forecast costs in Table 141 below.

Table 141: Keypad / Token Meter PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Keypad / Token Meter	0.3	0.3	0.3	0.3	0.3	1.9	1.5	-0.4	-21.1%

Source: CEPA Assessment

3.4.5. Smart Meters

The Smart Metering expenditure is now included as SMOC under Meter Reading, and we do not make any further assessments.

3.5. CUSTOMER SERVICE

We assess the DSO's request for the National Customer Care Centre. This answers customer queries on areas including faults and new connections.

3.5.1. Call Centre

Table 142 below presents the PR6 request for the Call Centre of €60.2m, which represents an increase of €16.3m (37.1%) from the PR5 outturn.

Table 142: Call Centre PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Call Centre	11.2	11.4	11.4	11.5	11.7	43.9	57.2	
Vulnerable Customers	0.1	0.5	0.8	0.9	0.9	-	3.2	100%
Call Centre Total	11.3	11.9	12.2	12.4	12.6	43.9	60.4	37.1%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 143 below we present our assessment of the PR6 Call Centre base.

Table 143: Call Centre Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
DSO Request	8.8	8.8	8.8	8.8	8.8	44.0
Call Centre CEPA Assessment	8.8	8.8	8.8	8.8	8.8	44.0
Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We used the DSO's submission for the base. We considered the average of the 2024 – 2025 outturn years, acknowledging the increase in staff numbers and related costs described by the DSO. We understand that costs will continue to be incurred into PR6. However, the DSO's submission, using the 2023 outturn, was lower.

Trend Assessment

In Table 144 we present the results of our trend assessment. The DSO provides several potential drivers for the trend in costs in PR6:

- Growth of the customer care team by 8 FTE staff, 4 of which will be used for proactive quality assurance, audit and staff training, and 4 for digital support; these costs will be expected to be incurred from 2024. It states that these roles will improve the quality of care provided to customers and provide support for the implementation of new software.
- A cloud-based solution to be able to transcribe, categorise and assess customers for quality, saving time on a task usually conducted by team leaders, with the aim to more accurately monitor performance.
- Other miscellaneous services under SaaS, cloud storage and licencing, such as customer card security and licencing for the NCCC agent knowledge base, which the DSO states is following industry best practice.
- An email or SMS notification system for estimated restoration times, as part of the PowerCheck application.

- Staff retention programmes, including training to help staff with having more successful conversations with customers, and less traditional social media campaigns. The DSO states that this will improve staff wellbeing and provide more care for vulnerable customers.

From this, we acknowledge that the per-unit cost per customer is likely to increase over PR6. However, as we do not have evidence to quantify this impact, we do not provide an adjustment. We use the total number of customers in each year as a volume driver for increased call centre activities. This results in a slightly lower trend than the DSO has requested in its PR6 submission.

Table 144: Call Centre Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Call Centre	Submitted Trend	0.6	0.7	0.7	0.7	0.8	3.5
	Volumes (No. Customers)	2,561,033.3	2,613,225.2	2,665,438.0	2,717,672.0	2,769,927.2	-
	Base Unit Cost (€)	4.0	4.0	4.0	4.0	4.0	-
	CEPA Assessment	0.2	0.4	0.6	0.7	0.8	2.7
	Difference	0.4	0.3	0.1	0	0	0.8

Source: CEPA Assessment

Step Assessment

The DSO has requested step changes for both call centre and vulnerable customer categories. In Table 145 below we present the results of our Step Assessment.

Table 145: Call Centre Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Call Centre	DSO Request	1.9	1.9	1.9	2.0	2.1	9.7
	CEPA Assessment	1.6	1.7	1.7	1.8	1.9	8.7
Vulnerable Customers	DSO Request	0.1	0.5	0.8	0.9	0.9	3.2
	CEPA Assessment	0.1	0.5	0.8	0.9	0.9	3.2
Call Centre Step Total	DSO Request	1.9	2.4	2.7	2.9	3.0	12.9
	CEPA Assessment	1.7	2.2	2.5	2.7	2.8	11.9
	Difference	0.2	0.2	0.2	0.2	0.2	1.0

Source: CEPA Assessment

For the call centre, the DSO states that the requested step in expenditure will be used to upgrade its customer complaints management system. It is proposing a centralised complaints management system to build economies of scale and address inefficiencies. It also states that it will be introducing a complaints and referrals management tool to go live in Q1 2025. The step assessment also includes new KPIs, including for 'time to resolution from first contact', which will presumably require increased monitoring and administration.

In general, we consider that the DSO's submission has substantiated the step request in call centre costs, although we consider there are issues related to the additionality of the centralised complaints management system and use

of existing resources in the business to achieve some of the objectives that are set out in the DSO's request and step change proposal. On this basis we apply a 10% adjustment to the DSO's request.

The DSO has also requested a step adjustment for Vulnerable Customers. This includes upgrades to improve accessibility, research into vulnerable customers, and increased support arrangements such as onsite visits. Recognising the potential benefits of this step, we accept the step request in full.

Conclusion

We present our assessment of Call Centre costs in Table 146 below. We propose a relatively small adjustment to the DSO's request (a 2.5% reduction) from €60.2m to €58.7m.

Table 146: Call Centre PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Call Centre	10.7	11.4	11.9	12.2	12.4	60.2	58.6	-1.6	-2.5%

Source: CEPA Assessment

3.5.2. Area Operations

Area Operations includes operational activities carried out by the DSO's network technicians within each of the 34 planner groups. The Area Operations category is described as mostly relating to unplanned works.

The area operations category manages out-of-cycle timber hazards, when an unexpected risk to a hazard (such as overgrowing vegetation) is observed.

Table 147 presents the PR6 request for Area Operations of €71.7m, which represents an increase of €4.3m (6.4%) from the PR5 outturn.

Table 147: Area Operations PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Area Operations	12.8	12.9	12.9	13.2	13.7	59.2	65.3	10.3%
Timber & Safety	1.3	1.3	1.3	1.3	1.3	8.3	6.5	-21.7%
Area Operations Total	14.1	14.1	14.0	14.5	14.9	67.4	71.7	6.4%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

We present the results of our Base Assessment into Area Operations in Table 148 below.

Table 148: Area Operations Base Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Area Operations	DSO Request	12.4	12.4	12.4	12.4	12.4	61.8
	CEPA Assessment	12.4	12.4	12.4	12.4	12.4	61.8
Timber & Safety	DSO Request	1.3	1.3	1.3	1.3	1.3	6.5

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
CEPA Assessment	1.3	1.3	1.3	1.3	1.3	6.5
Area Operations Base Total	13.7	13.7	13.7	13.7	13.7	68.3
CEPA Assessment	13.7	13.7	13.7	13.7	13.7	68.3
Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We use the DSO's submission for the base. The DSO assumes that 2023 is representative of work returning to a normal level of delivery post-COVID. Given that our standard approach of taking the average of the 2023 – 2024 outturn for both categories resulted in a lower estimate than the DSO's request, we accepted the DSO's forecast.

Trend Assessment

A trend allowance was only requested for Area Operations, and we have only carried out a trend assessment for this cost sub category, as presented in Table 149. The DSO states that this is driven by an increase in new connections and economic activities. We used the number of customers as a volume driver to estimate a potential trend. Given that our modelled trend adjustment was above the DSO's submitted trend adjustment we have accepted the DSO's request in full.

Table 149: Area Operations Trend Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Submitted Trend	0.3	0.3	0.2	0.6	1.1	2.4
Volumes (No. Customers)	2,436,642.6	2,475,647.5	2,518,331.1	2,564,130.7	2,613,246.1	13,327,295.7
Area Operations Base Unit Cost	5.2	5.2	5.2	5.2	5.2	-
CEPA Assessment	0.3	0.3	0.2	0.6	1.1	2.4
Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

Step Assessment

No step allowances are requested under this cost category.

Conclusion

We present our assessment of Area Operations in Table 150 below. We make a relatively small adjustment of 1.5%, from the request of €71.7m to the allowance of €70.7m.²²

Table 150: Area Operations PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%

²² As shown in this section, our assessment of the base, trend, and step for Area Operations does not differ from the request. However, our conclusion differs from the total value in the request. While the individual components of the request add up to €70.6m, the total amount requested was €71.7m. Since this additional €1.1m has not been explained or accounted for, we have not included it in our assessment.

Area Operations	13.9	13.9	13.8	14.3	14.7	71.7	70.6	-1.1	-1.5%
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Source: CEPA Assessment

3.5.3. Customer Relations

Customer Relations cost category includes the following operations and activities:

- Connection Services – This refers to the work of the New Connections Team in processing new connections;
- Customer Awareness / Education – This refers to ESB Networks' increased media presence, including through promotional materials and the website and TV campaigns, on issues such as safety awareness and internal careers;
- Scheduling Support Centre – The team distributing meter work to technicians;
- Inclusive Customer Communication – This includes methods of improving accessibility to customers, for example through providing resources in the Irish language and resources adapted for disabled customers;
- Transforming the Customer Experience – This refers to the training DSO employees receive on customer excellence, and the planning provided to ensure high standards of service across the company;
- Understanding Customer Needs – This refers to market research conducted into customer opinions of services provided across the business.

Table 151 presents the PR6 request for Customer Relations of €107.5m, which represents an increase of €42.4m (65.1%) from the PR5 outturn.

Table 151: Customer Relations PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Connection Services	3.6	3.6	3.7	3.8	3.8	14.1	18.4	30.6%
Customer Awareness / Education	4.7	4.1	4.7	4.1	4.6	16.2	22.1	36.4%
Scheduling Support Centre	9.5	10.9	9.5	11.6	9.6	28.4	50.9	79.1%
Inclusive Customer Communication	1.0	1.0	1.0	1.0	1.2	2.0	5.2	162.1%
Transforming the Customer Experience	0.7	0.7	0.7	0.7	0.7	2.3	3.5	49.0%
Understanding Customer Needs	1.1	0.9	0.9	0.9	1.0	2.1	4.8	132.3%
Enhanced Customer Touchpoints	0.5	0.5	0.5	0.5	0.5	-	2.5	100%
Customer Relations Total	21.0	21.6	20.9	22.5	21.3	65.1	107.5	65.1%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 152 we include our base assessment for each Customer Relations subcategory.

Table 152: Customer Relations Base Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Connection Services	DSO Request	3.1	3.1	3.1	3.1	3.1	15.5
	CEPA Assessment	3.1	3.1	3.1	3.1	3.1	15.5
Customer Awareness / Education	DSO Request	2.9	2.9	2.9	2.9	2.9	14.5
	CEPA Assessment	2.9	2.9	2.9	2.9	2.9	14.5
Scheduling Support Centre	DSO Request	4.4	4.4	4.4	4.4	4.4	21.9
	CEPA Assessment	4.4	4.4	4.4	4.4	4.4	21.9
Inclusive Customer Communications	DSO Request	0.4	0.4	0.4	0.4	0.4	2.0
	CEPA Assessment	0.4	0.4	0.4	0.4	0.4	2.0
Transforming the Customer Experience	DSO Request	0.3	0.3	0.3	0.3	0.3	1.5
	CEPA Assessment	0.3	0.3	0.3	0.3	0.3	1.5
Understanding Customer Needs	DSO Request	0.4	0.4	0.4	0.4	0.4	2.0
	CEPA Assessment	0.4	0.4	0.4	0.4	0.4	2.0
Enhanced Customer Touchpoints	DSO Request	0	0	0	0	0	0
	CEPA Assessment	0	0	0	0	0	0
Customer Base Relations Total	DSO Request	11.5	11.5	11.5	11.5	11.5	57.3
	CEPA Assessment	11.5	11.5	11.5	11.5	11.5	57.3
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

For the base assessment, we take the DSO's submission. For all except Connection Services, we recognised increases in costs such as increased staff numbers would prevail into PR6, and used the average of the 2024 – 2025 outturn as a reflection of this. For Connection Services, we took our standardised approach of taking the 2023 – 2024 outturn. The DSO submission reflected the reported 2023 outturn, and given this was lower than our modelled base cost, we accepted the DSO's proposal.

Trend Assessment

In For all cost sub categories we have used the number of customers as the key driver of costs, although we have presented the number of connections in the table below for transparency. For Connections Services we have used the 2023 – 2024 outturn data to inform the base unit cost, in line with our default approach, but for all other

categories we have used the 2024 – 2025 data, based on our review of the information provided by the DSO. For Connections Services and Scheduling Support Centre our assessed trend allowance is equal to the DSO's submitted trend, as it was the lower of the two.

Table 153 below we present our trend assessment for Customer Relations. The DSO highlights the following factors in its submission which it considers drives the trend in its opex in PR6:

- For Connection Services:
 - The DSO identifies new connection applications as the volume driver. It believes that whilst applications have been increased 3 times over PR5, this level will be lower but significant for PR6. It states that 50,000 homes per year are forecast to be built over PR6, along with 181,500 electric vehicles and 350,000 heat pumps. There will also be an increase in demand exporting certificates, driven by technologies such as solar panels. It states that it will have a net zero increase in headcount due to digitisation improvements.
 - It is working to continue digitising the process of Mast Interference Payments and moving to digital notification letters and electronic financial transactions. Whilst all documents were digitised in PR5 and a database is being completed compiled, during PR6 the digitisation of notification letters will reportedly result in a cost saving of approximately €3.7k and a carbon saving of around 206.47kg.
 - It is also working to switch from paper to digital domestic deemed connection agreements, which would theoretically save up to €100k or 6,200kg carbon.
- The trend for Customer Awareness and Education will be driven by increased levels of activities to reach customers.
- For Scheduling Support Centre, the volume is being driven by a scheduling SaaS tool with a per-user licensing fee.
- For Transforming the Experience, as described in SQ-214, the trend is described as being incremental communications and engagement over time.

For all cost sub categories we have used the number of customers as the key driver of costs, although we have presented the number of connections in the table below for transparency. For Connections Services we have used the 2023 – 2024 outturn data to inform the base unit cost, in line with our default approach, but for all other categories we have used the 2024 – 2025 data, based on our review of the information provided by the DSO. For Connections Services and Scheduling Support Centre our assessed trend allowance is equal to the DSO's submitted trend, as it was the lower of the two.

Table 153: Customer Relations Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Volume Drivers	No. Connections	54,000.0	57,500.0	58,000.0	59,000.0	59,000.0	287,500.0
	No. Customers	2,561,033.3	2,613,225.2	2,665,438.0	2,717,672.0	2,769,927.2	13,327,295.7
Connection Services	Submitted Trend	0.4	0.5	0.6	0.7	0.7	2.9
	Base Unit Cost	79.3	79.3	79.3	79.3	79.3	-
	CEPA Assessment	0.4	0.5	0.6	0.7	0.7	2.9
Customer Awareness / Education	Submitted Trend	1.4	1.1	1.5	1.1	1.5	6.5
	Base Unit Cost	1.7	1.7	1.7	1.7	1.7	-

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Scheduling Support Centre	CEPA Assessment	0.1	0.2	0.3	0.3	0.4	1.3
	Submitted Trend	0.1	1.9	0.1	2.5	0.2	4.8
	Base Unit Cost	3.1	3.1	3.1	3.1	3.1	-
	CEPA Assessment	0.1	0.3	0.1	0.7	0.2	1.4
Transforming the Customer Experience	Submitted Trend	0.2	0.2	0.2	0.2	0.2	1.0
	Base Unit Cost	0.5	0.5	0.5	0.5	0.5	-
	CEPA Assessment	0.0	0.0	0.1	0.1	0.1	0.4
Customer Relations Trend Total	DSO Request	2.1	3.7	2.4	4.5	2.6	15.3
	CEPA Assessment	0.6	1.0	1.0	1.8	1.5	5.9
	Difference	1.5	2.7	1.4	2.7	1.1	9.4

Source: CEPA Assessment

Step Assessment

We outline the results of our Customer Relations step assessment in Table 154 below.

Table 154: Customer Relations Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Connection Services	DSO Request	0	0	0	0	0	0
	CEPA Assessment	0	0	0	0	0	0
Customer Awareness / Education	DSO Request	0.4	0.1	0.2	0.1	0.2	1.0
	CEPA Assessment	0.3	0.1	0.1	0.1	0.1	0.7
Scheduling Support Centre	DSO Request	5.0	4.7	5.0	4.7	5.1	24.4
	CEPA Assessment	4.2	4.0	4.2	4.0	4.3	20.8
Inclusive Customer Communications	DSO Request	0.6	0.6	0.6	0.6	0.7	3.1
	CEPA Assessment	0.6	0.6	0.6	0.6	0.7	3.1
Transforming the Customer Experience	DSO Request	0.2	0.2	0.2	0.2	0.2	1.0
	CEPA Assessment	0.1	0.1	0.1	0.1	0.1	0.6
Understanding Customer Needs	DSO Request	0.7	0.5	0.5	0.5	0.5	2.7

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Enhanced Customer Touchpoints	CEPA Assessment	0.4	0.3	0.3	0.3	0.3	1.5
	DSO Request	0.5	0.5	0.5	0.5	0.5	2.5
	CEPA Assessment	0.5	0.5	0.5	0.5	0.5	2.5
Customer Relations Step Total	DSO Request	7.4	6.6	7.0	6.6	7.2	34.7
	CEPA Assessment	6.1	5.5	5.9	5.5	6.1	29.1
	Difference	1.3	1.1	1.1	1.1	1.1	5.6

Source: CEPA Assessment

Our assessment is as follows:

- There is no step change requested for Connection Services, so we do not make an assessment.
- For Customer Awareness and Education, the DSO describes its programme to market its strategy and net zero ambitions, and how it will monitor progress. Whilst this will be a new campaign, it is unclear how the costs have been developed and their efficiency and whether existing resources could not have been utilised further; we therefore apply a 15% efficiency and 15% additionality adjustment.
- The Scheduling Support Centre step includes the extension of scheduling additional services and mobile reporting, along with a new centre of excellence. The change from an on-premises scheduling tool to a SaaS will also require a different support model. This justifies the additionality to an extent, but the efficiency / confidence in the cost build up is unclear. We apply a 15% efficiency / cost confidence challenge.
- The Inclusive Customer Communication step includes a request for new staff including translators and language experts, as well as compliance with Irish Language legislation, Visibility Act and Disability Act. As this step would likely have large benefits to customers and is motivated by legislation, we do not apply any adjustment .
- In a response to SQ-214, the DSO described the step for Transforming the Customer Experience as relating to the introduction of rewards, events and new resources. Due limited information justifying the step request over and above this, we apply a 25% efficiency / cost confidence and 25% additionality challenge to the DSO's request.
- The Understanding Customer Needs step will include social listening reporting, and additional market research. However, it is not immediately clear if this could not have been delivered more efficiently under other social media activities. We apply a 25% cost confidence and 25% additionality challenge to this subcategory subject to the DSO providing further supporting information for its request.

We take the submitted cost for Enhanced Customer Touchpoints as step. It will move towards a service-led website with further accessibility options and using AI following language and accessibility legislation. Understanding that this may have potential benefits to customers, we do not apply a challenge.

Conclusion

We present our assessment of Customer Relations in Table 155 below. We make a substantive adjustment of 16.3%, from the request of €107.5m to the allowance of €92.4m.

Table 155: Customer Relations PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
						Request	Variance

							DD Allowance	€m	%
Connection Services	3.5	3.6	3.7	3.8	3.8	18.3	18.3	-0.1	-0.5%
Customer Awareness / Education	3.3	3.1	3.3	3.3	3.5	22.1	16.5	-5.6	-25.5%
Scheduling Support Centre	8.7	8.7	8.7	9.0	8.9	50.9	44.1	-6.9	-13.5%
Inclusive Customer Communication	1.0	1.0	1.0	1.0	1.1	5.2	5.1	-0.1	-1.9%
Transforming the Customer Experience	0.4	0.5	0.5	0.5	0.5	3.5	2.4	-1.1	-30.8%
Understanding Customer Needs	0.8	0.7	0.7	0.7	0.7	4.8	3.5	-1.3	-26.7%
Enhanced Customer Touchpoints	0.5	0.5	0.5	0.5	0.5	2.5	2.5	0.0	-
Customer Relations	17.3	17.2	17.5	18.0	18.1	107.5	92.5	-15.0	-16.3%

Source: CEPA Assessment

3.6. PROVISION OF INFORMATION

3.6.1. DUoS charging

Table 156 presents the PR6 request for DUoS of €3.9m, which represents no change from the PR5 outturn.

Table 156: DuoS PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
DuoS	0.8	0.8	0.8	0.8	0.8	3.9	3.9	-0.8%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 157 below we present our base assessment of DuoS costs for PR6.

Table 157: DuoS Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
DuoS	DSO Request	0.8	0.8	0.8	0.8	0.8	4.2
	CEPA Assessment	0.8	0.8	0.8	0.8	0.8	4.2
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We took the DSO's submission for the base. It used the 2023 outturn as the representative year, lower than our standard approach of taking the average of the 2023 – 2024 outturn.

Trend Assessment

Below we present our trend assessment for DUoS related opex. As with our PR5 assessment, we could not identify a suitable volume driver for this category, and therefore assessed the trend to be the lower of 0 and the DSO's submission. The DSO has reported a negative trend in its BPQ which we assume reflects a reduced level of activity in PR6 and so we accept its forecast in our assessment.

Table 158: DUoS Trend Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	
DuoS	Submitted Trend	-0.1	-0.1	-0.1	-0.1	-0.1
	CEPA Assessment	-0.1	-0.1	-0.1	-0.1	-0.1
	Difference	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

Step Assessment

As the DSO does not request a Step adjustment for DUoS, we do not make an assessment.

Conclusion

We present our assessment of DuoS Billing & Accounts Receivable in Table 159 below. Our recommended allowance of €3.9m is equal to the requested amount.

Table 159: DuoS Billing & Accounts Receivable PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
						Request	Variance

							DD Allowance	€m	%
DuoS Billing & Accounts Receivable	0.8	0.8	0.8	0.8	0.8	3.9	3.9	-0.1	-1.8%

Source: CEPA Assessment

3.6.2. MRSO

Table 160 presents the PR6 request for MRSO of €27.9m, which represents an increase of €19.5m (232.1%) from the PR5 outturn.

Table 160: MRSO PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
MRSO	2.0	2.1	2.4	2.8	3.1	8.4	12.4	47.6%
Data Access Office	6.0	3.2	2.1	2.2	2.2	-	15.7	100%
MRSO Total	8.0	5.3	4.5	5.0	5.3	8.4	27.9	232.1%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

We present our assessment of the MRSO base cost in Table 161 below.

Table 161: MRSO Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
MRSO	DSO Request	1.5	1.5	1.5	1.5	1.5	7.5
	CEPA Assessment	1.5	1.5	1.5	1.5	1.5	7.5
Data Access Office	DSO Request	0	0	0	0	0	0
	CEPA Assessment	0	0	0	0	0	0
MRSO Base Total	DSO Request	1.5	1.5	1.5	1.5	1.5	7.5
	CEPA Assessment	1.5	1.5	1.5	1.5	1.5	7.5
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We use the DSO's submission for the base. Our standard approach of taking the average of the 2023 – 2024 outturn was higher than the DSO's own submission so we accept the DSO's forecast.

Trend Assessment

As the DSO does not request a Trend adjustment for MRSO, we do not make an assessment.

Step Assessment

In Table 162 below, we present our step assessment of the MRSO. The Data Access Office has been included as an additional subcategory, entirely made up of step, for PR6.

Table 162: MRSO Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
MRSO	DSO Request	0.5	0.6	0.9	1.3	1.6	4.9
	CEPA Assessment	0.3	0.4	0.6	0.9	1.1	3.3
Data Access Office	DSO Request	6.0	3.2	2.1	2.2	2.2	15.7
	CEPA Assessment	5.4	2.9	1.9	2.0	2.0	14.1
MRSO Step Total	DSO Request	6.5	3.8	3.0	3.5	3.8	20.5
	CEPA Assessment	5.7	3.3	2.5	2.8	3.1	7.4
	Difference	0.8	0.5	0.5	0.7	0.7	13.1

Source: CEPA Assessment

As justification for the main MRSO request, the DSO states that it needs an enduring solution for battery storage. It also states that it wants to automate the process for unmetered COS GMPN and to develop a Household Benefit Scheme to improve efficiency. It also states it needs to prepare for the rise in Small Scale Generators.

Based on the DSO's submission, it appears the proposed step change represents a changes in the scope of existing functions and, therefore additional resources would be required. However, the request is not fully substantiated and the size of the step change (cost confidence / efficiency) is not sufficiently substantiated in our view. We therefore apply a 10% additionality and 25% cost confidence / efficiency adjustment.

The Data Office is a proposed new function which will manage business capability to assess and approve metering and consumption data. This includes a consent management platform which will be procured before the end of PR6. The narrative states that the required number of staff has been estimated using benchmarking analysis, but will be initially supported by contractors. Based on the DSO's submission, we apply a small additionality challenge of 10%, but do not apply an efficiency challenge.

Conclusion

We present our assessment of MRSO costs in Table 163 below.

Table 163: MRSO PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
MRSO	7.2	4.8	4.0	4.3	4.5	27.9	24.8	-3.1	-11.0%

Source: CEPA Assessment

3.6.3. Market Opening

Table 164 presents the PR6 request for Market Opening related opex of €63.5m, which represents an increase of €4.3m (7.3%) from the PR5 outturn.

Table 164: Market Opening PR6 Request

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Market Opening	10.5	10.5	10.5	10.7	10.7	51.4	52.7	2.5%

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Retail Market Design Services	1.7	1.7	1.7	1.7	1.7	7.6	8.5	11.8%
Retail Market Services	0.5	1.5	0.5	-	-	-	2.7	100%
Market Opening Total	12.7	13.7	12.7	12.4	12.4	59.2	63.5	7.3%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 165 below we present our base assessment of Market Opening.

Table 165: Market Opening Base Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Market Opening	DSO Request	10.3	10.3	10.3	10.3	10.3	51.3
	CEPA Assessment	10.3	10.3	10.3	10.3	10.3	51.3
RMDS	DSO Request	1.5	1.5	1.5	1.5	1.5	7.5
	CEPA Assessment	0	0	0	0	0	0
Market Opening Base Total	DSO Request	11.8	11.8	11.8	11.8	11.8	58.8
	CEPA Assessment	10.3	10.3	10.3	10.3	10.3	51.3
	Difference	1.5	1.5	1.5	1.5	1.5	7.5

Source: CEPA Assessment

We use the DSO's submission for the Market Opening subcategory base cost. In the case of Market Opening, our standard approach of taking the average of the 2023 – 2024 outturn was higher than the DSO's request.

Trend Assessment

Our trend assessment is summarised in Table 166 below.

The DSO's trend adjustment for Market Opening has been requested to support additional complexity in Retail Market services. For PR6, the DSO states that this will be driven by the transition to renewable energy, and give the example that the retail market will need to allow customers to choose different suppliers for importing and exporting electricity. We note that whilst justified, none of the examples provided have been quantified.

The submitted trend for RMDS was 0 in the DSO's business plan submission narrative, with changes described as being insignificant, but a positive trend of ~€0.2m per annum was requested in the BPQ. We adopted the BPQ forecast in our submission.

The Retail Market Services trend was clarified in SQ-251 and comprises the entire request for the maintenance and enhancement of the manual meter reading IT system. This will allow for:

- An improvement to the meter reading process within SAP ISU, allowing more comprehensive data to be collected in site visits.

- The ability to track electricity produced by solar installations
- Improvements to the meter reading application to allow third-party meter readings to record meter readings on site.

To model a potential trend in this cost category, we used the number of customers as a trend to represent increasing volumes of activities, related to the activities in this category. On this basis, we accepted the DSO's submitted trend for market opening and proposed a lower trend for RMDS.

Table 166: Market Opening Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Market Opening	Submitted Trend	0.2	0.2	0.2	0.2	0.2	1.0
	Volumes	2,561,033.3	2,613,225.2	2,665,438.0	2,717,672.0	2,769,927.2	13,327,295.7
	Base Unit Cost	4.6	4.6	4.6	4.6	4.6	-
	CEPA Assessment	0.2	0.2	0.2	0.2	0.2	1.0
RMDS	Submitted Trend	0.2	0.2	0.2	0.2	0.2	1.0
	Volumes	2,561,033.3	2,613,225.2	2,665,438.0	2,717,672.0	2,769,927.2	13,327,295.7
	Base Unit Cost	0.6	0.6	0.6	0.6	0.6	-
	CEPA Assessment	0.0	0.1	0.1	0.1	0.1	0.4
RMS	Submitted Trend	0.5	1.5	0.5	-	-	
	Volumes	2,561,033.3	2,613,225.2	2,665,438.0	2,717,672.0	2,769,927.2	
	Base Unit Cost	0	0	0	0	0	-
	CEPA Assessment	0	0	0	0	0	0
Market Opening Trend Total	DSO Request	0.9	1.9	0.9	0.4	0.4	4.5
	CEPA Assessment	0.2	0.3	0.3	0.3	0.3	1.4
	Difference	0.7	1.6	0.6	0.1	0.1	3.1

Source: CEPA Assessment

Step Assessment

As the DSO does not request a Step adjustment for Market Opening, we do not make an assessment.

Conclusion

Our proposed allowances for Market Opening are summarised in Table 167 below. Our proposals reflect an adjustment of 16.9% from €63.5m to €52.8m.

Table 167: Market Opening PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Market Opening	10.5	10.5	10.6	10.6	10.6	63.5	52.8	-10.7	-16.9%

Source: CEPA Assessment

3.7. TELECOMS

Table 168 presents the PR6 request for Telecoms of €59.9m, which represents an increase of €31.6m (111.7%) from the PR5 outturn.

Table 168: Telecoms PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Telecoms	11.1	11.2	11.5	12.9	13.2	28.3	59.9	111.7%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

Table 169 presents our assessment of the Telecoms Base for PR6.

Table 169: Telecoms Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Telecoms	DSO Request	6.2	6.2	6.2	6.2	6.2	31.2
	CEPA Assessment	6.2	6.2	6.2	6.2	6.2	31.2
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We have adopted the same base costs as proposed in the DSO's submission. It is unclear but implied that 2023 was used as the representative base year in the DSO's submission, which was lower than our standard approach of taking the average of the 2023 – 2024 outturn.

Trend Assessment

In estimating our cost projection for PR6 we use a base unit (calculated using our base assessment) and a CSV comprising of 50% distribution network length and 50% customer numbers as the driver to estimate the trend projection for System Control costs over PR6.

Our trend assessment is summarised in Table 170 below.

Table 170: Telecoms Trend Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Telecoms	Submitted Trend	4.9	5.0	5.3	6.6	7.0	28.7
	CEPA Assessment	4.6	4.7	4.8	4.8	4.9	23.8
	Difference	-0.3	-0.3	-0.5	-1.8	-2.1	-4.9

Source: CEPA Assessment

Step Assessment

Whilst the narrative indicates that there is only a step request and no trend, the BPQ presents a trend and no step. The DSO has stated that:

- Private LTE will incur vendor support costs over the PR6 period, as the outcome of a procurement exercise. There will also be increased voice vendor costs as these services move to the cloud, following industry trends.
- Fibre repairs and cybersecurity will also increase due to the aging network and increased threats.

- There will be fewer MV90 costs due to fewer industrial and commercial meters installed
- Tetra radio costs should decrease as there were fewer licences than expected, changes to the subscription model, and the DSO conducting an efficiency exercise.

We have not carried out a step assessment, given the confusion around the reporting. In our view we have captured the full request through our assessment of the base and the trend.

Conclusion

We present our assessment of Telecoms costs in Table 171 below. We make an adjustment of 8.2%, or from €59.9m to €55.0m.

Table 171: Telecoms PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Telecoms	10.9	10.9	11.0	11.1	11.1	59.9	55.0	-4.9	-8.2%

Source: CEPA Assessment

3.8. RESEARCH AND DEVELOPMENT

Table 172 presents the PR6 request for R&D of €34.4m, which represents an increase of €11.9m (52.9%) from the PR5 outturn.

Table 172. Research & Development PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Research & Development	6.6	6.9	7.2	7.2	6.5	22.5	34.4	52.9%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

Our R&D base cost assessment is presented in Table 173 below.

Table 173: R&D Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Research and Development	4.0	4.0	4.0	4.0	4.0	20.0
CEPA Assessment	4.0	4.0	4.0	4.0	4.0	20.0
Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We use the DSO's submitted base request, as it is the lower of the submitted base and the average of the 2023 – 2024 outturn.

Trend Assessment

In Table 174 below we provide our trend assessment of R&D. The DSO's business plan narrative on this cost category describes several projects which may progress into PR6, which include the advanced infrastructure project, digital substation project and timed connection trials. Whilst the benefits of these projects are well identified, it is unclear from the narrative why a trend is required beyond the base allowance. It is implied that there are increased costs to the central innovation team as more staff have been hired. We understand that expenditure

still relates to individual projects. We could not identify a suitable driver of the forecast spend in this area and so have proposed setting the trend adjustment component to zero.

As we discuss below, we propose that the CRU introduce a reopener mechanism for R&D expenditure, as also proposed by the DSO, which would provide flexibility for the allowance to increase should the DSO address a series of trigger criteria for additional funding.

Table 174: R&D Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Research and Development	Submitted Trend	1.4	1.4	1.3	1.4	1.3	6.8
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
	Difference	1.4	1.4	1.3	1.4	1.3	6.8

Source: CEPA Assessment

Step Assessment

In Table 175 below we have provided our assessment of the DSO's step request. In addition to its trend adjustment, the DSO has requested €7.5m of R&D funding in addition to the €20m in the base.

We have applied a 25% cost confidence / efficiency challenge as limited information was provided on the objectives of the forecast expenditure, and a 10% additionality challenge as it is unclear why the current – BAU - resources in R&D are not adequate to support the requirements of the business during PR6. As discussed above and below, we have proposed a reopener mechanism which will provide the DSO with flexibility to increase its R&D funding within period should trigger criteria to justify additional funding be met.

Table 175: R&D Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Research and Development	DSO Request	1.2	1.5	1.9	1.8	1.1	7.5
	CEPA Assessment	0.8	1.0	1.3	1.2	0.7	5.0
	Difference	0.4	0.5	0.6	0.6	0.4	2.5

Source: CEPA Assessment

Conclusion

In **Error! Reference source not found.** we present our proposed allowances for R&D (Innovation) costs. We propose a reduction of 27.0%, from €34.4m to €25.1m, but note our proposal for a reopener in this area.

Table 176: R&D (Innovation) PR6 Costs

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
R&D (Innovation)	4.8	5.0	5.3	5.2	4.7	34.4	25.0	-9.4	-27.0%

Source: CEPA Assessment

Uncertainty Mechanism

As per the DSO's submission, we propose a reopener mechanism for this category. The text below summarises proposed principles for this reopener.

Innovation and R&D Reopener

The DSO proposed the continuation of the Innovation and R&D mechanism from PR5. We would expect a reopener submission from the DSO to address a series of proposed triggers for additional funding, including that the ex ante innovation allowances are not sufficient or are expended, and/or the required funding could not have been reasonably foreseen. As at PR5, the submitted business case should include:

- The problem which the project will address;
- The project governance structure, approval and evaluation milestones;
- Established gates for progression, including criteria for continuing to the next gate and for discontinuing the project
- Evidence of investment appraisal conducted for the project which demonstrates its viability and benefits;
- Clear monitoring and evaluation plan to determine how the benefits will be realised. As proposed by the DSO, it should provide a project update in its annual innovation reporting to the CRU.

We would expect that a submission under a R&D reopener mechanism in PR6 would address similar requirements and objectives.

Our estimate for the additional funding provided by the re-opener would be up to €9.3m, bringing the full PR6 allowance to the total of €34.4m as requested.

3.9. OTHER COSTS

Table 177 presents the PR6 request for Corporate Costs of €105.0m, which represents an increase of €28.5m (37.3%) from the PR5 outturn.

3.9.1. Corporate Costs

Table 177: Corporate Costs PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Company Wide Costs	1.4	1.4	1.4	1.4	1.4	7.2	7.1	-1.6%
Corporate Charges & Corporate Costs	20.1	20.1	19.6	19.1	19.1	69.3	97.9	41.2%
Corporate Costs Total	21.5	21.5	21.0	20.5	20.5	76.5	105.0	37.3%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 178 below, we present the results of our base assessment into Corporate Costs.

Table 178: Corporate Costs Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Company Wide Costs						
	DSO Request	1.4	1.4	1.4	1.4	7.1
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0
Corporate Charges & Corporate Costs						
	DSO Request	13.9	13.9	13.9	13.9	69.6
	CEPA Assessment	13.9	13.9	13.9	13.9	69.6
Corporate Cost Base Total						
	DSO Request	15.3	15.3	15.3	15.3	76.7
	CEPA Assessment	13.9	13.9	13.9	13.9	69.6
	Difference	1.4	1.4	1.4	1.4	7.1

Source: CEPA Assessment

For Company-Wide Costs, the base cost has been set to zero. This has been set to zero, because, as we have seen in Section 2.9.1, Company-Wide Costs were included within the Corporate Charges and Corporate Costs line. This means that the estimated base of the latter cost category includes Company-Wide Costs. For Corporate Charges & Corporate Costs, we took this to be the lower of the DSO Request and the average of the 2023 – 2024 allowance. It is unclear but assumed that the base year of the DSO's submission was 2023. There was no explicit allowance / line item cost for Company Wide Costs and without a clear basis for setting a BAU / run-rate of spend we were not able to determine an appropriate base cost for PR6. While we have allowed the outturn spend for this category, see Section 2.9, we have not been provided with sufficient information to set a base allowance for this for PR6.

Trend Assessment

Table 179 summarises our trend assessment. We were unable to identify a suitable cost driver for these categories, and none was suggested in the DSO's narrative, so have not included a trend adjustment in our modelling.

Table 179: Corporate Costs Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Company Wide Costs	Submitted Trend	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
	CEPA Assessment	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Corporate Charges & Corporate Costs	Submitted Trend	1.7	1.7	1.1	0.6	0.7	5.8
	CEPA Assessment	-	-	-	-	-	-
Corporate Costs Trend Total	DSO Request	1.7	1.7	1.1	0.6	0.7	5.8
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
	Difference	1.7	1.7	1.1	0.6	0.7	5.8

Source: CEPA Assessment

Step Assessment

In Table 180 below we present our assessment of the DSO's step request for Corporate Charges & Corporate Costs. No request was made for Company Wide costs.

Table 180: Corporate Costs Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Corporate Charges & Corporate Costs	DSO Request	4.4	4.5	4.5	4.6	4.5	22.2
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
	Difference	4.4	4.5	4.5	4.6	4.5	22.2

Source: CEPA Assessment

The DSO did not provide a clear submission on the basis for such a large step adjustment and so, subject to further information being provided, we have not accepted the need for the request and so the step allowance has as a result been set to zero.

Conclusion

Our proposed allowance for Corporate Charges & Corporate Affairs is provide din Table 181 below. This reflects a reduction of 33.7% from €105.0m to €69.6m.

Table 181: Corporate Charges & Corporate Affairs PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Corporate Charges & Corporate Affairs	13.9	13.9	13.9	13.9	13.9	105.0	69.5	-35.4	-33.7%

Source: CEPA Assessment

3.9.2. Insurance

Table 182 presents the PR6 request for Insurance of €37.8m, which represents an increase of €3.2m (9.2%) from the PR5 outturn.

Table 182: Insurance PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Insurance	7.6	7.6	7.6	7.6	7.6	34.6	37.8	9.2%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 183 below, we present the results of our base assessment into Insurance.

Table 183: Insurance Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Insurance	DSO Request	6.9	6.9	6.9	6.9	6.9	34.3
	CEPA Assessment	6.5	6.5	6.5	6.5	6.5	32.4
	Difference	0.4	0.4	0.4	0.4	0.4	1.9

Source: CEPA Assessment

For our base assessment, we deviated from our standard approach and calculated the base using the average of the PR5 Allowance for the 2023 – 2024 years, given some concerns around rationale provided for the overspend in PR5 continuing into PR6.

Trend Assessment

We present the results of our Insurance trend assessment in Table 184 below. We use a CSV comprised of 50% distribution network length and 50% customer numbers as the volume driver.

Table 184: Insurance Trend Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Insurance	Submitted Trend	0.7	0.7	0.7	0.7	0.7	3.5
	Volumes	641,826.4	651,982.4	662,169.7	672,389.7	682,643.9	3,311,012.1
	Base Unit Cost (€)	6.5	6.5	6.5	6.5	6.5	-
	CEPA Assessment	0.1	0.1	0.2	0.3	0.3	1.0
	Difference	0.6	0.6	0.5	0.4	0.4	2.5

Source: CEPA Assessment

Step Assessment

No insurance step is proposed for PR6, and therefore we do not make an assessment.

Conclusion

Our proposed allowance for Insurance costs is provided in Table 185 below. We make an adjustment of 11.6% from €37.8m to €33.4m.

Table 185: Insurance PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Insurance	6.6	6.6	6.7	6.7	6.8	37.8	33.4	-4.4	-11.6%

Source: CEPA Assessment

3.9.3. Legal

Table 186 presents the PR6 request for Legal of €17.8m, which represents a decrease of €0.7m (3.8%) from the PR5 outturn.

Table 186: Legal PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Legal	3.4	3.5	3.5	3.6	3.7	18.5	17.8	-3.8%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

Our base cost assessment for the legal function is summarised in Table 187 below.

Table 187: Legal Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Legal	DSO Request	3.9	3.9	3.9	3.9	3.9	19.5
	CEPA Assessment	3.8	3.8	3.8	3.8	3.8	19.2
	Difference	0.1	0.1	0.1	0.1	0.1	0.3

Source: CEPA Assessment

We set the base to be the average of the 2023 – 2024 outturn, slightly lower than the DSO's submission which is implied to be based on 2023.

Trend Assessment

In Table 188: Legal Trend Assessment below we present the results of our trend assessment of the legal function. Consistent with the approach used in PR5, we considered using a CSV comprised of 50% distribution network length and 50% customer numbers as the volume driver to reflect increased activities, and therefore an increased number of claims. However, as the DSO has forecast a negative trend adjustment in its BPQ submission, we adopt this forecast in the build-up of the proposed baseline allowance for PR6.

Table 188: Legal Trend Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Legal	Submitted Trend	-0.5	-0.4	-0.4	-0.3	-0.2	-1.7
	Volumes	641,826.4	651,982.4	662,169.7	672,389.7	682,643.9	3,311,012.1
	Base Unit Cost	3.8	3.8	3.8	3.8	3.8	-
	CEPA Assessment	-0.5	-0.4	-0.4	-0.3	-0.2	-1.7
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

Step Assessment

As no step was requested for Legal costs, we do not make an assessment.

Conclusion

We present our assessment of Legal costs in Table 189 below. We make a relatively small adjustment of 1.5% from a request of €17.8m to a proposed allowance of €17.5m.

Table 189: Legal PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Legal	3.4	3.4	3.5	3.6	3.7	17.8	17.6	-0.2	-1.5%

Source: CEPA Assessment

3.9.4. Pension

Table 190 presents the PR6 request for Pensions of €18.9m, which represents a decrease of €8.5m (81.7%) from the PR5 outturn.

Table 190: Pensions PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Pension	3.4	3.7	3.8	4.0	4.0	10.4	18.9	81.7%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 191 below we present the results of our base assessment of pension costs.

Table 191: Pension Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
DSO Request	3.1	3.1	3.1	3.1	3.1	15.5
Pension CEPA Assessment	1.5	1.5	1.5	1.5	1.5	7.5
Difference	1.6	1.6	1.6	1.6	1.6	8.0

Source: CEPA Assessment

We set the base to be the average of the 2023 – 2024 allowance which resulted in a lower base allowance than the DSO's submission, which is implied to be based on 2023 outturn year. We use the allowance instead of the outturn for our base as it was not clear that the reasons for the overspend in PR5 would endure in PR6.

Trend Assessment

Table 192 below sets out our trend assessment. We could not identify a suitable driver for this category although we surmise that with additional information on the number of retirees each year and changes in the terms and conditions of the scheme that it would be possible to form a view on whether the DSO's submitted trend (increasing from a base level of expenditure in PR5) appears justified or not.

Table 192: Pension Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Pension	Submitted Trend	0.3	0.6	0.8	0.9	0.9	3.5
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
	Difference	0.3	0.6	0.8	0.9	0.9	3.5

Source: CEPA Assessment

Step Assessment

No pensions step is proposed for PR6, and therefore we do not make an assessment.

Conclusion

Our proposed allowance for PR6 Pension costs is summarised in Table 193 below.

Table 193: Pensions PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Pension	1.5	1.5	1.5	1.5	1.5	18.9	7.5	-11.4	-60.4%

Source: CEPA Assessment

3.9.5. Environmental

Table 194 presents the PR6 request for Pensions of €48.4m, which represents an increase of €18.1m (59.7%) from the PR5 outturn.

Table 194: Environmental PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Environmental	9.7	9.7	9.7	9.7	9.7	30.3	48.4	59.7%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

In Table 195 below we present our assessment of a base cost for environmental spend.

Table 195: Environmental Base Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Environmental	DSO Request	5.7	5.7	5.7	5.7	5.7	28.5
	CEPA Assessment	5.7	5.7	5.7	5.7	5.7	28.5
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

We take the DSO's submitted request as the base, which is equal to the 2023 outturn. This is lower than the average of the 2023 – 2024 outturn.

Trend Assessment

We present the results of our trend assessment in Table 196 below.

- For general environmental and sustainability services, the trend is described by the DSO as being associated with the PR6 programme, including auditing of contractors, emergency response, and training and advice for staff.
- For environmental assessments and consultancy support, the trend is described as responding to the management of invasive alien species of plants as operations increase. Additional support will also be required in assessing environmental incidents, and procuring advice working in protected areas.
- For waste management, it is expected that these activities will continue with the increase in the DSO's PR6 activities.

To assess the DSO's forecast trend, we used a CSV comprised of 50% distribution network costs and 50% customer numbers as the driver to reflect the increased volume of activities which could require additional environmental support. Based on this analysis we have accepted the DSO's forecast trend in PR6.

Table 196: Environmental Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Environmental	Submitted Trend	2.2	2.2	2.2	2.2	2.2	11.0
	Volumes	641,826.4	651,982.4	662,169.7	672,389.7	682,643.9	3,311,012.1
	Base Unit Cost	6.3	6.3	6.3	6.3	6.3	-
	CEPA Assessment	2.2	2.2	2.2	2.2	2.2	11.0
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

Step Assessment

Our assessment of the DSO's step request in environment costs is summarised in Table 197 below.

Table 197: Environmental Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Environmental	DSO Request	1.8	1.8	1.8	1.8	1.8	9.0
	CEPA Assessment	1.8	1.8	1.8	1.8	1.8	9.0
	Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

The DSO has stated in its submission that its step request will implement its first biodiversity strategy in line with the 2024 Climate Action Plan and National Biodiversity Action Plan. It states that to achieve this, additional monitoring processes are required in areas including climate change and the circular economy. Part of this will involve identifying hazard substances (the example given is PCBs) and reporting this to the EPA. It requires the support of ecologists to deliver this plan.

We do not consider that the DSO will be able to deliver this plan without procuring further specialist resources. While there was limited information on the cost build-up / efficiency of the request, given the need / benefits of this step request and its additionality relative to current expenditure, we do not apply any challenge.

Conclusion

Our proposed allowance for Environmental costs is summarised in Table 198 below. We do not make any adjustments to the request of €48.4m.

Table 198: Environmental PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Environmental	9.7	9.7	9.7	9.7	9.7	48.4	48.4	0.0	0.0%

Source: CEPA Assessment

3.9.6. IT Opex

Table 199 presents the PR6 request for IT of €9.2m, which represents an increase of €5.4m (142.1%) from the PR5 outturn.

Table 199: IT Opex PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
IT	1.8	1.8	1.8	1.8	1.8	3.8	9.2	142.1%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

We provide our base cost assessment of IT opex in Table 200 below.

Table 200: IT Opex Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
DSO Request	-1.5	-1.5	-1.5	-1.5	-1.5	-7.6
IT Opex CEPA Assessment	0.8	0.8	0.8	0.8	0.8	3.8
Difference	-2.3	-2.3	-2.3	-2.3	-2.3	-11.4

Source: CEPA Assessment

Whereas the DSO took the 2023 outturn to be the base and adjusted the trend of forecast costs in PR6 accordingly, we consider that this is not representative of the range of costs incurred over PR5. We take the base to be the average over PR5, from 2021 – 2025.

Trend Assessment

Our trend assessment of IT costs is presented in Table 201 below. Whilst no volume driver was clearly identified by the DSO, we used a top-down CSV of 50% distribution network length and 50% new customers as a proxy for the scope of IT requirements will expand with the investment programme over PR6. This results in a lower trend adjustment than submitted by the DSO, but is in part counterbalanced by the positive base cost that we adopt in modelling to build up to a PR6 allowance.

Table 201: IT Opex Trend Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
Submitted Trend	3.4	3.4	3.4	3.4	3.4	16.8
IT Opex CEPA Assessment	0.5	0.5	0.5	0.5	0.5	2.5
Difference	2.9	2.9	2.9	2.9	2.9	14.3

Source: CEPA Assessment

Step Assessment

As no step was requested for IT opex, we do not provide an assessment.

Conclusion

Our proposed allowance for PR6 IT Opex is summarised in Table 202 below. Our proposed allowance is €9.2m lower than the DSO's request (a 31.6% reduction), resulting in an allowance of €6.3m.

Table 202: IT Opex PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
IT Opex	1.2	1.2	1.3	1.3	1.3	9.2	6.3	-2.9	-31.6%

Source: CEPA Assessment

3.9.7. Health & Safety

Table 203 presents the PR6 request for Health and Safety of €64.3m, which represents an increase of €20.2m (45.8%) from the PR5 outturn.

Table 203: Health and Safety PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Safety, Culture and Leadership	2.6	2.6	2.5	2.6	2.6	11.6	12.9	11.2%
Safety Engagement	1.1	1.1	1.1	1.1	1.1	4.1	5.5	34.1%
Competence and Assurance	3.4	3.4	3.4	3.4	3.5	15.1	17.0	12.6%
Road Safety Bureau	0.8	0.8	0.8	0.8	0.8	2.3	4.0	73.9%
Public Safety	0.6	0.6	0.6	0.6	0.6	2.3	3.0	30.4%
Safety Standards	2.2	2.2	2.2	2.3	2.3	8.2	11.2	36.6%
R&C / OneSource	0.8	0.8	0.8	0.8	0.8	-	4.0	100%
Safety Projects	1.2	1.2	1.2	1.2	1.2	-	6.0	100%
Senior Leadership Team	0.2	0.2	0.2	0.2	0.2	-	1.0	100%
Health and Safety	12.9	12.9	12.8	13.0	13.1	44.1	64.3	45.8%

Source: ESB Networks, DSO Business Plan Questionnaire Assessment

Base Assessment

In Table 204 below we present our base cost assessment of Health & Safety.

Table 204: Health & Safety Base Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Safety, Culture and Leadership	DSO Request	2.5	2.5	2.5	2.5	2.5	12.5
	CEPA Assessment	2.5	2.5	2.5	2.5	2.5	12.5
Safety Engagement	DSO Request	0.9	0.9	0.9	0.9	0.9	4.5
	CEPA Assessment	0.7	0.7	0.7	0.7	0.7	3.5
Competence and Assurance	DSO Request	3.2	3.2	3.2	3.2	3.2	16.0
	CEPA Assessment	3.2	3.2	3.2	3.2	3.2	16.0
Road Safety Bureau	DSO Request	0.4	0.4	0.4	0.4	0.4	2.0
	CEPA Assessment	0.4	0.4	0.4	0.4	0.4	2.0
Public Safety	DSO Request	0.5	0.5	0.5	0.5	0.5	2.5
	CEPA Assessment	0.5	0.5	0.5	0.5	0.5	2.3
Safety Standards	DSO Request	0.9	0.9	0.9	0.9	0.9	4.5
	CEPA Assessment	0.9	0.9	0.9	0.9	0.9	4.5
Risk and Compliance / One Source	DSO Request	0.0	0.0	0.0	0.0	0.0	0.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Safety Projects	DSO Request	0.0	0.0	0.0	0.0	0.0	0.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Senior Leadership Team	DSO Request	0.2	0.2	0.2	0.2	0.2	1.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Health & Safety Base Total	DSO Request	8.6	8.6	8.6	8.6	8.6	42.9
	CEPA Assessment	8.2	8.2	8.2	8.2	8.2	40.8
	Difference	0.4	0.4	0.4	0.4	0.4	2.1

Source: CEPA Assessment

We have set the base cost as the lower of the DSO's request and the average of the 2023 – 2024 outturn following our standard approach. This has resulted in the base being set equal to the DSO's submission in each case except for Senior Leadership Team, which had no outturn costs reported in PR5.

Trend Assessment

A trend adjustment was requested for Competence and Assurance, Road Safety Bureau and R&C / One Source.

- The trend for Safety Engagement is described as relating to increased requirements for reporting.
- The trend for Compliance and Assurance relates to additional compliance and behavioural audit programmes required for a larger workforce across PR6.
- The trend for Risk and Compliance / One Source team is focused on increasing the documentation to manage risks across the business.

We could not identify a suitable driver or supporting quantification of the requested trend in the DSO's analysis, so the trend has been set to zero.

Table 205: Health and Safety Trend Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Safety Engagement	DSO Request	0.1	0.1	0.1	0.1	0.1	0.5
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Competence and Assurance	DSO Request	0.1	0.1	0.1	0.1	0.1	0.5
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Risk and Compliance / One Source	DSO Request	0.4	0.4	0.4	0.4	0.4	2.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Health & Safety Trend Total	DSO Request	0.6	0.6	0.6	0.6	0.6	3.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
	Difference	0.6	0.6	0.6	0.6	0.6	3.0

Source: CEPA Assessment

Step Assessment

The table below summarises our assessment of the DSO's requested step adjustments in Health and Safety related Opex. The DSO's step requests in this category are summarised as follows, which we have largely accepted in full:

- The request for Safety, Culture and Leadership is based on proposed external surveys to measure the impact of the Safe and Sound programme, as well as a national rollout of training. We do not have concerns with additionality, especially as the surveys will be conducted using the same provider. We do not have much other evidence to suggest efficiency, so we apply a 15% cost confidence / efficiency challenge.
- The Safety Engagement step is worth €50,000 per annum to embed a new safety recording training system. We accept this cost in full given the low value of the expenditure.
- The Competence and Assurance step is for a mobile application to streamline paperless audits. The DSO states that this cost has been benchmarked against its other applications. We do not apply any challenge to this cost.
- The Road Safety Bureau step comprises the rollout of eLearning modules, additional road safety materials, and the development intoxicant testing strategy. As there is little information about the build-up of cost, we apply a 15% cost confidence adjustment subject to further information being provided by the DSO.

- The Public Safety step includes VR/AR safety promotion awareness tools, additional presentation/educational packs, and development of a public safety app. Whilst there is not enough information to demonstrate efficiency, we understand the benefits of this step to customers, so do not make a challenge.
- The Safety Standards step relates to surveying and asbestos abatement works for backboards; given the importance of this step, we do not apply a challenge.
- The Risk & Compliance / OneSource (the safety management system) relates to improvements to the system such as training material production. The costs have been adequately quantified and motivated. We do not apply a challenge to this area.
- The new Safety Projects allowance will establish a team of fire safety specialists, as well as introduce chemical safety experts and an app to manage building evacuation in case of a fire. Given the importance of this area, we do not apply any adjustment.

The table below summarises our assessment.

Table 206: Health & Safety Costs Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Safety, Culture and Leadership	DSO Request	0.1	0.1	0.1	0.1	0.1	0.5
	CEPA Assessment	0.1	0.1	0.1	0.1	0.1	0.5
Safety Engagement	DSO Request	0.0	0.0	0.0	0.0	0.0	0.2
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.2
Competence and Assurance	DSO Request	0.1	0.1	0.1	0.1	0.1	0.5
	CEPA Assessment	0.1	0.1	0.1	0.1	0.1	0.5
Road Safety Bureau	DSO Request	0.4	0.4	0.4	0.4	0.4	2.0
	CEPA Assessment	0.3	0.3	0.3	0.3	0.3	1.7
Public Safety	DSO Request	0.1	0.1	0.1	0.1	0.1	0.5
	CEPA Assessment	0.1	0.1	0.1	0.1	0.1	0.5
Safety Standards	DSO Request	1.3	1.3	1.3	1.3	1.3	6.5
	CEPA Assessment	1.3	1.3	1.3	1.3	1.3	6.5
Risk and Compliance / One Source	DSO Request	0.4	0.4	0.4	0.4	0.4	2.0
	CEPA Assessment	0.4	0.4	0.4	0.4	0.4	2.0
Safety Projects	DSO Request	1.2	1.2	1.2	1.2	1.2	6.0
	CEPA Assessment	1.2	1.2	1.2	1.2	1.2	6.0

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Senior Leadership Team	DSO Request	0.0	0.0	0.0	0.0	0.0	0.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Health & Safety Step Total	DSO Request	3.6	3.6	3.6	3.6	3.6	17.8
	CEPA Assessment	3.6	3.6	3.6	3.6	3.6	17.8
	Difference	0.0	0.0	0.0	0.0	0.0	-0.4

Source: CEPA Assessment

Conclusion

Our proposed allowances for Health & Safety related expenditure are summarised in Table 207. We propose a 8.9% adjustment from €64.3m to €58.6m.

Table 207: Health & Safety PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Health & Safety	11.7	11.7	11.7	11.7	11.7	64.3	58.5	-5.8	-8.9%

Source: CEPA Assessment

3.9.8. DMSO Flexibility

Table 208 presents the PR6 request for DMSO Flexibility of €71.6m, which represents an increase of €62.0m (645.8%) from the PR5 outturn.

Table 208: DMSO Flexibility PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Product Research and Development	4.2	4.2	4.2	4.2	4.2	-	20.9	100%
Power System Studies	0.0	0.0	0.0	0.0	0.0	-	0.1	100%
Stakeholder Partnerships, Rewards, Incentives and Prizes	0.3	0.3	0.3	0.3	0.3	-	1.5	100%
Creating Innovative Products and Services	0.6	0.6	0.6	0.6	0.6	-	3.0	100%
Research, Insights and Measurement Tools	1.1	0.3	0.3	0.3	0.3	-	2.3	100%
Sponsorship, Thought Leadership, Industry	1.0	1.0	1.0	1.0	1.0	-	5.0	100%

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Partnership and Physical Asset Activation								
Awareness and Education	1.9	1.9	1.9	1.9	1.9	-	9.5	100%
Vulnerable Customer	0.0	0.0	0.0	0.0	0.0	-	0.2	100%
DMSO-Wide External Communications	1.3	1.3	1.3	1.3	1.3	-	6.5	100%
Flexibility Operations IT Support	1.9	1.9	1.9	1.9	1.9	-	9.5	100%
Flexibility Operations	2.6	2.6	2.6	2.6	2.6	-	13.0	100%
Operational Costs to Deliver the DSO Transformation	-	-	-	-	-	6.2		100%
Indicative Spend Projections Service Payments for Flexibility						3.4		100%
DMSO Flexibility Total	14.9	14.1	14.1	14.1	14.1	9.6	71.6	645.8%

Source: ESB Networks, DSO Business Plan Questionnaire

Base Assessment

Our proposed base cost for DMSO Flexibility is summarised in Table 209 below.

Table 209: DMSO Flexibility Base Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total
DSO Request	1.3	1.3	1.3	1.3	1.3	6.5
DMSO Flexibility CEPA Assessment	1.3	1.3	1.3	1.3	1.3	6.5
Difference	0.0	0.0	0.0	0.0	0.0	0.0

Source: CEPA Assessment

Originally the DSO proposed a base of €1.8m per annum and a trend of -€0.5m per annum. However, we could only find narrative information in the DSO's submission that related to a base of €1.3m and a trend adjustment of zero, which has formed the basis of our assessment of this category. In the narrative, €0.3m per annum is attributed to stakeholder partnerships, rewards and incentives, and €1.0 to external communications. We have accepted the DSO's forecast base cost for DMSO Flexibility.

Trend Assessment

The DSO's narrative submission discussed a trend adjustment (a negative trend of -€0.5m per annum) which we understand to be captured in our base assessment.

Step Assessment

Table 210 summarises the conclusions of our step assessment of DMSO Flexibility related expenditure. The DSO's narrative submission outlined the following drivers that underpinned its step requests:

- The Product and Research step refers to the request for R&D and innovation. It requests a step which will allow the DSO to test many solutions to shift towards a more risk-taking approach. It states that it will engage heavily with the industry to develop an approach.
- The Power System Studies step will allow the Power System Requirements team to create a time series analysis of networks with time series constraints.
- The Stakeholder Partnerships step will be used to engage further with customers to examine their behaviour.
- The Creating Innovative Products steps will be used to create new products and services and develop pilot studies to understand the impact of different interventions.
- The Research, Insights and Measurement tool is required to develop tools for customer research and engagement, such as through social listening. It is unclear why this could not be included within the Customer Relations allowance.
- Lead the Public Conversation focuses on increasing the DSO's public engagement with demand flexibility as a concept, for example through developing pieces of content, joining sponsorships.
- Awareness and Education is based on improving public awareness of flexibility services.
- The Vulnerable Customers step will allow the DSO to reach out with its flexibility services messaging to groups of vulnerable customers by adapting to their needs.
- The External Communications builds on the delivery of the NSMP. It states that the Clean Energy Package will allow customers to share energy, contract multiple suppliers, create energy communities and have more access to their smart meter data.

While the activities proposed are necessary and justified in the DSO developing the flexibility market in Ireland, the basis for the cost build-up and forecasts was not always clear in the DSO's submission.

In certain cases, we were not confident that the stated roles and activities might not be managed through existing resources, for example as part of the R&D and Customer Relations categories, and so in certain cases have applied an additionality challenge. For some items we have also applied a cost confidence / efficiency challenge, as although the need for the expenditure is reasonably clear, the DSO's submission did not provide confidence in the cost build-up and the reasonableness/efficiency of the forecast spend.

The Flexibility Operations request aims to provide customer support and flexibility operations management for Flexibility Service Providers. The Flexibility Operations IT cost has been established to support this service by conducting monitoring and reporting functions. It states that it has engaged with other utilities confirming that this is a required allowance for the DMSO. It has estimated the required number of staff using market benchmarking. For this category, we consider the cost build-up and thus cost confidence / efficiency has been sufficiently explained, but do not consider that sufficient evidence on the additionality of the spend was provided, and so we apply a 25% additionality challenge to the forecast request.

Table 210: DMSO Flexibility Step Assessment

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Product Research and Development	DSO Request	3.4	3.4	3.4	3.4	3.4	17.0
	CEPA Assessment	3.4	3.4	3.4	3.4	3.4	17.0

DSO Opex (€m, 2024 prices)		2026	2027	2028	2029	2030	PR6 Total
Power System Studies	DSO Request	0.0	0.0	0.0	0.0	0.0	0.1
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.1
Stakeholder Partnerships, Rewards, Incentives and Prizes	DSO Request	0.0	0.0	0.0	0.0	0.0	0.0
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Creating Innovative Products	DSO Request	0.6	0.6	0.6	0.6	0.6	3.0
	CEPA Assessment	0.5	0.5	0.5	0.5	0.5	2.4
Research, Insights, and Measurement Tools	DSO Request	1.1	0.3	0.3	0.3	0.3	2.3
	CEPA Assessment	0.9	0.2	0.2	0.2	0.2	1.9
Sponsorship, Thought Leadership, Industry Partnership, and Physical Asset Activation	DSO Request	1.0	1.0	1.0	1.0	1.0	5.0
	CEPA Assessment	0.8	0.8	0.8	0.8	0.8	4.0
Awareness and Education	DSO Request	1.9	1.9	1.9	1.9	1.9	9.5
	CEPA Assessment	1.5	1.5	1.5	1.5	1.5	7.7
Vulnerable Customer	DSO Request	0.0	0.0	0.0	0.0	0.0	0.2
	CEPA Assessment	0.0	0.0	0.0	0.0	0.0	0.2
DMSO-Wide External Communications	DSO Request	0.3	0.3	0.3	0.3	0.3	1.5
	CEPA Assessment	0.2	0.2	0.2	0.2	0.2	1.2
Flexibility Operations IT Support	DSO Request	1.9	1.9	1.9	1.9	1.9	9.5
	CEPA Assessment	1.5	1.5	1.5	1.5	1.5	7.7
Flexibility Operations	DSO Request	2.6	2.6	2.6	2.6	2.6	13.0
	CEPA Assessment	2.1	2.1	2.1	2.1	2.1	10.5
DMSO Flexibility Step Total	DSO Request	13.6	12.8	12.8	12.8	12.8	68.8
	CEPA Assessment	11.0	10.4	10.4	10.4	10.4	52.6
	Difference	2.6	2.4	2.4	2.4	2.4	16.2

Source: CEPA Assessment

Conclusion

We present our proposed allowance for DMSO Flexibility in Table 211 below. We propose a 17.4% adjustment from a request of €71.6m to a proposed allowance of €59.1m.

Table 211: DMSO Flexibility PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Product Research and Development	3.4	3.4	3.4	3.4	3.4	20.9	17.0	-3.9	-18.7%
Power System Studies	0.0	0.0	0.0	0.0	0.0	0.1	0.1	-	-
Stakeholder Partnerships, Rewards, Incentives and Prizes	0.3	0.3	0.3	0.3	0.3	1.5	1.5	-	-
Creating Innovative Products and Services	0.5	0.5	0.5	0.5	0.5	3.0	2.4	-0.6	-20.0%
Research, Insights and Measurement Tools	0.9	0.2	0.2	0.2	0.2	2.3	1.9	-0.4	-17.4%
Sponsorship, Thought Leadership, Industry Partnerships and Physical Asset Activation	0.8	0.8	0.8	0.8	0.8	5.0	4.0	-1.0	-20.0%
Awareness and Education	1.5	1.5	1.5	1.5	1.5	9.5	7.7	-1.8	-18.9%
Vulnerable Customer	0.0	0.0	0.0	0.0	0.0	0.2	0.2	-	-
DMSO-Wide External Communications	1.2	1.2	1.2	1.2	1.2	6.5	6.2	-0.3	-4.6%
Flexibility Operations IT Support	1.5	1.5	1.5	1.5	1.5	9.5	7.7	-1.8	-18.9%
Flexibility Operations	2.1	2.1	2.1	2.1	2.1	13.0	10.5	-2.5	-19.2%
DMSO Flexibility	12.3	11.7	11.7	11.7	11.7	71.6	59.1	12.0	-17.4%

Source: CEPA Assessment

3.9.9. Contract and Vendor Management

Contract and Vendor Management is a new category for PR6 for which only a step adjustment was requested. This category includes expenditure associated with resourcing to manage vendor contracts as they relate to retail markets and the installation and replacement of smart meters nationally.

Table 212 presents the PR6 request for Contract and Vendor Management of €3.6m.

Table 212: Contract and Vendor Management PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Request	% Change
Contract and Vendor Management	0.7	0.7	0.7	0.7	0.7	-	3.6	100%

Step Assessment

We summarise the conclusions of our step assessment in Table 213 below.

Table 213: Contract and Vendor Management Step Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total	
Contract and Vendor Management	DSO Request	0.7	0.7	0.7	0.7	0.7	3.6
	CEPA Assessment	0.6	0.6	0.6	0.6	0.6	3.1
	Difference	0.1	0.1	0.1	0.1	0.1	0.5

Source: CEPA Assessment

The DSO states that this request relates to activities across DMSO teams to manage vendor contracts. It considered whether to outsource this function but ultimately chose not to based on the scale and value of the contracts in PR6. It states that there is a need for dedicated funding to manage the opex associated with managing contracts on a day-to-day basis, and that this is critical for the robust management of high-value contracts entered into across the DMSO. As an alternative, the DSO states that it considered an outsourcing model, but given the scale and value of the contracts in question across PR6, this option was rejected.

It is claimed that this expenditure will ensure a robust approach to managing all vendor contracts in scope for the DMSO, including performance monitoring, vendor compliance, managing administrative/extensions and proactive risk management. Customer service will improve as a result of these activities with enhanced market services and improved smart meter functionality.

While we consider that the request meets the need criteria we have some concerns around the additionality and cost confidence / efficiency criteria, as there appears to be some overlaps within this activity and those carried out across other Customer Service, DMSO, Smart Metering activities. There is also limited evidence provided on the cost build-up of this area. We therefore apply a 15% cost confidence / efficiency adjustment.

Conclusion

The conclusions of our assessment of Contract and Vendor Management costs is provided in Table 214 below. We make an adjustment of 15% from a request of €3.6m to an allowance of €3.1m.

Table 214: Contract and Vendor Management PR6 Assessment

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR6 Total			
						Request	DD Allowance	Variance	
								€m	%
Contract and Vendor Management	0.6	0.6	0.6	0.6	0.6	3.6	3.1	-0.5	-15%

Source: CEPA Assessment

3.10. SUMMARY OF PR6 RECOMMENDATIONS

In Table 215 below we summarise our PR6 recommendations for DSO opex. From a request of €2586.1m, we have proposed an adjustment of €501.9m (19.4%) to a recommended baseline allowance of €2,084.3m.

The following categories represent almost 70% of the total adjustment of €501.9m.

- **Planned maintenance**, which represents 44.1% of the adjustment. This is heavily driven by the reduction to Timber Overhead of €170.6m. As the request was not split into base, trend, and step, we developed our own estimates. We acknowledged that the contractor costs increased over PR5, which we captured in the baseline, and the volume of timber cutting was set to increase in PR6 to improve network resilience, which we captured in the trend. Based on the DSO's submission, we did not have evidence to provide a step adjustment, but we determine that the base and trend capture some of the request the DSO had intended to be step. We also propose a reopener for this category.
- **Meter Reading**, which represents 12.9% of the adjustment. This is heavily driven by:
 - Adjustments to the years used to calculate the base for the meter reading subcategory (totalling €21.5m).
 - The choice of a different volume driver for SMOC (reducing the forecast trend in costs by €13.5m).
 - An additionality adjustment applied to meter inspections (which has reduced the step in forecast expenditure by €22.1m).
- **System Control**, which represents 12.6% of the adjustment. In this case we applied reductions to the trend (€39.2m) and would welcome further information on a more appropriate driver and basis for the DSO's forecast increase in costs in this area.

As with the PR5 lookback assessment, we expect to review the variance between the DSO's request and our assessment for Final Determinations. Information submitted by ESB Networks will be considered during and after the consultation period, together with other responses to the consultation, to inform a final proposal.

In addition, we propose that as part of the AIMF a series of uncertainty mechanisms be put in place to allow the DSO to flexibly access additional opex allowances when needed and justified. More detail for these mechanisms are provided in the CRU's PR6 Regulatory Framework paper (CRU202590), but in summary we recommend:

- A reopener mechanism for Planned Maintenance;
- A Force Majeure reopener mechanism, which will provide additional allowances for areas such as Fault Maintenance in the case of severe weather events;
- A reopener mechanism for Forestry & Wayleaves; and
- A reopener mechanism for Innovation and R&D.

Through these uncertainty mechanisms, we estimate – based on BPQ forecast submissions – ESB Networks will have the ability to access an additional €251.6m for opex, resulting in a 'high case' controllable opex allowance of €2,344.3m as compared to the baseline allowance of €2,092.7m.

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

Table 215: Summary of PR6 Recommendations

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Total			
							Request	DD Allowance	Variance	
									€m	%
System Control	21.3	21.6	21.9	22.2	22.5	89.6	172.7	109.5	-63.2	-36.6%
Planned Maintenance	110.7	110.7	110.1	110.1	110.6	370.2	773.2	552.2	-221.1	-28.6%
Fault Maintenance	59.5	57.4	55.1	54.3	54.8	303.1	283.2	281.1	-2.2	-0.8%
Asset Management	28.4	28.4	28.3	28.5	28.6	134.6	147.7	142.2	-5.4	-3.7%
Forestry & Wayleaves	2.9	2.9	2.9	2.9	2.9	15.6	35.6	14.5	-21.3	-59.9%
Meter Reading	43.9	47.7	51.0	53.7	54.1	48.7	315.3	250.4	-64.9	-20.6%
QH Data	2.5	2.5	2.5	2.3	2.3	10.5	16.2	12.1	-4.1	-25.5%
Data Aggregation	6.7	6.7	6.8	7.0	7.1	35.8	34.7	34.3	-0.4	-1.2%
Customer Meter Operation	-	-	-	-	-	4.7	-	-	-	-
Keypad / Token Meter	0.3	0.3	0.3	0.3	0.3	1.1	1.9	1.5	-0.4	-21.1%
Smart Metering	-	-	-	-	-	68.8	-	-	-	-
Call Centre	10.7	11.9	12.2	12.3	12.5	43.9	60.2	58.6	-1.5	-2.5%
Area Operations	13.9	13.9	13.8	14.3	14.7	67.4	71.7	70.6	-1.0	-1.5%
Customer Relations	17.3	17.2	17.5	18.0	18.1	65.1	107.5	92.5	-15.1	-14.1%
Duos Billing & Accounts Receivable	0.8	0.8	0.8	0.8	0.8	3.9	3.9	4.0	-0.1	-1.8%
MRSO	7.2	4.8	4.0	4.3	4.5	8.4	27.9	24.8	-3.1	-11.0%
Market Opening	10.5	10.5	10.6	10.6	10.6	59.2	63.5	52.8	-10.7	-16.9%
R&D (Innovation)	4.8	4.8	4.8	4.8	4.8	22.5	34.4	25.0	-9.3	-27.0%
Company Wide Costs and Corporate Charges & Corporate Affairs	13.9	13.9	13.9	13.9	13.9	76.5	105.0	69.5	-35.4	-33.7%
Insurance	6.6	6.6	6.7	6.7	6.8	34.6	37.8	33.4	-4.4	-11.6%
Legal	3.4	3.4	3.5	3.6	3.7	18.5	17.8	17.6	-0.3	-1.5%
Pension	1.5	1.5	1.5	1.5	1.5	10.4	18.9	7.5	-11.4	-60.4%
Environmental	9.7	9.7	9.7	9.7	9.7	30.3	48.4	48.5	0.0	0.1%

DSO Opex (€m, 2024 prices)	2026	2027	2028	2029	2030	PR5 Outturn	PR6 Total			
							Request	DD Allowance	Variance	
									€m	%
Health & Safety	11.7	11.7	11.7	11.7	11.7	44.1	64.3	58.5	-5.7	-8.9%
Telecoms	6.2	6.2	6.2	6.2	6.2	28.3	59.9	55.0	-2.9	-31.6%
IT Opex	0.6	0.6	0.6	0.6	0.6	3.8	9.2	6.3	-6.1	-66.0%
DMSO Flexibility	9.8	9.4	9.4	9.4	9.4	9.6	71.6	59.1	-17.4%	-17.4%
Contract and Vendor Management	0.6	0.6	0.6	0.6	0.6	-	3.6	3.0	-0.5	-15%
Misc.	-	-	-	-	-	-0.4	-	-	-	-
Misc. non-regulatory	-	-	-	-	-	9.7	-	-	-	-
Corporate Costs	-	-	-	-	-	60.2	-	-	-	-
Total	478.9	478.9	478.9	478.9	478.9	1,678.9	2,586.1	2,084.5	-501.7	-19.4%

Source: ESB Networks, DSO Business Plan Questionnaire, CEPA Assessment



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