

EIRGRID INTERCONNECTOR LIMITED

East West Interconnector: Use of Revenue Statement

1 July 2014

Overview

This document is a **“Use of Revenue Statement”** given by EirGrid Interconnector Ltd (“EIL”) in accordance with Condition 19 of the Electricity Interconnector Operator Licence (the “CER Licence”) issued to EIL by the Commission for Energy Regulation (“CER”) (by CER Authorisation 2008/09-01), and Condition 9 of the Electricity Interconnector Licence issued to EIL by Ofgem (the **“Ofgem Licence”**).

It relates to revenue (**Capacity Revenue**) resulting from the auction by EIL of capacity on the East West Interconnector (**EWIC**) in compliance with Condition 20 of the CER Licence and Conditions 10 and 11 of the Ofgem Licence.

This Use of Revenue Statement is in respect of the year ending 30 June 2014.

Capacity Revenue Received

All available capacity is auctioned as per the EWIC Long-term Auction Timetable published at http://www.eirgrid.com/media/auction_calendar.pdf. In addition, all remaining available capacity is auctioned in the daily auctions. For further details of the auctions and results please refer to the links on our website at <http://www.eirgrid.com/eastwest/auctionsresults/> where you will be connected to the Auction Management Platform.

The revenue earned from the allocation of capacity during the period 1 July 2013 – 30 June 2014 is outlined in the table appended to this statement. Where the allocation related to a period extending beyond 30 June 2014 the revenue relating to the period 1 July 2013 – 30 June 2014 has been apportioned on the basis of the number of days which fall within the relevant period for the assessment of the Use of Revenues Statement.

Where capacity which had been sold was not made available any capacity receipts were refunded to parties who had acquired capacity.

Total net Capacity Revenue in respect of the year ending 30 June 2014 (taking into account capacity receipts refunded where EWIC was unavailable of €2,628,622.76) was €34,912,008.

Use of Revenue

This revenue has been allocated to the following uses.

- The servicing of the capital cost of the development of the East West Interconnector (including East West Readiness); that is both interest and principal repayment on debt and return on and principal repayment of equity including any equity or other funding necessary to bridge the debt service covenant requirements
- Operational expenditure in maintaining and operating the East West Interconnector for the period in question

- Any net under recovery in respect of the first two bullets relating to any previous period

In the case of the year ending 30 June 2014 the net income of €34,912,008 (following repayments for capacity not made available) is less than that required under the first bullet above as per CER Information Note CER/12/149 (€40.80m for the period 1 July 2013 – 30 June 2014).

EIL considers that the Capacity Revenue has been used in compliance with the terms of Condition 19 of the CER Licence Condition 9 of the Ofgem Licence and Article 16(6) of Regulation (EC) No 714/2009 and that all of the revenues above come under the classification of Article 16(6)(a), 'guaranteeing the actual availability of the allocated capacity'. Article 16(6) is appended to this statement.

EirGrid Interconnector Ltd

1 July 2014

Annex I – Capacity Receipts from East West Interconnector

2014

Total Capacity Revenue €

| Revenues | July | August | September | October | November | December | January | February | March | April | May | June | Total |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| LT Auction | €2,083,646 | €2,499,550 | €2,484,086 | €3,162,592 | €2,922,833 | €3,224,340 | €3,381,450 | €3,085,273 | €3,516,760 | €3,171,686 | €3,050,720 | €2,888,626 | €35,471,562 |
| Daily Auction | €60,037 | €112,491 | €86,221 | €170,053 | €210,068 | €145,811 | €400,696 | €205,690 | €213,007 | €159,403 | €193,030 | €109,222 | €2,065,729 |
| Intra-Day | - | - | - | - | - | - | - | - | €1,166 | -€0.03 | €2,173.64 | TBD | €3,340 |
| Total Auction | €2,143,683 | €2,612,041 | €2,570,308 | €3,332,645 | €3,132,901 | €3,370,150 | €3,782,146 | €3,290,963 | €3,730,933 | €3,331,089 | €3,245,924 | €2,997,847 | €37,540,631 |
| Compensation | €0 | €0 | -€716,854 | -€105,141 | -€330,322 | -€1,234,139 | €0 | -€114,708 | €0 | €0 | -€127,458 | €0 | -€2,628,623 |
| Net Revenue | €2,143,683 | €2,612,041 | €1,853,454 | €3,227,504 | €2,802,579 | €2,136,011 | €3,782,146 | €3,176,255 | €3,730,933 | €3,331,089 | €3,118,465 | €2,997,847 | €34,912,008 |

Note: The intra-day revenues can only be calculated after the SEM D+4 pricing run is completed and calculation of the monthly invoice amounts has been carried out by the EirGrid Interconnector Limited team. This value is typically very small and can be provided by 16th July if required.

Annex II - Requirements of Article 16(6) of EC 714/2009

Article 16(6) states:

“Any revenues resulting from the allocation of interconnection shall be used for the following purposes:

- (a) guaranteeing the actual availability of the allocated capacity; and/or*
- (b) maintaining or increasing interconnection capacities through network investments, in particular in new interconnectors.*

If the revenues cannot be efficiently used for the purposes set out in points (a) and/or (b) of the first subparagraph, they may be used, subject to approval by the regulatory authorities of the Member States concerned, up to a maximum amount to be decided by those regulatory authorities, as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs and/or fixing network tariffs.

The rest of revenues shall be placed on a separate internal account line until such time as it can be spent on the purposes set out in points (a) and/or (b) of the first subparagraph”.