

Targeted consultation on guidance on cost of capital for EU electronic communications regulators

- Opening: 11 July 2018

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Closing: 03 October 2018

This consultation is part of a Commission initiative aiming to provide guidance to European National Regulatory Authorities (NRAs) on the methodology for calculating the Weighted Average Cost of Capital (WACC) in the context of national regulatory measures notified to the Commission under Article 7 of the Framework Directive for Electronic Communications.



panumas nikhomkhai, Pexels - Targeted consultation on guidance on cost of capital for EU electronic communications regulators

Responses to this consultation

The Commission will publish the replies shortly after the end of the consultation period. You can follow this webpage, where a link to the results will be published.

Consultation outcome

We shall publish all contributions to the consultation, unless non-publication is specifically requested in the "General Information" section of the questionnaire.

A short summary of the consultation results will be published on this webpage within 1 month after the consultation closes. A synopsis report with a qualitative analysis of all consultation activities will be issued.

In case your response includes confidential data, please provide a non-confidential version.

Target group

- National Regulatory Authorities (NRAs)
- Electronic communications network or service provider
- Industry and their representative associations
- Body of European Regulators of Electronic Communications (BEREC)
- Financial investors
- Government authorities
- Internet content providers
- Think tanks
- Consultancies, law firms
- Academia
- Consumers and consumer associations
- Citizens

Objective of the consultation

This consultation is part of a Commission initiative aiming to provide guidance to European National Regulatory Authorities (NRAs) for electronic communications regarding the methodology for calculating the reasonable rate of return in the context of NRAs' regulatory measures falling under Article 7 of the Framework Directive for Electronic Communications.

The EU's regulatory framework for electronic communications is a series of rules which apply throughout the EU. It encourages competition and efficient investment, improves the functioning of the market and guarantees basic user rights. The overall goal is for European consumers to be able to benefit from increased choice thanks to low prices, high quality and innovative services.

Where such draft decisions include cost-orientation remedies, they include an estimation of the reasonable rate of return allowed on regulated services, which is typically measured through the Weighted Average Cost of Capital (WACC). The Commission has observed significant discrepancies among the approaches used by NRAs to estimate the WACC, including inconsistencies in the methodology applied by the same NRA in sequential notifications to the Commission.

The Commission services' preliminary assessment suggests that a common methodology for the calculation of the WACC could be based on four regulatory principles:

1. consistency in the methodology used to determine the parameters in the WACC formula;
2. regulatory predictability to discourage artificial variations in the methodology used by NRAs and in the value of the parameters over time;
3. the promotion of efficient investment and innovation in new and enhanced infrastructures, taking appropriate account of the risk incurred by the investing undertakings; and
4. transparency to the industry as to the method that will be used by the Commission and NRAs to determine the reasonable rate of return on their investments, while avoiding unnecessary complexity.

Achieving these objectives will contribute to a stable regulatory environment that supports investments in electronic communications networks in the EU, to the benefit of consumers. It will discourage that investments are artificially distorted by inconsistent approaches used by NRAs over time and across the EU, which could harm the functioning of the Digital Single Market (DSM). Enhanced scrutiny of the determination of the WACC would help implement the current Regulatory Framework, while also being compatible with the objectives of the proposed European Electronic Communications Code (EECC). The Commission guidance will also be relevant to the implementation of the Code once it will enter into force.

Data on NRAs' current practices in the WACC calculation was published in BEREC's Regulatory Accounting in Practice 2017 report.

The objective of the consultation is to collect additional evidence and views from external stakeholders to inform the Commission's future guidance on the WACC, expected in early-2019.

The Commission services seek quantitative and qualitative data to help establish a consistent, predictable, efficient and transparent methodology for determining each WACC parameter. The Commission services also wish to test and validate their working hypotheses on the following issues:

- The need for guidance to improve consistency in WACC calculation methods by NRAs in the

electronic communications sector.

- Benefits (level-playing field in the EU) and costs (less flexibility for NRAs in setting their WACC) of providing guidance on a common methodology.
- Whether the four regulatory principles (consistency, predictability, efficiency and transparency) identified by the Commission services are appropriate and sufficient.
- The Commission services working hypotheses on how to deal with issues common to more than one WACC parameter, as well as how to deal with issues specific to only one WACC parameter.
- Whether it is justified to determine different WACCs for different regulated services, and how to proceed.
- Whether a transitional period towards the recommended methodology is appropriate.

See below the Commission services' working assumptions regarding the methodology for the determination of the WACC.

Related links

- Background document describing the Commission services' working assumptions for the determination of the WACC in regulatory proceedings in the electronic communications sector
- Review of approaches to estimate a reasonable rate of return for investments in telecoms networks in regulatory proceedings and options for EU harmonization" (study commissioned by the European Commission to the Brattle Group in 2016)
- Roadmap

Transparency

Please state whether you are responding as an individual or representing the views of an organisation. Responding organisations should register in the Transparency Register. We publish the submissions of non-registered organisations separately from those of registered ones.

How to submit your response

You can reply in any EU language even though the online questionnaire is in English, French and German.

Please use the online questionnaire for your replies.

Responses received after the closing date will not be considered.

You can pause any time and continue later. Your contribution is downloadable once you have submitted your answers.

- Answer in English
- Answer in French
- Answer in German

Accessibility for persons with disabilities

The online questionnaire meets the standards set out in the Web Content Accessibility Guidelines (WCAG).

You can send us an email with your reply attached as Word, PDF or ODF.

Protection of personal data & privacy statement

- Protection of personal data
- Privacy statement on the protection of personal data in EU Survey
- Specific privacy statement

Contact

CNECT-WACC-CONSULTATION@ec.europa.eu

Please write to us if you have comments about the consultation process.

Related topics

Article 7
Improving connectivity and access
Telecom laws
Telecom rules

Related content

Summary Report of The Targeted Consultation on Guidance on Cost of Capital for EU Electronic Communications Regulators

Consultation results | 14 November 2018

The targeted consultation took place between 11 July and 3 October 2018. The objective of the consultation was to collect additional evidence and views from external stakeholders to inform the Commission's future guidance on the Weighted Average Cost of Capital (WACC), expected in early 2019.

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