

## **BEREC Report on WACC parameter calculations for NRAs approved**

### **Background**

The Commission's WACC Notice on the calculation of the cost of capital for legacy infrastructure in the context of the Commission's review of national notifications in the EU electronic communications sector of 7<sup>th</sup> Nov. 2019<sup>1</sup> empowers BEREC, in close collaboration with the Commission, to estimate the WACC parameters consistent with the approach described in the Notice (section 7 of the Notice). The Notice aims to ensure a consistent calculation of the WACC by NRAs – which is the core element of any regulatory pricing decision NRAs take - thereby contributing to the development of the internal electronic communications market.

In this first [BEREC Weighted Average Cost of Capital \(WACC\) parameters Report](#) (BoR (20) 116), BEREC calculates and publishes the WACC parameters for legacy infrastructure following the non-binding Commission's WACC Notice. The exercise will be repeated on an annual basis for the parameters reflecting general economic conditions and the company-specific parameters for the selected peer group.

### **The Report**

The goal of the Report is to enable NRAs to make use of the results of the calculations when setting the WACC in their national regulatory decisions. By explaining precisely and transparently how the results were derived NRAs can replicate the results shown in the WACC parameters Report. This ensures that NRAs are confident that the results are robust and were derived using state of the art professional standards as well as following the Notice as closely as possible taking into account also best regulatory practices where the Notice provides for NRAs' flexibility.

The novelty of the Notice and, as a consequence, the WACC parameters Report is the calculation of an EU-wide ERP (equity risk premium). Based on the calculations described in

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<sup>1</sup> <https://ec.europa.eu/digital-single-market/en/news/commission-publishes-notice-calculation-cost-capital-legacy-infrastructure>.

the Report, BEREC considers that the appropriate value of the single EU-wide ERP is in the margin of 4.18% and 5.31%.

For reference by NRAs, the Report is to be published before 1<sup>st</sup> July 2020 when the Commission starts applying the Notice when reviewing NRA's notifications in the EU electronic communications sector.

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**MEDIA CONTACTS:** [press@bereg.europa.eu](mailto:press@bereg.europa.eu)