

WACCWatch

THE QUARTERLY GLOBAL COST OF CAPITAL SUMMARY FOR REGULATED ENERGY & INFRASTRUCTURE BUSINESSES

Sample

(Covers October, November, December 2004)

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October 2004 WACC's

No determinations for this month

November 2004 WACC's

UK electricity distribution

OFGEM released its final proposals for the control period 1 April 2005 to 31 March 2010 to apply to all 14 electricity distribution license holders in England, Wales and Scotland. OFGEM adopted a pre-tax real WACC of 6.90%.

NZ gas transmission & distribution

The Commerce Commission released its intention to declare to control of Vector and Powerco's gas transmission and distribution businesses. The Commission adopted the following parameters...

- A post-tax nominal WACC of 7.20%
- A risk-free rate of 5.00%
- An asset beta of 0.5

December 2004 WACC's

Queensland electricity distribution

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The QCA released its draft determination in respect of Energex and Ergon Energy's distribution businesses for the control period 1 July 2005 to 30 June 2010. The QCA adopted the following parameters...

- A post-tax nominal WACC of 8.31%
- A risk-free rate of 5.41%
- A market risk premium of 6.00%
- An asset beta of 0.45
- An equity beta of 0.9 implying an 50:50 debt:equity structure

South Australia electricity distribution

The ESCOSA released its draft price determination to apply to ETSA's distribution business for the control period 1 July 2005 to 30 June 2010. ESCOSA adopted the following parameters...

- A pre-tax real WACC of 6.81%
- A risk-free rate of 3.25%
- A market risk premium of 6.00%
- An equity beta of 0.8

UK water & sewage

OFWAT released its final price determinations to apply to all water & sewage and water-only companies for the control period 1 April 2005 to 31 March 2010. OFWAT adopted the following parameters...

- A post-tax real WACC of 5.10%

The average of the parameters sought by the companies themselves were...

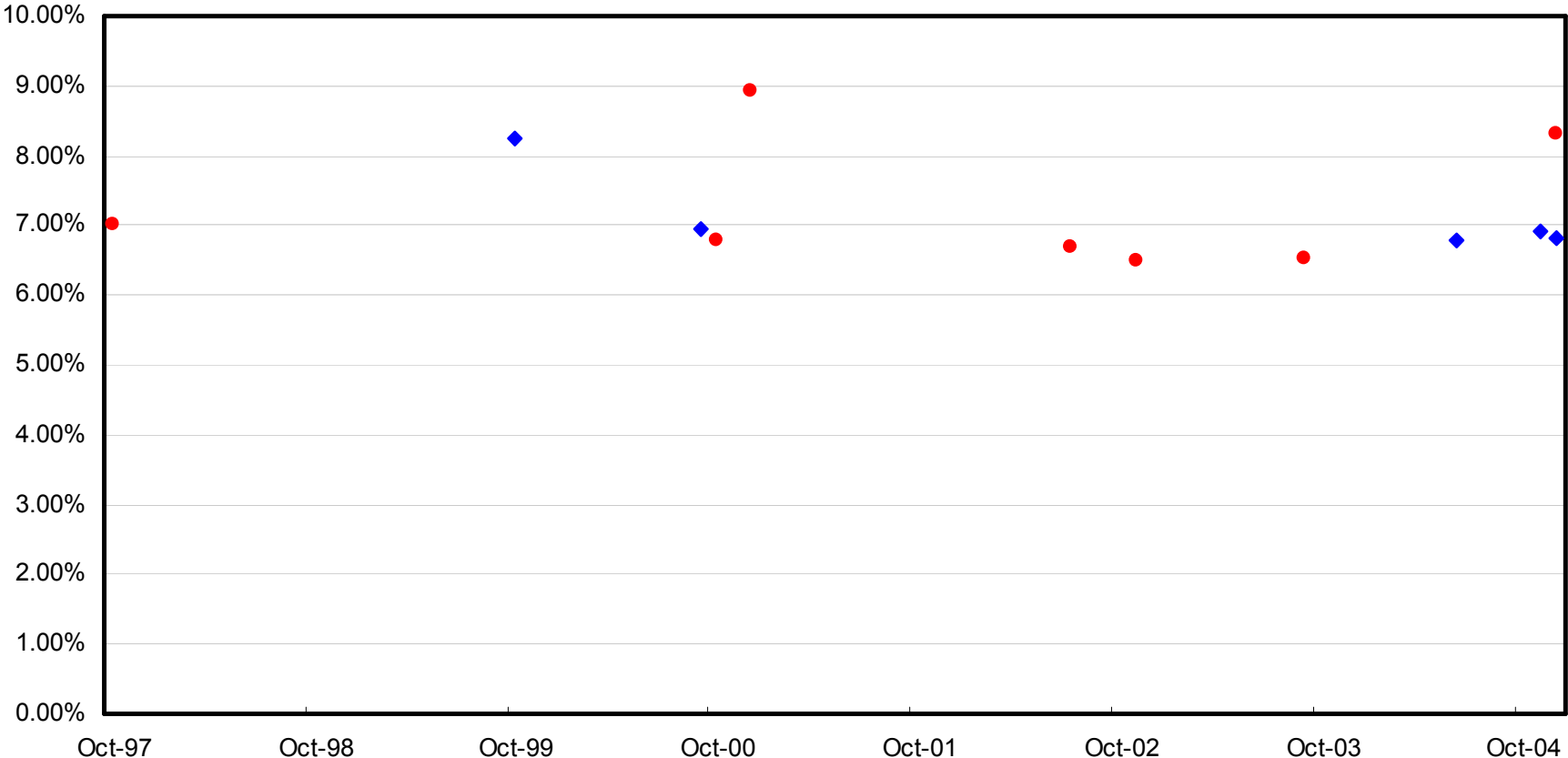
- A post-tax real WACC of 5.35%
- A risk-free rate of 2.70%
- An equity beta of 1.05
- An asset beta of 0.42 implying a 60:40 debt:equity structure

Time series charts

- Regulators estimated WACC
- Market risk premium
- Regulators and companies estimates of asset beta
- Difference between regulators and companies estimates of WACC

Regulator's estimated WACC

- ◆ Pre-tax WACC
- Post-tax WACC

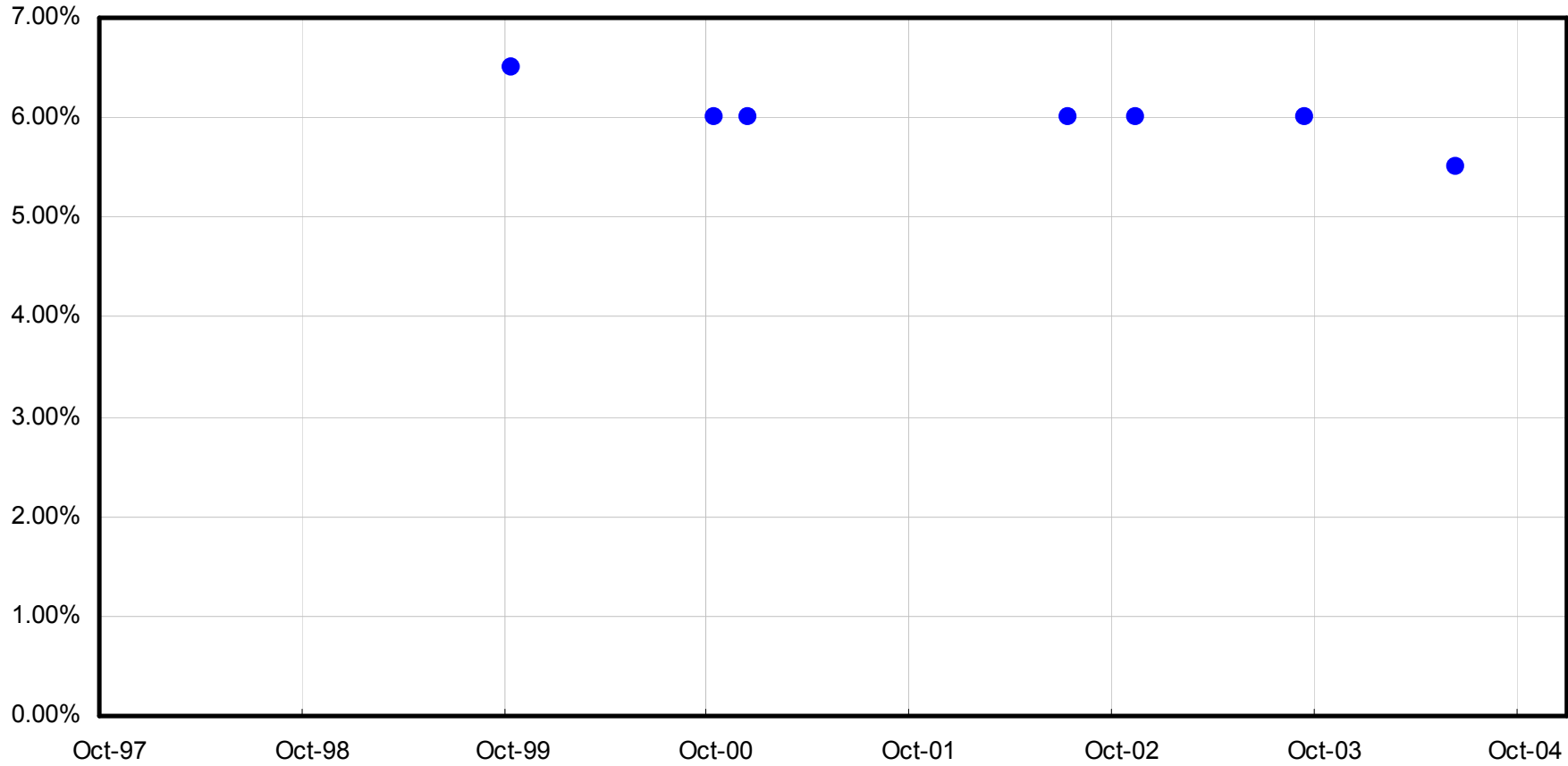


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Market risk premium

● Market risk premium

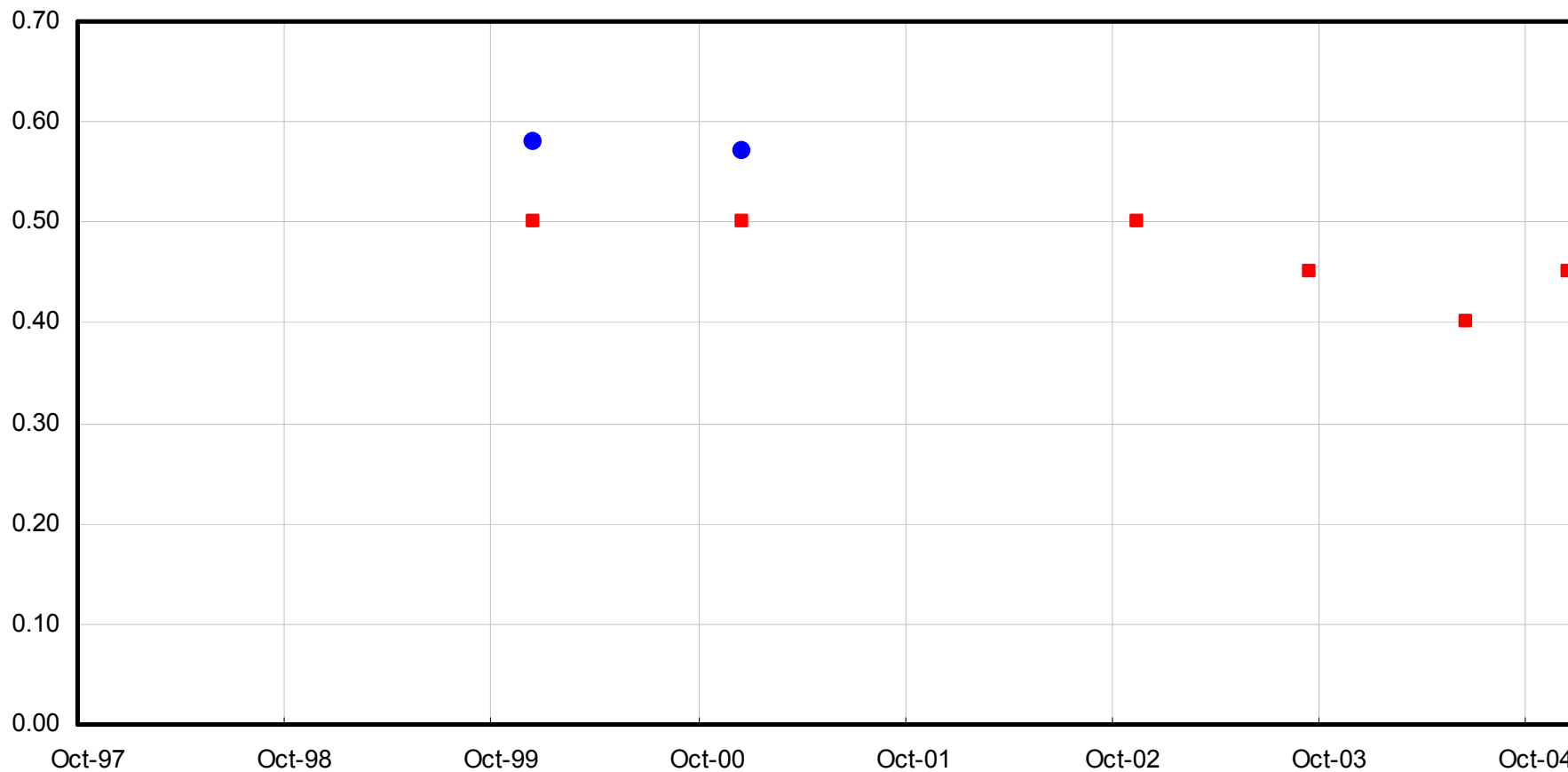


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Asset beta

- Reg's estimated asset beta
- Utility estimated asset beta

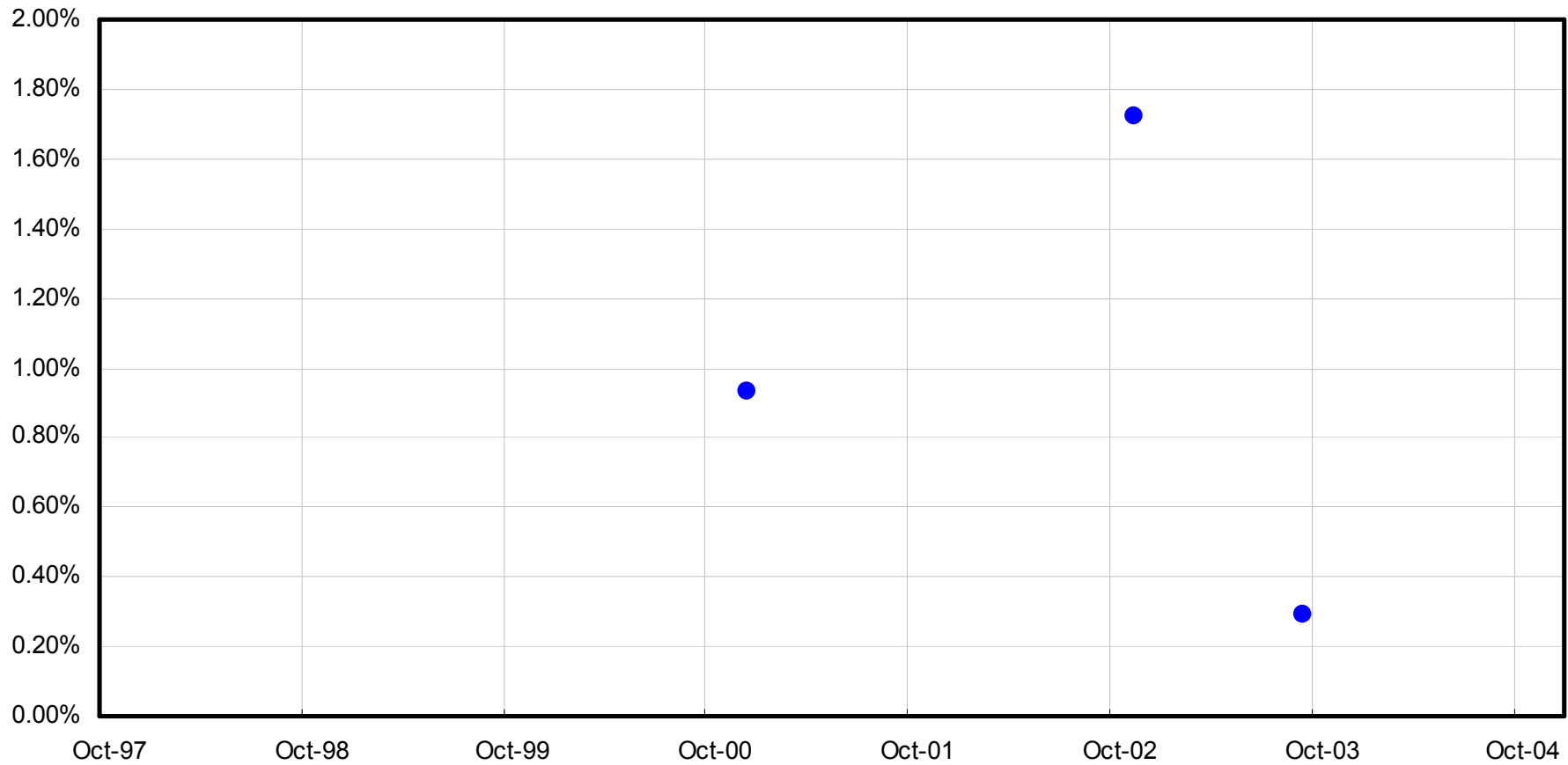


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Difference between regulators and companies estimated WACC

● WACC gap



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