

Consultation communication plan



UKRN guidance for regulators on the methodology for
setting the cost of capital – consultation

*excellence
through
collaboration*

con·sult·ation

[kɒnsəl'teɪʃ(ə)n] 

NOUN

the action or process of formally consulting or discussing:

"they improved standards in consultation with consumer representatives" · [\[More\]](#)

synonyms: discussion · dialogue · discourse · debate · negotiation · conference ·
deliberation

- a meeting with an expert, such as a medical doctor, in order to seek advice:

"a consultation with a homeopathic doctor"

synonyms: meeting · talk · discussion · interview · conference · audience · hearing ·
reception · forum · chat · tête-à-tête · parley · heart-to-heart · one-to-one ·
colloquy · appointment · session · engagement · confabulation

Also for consideration: the governments [Consultation Principles 2018](#).

On 31st January 2022 the government outlined its strategic priorities for the utilities sectors in an [open letter](#) from the Business Secretary to the Chief Executives of Ofgem, Ofwat and Ofcom.

In most sectors subject to economic regulation, regulators rely on price controls as a tool to protect the interests of consumers. The government expects regulators, via the UKRN, to work towards greater alignment where clear benefits can be identified.

Regulators involved in setting the main price controls (Ofwat, Ofgem, Ofcom, the CAA and UREGNI) recognise the value of further alignment in the approaches and ultimately the common parameter values used in each sector.

Ofwat, Ofgem and Ofcom, with support from the CAA and UREGNI, have worked together via the UKRN Cost of Capital Taskforce to produce this draft guidance and anticipate further collaboration on these issues going forward and we welcome views on the proposed approach in this consultation.

The primary focus of the draft guidance is on the common parameters for the cost of equity and the overall framework for choosing a point estimate for the allowed return on equity, due to these areas having the greatest commonality across regulators.

The 9 proposed recommendations in the draft guidance document bring together and consolidate existing methodologies, recognising the importance of both consistency across sectors as well as across time and recognises the benefits brought about by aligning regulatory approaches to investors and customers.

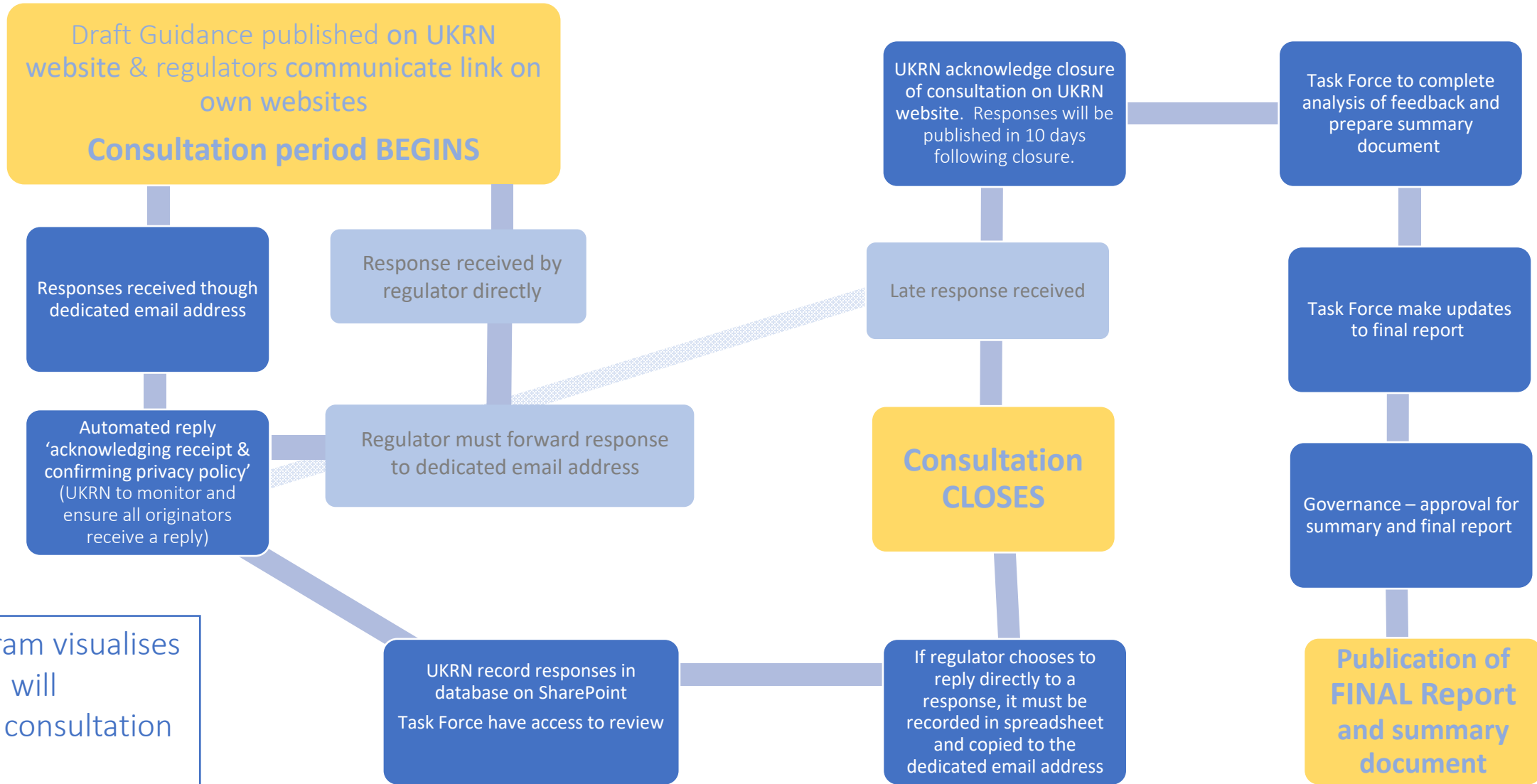
Specifically this consultation is seeking views on the following questions, raised on the draft guidance document;

- **Question 1)** Do you agree with the proposed recommendations?
- **Question 2)** Do you have views on how this guidance could evolve over time, including views on potential issues for further investigation?

We see consultation as an opportunity to seek views and participation on matters that affect the industry, the public and other interested parties. We welcome views on the draft guidance document and the two presented questions by email; consultation.ukrn@caa.co.uk.



Consultation communication pathway



This flow diagram visualises how the UKRN will undertake the consultation process.

1. We will publish information regarding the consultation process and progress on the [UKRN News page](#)
2. We will publish the consultation document and the response updates on the [UKRN Publications page](#)
3. We will consult for **8 weeks**, commencing Wednesday 21st September 2022. **Final responses should be submitted no later than 23:00 on Wednesday 16th November 2022.**
4. All consultation responses will be acknowledged by email from UKRN.
5. If you have views on the way that UKRN run the consultation, please email consultation.ukrn@caa.co.uk.

5. We think that it is important that everyone who is interested in this consultation can see other people's views, so we will publish all the responses within 10 days of consultation closure throughout the period of consultation. Subject to the following, by providing a response to this discussion paper you are deemed to consent to its publication.
- Information provided in response to this document, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Freedom of Information Act 2000 (FoIA), the General Data Protection Regulation 2016, the Data Protection Act 2018, and the Environmental Information Regulations 2004. Please refer to the [UKRN privacy policy](#) for further information on how we process personal data.
 - If you would like the information that you provide to be treated as confidential, please be aware that under the FoIA there is a statutory Code of practice which deals, among other things, with obligations of confidence.
 - If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information and explain in each case why it should not be disclosed and provide a redacted version of your response, which we will consider when deciding what information to publish. At a minimum, we would expect to publish the name of all organisations that provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

- UKRN will email all responders following the closure of the consultation period.
- Late responses (received after the published deadline) will be acknowledged but may not be included for consideration in the final publication.
- After the consultation period has ended, the Cost of Capital Taskforce will make their decisions and when the final guidance paper is published, they will also publish a consultation summary document.
- The UKRN anticipate to publish the final version of the guidance paper in early 2023.
- UKRN will retain consultation response information until the work on the subject matter of the consultation is complete. Once the paper has been published UKRN will only retain anonymised data.



- The UKRN Privacy Notice can be found at: [Privacy Policy | UKRN: the UK Regulators Network](#)
- For more information please email: UKRN@caa.co.uk



Consultation - Frequently Asked Questions (FAQ)

- The UKRN has published a FAQ sheet in parallel with the consultation and this can be found at www.ukrn.org.uk
- If your question is not covered in the FAQ sheet please email your question to consultation.ukrn@caa.co.uk

The following links contain useful information on the general subject of Cost of Capital:

- [UKRN: 7 principles of Cost of Capital](#)
- [UKRN: Estimating the Cost of Capital for implementation of price controls by UK regulators](#)
- [Ofgem: A study into certain aspects of the Cost of Capital for regulated utilities in the UK](#)
- [BEIS: Strategic priorities and cross sectional opportunities for the utilities sectors: open letter to regulators](#)
- [UKRN: Cost of Capital annual report 2022](#)

General Information;

- <https://ukrn.org.uk/privacy-policy>
- [Freedom of Information Code of Practice](#)

Regulators:

- [Ofgem](#): is Great Britain's independent energy regulator.
- [Ofwat](#): regulate the water sector in England and Wales
- [Ofcom](#): is the UK communications regulator.
- [CAA](#): The Civil Aviation Authority (CAA) is responsible for the regulation of aviation safety in the UK,
- [UREGNI](#): The Utility Regulator is responsible for regulating the electricity, gas, water and sewerage industries in Northern Ireland