

UK Regulator's Network

Sent via email to:
consultation.ukrn@caa.co.uk

16 November 2022

Dear Sir/Madam,

Energy Networks Association Response to UKRN guidance for regulators on the methodology for setting the cost of capital – consultation

Energy Networks Association (ENA) represents the owners and operators of licenses for the transmission and/or distribution of energy in the UK and Ireland. Our members control and maintain the critical national infrastructure that delivers these vital services into customers' homes and businesses.

ENA has commissioned independent economic consultant Oxera to review the UKRN draft guidance on the methodology for setting the cost of capital and provide advice on issues relating to the allowed cost of equity (CoE) for regulated networks.

Oxera's report '*Review of the methodology used to estimate the allowed cost of equity for regulated companies*' provides a review of methodology proposed in the UKRN paper to estimate each of the CAPM parameters, and CAPM cross checks. It also reviews the UKRN guidance for selecting a point estimate within the Cost of Equity range. A copy of the Oxera report is enclosed.

I confirm that this letter and the Oxera report do not contain any confidential information, and that we are content for it to be published in full.

We should be grateful if you could acknowledge receipt of this letter.

Yours sincerely,



Director of Markets & Regulation
Energy Networks Association