



An Coimisiún um
Rialáil Cumarsáide
Commission for
Communications Regulation

Weighted Average Cost of Capital ("WACC")

Annual update - 2021

Information Notice

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Commission for Communications Regulation

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1. On 14 October 2020 ComReg issued its Response to Consultation and Final Decision (**'ComReg Decision D10/20'**) in relation to the Weighted Average Cost of Capital (**'WACC'**)¹ to apply for regulatory pricing purposes to fixed line telecommunications, mobile telecommunications and broadcasting.
2. Section 5.1 of the Decision Instrument in Appendix 1 of ComReg Decision D10/20 set the WACC at 5.61%, 5.85% and 5.98% respectively for fixed line telecommunications, mobile telecommunications, and broadcasting. According to Section 5.2 of the Decision Instrument, ComReg will every year recalculate the WACC for each sector and, each year on or before 30 June publish, by way of an Information Notice, updated WACC values.
3. Updated WACC values are to be derived using the same formula as set out in Section 4 of the Decision Instrument, with updated parameters. Paragraph 2.17 of ComReg Decision D10/20 explains that *"The WACCs will be recalculated on an annual basis using updated parameters². These updated WACC values will be published on or before 30 June annually and the recalculated WACC values will be used when price controls are amended or updated as part of any subsequent ComReg decision."*
4. ComReg has contracted Europe Economic Research Limited (**'Europe Economics'**) to assist it with the recalculation of the WACCs for the purpose of the annual update provided for in ComReg Decision D10/20. Europe Economics' first annual update (**'2021 WACC Update Report'**) is attached in Appendix 1.
5. Updated WACCs following the 2021 update are as follows:

Sector	WACC - 2021 Update
Fixed Line Telecommunications	5.56% ³
Mobile Telecommunications	5.81% ⁴
Broadcasting	5.52% ⁵

¹ ComReg Document No. 20/96 – Decision D10/20.

² See section 7.54 of ComReg Decision D10/20.

³ See Table 1.6 WACC update (fixed line) of the 2021 WACC Update Report.

⁴ See Table 1.5 WACC update (mobile) of the 2021 WACC Update Report.

⁵ See Table 1.7 WACC update (broadcasting) of the 2021 WACC Update Report.

6. Details of the parameters underpinning these numbers are included in the appended report for Europe Economics.
7. Updated WACCs will be relied on by ComReg in accordance with Section 6 of the Decision Instrument appended to ComReg Decision D10/20. Paragraphs 7.34 to 7.53 of that decision describes ComReg's approach to the application of these new values. They will be applied in any forthcoming price reviews, specifically those consulted upon in the CEI Consultation published on 9 September 2020 (ComReg Document 20/81) and in the ANM Consultation published on 22 October 2020 (ComReg Document 20/101). ComReg does not regard the changes from the previous values as being sufficiently material on their own to justify reopening other prices not currently under review.

Appendix 1: Europe Economics 2021 report

(Report Attached separately)

ComReg Document No. 21/68a