

Estimating fair rate of return in times of high inflation

Roundtable input by Austria

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WACC calculation model

What WACC calculation model do you use in your legislation? (Capital Asset Pricing Model, other?)

→ **Capital Asset Pricing Model**

- TSO: Regulatory period 2021-2024 (4th period)
- DSO: Regulatory period 2023-2027 (4th period)
- Storage: negotiated third-party access regime (not regulated)

WACC specification

What is the WACC specification (pre/post-tax, real/nominal)?

- *TSO: WACC nominal and pre-tax*
- *DSO: WACC nominal and pre-tax (different WACC for existing and new infrastructure)*

WACC adjustments

How did the WACC change (if at all) in the past 3 years for all gas segments (distribution, transmission, storage)?

- *TSO: small changes of the methodology in 4th regulatory period (2021-2024)*
- *DSO: some adjustments of the methodology in 4th regulatory period (2023-2027), i.a.*
 - *Separate WACC for existing and new infrastructure.*
 - *Roll-up of the t-2 time delay in the network operator price index, in particular due to the current exceptional inflation developments (OPEX).*

Inflation effect on WACC and/or tariffs

How has inflation affected WACC and/or tariffs (CAPEX side)?

- *TSO: WACC: interest rates fixed for whole regulatory period (4 years).*
- *DSO: WACC: inflation expectations have an impact on interest rates and subsequently on the cost of capital → interest rate for WACC of new investments is yearly updated.*
- *Grid utilisation charges were increased 2023 (changed annually).*

Methodology adjustments

Are there any WACC determination methodology adjustments anticipated in the nearest future (2023/24)?

- TSO: No decisions yet but plannings will start this year.*
- DSO: WACC for new investments are yearly updated based on changes of the interest rate.*

- Legal base: Gas Act (Gaswirtschaftsgesetz) 2011:
<https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20007523>
- TSO: <https://www.e-control.at/marktteilnehmer/gas/netzentgelte/methodenbeschreibung>
- DSO: <https://www.e-control.at/marktteilnehmer/gas/netzentgelte/entgeltermittlungsverfahren>
- Storage: <https://www.e-control.at/marktteilnehmer/gas/gasmarkt/speicher>



**THANK YOU
FOR YOUR ATTENTION!**

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