An Coimisiún um
Rialáil Cumarsáide
Commission for
Communications Regulation

# Review of the Weighted Average Cost of Capital in the Irish Telecommunications Sector

## Consultation and Draft Decision

Consultation

**Reference:** ComReg 26/33

**Version:** Final

**Date:** 29/05/2026

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## Additional Information

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## Approval

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Chapter 1

# 1 Executive Summary

1.1 The Commission for Communications Regulation's (**'ComReg'**) is the National Regulatory Authority (**'NRA'**) responsible for the regulation of the electronic communications sector (telecommunications, radio communications, and broadcasting transmission) in the State. As an NRA, ComReg is tasked under the European regulatory framework with reviewing electronic communications markets and in circumstances where a relevant market has been defined and found to be not competitive ComReg may, having designated an undertaking with significant market power ('**SMP**'), impose a variety of obligations on such undertaking.[1] This may include price controls such as the requirement to charge cost-oriented prices and can involve the monitoring of returns made by an SMP operator in relevant markets.

1.2 To determine what constitutes a reasonable rate of return on investment, ComReg estimates the Weighted Average Cost of Capital (**'WACC'**) where the weightings are based on the costs and relative weightings of equity and debt capital. Simply put, the WACC measures a company's cost of capital, that is, the opportunity cost of making a specific investment instead of a different investment with the same level of risk. The WACC reflects the return that investors expect to achieve in financial markets at the same level of risk as the undertaking seeking funding.

1.3 This Consultation document sets out ComReg's approach to estimating the WACC. The last review of the WACC methodology conducted by ComReg was finalised in October 2020 (**'the 2020 Decision'**[2]). On 6 November 2019, the European Commission (**'EC'**) published a Notice on the calculation of the cost of capital for legacy infrastructure in the context of the Commission's review of national notifications in the EU electronic communications sector[3] (**'Commission Notice'**) and an accompanying Staff Working Document[4] (**'SWD'**) setting out the methodology that the Commission considered should be used by national regulatory authorities for the purpose of price controls imposed on undertakings designated with significant market power under the European Electronic Communications Code[5] (**'Code'**).

1.4 The 2020 Decision took into consideration, but did not follow, the approach set out in the Commission Notice in light of circumstances specific to Ireland, which made

[1] See Regulation 46, 49, 50-56, 58 and 62 of the European Union (Electronic Communications Code) Regulations 2022, S.I. 444 of 2022 (the 'ECC Regulations').

[2] ComReg Decision D10/20

[3] European Commission WACC Notice 2019 - (2019/C 375/01)

[4] Staff Working Document

[5] Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code (recast)

elements of the Commission Notice approach, particularly around the estimation of Total Market Return (**'TMR'**), in ComReg's view, not suitable at that time. The 2020 Decision sought to account for the approach advocated by the European Commission and used a mixed approach to calculate the WACC. A WACC was calculated for three separate sectors: fixed line telecommunications; mobile; and broadcasting transmission services.

1.5 Market developments and changes since 2020 in the regulatory landscape, including lesser reliance on cost-orientated price controls, call for a review of the methodology set out in the 2020 Decision. Having sought and considered the advice of CEPA as set out in the Report[6] accompanying this Consultation, ComReg is of the view that the approach it had adopted in the 2020 Decision is no longer optimal and having considered the recommendations of CEPA, finds that it is more appropriate to follow the approach set out in the Commission Notice as implemented and published annually by BEREC, for the following reasons:

- Since the last review, the number of markets where cost-based price controls apply, for which the WACC is a direct input, has declined. Given that the WACC will be used to derive cost-oriented prices in fewer markets, the use of readily available information from the annual BEREC WACC Parameters Report[7] is an efficient way to update the WACC on an annual basis.

- In applying the Commission Notice approach, ComReg aligns itself with an increasing number of European NRAs who fully apply the Commission Notice in their national WACC updates, and contribute towards the EC objectives to:

  - Contribute to the development of the internal market – the Commission Notice significantly reduces methodological divergence in how NRAs estimate WACC which supports the EU single market objective.

  - Ensure development of consistent regulatory practice supporting regulatory predictability – a harmonised and stable framework reduces regulatory risk especially for SMP operators subject to price controls.

  - Promote efficient investment and innovation – predictability lowers perceived risk and can help stabilise financing conditions for regulated firms.

  - Support transparency – the methodology is explicit, parameter-by-parameter, with clear guidance on data sources and calculation steps.

[6] CEPA Report titled "Cost of Capital estimation" dated 25th November 2025 – ComReg 26/33a
[7] BEREC WACC Parameters Report June 2025

- While the formula for WACC is a mechanical formula, almost every input requires a level of judgement. As a result, regulatory WACC estimation is not just an empirical calculation but also a structured, evidence-based, judgement process. On this basis ComReg considers that both the Commission Notice approach and the approach proposed by CEPA would meet its regulatory objectives, however, ComReg considers that the Commission Notice approach is most appropriate for estimating the Fixed WACC and an appropriate starting point for the estimations of separate WACCs for PIA and Broadcasting services.

1.6 Second, ComReg is of the view that it is no longer necessary to calculate a separate WACC in relation to mobile telecommunications and instead, having considered CEPA's recommendations, that a WACC should be calculated for the following three sectors:

- Fixed Line telecommunications;
- Physical Infrastructure Access ('**PIA**'); and
- Broadcasting Transmission Services.

1.7 In addition. having considered the EC Recommendation of 6 February 2024 on the regulatory promotion of gigabit connectivity (**'Gigabit Recommendation'**),[8] ComReg does not believe that it is necessary or appropriate to apply a risk premium to the WACC to reflect the potentially higher risk associated with very high capacity networks (**'VHCNs'**) (noting that FTTH rental is not currently cost oriented).

1.8 WACCs calculated for each sector using the Commission Notice are set out below:

| Sector | WACC % as at June 2025 | Proposed WACC Estimate per current Consultation |
|---|---|---|
| Fixed | 4.82% | 4.41% |
| Physical Infrastructure Access | N/A | 4.19% |
| Mobile | 4.88% | N/A |
| Broadcasting | 6.99% | 5.44% |

[8] Commission Recommendation (EU) 2024/539

1.9 ComReg will continue, as has been the case since the 2020 Decision, to update the WACC on an annual basis. Annual updates will be published on or before 30 September each year in order for ComReg to make use of the update to WACC parameters for the purpose of the Commission Notice published annually by BEREC on or around 30 June. As has been the case since the 2020 Decision, the updated WACC value will be used for the purpose of new price control measures; updated WACC values will not be applied to existing price controls on an automatic basis: rather in case of material variations in the WACC value year on year, consideration will be given to whether existing price controls ought to be updated.

1.10 The table below sets out the WACC estimates for Fixed Line, PIA and Broadcasting Transmission services calculated using the Commission Notice approach.

**Proposed WACC Estimates for Fixed Line, Physical Infrastructure Access and Broadcasting Transmission services**

| Parameter | Fixed | PIA | Broadcasting |
|---|---|---|---|
| **Cost of Debt** | 2.78% | 2.59% | 3.36% |
| **Risk-free rate** | 1.61% | 1.61% | 1.61% |
| **Total Market Return** | 7.56% | 7.56% | 7.56% |
| **Equity Risk Premium** | 5.95% | 5.95% | 5.95% |
| **Asset Beta** | 0.36 | 0.34 | 0.50 |
| **Debt Beta** | 0.10 | 0.10 | 0.10 |
| **Notional Gearing** | 47.35% | 47.35% | 24% |
| **Equity Beta** | 0.59 | 0.56 | 0.63 |
| **Cost of Equity** (post tax) | 5.15% | 4.92% | 5.34% |
| **Post Tax WACC** | 4.03% | 3.82% | 4.86% |
| **Taxation** | 12.5% | 12.5% | 12.5% |
| **Pre-Tax Cost of Equity** | 5.88% | 5.62% | 6.10% |
| **Nominal Pre-tax WACC** | **4.41%** | **4.19%** | **5.44%** |

1.11 ComReg invites all interested parties to submit their views on its draft Decision. The consultation period will run for 6 weeks closing on **9 July 2026 at 5pm**.

Chapter 2

# 2 Introduction

2.1 This Consultation document sets out ComReg's draft Decision on WACC in the Irish Telecommunications Sector.

2.2 ComReg is the NRA responsible for the regulation of the electronic communications sector (telecommunications, radio communications, and broadcasting transmission) in the State. As an NRA, ComReg is tasked under the European regulatory framework with reviewing electronic communications markets and in circumstances where a relevant market has been defined and found to be not competitive ComReg may, having designated an undertaking with SMP, impose a variety of obligations on such undertaking.[9] This may include price controls such as the requirement to charge cost-oriented prices and can involve the monitoring of returns the SMP operator makes in relevant markets.

2.3 To determine what constitute a reasonable rate of return on investment, ComReg estimates the WACC where the weightings are based on the costs and amounts of equity and debt capital. Simply put, the WACC measures a company's cost of capital, that is, the opportunity cost of making a specific investment instead of a different investment with the same level of risk. The WACC reflects the return that investors expect to achieve in financial markets at the same level of risk as the undertaking seeking funding. As such, it reflects the returns investors expect rather than compensates them for historical investment decisions and it can be considered as the average rate a company pays to finance its assets through a combination of debt and equity. From a company's perspective the cost of capital is the minimum return it must provide for investors to invest or lenders to lend, which can be approximated as the WACC.

2.4 From a regulatory perspective, the WACC is central to the regulated price-setting process with an important impact on a regulated undertaking's investment incentives, as well as the overall competitive process, and ultimately prices for consumers. In particular, the WACC plays an important role by setting the reasonable return allowed to SMP operators in respect of regulated products, thereby protecting existing and future levels of competition in wholesale and retail markets, protecting consumers, and promoting efficient network investment by SMP operators and other operators.

2.5 The WACC methodology for use in price controls for SMP operators was last set by ComReg in 2020. In the 2020 Decision, ComReg calculated the WACC combining

[9] See Regulation 46, 49, 50-56, 58 and 62 of the European Union (Electronic Communications Code) Regulations 2022, S.I. 444 of 2022 (the 'ECC Regulations').

two methodologies: the methodology used in the 2014 WACC Decision[10] ('**the 2014 approach**') and the methodology recommended by the EC in the Commission Notice and the accompanying SWD ('**the Commission Notice approach**'), taking into account the specific circumstances of the Irish economy and observable data. Under the 2020 Decision separate WACCs are calculated for fixed line telecommunications, mobile telecommunications and broadcasting transmission services and are updated (recalculated) on an annual basis. The recalculated WACCs are published on or before 30 June annually and apply when any price controls are amended or updated as part of any subsequent ComReg Decision. The WACCs have been updated five times since the 2020 Decision with the most recent update published in June 2025.[11]

2.6 It is now timely to review the methodology used by ComReg to calculate the WACCs having regard to the markets that ComReg regulates and the pricing obligations that ComReg imposes, in order to ensure that its value remains at a level that is appropriate in light of ComReg's statutory objectives and of regulatory requirements, namely:

(a) Under Section 12 of the Communications Regulation Act 2002, as amended (the '**Act**'), to promote competition; to contribute to the development of the internal market; and to promote the interests of users within the Community.

(b) Under Regulation 4 of the European Union (Electronic Communications Code) Regulations 2022 (the '**ECC Regulations**'), amongst other things, the promotion of efficient investment and innovation in new and enhanced infrastructures, applying objective, transparent, non-discriminatory and proportionate regulatory principles.

(c) The requirement under Regulation 56 of the ECC Regulations, "[t]o encourage investments by the undertaking, including in next generation networks, … take into account the investment made by the undertaking which the Regulator considers relevant …[and] allow the undertaking a reasonable rate of return on adequate capital employed, taking into account any risks involved specific to a particular new investment network project."

2.7 In particular, ComReg is mindful of the need to ensure that the WACC is at a level that is appropriate to promote a favourable climate for efficient and timely investment and to promote innovation in telecommunications and broadcasting infrastructure and services in Ireland. A WACC rate that is set too low could make future investment unattractive to investors. Similarly, a WACC that is too high would allow a regulated company to earn excessive returns at the expense of its wholesale and retail

[10] ComReg Decision D15/14

[11] ComReg Information Notice 25/35

customers while also potentially distorting pricing signals to investors. However, ComReg notes that it does not have an obligation to ensure financeability and financeability concerns are not among the factors that ComReg considers when selecting the most appropriate approach to the estimation of the WACC.

2.8 A key starting point to ComReg's consideration of the methodology that it should use to estimate the WACC is the European Commission's Notice on the calculation of the cost of capital for legacy infrastructure of 6 November 2019 and the accompanying Staff Working Document. While the Notice is not binding on NRAs, it sets out the methodology the European Commission uses to calculate the WACC that it then uses as part of its review of the draft decisions notified by NRAs to the EC pursuant to Article 32 of the European Electronic Communications Code.[12] The Commission Notice seeks to address, as explained in its paragraph 7, the significant discrepancies observed by the EC in the estimation of WACC by NRAs bringing a lack of consistency across Member States and over time with the potential to distort investment incentives in the Digital Single Market and undermine the development of the internal market by hindering the creation of convergent conditions for investment in electronic communications networks.

2.9 At the time the 2020 Decision was adopted and notified by ComReg, the transitional period set out in paragraph 71 of the Commission Notice applied so that the EC did not base its review of ComReg's draft WACC decision on the Commission Notice. The transitional period expired on 30 June 2021 and ComReg expects that the EC will rely on the Commission Notice in its consideration of ComReg's draft decision.

2.10 To assist with its review ComReg engaged the services of Cambridge Economic Policy Associates (**'CEPA'**) to provide a comprehensive review of ComReg's approach to WACC under the 2020 Decision, the Commission Notice approach and to make recommendations as regards the calculation of the WACC.

## Document structure

2.11 This document sets out for consultation, the methodology that ComReg will use for calculating the WACC for use in regulatory decisions in the Irish telecommunications sector, as follows:

- Chapter 3 sets out ComReg's overall approach for the calculation of the WACC considering the use of different WACCs for different services or sectors with the telecommunications sector and continuing its use of the Capital Asset Pricing Model ('**CAPM**'), a finance model that examines the relationship between the risk of an investment and its expected return. Under the WACC-CAPM the WACC will be calculated on a nominal pre-tax basis by reference to a hypothetical efficient

[12] Directive (EU) 2018/1972 of the European Parliament and of the Council establishing the European Electronic Communications Code (Recast)

operator and expressed as a weighted average of the cost of debt and the cost of equity.

- Chapter 4 then considers the general parameters relevant to the WACC calculation, namely the risk-free rate; the Total Market Return / Equity Risk Premium; and taxation, applicable irrespective of the sectors or services concerned.
- Chapters 5, 6 and 7 set out the calculation of sector-specific parameters and the WACC calculation for each of the three sectors or services identified by ComReg.
- Chapter 8 considers implementation aspects.

## Information Sources

2.12 In drafting this Consultation, ComReg draws upon the following information and data sources:

(a) Information set out in the 2020 Decision (ComReg Document D10/20);[13]

(b) Information set out in the 2019 Consultation (ComReg Document 19/54);[14]

(c) European Commission WACC Notice of 5 November 2019 and accompanying SWD;

(d) Expert Report[15] from Consultants (CEPA);

(e) Other information in the public domain.

## Consultation Process

2.13 ComReg invites all interested parties to respond to the questions set out in this Consultation. The consultation period will run for 6 weeks closing on **9 July 2026** at 5pm. The task of analysing responses received will be made easier if all comments are referenced to the specific question numbers set out in this Consultation. In so doing the respondents are requested to:

(a) Clearly explain the reasoning for their response, indicating the specific relevant paragraph numbers within the Consultation to which their response refers, along with all relevant factual or other evidence

[13] ComReg Document D10/20

[14] ComReg Document 19/54

[15] Report from CEPA titled "Cost of Capital estimation" dated 25th November 2025 – ComReg Document 26/33a

supporting views presented. Respondents should ensure that their responses contain paragraph numbers to facilitate cross referencing;

(b) Ensure that a non-confidential version of their response is provided by the closing date set out above and also be aware that all non-confidential responses to this Consultation will be published subject to the provisions of ComReg's guidelines on the treatment of confidential information.[16] Similarly, any correspondence received by ComReg from respondents in the course of the consultation process may also be published;

(c) Ensure that confidential elements of responses are clearly marked using the following format: [ ✂ relevant text deemed to be confidential ✂ ] and give the reason or reasons why they consider that the relevant text is confidential. Respondents should provide both a confidential and non-confidential version of any submissions by the closing date set out above; and

(d) Provide a copy of their submissions in an unprotected electronic format in order to facilitate publication by ComReg.

2.14 Having analysed and considered the comments received, ComReg will review the proposals set out in this Consultation and having considered the European Commission Notification Requirements will consider whether to maintain or amend its proposals.

2.15 All responses should be sent by email to wholesalepricing@comreg.ie to arrive on or before **5pm on 9 July 2026**. Responses received after this date may not be considered. Responses should be marked for the attention of:

Aveen McCumiskey

**Email**: Aveen.mccumiskey@comreg.ie

[16] ComReg D05/24 - Guidelines on the treatment of confidential information

Chapter 3

# 3 Overall Approach to WACC

## 3.1 CAPM

3.1 The CAPM–WACC methodology formula is commonly used to estimate the cost of equity in the overall WACC calculation. "**CAPM**" refers to the Capital Asset Pricing Model, a finance model that examines the relationship between the risk of an investment and its expected return. Under the CAPM-WACC the WACC is calculated on a nominal pre-tax basis by reference to a hypothetical efficient operator and expressed as a weighted average of the cost of debt ($r_{debt}$) and the cost of equity ($r_{equity}$) according to the following formula:

$$WACCpre{-}tax = g * r_{debt} + (1 - g) * \frac{requity}{1-T}$$

Where:

- $g$ = gearing, which is defined as the ratio of debt to the total value of the debt and of equity of the operator (debt/(debt + equity)) and
- T = corporation tax rate

3.2 Under the CAPM, the cost of equity is calculated using the formula:

$$r_{equity} = rf + \beta_{equity} * ERP$$

Where:

- rf = the risk-free rate ('**RFR**')
- $\beta_{equity}$ = the equity beta, which is the covariance of a stock's return's with the market's returns, divided by the variance of the market's returns, and which measures the stock's sensitivity to systematic risks; and
- ERP is the Equity Risk Premium, which is the difference between the Total Market Return ('TMR') and the risk-free rate, representing the additional return over the risk-free rate expected by investors for investing in the entire equity market.

3.3 The cost of debt ($r_{debt}$) is essentially the interest rate on borrowed funds. It reflects the risk of lending to a company and the prevailing market conditions. The cost of debt is intended to capture the costs of an efficient notional network operator raising debt finance. See further details in Section 5.5.

3.4 The risk-free rate, the ERP and the corporate tax rate are economy-wide or "generic".

3.5 Other parameters such as the asset and equity beta, the debt beta, gearing and the debt premium and/or cost of debt are generally more firm-specific or sector specific. These are assessed using a selection of comparators or "peer group" as a reference.

- The asset beta, measures the risk of a company's underlying business without the impact of debt (financial leverage).
- The debt beta measures a debt's exposure to systematic risks (in past decisions it was set at zero).
- The debt premium is the return above the risk-free rate that a debt investor requires to make that investment.

3.6 There are different ways in which the CAPM-WACC framework may be implemented and it is common to cross check outputs produced using one particular method with that from one or more other approaches. In this regard, while the formula for WACC is a mechanical formula, almost every input requires a level of judgement.

3.7 In its 2014 Decision ComReg had adopted an **"equilibrium approach."**[17] Under this approach WACC is considered as an equilibrium parameter in the economy that is inferred rather than observed, with judgement applied to account for distortions in the observed data arising from issues such as, for example, quantitative easing. Under the equilibrium approach the parameters for the cost of equity calculation are not considered to be directly observable – rather they are inferred from economic and macroeconomic data and historical experience. This is in contrast to an "**observed asset approach"** whereby the WACC is considered to be observable rather than an inferred approach. The Commission Notice approach as set out by the EC is an observed asset approach.

3.8 An important difference between the two approaches is around the estimation of the risk-free rate. The observed asset approach will typically use the yield to maturity on government issued bonds, which are assumed to be a close proxy to the return on a theoretical risk-free rate. By contrast under the equilibrium approach the risk-free rate is an underlying equilibrium parameter from which the actual yields for near risk-free assets might deviate at any one time. In 2020 ComReg was concerned that government bonds could likely have become poor proxies for risk-free returns following issues such as the financial crisis in 2008-2009 and having set out its initial view in the 2019 Consultation that the equilibrium approach should be used, based on further insight and analysis, relevant comparisons, and stakeholder feedback, ComReg concluded that the WACC should not be set solely with reference to an equilibrium approach or an observed asset approach. The approach to cost of equity

[17] See paragraph 3.6 of the 2020 Decision

involved calculating the relevant WACC parameters under both the Equilibrium Approach as used in the 2014 Decision and a modified Commission Notice approach.

3.9 The final cost of debt was set with reference to four approaches:

- Commission Notice approach;
- "All-in" cost of debt approach;
- The equilibrium approach – calculates cost of debt from the equilibrium risk free rate and a debt premium obtained by comparing the spreads between operator bonds and domestic government bonds. Referred to as a 'modelled' approach;
- Recent bond issuances by Eircom.

3.10 To determine the final cost of debt in the 2020 Decision the range of the four estimates was derived and a point estimate chosen from within the range.

3.11 Under the 2020 Decision the WACC is updated on an annual basis and published on or before 30 June annually using updated parameters. The 2020 Decision outlined that the methodology to be used was largely on the basis of the Commission Notice approach for both cost of equity and cost of debt but with an adjustment[18] to each to reflect the equilibrium approach in the overall final results.

3.12 For the purpose of evaluating the approach most suitable to estimate the WACC in Ireland, CEPA were appointed to assist and advise ComReg on the current review of WACC and to make recommendations as regards the methodology which ComReg could follow to estimate each of the WACC parameters value. The methodology recommended by CEPA departs from the Commission Notice approach in a number of ways. Set out below is a summary of the key elements of the Commission Notice approach and the CEPA recommendations, and their differences and reasons for ComReg's choice of approach.

## 3.2 Choice of approach

### Commission Notice approach

3.13 The Commission Notice sets out a single, harmonised methodology for NRAs in calculating the WACC to be applied in relation to legacy telecom infrastructure. It aims to ensure consistency, transparency, and replicability across Member States.

[18] See paragraphs 7.57 – 7.65 of the 2020 Decision for details of the adjustments applied as part of the annual WACC updates.

There are a number of overarching assumptions underpinning the recommended Commission Notice approach. These are:

- **Harmonisation across the EU:** The Commission Notice assumes a common methodology will drive regulatory consistency.
- **Focus on Legacy Networks:** The methodology is applied explicitly to legacy telecoms infrastructure. It does not cover VHCNs. Specific risk premia for VHCNs may be added separately as per the Gigabit Recommendation.
- **Market-Based, Not Firm Specific:** Relevant WACC parameters are derived from European peer group averages, not company-specific values. This serves to reinforce predictability and avoids rewarding inefficient firm performance.
- **Averaging Windows:** The Commission Notice embeds a 5-year averaging horizon for the RFR and other market variables to reduce the effects of potential short-term volatility and ensure stability.
- **Transparency and Replicability:** All inputs to the calculations must be publicly available (e.g. Bloomberg), replicable by stakeholders and explained step by step in NRA decisions.
- **Investor Confidence and Internal Market Cohesion:** The Commission Notice is based on the assumption that predictable and consistent WACC estimates support Investment decisions, Internal market harmonisation and avoidance of distortions linked to national methodologies.

3.14 The Commission Notice details how each of the WACC parameter values should be estimated on the basis of the above assumption. In addition, the Notice envisages that BEREC (the Body of European Regulators for Electronic Communications) estimate the parameter values and publish them on an annual basis in order to facilitate the work of NRAs in preparing periodic WACC reviews.[19] This involves BEREC, in close collaboration with the Commission, estimating the parameters reflecting general economic conditions, including an estimation of the RFR for each Member State and a single Union-wide ERP, and for the company-specific parameters, drafting a list of companies suitable for the peer group and an estimation of the equity beta, gearing, debt premium and cost of debt for each company included in the list.

3.15 As contemplated in the Commission Notice, since 2020, BEREC has published on an annual basis a report which, as set out in the first report, "*contains the results of the calculations run by BEREC to estimate the parameters of the Weighted Average Cost of Capital (WACC) according to the non-binding Commission Notice on the calculation of the cost of capital for legacy infrastructure in the context of the Commission's review of national notifications in the EU electronic communications*

[19] Commission Notice, para. 64-67.

*sector…"*[20] and ComReg, as an NRA, participates in the drafting. BEREC's sixth Report notes that while NRAs are assumed to take into account the estimated WACC parameter values published by BEREC when carrying out their own calculations for their national regulatory decisions, they do have some flexibility within this framework to take account of national specificities.[21] Annex 6 of that Report which summarises in a table comments made by the European Commission in response to NRA notifications concerning the WACC in 2024, suggests that NRAs following the Commission Notice most often deviate from the Notice as regards the RFR.

## CEPA

3.16 Underpinning the recommendations made by CEPA were a number of non-parameter choices and assumptions:

- **Annual Updates**: Annual updates are prudent if new data reflects "signal" rather than "noise" and updating the parameter is not reliant on the exercise of a significant amount of judgement. CEPA considers that the risk-free rate and cost of debt are well-suited to annual updates as they are mainly quantitative, and not subject to significant judgement, and that beta and gearing are potentially less suited to annual updates, given the scope for shock events to influence empirical betas and the need for judgement when interpreting the results.

- **Selection of reference risk case:** CEPA uses wholesale FTTH/Leased lines as a base case reference, later adjusting for relative risk. This allows comparability with the BEREC fixed WACC parameters base case. CEPA considers that the comparator sample is, on balance, reflective of the systematic risk profile of wholesale FTTH/Leased lines and assesses the systematic risk exposure of PIA relative to this base case.

- **Eurozone Focus:** CEPA focuses on the Eurozone as a single integrated market which implies placing greater weight in Eurozone related measures, adjusted for Irish evidence where applicable. This reflects CEPA's view that:
  - from a theoretical perspective, in a monetary union such as the Eurozone, it is expected that key parameters will converge on a central view over a long enough time period;
  - from a practitioner's perspective, CEPA suggest investors would typically view an investment in Irish telecoms as part of an asset class that includes European telecoms more generally; and

[20] BEREC Report on WACC parameter calculations according to the European Commission's WACC Notice of 7th November 2019 (WACC parameters Report 2020), 12 June 2020, BoR (20) 116, p. 4.

[21] BEREC WACC Parameters Report June 2025, BoR (25) 64, p. 6.

- from a pragmatic perspective, Eurozone data provides a larger and richer information set than more limited Irish-only data, meaning CEPA's estimates are more likely to be more statistically robust.

- **Investor Horizon**: CEPA assumes that investors have long term horizons (e.g. 10 years) while noting that parameters can be updated annually without invalidating that assumption.

3.17 ComReg considers that both the Commission Notice approach and the approach proposed by CEPA carry their own merits and would meet ComReg's regulatory objectives. However, there are a number of benefits to adopting the Commission Notice approach at this time. In particular, in applying the Commission Notice approach, ComReg aligns itself with an increasing number of European national regulatory authorities (NRAs) who fully apply the Commission Notice in their national WACC updates, and contribute towards the EC objectives of:

- development of the internal market – the Notice significantly reduces methodological divergence in how NRAs estimate WACC which supports the EU single market objective – While not all NRAs follow the Commission Notice, most do. Some NRAs have made deviations for instance, amending the risk-free rate for national specificities.
- development of consistent regulatory practice.
- Regulatory predictability – a harmonised and stable framework reduces regulatory risk especially for SMP operators subject to price controls.
- Promotion of efficient investment and innovation – predictability lowers perceived risk and can help stabilise financing conditions for regulated firms.
- Transparency – the methodology is explicit, parameter-by-parameter, with clear guidance on data sources and calculation steps.

3.18 ComReg notes that although the Commission Notice is non-binding in nature, the Commission applies it systematically in Article 32 Notification[22] assessments and flags any deviations.

3.19 In addition, publication by BEREC of updated WACC parameter values calculated following the Commission Notice approach means that ComReg has readily accessible WACC parameter values (to which calculation it has contributed).

3.20 Using a different approach would require to carry out a detailed assessment of all relevant parameters as well as contributing to BEREC drafting of the annual WACC

[22] Under **Article 32 of Directive (EU) 2018/1972** (establishing the European Electronic Communications Code), National Regulatory Authorities (NRAs) must notify the Commission, BEREC, and other Member States of draft measures intended to regulate telecommunications markets

Parameters Report. This is relevant given that since 2020, the number of markets in which ComReg has imposed specific cost-oriented price controls has reduced. ComReg no longer imposes such specific cost based price controls in relation to FTTC rental (now subject to a "Pricing Continuity" approach[23]) or SB-WLR rental and the previously imposed price controls in the markets for Fixed Voice Call Termination ('**FVCT**') and Mobile Voice Call Termination ('**MVCT'**) have now been superseded by the introduction of "Eurorates" under Article 75 of the Code, whereby the maximum EU wide charges for these services are set directly by the European Commission. This means that the number of markets where cost-based price controls apply, for which the WACC is a direct input, has declined. Given that the WACC will be used to derive cost-oriented prices in fewer markets, ComReg considers that the use of readily available information from the annual BEREC WACC Parameters Report is an efficient way to update the WACC on an annual basis.

3.21 Finally, ComReg notes that while the Commission Notice approach and CEPA's approach calculate different values for each of the parameters in the WACC formula, the WACC figures derived from those calculations are in overall terms not currently materially different notwithstanding the observations on the risk-free rate in Chapter 4 below. It appears to ComReg accordingly, that the European Commission's approach should be preferred, in the first instance and where the necessary information is available in the BEREC Annual WACC Parameters Report unless there are strong and material reasons to deviate from it.

Q. 1 Do you agree with ComReg's proposal to calculate the WACC based on the Commission Notice approach, using the annual BEREC WACC Parameters Report rather than any alternative approach? Please clearly indicate the relevant paragraph numbers to which your comments refer, along with providing all relevant factual evidence supporting your views.

## 3.3 Calculation of sector-specific WACCs

### 3.3.1 Overview

3.22 Under the 2014 and the 2020 Decisions, ComReg calculated three separate WACCs, for the Fixed Line Telecommunications Sector; Mobile Services; and Broadcasting Transmission Services. Having considered CEPA's Report, this draft Decision sets a single WACC for fixed and mobile telecommunications based on FTTH and leased lines services, due to their predominant contribution to the activities of Fixed Line telecoms operators, a separate WACC for Physical Infrastructure Access and a separate WACC for broadcasting services. In doing so, ComReg follows CEPA's approach using FTTH (wholesale broadband and leased lines) as a "base case" to set a WACC for Fixed Line Telecommunications, adjusted then for the relative risk

[23] See Table 1 of ComReg's WLA/WCA Decision (ComReg D05/24)

associated with PIA and Broadcasting. This approach allows for comparability with the BEREC fixed WACC parameter estimates.

### 3.3.2 FTTH/Leased Lines and FTTC

3.23 In selecting FTTH/Leased Lines as the appropriate Fixed Line reference point from which to conduct any possible adjustments for relative risk, ComReg notes that in Ireland the rollout of very high capacity networks, primarily through FTTH has been accelerating at pace through a combination of commercial investment in densely populated areas and state intervention through the National Broadband Plan ('NBP'). ComReg's QKDR report for Q4 2025[24] shows that 84% of all premises in Ireland have FTTP available, with 59% of those having an active FTTP service. It is also appropriate to group FTTH and Leased lines together given their use of the same technology that requires fibre deployment to the premises and broadly equivalent risk profiles.

3.24 ComReg is also of the view that Fibre To The Cabinet ('**FTTC**') has a similar systematic risk profile to the FTTH/Leased Lines reference case and FTTC is accordingly included in the reference case WACC calculation. In Box A.2 in Appendix A of their report, CEPA notes that FTTH may feature higher income elasticity of demand and thus be more sensitive to fluctuations in aggregate income than cheaper legacy copper services; conversely, FTTC would be expected to face greater systematic asset stranding risk than FTTH given the legacy nature of FTTC networks and the fact that FTTH is a new technology. However, given that the European FTTH rollout is past "peak capex", operating leverage primarily magnifies systematic demand risk or asset stranding exposures. As a result, the net effect of FTTH's greater systematic demand risk and FTTC's greater systematic asset stranding risk is unclear so that there is no robust case for an operating leverage differential between FTTH and FTTC.

### 3.3.3 Mobile

3.25 While a separate WACC for Mobile was calculated in 2014 and 2020, we are not calculating a separate Mobile WACC as part of the current consultation, as set out below. While we consider it unlikely that a Mobile WACC will be required for any regulatory purpose in the short term, in the event that the need does arise we would consider that, given the equivalent risk profile, that the Fixed WACC as outlined in this Consultation could be used as a proxy.

#### Demand

3.26 As per the CEPA report there are arguments on both sides for FTTH services to have greater or lower systematic demand risk compared to mobile services, so that it is

[24] ComReg Quarterly Key Data Report - Q4 2025

reasonable to assume that mobile and FTTH/Leased lines have similar overall demand risk:

- FTTH exhibits lower demand risk – FTTH services are more likely to be contracted and so may be less exposed to fluctuations in aggregate income. According to ComReg's QKDR from Q1 2026 approximately 23% of mobile subscriptions in Ireland are not bill pay services, giving such customers greater flexibility to adjust their consumption of telecoms services in response to changes in income, and therefore giving them a higher systematic risk.

- FTTH exhibits greater demand risk – Higher speed FTTH services could be increasingly viewed as potentially having a greater risk of downtrading in the event of a reduction in aggregate income. CEPA acknowledge that there is no strong empirical evidence of this but consider on balance that it is more likely to be a significant factor, especially in an Irish/EU context, where companies have a low share of pre-paid mobile customers relative to other jurisdictions.

#### Asset Stranding

3.27 FTTH can be viewed as a long term, relatively "future proof" investment while investment in mobile typically comes in more regular cycles e.g. 4G, 5G etc. It could therefore be considered that the asset stranding risk for mobile could be slightly higher than that for FTTH/Leased lines. However, it is accepted that any difference would be relatively small given that new mobile deployments do not result in quick asset stranding of previous rollouts.

3.28 It can be considered possible accordingly that mobile and FTTH/Leased Lines have similar asset stranding risk or for mobile to have slightly higher asset stranding risk.

#### Operating leverage

3.29 Given progress made to date on rollout of both 5G and FTTH both can be considered to have a similar operating leverage.

#### Regulatory arrangements and risk sharing

3.30 The regulation for both mobile and FTTH has been the subject of some changes in recent years. ComReg considers that they would have similar risk profiles in this regard.

### 3.3.4 PIA

3.31 In contrast to mobile, it is appropriate to calculate a separate WACC estimate for PIA in light of the following differences in the systematic risk of PIA against the FTTH/Leased Lines reference case.

### Demand

3.32 ComReg finds that wholesale FTTH/Leased lines have higher systematic demand risk relative to PIA, noting as follows:

- Eircom has been designated with significant market power ('SMP') in a national PIA market due to its ubiquitous physical infrastructure network with no effective existing or potential rival operator. Eircom therefore has the ability and incentive to leverage its position from PIA into related markets.
- There are likely to be stronger preferences among wholesale FTTH/leased line customers than PIA access seekers to switch provider once supply has been established and is in use, given costs involved and the operational risks that would follow.
- There may be greater incentives for wholesale FTTH/Leased lines customers, such as retail service providers ('RSPs') to switch or use multiple wholesale providers where possible. There is a greater level of competition in FTTH/Leased Line markets which sit downstream from the PIA market meaning RSPs are more likely to be able to achieve improvements in margin through switching supplier. This greater ability to switch and the potential for a RSP to utilise multiple wholesale providers means there is a greater level of systematic demand risk compared to PIA.
- PIA contracts are typically provided over a longer time horizon than wholesale FTTH/leased lines contracts, e.g. Eircom's current arrangement with National Broadband Ireland ('NBI') to provide PIA over a 25-year horizon (with possible extension) that also contains "step in rights" were NBI to not succeed which effectively insulates the PIA provider from non-payment risk.

### Asset Stranding

3.33 FTTH networks face higher asset stranding risk when compared to PIA networks. While FTTH is a relatively new technology when compared to, say, FTTC, future advances in technology could potentially increase the asset stranding risk of FTTH in the long term. While there is no current evidence of this occurring in the long term, many elements of PIA that are capable of supporting wired ECNs such as ducts and poles are not specific to fibre or any other individual technology and therefore PIA can be viewed as facing very low asset stranding risk.

### Operating leverage

3.34 Rollout of FTTH has been progressing with deployment across Ireland still ongoing. Such investment in FTTH networks is associated with a relatively large degree of up-front sunk costs, meaning that being a FTTH network operator implies a relatively high operating leverage at least during the build phase.

3.35 While FTTH is in the build phase with significant cash outflows this will likely point towards greater sensitivity of cash flows and returns compared to mature infrastructure, such as PIA, that requires minimal investment to maintain.

3.36 The majority of Eircom's PIA network, and PIA networks more generally, are primarily a sunk asset with relatively low fixed costs relative to total costs. In the 2024 PIA Decision ComReg noted that "*there is little indication that there will be any significant investment in the construction of new PI to support fixed telecoms in the medium term*[25]". Therefore, there is higher operating leverage associated with the FTTH/leased lines reference case than for PIA, at least until the build phase of FTTH is completed.

#### Regulatory arrangements and risk sharing

3.37 In Ireland, the SMP operator, as a provider of PIA, is subject to a full suite of SMP remedies. ComReg has imposed obligations around access, non-discrimination, transparency, price control, cost accounting, accounting separation and regulatory governance obligations in relation to PIA. From a pricing perspective this has resulted in maximum national prices being set for pole access and deaveraged prices set for duct access.

3.38 ComReg's regulation of FTTH and Leased Lines also includes these SMP remedies in some cases. The main distinction from PIA is around specific price control obligations. For FTTH ComReg has adopted a more flexible approach, where the SMP operator has some freedom around setting of prices once a number of conditions are also met.

3.39 Based on the above considerations ComReg is of the view that PIA services overall have a lower systematic risk profile to the FTTH/Leased lines reference case. Chapter 6 sets out ComReg's calculation of a PIA-specific WACC.

### 3.3.5 Broadcasting

3.40 A separate WACC for broadcasting transmission services also remains appropriate and Chapter 7 sets out ComReg's calculation of a broadcasting transmission services-specific WACC. Differences in the systematic risk of Broadcasting services as compared to the FTTH/Leased lines reference point include the following:

#### Demand

3.41 Broadcasting transmission services have higher systematic demand risk relative to wholesale FTTH/Leased lines:

[25] Chapter 1, paragraph 1.6 of ComReg D03/24

- The demand for wholesale broadcasting transmission services is fundamentally underpinned by the demand for terrestrial television services at the retail (i.e. viewer) level.
- Free to air (FTA) Digital Terrestrial Television (DTT) has relatively stable demand, with a household penetration rate of 36% as of June 2024.[26] In the 2026 Broadcasting Decision[27] ComReg noted that Pay TV services, subscription video on-demand (SVOD) and DTH FTA satellite TV services are not likely to be effective substitutes for FTA DTT or DTT multiplexing services.[28]
- However, ComReg's analysis also indicated that households are increasingly utilising other platforms to consume TV in addition to FTA DTT e.g. IPTV platforms and subscription video on-demand (SVOD) platforms, with only 12% of TV viewers relying on FTA DTT as their only TV service.[29] Many of the alternatives for terrestrial television rely on internet connection rather than broadcast towers or traditional multiplex operators, meaning there is higher demand risk for broadcasting (particularly for non-public service broadcasting channels) than FTTH and leased lines as audiences continue to migrate to online viewing, particularly over the medium and long-term.

### Asset Stranding

3.42 Digital TV multiplexes require spectrum in order to broadcast TV, with this spectrum potentially being at risk of being allocated to more productive uses through the development of international harmonisation measures, as determined by the World Radiocommunication Conference and European Commission harmonisation decisions. Currently, digital terrestrial TV multiplexes are only guaranteed to run until at least 2034,[30] which could run the risk of asset stranding beyond that point, depending on the availability of new spectrum that could be utilised for existing assets. However, whether that is likely to materialise at that point in time is currently speculative.

3.43 In contrast, while FTTH could be at risk of asset stranding as a result of technological advancements in the future, this is currently not on the horizon. We therefore conclude that broadcasting has similar or slightly higher asset stranding risk relative to the FTTH/Leased lines reference case.

[26] ComReg (2025) Market Review Broadcasting Transmission Services para 3.11

[27] ComReg Decision D02/26

[28] ComReg (2025) Market Review Broadcasting Transmission Services para 3.32

[29] Nielsen/TAM Establishment Survey (July 2024)

[30] Clean Feed (2023) Terrestrial TV saved from 2030 cliff edge

#### Operating leverage

3.44 As is the case with PIA, broadcasting infrastructure assets primarily require routine maintenance or relatively limited additional investment whereas the FTTH network would be associated with a higher degree of operating leverage while the network rollout is ongoing. As rollout of FTTH continues to mature, it would be expected that this differential will reduce and it would be expected that the operating leverage will be minimally different when rollout is complete in 2028.

#### Regulatory arrangements and risk sharing

3.45 There are a number of provisions in the Broadcasting Act 2009 which reduce the demand risk for broadcasting. For example, section 130(1)(a)(ii) obliges TG4 to be carried on the DTT platform and it must seek ministerial consent should it wish to remove either TG4+1 and Cúla4 from the DTT platform.[31]

3.46 However, the regulatory environment regarding the transition to fibre, underpinned by the planned future decommissioning of traditional copper-based telephone and broadband networks, also helps to mitigate the demand risk for FTTH. On balance, ComReg considers that the regulatory arrangements provide similar degrees of risk mitigation to broadcasting and the reference risk case.

3.47 In conclusion, based on the above considerations ComReg is of the view that Broadcasting services overall have a higher systematic risk profile to the FTTH/Leased lines reference case. On this basis we have set out full details of our proposed WACC estimate for broadcasting in Chapter 7.

### 3.3.6 Consideration of EC Recommendation on Gigabit Connectivity

3.48 In Sections 60-67 of the EC Recommendation[32] of 6 February 2024 on the regulatory promotion of gigabit connectivity, the Commission sets out guidance on WACC in the context of adequately rewarding the investment risk associated with new VHCN projects.

3.49 To acknowledge this risk, Regulators can choose to apply a premium to the WACC for new projects. At the outset of this period of consultation it is acknowledged that rental charges for FTTH in Ireland are not currently subject to a cost-oriented price control. Nevertheless, for the purposes of this Consultation, ComReg has reviewed considerations around this issue in the event that FTTH rental charges were to become cost oriented at some point in the future.

3.50 Regarding the WACC, the EC Recommendation on Gigabit Connectivity specifically states that the allowed return on capital should strike a balance between providing sufficient incentives for operators to invest and promoting allocative efficiency,

[31] Broadcasting Act 2009 section 130(1)(a)(ii)

[32] Commission Recommendation (EU) 2024/539

sustainable competition and avoid excessive returns. The additional and quantifiable risk of investing in new VHCNs should be adequately reflected.

3.51 As noted by CEPA in their report,[33] in Ireland the rollout of VHCNs, primarily through FTTH has been accelerating at pace through a combination of commercial investment and state intervention.

3.52 CEPA also note that the arguments for legacy services, such as FTTC having different systematic risk profiles to FTTH are declining and will continue to diminish as the rollout of FTTH matures. Please also refer to Section 3.3.2 above where the systematic risk of FTTH versus FTTC was also discussed.

3.53 ComReg is of the view that a risk premium for VHCNs such as FTTH, including under the scenario that FTTH rental charges were to become cost oriented in the future, is not required at this time. This reflects the current stage of FTTH rollout in Ireland and the diminishing basis for treating FTTH as materially riskier than legacy services as rollout matures.

Q. 2 Do you agree or disagree with ComReg's relevant risk assessment of each of the sectors/technologies as outlined above? Please clearly indicate the relevant paragraph numbers to which your comments refer, along with providing all relevant factual evidence supporting your views.

Q. 3 Do you have any comments on ComReg's view on the applicability of a risk premium for VHCNs in Ireland? Please provide reasons for your views, clearly indicating the paragraph to which your comments refer, along with all relevant factual evidence supporting same.

[33] CEPA report – ComReg 26/33a

Chapter 4

# 4 Generic WACC Parameters

## 4.1 Overview

4.1 In this chapter ComReg sets out the values of the parameters that are considered to be common across each of the technology specific WACC estimations. These generic parameters are as follows:

(a) The risk-free rate;

(b) Total Market Return / Equity Risk Premium

(c) Taxation.

## 4.2 The Risk-Free Rate (RFR)

4.2 The risk-free rate is the theoretical rate of return on an investment with zero risk. As such, it is the benchmark to measure other investments that include an element of risk. Government bond yields are the most commonly used risk-free rates for assets.

4.3 ComReg notes that although a risk-free asset does not exist in practice, in economies with minimal sovereign default risk the risk-free rate is typically estimated with reference to the yield to maturity on government issued bonds (typically government bonds with a triple A rating). These yields are assumed to be the closest proxy to the return on a theoretical risk-free rate.

4.4 In the 2020 Decision ComReg calculated the risk-free rate under both the equilibrium approach and the Commission Notice and applied those values to produce different WACC estimates, with the final WACC selected from this range. In 2020 the range for the risk-free rate was between 0.824% and 3.28%. For each of the annual WACC updates under the 2020 Decision, ComReg relied on Commission Notice approach to determine the risk free rate to be used in the cost of equity calculation with an adjustment applied to the overall cost of equity to take account of the equilibrium approach in determining the final WACC figures. The most recent WACC update in June 2025 calculated the risk-free rate using the Commission Notice approach as set out below. Using this approach the nominal risk-free rate in June 2025 was 1.62%.

4.5 The Commission Notice states[34] that government bond yields are likely to reflect appropriately the domestic risk-free rate and use of domestic government bonds together with a consistent methodology will ensure that differences in risk-free rates reflect actual differences in financing conditions between Member States. For Ireland, the Commission Notice approach (as implemented by BEREC) means:

- Using Irish government bonds with a residual maturity of 10 years;
- Using an averaging period of 5 years;
- Calculating average values based on the arithmetic mean;
- Using yield data with a weekly frequency; and
- Using nominal inflation

4.6 BEREC's June 2025 WACC Parameters Report calculates an RFR of 1.61% for Ireland.[35] BEREC-calculated RFRs for Ireland show that historically low rates continued to decline until 2022, with gradual increases year on year thereafter. See Table 1 below:

**Table 1: Risk Free Rate for Ireland per BEREC Annual WACC Parameters Report**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Risk Free Rate – Irish bonds, 5-year averaging period | 0.75% | 0.50% | 0.40% | 0.70% | 1.08% | 1.61% |

4.7 Consistent with the Commission Notice approach, CEPA considers that given the nature of telecommunications investments, estimates of the risk-free rate should capture a relatively long-term investor horizon of at least ten years, noting the following regulatory precedents from an Irish context:

- The Commission for Regulation of Utilities ('CRU'), in its PR5 and PR6 price reviews focused on 10-year German government bonds as the risk-free benchmark.
- In the 2020 Decision, as set out above, ComReg used 10-year Irish government bonds.

4.8 There are, however, a number of differences with the Commission Notice approach and CEPA calculates a nominal risk-free rate of **2.6%**, which is higher than the values

[34] Paragraph 34 of the Commission Notice.

[35] BEREC WACC Parameters Report - Chapter 2, Section 2.5

calculated under the Commission Notice approach due in the main to CEPA's choice of averaging period.

### Choice of Bond Issuer:

4.9 Rather than adopting a domestic focus, CEPA focuses on the Eurozone as an integrated single market and relies on Eurozone wide evidence, adjusting for Irish evidence where appropriate. This is because in theory, in a monetary union such as the Eurozone, it might be expected that key parameters will converge on a central view over a long time period and investors would typically view an investment in Irish telecoms as part of an asset class that includes European telecoms more generally. In addition, Eurozone data provides a more comprehensive set of information than more limited Irish-only data, meaning such estimates are more likely to be statistically robust. For these reasons, long-term German government bonds would constitute a good proxy for the risk-free rate on Eurozone investments, as they are widely considered to have a negligible default risk, are highly liquid and currently hold AAA credit ratings.

### Averaging period and Yield frequency

4.10 CEPA proposes the use of shorter term trailing averages, using the 3-month average of German bonds as the period of choice, on the basis that shorter term averages better reflect prevailing market conditions, which is particularly relevant when the risk-free rate is updated annually. Their approach considers no weight on averages beyond one year. CEPA also prefers the use of daily estimates for liquidly traded stocks, in contrast to the use of weekly estimates under the Commission Notice approach.

4.11 While ComReg accepts that there may be merit in the use of German bonds, and notes other regulatory precedent for same in Ireland, ComReg nevertheless prefers the use of Irish Government bonds which are considered to reflect more accurately domestic circumstances and financing conditions in Ireland.

4.12 The choice of averaging period – five years under the Commission Notice approach; three months under CEPA-recommended approach – is less straightforward and has a clear impact on WACC values.

4.13 The time period range from the most recent BEREC WACC Parameters covered the five-year period up to end of March 2025. This generates a RFR of 1.62% which depending on the view taken could be perceived to be on the lower end of estimates given the current yield on Irish Government bonds (spot rate at 31/07/2025 was 2.92%[36]).

[36] CEPA analysis based on Bloomberg data

4.14 At Table 2.12 of their report CEPA compare the yields of German and Irish bonds over a variety of periods using a cut-off date of 31 July 2025. The results are as follows:

| Bond | Spot | 1-month | 3-month | 6-month | 12-month | 5-years | 10-years |
|---|---|---|---|---|---|---|---|
| Nominal rate, 10-year **German** government bonds | 2.69% | 2.67% | **2.60%** | 2.59% | 2.44% | 1.39% | 0.77% |
| Nominal rate, 10-year **Irish** government bonds[37] | 2.92% | 2.93% | 2.89% | 2.89% | 2.76% | 1.81% | 1.24% |
| **Difference** | **0.22%** | **0.25%** | **0.29%** | **0.30%** | **0.32%** | **0.42%** | **0.47%** |

4.15 As can be seen from the above there is a material difference in the overall yields depending on the chosen averaging period selected. Applying the CEPA approach of shorter term three-month averages for Irish bonds gives a result of **2.89%** when compared to the five-year average of **1.81%**.

4.16 However, the five-year average figures still carry the after-effects of the historically low yields experienced during and in the immediate aftermath of the Covid 19 pandemic. While noting that other future "shock events" are possible, ComReg expects that on a forward-looking basis, the gap between the five-year average and current prevailing rates will lessen. As the BEREC WACC Parameters Report is updated annually the effects of an assumed normalisation of rates should be evident in the coming years. (The next update is expected in June 2026.) ComReg carried out a preliminary assessment of the likely future risk-free rate estimate produced by BEREC for the forthcoming June 2026 update. Using data from the BEREC WACC Parameters Report for June 2025 and publicly available data from Eurostat for the 12 months up to 31 March 2026, would suggest a risk free rate for Ireland per the next update to be in the region of 2.2%.

4.17 ComReg has for the purposes of this Consultation used a risk free rate as provided by BEREC under the Commission Notice approach, namely **1.62%** (using a cut off of 31/03/2025).

4.18 ComReg is aware that there are circumstances in which other NRAs, having sought to adopt the Commission Notice approach, have chosen to amend the final value for RFR in their respective WACC calculations to better reflect the specificities of their

[37] We note that the value shown for the 5-year average of Irish bonds is not perfectly comparable with BEREC's 5-year RFR point estimate of 1.61%. This is largely due to a timing difference with BEREC's March 2025 cutoff date.

domestic circumstances. ComReg would welcome the feedback from stakeholders in this regard.

## 4.3 Total Market Return / Equity Risk Premium

4.19 Both Total Market Return ('**TMR**') and Equity Risk Premium ('**ERP**') are key components in determining the Cost of Equity within the WACC calculation. TMR can be defined as the expected return on a broad market portfolio (e.g., all equities in the economy) and reflects the overall compensation investors require for investing in the stock market rather than risk-free assets. In the CAPM framework, ERP represents the extra return investors expect for holding equities over that provided by a risk-free return. The ERP cannot be directly observed but may be inferred from historical or forward-looking evidence.

4.20 The role that TMR and ERP play in the CAPM approach to WACC can be illustrated by the following formula:

$$Re=Rf+\beta\times(TMR-Rf)$$

Where:

Re = Cost of equity

Rf = Risk-free rate

TMR−Rf = Equity Risk Premium

β = the equity beta

4.21 In the 2020 Decision ComReg used a combination of two approaches to derive ERP/TMR for the final cost of equity used in the WACC calculation. The ERP/TMR was calculated using the equilibrium approach and with reference to the Commission Notice. These figures were then applied to produce a range of WACC estimates and the final WACC was selected from this range. In the Decision the range for the ERP/TMR was as follows:

ERP: between 4.9% - 7.21%

TMR: between 8.03% - 8.18%

4.22 Under the 2020 Decision the annual WACC updates have been prepared using returns compiled by Dimson, Marsh and Staunton ('**DMS**') which are used to form a view on TMR based on the arithmetic mean of long-term historical series and derive an ERP by subtracting the recommended risk-free rate value from the TMR. Per the most recent WACC update in June 2025 the ERP was 6.77%.

## Commission Notice Approach

4.23 The Commission Notice follows a notional approach calculating a single EU-wide ERP using historical series of market premiums in EU Member States. According to the Commission Notice, estimating a single EU-wide ERP is consistent with empirical evidence suggesting that financial markets in the EU are increasingly integrated and therefore have convergent ERPs.

4.24 The Staff Working Document (SWD) provides guidelines for the calculation of a single EU wide ERP and this is incorporated into the annual WACC Parameters report compiled by BEREC. The approach used can be summarised as follows:

4.25 A single EU-wide ERP is calculated based on historical returns, reflecting the assumption of an integrated EU capital market, using long term historical data from DMS via the UBS Global Investment Returns Yearbook (covering 1900-2024 for 13 EU states plus Norway) and Bloomberg for other EU Member States and Iceland. Weighted averages are calculated using market capitalisation for equities and GDP for bonds. Adjustments for shorter time series via "available years" weighting are made to avoid bias. Both Arithmetic Mean ('**AM'**) and Geometric Mean ('**GM'**) are provided for transparency.

4.26 The EU wide ERP as per the BEREC June 2025 WACC Parameters Report is **5.96%.**

## View from CEPA

4.27 In contrast, CEPA proposes to estimate the TMR directly rather than using an ERP plus RFR approach to TMR, and subsequently infer the ERP. This is on the basis that the TMR is likely to be more stable than ERP over time since it is sensitive to changes in the RFR which can fluctuate, sometimes substantially, from year to year.

4.28 While CEPA also uses long term historical data from DMS via the UBS Global Investment Returns Yearbook (covering 1900-2024), the countries included are EU Member States,[38] Norway, Switzerland and the UK. CEPA places weight on both historical ex-post and historical ex-ante approaches to estimating the TMR. This is because as outlined in Section 2.5.1 of CEPA's report,[39] ex-post approaches take the view that historical data on equity total returns is sufficient to forecast investor expectations without further adjustment. Ex-ante approaches take the view that historical data will also include certain one-off events that would not be expected to prevail on a forward-looking basis.

4.29 The steps used by CEPA can be summarised as follows:

[38] EU Member States refers only to EU countries available within the DMS dataset.

[39] CEPA Report – ComReg 26/33a

1. Derive a real TMR based on historical data (DMS Credit Suisse Equity Returns Yearbook)
2. Establish a real RFR estimate (using 10 -year inflation-linked German sovereign debt)
3. Establish ERP (real TMR less real RFR)
4. Add the ERP to the already nominal RFR calculated to give a nominal TMR to use in CAPM formula.

4.30 CEPA calculates an ERP of c**5.85%.**

4.31 While ComReg considers the approach put forward by CEPA to be a valid option, we consider that there is merit in seeking to align with the method and approach as set out by the EC and as implemented by BEREC each year, noting also that there is currently little overall variation in TMR calculated using the Commission Notice approach and the CEPA approach. As a result there would be little benefit to depart from the Commission Notice approach. ComReg accordingly will proceed with the figures provided by BEREC in our WACC estimates.

## 4.4 Taxation

4.32 Treatment of tax when estimating regulatory WACC figures can strongly affect the returns on historic investment as well as the incentives for future investment.

4.33 WACC can be estimated on a pre-tax or post-tax basis. Pre-tax WACC grosses up the cost of equity by the selected tax rate. This is because payments to equity holders in the form of dividends are not tax deductible so the allowed return must allow for corporate tax payments. This is not the case for debt interest payments which can be offset against profits for the purposes of corporate tax calculations in Ireland and in most jurisdictions. The allowed profits are then intended to cover both the investor remuneration and statutory tax payments.

4.34 ComReg notes that there are two main approaches to selecting the appropriate tax rate to be used:

- The statutory tax rate; and
- The effective tax rate.

4.35 The selection of the effective tax rate recognises the fact that the hypothetical operator may be paying a different tax rate from the statutory tax rate. This situation can arise, for example, when a company has high levels of gearing (high level of debt relative to the level of debt plus equity), carries forward tax losses or where depreciation profiles for tax purposes (capital allowances) are different to accounting

depreciation. These situations create the potential for what are sometimes called tax shields. A tax shield is the reduction in corporation tax that results from taking an allowable deduction from taxable income. In particular, since interest on debt is a tax-deductible expense, taking on debt acts as a tax shield. The application of the effective tax rate with WACC calculations claws back the benefits of debt tax shields and reduces the incentives to take on excessive debt levels.

4.36 ComReg also notes the political agreement reached in 2021 by the OECD Inclusive Framework on a two-pillar approach to international tax reform. This includes the commitment to introduce a minimum effective tax rate of 15% for companies with revenue above €750 million ("Pillar Two"). The EU formally adopted the Pillar Two directive requiring all Member States to implement the rules in national law by 31 December 2023. EU jurisdictions have been preparing guidance and administrative infrastructure to support enforcement from 2024 onwards.

4.37 In the 2020 Decision ComReg used the statutory 12.5% Irish corporate tax rate, and the Commission Notice and CEPA agree on the use of the domestic corporate tax rate. In light of this, ComReg will continue to use the statutory Irish corporate tax rate of 12.5% in the calculation of WACC estimates.

4.38 In theory the minimum rate of 15% under Pillar Two could apply to an Irish telecoms operator such as Eircom. The use of a statutory tax rate of 12.5% results in a WACC rate 0.09% higher when compared to a WACC estimated using an effective rate of 0% and a WACC rate 0.02% lower when compared to a WACC estimated using an assumed tax rate of 15%.

4.39 However, Eircom's recently published FY25 accounts indicates that Eircom has considered this issue but the impact from the legislation did not have a material impact. For reference per the most recent accounts for RTÉ Group the statutory Irish corporate tax rate of 12.5% is the applicable rate. Given that the WACC is calculated for a hypothetical operator, ComReg will continue to use the corporate tax rate of 12.5% but keep the matter under review. We welcome any additional views from respondents in this regard.

## 4.5 Generic WACC parameters values

4.40 Based on the above, using the Commission Notice approach, ComReg calculates the following estimates for the Generic WACC Parameters of the WACC estimations:

### Table 2: Generic WACC Parameter estimates and comparatives

| Parameter | Commission Notice Approach | CEPA Approach | ComReg WACC update June 2025 |
|---|---|---|---|
| Nominal Risk Free Rate | **1.61%** | 2.6% | 1.62% |
| Total Market Return | **7.56%** | 8.45% | 8.38% |
| Equity Risk Premium | **5.96%** | 5.85% | 6.77% |
| Taxation | **12.5%** | 12.5% | 12.5% |

Q. 4 Do you have any comments on ComReg's proposed approach to the estimation of the generic WACC parameters for the respective WACCs and the preliminary estimates chosen? Please explain the reasons for your answer, clearly indicating all the relevant paragraph numbers to which your comments refer, along with any relevant factual evidence supporting your views.

Chapter 5

# 5 WACC for Fixed Line Telecommunications

## 5.1 Background

5.1 This Chapter considers sector-specific WACC parameters for the Fixed Line sector, namely:

(a) Gearing

(b) Beta

(c) Cost of Debt.

5.2 It is common practice for sector-specific parameters to use data collected from a sample of listed comparator companies deemed to have a similar risk profile to that of the regulated company. This "peer group" is generally used to inform elements of the WACC calculation, most typically with reference to beta and the cost of debt. We consider below accordingly, the relevant "peer group" to be used for those estimations.

5.3 As outlined in Chapter 3, having considered a risk assessment of each of the technology categories FTTH/Leased Lines, FTTC and Mobile are considered to be similar in risk profile and so are considered together for the purposes of estimating a Fixed WACC. We are not calculating a separate WACC for Mobile as was done in the 2020 Decision and previous decisions. While we consider it unlikely that a Mobile WACC will be required for any regulatory purpose in the short term, in the event that the need does arise we would consider that, given the equivalent risk profile that the Fixed WACC as outlined in this Consultation could be used as a proxy.

## 5.2 Peer Group

5.4 Perfect comparators rarely exist. It is therefore common practice to adopt a set of filtering criteria intended to produce a broader set of comparators which on balance could be considered to resemble the risk profile of the hypothetical operator.

5.5 In 2020, the peer group selected by ComReg comprised the companies set out in Table 3 below:

**Table 3: List of comparators used by ComReg in the 2020 Decision**

| Company | Country of Primary listing | S&P Credit rating |
|---|---|---|
| **BT** | UK | BBB |
| **Elisa** | Finland | BBB+ |
| **KPN** | Netherlands | BBB |
| **NOS** | Portugal | BBB- |
| **Orange** | France | BBB+ |
| **Proximus** | Belgium | BBB+ |
| **Swisscom** | Switzerland | A- |
| **Telefonica** | Spain | BBB- |
| **Tele2** | Spain | BBB |
| **Telekom Austria** | Austria | A- |
| **Telia** | Sweden | BBB+ |
| **Vodafone** | UK | BBB |

5.6 In the Commission Notice the EC sets out a list of criteria that should be used for peer group selection. Following this BEREC sets out a list of comparator companies each year in its annual WACC Parameters Report. The criteria are as follows:

5.7 The company should:

- be listed on a stock exchange and have liquidly traded shares
- Own and invest in electronic communications infrastructure
- Have its main operations located in the EU
- Have an investment grade credit rating; and
- is not, or has not been recently involved in any substantial mergers and acquisitions.

5.8 Subsequent clarification issued by the EC allows for consideration of national specificities and possible inclusion of companies that are based in the European Economic Area ("EEA"), giving consideration to the level of operations in the EU/EEA before inclusion in the peer group. BEREC has also clarified that for the investment credit grading criteria it would be appropriate to consider the credit grade status over a 5 year period and that a company having had an investment credit grade in 4 of 5 years could qualify.

5.9 From these clarifications it has followed that a company meeting 4 out of 5 of the listed criteria can be considered for inclusion in the peer group, noting however that criterion 1 “listed on a stock exchange and have liquidly traded shares” is mandatory.

5.10 The BEREC Peer Group of comparator companies per the 2025 report[40] is shown at Table 4 below:

**Table 4: List of most recent peer group per BEREC WACC Parameters Report 2025**

| Company | Country of Primary listing | S&P Credit rating |
|---|---|---|
| **Deutsche Telekom AG** | Germany | BBB+ |
| **Elisa** | Finland | BBB+ |
| **KPN** | Netherlands | BBB |
| **DIGI Communications NV** | Romania | BB |
| **NOS** | Portugal | BBB- |
| **Orange** | France | BBB+ |
| **Proximus** | Belgium | BBB+ |
| **Telefonica** | Spain | BBB- |
| **Tele2** | Spain | BBB |
| **Telecom Italia** | Italy | BB |
| **Telekom Austria** | Austria | A- |
| **Telenor** | Norway | A- |
| **Telia** | Sweden | BBB+ |
| **Vodafone Group Plc** | UK | BBB |

5.11 The main differences between the comparator set from the 2020 Decision and those provided by BEREC in the 2025 report are as follows:

- BT Group is no longer included in the BEREC peer group following Brexit.
- Swisscom is not included in the BEREC peer group due to its status outside the EEA.
- BEREC currently includes the following companies which were not included in the 2020 Decision peer group:
    - Deutsche Telekom AG
    - Digi Communications NV

[40] See Chapter 3, Section 3.4 of the June 2025 BEREC WACC Parameters report

- Telecom Italia
- Telenor ASA

5.12 As for CEPA, it put forward a peer group established as follows:

(i) Initial list of 28 providers from Bloomberg Intelligence indices

(ii) Remove de-listed and sanctioned companies

(iii) Remove inter-sample ownership relationships

(iv) Liquidity testing based on bid-ask spreads, share of free float (portion of a company's total shares that are freely available for public trading on the stock market)

(v) Remove companies that do not own telecoms infrastructure

(vi) Remove companies with significant M&A activity

(vii) Remove companies with low credit ratings

(viii) Remove companies whose primary country of listing is outside the European Economic Area (**'EEA'**)

5.13 The CEPA proposed peer group based on the above criteria is shown at Table 5 below.

**Table 5: CEPA –List of comparators**

| Company | Country of Primary listing | S&P Credit rating |
|---|---|---|
| **Deutsche Telekom AG** | Germany | BBB+ |
| **Elisa** | Finland | BBB+ |
| **KPN** | Netherlands | BBB |
| **NOS** | Portugal | BBB- |
| **Orange** | France | BBB+ |
| **Proximus** | Belgium | BBB+ |
| **Telefonica** | Spain | BBB- |
| **Tele2** | Spain | BBB |
| **Telekom Austria** | Austria | A- |
| **Telenor** | Norway | A- |
| **Telia** | Sweden | BBB+ |

5.14 The above 11 companies are all included in the peer group as per the 2025 BEREC WACC Parameters report and therefore all meet the criteria selection set out by the EC and implemented by BEREC. The CEPA list excludes three companies as compared with BEREC's, namely:

- DIGI Communications NV and Telecom Italia are excluded from the CEPA list on the basis of their sub investment grade credit ratings
- Vodafone is excluded on the basis that Vodafone is UK listed.

5.15 ComReg notes that CEPA's peer group is a subset of BEREC's peer group and that the exclusion of three companies is on the basis of only two criteria. ComReg does not believe that that there is sufficient justification in an Irish context for using the CEPA peer group, which would exclude a key Irish telecoms operator in Vodafone. ComReg accordingly uses the BEREC peer group for the estimation of the WACC sector-specific parameters.

Q. 5 Do you have any comments on the selection of peer group comparators that ComReg has proposed to use in estimating the WACC for Fixed Line telecommunications? Please explain the reasons for your answer, clearly indicating all the relevant paragraph numbers to which your comments refer, along with any relevant factual evidence supporting your views.

## 5.3 Gearing

5.16 Gearing measures a company's financial leverage, i.e. the proportion of debt financing relative to the total value of the company (debt plus equity). It is expressed as:

$g = D/(D+E)$

where

D = value of debt

E = value of equity

5.17 In the WACC calculation gearing determines the weights in the WACC formula:

- Weight for cost of debt = g
- Weight for cost of equity = 1 – g

5.18 It also influences the equity beta because financial leverage amplifies equity risk. Therefore, gearing is used in the formula for un-levering and re-levering beta when applying a CAPM approach.

5.19 Regulators can use the actual level of gearing for an industry specific company, such as the SMP operator or choose a notional approach. The notional level of gearing is an approach that is widely used by NRAs. It provides flexibility to the regulated company to adopt the most efficient capital structure and it also reduces the degree of regulatory intervention in the finance of the business. Importantly, it does not reward the regulated entity for an inefficient capital structure. It also reflects the inherent uncertainty regarding future changes of the regulated entity's capital structure.

5.20 The main points to be considered in relation to gearing are as follows:

- approach for the estimation of the debt and equity component (market vs book values);
- kind of debt that can be considered in the debt component;
- time windows and sampling period of the estimation as for the other main parameters (RFR, beta, cost of debt) of the WACC.

5.21 In 2020, ComReg noted that Eircom's debt levels were at a level higher than most of its European counterparts and considered that this would not represent the capital structure of an efficient operator. On examination of credit ratings, ratings outlooks, and average gearing levels for companies providing fixed line telephony, a sector average gearing of 40% was selected, which was consistent with the 2018 BEREC Report[41] which indicated ratios of between 35% and 40%.

5.22 The Commission Notice uses what the EC sees as the most common approach for estimating the gearing, namely the book value of a company's net debt, including the value of financial leases. An annual estimate for gearing, based on the average gearing across the peer group, is published in the BEREC WACC Parameters report. The gearing is evaluated from a five-year average of the spot gearing taken at weekly interval frequency.

5.23 Per the 2025 report the notional level of gearing for use by NRAs in their WACC calculations is 47.35%.[42]

5.24 In contrast, CEPA uses the gearing level of 40% used by ComReg in the 2020 Decision, based on a review of their chosen comparator set/peer group which shows that current values of 2-year average gearing sit in the range of 20-60%. This is based on the pooled median of gearing measurements over a 7.5-year window in

[41] BOR (18) 215

[42] See Chapter 5, Section 5.5, Table 8 of the BEREC WACC Parameters Report June 2025

line with their methodology on beta, which suggests a central gearing estimate of 38%, rounded up to 40%.

5.25 Given the difference in peer groups in the Commission Notice approach and CEPA, and the wide range (20-60%) in the 2-year average gearing identified by CEPA, ComReg does not believe that there is justification to depart from the Commission Notice approach and will accordingly use the notional level of gearing provided annually in the BEREC WACC Parameters Report. In the 2025 BEREC WACC Parameters report this was 47.35%.

## 5.4 Beta

5.26 A stock's "equity beta" is a measure of its exposure to systematic risk – risk that cannot be diversified away by holding a broader portfolio of unrelated assets. The corresponding "asset beta" measures a company's systematic risk without the influence of its debt. Asset beta is calculated by stripping out the effect of gearing from the company's equity beta.

5.27 The equity beta or $\beta$equity is a component of the cost of equity calculation under the CAPM as set out at paragraph 3.2 above. For the purposes of the WACC calculation we need to determine first the asset beta of a hypothetical efficient operator.

5.28 In order to do so there are a number of steps involved. First, using chosen peer group of companies, we obtain raw equity betas from market data. We then remove the effect of any gearing from these company beta estimates (unlever) to obtain the asset beta which is done using the following formula:

$$\beta A = \beta D \times g + \beta E \times (1 - g)$$

where:

- βD = debt beta; and
- g = gearing.

5.29 Using the chosen level of notional gearing levels that the hypothetical operator is assumed to have, this asset beta is converted (or relevered) within the calculation to determine an equity beta for a hypothetical operator.

5.30 In the above formula ComReg previously ignored the debt beta reflecting the general practice of Irish regulators not to include a debt beta (βD) in their assessment of the regulatory WACC (i.e. debt beta equal to zero). In this usage the equation above becomes: $\beta A = \beta E \times (1 - g)$ The use of zero debt betas reflects the difficulties of producing reliable estimates of debt beta. It also reflects the fact that, where debt beta is low and notional gearing is close to companies' actual gearing levels, the inclusion of debt beta does not make a material difference to the WACC.

5.31 In 2020, ComReg estimated the beta as follows:

- Use of Ordinary Least Squares ('OLS') to estimate equity betas based on data on stock and market index returns.
- Use of daily return frequency over a 2 year long estimation window
- Use of Stoxx TMI as the equity market index
- Gearing measured using the book value of net debt and market value of equity
- Assuming a debt beta of zero.

5.32 ComReg's current estimate of the asset beta, as of the June 2025 update for Fixed Line Telecommunications was 0.28.

5.33 The Commission Notice requires to estimate the equity beta and gearing level for each company in the peer group to derive the asset betas from each company in the peer group, and then relever the asset beta for the selected level of notional gearing to obtain the final equity beta. Calculations should use weekly data, a sampling period and a time window of 5 years. Furthermore, no adjustments are to be applied to the equity beta such as Blume, Dimson, Vasicek[43] as they are unlikely to improve the efficiency of the beta estimator and are likely to make the regulators approach more complex and less transparent. The Commission also suggests using a wide index and favours the STOXX Europe TMI (Europe Total Market Index) which is in line with the provision regarding the EU-wide Equity Risk Premium.

5.34 Regarding debt beta, the Commission Notice notes that there are significant practical difficulties in estimating debt betas but states that values typically range from 0 – 0.2. An intermediate debt beta value of 0.1 is recommended on the basis that using a single value for the debt beta would reduce complexity and improve the transparency of the WACC calculation.

5.35 BEREC, for the purpose of its annual report, estimates the asset beta of the 14 peer group companies and the equity beta for each company is estimated regressing the variation of the share price on a weekly basis with the corresponding variation of the price of the market index; the beta is obtained using OLS estimator. The asset beta is derived by applying the Miller formula[44] including a debt beta of 0.1. The gearing

[43] The Blume, Dimson, and Vasicek adjustments are methods for improving the accuracy of beta estimates—Blume shrinks beta toward 1.0 to reflect mean reversion, Dimson corrects for non-synchronous trading by adding lagged and lead market returns, and Vasicek applies a Bayesian approach that shrinks beta toward the market mean based on the reliability of the raw estimate.

[44] When deriving an asset beta from an observed equity beta, the Miller approach adjusts for financial leverage and the tax treatment of debt vs equity at investor level.

is derived from the spot gearing evaluated on a weekly basis using a 5-year time window.

5.36 CEPA's approach to beta [45] which relies on Bloomberg as the data source, is similar to the approach set out in the Commission Notice, including use of a debt beta of 0.1. The main differences relate to the use of different peer group comparators, use of daily frequency (compared to weekly under the Commission Notice) and the use of two-year averaging window (five years under EC approach). CEPA's approach also makes use of Ordinary Least Squares (OLS) to estimate equity beta based on stock and market index returns. CEPA adopts a cut off of 31 July 2025 and a long run view of the evidence based on interquartile ranges calculated over the last 5-10 years. CEPA sets out a range of estimates across the chosen comparator/peer group of between 0.27 – 0.45 and proposes use of the median beta over a 7.5 year window, which is 0.38.

5.37 As regards the differences between the Commission Notice approach and CEPA's, CEPA explains its preference for use of daily (rather than weekly) returns frequency on the basis that higher frequency returns increase the statistical robustness of the estimated betas. CEPA notes that use of a two-year (rather than five-year) window strikes a balance between statistical robustness and limiting the impact of large temporary shock impacts. CEPA cautions against over-reliance on current spot estimates of asset beta which risks placing weight on betas that investors may not necessarily expect to remain at that level.

5.38 Having considered CEPA's approach and the reasons for the differences with the Commission Notice approach, ComReg does not believe that there is sufficient reason to depart from the Commission Notice approach and will use the beta provided annually in the BEREC WACC Parameters Report. In the 2025 BEREC WACC Parameters report the result is an asset beta of 0.36 and debt beta of 0.1.

## 5.5 Cost of Debt

5.39 The cost of debt is essentially the interest rate on borrowed funds. It reflects the risk of lending to a company and the prevailing market conditions. The cost of debt is intended to capture the costs of an efficient notional network operator raising debt finance.

5.40 The cost of debt can be expressed as:

$$\text{Cost of Debt} = \text{Risk Free Rate} + \text{Debt Premium}$$

[45] Section 2.2 of CEPA Report titled " Cost of Capital estimation" dated 25th November 2025 – ComReg Document 26/33a

5.41 Debt premium is the additional return lenders or investors expect on an investment over and above the Risk-free rate, the level of which depends upon the perceived credit risk and credit rating. The Debt Premium can be estimated using the yields on corporate bonds above the interest rate on long-term government bonds.

5.42 The above approach of Rf Rate + Debt premium refers to what we will call a "Debt Premium" approach.

5.43 Both the Commission Notice and previous ComReg decisions have used such a debt premium approach.

5.44 In the 2020 Decision, ComReg's final position on the cost of debt was reached with reference to four approaches.

**Approach 1** – ComReg calculates the cost of debt on the basis of a debt premium approach using a risk-free rate calculated on the basis of five-year historical data as recommended in the Commission Notice. This was referred to as an "Observed" approach. Cost of debt under this approach was 1.44%

**Approach 2** – this uses an "all-in" cost of debt approach which was based on the approach of the UKRN. This approach used current government spot rates and a debt premium obtained by comparing the spreads between operator bonds and domestic government bonds. This is also an "Observed" approach. Cost of Debt under this approach was 0.75%.

**Approach 3** – this was the approach used in 2014 and was termed an "equilibrium" approach which calculates the cost of debt from the equilibrium risk free rate and a debt premium obtained by comparing the spreads between operator bonds and domestic government bonds. Cost of Debt under this approach was 3.96%.

**Approach 4** relied on observed data which was namely the data available on Eircom's recent bond issuances at that time. This gave a Cost of debt of 3.03%.

5.45 ComReg decided at the time that the cost of debt should be set at 2.6% for mobile, fixed line and broadcasting. This was comparable to:

- The high-low range of the four approaches with a point estimate of 2.4%
- The average of the Commission Notice approach and the 2014 approach with a point estimate of 2.7%.

5.46 In the 2020 Decision, ComReg set out the approach to be taken for annual updates:

- The update should commence with the approach under the Commission Notice.

- An adjustment of 1.16% to be applied reflecting the difference between the final cost of debt figure of 2.6% in the 2020 Decision and the cost of debt under the Commission Notice approach.

5.47 The Cost of Debt using the 2020 Decision approach, including the adjustment of 1.16%, as per the last annual update prepared by ComReg in June 2025 is 3.67%.

5.48 Under the Commission Notice, the EC advocates for reasons of consistency, for an estimation of the cost of debt (indirectly) as the sum of the RFR and the debt premium. BEREC calculates the debt premium by assessing the yield on long-term corporate bonds above the risk-free rate. Bloomberg is used as the data source. Using a 5-year averaging window the spread of EUR 10-year bonds issued by peer group companies is assessed against a risk-free benchmark of Irish government bonds.

5.49 The June 2025 BEREC WACC Parameters Report estimates the Cost of Debt for Ireland at **2.78%** with a RFR of 1.61% and BEREC calculated debt premium of 1.17%.

5.50 In contrast, CEPA prefers an "All-in" approach to the cost of debt. Rather than estimating a debt premium, CEPA relies on full market yields from the chosen indices with the view to avoiding risk of mismatched periods to maturity between corporate and government bonds, inconsistent averaging period and how individual country risk is reflected between the debt instrument and the risk free rate. CEPA's focus is on estimating the cost of debt that reflects an allowance for embedded debt with an allowance for new debt issued in the following year, which CEPA notes, is partly consistent with the Commission Notice approach albeit with a different calibration.

5.51 CEPA uses non-financial corporate EUR broad BBB rated 10yr+ bonds, consistent with the investor horizon and the risk-free rate (i.e., 10yr+) and broadly matches Irish regulatory precedent from the CRU[46] (PC5, PR5 and PR6 price controls and price reviews). CEPA uses the iBoxx NFC 10yr+ index as data source. The calculation steps include estimating the arithmetic average for a backward looking 10 year window starting from the cut-off date of 31 July 2025; assuming that the last spot date at the cut-off date continues for another additional year, estimation of a 10-year backward average from that new "future" date (31 July 2026), and finally, estimation of an average between those two averages to obtain a Cost of Debt. The Cost of Debt calculated under this approach is **2.66%.**

5.52 Having considered CEPA's rationale, ComReg notes that while the calculation approach is different, and uses different sources and indices, there is a relatively small difference in the overall estimation of the cost of debt between CEPA's approach as compared with the Commission Notice approach. Given that there is

[46] Commission for Regulation of Utilities – See Publications

also a slightly higher level of complexity involved with the CEPA's approach, ComReg is minded to follow the Commission Notice approach. ComReg accordingly will use the cost of debt estimates provided annually in the BEREC WACC Parameters Report for estimating final WACC values for Fixed line services. In the 2025 BEREC WACC Parameters Report the estimated 1.61% for the Risk-Free Rate and an estimated debt premium of 1.17% gives a proposed cost of debt of **2.78%**.

5.53 Table 6 sets out a summary of the sector-specific parameters for Fixed Line Telecommunications.

**Table 6: Summary of WACC Parameter estimates in relation to Fixed (FTTH/Leased lines) WACC calculation**

| Parameter | Commission Notice Approach | CEPA Approach | ComReg WACC update June 2025 |
|---|---|---|---|
| Gearing | 47.35% | 40% | 40% |
| Asset Beta | 0.36 | 0.38 | 0.28 |
| Equity Beta | 0.59 | 0.57 | 0.47 |
| Cost of Debt | 2.78% | 2.66% | 3.67% |

## 5.6 WACC Estimate for Fixed Line Telecommunications

5.54 Set out below in Table 7 is the proposed estimate for WACC for fixed line telecommunications. For comparison purposes we have included the figures as per the CEPA approach and as per the last WACC update in June 2025.

**Table 7: Final Proposed WACC Estimate for Fixed Line Telecommunications**

| Parameter | WACC for Fixed | Per CEPA Proposals | Current WACC (June 2025) |
|---|---|---|---|
| **Cost of Debt** | 2.78% | 2.66% | 3.67% |
| **Risk-free rate** | 1.61% | 2.6% | 1.62% |
| **Total Market Return** | 7.56% | 8.45% | 8.39% |
| **Equity Risk Premium** | 5.95% | 5.85% | 6.77% |
| **Asset Beta** | 0.36 | 0.38 | 0.28 |
| **Debt Beta** | 0.10 | 0.10 | 0 |

| | | | |
|---|---|---|---|
| **Notional Gearing** | 47.35% | 40% | 40% |
| **Equity Beta** | 0.59 | 0.57 | 0.47 |
| **Cost of Equity (post tax)** | 5.15% | 5.92% | 4.89% |
| **Post Tax WACC** | 4.03% | 4.61% | 4.4% |
| **Taxation** | 12.5% | 12.5% | 12.5% |
| **Pre-Tax Cost of Equity** | 5.88% | 6.76% | 5.59% |
| **Nominal Pre-tax WACC** | **4.41%** | **5.12%** | **4.82%** |

Q. 6 Do you agree with the approach to Gearing, Beta and Cost of Debt proposed by ComReg to estimate the WACC for Fixed Line Telecommunications, along with the proposed point estimates to be used in the calculation. Please explain the reasons for your answer, clearly indicating all the relevant paragraph numbers to which your comments refer, along with any relevant factual evidence supporting your views.

Chapter 6

# 6 WACC for Physical Infrastructure Access

## 6.1 Introduction

6.1 This Chapter sets out calculations for a separate WACC for PIA. The same methodology is used as set out in Chapter 5 for Fixed Line Telecommunications, but using a different peer group to acknowledge the potential differentiated systematic risk associated with PIA when compared to the Fixed Line (FTTH/FTTC/Leased lines) reference case, for the calculation of the Beta and Cost of Debt.

## 6.2 Peer Group Comparators for PIA

6.2 The list of peer group operators as set out by BEREC in the annual BEREC WACC Parameters Report for application of the Commission Notice is set out below:

**Table 8: List of Comparators as per BEREC WACC Parameters Report 2025**

| Company | Country of Primary listing | S&P Credit rating |
|---|---|---|
| **Deutsche Telekom AG** | Germany | BBB+ |
| **Elisa** | Finland | BBB+ |
| **KPN** | Netherlands | BBB |
| **DIGI Communications NV** | Romania | BB |
| **NOS** | Portugal | BBB- |
| **Orange** | France | BBB+ |
| **Proximus** | Belgium | BBB+ |
| **Telefonica** | Spain | BBB- |
| **Tele2** | Spain | BBB |
| **Telecom Italia** | Italy | BB |
| **Telekom Austria** | Austria | A- |
| **Telenor** | Norway | A- |
| **Telia** | Sweden | BBB+ |
| **Vodafone Group Plc** | UK | BBB |

6.3 The starting point to calculate an estimate for a PIA-specific WACC, is to apply a further set of filtering criteria to the list of peers used for the Fixed Line Telecommunications WACC, to identify the PIA peer group. We adjust the Fixed Line Telecommunications peer group as follows:

- Include only National Incumbent operators. This is because National incumbents are those operators which typically have a ubiquitous pole and duct network, over which they provide fixed-line wholesale and retail services and PIA services at scale. Including fixed-line operators that may rely on the incumbent's PIA is likely to skew the comparator group towards reflecting risks that are specific to providing downstream services.
- Include only operators with an investment grade credit rating of BBB or higher, consistent with a lower-risk PIA provider. This is generally reflected in the credit ratings of national incumbents, with the exception of Telecom Italia, which is filtered out of this analysis.

6.4 The resulting amended peer group is set out below.

**Table 9: List of peer group comparators relevant for PIA**

| Company | Country of Primary listing | S&P Credit rating |
|---|---|---|
| **Deutsche Telekom AG** | Germany | BBB+ |
| **KPN** | Netherlands | BBB |
| **Orange** | France | BBB+ |
| **Proximus** | Belgium | BBB+ |
| **Telefonica** | Spain | BBB- |
| **Telenor** | Norway | A- |
| **Telia** | Sweden | BBB+ |

6.5 The peer group will be updated annually using the approach set out in paragraph 6.3.

## 6.3 Beta

6.6 As per Section 5.4 in Chapter 5 above the Beta to be used in the final Fixed WACC calculation is based on the current BEREC list of operators. The beta for the 14 companies following this approach is currently estimated at 0.36.

6.7 Making the aforementioned peer group adjustments the asset beta derived from the new PIA subset of comparators is currently estimated at 0.34.

6.8 ComReg is of the view that 0.34 is the appropriate current beta estimate to be used in the WACC calculation for physical infrastructure. This will be reviewed as part of the annual WACC update process and updated as necessary in line with peer group comparator review as outlined above.

## 6.4 Cost of Debt

6.9 As per Section 5.5 in Chapter 5 above the Cost of debt to be used in the final Fixed WACC calculation is derived from the current BEREC list of peer group companies.

6.10 Based on the June 2025 BEREC WACC Parameters Report the Cost of Debt for Ireland is estimated at 2.78% being the RFR of 1.61% and BEREC calculated debt premium of 1.17%.

6.11 On the basis of the proposed refinement of the current BEREC peer group as outlined at Section 6.4 above the estimated debt premium for Ireland is currently estimated at 0.98%. Adding this to the prevailing RFR of 1.61% results in a proposed estimated Cost of Debt figure in relation to PIA of 2.59%.

6.12 ComReg is of the view that 2.59% is the appropriate current cost of debt estimate to be used in the WACC calculation for physical infrastructure. This will be reviewed as part of the future annual WACC update process and updated as necessary in line with peer group comparator review as outlined above.

## 6.5 Final WACC Estimate for PIA

6.13 Set out below in Table 10: Final Proposed WACC Estimate for PIA are the proposed estimates for WACC for PIA. We have included the figures for the FTTH/Leased lines reference case for ease of comparison.

**Table 10: Final Proposed WACC Estimate for PIA**

| Parameter | WACC for PIA – Commission Notice Approach with adjustments | WACC for Fixed – Commission Notice Approach |
|---|---|---|
| **Cost of Debt** | 2.59% | 2.78% |
| **Risk-free rate** | 1.61% | 1.61% |
| **Total Market Return** | 7.56% | 7.56% |
| **Equity Risk Premium** | 5.95% | 5.95% |
| **Asset Beta** | 0.34 | 0.36 |

| | | |
|---|---|---|
| **Debt Beta** | 0.10 | 0.10 |
| **Notional Gearing** | 47.35% | 47.35% |
| **Equity Beta** | 0.56 | 0.59 |
| **Post Tax Cost of Equity** | 4.92% | 5.15% |
| **Post Tax WACC** | 3.82% | 4.03% |
| **Taxation** | 12.5% | 12.5% |
| **Pre-Tax Cost of Equity** | 5.62% | 5.88% |
| **Nominal Pre-tax WACC** | **4.19%** | **4.41%** |

6.14 For reference CEPA, based on the recommendations as set out in their report determined a proposed WACC for PIA of 4.91%.

Q. 7 Do you agree with ComReg's proposed approach to the calculation of a WACC for Physical Infrastructure Access and with the final parameter estimates proposed? Please explain the reasons for your answer, clearly indicating all the relevant paragraph numbers to which your comments refer, along with any relevant factual evidence supporting your views

Chapter 7

# 7 WACC for Broadcasting Services

## 7.1 Background

7.1 In 2026 ComReg concluded a market review process on the market for Broadcasting Transmission Services in Ireland. In that review, 2rn and RTÉ were found to have SMP in the following markets:

- 2rn – Wholesale access to national terrestrial broadcast transmission services ("Market A"); and
- RTÉ – Wholesale access to digital terrestrial television ("DTT") multiplexing services ("Market B").

7.2 This chapter sets out ComReg's assumptions and proposals in relation to key determinants of the WACC for a hypothetical efficient broadcaster. This WACC will be used as an input by the SMP operators when setting prices in Market A and Market B.

7.3 For Broadcasting, ComReg uses the Commission Notice as the basis for certain broadcasting WACC parameters, namely Risk Free Rate, Equity Risk Premium, and taxation with sector specific adjustments for Gearing, Beta and Cost of Debt to reflect the conclusion that Broadcasting transmission services have a higher systematic risk profile than the Fixed WACC reference case. For the sector specific adjustments we have used the Commission Notice as a starting point, where possible. The BEREC WACC Parameters Report does not currently include any broadcasting comparators in their chosen peer group and does not calculate values specific to broadcasting services.

7.4 ComReg determined in the 2020 Decision that a single WACC was appropriate for Market A and Market B. This took into account a number of considerations:

- There is no regulatory precedent for estimating separate WACCs in Market A and Market B.
- There is a lack of pure play DTT operators.
- Limited available information upon which any possible separate WACCs could be estimated.
- There is no identified difference in exposure to systematic risks between Market A and Market B. The majority of costs incurred in Market B are derived

from Market A; while they are separate markets, they are vertically related and there is a close relationship between the two.

7.5 ComReg concluded that the same WACC should be applied in both markets and that it should be estimated for a hypothetical efficient operator. ComReg remains of this view.

7.6 This Chapter considers the valuation of the sector-specific parameters for Broadcasting, namely:

(a) Gearing,

(b) Beta,

(c) Cost of Debt.

7.7 As outlined in Chapter 3 above ComReg is of the view that overall broadcasting services have a higher systematic risk exposure relative to wholesale FTTH/Leased lines.

## 7.2 Peer Group Comparators

7.8 At the time of the 2020 Decision ComReg based its final broadcasting specific estimates using a set of five comparators. These were:

- American Tower
- Crown Castle
- SBA Communications
- Cellnex Telecom SA ('Cellnex')
- EI Tower

7.9 In the most recent ComReg annual update in June 2025 the approach used has been to rely on Cellnex only.[47]

7.10 There are relatively few publicly listed companies that can be considered as suitable comparators to a company operating in the broadcasting sector. CEPA considers that it is appropriate to consider as peers, companies that operate in the towers and masts sector, for which market data is available. The aim is to find the most relevant

[47] Europe Economics Report (ComReg 25/35a)

comparators for a hypothetical efficient broadcaster.[48] CEPA identifies three such EEA listed companies, namely:

- Cellnex
- Infrastructure Wireless Italiane SpA ('Inwit')
- RAI Way SpA ('RAI')

7.11 CEPA notes that the choice of each of those companies as a peer for a hypothetical broadcasting transmission and distribution services broadcaster could be challenged to varying degrees, but given the narrow set of comparators available, a sample consisting of all three will help to provide a best estimate of a reference beta for broadcasting services. ComReg believes that this is a sensible approach and includes in the peer group, Cellnex, Inwit and RAI.

7.12 The list of comparators for Broadcasting services will be reviewed annually as part of the annual WACC update process and updated as necessary, by reference to companies that operate in the towers and masts sector, for which market data is available.

## 7.3 Gearing

7.13 In 2020, ComReg determined that a notional gearing level of 25% was appropriate to incorporate into the WACC estimates for broadcasting services, having regard to the gearing levels of companies that operate in the towers and masts sector, examination of the credit ratings, ratings outlooks and average gearing levels for companies providing similar services to 2RN and RTÉ, and assuming that a hypothetical efficient Irish operator must maintain an investment grade credit rating.

7.14 As there is no specific estimate for gearing relevant to broadcasting services provided as part of the annual BEREC WACC Parameters Report we have based the gearing estimate on that of the chosen peer group, using the same methodology as employed by BEREC when implementing the Commission Notice. Taking the factors outlined at paragraph 7.13 into account the gearing of the chosen peer group based on the five-year gearing as of CEPA's cut-off date of 31 July 2025 is in the range of 5% - 37%. The simple average of this is 24%. CEPA advises that the 5% gearing, which is that of RAI, a company which primarily offers tower services for the broadcasting services of its parent company, an Italian broadcaster, may indicate that there could be some debt financing at the parent company level which is not captured. Excluding RAI, gives a range of gearing estimate between 30% - 37%.

[48] CEPA Report – ComReg 26/33a

7.15 ComReg considers that the gearing of the chosen peer group is an appropriate basis on which to estimate the final gearing estimate and that it would not be appropriate to exclude one of the three peers for that purpose. Accordingly, the current point estimate is 24%. This will be reviewed annually in line with peer group comparators and updated as necessary.

## 7.4 Beta

7.16 On the basis of the evidence available, both quantitative and qualitative, ComReg considers that broadcasting features greater systematic risk exposure than the Fixed (FTTH/Leased Lines) reference case.

7.17 In its report, CEPA estimates, using the approach detailed below and the broadcasting peer group, that the beta for broadcasting falls within a broad range of 0.43-0.61 and CEPA suggests a point estimate of 0.54:

- **Estimation Procedure** – Ordinary Least Squares (OLS) to estimate equity beta based on data on stock and market index returns
- **Return Interval** – daily
- **Estimation window** – 2 years
- **Relative Index** – Stoxx Total Market Index
- **Gearing measure and approach to unlevering** – book value of debt, market value of equity. Use of Harris-Pringle formula
- **Debt Beta** – Apply a debt beta of 0.1
- **No additional adjustments** – such as Blume or Vasicek adjustments
- **Relevant time period** – cut off July 2025

7.18 ComReg notes that CEPA's approach is largely in line with the Commission Notice approach save for the use in the Commission Notice of weekly return intervals instead of daily and use of a 5-year estimation rather than a 2-year estimation window. Adjusting CEPA's calculations using weekly return intervals and a 2-year estimation window so as to estimate a beta under the Commission Notice approach, gives an asset beta of 0.50. This calculation will be reviewed on an annual basis and updated as necessary.

## 7.5 Cost of Debt

7.19 While we propose to derive the figures for asset beta and gearing with reference to the broadcasting specific peer group identified above, we do not propose to do so for the cost of debt. Of the three comparator companies, Cellnex and Inwit appear to have bonds that could be used for the purpose of this estimation if required, but RAI Way does not. RAI Way could be considered to be a stronger broadcasting comparator overall when compared to the others. For this reason, ComReg believes that it is more appropriate to use an approach similar to that outlined by CEPA in their report, namely using the cost of debt under the Fixed WACC calculation as a

starting point and applying an adjustment to reflect the different risk profile of broadcasting services. On the basis that broadcasting comparators exhibit greater credit risk relative to Fixed/Mobile/PIA, the cost of debt used for Fixed Line Telecommunications should be adjusted upwards.

7.20 As set out in Chapter 5, the Cost of Debt for the Fixed WACC calculation under the Commission Notice approach is currently 2.78%, being the Irish RFR of 1.61% and a BEREC calculated debt premium of 1.17%.

7.21 As regards the appropriate adjustment to make to reflect the different risk profile for broadcasting services, ComReg proposes to follow CEPA's suggestion. CEPA suggests in their report that the higher risk attached to broadcasting points to indices to reference that are closer to sub investment grade. Given the lack of data available on an equivalent sub-investment grade index, CEPA references an S&P report on the average yield difference from credit rating levels and assumes between 1-2 levels lower than the BBB reference case. The S&P publication indicates a difference of 39 basis points between BBB and BBB- and a further 37 basis points between BBB- and BB+ (i.e., a cumulative uplift of 76 basis points). CEPA calculates an uplift to the cost of debt of 58 basis points, being the average of 39 basis points and 76 basis points.

7.22 On that basis, the current estimated cost of debt applicable for the broadcasting WACC calculation is 3.36%, being the Commission Notice figure (as per the BEREC WACC Parameters Report June 2025) of 2.78% plus an upwards adjustment of 0.58. ComReg does not intend to recalculate this adjustment at each annual update, but may, where justified in light of circumstances specific to broadcasting services revisit at a later stage. For annual review purposes ComReg will use the RFR and debt premium as per the most recent BEREC WACC Parameters Report, and to that apply an upwards adjustment of 58 basis points, unless another adjustment would be considered more appropriate in light of the circumstances.

## 7.6 WACC Estimate for Broadcasting

7.23 Set out below in Table 11 are the estimates for WACC for Broadcasting services.

### Table 11: Final Proposed WACC for Broadcasting Services

| Parameter | WACC for Broadcasting Services – Commission Notice with adjustments | WACC for Broadcasting Services per ComReg June 2025 update |
|---|---|---|
| **Cost of Debt** | 3.36% | 3.67% |
| **Risk-free rate** | 1.61% | 1.62% |
| **Total Market Return** | 7.56% | 8.39% |
| **Equity Risk Premium** | 5.95% | 6.77% |
| **Asset Beta** | 0.50 | 0.54 |
| **Debt Beta** | 0.10 | 0 |
| **Notional Gearing** | 24% | 25% |
| **Equity Beta** | 0.63 | 0.72 |
| **Post Tax Cost of Equity** | 5.34% | 4.98% |
| **Post Tax WACC** | 4.86% | 6.24% |
| **Taxation** | 12.5% | 12.5% |
| **Pre-Tax Cost of Equity** | 6.10% | 5.69% |
| **Nominal Pre-tax WACC** | **5.44%** | **6.99%** |

7.24 For reference CEPA, based on the recommendations as set out in their report determined a proposed WACC for broadcasting transmission services of 6.42%.

Q. 8 Do you agree with ComReg's proposed approach to the calculation of a WACC for Broadcasting Services and with the final parameter values and overall WACC estimate proposed? Please explain the reasons for your answer, clearly indicating all the relevant paragraph numbers to which your comments refer, along with any relevant factual evidence supporting your views

Chapter 8

# 8 Implementation

## 8.1 Background

8.1 This Chapter considers matters relating to the implementation of the WACCs as calculated, including whether and how often the WACC values should be updated and how the updated WACCs should be used in price controls.

## 8.2 Frequency of WACC Reviews

8.2 Prior to the 2020 Decision the WACC had not been updated for a number of years. The result was that the WACC calculated at the time had changed significantly in the intervening period.

8.3 All things equal, frequent WACC reviews ensure that the most appropriate WACC estimates are used for price controls while reducing the potential for any "shock" increases or decreases that may cause uncertainty or instability within the relevant market.

8.4 Noting that NRAs prior to the Commission Notice[51] reviewed applicable WACC with different periodicity, ranging from more than once a year up to once every 4-5 years, this difference in the frequency being one of the factors behind differences in WACC values across Member States, the EC encouraged increasing the frequency of WACC calculations across Member States to reduce unjustified differences in WACC values. The Commission Notice recommends updating the national WACC value at least once per year to take account of recent economic conditions.

8.5 The 2020 Decision adopted the principle of annual reviews which ComReg believes should be continued, and the same process used. This means that the WACC for each sector is recalculated each year and the updated WACC values published by way of an Information Notice. However publication time should recognise the time of the publication of the BEREC WACC Parameters Report, which generally happens before 30 June each year. ComReg believes that publishing the Information Notice with the updated WACC value no later than 30 September each year will allow ComReg sufficient time to update the WACC values with the updated BEREC WACC Parameters.

[51] EC WACC Notice 2019 – See Section 8 "Frequency of WACC Reviews"

8.6 Where for any reason the WACC values have not been updated by 30 September, the WACC values for the preceding year shall be relied on for so long as they have not been updated, as and where necessary.

Q. 9 Do you agree that ComReg should continue to update the WACC for the relevant sectors on an annual basis? Please provide reasons for your views, clearly indicating the paragraph to which your comments refer, along with all relevant factual evidence supporting same.

## 8.3 Annual Update Estimations

8.7 For the purpose of updating the WACC parameter values on an annual basis, ComReg will rely, in the first instance, on the report published by BEREC annually on WACC parameter calculations under the Commission Notice, noting that in the case of PIA and Broadcasting services we consider it appropriate to deviate on a number of aspects to reflect the different risk profiles discussed in this consultation.

8.8 Notwithstanding the above ComReg considers that it could be deemed appropriate at a future point in time to depart from the BEREC WACC Parameters Report when estimating the relevant parameters in one or more of the Fixed, PIA or Broadcasting sectors. If applicable, ComReg will set out clear reasons for doing so in the Information Notice published as part of the Annual Update process.

### WACC for Fixed Line Telecommunications

8.9 ComReg will calculate the annual WACC for Fixed Line Telecommunications using the WACC parameters values (Risk Free Rate, cost of debt, Equity Risk premium, asset beta, debt beta and gearing) and the peer group as set out in the latest available BEREC WACC Parameters Report and the prevailing domestic rate of corporation tax in the annual update calculation.

### WACC for PIA

8.10 ComReg will calculate the annual WACC for PIA using the WACC parameters values for the Risk Free Rate, Equity Risk premium, debt beta and gearing set out in the latest available BEREC WACC Parameters Report and the prevailing domestic rate of corporation tax.

8.11 Using the Peer Group set out in the latest available BEREC WACC Parameters Report as a starting point, ComReg will apply the following filtering criteria to generate a PIA specific peer group as outlined in Chapter 6, namely:

- Include only National Incumbent operators.
- Include only operators with an investment grade credit rating of BBB or higher, consistent with a lower-risk PIA provider.

8.12 Using the PIA specific peer group identified ComReg will derive the relevant estimates for the Asset Beta and Cost of Debt, using the information available in the BEREC WACC Parameters Report for the selected peer companies.

### WACC for Broadcasting Transmission Services

8.13 ComReg will calculate the annual WACC for Broadcasting using the WACC parameter values for the Risk Free Rate, Equity Risk premium and debt beta set out in the latest available annual BEREC WACC Parameters Report and the prevailing domestic rate of corporation tax.

8.14 Using the Peer Group for Broadcasting services as outlined in Section 7.2 above as a starting point, ComReg will review this peer group to determine whether it remains appropriate and seek to include additional comparators or remove companies deemed to no longer be considered suitable for inclusion, as necessary.

8.15 ComReg will then derive the relevant estimates for the following:

- **Gearing** – Using the approach as set out in this Consultation, gearing will be derived based off a simple five-year average of the chosen peer group at a suitable cut-off date. Any future WACC update elements that rely on data gathering should for consistency purposes, aim to use a cut-off date/period similar to that as set out by BEREC in the Annual WACC Parameters Report.
- **Asset Beta** – For the Annual Update process we will follow the Commission Notice methodology in full, using the chosen broadcasting peer group. Any data gathering will aim to use a cut-off date/period similar to that as set out by BEREC in the Annual WACC Parameters Report.
- In order to estimate the **Cost of Debt** figure to be used for Broadcasting in the annual update ComReg will use the Cost of Debt (RFR plus Debt premium) as per the most recently available BEREC WACC Parameters Report as a starting point. ComReg will then apply an upwards adjustment of 58 basis points to determine the final cost of debt estimate for broadcasting services

## 8.4 Implementation of updated WACCs

8.16 As per the 2020 Decision there are a number of possible options that can be considered by ComReg for implementing any new or updated WACC into price controls. These are as follows:

1. Apply the revised WACC with immediate effect to all cost-oriented prices.
2. Apply the revised WACC only as new price controls are imposed.

3. Apply the revised WACC as new price controls are imposed[52], and in addition, rely on the revised WACC immediately when assessing compliance with cost oriented prices including any submissions by regulated entities.

8.17 Insofar as Option 1 is concerned, ComReg does not believe that it is reasonable or proportionate to update the relevant cost models for one specific parameter without assessing and reviewing all of the key input parameters and assumptions on which the cost model was based. It also does not appear appropriate to limit the possibility of applying the most recently updated WACC where a new price control is imposed. The risk with this option is that regulated prices using a WACC set for a period of, typically, five years could depart from cost orientation in the period between the imposition of new price controls, which might be an extended period. As a result, the SMP operators subject to price control obligations could be over or under compensated for a period of time.

8.18 Option 3 which has been applied since the 2020 Decision, continues to strike, in ComReg's view, the appropriate balance by allowing, in addition to the application of updated WACC to new price controls, updates to existing price controls only where there has been a material or exceptional change of circumstance from that envisaged at the time of the pricing decision. As such it remains the most suitable approach in terms of meeting ComReg's statutory objectives, ensuring that the relevant prices remain cost oriented during the life of price control and ensuring a level of regulatory certainty and predictability.

8.19 For clarity we set out below what Option 3 means in practice in terms of existing price controls, for the following three scenarios:

1. Where prices have been set by ComReg;
2. Where prices within a price control are indicative prices; and
3. Where there is a cost orientation obligation without specific prices.

### Where prices have been set by ComReg

8.20 ComReg considers that predictability of pricing is an important aspect of creating the right environment for all operators to make investment decisions. ComReg will generally avoid intervening within a price control period where it has mandated specific prices unless there has been a material or exceptional change of circumstance from that envisaged at the time of the pricing decision.

8.21 This means that where prices have been previously set by ComReg for a defined future period, a subsequent change in WACC will not automatically lead to any change in those prices. It is important to note however, that if there is evidence of a

[52] While notifying the draft PIA Decision (ComReg D03/24) to the EC in 2023 ComReg used the most recent Fixed WACC Rate, as per the annual update completed in June 2023.

sufficiently material change in modelled costs and/or circumstances, ComReg may embark on a new pricing consultation or require, in accordance with Regulation 56(6) of the ECC Regulations, an SMP operator to review the basis of existing prices and determine whether a change is required.

8.22 Insofar as the 2024 PIA Decision[53] is concerned, ComReg notes that it signalled ComReg's intention to assess the level of returns of PIA services over the price control period, with a view to inform, as appropriate, future PIA prices. When conducting that assessment, ComReg will take into account for each relevant year, the WACC rate as published by ComReg and changes to the WACC will be accordingly reflected in any adjustments made to PIA prices in future to address over or under recovery of PIA costs.

### Impact where prices within a price control are indicative prices

8.23 ComReg's decisions may, on occasion, contain indicative prices for the later years of a price control period. ComReg may review such prices or require justification for them. Any such review or justification will be based on all relevant circumstances including the prevailing WACC at the time of such a review.

### Impact where prices are subject to a cost orientation obligation without a specific price

8.24 Where an obligation of cost orientation applies but no specific price has been mandated, the SMP operator is required to use the most up-to-date WACC as it monitors its ongoing compliance with its obligations and updates prices subject to a cost-orientation obligation.

8.25 The obligation to monitor compliance with cost orientation obligations rests with the SMP operator. Regulation 56(6) of the ECC Regulations states:

> "*Where an undertaking has an obligation under this Regulation regarding the cost orientation of its prices, the burden of proof that charges are derived from costs, including a reasonable rate of return on investment shall lie with the undertaking concerned. For the purpose of calculating the cost of efficient provision of services, the Regulator may use cost accounting methods independent of those used by the undertaking. The Regulator may issue a direction requiring an undertaking to provide full justification for its prices and may, where appropriate, require prices to be adjusted*".

8.26 ComReg will continue, when notifying the EC under Article 32 of the Code of draft measures concerning price control obligations including pricing amendments, to indicate the WACC value used for the purpose of the draft measure.

[53] Paragraph 7.463 of the PIA Decision.

Q. 10 Do you have any comments on ComReg's proposed approach to Implementation of new WACCs? Please provide reasons for your views, clearly indicating the paragraph to which your comments refer, along with all relevant factual evidence supporting same.

# Annex 1: Decision Instrument

## PART I – GENERAL PROVISIONS

### 2 STATUTORY POWERS GIVING RISE TO THIS DECISION

2.1 This decision instrument ("Decision Instrument") is made by the Commission for Communications Regulation ("ComReg"):

(i) Pursuant to and having had regard to Sections 10 and 12 of the Communications Regulation Act 2002 (as amended), and Regulation 4 and Regulation 42 of the ECC Regulations;

(ii) Pursuant to and having regard to Regulations 42, 50, 53, 56 of the ECC Regulations;

(iii) Pursuant to Regulation 99, 104 and 105 of the ECC Regulations;

(iv) Having had regard to the Communication from the European Commission entitled "*Commission Notice on the calculation of the cost of capital for legacy infrastructure in the context of the Commission's review of national notifications in the EU electronic communications sector"* published on 6 November 2019 (OJEU C375/1);

(v) Having, where appropriate, pursuant to Section 13 of the Communications Regulation Act 2002 (as amended), complied with Ministerial Policy Directions;

(vi) In light of the reasoning and analysis set out in Consultation and draft Decision entitled "*Review of the Weighted Average Cost of Capital in the Irish Telecommunications Sector*" (ComReg Document No. 26/33);

(vii) Having taken account of submissions received from interested parties in response to ComReg Document No. 26/33 following a public consultation held pursuant to Regulation 101 of the ECC Regulations;

(viii) Having notified the draft measure and the reasoning on which the measure is based to the European Commission, BEREC and the national regulatory authorities in other EU Member States pursuant to Article 32 of the European Electronic Communications Code and Regulation 17 of the ECC Regulations and having taken utmost account of any comments made by them.

(ix) Having regard to the analysis and reasoning set out in ComReg XX/XX.

2.2 This Decision Instrument shall be construed consistently with and as part of ComReg Decision DXX/XX).

## 2 DEFINITIONS AND INTERPRETATION

2.1 In this Decision Instrument, unless the context otherwise suggests:

**'2rn'** means RTÉ Transmission Network Designated Activity Company trading as 2rn;

**'BEREC'** means the Body of European Regulators for Electronic Communications, as established pursuant to Regulation (EU) 2018/1971 of the European Parliament and of the Council of 11 December 2018 amending Regulation (EU) 2015/2120 and repealing Regulation (EC) No. 1211/2009;

**'BEREC WACC Parameters Report"** means the report published annually in or around 30 June by BEREC containing the results of the calculations run by BEREC to estimate the parameters of the Weighted Average Cost of Capital (WACC) in accordance with the Commission Notice approach;

**'CEPA Report'** means the report titled 'Cost of Capital estimation: ComReg' dated 25 November 2026, prepared by CEPA LLP trading as CEPA;

**'Commission Notice approach**' means the methodology set out in the Communication from the European Commission entitled "Commission Notice on the calculation of the cost of capital for legacy infrastructure in the context of the Commission's review of national notifications in the EU electronic communications sector" of 6 November 2019, OJEU [2019] C 375/1.

**'ComReg'** means the Commission for Communications Regulation, established under Section 6 of the Communications Regulation Act, 2002 (as amended);

**'ComReg Decision DXX/26'** means ComReg Document 26/XX entitled "*Review of the Weighted Average Cost of Capital in the Irish Telecommunications Sector*" (ComReg Document No. YY/NN) dated DD MM 2026;

**'ComReg Document 26/33'** means ComReg Document 26/33 entitled "*Review of the Weighted Average Cost of Capital in the Irish Telecommunications Sector" (ComReg Document No. 26/33, Consultation and draft Decision, dated 29 May 2026)* [this document];

**'Decision Instrument'** means this decision instrument;

**'ECC Regulations'** means the European Union (Electronic Communications Code) Regulations 2022, S.I. No. 444 of 2022;

**'European Electronic Communications Code'** or **'Code'** means Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code (Recast);

**'Effective Date'** means the date set out in Section 10 of this Decision Instrument;

**'Eircom'** means Eircom Limited, a company incorporated in Jersey (Number 116389), registered as a Branch in Ireland (Number 907674), with an Irish registered Branch Office at 2 Heuston South Quarter, St John's Road, Dublin 8;

**'RTÉ'** means Raidió Teilifís Éireann, the body corporate established under the Broadcasting Authority Act 1960 and continued in being by section 113 of the Broadcasting Act;

**'SMP'** means Significant Market Power;

**'Undertaking'** has the same meaning as set out in Regulation 2 of the ECC Regulations;

**'WACC'** means the weighted average cost of capital.

## 3 SCOPE AND APPLICATION

3.1 This Decision Instrument shall apply for the purpose of determining or allowing an Undertaking a reasonable rate of return where required or appropriate under the ECC Regulations.

3.2 Without prejudice to the generality of Section 3.1, and for the purpose in particular of Section 6.2 below, this Decision Instrument shall apply to Undertakings which have been designated with SMP in accordance with Regulation 49 of the ECC Regulations and subject to accounting separation obligations pursuant to Regulation 53 of the ECC Regulations or cost recovery and price control obligations pursuant to Regulation 56 of the ECC Regulations.

3.3 For the avoidance doubt, on the Effective Date, Undertakings for the purpose of Section 3.2 above include, in particular, Eircom, RTÉ and 2rn in respect of their designation as having SMP on the following markets:

(i) Eircom on the market for Physical Infrastructure Access as defined in ComReg Decision D03/24 of 18 January 2024 (ComReg 24/05);

(ii) Eircom on the market for wholesale local access provided at a fixed location, as defined in ComReg Decision D05/24 of 18 January 2024 (ComReg 24/07);

(iii) Eircom on the market for wholesale high quality access as defined by ComReg Decision D03/20 of 24 January 2020 (ComReg 20/06);

(iv) 2rn on the market for national terrestrial broadcasting transmission and distribution services (Market A) as defined by ComReg Decision D02/26 of 27 January 2026 (ComReg 26/05);

(v) RTÉ on the market for wholesale access to Digital Terrestrial Television (DTT) multiplexing services (Market B) as defined by ComReg Decision D02/26 of 27 January 2026 (ComReg 26/05).

# PART II – DETERMINATION OF REASONABLE RATE OF RETURN

## 4 WACC Calculation

4.1 The reasonable rate of return of an Undertaking for the purpose of the ECC Regulations shall be set at the level of the nominal pre-tax WACC of a hypothetical efficient operator in the relevant sector as set out in Section 4.2, calculated in accordance with the formula set out in Section 4.3, and updated as the case may be in accordance with Section 5.2.

4.2 The WACC shall be calculated by reference to a hypothetical efficient operator for each of the following sectors:

(i) Fixed line communications;

(ii) Physical Infrastructure Access; and

(iii) Broadcasting transmission services.

4.3 For each sector set out in Section 4.2, the WACC shall be calculated using the following formula:

$$WACC_{pre-tax} = g * r_{debt} + (1 - g) * \left(\frac{r_{equity}}{(1 - t)}\right)$$

*where:*

- *'g' is the hypothetical efficient operator's level of gearing, which is calculated by the ratio debt/debt and equity,*
- *'$r_{debt}$' means the cost of debt,*
- *'$r_{equity}$' means the cost of equity, and*
- *'t' means the applicable corporate tax rate.*

# 5 WACC VALUE

5.1 Every year on or before 30 September, ComReg shall estimate in accordance with section 5.2, and publish in an Information Notice, the applicable WACC values for each sector.

5.2 Subject to Section 5.3, WACC values shall be estimated for each sector with the formula set out in Section 4.2 applied in accordance with the Commission Notice approach, using in each case the prevailing Irish corporation tax rate and: —

(i) For the Fixed Line Telecommunications WACC rate, the parameters values and the peer group set out in the latest available BEREC WACC Parameters Report;

(ii) For the PIA WACC, the parameters values set out in the latest available BEREC WACC Parameters Report, using for the Asset Beta and Cost of Debt, the peer group set out in that BEREC Report adjusted to include only national incumbent operators with an investment grade credit rating of BBB or higher;

(iii) For the Broadcasting WACC, the parameter values set out in the latest available BEREC WACC Parameters Report save that a fixed upward adjustment of 58 bps (reflecting assumed credit rating) shall be applied to the Cost of Debt, and Gearing and Asset Beta shall be calculated by reference to a peer group composed of tower and mast companies for which data is publicly available using the Commission Notice approach.

5.3 ComReg may, where justified:—

(i) in light of circumstances specific to Ireland, depart from the latest BEREC WACC Parameters Report when estimating the relevant WACC parameters values in one or more of the sectors,

(ii) In light of circumstances specific to broadcasting at that time, use an adjustment other than an upward adjustment of 58bps when estimating the Cost of Debt for broadcasting,

in which case, ComReg will set out its reasons for doing so in the Information Notice referred to in Section 5.1.

5.4 For the period starting on the Effective Date to 30 September, without prejudice to Section 5.5, the value of the WACC is as follows:

(i) Fixed Line Telecommunications: 4.41%

(ii) Physical Infrastructure Access: 4.19%

(iii) Broadcasting transmission: 5.44%

5.5 Where for any reason the WACC values have not been updated by 30 September, the WACC values for the preceding year shall be relied on for so long as they have not been updated, as and where necessary, in accordance with Clause 6 below.

## 6 RELIANCE ON WACC

6.1 ComReg shall use the most recently published WACC value as applicable to the relevant sector for the purpose of allowing an Undertaking a reasonable rate of return in any decision made under the ECC Regulations.

6.2 Price controls in force prior to the Effective Date shall continue unaffected by the publication of the WACC values pursuant to Section 5 save for the following circumstances:

(i) Undertakings amending prices or introducing new prices that are subject to a price control obligation in the form of cost orientation (as required or where permitted under such price control obligation) shall use the most recently published WACC value.

(ii) Following the publication of WACC values pursuant to Section 5.1 or Section 5.4 ComReg may, further to the provisions of Regulation 56 of the ECC Regulations, require an Undertaking that is subject to a price control obligation in the form of an obligation of cost orientation, to justify the continued cost-orientation of its prices allowing a reasonable rate of return set at the most recently published WACC value, and may direct the amendment of prices to ensure their cost-orientation.

# PART III – FURTHER GENERAL PROVISIONS

## 7 STATUTORY POWERS NOT AFFECTED

7.1 Nothing in this Decision Instrument shall operate to limit ComReg in the exercise and performance of its statutory powers or duties conferred on it under any primary or secondary legislation (in force prior to or after the Effective Date of this Decision Instrument).

## 8 SEVERANCE

8.1 If any Section(s), clause(s) or provision(s) or portion(s) thereof contained in this Decision Instrument is(are) found to be invalid or prohibited by the Constitution, by any other law or judged by a court to be unlawful, void or unenforceable, that(those) Section(s), clause(s) or provision(s) or portion(s) thereof shall, to the extent required, be severed from this Decision Instrument and rendered ineffective as far as possible

without modifying the remaining Section(s), clause(s) or provision(s) or portion(s) thereof of this Decision Instrument, and shall not in any way affect the validity or enforcement of this Decision Instrument or other Decision Instruments.

## 9 PUBLICATION AND NOTIFICATION, WITHDRAWAL

9.1 This Decision Instrument shall be published on ComReg's website, www.comreg.ie, and on the same day, notified to the Undertakings named in Section 3.2.

9.2 ComReg Decision D10/20, including the Decision Instrument contained in Annex 1 of ComReg Decision D10/20, shall be withdrawn and no longer have effect from the Effective Date.

## 10 EFFECTIVE DATE

10.1 The Effective Date of this Decision Instrument shall be, unless otherwise expressly stated in this Decision Instrument, the date of its publication on ComReg's website.

10.2 This Decision Instrument shall remain in force until further notice by ComReg.

**COMMISSIONER**

**THE COMMISSION FOR COMMUNICATIONS REGULATION**

**THE […] DAY OF [… ] 2026**

# Annex 2: Questions

## Section Page