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Commerce Commission

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Submitted by email to: infrastructure.regulation@comcom.govt.nz

Revised draft decision: Technical consultation on matters relating to the tax-adjusted market risk premium

Enable welcomes the opportunity to comment on the Commerce Commission's technical consultation paper on the revised draft decision relating to the Tax-Adjusted Market Risk Premium (TAMRP) methodology.

This is a short submission to state that Enable supports the Commission's revised proposal to remove the Siegel 1 estimator from the TAMRP methodology. In our earlier cross-submission, we supported arguments advanced by Chorus and Powerco that Siegel 1 lacked a strong theoretical foundation and introduced unnecessary volatility into WACC outcomes. We also agree with Saphere's analysis that it lacks empirical and academic support.

In our cross-submission we agreed with Chorus and Powerco that greater weight should be placed on the Siegel 2 approach, which better reflects a stable total market return framework and reduces the pass-through of movements in risk-free rates into allowed returns. We therefore support the Commission's new approach to the TAMRP that does this.

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