enable
fibre broadband

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

Cross-Submission on Fibre Input Methodologies Review 2027 Issues Paper (Tranche 2) Consultation

Introduction

1. Enable welcomes the opportunity to make a cross submission to the *Commerce Commission's Fibre Input Methodologies Review 2027 Issues Paper (Tranche 2)*. Enable supports the key positions advanced by both Chorus and Tuatahi in relation to the Cost of Capital, as further discussed below.

2. In our view, those submissions collectively identify important areas where the Commission should exercise caution before making significant changes to the fibre regulatory framework and should ensure any updates remain transparent, evidence-based, and consistent with the long-term benefit of end-users.

Cost of Capital and Asset Beta

3. Enable supports the concerns raised by Chorus regarding the Commission's preliminary asset beta analysis and the apparent decline in measured fibre risk (Chorus, paragraphs 4, 5, 12.1-12.3, 24-31). Enable agrees that the Commission has not yet demonstrated that recent reductions in estimated asset betas reflect a genuine reduction in the underlying systematic risk faced by regulated fibre providers. We support Chorus' view that the Commission should publish and consistently apply its comparator selection criteria, should not apply an undefined "very high leverage" exclusion, and should not treat recent post-Covid data as inherently more reliable than longer-term evidence.

4. Enable also supports the positions advanced by Tuatahi regarding comparator selection and market representativeness (Tuatahi paragraphs 3, 4, 8-10, 25-27). We agree that the Commission should demonstrate that the comparator set appropriately reflects the risks faced by New Zealand regulated fibre providers.

5. Enable supports Chorus' recommendation to use a longer estimation period that spans pre-Covid, Covid and post-Covid periods when estimating asset beta (Chorus paragraphs 28-31). We also support Tuatahi's view that further analysis is required before any conclusion is reached regarding whether Covid-19 or post-Covid conditions have resulted in a permanent change in fibre network risk (Tuatahi paragraphs 11-13). Collectively, these submissions demonstrate that the Commission

should exercise caution before placing significant weight on recent data that may reflect temporary market distortions rather than enduring changes in risk.

Leverage and Credit Rating

6. Enable supports Chorus' position that the current leverage methodology should be retained because it remains internally consistent and grounded in observed market evidence (Chorus paragraphs 32-34). We also note that Tuatahi expressed no concerns regarding retention of the current approach (Tuatahi paragraph 14).

7. Enable further supports retention of the current notional BBB credit rating, consistent with the views expressed by Chorus (paragraph 35) and Tuatahi (paragraph 15). Neither submission identifies evidence that would justify departing from the current benchmark credit rating.

Conclusion

8. Enable notes the general alignment of the three submissions provided and also our support for additional points raised by Tutahi and Chorus.

9. Thank you considering the points raised in this cross-submission, and we look forward to working with the Commission as this work progresses.

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