

## STOCK EXCHANGE ANNOUNCEMENT

13 October 2020

### **Commerce Commission releases final IM decisions reasons paper and final determination (excluding financial loss asset)**

The Commerce Commission has released its final IM decisions reasons paper and final determination (excluding financial loss asset).

These decisions establish the rules that will apply for the price quality and information disclosure regulation that will apply to Chorus from 1 January 2022.

Today's decisions reflect some improvements to the Commission's last draft decisions in key areas of WACC and the treatment of Crown Financing and maintain its principled approach to key issues such as cost allocation. The decisions are large and complex and we will be reviewing them in detail over the coming days.

The decisions set the parameters for establishing Chorus' WACC from 1 January 2022 and compensation for any potential asset stranding risk. Decisions on key parameters from 1 January 2022 include:

- asset beta at 0.50
- credit rating at BBB
- leverage at 29 percent
- uplift remains at the 50<sup>th</sup> percentile
- compensation for Type II Asymmetric risk remains at 10 bps.

We note that the Commission has revised its previous view that Crown Financing was essentially costless and will be reviewing the impact of this revised decision.

A second, and significant, set of decisions relating to the calculation of Chorus' financial losses from 2011 to 2022 is expected to be released on 3 November 2020. These decisions present the Commission with an opportunity to ensure that investors get a return reflecting the risk they took to build a fibre network in partnership with government, as well as incentivising ongoing investment in critical infrastructure benefiting retail and business customers throughout New Zealand.

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**ENDS**

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