



Notice

9 February 2017

Secretariat Working Paper:

ESTIMATING THE UTILISATION OF FRANKING CREDITS THROUGH THE DIVIDEND DROP-OFF METHOD

The ERA Secretariat has published a working paper exploring econometric issues associated with estimating the utilisation of franking credits through the dividend drop-off method.

The utilisation of franking credits – often referred to as the parameter ‘theta’ – is an input to the calculation of the value of franking credits (given by the parameter ‘gamma’). Gamma influences the estimate of the weighted average cost of capital, through its effect on the market risk premium. It is also a key input to calculating the tax ‘building block’ in the ERA’s post-tax revenue models.

The Secretariat Working Paper is available on the [ERA website](#).

The computer code underlying calculations will be made available in the ERA computer code repository. The repository can be accessed via the following link:

<https://www.erawa.com.au/gas/gas-access/computer-code-repository>

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