



Notice

6 October 2020

Economic Regulation Authority's Weighted Average Cost of Capital

Publication of updated debt risk premium process

In many regulatory determinations, the ERA is required to determine a rate of return on capital investment that is then used to determine allowable revenues and/or prices for regulated businesses. The ERA determines rates of return as a weighted average cost of equity and debt. In determining the rate of return the ERA estimates a cost of debt.

On 7 September 2020 the ERA sought submissions from stakeholders on revisions to its process to calculate the debt risk premium to account for upcoming changes in product packages provided by financial data provider Bloomberg.

Following the receipt and consideration of submissions the ERA will proceed with its proposed updated debt risk premium process. The ERA will use this process for its future debt risk premium calculations.

The debt risk premium process documents are available on the [ERA website](#) and include:

- Updating DRP using R (version 3).
- Updating DRP using Excel (version 3).
- DRP Methods (version 3).

Further information

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