



Making a positive difference  
for energy consumers

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## **NATS En-route Limited (NERL) RP3 Price Control Determination: Comments on Provisional Findings**

Dear Judith,

We write to provide comments on the CMA's provisional findings in the above detailed price control determination.

Our comments concern three aspects of the provisional findings as follows:

- (1) Total Market Returns (TMR);
- (2) re-gearing beta; and
- (3) the selection of a point estimate for allowed returns on capital.

Regarding (1), TMR, we consider the CMA's estimate of 5-6% (RPI-real) to be reasonable, and is in line with our recent estimates. We also note that most estimation methods, as used by the CMA in its provisional findings and by other regulators including CAA and Ofwat, are consistent with this range.

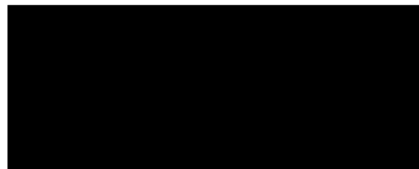
Regarding (2), re-gearing beta, we note with interest the CMA's WACC inference at each gearing level and the CMA reference to the Modigliani-Miller theorems. We agree such effects are worthy of careful consideration when making price control decisions.

Regarding (3), the selection of a point-estimate for allowed returns on capital, we note the CMA has considered whether the price control may be asymmetric, such that its net effect is in favour of, or against, NERL. In doing so, the CMA exercised judgement on the various

aspects of the price control package, before arriving at an overall view to set an allowance based on the mid-point of the estimated range. In our view, these are reasonable approaches.

We hope the above information is useful to the CMA. Please do not hesitate to contact me if we can be of any further assistance.

Yours sincerely,



Simon Wilde

**Senior Financial Advisor**

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