

Brussels, 13 November 2024  
Case No: 93001  
Document No: 1496887

Norwegian Communications Authority  
Postboks 93  
4791 Lillesand  
Norway

For the attention of:  
Mr. John-Eivind Velure  
Director General

Dear Mr. Velure,

**Subject: Weighted Average Cost of Capital (“WACC”) estimation for 2025 in Norway**

**Article 7(3) of Directive 2002/21/EC (Framework Directive)<sup>1</sup>: No comments**

## I. PROCEDURE

On 14 October 2024, the EFTA Surveillance Authority (“ESA”) received a notification of a draft national measure in the field of electronic communications pursuant to Article 7 of the Framework Directive from the Norwegian national regulatory authority, *Nasjonal Kommunikasjonsmyndighet* (“Nkom”), concerning the estimation of the WACC for 2025 in Norway.<sup>2</sup>

The notification became effective on the same day.

A national consultation was carried out by Nkom, pursuant to Article 6 of the Framework Directive, during the period 21 August 2024 to 20 September 2024.

---

<sup>1</sup> Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services, OJ L 108, 24.4.2002, p. 33 (as amended by Regulation (EC) No 717/2007, OJ L 171, 29.6.2007, p. 32 and Regulation (EC) No 544/2009, OJ L 167, 29.6.2009, p. 12) referred to at point 5cl of Annex XI to the EEA Agreement, as adapted to that Agreement by Protocol 1 thereto (“the Framework Directive”). On 24 September 2021, the EEA Joint Committee adopted Decision (“JCD”) No 275/2021 incorporating Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code (Recast), as corrected by OJ L 334, 27.12.2019, p. 164 and OJ L 419, 11.12.2020, p. 36 (“the Code”), into the EEA Agreement. The Code will repeal, *inter alia*, the Framework Directive. However, until JCD No 275/2021 enters into force, the Framework Directive remains applicable.

<sup>2</sup> The WACC is an input to Nkom’s cost accounting, accounting separation, margin squeeze tests and cost models across fixed and mobile markets.

The period for consultation with ESA and the national regulatory authorities (“NRAs”) in the EEA States, pursuant to Article 7 of the Framework Directive, expires on 14 November 2024.

Pursuant to Article 7(3) of the Framework Directive, ESA and the EEA NRAs may make comments on notified draft measures to the NRA concerned.

## II. DESCRIPTION OF THE DRAFT MEASURE

### II.1. Background

In the context of obligations applying to an operator designated as having significant market power (“SMP”), NRAs may need to determine a reasonable rate of return on that operator’s investments. This is the case, for example, when setting the maximum prices that an SMP operator may charge for interconnection and/or access in markets where there is a lack of effective competition: such prices should allow a sufficient return on the capital employed.

To estimate this reasonable rate of return, NRAs typically rely on the WACC, which measures the company’s cost of capital (i.e. the return that investors would require to finance the company’s investments). The cost of capital can be split into two main components, which reflect the two main sources of a company’s financing: the cost of equity and the cost of debt.

Due to the lack of consistency in the approaches used by NRAs to estimate the WACC for electronic communications networks, the European Commission published a Notice on the calculation of the cost of capital in 2019 (“the Notice”), setting out the assumptions that should be used by NRAs when estimating the cost of capital.<sup>3</sup> The Notice considers it appropriate for NRAs to update the WACC at least on a yearly basis,<sup>4</sup> and establishes that BEREC, the body of European NRAs, should publish the relevant parameters used in the WACC computation for each EEA State on the same basis.<sup>5</sup>

Nkom has, since its decision of 4 April 2022,<sup>6</sup> adopted the methodology set out in the Notice and used the parameters published by BEREC when calculating the WACC in Norway.

### II.2 Current notification

The current notification establishes the WACC in Norway for the year 2025 at 5.58%, which is 0.27 percentage points higher than the WACC for 2024 (set at 5.31%). The WACC applies to both mobile and fixed telecom markets.<sup>7</sup>

Nkom has applied the updated parameters published by BEREC in June 2024 (“the BEREC report”),<sup>8</sup> in line with the Notice. To compute the nominal pre-tax WACC, Nkom uses the following key inputs from the BEREC report:

1. an estimated risk-free interest rate based on a 5-year average yield on Norwegian Government bonds;

---

<sup>3</sup> Communication from the Commission – Commission Notice on the calculation of the cost of capital for legacy infrastructure in the context of the Commission’s review of national notifications in the EU electronic communications sector, OJ C 375, 6.11.2019, p. 1–11, available [here](#).

<sup>4</sup> Ibid. Chapter 8 – paragraphs 68-70.

<sup>5</sup> Ibid. Chapter 7 – paragraphs 64-67.

<sup>6</sup> See previous notifications by Nkom to ESA, dated 10 November 2023 and 19 October 2022, and ESA’s subsequent assessment in Case No [91269](#) and Case No [89447](#).

<sup>7</sup> This is in line with the previous final decisions from Nkom. The last two decisions from 20 December 2023 and 7 December 2022 are available at ESA’s [eCom Registry](#) and on Nkom’s [website](#).

<sup>8</sup> See BEREC’s report [here](#).

2. credit premium, debt ratio and “beta” coefficients that are based on a “Peer Group” of European telecom operators;<sup>9</sup> and
3. the average equity risk premium across the EEA.

In addition to the BEREC report inputs, Nkom applies the Norwegian corporate tax rate to calculate the nominal pre-tax WACC.

Nkom did not receive any comments from stakeholders during the national consultation.

### III. NO COMMENTS

ESA has examined the notified draft measure and has no comments.

### IV. FINAL REMARKS

On a procedural note, ESA recalls that any future amendments to, or more detailed implementation of, the draft measures consulted on in the current notification will require re-notification in accordance with Article 7(3) of the Framework Directive.

Pursuant to Article 7(5) of the Framework Directive, Nkom shall take the utmost account of comments of other NRAs and ESA. It may adopt the resulting draft measure and, when it does so, shall communicate it to ESA.

ESA’s position on the current notification is without prejudice to any position ESA may take in respect of other notified draft measures.

Pursuant to Point 15 of the Procedural Recommendation,<sup>10</sup> ESA will publish this document on its eCOM Online Notification Registry. ESA does not consider the information contained herein to be confidential. You are invited to inform ESA within three working days following receipt of this letter if you consider, in accordance with EEA and national rules on confidentiality, that this letter contains confidential information which you wish to have deleted prior to publication.<sup>11</sup> You should give reasons for any such request.

Yours sincerely,

Filip Ragolle  
Deputy Director for Competition and Regulation  
Competition and State Aid Directorate

*This document has been electronically authenticated by Filip Ragolle.*

---

<sup>9</sup> The peer group in the current BEREC report was changed compared to last year. Telenet has been removed from the Peer Group, lowering the number of peers in the group to 14 compared to 15 previously. The peer group consists of 14 major telecom operators from different European countries. BEREC uses the peer group as a reference for the computation of several key parameters, following the capital asset pricing model (“CAPM”) methodology.

<sup>10</sup> EFTA Surveillance Authority Recommendation of 2 December 2009 on notifications, time limits and consultations provided for in Article 7 of the Act referred to at point 5cl of Annex XI to the Agreement on the European Economic Area (Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services), as adapted by Protocol 1 thereto, OJ C 302, 13.10.2011, p. 12 (“the Procedural Recommendation”), and available on the ESA website [here](#).

<sup>11</sup> The request should be submitted through the eCOM Registry, marked for the attention of the eCOM Task Force.