

STOCK EXCHANGE ANNOUNCEMENT

13 December 2024

Commerce Commission releases final Price-Quality decision

The Commerce Commission has released its final decision on the price-quality path for Chorus' second regulatory period for fibre (PQP2, 2025-2028).

The final decision sets out annual revenues in the range of \$957 million to \$1,080 million (nominal), including pass-through costs and wash-ups.

The final decision is based on the final expenditure allowances decision released in August and updated inputs from Chorus' CY23 information disclosure, which were not available for the draft price-quality decision in July.

Key elements of today's draft decision include:

- Tilted annuity depreciation of core fibre assets to avoid the build-up of a significant wash-up balance over PQP2 - which is in line with Chorus' recommendation to the Commission - using a tilt rate equivalent to +2.6% nominal. This defers \$256 million of depreciation (equating to approximately \$327 million of revenue) that would otherwise be recovered in PQP2.
- Draw-down of the PQP1 wash-up balance of \$195 million within PQP2.
- The Commission's decision to update settings so a wash-up of CPI also applies in year 1 of PQP2.
- Smoothing of the revenue profile in the period.
- The use of a vanilla WACC of 7.68%.
- No new quality standard for provisioning with some adjustments to the existing quality standards for availability and performance.

Chorus will review the decision carefully to ensure all settings are workable.

Chorus Chief Corporate and Regulatory Officer Julian Kersey said "This decision marks the end of a multi-year process involving substantial effort from both Chorus and the Commission. Chorus thanks the Commission for its engagement and welcomes the certainty that the final decision provides in terms of expenditure allowances and allowable revenues for the next four years."

The Commission's final decision is available [here](#).

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