



Press release

Bonn, 20 October 2021

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Bundesnetzagentur publishes determinations on rates of return on equity

Jochen Homann: "Rates will secure attractive investment conditions"

The Bundesnetzagentur has today published its determinations on the future rates of return on equity for electricity and gas network operators.

"The lower rates of return reflect the lower rates on the capital markets. Investments in the networks remain attractive for the long term. We took responses to the consultation into consideration," said Bundesnetzagentur President, Jochen Homann. "At the same time, we have to bear in mind that the returns of network operators are paid by network users, that is to say, consumers, industry and businesses. They must not bear an unnecessarily large burden."

Rate of return on equity to fall

The Bundesnetzagentur has set out a rate of return on equity of 5.07% before corporate tax for new assets for both electricity and gas network operators. For old assets, a rate of return of 3.51% before corporate tax has been determined.

The current rates are 6.91% before corporate tax for new assets and 5.12% before corporate tax for old assets. The new rates will apply from the beginning of the fourth regulatory period, ie from 2023 for gas network operators and 2024 for electricity network operators.

The crucial point about the timing of the determinations is that the rate of return must be included in the setting of the revenue caps for gas network operators and the related efficiency benchmarking in early 2022. The determinations for electricity and gas networks have been made at the same time to avoid a possible unintended influence on equity, favouring investment in the gas network, simply because the rates of return would differ because they were set at different times.

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Components of the rate of return

The rate of return on equity results from the ten-year average of the risk-free rate plus an appropriate risk premium.

The risk-free rate is 0.74%. The capital market is not currently providing any indication that this rate could rise so much during the next regulatory period that it would no longer be taken into account in the rate of return on equity determined. However, the Bundesnetzagentur has still taken the precaution of reserving the right to adjust the rate of return on equity directly should the rate environment change unexpectedly in the next regulatory period.

The Bundesnetzagentur calculated a risk premium of around 3%. To do so, it commissioned expert reports, which were published in July. An open question was still the possible effect of duration and liquidity effects in the risk premium as compared to the risk-free rate. These effects were analysed more closely during the consultation process, resulting in the risk premium being raised by 0.395% from the figure that had been published in July. With the additional effect on tax, this led to an overall increase of 0.48% to 5.07% from the figure of 4.59% originally consulted on.

Publication of the determinations

The decision is available at www.bnetza.de/bk4-ekz. The determinations will also be published in the Bundesnetzagentur Official Gazette on 27 October.



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The Bundesnetzagentur is an authority under the responsibility of the Federal Ministry for Economic Affairs and Energy. Its core tasks include supervising the energy, telecommunications, postal and railway markets.

As part of its mandate, the Bundesnetzagentur ensures that as many undertakings as possible can use the infrastructure in these sectors so that consumers benefit from competition and favourable prices.

The authority employs over 2,900 people at its headquarters in Bonn and Mainz and its 46 regional offices.