UKRN cost of capital principles

1.1. These principles are designed to ensure that UKRN members take an effective and efficient approach in setting the cost of capital in their own sectors, and in doing so, to minimise the risk to the cost of investing in the sector as a result of regulatory and political changes.

1.2. It is not intended that these principles should cut across any regulators’ statutory duties. Statutory duties necessarily take precedence.

Principles:

1.3. In setting the cost of capital in our sectors, UKRN members will follow these principles:

- **Consistency** - recognise the benefits of consistency and stability in our own and collective regulatory approaches - explaining why if a different approach is taken, and reflecting our own duties.

- **Risk reflective** - the reward will reflect the allocation of risk in the regulatory framework and sectors.

- **Investment** - Facilitate necessary investment in the infrastructure and services consumers want.

- **Communication** - Be clear and transparent in our communication with stakeholders.

- **Good practice** - Learn from each other’s approaches, those used in other jurisdictions and latest academic thinking.

- **Evidence** - Use market and other evidence to inform our work

- **Review** - Review these principles and our own approaches to the cost of capital at appropriate intervals.

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CAA, NIAUR, Ofcom, Ofgem, Ofwat and ORR