

STOCK EXCHANGE ANNOUNCEMENT

18 July 2024

Commerce Commission releases draft Price Quality decision

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

The draft decision sets out annual revenues in the range of \$908 million to \$1,018 million, including pass-through costs.

However, the draft decision is based on the draft expenditure allowances decision released in April 2024 and doesn't reflect additional information provided to the Commission by Chorus. The final expenditure allowances are expected to be determined by the Commission in August, and these will be reflected in the final price-quality determination due in Q4 2024.

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 of +3.5%. This defers \$267 million of depreciation that would otherwise be recovered in PQP2.
- Draw-down of the PQP1 wash-up balance within PQP2.
- Smoothing of the revenue profile in the period.
- The use of a 'draft estimate' vanilla WACC of 7.71%, which will be updated in the final decision for the Commission's confirmed regulatory WACC for PQP2 of 7.68%.
- A proposal for a new quality standard for provisioning.
- The Commission's decision to update settings so a wash-up of CPI also applies in year 1 of PQP2.

Chorus Chief Corporate and Regulatory Officer Julian Kersey said Chorus will review the Commission's draft decision carefully. A key focus area for Chorus' submissions will be to ensure the allowable revenues and required quality standards are reasonable and will deliver positive outcomes for fibre end-users.

The draft decision suggests there may be an error in the application of the fibre Input Methodologies to pass-through costs, with a potential value of \$60 million. Chorus' view is that there is no error and we have provided advice on this point to the Commission.

The Commission's draft decision is available here <https://comcom.govt.nz/regulated-industries/fibre/projects/chorus-fibre-price-quality-path-from-2025>

Authorised by:

Katrina Smidt
Acting Chief Financial Officer

ENDS

For further information:

Brett Jackson
Investor Relations Manager
Phone: +64 4 896 4039
Mobile: +64 (27) 488 7808
Email: Brett.Jackson@chorus.co.nz

Vicki Gan
Media and Content Manager
Phone: +64 9 975 2940
Email: vicki.gan@chorus.co.nz