HUNTER WATER
SUBMISSION TO IPART

REVIEW OF FINANCEABILITY TEST 2018

RESPONSE TO ISSUES PAPER

JUNE 2018

HUNTER WATER

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EXECUTIVE SUMMARY

The Independent Pricing and Regulatory Tribunal (IPART) is reviewing the financeability test that it uses to assess the potential impacts of pricing decisions on a regulated business's financial sustainability. Hunter Water appreciates IPART's ongoing commitment to improve key components of its regulatory framework.

Hunter Water supports IPART's proposal to broaden its financeability approach by conducting tests for both the actual regulated business (the current approach) and the benchmark entity. The two tests, in combination, will allow a more accurate assessment of the source of any financeability concerns and inform remedies for addressing them.

Hunter Water agrees that IPART's financeability test is generally working well. However, we are concerned that some elements of the approach are not sufficiently aligned with credit rating review processes. This misalignment means that IPART's current and proposed financeability tests are not fully consistent with the review's objective of being able to effectively assess the impact of pricing decisions on a regulated business's financial sustainability.

Hunter Water recognises that IPART has a different set of objectives than credit rating agencies, shareholders and lenders. IPART does not determine credit ratings and does not aim to set prices so that businesses can achieve above investment grade ratings.

Nevertheless, the financeability test needs to align sufficiently with credit rating processes to reduce the risk of pricing determinations contributing to a fall in ratings below investment grade which would adversely impact the business, its customers and shareholders. Hunter Water is proposing amendments to the financeability test that we consider improve its transparency and effectiveness whilst not impinging on IPART's other objectives.

Our main proposed amendments, as detailed in the relevant sections of this submission, are:

- Continuing to use the nominal cost of debt in the actual business financeability test unless a business's rating agency is using cash interest in which case that should be adopted
- Adding retained cash flow (RCF) over debt to the three financial ratios currently used in the financeability test
- Adopting Moody's financial ratio weightings as reproduced in the issues paper's table 5.3
- Including some consideration of qualitative factors, and
- Using Moody's financial ratio benchmarks as reproduced in the issues paper's table 5.2.

Hunter Water appreciates IPART's concern regarding the cost to a regulated business if additional data is required by IPART to support the application of changes in the financeability test methodology. However, we note that the data to support IPART's proposals and Hunter Water's suggested amendments is already required either for credit rating purposes, business planning or the price review process.

We look forward to the draft report and continuing to work with IPART and other stakeholders to refine and improve the financeability test.

1 INTRODUCTION

Hunter Water welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART's) *Review of our financeability test – Issues Paper*, May 2018 (the issues paper).

Hunter Water appreciates IPART's continuing efforts to refine the financeability test. This submission proposes various incremental changes and amendments, in line with IPART's intent of addressing the objectives of the test.

We have structured our submission to align with IPART's issues paper:

1. **Introduction**
2. **Context, proposed approach and purpose**
3. **Implementation**
4. **Financeability assessment**
5. **Addressing a financeability concern**

A summary of Hunter Water's responses to each of the 27 questions contained in IPART's issues paper is provided in Appendix A.

2 CONTEXT, PROPOSED APPROACH AND PURPOSE

2.1 PURPOSE OF THE TEST

The issues paper notes that stakeholders can replicate IPART's calculations and financeability test, which contributes to the transparency of the regime for regulated businesses[1]. In this context, it would be useful if IPART's draft report were to include a worked example of the application of the proposed benchmark and actual business's financeability tests (including their supporting models and key assumptions such as nominal versus real financial data). In the absence of this detail it is difficult to conduct like for like comparisons between the proposed benchmark and actual tests.

2.1.1 Financeability test is a worthwhile exercise

Hunter Water agrees with IPART that the benefit of conducting its financeability test outweighs the minor administrative cost. The assessment of the potential impact of pricing decisions on a regulated business's capacity to efficiently finance its capital investment requirements, provide an appropriate return to shareholders and maintain an investment grade credit rating is critically important.

However, the benefits of the financeability test can only be fully realised to the extent that it is sufficiently aligned with the regulated business's credit rating regime. If IPART's approach significantly differs from that adopted by credit rating agencies then the results may not accurately inform the potential impact on the targeted investment grade rating.

2.1.2 Two financeability tests

Hunter Water supports IPART's preliminary view to conduct two financeability tests. The benchmark test would usefully indicate whether a business with IPART's benchmark capital structure could finance its capital expenditure, make appropriate dividend payments and maintain the targeted credit rating. As IPART notes, the benchmark assessment would assist in understanding if the return on assets and depreciation allowances are set appropriately[2].

The actual business financeability test, subject to Hunter Water's proposed amendments, would indicate the likelihood of a business experiencing a credit rating downgrade based on its actual capital structure and cost of debt.

2.1.3 Financeability test performance

The issues paper notes that IPART's 2013 test (which uses actual inputs) did not identify an issue for most of the regulated businesses[3]. However, Hunter Water in its 2016 pricing submission to IPART noted that it was below investment grade during the 2013 price path in all but one of the four credit metric ranges published by Moody's. It was only the 'net debt to regulatory asset base' ratio, an assessment of the actual gearing of the business, that helped ensure Hunter Water maintained an overall investment grade credit rating, albeit borderline[4].

Our experience highlights the potential for pricing decisions to impact on borderline credit ratings and consequently the importance of an effective financeability test.

2.1.4 Financeability test applicability

Hunter Water considers that IPART's 2013 policy remains appropriate that it conducts a financeability test if:

- The prices it regulates determine the revenues of the service provider, and
- The service provider is established as, or part of, an entity with a distinct capital structure.

Hunter Water considers it important that IPART conduct financeability tests for the regulated water businesses.

[1] IPART, 2018, page 7
[2] Ibid, page 13
[3] Ibid
[4] Hunter Water, 2015, page 69

2.1.5 Financeability test objectives

Hunter Water supports IPART's case that the objectives of the financeability test should be broadened. As noted in the issues paper, the current test based on actual business inputs, serves the objective of providing an early warning that the actual business might face a financeability problem under a pricing determination. The benchmark test should help to inform IPART of an estimation error or potential cash flow concerns.

The use of both tests would therefore assist in determining the nature of any financeability issues and inform potential remedies.

IPART's proposed objectives for the 2018 financeability test are to:

- ensure our pricing decisions would allow an efficient investment grade-rated business to raise finance during the regulatory period (benchmark test), and
- assess whether the utility would meet this benchmark (actual test) during the regulatory period.

Hunter Water suggests that IPART restate the second objective as it is unclear what benchmark is being referred to.

3 IMPLEMENTATION

IPART's issues paper states that:

> "Furthermore, given that we set the regulatory allowances of a business, we have information about forecast revenues when making a price determination. This means that we are well placed to assess the impacts on the future financeability of a business. A credit rating agency or the management or owner of a business won't be able to assess the impact of our prices until we have made the determination (ie, ex post)"[5].

Hunter Water agrees that IPART is well placed to assess the impact of its pricing decisions on a business's financeability. This highlights the need for IPART's tests to sufficiently align with credit rating methodology to accurately assess potential pricing determination impacts on the targeted rating.

3.1 SHOULD THE TEST BE BASED ON THE REGULATED PORTION OF THE BUSINESS?

Hunter Water is a stand-alone business with the vast majority of its operations being regulated by IPART. However, we agree with IPART that the default position should be that its financeability test be conducted on the portion of the business for which it is setting prices. However, we suggest that the materiality of any non-regulated components and the costs associated with separating them out should be considered on a case-by-case basis.

IPART, consistent with the aim of ensuring a transparent regulatory regime, should provide the business with an opportunity to review its financeability testing calculations and assumptions (including the treatment of non-regulated components) prior to finalising pricing decisions. Hunter Water regularly updates this information for both credit rating and internal business planning purposes.

3.2 INPUT ADJUSTMENTS

Hunter Water has no issues with providing the actual inputs data IPART requires under its current financeability test approach including:

1. Total actual debt (borrowings) at the beginning of the regulatory period
2. Forecast cost of debt
3. Forecast operating lease expense, and
4. Forecast superannuation adjustment[6].

All of this data is required for credit rating purposes.

As noted in IPART's issues paper, Moody's is currently conducting a review of its treatment of operating leases due to a change in accounting standards. Hunter Water considers that the financeability test should incorporate Moody's updated treatment of operating leases when it is finalised.

The issues paper states that:

> "Moody's currently makes additional adjustments to financial data to compute the financial metrics in its ratings methodology. These include adjustments for capitalised interest and for unusual and non-recurring items. We do not need to make some of Moody's adjustments, given the methodology and metrics we currently use[7]."

It is unclear why IPART does not adopt all of Moody's relevant financial data adjustments for water utilities. Moody's currently apply adjustments to Hunter Water's financial data for capitalised interest and for unusual and non-recurring items where relevant.

Hunter Water encourages IPART to incorporate all relevant Moody's financial data adjustments through its consideration of Moody's updated methodology as part of this review.

We consider that the costs of collecting this data, which is required for rating agency purposes, are outweighed by the benefits of ensuring that pricing decisions are consistent with the targeted investment-grade credit rating.

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[5] IPART, 2018, pages 18-19.
[6] Ibid, page 21
[7] Ibid

3.3 CONSISTENCY WITH THE WACC

3.3.1 COST OF DEBT

IPART's current financeability test, applying actual inputs, uses the nominal cost of interest. Moody's credit rating review of Hunter Water also uses nominal interest. However, Moody's may in future use cash interest dependent on their consideration of the relative proportion of low coupon debt within Hunter Water's borrowings profile.

IPART's preliminary view is that the actual input financeability test should use the real cost of debt to be consistent with the real WACC approach used in the benchmark test.

Hunter Water is concerned that the use of nominal interest in the actual test would represent a significant divergence from the current credit-rating approach. The situation could arise where IPART's assessment indicates that the targeted credit rating would be achieved, whereas the credit rating assessment, post IPART's price determination, could result in a downgrade.

A ratings downgrade would create a financeability issue of itself as borrowing costs increase. Accordingly, Hunter Water supports the continued use of nominal interest (i.e. the actual interest expense) in the actual business financeability test. However, if a business's rating agency is using cash interest then that should be adopted.

For consistency, it would appear desirable for IPART's benchmark test to use Moody's cost of debt approach as well.

3.3.2 CALCULATING TAXATION

Hunter Water supports the consistent use of tax assumptions in the actual and benchmark financeability test which appears to be the case in terms of the high level assumptions in the issues paper's Table 4.2.

3.4 FINANCEABILITY TEST PERIOD

Hunter Water currently provides five year financial forecasts to IPART in support of our pricing submission. In our view five years is currently a reasonable forecast period to assess whether a pricing determination is likely to raise financeability issues.

Hunter Water agrees with IPART that the financeability period could be extended further if a potential financeability concern is identified subject to the robustness of the available data.

3.5 QUALITATIVE ASSESSMENT

Hunter Water notes that IPART proposes to continue its practice of only conducting a quantitative assessment of a business's financeability.

Moody's base a considerable proportion (60%) of their credit rating assessments on a qualitative assessment of a water utility's business profile and financial policy (see Table 1). Accordingly, Hunter Water considers that IPART should have at least some regard to these elements of the rating process. This would ensure that the potential impact of revenue determinations on credit ratings can be considered within the overall context of a businesses' rating status at the time.

The majority of Moody's business and financial profile factors are factually based and do not require subjective judgements[8]. Moody's note that in choosing metrics for its rating methodology it did not explicitly include certain factors that are common to all companies in any industry, such as the quality and experience of management and assessments of corporate governance[9].

Hunter Water notes that the information provided in the business and financial policy profile assessments can complement consideration of inputs to the financial metrics such as cash flows, debt levels and timing of cost recovery.

Hunter Water would therefore encourage IPART to include some aspects of qualitative assessment as part of its financeability test. This could involve reviewing, where available, the most recent credit rating report for the relevant business and considering the relevance of any specific areas of concern identified in the report.

[8] Moody's 2015, pages 9 - 19
[9] Ibid page 26

Table 1: Moody's rating grid for regulated water utilities

Rating Factors	Factor Weighting	Sub-Factors	Sub-Factor Weighting
BUSINESS PROFILE	50%	Stability and Predictability of Regulatory Environment	15%
		Asset Ownership Model	5%
		Cost and Investment Recovery (Ability & Timeliness)	15%
		Revenue Risk	5%
		Scale and Complexity of Capital Programme & Asset Condition Risk	10%
FINANCIAL POLICY	10%	Financial Policy	10%
LEVERAGE AND COVERAGE	40%	Adjusted Interest Coverage OR FFO Interest Coverage	12.5%
		Net Debt / Regulated Asset Base OR Debt/Capitalisation	10%
		FFO / Net Debt	12.5%
		RCF / Net Debt	5%
Total	100%	Total	100%
UPLIFT FOR STRUCTURAL CONSIDERATIONS		Up to 3 notches	

Source: (Moody's, 2015)

4 FINANCEABILITY ASSESSMENT

4.1 TARGET CREDIT RATING

The issues paper states that:

> "To decide whether a regulated business passes the financeability test, we need to establish a target credit rating. We can then compare the business's financial metrics against the benchmark ratios we establish for this target rating. Our existing approach is to use a target credit rating of BBB (which is equivalent to a Baa2 Moody's rating). We also use a BBB credit rating to set the WACC[10]."

Hunter Water supports IPART's target credit rating which is consistent with the target currently set by NSW Treasury under its capital structure policy for Government businesses as stated below:

> "Government businesses are expected to maintain an investment grade stand-alone credit rating that is consistent with the Government's risk appetite.
>
> The Target Credit Rating for Government businesses has been set at Baa2/BBB (Moody's/Standard & Poor's) under this policy[11]".

We agree with IPART that a target credit rating is necessary in order to assess whether a regulated business passes the financeability test. However, Hunter Water is concerned that the financeability test's current inputs, metrics, weightings and benchmark ratios are not sufficiently aligned with credit rating methodology to support accurate pricing impact assessments.

4.2 CHOICE OF FINANCIAL METRICS

IPART's financeability test currently calculates three financial ratios:

- **FFO interest cover:** This is calculated as FFO plus interest expense divided by interest expense. It measures the business's ability to service its debt.
- **Debt gearing (regulatory value):** This is calculated as a business's actual debt divided by the regulatory value of fixed assets. It measures the business's leverage.
- **FFO over debt:** This is calculated as FFO divided by the business's actual debt. It is a more dynamic measure of leverage than gearing because it measures the business's ability to generate cash flows to service and repay debt[12].

The issues paper notes that IPART considers that the current metrics are appropriate, but seeks feedback on whether other metrics should be added.

Hunter Water supports continued use of the above three financial metrics in the financeability test. We also consider that IPART should adopt retained cash flow (RCF) over debt which as noted in the issues paper is considered by Moody's, Ofwat and Ofgem.

The adoption of all four ratios that Moody's currently apply to NSW water businesses would strengthen the alignment with the quantitative elements of the ratings process. This would be consistent with the test's current emphasis on the quantitative rather than qualitative aspects of that process.

The additional information required to inform this metric is minimal and in any event is required for credit rating purposes.

4.3 CHOICE OF BENCHMARK RATIOS

Hunter Water agrees with IPART that there are issues with IPART's current benchmark ratios that makes it difficult for stakeholders to judge whether a particular set of ratios meets the targeted credit rating.

We note that IPART propose to revise the benchmark ratios for its financeability test metrics, so that they:

- reflect current best practice (eg, for credit rating agencies and lenders such as TCorp)
- reduce or eliminate any overlap where appropriate, and

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[10] IPART, 2018, page 26
[11] NSW Treasury, 2016, page 2
[12] IPART, 2018, page 27

- reflect the circumstances of the businesses we regulate[13].

Hunter Water considers that adoption of the relevant Moody's benchmark financial ratios as reproduced in the issues paper's Table 5.2 would be consistent with all three of the above criteria.

4.4 USE OF FINANCIAL RATIOS TO IDENTIFY A FINANCEABILITY CONCERN

The issues paper notes that under the current 2013 financeability approach IPART:

- Compare the credit metrics to the benchmark ratios as a guide to assessing a business's financial sustainability, but do not expect that a business will meet every ratio in every year of a determination period,
- Ranks the financial ratios in order of importance, to focus on the ratios that are most relevant in assessing financeability. With more importance placed on the FFO interest coverage and debt to RAB ratios than the FFO to debt ratio.

The issues paper goes on to state that:

> "Other than these guides, we do not have a step-by-step process or decision rule for assessing whether a financeability problem exists. This means the circumstances in which we would conclude that a financeability problem exists are unclear. It also implies that the assessment of a financeability concern is guided by discretion and judgement[14]."

Hunter Water notes that the current lack of clarity as to how IPART assesses whether a financeability problem exists, is at odds with the issue paper's claim that 'stakeholders can replicate our calculations and financeability test, which contributes to the transparency of our regime for regulated businesses'[15].

IPART note that to promote regulatory certainty it could set out a decision process for assessing whether a financeability problem exists that could include a formal weighting of the financial ratios similar to that used by Moody's. However, IPART's preliminary view is that it should not give a weighting to the financial ratios because:

1. we are not aiming to assign an overall credit rating
2. we think that the outcome of each financial ratio in each year relative to its benchmark, as well as the trend over time, provides insight that would be lost in a combined result, and
3. a binary result based on a weighting scheme may imply greater precision in the overall test than actually exists, and may not recognise the element of judgement that we apply[16].

Hunter Water appreciates that it is not IPART's role to assign credit ratings. However, as recognised earlier in the issues paper,[17] IPART is well placed to assess ex-ante the potential impact of proposed pricing determinations on a business's targeted credit rating. Hunter Water considers that this assessment logically requires a high level of consistency between the financeability test and actual credit rating methodology.

We consider that IPART could develop a more transparent stepped approach to identifying financeability problems that also recognises the differences between IPART's role and that of lenders, shareholders and credit agencies. The approach could include:

- applying the quantitative elements of the credit rating methodology, including adoption of Moody's weightings (as reported in the issues paper's Table 5.3)
- considering relevant qualitative aspects of the credit rating process (as outlined in section 3.5 of this submission) without needing to rank or weight them
- assessing other factors such as trend analysis of the individual financial ratios, and
- explaining how the earlier assessment steps informed IPART's overall judgement as to whether or not a financeability problem exists.

Such a stepped approach would greatly improve the ability of stakeholders, including the regulated business, ratings agencies and shareholders, to understand and replicate IPART's approach.

[13] IPART, 2018, page 28
[14] Ibid, page 29
[15] Ibid, page 7
[16] Ibid, page 29
[17] IPART, 2018, pages 18-19

5 ADDRESSING A FINANCEABILITY CONCERN

5.1 IDENTIFYING THE SOURCE OF A FINANCEABILITY CONCERN

Hunter Water supports the principle that the remedy applied to address a financeability concern should depend on the source of the concern. However, this principle can only be effectively applied if the source of the concern is properly identified and assessed.

A robust financeability assessment should identify whether a problem is one-off in nature or likely to re-occur. Such an assessment would inform the choice of remedy. For instance, if the source of a problem is likely to reoccur (e.g. high levels of prudent capital expenditure and associated debt levels), a remedy that addresses the issue overtime and avoids undue revenue volatility would be preferable.

In this context it would be useful if IPART's draft report was to provide some specific examples of one-off and potentially re-occurring financeability problems and how they could be addressed to maintain targeted credit ratings whilst maintaining a degree of pricing stability.

5.2 FINANCEABILITY CONCERN REMEDIES

The issues paper puts forward a limited number of potential remedies for addressing financeability concerns, viz:

1. Adjusting proposed regulatory prices to correct regulatory errors.
2. Owner's injecting more equity
3. Owners accepting a lower than market rate of return on equity
4. NPV neutral adjustments to prices.

The third remedy above appears to be a reference to dividend payments given that the return on equity is set by IPART as part of the WACC. This could also be clarified in the draft report.

It would be useful for IPART's draft report to include a table outlining the pros and cons of all the available remedies in its draft report.

5.3 PROCESS FOR ADDRESSING A FINANCEABILITY CONCERN

Hunter Water supports the process outlined in the issues paper for addressing financeability concerns which is appropriately consultative and transparent.

6 REFERENCES

Hunter Water Corporation, 2015, Submission to IPART on prices to apply from 1 July 2016, Newcastle, June.

Moody's Investors Service, 2015, Rating Methodology Regulated Water Utilities, December.

NSW Treasury, 2016, tpp 16-03 Capital Structure Policy for Government Businesses – Policy and Guidelines Paper, Sydney, August.

Independent Pricing and Regulatory Tribunal of NSW (IPART), 2018, Review of our financeability test, Issues - Research, Sydney, May.

APPENDIX A: IPART'S ISSUES PAPER QUESTIONS

CONTEXT AND PROPOSED APPROACH

1. Do you agree with our guiding objectives for the review? Are there other objectives we should consider?

Agree

THE PURPOSE OF THE FINANCEABILITY TEST

2. Do you agree that we should continue to conduct financeability tests?

Agree

3. Do you agree with the criteria in the 2013 test that we used to decide whether to conduct the financeability test for a specific business? Are there other criteria we should consider?

Agree

4. Have we have applied the financeability test to the appropriate price reviews since the 2013 financeability review?

This is essentially a matter for IPART's judgement.

5. Do you agree with our proposed objectives for the financeability test?

Agree - subject to clarified wording (see 2.1.5)

HOW WE IMPLEMENT THE TEST

6. Do you agree with our preliminary view that we should conduct separate financeability tests, using inputs for a benchmark efficient business and for the actual business?

Agree (see 2.1.2)

7. Do you agree with our preliminary position that as a default, we should conduct the financeability test on the portion of the business for which we set prices?

Agree - subject to a materiality assessment on a case-by-case basis (see 3.1)

8. Do you agree that we should consider on a case-by-case basis whether to conduct the test using financial data for the whole business?

Agree (see 3.1)

9. Do you agree with the adjustments we make for lease expenses and pension benefits?

Agree – however, the lease adjustment should be consistent with the final outcome of Moody's current review (see 3.2)

10. Should we consider any other adjustments to the inputs we use to calculate our financial metrics?

The adjustments currently applied by Moody's to NSW water businesses including capitalised interest and unusual and non-recurring items should be used in financeability test calculations (see 3.2).

11. Do you agree with our preliminary view that we should calculate a real cost of debt in the financeability test?

Hunter Water supports the use of Moody's approach to estimating the cost of debt for its financial ratios which in our case currently reflects nominal interest expense (see 3.3.1).

12. Do you agree with our preliminary view that our approach to estimating tax payments in the 2013 test remains reasonable? Are there changes we should consider to the way we calculate tax payments in the financeability test?

The calculation of tax payments appears reasonable (see 3.3.2).

13. Do you agree with our preliminary view that we should continue to assess a business's financeability over the upcoming regulatory period?

Hunter Water considers that five years is a reasonable forecast period. Hunter Water agrees that this could be extended if a financeability issue is identified subject to data availability (see 3.4).

14. Do you agree with our preliminary view that we should continue to use quantitative data to assess a business's financeability?

Hunter Water considers that the test should have some regard to relevant and material qualitative data (see 3.5)

HOW WE ASSESS FINANCEABILITY

15. Do you agree with our preliminary view to continue to use a BBB target credit rating across all industries?

Agree (see 4.1)

16. Do you think the current metrics are appropriate?

Agree – subject to inclusion of a 'retained cash flow/net debt ratio' (see 4.2)

17. Are there any additional metrics we should use, and if so why?

Retained cash flow/net debt (see 4.2)

18. How should we refine the benchmark ratios for our financial metrics?

Hunter Water consider that IPART's benchmark financial ratios should be consistent with Moody's (see 4.3)

19. Should we rank our financial ratios or adopt a weighting? If you think a ranking is appropriate, are there any improvements we can make to our current rankings?

Hunter Water supports adopting Moody's weightings as reproduced in the issues paper's Table 5.3 (see 4.4)

20. Should we set out a step-by-step decision process to assess if a financeability problem exists?

Hunter Water supports a staged decision assessment. (see 4.4)

21. Are there any other factors we should consider when we analyse the financial ratios?

See proposed elements of the staged approach outlined in section 4.4

ADDRESSING A FINANCEABILITY CONCERN

22. Do you think the three stages we have proposed to conduct the financeability test would identify whether a financeability concern is due to:
    - setting the regulatory allowance too low
    - the business taking imprudent or inefficient decisions, and/or
    - the timing of cash flows?

Agree - provided that the financeability test incorporates Hunter Water's proposed amendments.

23. Does our proposed financeability test capture the relevant temporary cash flow problems that might require a timing adjustment to regulated income?

Agree - provided that the financeability test incorporates Hunter Water's proposed adjustments.

24. Do you agree that our proposed remedies to address a financeability concern are appropriate?

The draft report should include more information on the proposed remedies and the circumstance in which they would apply (see 5.2)

25. Do you think that any NPV-neutral adjustments to prices should be limited to the upcoming regulatory period?

Some financeability concerns may require longer-term solutions to reduce pricing volatility (see 5.1)

26. Is our proposed process for addressing a financeability concern workable and reasonable?

Agree