ACM's draft method decisions for gas and electricity networks

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Initial reflections and way forward

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ACM's proposed regulatory reform

Energy networks across Europe are facing unprecedented challenges shaped by climate commitments and the broader macroeconomic environment. In electricity, significant investment is needed to support the electrification of industry and society, alongside the rapid growth of renewable technologies. In gas, major uncertainties remain around when and whether existing infrastructure can be repurposed for low-carbon alternatives such as hydrogen and biogas. Even if the sector as a whole is in decline, gas networks must continue to guarantee a safe and reliable supply during the transition and could require targeted investments. This leaves regulators with a difficult question: how can companies be supported to meet these challenges while ensuring that consumers are not burdened with unnecessarily high costs in the midst of a Europe-wide cost-of-living crisis?

Across Europe, several regulators are consulting on how their frameworks should evolve to respond to these pressures and investment needs.[1] The Autoriteit Consument & Markt (Netherlands Authority for Consumers and Markets, ACM) has now entered this debate with its draft method decision for gas and electricity networks. These proposals have been shaped by consultation with stakeholders and informed by historical legal challenges on aspects of the ACM's previous decisions.

The draft proposals mark a fundamental shift from the existing regulatory regime. The ACM is proposing to move away from an incentive-based approach, which relied on historical benchmarks, towards a cost-plus approach with efficiency tests and controls. Under this new model, networks must provide forward-looking cost justifications, making their expenditure decisions and priorities transparent. This will be complemented by ongoing KPI monitoring, business process tests on networks' capabilities, and detailed reporting (as outlined below).

However, **there remains a marked lack of clarity around the overarching methodology, rules, and standards that the ACM expects networks to follow under the new regime, as well as the incentives available for accelerating network expansion and delivering cost savings for consumers and the wider economy**.

The draft proposals, from a finance perspective, also take further account of the investment requirements that the electricity networks are facing—notably through moving electricity to a nominal WACC regime (that accelerates cash flows relative to the real WACC regime) and refinements to the calculation of the cost of debt. Simultaneously, the **ACM's proposals reveal a reluctance to reflect further uplifts or reductions in the WACC estimates for volume risk, risks related to high investment requirements[2] or changes in risks due to the shift in regulatory regime**.

In this article, we consider the ACM's proposals, explore what they could mean for the gas and electricity industries, and reflect on their potential implications for both companies and consumers.

Proposed shift from incentive regulation to cost-plus regulation

The ACM's draft method decision introduces a new cost-plus methodology with safeguards to ensure cost efficiency, replacing the previous price-cap incentive regulation. This methodology applies uniformly to both electricity and gas networks, covering the transmission system operators (TSOs) TenneT and GTS, and distribution system operators (DSOs). The ACM's stated objective is to provide networks with greater flexibility and investment certainty to navigate the challenges of the energy transition—particularly, tackling costly electricity capacity shortages and managing the uncertain phase-out of gas.[3]

This is captured in the ACM's summary of the rationale for its new regulatory method, as follows:

[1] For example, see Ofgem (2024), 'RIIO-3 Sector Specific Methodology Decision for the Gas Distribution, Gas Transmission and Electricity Transmission Sectors', July, https://www.ofgem.gov.uk/decision/riio-3-sector-specific-methodology-decision-gas-distribution-gas-transmission-and-electricity-transmission-sectors; Ofgem (2025), 'RIIO-3 Draft Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors', July, https://www.ofgem.gov.uk/consultation/riio-3-draft-determinations-electricity-transmission-gas-distribution-and-gas-transmission-sectors; Bundesnetzagentur, 'Bundesnetzagentur – Ruling Chambers – Events', https://www.bundesnetzagentur.de/EN/RulingChambers/GBK/Calendar/article.html.

[2] With the exception of TenneT offshore, for which ACM applies a one standard-deviation uplift to beta. Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit Bijlage 3A WACC', 18 September, para. 77.

[3] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit GTS 2027-2031', 22 September, p. 4.

With a view to the energy transition and the challenges it brings, the ACM opts for a cost-based method: a system operator's allowed revenues are equal to the (efficient) costs it has incurred. […] The method gives system operators certainty that, during the energy transition, they can recover all (investment) costs necessary to carry out their statutory tasks, despite the greater unpredictability of those costs.[4]

The ACM argues that a price-cap methodology is more suited to a steady state environment, where network activities and the costs thereof are fairly predictable (and thus more easily benchmarked).[5] In contrast, given the substantial but uncertain cost growth expected under the energy transition, the ACM considers that a cost-based method is more suitable[6] and less likely to disincentivise the necessary transition-related innovation and investments.[7]

Practically, the ACM is thus moving away from determining efficient costs ex ante, based on top-down[8] benchmarking—which it notes the updated Energiewet (to take effect from 1 January 2026) also no longer requires. Herein, the previous statutory x-factor (and, for DSOs, the q-factor) decision has been replaced with an 'income decision', which the ACM notes effectively provides it with more discretion on how the allowed revenues for networks are determined.[9]

The ACM's move could stand out as an anomaly: it is the only major European energy regulator to propose such a wholesale shift across all networks. By contrast, other regulators continue to emphasise, and in some cases further strengthen, incentive-based frameworks that pursue efficiency and investment objectives (and other motivations) in parallel.

The new method outlines that allowed revenues should in principle thus amount to the costs inevitably incurred, plus a reasonable return but less any costs that are 'evidently inefficient' (as discussed below).

In terms of process, the annual allowed revenue per network will be determined as presented in

Table 1 below, shown in comparison to the ACM's historical approach.

Table 1 Changes to the ACM's revenue determination process

Timing	Previous price cap	Proposed cost-plus
Before period	**X-factor decision** based on European/yardstick benchmark for TSOs/DSOs	**Income decision** based on network forecasts, to the extent well justified and evidenced.
In period	**Tariff decision** based on allowed revenue / max tariffs set ex ante	**Tariff decision** in principle based on actual outturn of networks, as justified and approved ex ante.
After period	Limited ex post 'true-ups' / reconciliations (in general, only volume differences adjusted for).	Reconciliations for: - cost differences - volume differences (both above including corrections for certain network-specific elements[10]) - 'evidently inefficient' cost disallowances.

Source: Oxera summary based on ACM method decision.[11]

Oxera commentary

- Shifting from incentive-based to cost-plus regulation in response to the energy transition has limited precedent. The Bundesnetzagentur, for example, is considering a similar approach for electricity TSOs, while Ofgem has proposed structured cost-sharing rates to mitigate companies' exposure to overspend. In both cases, however, regulators are pairing such measures with incentives designed to allow networks to earn additional returns where faster capacity build-out or efficiency improvements deliver tangible benefits for consumers and the wider economy.
- Related to the above, the ACM's proposed framework risks creating a 'lose–draw' scenario for energy networks. Companies that spend efficiently are capped at earning only the reasonable return, while those deemed to have 'evidently inefficient' costs face reductions. As noted, the detailed framework, rules, and standards for cost efficiency and performance assessment remain unclear. Crucially, there is no mechanism to reward networks for outperforming expectations by accelerating delivery or driving innovation. Without such incentives, the risk is a stagnant, 'satisficing' industry.

The ACM proposes to complement the cost-based method with a package of efficiency safeguards.[12] These safeguards

[4] Translation from Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit GTS 2027-2031', 22 September, para. 22. See also p. 4 of the same document and the summary announcement of the draft method decision on its website here. Note that the text and method for most of the draft method decisions across GTS, TenneT (onshore and offshore), and DSOs (gas and electricity) are essentially the same—except for some network-type-specific adaptations—such that only the GTS decision is referenced here for ease of reference.
[5] Ibid., section 2.5.
[6] Ibid., sections 2.2–2.3.
[7] Ibid., para. 20.
[8] That is, under the foregoing price-cap framework, allowed revenues (or max tariffs for DSOs) were set ex ante by top-down cost benchmarking using pan-European efficiency studies for the transmission operators, and national yardstick competition for DSOs—with an annual x-factor accounting for dynamic efficiency improvements over time.
[9] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit GTS 2027-2031', 22 September, para. 34.
[10] For example, metering reconciliation for DSOs, congestion / offshore income for Tennet, or GTS's sale of gas assets to third parties or for peak-delivery task activities
[11] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit GTS 2027-2031', 22 September, sections 6.4–6.5.
[12] With 'top-down cost benchmarking', we refer to the total cost benchmarking that the ACM has historically conducted for TSOs and DSOs relative to other European operators and other national DSOs respectively.

are intended to gather information, diagnose inefficiencies, identify improvement plans (where relevant), and give networks reasonable time to implement them. By doing so, the ACM aims to provide networks with levers to improve efficiency while protecting network users from unnecessary costs.[13]

The ACM outlines two types of instruments as part of the new efficiency safeguards:

- **Process tests**: The ACM will test key operational processes and network capabilities that drive costs and service delivery. These will initially include risk management, procurement, and planning and control, as well as potential network-specific processes.[14] Other processes to be tested will be determined on an ongoing basis.
- **Monitoring costs and KPIs**: The ACM has published a list of initial indicators that it will monitor. The ACM will monitor cost trends, cost KPIs (e.g. cost per output) and non-monetary KPIs (e.g. normalised connection times and network losses or faults). Unlike in previous regimes, non-monetary KPIs will not be subject to financial incentives (i.e. the 'q-factor').

The ACM notes that its initial KPI list may be further expanded and refined within the regulatory period. The ACM states that it will not set specific performance targets per KPI ex ante. Instead, a network's performance will generally be assessed against its own average performance over the foregoing three years and/or compared to other networks. The ACM states that KPI performance will be assessed 'in-the-round', taking into account performance on related KPIs and operational justification.

Oxera commentary

- The ACM correctly notes that 'performance' is multifaceted. Equally efficient companies can make different decisions on trade-offs that result in different performance along different KPIs. In this context, the ACM's proposal to assess performance more holistically than mechanistically has logical footing.
- However, the absence of detail regarding standards and framework could reduce transparency and increase uncertainty regarding how the ACM triggers an investigation. This could result in the ACM 'over-investigating' (resulting in undue regulatory burden for companies), 'under-investigating' (resulting in poor performance) or treating different networks inequitably.
- Clearer guidelines and a proportionate framework, defining what constitutes good and bad performance and how performance will be linked to operational factors are essential to improve transparency. This could potentially include stylised examples, as the ACM has provided in other parts of its decision.
- The ACM is effectively moving to a reputational incentive regime for service performance (at least within the parameters of its method decision), based on increased public reporting and public scrutiny of company plans and performance. It remains to be seen whether the combination of reputational incentives and enhanced regulatory supervision will deliver the societal outcomes (e.g. investment delivery and service quality) that the ACM seeks, especially in the context of limited incentives for outperforming expectations (i.e. a lose-draw scenario).

The ACM specifies that process tests will be context- and case-specific, such that the type of assessment and criteria required will vary on a case-by-case basis. The ACM states that, where possible, it will provide concrete examples of 'what good looks like' from industry standards or existing assessment frameworks elsewhere ahead of the assessment.

Oxera commentary

- The ACM's adoption of process testing to assess efficiency or effectiveness represents a significant departure from its past regulatory practice and wider regulatory precedent. Recent court rulings have criticised ACM's reliance on top-down modelling, partly because it failed to explain the source of any inefficiency. While process benchmarking may be able to address some of these shortcomings in theory, it also carries the risks of data issues, comparability challenges, and a lack of transparency.
- When conducting the process testing, the ACM may need to be wary of two key risks. First, process testing can lead to regulatory micromanagement, which could constrain the flexibility of energy networks or lead to selective or counterproductive assessments. Second, the ACM will need to ensure that the processes being tested are proportionate to avoid unnecessary burden.

The ACM has provided illustrative examples of what an investigation and trigger could look like, as well as the following four overarching criteria setting out its expectations: (i) governance and control;[15] (ii) timeliness and adaptability;[16] (iii) a clear strive for efficiency;[17] and (iv) cooperation.[18, 19]

The ACM's 'investigate and intervene' (O&I[20]) process sets out how and when signals of potential inefficiencies may escalate to consequences. Potential signals may be from process tests and KPI monitoring, but also external sources

[13] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit GTS 2027-2031', 22 September, paras 52–53.
[14] For example, new connection effectiveness for electricity DSOs. Ibid., section 7.2.
[15] For example, outlining clear responsibilities, risk identification and mitigations, and control of major cost drivers.
[16] For example, proactive planning and responsive adjustment when conditions change.
[17] Which would be evident, for example, from an appraisal of alternatives (i.e. optioneering), market testing/competition in procurement, internal benchmarking (e.g. based on KPIs) and adopting best practices.
[18] For example, traceable decision-making, reliable data, and clear and compelling explanations of variances in performance and relevant trade-offs.
[19] In addition, the ACM outlines process-specific criteria that will apply to procurement, planning and control/project execution, connections, and asset management processes. Ibid., para. 238.
[20] 'Onderzoek en interventie'.

(e.g. investment plans and third-party inputs). The sequential phases of the envisioned O&I process are as follows.

1 **Phase one—Investigation**: The ACM gathers information and meets the operator to assess efficiency. If no inefficiency is found, the case closes. Otherwise, the ACM may disallow costs immediately or require improvements, leading to Phase two.
2 **Phase two—Improvement plan**: Networks must submit an ACM-approved plan within three months (extensions possible). If rejected, they have two months to resubmit; otherwise, ACM imposes its own plan.
3 **Phase three—Tariff adjustment**: If no approved plan exists, or delivery fails, the ACM reduces revenues in proportion to the inefficiency identified.

Oxera commentary

- Allowing reasonable time for companies to design and implement improvement plans before facing financial penalties is essential to fostering good performance, especially where necessary information on framework and standards remain to be developed.
- A three-month period may be manageable for occasional, well-defined issues, but repeated or abstract requirements risk creating disproportionate regulatory burden.
- With no examples or guidelines of what constitutes an acceptable plan, companies risk wasting resources producing plans that miss expectations.
- If the ACM imposes its own plans, this risks regulatory micromanagement, with requirements that may be impractical or undeliverable.

The ACM outlines three broad categories of costs that are evidently inefficient: (i) costs that result from clear waste; (ii) costs from conduct in breach of applicable laws and regulations (or clearly do not contribute to the performance of statutory tasks); and (iii) costs that arise from ways of working that the ACM has already told the network are inefficient (e.g. if improvement plans do not materialise).

As a general principle, the ACM indicates that evidently inefficient costs are those that should have been prevented given the circumstances and the knowledge available before they were incurred (and thus could not reasonably be explained or justified ex ante).

Oxera commentary

- In principle, preventing companies from recovering 'evidently inefficient' costs acts as a safeguard against unnecessarily high tariffs for customers.
- Linking the definition of 'evidently inefficient' to the adoption of specific processes risks regulatory micromanagement. This could act as an unintended deterrent against innovation if companies are penalised for trialling new processes. How the ACM treats innovation in the framework needs to be addressed carefully.
- A network could fail to deliver the estimated cost savings from an improvement plan for reasons unrelated to inefficiency (e.g. the initial estimate was incorrect), yet it may still be penalised through lower revenues. There may need to be additional protections for networks where the cost savings associated with an improvement plan were more 'speculative', particularly if improvement plan was devised by the ACM.

The ACM has also introduced overarching transparency requirements on both itself and the networks, with the aim to increase public accountability and enable collaboration (e.g. sharing best practices). For example, networks will be required to publish annual performance reports and consult with network users to explain their tariffs, while the ACM will publish an annual report covering its engagements with network companies and their performance.

Oxera commentary

- In exchange for increased investment certainty, the ACM is clearly expecting a lot more from networks in terms of information sharing and regulatory reporting.
- It remains to be seen if the ACM's design of these processes and accompanying templates are sufficiently streamlined as to not place a disproportionate burden on networks (and so distract from the operational flexibility and operational focus/urgency that the ACM has stated it seeks to incentivise).

WACC allowance

Table 2 below shows nominal pre-tax return allowances that the ACM set across the sectors, split between nominal pre-tax cost of equity (CoE) and nominal pre-tax cost of debt (CoD).

Table 2 WACC allowance (nominal, pre-tax)

	Electricity DSO	Gas DSO and TSO	TenneT onsh.	TenneT offsh.	New capital	New capital TenneT offsh.
CoE	7.74%	7.74%	7.74%	9.32%	7.74%	9.32%
CoD	2.58–3.55%	2.41–3.49%	3.03–3.56%	3.37–3.56%	3.58%	3.58%
WACC	5.40–5.80%	5.30–5.80%	5.60–5.80%	6.60–6.70%	5.80%	6.70%

Note: CoD and weighted average costs of capital (WACC) differ per network and per year. As such, ranges shown cover the different networks, as well as the different allowances over the 2027–31 period. CoE differs between networks only due to the ACM allowing a higher beta for TenneT offshore.
Source: ACM (2025), 'Ontwerpmethodebesluit bijlage 3A WACC', 18 September, Table 4.

The estimates for all networks have increased when compared to the previous regulatory period, as a consequence of both increasing interest rates and several methodological changes proposed by the ACM.

Following the ACM's shift from real to nominal WACC in the previous regulatory period for gas networks due to their expected decreasing usage, the ACM is now proposing to move from a real-plus WACC to a **nominal WACC regime** for electricity distribution and transmission.[21] Under the nominal regime, the expected inflation is immediately incorporated into network tariffs, rather than leading to an increase (in line with inflation) in regulated asset base (RAB) over an extended period of time.[22] As a result, although the change is meant to be NPV-neutral in the long term, higher revenues would be available to electricity networks in the short term, which the ACM considers would facilitate investment.

Oxera commentary

- It is notable that the ACM is adapting the basis of regulation from a real-plus regime to a nominal regime for electricity networks having previously done so for gas networks—to bring cashflows forward (and hence reduce stranding risk for gas). Examples of other real regimes are ARERA's in Italy, where a possibility of the decision about the switch from real to nominal WACC was recently mentioned as potentially being considered in the future, and Ofgem's, where CoD was decided to be changed from real to semi-nominal. In both cases, the focus on the consultations was on the inflation treatment, but the outcome would tend to be supportive of creditworthiness if implemented, although with a change in the inflation risk profile for shareholders. The effectiveness of the ACM's measure would nonetheless need to be assessed closely.

WACC parameters

- Reflecting the 2023 judgment by CBb, the ACM calculates the **risk-free rate** (RFR), 2.69%, based on 20-year Dutch and German bonds as an average over a three-year historical reference period.
- The ACM estimates the **equity risk premium** (ERP) based on long-term historic data from Dimson, Marsh and Staunton (DMS). Upon weighing this estimate of 5.27% with forward-looking evidence, the ACM determines ERP at 5.20%.[23]
- The **asset beta** proposed by the ACM is 0.36, derived from a sample of traded European energy networks. The ACM uses this beta for all networks but TenneT offshore, which has an asset beta of 0.50.
- The ACM relies on an index for A-rated utilities to inform the **CoD for existing capital**, based on outturn information. While the ACM has in previous decisions assumed that networks would roll-over 10% of their capital each year for ten years (the 'staircase model'), it is now proposing to align the percentage of debt capital that it assumes to be refinanced with the evolution of the RAB for electricity networks. As the RAB of the electricity networks has increased in recent years and is expected to increase further, this means that greater weight will be given to more recent years when calculating the CoD for existing capital.
- The **CoD for new capital** is based on a three-year average of the same A-rated utilities index. The ACM is also proposing a 0.15% mark-up for transaction costs on CoD.
- The notional **gearing** level has been determined based on the average actual gearing level of the comparator sample used for beta estimation, over the past three years. This is set at 46.21%.
- The **tax rate** is set at 25.8%—in line with prevailing corporate tax rates.

The ACM allows for updates over the price control period for several of the parameters, including the tax rate, RFR, the CoD and the evolution of RAB used for the application of the staircase model. In particular, the ACM re-estimates these parameters when making annual tariff decisions and also makes ex-post corrections once outturn data is available.[24]

Oxera commentary

- Updating RFR for outturn data and specifying the ERP (rather than total market return (TMR)) allow the ACM's CoE to follow the market closer than in other regimes, which discuss these topics, although the ACM's returns are therefore less stable. For example, BNetzA's RFR allowance was previously based on a ten-year historical average—therefore, the regulator introduced a separate RFR for new assets that would be closer to the contemporaneous market conditions. Ofgem updates its RFR annually, but it specifies TMR rather than ERP, making its CoE allowance less sensitive to changes in market rates and hence returns more stable.
- The specific evidentiary basis of the ACM's rationale for setting ERP at 5.2% is not explicit—as the long-run average ERP based on the DMS data that the ACM considers is 5.27%, while the forward-looking evidence that it refers to is mixed (suggesting an ERP of 5.0% or 8.28% depending on the chosen dividend growth models).
- The combination of the increase in interest rates and capital requirements for electricity networks would have been an issue with the previous CoD treatment if unaddressed by the ACM, as more debt will need to be raised at higher rates—Ofgem opted for the same change for electricity transmission networks, while BNetzA has not faced this issue yet as German networks are allowed to recover actual CoD. Notwithstanding, the allowed CoD would still differ from the actual CoD due to potential differences in the rates at which debt is issued, the timing

[21] ACM's real-plus system for electricity networks determined the WACC as the mid-point between the nominal and real WACC.
[22] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit TenneT op land 2027-2031', section 4.4.
[23] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit bijlage 3A WACC', 18 September, section 2.2.5.
[24] Ibid., paras 24, 114 and 101–102; Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit TenneT op land 2027-2031', 18 September, para. 173.

of debt issuance, and transaction costs, among other factors.

Impact of energy transition and change of regime on CoD and beta

The ACM has considered whether any uplifts or reductions to WACC are necessary due to volume risks for gas networks,[25] risks related to large investment requirements for electricity networks,[26] and risks related to the new regulatory regime for both electricity and gas.

In particular, the ACM notes that the phase-out of gas could potentially increase systematic risk for gas networks through **volume risk**. The ACM, however, considers no uplift is necessary due to the following three reasons.[27]

1 The ACM considers volume risk to be limited, and that the regulatory shift from a price cap to a revenue cap for DSOs further reduces volume risk.
2 The ACM considers that it has various other measures in place that mitigate the risks of unrecoverable costs and stranded assets, such as accelerated depreciation, compensation of residual value for divestments and compensation of disposal costs.
3 The ACM also refers to advice it has received that 'the risk of volume reductions and stranded assets is not a systematic risk, but a risk which is dependent on policy decisions which are separate to the general development of the economy and financial markets'.[28]

The ACM also considers that electricity networks are exposed to increased systematic risk as a consequence of their **high investment requirements**. In particular, the ACM considers that higher investment requirements would lead to increased operating leverage (i.e. the ratio of fixed to variable costs). Based on forecasting the evolution of annual investments relative to networks' 2023 RAB, it compares the capital intensity of the Dutch electricity networks with that of the peer sample used for the calculation of the beta. As such, it ultimately concludes that only the increase of TenneT offshore's RAB is extraordinarily high, allowing a one-standard deviation increase in its equity beta, with no adjustments to beta allowances of other networks.

The ACM considers it likely that the **shift to cost-plus regulation** will lead to a reduction in systematic risks, but concludes that the change is unlikely to be significant and, in any event, it will be difficult to quantify. As the ACM considers that underestimating CoE would be more harmful than a minor overestimation, no reduction to beta is applied.

Based on credit rating reports, the ACM has also assessed whether the regulatory change would lead to a reduction in credit risk. While the ACM considers that the new regulatory method will improve coverage of operational costs and investments, it also considers that this improvement in creditworthiness is likely to be mitigated by higher investment requirements and uncertainty surrounding the energy transition.[29] As such, the ACM has not changed the A credit rating based on which it selects its index for the calculation of CoD.

Oxera commentary

- The phasing out of natural gas, and the risk faced by networks as a result of this, is considered as a factor for WACC increase by some regulators, unlike the approach taken by the ACM. For example, CRE in France and E-control in Austria have previously provided WACC uplifts, with references to the volume and asset stranding risk. Also, the ACM has not considered the impact of the gas phase-out on CoD.
- While the ACM considers the impact of the increased capital intensity on systematic risks, it does not discuss how this driver could affect WACC outside this impact on systematic risks, such as the consequences for creditworthiness or the negative asymmetry of risks.
- Finally, there is a range of views on how different regulatory regimes affect networks' risks. For example, unlike the ACM, which has indicated that it considers a cost-plus regime to be less risky than a price-cap (or incentive-based) regime, Ofgem, in its recent publication, characterised the US rate-of-return regime (which is arguably closer to cost-plus than incentive-based) as having greater risk in recovering costs than the UK incentive-based price cap regime. Notably, the ACM's allowed CoE of 7.74% (nominal, pre-tax)—which is applicable to all networks but TenneT offshore—is significantly lower than returns on equity typically granted to US utilities, which are above 9% (nominal, post-tax).

Concluding remarks

With the ACM's draft method decisions now published, networks and stakeholders can respond to the consultation by 2 November 2025. Many networks may welcome some of the principles in the draft, as the framework could offer greater certainty around cost recovery for energy transition-related investments. However, key details remain limited, particularly on how the ACM will assess (in)efficient costs and processes, and what constitutes a 'good' investment or improvement plan.

While the ACM calls for greater transparency from networks, the opacity of its own decision-making could create legal risks and uncertainty. Domestic and European legislation requires transparent tariff-setting, and recent TenneT and

[25] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit distributiesysteembeheerders gas 2027-2031', 18 September, section 6.3.3.
[26] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit TenneT op land 2027-2031', 18 September, section 6.3.3.
[27] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit distributiesysteembeheerders gas 2027-2031', 18 September, para. 134.
[28] Translation from Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit distributiesysteembeheerders gas 2027-2031', para. 134.
[29] Autoriteit Consument & Markt (2025), 'Ontwerpmethodebesluit distributiesysteembeheerders gas 2027-2031', para. 141.

GTS decisions were partly overturned due to inconsistent evidence and a general lack of transparency.

The ACM plans to publish final method decisions in February 2026 to set tariffs for the 2027–31 regulatory period. If implemented successfully and broadly supported, the framework could serve as a template for regulating networks through the energy transition. However, its success is uncertain, and it remains to be seen whether the ACM will maintain this approach for future reviews or adjust elements to strengthen incentives in line with broader regulatory practice, with possible implications for the Dutch energy sector.