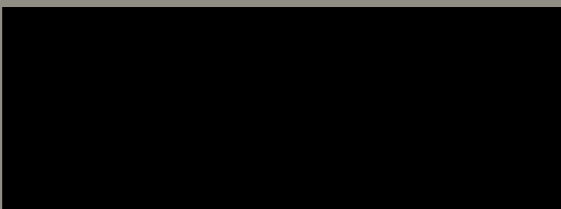


## **Cost of capital determination for disclosure year 2027 for information disclosure regulation**

For electricity distribution businesses and Wellington International  
Airport

[2026] NZCC12

The Commission:      Nathan Strong  
                                 Bryan Chapple  
                                 Dr Derek Johnston  
                                 Dr John Small



Nathan Strong, Commissioner  
**COMMERCE COMMISSION**

Date of publication: 5 May 2026

## Associated documents

Publication date	Reference	Title
4 August 2025	ISSN 1178-2560	Cost of capital determination for disclosure year 2026 for information disclosure regulation for Transpower, GasNet, Vector, Auckland International Airport and Christchurch International Airport [2025] NZCC 16
6 May 2025	ISSN 1178-2560	Cost of capital determination for disclosure year 2026 for information disclosure regulation for electricity distribution businesses and Wellington International Airport [2025] NZCC 7
25 September 2024	ISSN 1178-2560	Cost of capital determination for electricity distribution businesses' default price-quality path commencing 2025 and Transpower New Zealand Limited's 2025-2030 individual price-quality path [2024] NZCC 21
1 August 2024	ISSN 1178-2560	Cost of capital determination for disclosure year 2025 for information disclosure regulation for Transpower, GDBs and Airports ID [2024] NZCC 15
27 June 2024	ISBN 978-1-869457-90-7	Guidelines for WACC determinations under the cost of capital input methodologies - Regulation under Part 4 of the Commerce Act 1986 and Part 6 of the Telecommunications Act 2001
1 May 2024	ISSN 1178-2560	Cost of capital determination for disclosure year 2025 for information disclosure regulation for electricity distribution businesses and Wellington International Airport [2024] NZCC 7
24 April 2024	ISSN 1178-2560	Cost of capital determination for Wellington International Airport Limited's 2024-2029 price setting event [2024] NZCC 6
13 December 2023	ISBN 978-1-991085-69-6	Cost of capital topic paper, Part 4 Input Methodologies Review 2023 – Final decision

13 December 2023	ISSN 1178-2560	Electricity Distribution Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 35
13 December 2023	ISSN 1178-2560	Airport Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 34
1 August 2023	ISSN 1178-2560	Cost of capital determination for disclosure year 2024 for information disclosure regulation - For Transpower, gas distribution businesses and suppliers of specified airport services (with a June year-end) [2023] NZCC 20
1 May 2023	ISSN 1178-2560	Cost of capital determination for disclosure year 2024 for information disclosure regulation – Electricity distribution businesses and Wellington International Airport [2023] NZCC 8
2 August 2022	ISSN 1178-2560	Cost of capital determination for disclosure year 2023 for information disclosure regulation – For Transpower, gas pipeline businesses and suppliers of specified airport services (with a June year-end) [2022] NZCC 28
3 May 2022	ISSN 1178-2560	Cost of capital determination for disclosure year 2023 for information disclosure regulation – For Electricity distribution businesses and Wellington International Airport [2022] NZCC 12
2 August 2021	ISSN 1178-2560	Cost of capital determination for disclosure year 2022 for information disclosure regulation– For Transpower, gas pipeline businesses and suppliers of specified airport services (with a June year-end) [2021] NZCC 10
30 April 2021	ISSN 1178-2560	Cost of capital determination for disclosure year 2022 – Electricity distribution businesses and Wellington International Airport [2021] NZCC 4

## WACC estimates for disclosure year 2027 for EDBs and Wellington Airport

1. This cost of capital determination has been made under the Cost of Capital Input Methodologies (IMs).<sup>1,2</sup>
2. This determination specifies the weighted average cost of capital (WACC) estimates that will apply for information disclosure (ID) regulation for disclosure year 2027 for electricity distribution businesses (EDBs) and Wellington International Airport Limited (WIAL).
3. The timing of our WACC determinations for ID regulation differs depending on the disclosure year of the regulated companies. EDBs and WIAL have disclosure year of 1 April to 31 March, with disclosure year 2027 being the year ending 31 March 2027.
4. The vanilla and post-tax WACC estimates for disclosure year 2027 for EDBs and WIAL are summarised in Table 1 and Table 2 below, respectively.

**Table 1: Vanilla and post-tax WACC estimates for EDBs**

	Vanilla WACC	Post-tax WACC
Mid-point	6.39%	5.78%
25 <sup>th</sup> percentile	5.66%	5.05%
65 <sup>th</sup> percentile	6.81%	6.20%
75 <sup>th</sup> percentile	7.12%	6.51%

**Table 2: Vanilla and post-tax WACC estimates for WIAL**

	Vanilla WACC	Post-tax WACC
Mid-point	8.09%	7.76%

The WACC estimates have been calculated as at 1 April 2026, which is the first day of disclosure year 2027.

<sup>1</sup> Commerce Commission, Electricity Distribution Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 35 (as amended), clause 2.4.1. The Input Methodologies are available on our website: <https://www.comcom.govt.nz/regulated-industries/input-methodologies/input-methodologies-for-electricity-gas-and-airports/electricity-distribution-ims/>

<sup>2</sup> Commerce Commission, Airport Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 34 (13 December 2023), clause 5.1. The Input Methodologies are available on our website: <https://www.comcom.govt.nz/regulated-industries/input-methodologies/input-methodologies-for-electricity-gas-and-airports/airports-ims/>

5. This determination applies the relevant sector IMs, including any applicable amendments to those IMs made as a result of a review under Part 4 of the Commerce Act 1986 (Part 4 IM Review 2023).
6. The 2023 Airport Services IM Amendment (relating to the cost of capital) was subject to a merits appeal to the High Court by Auckland International Airport Ltd, Wellington International Airport Ltd, Christchurch International Airport Ltd, and New Zealand Airports Association Inc (merits appeal). It was also subject to a judicial review application by Air New Zealand Ltd, Qantas Airways Ltd, and Board of Airline Representatives of New Zealand Inc (judicial review application). The High Court's decisions to dismiss the merits appeal and the judicial review application are both subject to appeals to the Court of Appeal. These matters have yet to be heard by the Court of Appeal.<sup>3</sup>

## Further details regarding WACC estimates

### WACC parameter values for EDBs and WIAL

7. The parameter values used to generate the mid-point WACC estimates for EDBs and WIAL are summarised in Table 3 below.<sup>4</sup>

**Table 3: Values used to calculate WACC estimates for EDBs and WIAL\***

Parameter	EDBs	WIAL
Risk-free rate	4.00%	4.00%
Average debt premium	1.11%	0.96%
Leverage	41%	23%
Asset beta	0.36	0.67
Equity beta	0.61	0.87
Tax adjusted market risk premium	7.0%	7.0%
Average corporate tax rate	28%	28%
Average investor tax rate	28%	28%
Debt issuance costs	0.20%	0.20%
Cost of debt	5.31%	5.16%
Cost of equity	7.15%	8.97%

<sup>3</sup> We are considering potential amendments to the WACC parameters for the equity beta and leverage. For more information about that project, and related information is available on our website: <https://www.comcom.govt.nz/regulated-industries/input-methodologies/input-methodologies-for-electricity-gas-and-airports/airports-ims/amendments-to-airport-cost-of-capital-ims-equity-beta/>

<sup>4</sup> All parameter values except the estimate of the risk-free rate and the average debt premium are set in the IMs.

Standard error of midpoint WACC estimate	0.0108	0.0169
Mid-point vanilla WACC	<b>6.39%</b>	<b>8.09%</b>
Mid-point post-tax WACC	<b>5.78%</b>	<b>7.76%</b>

\*IM-specified values are exact, with no decimals. Calculated and estimated values are rounded to two decimal points, except tax adjusted market risk premium and standard error of the mid-point WACC estimate

### Risk-free rate for EDBs and WIAL

8. The risk-free rate reflects the estimated bid yield to maturity on New Zealand government bonds with a term to maturity equal to the length of the regulatory period (and five years for airports).
9. Our estimate of the risk-free rate is based on data reported by Bloomberg for each business day in the three-month period ending 31 March 2026 in respect of the May 2030 and May 2031 maturity bonds.
10. The daily data reported by Bloomberg is linearly interpolated, annualised (to reflect the six-monthly payment of interest) and averaged to produce the estimate of 4.00% for New Zealand government bonds with a five-year term to maturity, as estimated at 1 April 2026.<sup>5</sup>

### Average debt premium for EDBs

11. The average debt premium for EDBs of 1.11% is the average of the debt premium values for the current debt premium reference year (DPRY) and the four previous DPRYs, as shown in Table 4 below.

**Table 4: Average debt premium for EDBs (%)**

	DPRY 2022	DPRY 2023	DPRY 2024	DPRY 2025	DPRY 2026	AVERAGE
Debt premium	1.15	1.25	1.40	1.05	0.70	1.11

12. The DPRY for EDBs starts on 1 September and ends on 31 August.<sup>6</sup> DPRY 2026 is the current DPRY for EDBs as it contains the start of disclosure year 2027 (1 April 2026). The EDB IMs state that the calculation of the debt premium for a DPRY is estimated for each business day in the 12 months preceding the start of the DPRY.
13. The debt premium values are taken from the following sources:

<sup>5</sup> We interpolate between the two closest bonds surrounding a five-year remaining term. This requires taking the yields of the bonds with a remaining term immediately before and after the target term to maturity on that day. The target term to maturity is constant but the bonds' remaining terms to maturity decrease over time so the bonds immediately before and after the target term may change over time.

<sup>6</sup> For example, DPRY 2026 for EDBs is 1 September 2025 to 31 August 2026.

- 13.1. The debt premium value for DPRY 2022 was estimated in the ID WACC determination published on 3 May 2022 for EDBs and WIAL.<sup>7</sup>
- 13.2. The debt premium value for DPRY 2023 was estimated in the ID WACC determination published on 1 May 2023 for EDBs and WIAL.<sup>8</sup>
- 13.3. The debt premium value for DPRY 2024 was estimated in the ID WACC determination published on 1 May 2024 for EDBs and WIAL.<sup>9</sup>
- 13.4. The debt premium value for DPRY 2025 was estimated in the PQ WACC determination published on 25 September 2024 for EDBs and Transpower.<sup>10</sup>
- 14. We have estimated a debt premium of 0.70% for DPRY 2026, based on the data in Table 5 below:
  - 14.1. We had greatest regard to the category (a) and (b) bonds. The category (a) bond supports a debt premium higher than 0.64%, while the category (b) bonds are not inconsistent with an estimate of 0.70%.
  - 14.2. The estimated debt premium for other bonds in categories (d) and (e) are not inconsistent with a debt premium around 0.70%, when consideration is given to the different credit ratings and term to maturity (refer to Table 5 for details).
  - 14.3. The Nelson-Siegel-Svensson (NSS) estimates of the five-year debt premium of 0.73% is consistent with our estimate of 0.70%.

**Table 5: Debt premium estimates for EDBs**

	<b>Sector</b>	<b>100% Govt owned</b>	<b>Bond credit rating</b>	<b>Remaining term to maturity (years)</b>	<b>Debt premium (%)</b>
Benchmark bond	EDB	No	BBB+	5	0.70%

<sup>6</sup> Commerce Commission, [Cost of capital determination for disclosure year 2023 for information disclosure regulation. Electricity distribution businesses and Wellington International Airport \[2022\]](#) NZCC 12.

<sup>7</sup> Commerce Commission, [Cost of capital determination for disclosure year 2024 for information disclosure regulation. Electricity distribution businesses and Wellington International Airport \[2023\]](#) NZCC 8.

<sup>8</sup> Commerce Commission, [Cost of capital determination for disclosure year 2025 for information disclosure regulation. Electricity distribution businesses and Wellington International Airport \[2024\]](#) NZCC 7.

<sup>10</sup> Commerce Commission, [Cost of capital determination for electricity distribution businesses' default price-quality path commencing 2025 and Transpower New Zealand Limited's 2025-2030 individual price-quality path \[2024\]](#) NZCC 21.

Bond category	Issuer	Sector	100% Govt owned	Bond credit rating	Remaining term to maturity (years)	Debt premium (%)	Comments	Bonds analysed
a	Vector Limited	EDB/GPB	No	BBB+	2.70	0.64	5-year debt premium would be higher.	VCTNZ 3.69 11/26/2027
b	Air New Zealand Limited	Other	No	BBB+	3.20	1.16	5-year debt premium would be higher.	AIRNZ 6.61 04/27/2028
b	Genesis Energy Limited	Other	No	BBB+	3.80	0.86	5-year debt premium would be higher.	GENEPO 3.65 12/20/2028
b	Mercury NZ Limited	Other	No	BBB+	5.00	0.66	Credit rating and term are an exact match.	MCYNZ 5.64 06/19/2028; MCYNZ 1.917 10/09/2030
b	Meridian Energy Limited	Other	No	BBB+	5.10	0.67	5-year debt premium would be lower.	MERINZ 5.4 03/21/2030
d	Auckland International Airport Limited	Airport	No	A-	5.00	0.60	BBB+ debt premium would be higher.	AIANZ 5.29 11/17/2028; AIANZ 6.22 11/02/2029; AIANZ 5.45 11/15/2030
d	Chorus Limited	Fibre	No	BBB	5.00	0.79	BBB+ debt premium would be lower.	CNUNZ 1.98 12/02/2027; CNUNZ 2.51 12/02/2030
d	Contact Energy Limited	Other	No	BBB	4.10	0.61	BBB+ debt premium would be lower; 5-year debt premium would be higher.	CENNZ 5.62 04/06/2029
d	Fonterra Co-operative Group Limited	Other	No	A-	4.70	0.60	BBB+ debt premium would be higher; 5-year debt premium would be higher.	FCGNZ 4.6 11/08/2029
d	Spark Finance Limited	Telco	No	A-	4.50	0.59	BBB+ debt premium would be higher; 5-year debt premium would be higher.	SPKNZ 5.21 09/18/2029
d	Wellington International Airport Limited	Airport	No	BBB	5.00	0.96	BBB+ debt premium would be lower.	WIANZ 5.78 08/24/2028; WIANZ 6.02 09/04/2030
e	Christchurch International Airport Limited	Airport	Yes	A-	5.00	0.61	BBB+ debt premium would be higher.	CHRINT 5.18 05/19/2028; CHRINT 5.44 04/15/2031
e	Transpower New Zealand Limited	EDB/GPB	Yes	AA-	3.00	0.31	BBB+ debt premium would be higher; 5-year debt premium would be higher.	TPNZ 5.893 03/15/2028

### WACC range and 65th percentile estimate for EDBs

- In addition to the mid-point estimate, we are also required to determine a WACC range and 65th percentile estimate for each EDB disclosure year.

16. The WACC range means the values falling between the 25th percentile and 75th percentile, inclusive of the mid-point estimate of WACC. The methodology for estimating different WACC percentiles is set out in clause 2.4.5 of the EDB IMs.<sup>11</sup>

#### Average debt premium for WIAL

17. The average debt premium for WIAL of 0.96% is the average of the debt premium values for the current DPRY and the four previous DPRYs, as shown in Table 6 below.

**Table 6: Debt premium estimate for WIAL (%)**

	DPRY 2022	DPRY 2023	DPRY 2024	DPRY 2025	DPRY 2026	AVERAGE
Debt premium	1.10	1.00	1.20	0.90	0.60	0.96

18. The DPRY for WIAL starts on 1 July and ends on 30 June.<sup>12</sup> DPRY 2026 is the current DPRY for WIAL as it contains the start of disclosure year 2027 (1 April 2026). The IMs state that the calculation of the debt premium for a DPRY is estimated for each business day in the 12 months preceding the start of the DPRY.
19. The debt premium values are taken from the following sources:
- 19.1. The debt premium value for the 2022 DPRY was estimated in the ID WACC determination published on 2 August 2021 for Transpower, GPBs and airports.<sup>13</sup>
- 19.2. The debt premium value for the 2023 DPRY was estimated in the ID WACC determination published on 2 August 2022 for Transpower, GPBs and airports.<sup>14</sup>
- 19.3. The debt premium value for the 2024 DPRY was estimated in the ID WACC determination published on 1 August 2023 for Transpower, GPBs and airports.<sup>15</sup>

<sup>11</sup> Commerce Commission, [Electricity Distribution Services Input Methodologies \(IM Review 2023\) Amendment Determination 2023](https://www.comcom.govt.nz/regulated-industries/input-methodologies/input-methodologies-for-electricity-gas-and-airports/electricity-distribution-ims/) [2023] NZCC 35 (as amended); The Input Methodologies are available on our website: <https://www.comcom.govt.nz/regulated-industries/input-methodologies/input-methodologies-for-electricity-gas-and-airports/electricity-distribution-ims/>

<sup>12</sup> For example, DPRY 2026 for WIAL is 1 July 2025 to 30 June 2026.

<sup>13</sup> Commerce Commission, [Cost of capital determination for disclosure year 2022 for information disclosure regulation](#) [2021] NZCC 10

<sup>14</sup> Commerce Commission, [Cost of capital determination for disclosure year 2023 for information disclosure regulation](#) [2022] NZCC 28

<sup>15</sup> Commerce Commission, [Cost of capital determination for disclosure year 2024 for information disclosure regulation](#) [2023] NZCC 20

19.4. The debt premium value for the 2025 DPRY was estimated in the ID WACC determination published on 1 August 2024 for Transpower, GPBs and airports.<sup>16</sup>

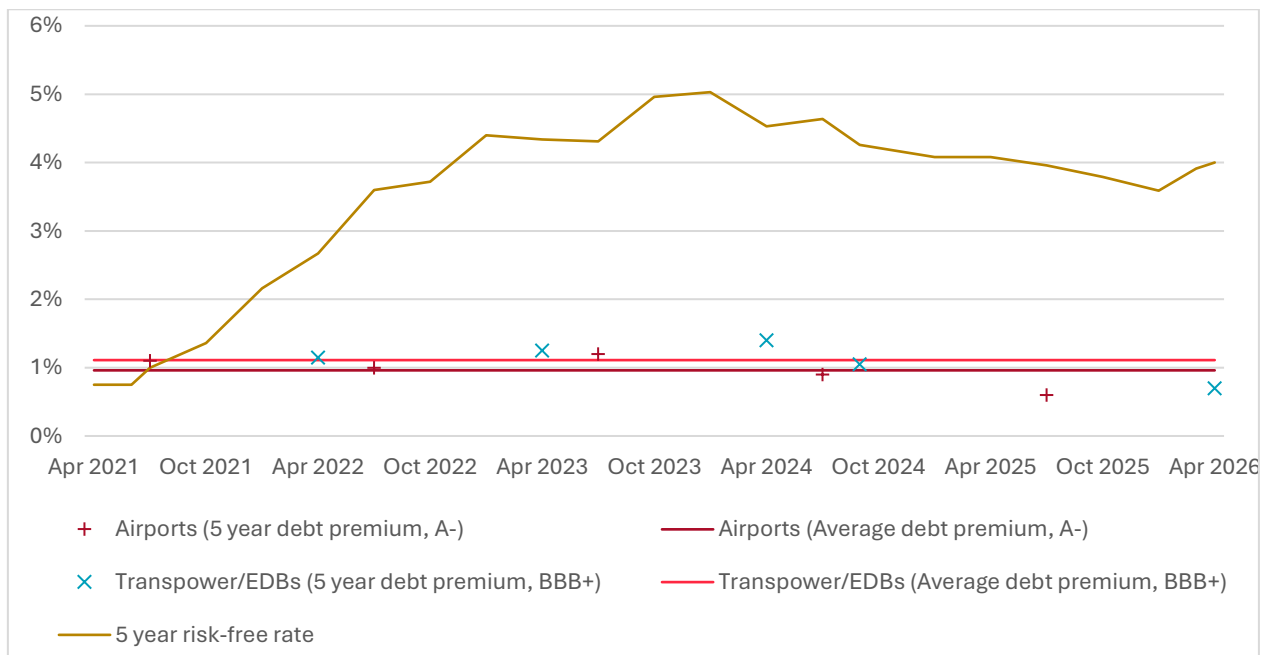
19.5. The debt premium value for the 2026 DPRY was estimated in the ID WACC determination published on 4 August 2025 for Transpower, GPBs and airports.<sup>17</sup>

**Changes in the risk-free rate and debt premium over time**

20. The risk-free rate and the debt premium on bonds change over time. Changes in the risk-free rate and debt premium estimates are illustrated below. Figure 1 shows, as at 1 April 2026, changes over time in the:

- 20.1. five-year risk-free rate;
- 20.2. estimated debt premium on bonds rated BBB+ with a remaining term to maturity of five years; and
- 20.3. estimated debt premium on bonds rated A- with a remaining term to maturity of five years.

**Figure 1: Changes in the risk-free rates and estimated debt premiums over time**



<sup>16</sup> Commerce Commission, [Cost of capital determination for disclosure year 2025 for information disclosure regulation](#) [2024] NZCC 15

<sup>17</sup> Commerce Commission, [Cost of capital determination for disclosure year 2026 for information disclosure regulation](#) [2025] NZCC 16