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

For Transpower, GasNet, Vector, Auckland International Airport and Christchurch International Airport

[2026] NZCC 30

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COMMERCE COMMISSION

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Associated documents

Publication date	Reference	Title
5 June 2026	ISSN 978-1-991414-52-6	Transpower Input Methodologies Determination [2012] NZCC 17 (consolidated as at 1 April 2025 and published on 4 June 2026)
26 May 2026	ISSN 1178-2560	Gas Distribution Services Input Methodologies Amendment Determination (No.1) [2026] NZCC 17
5 May 2026	ISSN 1178-2560	Cost of capital determination for disclosure year 2027 for information disclosure regulation for electricity distribution businesses and Wellington International Airport [2026] NZCC 12
9 April 2026	ISSN 1178-2560	Cost of capital determination for gas pipeline businesses' DPP4 [2026] NZCC 8
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
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 suppliers of specified airport services (with a June year-end) [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 (Post-IM review version)
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
13 December 2023	ISSN: 1178-2560	Airport Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 34
13 December 2023	ISBN 978-1-991085-69-6	Cost of capital topic paper, Part 4 Input Methodologies Review 2023 – Final decision
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
1 April 2022	ISSN 1178-2560	Cost of capital determination for gas pipeline businesses' 2022-2026/2022-2027 default price-quality path [2022] NZCC 10

WACC ID estimates for disclosure year 2027 for Transpower, GDBs (GasNet and Vector) and airports (AIAL and CIAL)

1. This cost of capital determination has been made under the Cost of Capital Input Methodologies (IMs).[1,2,3]

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 Transpower New Zealand Limited (Transpower), GasNet Limited (GasNet), Vector Limited (Vector), Auckland International Airport Limited (AIAL) and Christchurch International Airport Limited (CIAL).

3. The timing of our WACC determinations for ID regulation differs depending on the disclosure year of the regulated companies. Transpower, GasNet, Vector, AIAL, and CIAL have a disclosure year of 1 July to 30 June, with disclosure year 2027 being the year ending 30 June 2027. The WACC estimates have been calculated as at 1 July 2026, which is the first day of disclosure year 2027.[4]

4. The vanilla and post-tax WACC estimates for disclosure year 2027 are summarised in Table 1, Table 2 and Table 3 below, respectively.

Table 1: Vanilla and post-tax WACC estimates for Transpower

	Vanilla WACC	Post-tax WACC
Mid-point	6.53%	5.90%
25th percentile	5.80%	5.17%
65th percentile	6.95%	6.32%
75th percentile	7.26%	6.63%

1 Commerce Commission, Transpower Input Methodologies Determination [2012] NZCC 17 (consolidated as at 1 April 2025), Transpower Input Methodologies Determination consolidated as at 1 April 2025 and published on 4 June 2026.

2 Commerce Commission, Gas Distribution Services Input Methodologies Amendment Determination (No.1) 2026 [2026] NZCC 17.

3 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/.

4 The IMs require us to make the determinations for Transpower, GasNet, Vector Limited, Auckland International Airport Limited and Christchurch International Airport Limited (as their disclosure year starts on 1 July) within one month of the start of the disclosure year.

Table 2: Vanilla and post-tax WACC estimates for GasNet and Vector GDB

	Vanilla WACC	Post-tax WACC
Mid-point	6.72%	6.11%
25th percentile	5.96%	5.35%
75th percentile	7.47%	6.86%

Table 3: Vanilla and post-tax WACC estimates for AIAL and CIAL

	Vanilla WACC	Post-tax WACC
Mid-point	8.20%	7.86%

5. This determination applies the relevant sector IMs, including any applicable amendments to those IMs. The IMs set out the methodology for determining an estimate of WACC.

6. Gas Distribution Services Input Methodologies (IM Review 2023) Amendment Determination 2023 is subject to an appeal brought by First Gas Limited. Under section 53 of the Act, the published IMs continue to apply until any appeal against the IMs is finally determined.

7. 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.[5]

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[5] 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/

Further details regarding WACC estimates

WACC parameter values for Transpower, GDBs and airports

8. The parameter values used to generate the mid-point WACC estimates for Transpower, GDBs (GasNet and Vector) and airports (AIAL and CIAL) are summarised in Table 4 below.[6]

Table 4: Values used to calculate WACC estimates for Transpower, GDBs and airports*

Parameter	Transpower	GDBs (GasNet and Vector)	Airports (AIAL and CIAL)
Risk-free rate	4.16%	3.98%	4.16%
Average debt premium	1.11%	1.09%	0.86%
Leverage	41%	41%	23%
Asset beta	0.36	0.41	0.67
Equity beta	0.61	0.69	0.87
Tax adjusted market risk premium	7.0%	7.0%	7.0%
Average corporate tax rate	28%	28%	28%
Average investor tax rate	28%	28%	28%
Debt issuance costs	0.20%	0.25%	0.20%
Cost of debt	5.47%	5.32%	5.22%
Cost of equity	7.27%	7.69%	9.09%
Standard error of midpoint WACC estimate	0.0108	0.0112	0.0169
Mid-point vanilla WACC	**6.53%**	**6.72%**	**8.20%**
Mid-point post-tax WACC	**5.90%**	**6.11%**	**7.86%**

*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 Transpower, GDBs and airports

9. 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 (four years for GDBs, and five years for Transpower and airports).

[6] All parameter values except the estimate of the risk-free rate and the average debt premium are set in the IMs.

10. Our estimate of the five-year risk-free rate is based on data reported by Bloomberg for each business day in the three-month period ending 30 June 2026 in respect of the May 2030, May 2031 and May 2032 maturity bonds.

11. Our estimate of the four-year risk-free rate for GDBs is based on data reported by Bloomberg for each business day in the three-month period ending 30 June 2026 in respect of the April 2029, May 2030, and May 2031 maturity bonds.

12. 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 a 4.16% interest rate on New Zealand government bonds with a five-year term to maturity, as estimated at 1 July 2026.[7] The same method produces an estimate of 3.98% for New Zealand government bonds with a four-year term to maturity.

Average debt premium for Transpower

13. The average debt premium for Transpower 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 5 below.

Table 5: Average debt premium for Transpower (%)

	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

14. The DPRY for Transpower starts on 1 September and ends on 31 August.[8] DPRY 2026 is the current DPRY for Transpower as it contains the start of disclosure year 2027 (1 July 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.

15. The debt premium values are taken from the following sources:

    15.1. The debt premium value for DPRY 2022 was estimated in the ID WACC determination published on 3 May 2022 for EDBs and WIAL.[9]

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7 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.

8 For example, DPRY 2026 for Transpower is 1 September 2025 to 31 August 2026.

9 Commerce Commission, Cost of capital determination for disclosure year 2023 for information disclosure regulation. Electricity distribution businesses and Wellington International Airport [2022] NZCC 12.

15.2. The debt premium value for DPRY 2023 was estimated in the ID WACC determination published on 1 May 2023 for EDBs and WIAL.[10]

15.3. The debt premium value for DPRY 2024 was estimated in the ID WACC determination published on 1 May 2024 for EDBs and WIAL.[11]

15.4. The debt premium value for DPRY 2025 was estimated in the PQ WACC determination published on 25 September 2024 for EDBs and Transpower.[12]

15.5. The debt premium value for DPRY 2026 was estimated in the ID WACC determination published on 5 May 2026 for EDBs and WIAL.[13]

WACC range and 65th percentile estimates for Transpower

16. In addition to the mid-point estimate, we are also required to determine a WACC estimate at the 25th, 65th and the 75th percentile estimate for Transpower for each disclosure year. The methodology for estimating different WACC percentiles is set out in clause 2.4.5 of the Transpower IMs.[14]

Average debt premium for GasNet and Vector GDB

17. The average debt premium for GDBs of 1.09% 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: Average debt premium for GasNet and Vector GDB (%)

	DPRY 2023	DPRY 2024	DPRY 2025	DPRY 2026	DPRY 2027	AVERAGE
Debt premium	1.10	1.45	1.20	0.95	0.75	1.09

10 Commerce Commission, Cost of capital determination for disclosure year 2024 for information disclosure regulation. Electricity distribution businesses and Wellington International Airport [2023] NZCC 8.

11 Commerce Commission, Cost of capital determination for disclosure year 2025 for information disclosure regulation. For electricity distribution businesses and Wellington International Airport [2024] NZCC 7.

12 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.

13 Commerce Commission, Cost of capital determination for disclosure year 2027 for information disclosure regulation. For electricity distribution businesses and Wellington International Airport [2026] NZCC 12.

14 Commerce Commission, Transpower Input Methodologies Determination [2012] NZCC 17 (consolidated as at 1 April 2025)

18. The DPRY for GasNet and Vector GDB starts on 1 March and ends on 28 February.[15] DPRY 2027 is the current DPRY for GasNet and Vector as it contains the start of disclosure year 2027 (1 July 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 2023 DPRY was estimated in the WACC determination published on 1 April 2022 for the third price-quality path for the gas pipeline businesses.[16]

    19.2. The debt premium value for 2024 DPRY was estimated in the ID WACC determination published on 1 August 2023 for Transpower, GDBs and airports.[17]

    19.3. The debt premium value for 2025 DPRY was estimated in the ID WACC determination published 1 August 2024 for Transpower, GDBs and airports.[18]

    19.4. The debt premium value for 2026 DPRY was estimated in the ID WACC determination published 4 August 2025 for Transpower, GDBs and airports.[19]

    19.5. The debt premium value for 2027 DPRY was estimated in the PQ WACC determination published 9 April 2026 for gas pipeline businesses.[20]

WACC range estimate for GasNet and Vector GDB

20. In addition to the mid-point estimate, we are also required to determine a WACC range estimate for the GDBs.

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15 For example, DPRY 2027 for GasNet and Vector is 1 March 2026 to 28 February 2027.

16 Commerce Commission, Cost of capital determination for gas pipeline businesses' 2022-2026/2022-2027 default price-quality path [2022] NZCC 10. In this determination we had two sets of WACC estimates – one reflecting a five-year period and the other reflecting a four-year period. We did this because we had not yet produced our final decision on the term of the regulatory period for the GPB default price path (DPP).

17 Commerce Commission, 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.

18 Commerce Commission, Cost of capital determination for disclosure year 2025 for information disclosure regulation. For Transpower, gas distribution businesses and suppliers of specified airport services (with a June year-end) [2024] NZCC 15.

19 Commerce Commission, 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.

20 Commerce Commission, Cost of capital determination for gas pipeline businesses' DPP4 [2026] NZCC 8.

21. 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 GDB IMs.[21]

Average debt premium for AIAL and CIAL

22. The average debt premium for AIAL and CIAL of 0.86% is the average of the debt premium values for the current DPRY and the four previous DPRYs, as shown in Table 7 below.

Table 7: Debt premium estimate for AIAL and CIAL (%)

	DPRY 2023	DPRY 2024	DPRY 2025	DPRY 2026	DPRY 2027	AVERAGE
Debt premium	1.00	1.20	0.90	0.60	0.60	0.86

23. The DPRY for AIAL and CIAL starts on 1 July and ends on 30 June.[22] DPRY 2027 is the current DPRY for AIAL and CIAL as it contains the start of disclosure year 2027 (1 July 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.

24. The debt premium values are taken from the following sources:

24.1. 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.[23]

24.2. 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.[24]

24.3. 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.[25]

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21 Commerce Commission, Gas Distribution Services Input Methodologies Amendment Determination (No.1) 2026 [2026] NZCC 17.

22 For example, DPRY 2027 for AIAL is 1 July 2026 to 30 June 2027.

23 Commerce Commission, 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.

24 Commerce Commission, 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.

25 Commerce Commission, Cost of capital determination for disclosure year 2025 for information disclosure regulation. For Transpower, gas distribution businesses and suppliers of specified airport services (with a June year-end) [2024] NZCC 15.

24.4. 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.[26]

25. We have estimated a debt premium of 0.60% for the 2027 DPRY based on the data in Table 8 below.

25.1. We have had the greatest regard to the category (a) and (b) bonds. The category (a) bond supports a debt premium of 0.60% and the category (b) bonds are not inconsistent with an estimate of 0.60%.

25.2. The estimated debt premium for other issuers in bond categories (c) to (e) are also not inconsistent with a debt premium of around 0.60%, when consideration is given to the different credit ratings and term to maturity (refer to the commentary column of Table 8 for details).

25.3. The Nelson-Siegel-Svensson (NSS) estimate of the debt premium of 0.57% aligns closely with our estimate of 0.60%.

[26] Commerce Commission, 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.

Table 8: Debt premium estimate for AIAL and CIAL, DPRY 2027

Bond category	Issuer	Sector	100 % Govt owned	Bond credit rating	Remaining term to maturity (years)	Debt premium (%)	Comments	Bonds analysed
a	Auckland International Airport Limited	Airport	No	A-	5.0	0.60	Credit rating and term are an exact match.	AIANZ 6.22 11/02/2029; AIANZ 5.45 11/15/2030; AIANZ 4.04 04/08/2031
b	Fonterra Co-operative Group Limited	Other	No	A-	3.9	0.59	5-year debt premium would be higher.	FCGNZ 4.6 11/08/2029
b	Spark Finance Limited	Telco	No	A-	5.7	0.60	5-year debt premium would be lower.	SPKNZ 5.45 09/18/2031
c	Wellington International Airport Limited	Airport	No	BBB	5.3	0.95	A- debt premium would be lower; 5-year debt premium would be lower.	WIANZ 5.09 04/03/2031
d	Air New Zealand Limited	Other	No	BBB+	2.3	1.05	A- debt premium would be lower; 5-year debt premium would be higher.	AIRNZ 6.61 04/27/2028
d	Chorus Limited	Fibre	No	BBB	4.9	0.76	A- debt premium would be lower; 5-year debt premium would be higher.	CNUNZ 2.51 12/02/2030
d	Contact Energy Limited	Other	No	BBB	3.3	0.63	A- debt premium would be lower; 5-year debt premium would be higher.	CENNZ 5.62 04/06/2029
d	Genesis Energy Limited	Other	No	BBB+	3.0	0.81	A- debt premium would be lower; 5-year debt premium would be higher.	GENEPO 3.65 12/20/2028
d	Mercury NZ Limited	Other	No	BBB+	4.8	0.70	A- debt premium would be lower; 5-year debt premium would be higher.	MCYNZ 1.917 10/09/2030
d	Meridian Energy Limited	Other	No	BBB+	4.2	0.63	A- debt premium would be lower; 5-year debt premium would be higher.	MERINZ 5.4 03/21/2030
d	Vector Limited	EDB/GPB	No	BBB+	1.9	0.66	A- debt premium would be lower; 5-year debt premium would be higher.	VCTNZ 3.69 11/26/2027
e	Christchurch International Airport Limited	Airport	Yes	A-	5.3	0.66	5-year debt premium would be lower.	CHRINT 5.44 04/15/2031
e	Transpower New Zealand Limited	EDB/GPB	Yes	AA-	4.6	0.43	A- debt premium would be higher; 5-year debt premium would be higher.	TPNZ 4.219 07/31/2030

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

26. 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 July 2026, changes over time in the:

    26.1. four-year risk-free rate;

    26.2. five-year risk-free rate;

    26.3. estimated debt premium on bonds rated BBB+ with a remaining term to maturity of five years; and

    26.4. 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