

Erratum to: Final Report – Prices for Sydney Water Corporation from 1 July 2020, issued by IPART

Erratum to Appendix I

This erratum has been issued to correct Table I.1 on page 258 of the Final Report. The value for 'Gamma' reported in that table is incorrect and should have been 0.25 for both the current and long term measures. The error is in the text of the report only and does not represent an error in our calculations. That is, the error had no impact on IPART's calculation of the Weighted Average Cost of Capital (WACC) or prices.

The corrected table is presented here:

Table I.1 Sydney Water WACC for Final Report

	Step 1		Step 2 – Final WACC range		
	Current market data	Long term averages	Lower	Midpoint	Upper
Nominal risk free rate	0.90%	3.10%			
Inflation	2.30%	2.30%			
Implied Debt Margin	2.50%	2.60%			
Market Risk premium	9.7%	6.0%			
Debt funding	60%	60%			
Equity funding	40%	40%			
Total funding (debt + equity)	100%	100%			
Gamma	0.25	0.25			
Corporate tax rate	30.0%	30.0%			
Effective tax rate for equity	30.0%	30.0%			
Effective tax rate for debt	30.0%	30.0%			
Equity beta	0.70	0.70			
Cost of equity (nominal post-tax)	7.7%	7.3%			
Cost of equity (real-post tax)	5.3%	4.9%			
Cost of debt (nominal pre-tax)	3.4%	5.7%			
Cost of debt (real pre-tax)	1.1%	3.3%			
Nominal Vanilla (post-tax nominal) WACC	5.1%	6.3%	5.1%	5.7%	6.3%
Post-tax real WACC	2.8%	3.9%	2.8%	3.4%	3.9%
Pre-tax nominal WACC	6.0%	7.2%	6.0%	6.6%	7.2%
Pre-tax real WACC point estimate	3.6%	4.8%	3.6%	4.2%	4.8%