

25 May 2017



## WHAT

This fact sheet presents our estimates of the short-run Market Risk Premium (MRP) based on market observations at the end of April 2017. MRP is one input into the calculation of the Weighted Average Cost of Capital (WACC).

Short-run MRP including imputation credits	30 April 2017
Damodaran	8.83%
BoE (2002)	11.56%
BoE (2010)	9.12%
Bloomberg	8.55%
SFG Market indicator (Mean)	7.39%
SFG analysts implied	8.48%
<b>Rounded to 1 decimal place</b>	
Lower	7.4%
Midpoint	9.5%
Upper	11.6%

Our long-run MRP estimate remains at 6%.



## WHY

The MRP estimates are an input into our WACC calculation. We are publishing our MRP estimates to enable stakeholders to replicate our WACC estimates.



## WHO

We will use these MRP estimates to calculate the WACC used to determine prices in our June 2017 final reports for:

- ▼ Sydney Desalination Plant, and
- ▼ WaterNSW rural (coastal valleys).



## HOW

Our MRP estimates follow our standard WACC methodology, which is described on our web site:

[https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/final\\_report\\_-\\_review\\_of\\_wacc\\_methodology\\_-\\_december\\_2013.pdf](https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/final_report_-_review_of_wacc_methodology_-_december_2013.pdf)



## WHEN

The end of April 2017 sampling date coincides with sampling dates for most of the other WACC inputs for the June 2017 final reports on water prices.



## WHAT NEXT

We will release our final reports and final determinations of prices for the Sydney Desalination Plant and WaterNSW rural in June 2017.

We intend to publish similar MRP information for future final price determinations and for our biannual market updates.