Attachment 01.9P

Rate of Return Averaging Periods

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Contents

1. Averaging periods

This appendix sets out our placeholder and proposed averaging periods used to calculate prevailing market parameters which are used to determine the allowed rate of return.

1.1 Placeholder averaging period

We have adopted the period 1 June to 30 June 2017 as our placeholder averaging period for the purposes of estimating the rate of return included in our regulatory proposal. We propose that the rate of return be updated using the averaging in periods set out in the next section.

1.2 Proposed averaging periods

We propose the following averaging periods for the five years of the

2019–24 regulatory period:

- **2019-20:** [[redacted]] (inclusive)
- **2020-21:** [[redacted]] (inclusive)
- **2021-22:** [[redacted]] (inclusive)
- **2022-23:** [[redacted]] (inclusive)
- **2023-24:** [[redacted]] (inclusive).

Consistent with the rate of return guideline,[1] these averaging periods:

- occur prior and as close as practicable to the commencement of each regulatory year to which they apply; and
- occur after the date of this regulatory proposal; and
- in the case of the first averaging period, are 20 business days in length; or
- in the case of the subsequent averaging periods, between 10 business days and 12 months in length (inclusive).

We propose to use the first averaging period to estimate *both* the return on equity and the first return on debt observation for the next regulatory period. Subsequent averaging periods will only include observation of the return on debt. We also claim confidentiality over the averaging periods for the reasons set out in the next section.

[1] AER, *Better Regulation Rate of return guideline*, December 2013, pp. 21–22.

1.3 Confidentiality

Consistent with the rate of return guideline and previous regulatory practice, we propose keeping the dates for each averaging period set out in the section above confidential until they have passed. This will give Power and Water or its shareholder an opportunity to align its actual funding costs with the allowed rate of return estimated over those periods without the risk of other market participants using that information against our legitimate commercial interests.