

Review of Mine Life and Rate of Return

16 February 2024

IPART is reviewing two elements of the pricing principles in the NSW Rail Access Undertaking:

- Remaining mine life
- Rate of return.

Along with the other elements included in the pricing principles (such as the regulatory asset base, capital expenditure and maintenance costs) the rate of return and remaining mine life are used in determining an allowable range for rail access prices.

The NSW Rail Access Undertaking requires IPART to review the rate of return and remaining mine life every five years. The last review was completed in 2019.

The rate of return applies to all networks under the NSW Rail Access Undertaking



The remaining mine life is used to determine depreciation for the Transport Asset Holding Entity (TAHE)'s coal freight business on the line from Newstan Junction to Woodville Junction on the NSW Central Coast (TAHE HVCN).

A key issue for the remaining mine life is uncertainty over the closure date for the Eraring and Vales Point power stations. These represent the main coal customers and therefore the main economic drivers for TAHE's freight business on the line from Newstan Junction to Woodville Junction on the NSW Central Coast (TAHE HVCN).

For the rate of return, we expect to use IPART's standard WACC method, subject to any modifications required by the NSW Rail Access Undertaking or the particular circumstances of coal freight on the TAHE HVCN. Information on our standard WACC methodology can be found here <https://www.ipart.nsw.gov.au/Home/Industries/Special-Reviews/Regulatory-policy/WACC>

We want to hear from you

We want to hear from stakeholders in the rail freight, electric power generation and coal mining industries to help us understand:

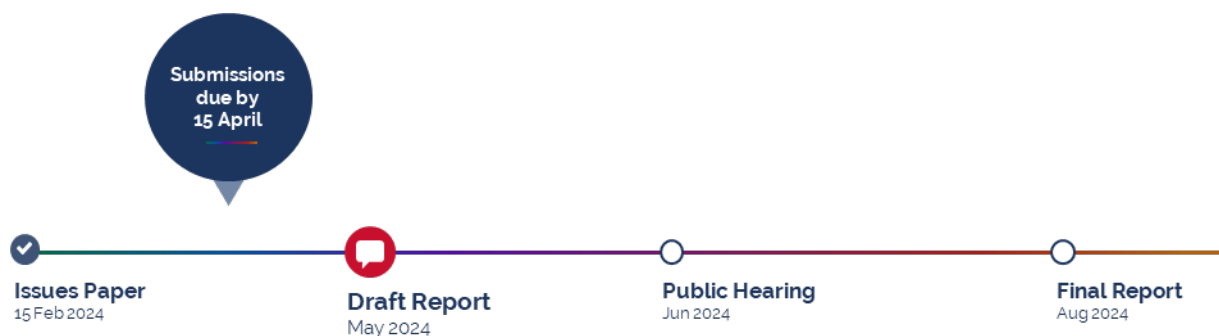
- the likely economic life of coal traffic on the TAHE HVCN
- factors that could extend or shorten the lives of Eraring or Vales Point
- other trends in the Hunter Valley coal mining industry that could impact the TAHE HVCN
- what circumstances might require us to depart from our standard WACC method to determine the rate of return.

 Have your say

We welcome feedback on the issues raised above or other matters related to the review

[Submit feedback >](#)

Our review process



IPART will seek stakeholder views on the issues covered by the review, conduct new market observations to inform the rate of return estimate, and make inquiries about factors likely to influence the remaining mine life for coal freight.

We expect to release a draft report in May 2024. We will hold a public hearing in June 2024. Following receipt of submissions on the draft report, we will release a final report in August 2024. IPART's decisions on the rate of return and remaining mine life will apply for five years from 2024.

We will release a draft report and seek stakeholder submissions on it. Stakeholders who would like to be notified when relevant material is released can subscribe to receive updates from IPART on our website: www.ipart.nsw.gov.au

Previous reviews of mine life and rate of return

In our 2019 review, we decided that a 5.3% pa real, post-tax rate of return would apply from 1 July 2019. The TAHE HVCN sectors transport coal for many purposes, but the most significant is supplying the Eraring and Vales Point power stations. These were thought likely to operate until at least 2032 when Origin Energy (owner of Eraring) has announced it will exit coal-fired generation. At the time, we found that their future beyond then depends on a number of variables, including current and likely government policies on energy and climate change. On balance, we considered that basing our remaining mine life estimate on a terminal date of 2040 would reduce (then owner) RailCorp's risk of asset stranding, while mitigating customer price impacts.