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23 December 2025

Mr Andrew Nicholls
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
Level 16, 2-24 Rawson Place
SYDNEY NSW 2000

Dear Mr Nicholls

Request to expedite WACC review

TCorp values its ongoing engagement with IPART on the Weighted Average Cost of Capital (WACC) review, given our role as the funding provider to the State-owned water utilities.

We are writing to highlight the potential increasing future costs and risks to the State arising from the replication of IPART's cost of debt approach by water utilities. These concerns come at a time when minimising the State's interest expense and managing increased refinancing risks are critical priorities.

Since the last WACC review in 2018, TCorp's balance sheet has expanded from \$65 billion to over \$200 billion, driven by pandemic-related stimulus and the State's major infrastructure program.

TCorp's annual borrowing program has averaged approximately \$25 billion and is currently forecast to remain at this level. The composition of the program is shifting, with refinancing requirements rising sharply, from a historical average of around \$5 billion, to more than \$15 billion annually in coming years.

Refinancing risk, being the risk that TCorp may be unable to refinance maturing debt on acceptable terms, has therefore become a central focus. This risk is heightened when large volumes of debt mature within short timeframes, as is the case under the current water utility approach, exposing the State to the risk of adverse market conditions and liquidity constraints.

Two features of the current IPART cost of debt benchmark, being its short maturity profile and concentrated Observation Period, channel a growing refinancing burden into a narrow window heightening refinancing risk for water utilities and the State.

While TCorp will continue to consult with clients as part of the WACC review, we believe it is vital to address these emerging challenges. To this end, we recommend that the IPART benchmark:

1. Incorporates a longer maturity profile, for example a full 10-year historical trailing average, to reduce refinancing risk and smooth interest expense.
2. Utilises a longer Observation Period, for example a full year, to smooth refinancing volumes and mitigate market volatility.

While the recommendations aim to minimise the impact of the water utility's debt strategy on the State's broader risk management approach, they also intend to create an efficient, replicable approach for water utilities, while helping to smooth consumer pricing.

Given the escalating challenges and risks in managing the current water utility debt strategy, we respectfully seek support from IPART to bring forward this aspect of the WACC review at the earliest possible opportunity.

We would appreciate the opportunity to discuss this matter further at your earliest convenience.

Yours sincerely



Denby Casey
Head of Debt Portfolio Management

