



WHAT

IPART has published its updated asset disposals policy. This explains how we will treat asset disposals (often asset sales) when setting prices for water utilities that we regulate. It will also inform our approach to the treatment of asset disposals in other industries we regulate.

The aim of our policy is to ensure assets that are no longer required to provide services to customers are efficiently sold or disposed of, so that customers do not have to pay for unnecessary assets.



WHY

In 2016, we released an asset disposals policy, as part of our Final Report on our 2016 review of Sydney Water's prices.

Central to our policy is the principle that we will remove the **regulatory value** of an asset from a business's RAB, when that asset is sold or disposed of.

In 2017, Sydney Water sought clarification on the definition of 'sale value' in our policy where we reference 'sale value' as a proxy for (or to estimate) regulatory value. Specifically, Sydney Water asked whether sale value was net of the costs incurred in selling an asset, including sale and remediation costs, where applicable.

We consulted on this by releasing an Issues Paper in September 2017.

We have now considered submissions to that Issues Paper, and have updated our asset disposals policy accordingly.



HOW

Under our updated asset disposals policy:

- ▼ For the disposal of **'significant' post line-in-the-sand assets**, we will simply deduct the identifiable regulatory value of these assets from the RAB.
- ▼ For the disposal of **'significant' pre line-in-the-sand assets** (for which a regulatory value cannot be identified), we will deduct from the RAB the asset's sale value (net of prudent and efficient costs incurred to sell the asset) multiplied by the business's initial RAB to DRC ratio.
- ▼ However, on a case-by-case basis, we may consider alternative methods of estimating the regulatory value of these assets.
- ▼ For the disposal of **'non-significant' assets**, we will deduct from the RAB the asset's sale value net of efficient sale costs.
- ▼ Exceptions to the above are asset disposals by WaterNSW in the Murray Darling Basin, where we are required to comply with the Commonwealth's Water Charge (Infrastructure) Rules. Currently, these rules require we deduct sale value from the RAB when an asset is sold.



LEARN MORE

Our Final Report, including the updated policy, Issues Paper and stakeholder submissions are available on our website (www.ipart.nsw.gov.au).