

4 Julv 2017

## WHAT

The Independent Pricing and Regulatory Tribunal (IPART) is reviewing the standard method we use to decide the weighted average cost of capital (WACC).

The WACC is a key input for calculating the allowance for a return on assets, which is part of the building block approach we use to determine the revenue requirement of businesses we regulate.

## WHY

We last reviewed and updated our WACC method in 2013.

In our view, the current method is working well. However, it is timely to consider whether we can make incremental improvements to better reflect efficient financing costs where it is feasible and there are material benefits from doing so.

## WHO

Our WACC decisions have a major impact on revenue and prices for our regulated businesses and their customers. These include regulated water utilities, public transport and private ferry businesses, and other businesses to which we apply a building block cost approach.

## WHEN

Our new WACC method will apply to pricing decisions that take effect on or after 1 July 2018. It will not apply to decisions

that apply from 1 January 2018 or earlier, including rural and regional bus fares, private ferry fares or system-wide wholesale water prices for Sydney Water and Hunter Water.

## HOW

We will consult with stakeholders through releasing an Issues Paper and Draft Report for comment, and holding a public hearing, before releasing our Final Report.

We will consider all stakeholder feedback and undertake our own analysis before making our final decisions.

## WHAT NEXT

The Issues Paper is the first step in our process. We invite interested parties to make written submissions by **18 August 2017**. Information on how to make a submission may be found on page iii of the paper. We will also hold a public hearing on **15 August 2017**.

An indicative timetable is below.

Date	Action
4 July 2017	Issues Paper released
15 August 2017	Public hearing
18 August 2017	Submissions to Issues Paper due
October 2017	Release Draft Report
November 2017	Submissions to Draft Report due
February 2018	Release Final Report