

Media Release

7 August 2018

Feedback sought on IPART's financeability test – Draft Report

The Independent Pricing and Regulatory Tribunal (IPART) has released its Draft Report on the test used to assess the short-term financeability of regulated businesses as part of the price regulation process.

We currently use a financeability test to assess how our price decisions affect a regulated business's financial sustainability and ability to raise funds to manage its activities, over the upcoming regulatory period.

We last reviewed our financeability test in 2013 and made minor amendments to the test in 2015.

IPART Chair Dr Peter Boxall said while the 2013 financeability test is working well, we have proposed improvements that better address the objectives of the test.

"We have proposed improvements to the inputs used for the financeability test, the assessment of financeability and the process we use to identify and remedy financeability concerns."

The key draft decisions include: conducting the test for both the benchmark and actual business; assuming a real cost of debt; assigning a single target ratio (benchmark value) for each financial metric; adopting a clearer process for identifying a financeability concern and tailoring the remedy for a financeability concern based on its source.

The Draft Report is available on IPART's website, and submissions are open until 7 September 2018. We will release our Final Report in November 2018.

Once finalised, the new financeability test will apply to IPART's decisions that take effect on or after 1 July 2019.