

IPART sets 5.3% rate of return for the NSW rail access regime and shortens its estimate of the remaining mine life

IPART's final decision on the real, post-tax weighted average cost of capital is 0.5% lower than its draft decision, due to a recent decline in the risk-free rate, which also contributed to a decrease in the cost of equity.

IPART affirmed its draft decision to reduce its estimate of the remaining mine life to 21 years, with a terminal date of 2040. This estimate is used to calculate depreciation for RailCorp's Hunter Valley Coal Network.

"The shorter estimated life is an on-balance judgement, taking into account the best publicly available information on the rail line's expected use, mine reserves, and closures of Eraring and Vales Point power stations" said Chair, Dr Paul Paterson. "We will review this estimate again in 2024."

The shorter remaining mine life results in a one-off increase in RailCorp's maximum allowed depreciation rate from approximately 3.3% to 4.8% pa.

IPART recommended that the NSW Government ask it to undertake an independent review of the NSW rail access regime. Dr Paterson said "There have been significant changes since the Undertaking came into effect, and we consider it is no longer meeting stakeholders' needs. We also consider that there would be merit in a national review of rail access regimes. However, this would be a longer-term solution." IPART will also work with Transport for NSW to improve the compliance regime to improve its transparency to end users.

A full copy of the Final Report is available [here](#).

Background

The NSW Rail Access Undertaking provides for third party access to the rail network in NSW. The Undertaking requires IPART to review the rate of return and estimate the remaining life of the mines that use the regulated rail network assets every five years. The rate of return is applied to the regulatory asset base (RAB) of each rail network to yield a return for the five years commencing 1 July 2019. The remaining mine life determines the rate of depreciation charged over the same period. IPART's estimate of the remaining mine life does not have any impact on how long coal-fired power stations or mines will remain in operation. IPART last reviewed both of these in 2014.

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