

## IPART seeks feedback on draft rate of return and remaining mine life for RailCorp's Hunter Valley Coal Network

IPART is seeking feedback on a proposed 5.8% rate of return and 4.8% depreciation rate that would underpin RailCorp's negotiations with users of the Hunter Valley Coal Network from 1 July 2019.

In a draft determination released today, IPART recommends a 5.8% real post-tax weighted average cost of capital (WACC), and a reduction in the remaining life of the mines that supply the Vales Point and Eraring power stations to 21 years, with a terminal date of 2040.

This would result in a one-off increase in RailCorp's depreciation rate from 3.3% to 4.8% pa.

IPART Chair Dr Paul Paterson said the draft decision is consistent with IPART's standard approach to calculating the WACC for regulated businesses.

"This is an on-balance judgement, taking into account the best publicly available information on expected use of the line, mine reserves, production and the economic lives of the Eraring and Vales Point power stations, located south of the line, noting that these factors will be reviewed again in 2024", said Chair, Dr Paul Paterson. IPART is also recommending that it undertakes an independent review of the NSW rail access regime.

"There have been significant changes to the ownership, scope and complexity of the rail networks under the regime since the Undertaking came into effect, and we consider it is no longer meeting the stakeholder needs," he said.

Submissions regarding these draft decisions will be accepted until 28 May 2019, before a Final Report is released in July 2019.

A full copy of the Draft Report is available at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

### Background

The NSW Rail Access Undertaking (the Undertaking) provides for third party access to the rail network in NSW. The Undertaking requires IPART to review the rate of return and remaining mine life every five years. The rate of return is applied to the regulatory asset base (RAB) of the rail network to yield a return for the 5 years commencing 1 July 2019. The remaining mine life determines the rate of depreciation charged over the same period. IPART last reviewed these in 2014.