

# Media release

Tuesday, 4 July 2017

## Feedback sought on IPART's WACC method

The Independent Pricing and Regulatory Tribunal (IPART) is seeking feedback on the standard method it uses to decide the weighted average cost of capital (WACC) across various reviews.

The WACC is a key input for calculating the allowance for a return on assets, which is part of the approach IPART uses to determine the revenue requirement of businesses it regulates. These include water utilities, public transport and private ferry businesses, and other businesses to which it applies a building block cost model.

The method was last updated in 2013.

IPART Chair Dr Peter Boxall said the current method is generally working well, but is reviewed periodically to make sure it is functioning as intended.

“Our standard approach to WACC has increased the stability of the regulatory regime for our regulated businesses,” Dr Boxall said.

“However, we will consider whether we can make incremental improvements to better reflect efficient financing costs where it is feasible and beneficial to do so.”

The review will not consider broader policy issues related to how IPART applies the WACC, such as how the WACC should take account of tax, or issues related to IPART's building block approach, such as financeability tests, or how inflation is applied to the asset base.

The new WACC method will apply to IPART's decisions that take effect on or after 1 July 2018.

Interested parties have until 18 August 2017 to make submissions to the Issues Paper. The paper is available on IPART's website along with information about how to make submissions. A public hearing will be held on 15 August 2017.

There will be a further opportunity for submissions once a draft report is released in October 2017.