

1 May 2020

Mike Smart
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240



Dear Mr Smart,

Submission to draft report on estimating equity beta for the WACC

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC supports the intent of IPART's draft decision in maintaining the stability, certainty, replicability and predictability of its Weighted Average Cost of Capital (WACC) method, as well as ensuring it produces reasonably accurate estimate.

The determination of WACC has a significant impact on the prices for essential water services and the long-term financial incentives regulated businesses face. This highlights the importance of establishing and using a transparent and defensible methodology. PIAC looks forward to IPART finalising its WACC methodology for use in coming price determinations and commencing the next scheduled review of the full WACC methodology at a future date.

Continued engagement

PIAC would welcome the opportunity to meet with IPART and other stakeholders to discuss this in more depth.

Yours sincerely,

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