

Public



**RailCorp**

**Submission to the Independent Pricing  
and Regulatory Tribunal**

**Roll Forward of Regulatory Asset Base**

**Ceiling Test**

**Unders and Over Account**

**Financial Year 2006/07**

## Introduction

The NSW Rail Access Undertaking (NSW Undertaking) is the framework within which a Rail Infrastructure Owner is to grant access to the NSW Rail Network. In particular, pricing principles are identified in Schedule 3 with specific application to the Hunter Valley Coal Network. The NSW Undertaking requires that each year a Rail Infrastructure Owner submit to the Independent Pricing and Regulatory Tribunal (IPART) documentation demonstrating its compliance with the Asset Roll Forward Principles and operation of an Unders and Overs Account.

Schedule 6 of the NSW Undertaking defines the Hunter Valley Coal Network.

In 2004, control of the NSW Rail Network was allocated between the Rail Infrastructure Corporation (RIC), Rail Corporation NSW (RailCorp) and the Australian Rail Track Corporation (ARTC). The NSW component of the Interstate Rail Network and the majority of the Hunter Valley Coal Network was leased to ARTC. The NSW Government vested ownership of the greater Sydney rail network to RailCorp which, on behalf of the NSW Government, also operates the commuter and long distance passenger rail services of CityRail and CountryLink.

The network vested to RailCorp, for operational reasons, included the following sectors which form a small portion of the Hunter Valley Coal Network nominated by the NSW Undertaking:

**Table 1**

<b>Sector</b>	<b>Name</b>
405	Newstan Jct to Cockle Creek
406	Cockle Creek to Sulphide Jct
490	Sulphide Jct to Adamstown
407	Adamstown to Broadmeadow (via Main)
497	Broadmeadow to Woodville Jct

In previous years, successive owners of the Hunter Valley Coal Network lodged submissions with IPART which concentrated on the infrastructure that serviced the “constrained group of mines”. Access revenue from this subset of infrastructure is the most likely to exceed full economic cost. It is understood that the submissions addressed the remaining infrastructure of the Hunter Valley Coal Network only in terms of the roll forward of the RAB.

Since 2004 RailCorp have made submissions to IPART addressing the RAB roll forward as well as aspects of the ceiling test and Unders & Overs account.

## Roll Forward of Regulatory Asset Base

RailCorp undertook the roll forward of its RAB in accordance with the principles contained in the NSW Undertaking.<sup>1</sup>

### Depreciation

The depreciation rate for 2006/07 was calculated based on the remaining mine life of 34 years and is set out in Table 2

**Table 2**

<b>Year</b>	<b>Remaining Mine Life</b>	<b>Depreciation %</b>
2006-2007	33	3.0303%

### CPI

The CPI rate to be used for 2006/07 was calculated in accordance with the NSW Undertaking as per table 3.

**Table 3**

<b>Quarter / Year</b>	<b>2004/05</b>	<b>2005/2006</b>
September	146.2	150.5
December	147.3	151.0
March	148.2	152.2
June	149.0	154.7
<b>Average</b>	<b>147.7</b>	152.10
	<b>05-06 Average / 04-05 Average</b>	<b>1.0300</b>
	<b>CPI %</b>	<b>3.00%</b>

### Capital Expenditure

The RailCorp sectors of the Hunter Valley Coal Network are not a dedicated coal network, with an array of different traffic using the infrastructure. It is therefore unlikely that capital expenditure on this RailCorp infrastructure would be undertaken on a stand alone coal basis. This is despite the fact that rail operators in the coal market may gain benefits from such capital expenditure. In the financial year 2006/07 RailCorp did not commission any capital which related to coal traffic on a stand alone basis. Therefore in accordance with the Roll Forward Principles of the NSW Undertaking RailCorp is not proposing to roll any capital into the RAB for 2006/07.

<sup>1</sup> NSW Rail Access Undertaking, Schedule 3, Clause 3 – Regulatory Asset Base

## Public

### RAB Roll Forward Results 2006/07

The IPART review of the 2005/06 year determined the closing value of the Regulatory Asset Base for the RailCorp sectors as being \$ 16,155,120. This value has been used as the opening value for the RailCorp component of the Hunter Valley Coal Network RAB for the financial year 2006/07. The calculation of the roll forward are contained in table 4.

**Table 4**

2006/07		RailCorp RAB
Opening Value	RABt-1	16,155,120
CPI increase	RABt-1xCPIt	484,654
Additional Sectors	Addt	
Capital Expenditure	Capext	
Depreciation	Dept	519,285
Disposals	Dispt	
Closing Value	RABt	16,120,489
Average Value		16,137,804

## Capital Consultation

As indicated previously RailCorp does not propose that any capital works be rolled into the RAB for 2006/07. Additionally no plans for capital expenditure (on a stand alone coal basis) were developed during 2006/07. During 2006/07 RailCorp did hold a number of customer relationship meetings with operators at which Railcorp's general capital works program and its implementation were discussed. RailCorp believes it has met the specific obligations under the NSW Undertaking in relation to the RailCorp portion of the Hunter Valley.

## Ceiling Test

In accordance with the NSW Rail Access Undertaking IPART is required to determine whether "the Rail Infrastructure Owner has complied with the ceiling test having regard to the operations of its Unders & Overs account"<sup>2</sup>.

RailCorp has undertaken the appropriate calculations of the access revenue attributable from coal operations to the RailCorp portion of the Hunter Valley RAB. It was determined that this access revenue failed to approach the Full Economic Cost<sup>3</sup> of the provision of these sectors on a stand alone basis.

<sup>2</sup> NSW Rail Access Undertaking, Schedule 3, Clause 5,

<sup>3</sup> NSW Rail Access Undertaking, Schedule 3, Definitions,

## **Unders & Overs Account**

It is not RailCorp policy to accumulate significant operating losses and then seek to recover these losses from Access Seekers at some time in the future, in the highly unlikely event that coal access revenue on the nominated infrastructure exceeds Full Economic Cost. In 2006/07 coal access revenues did not approach Full Economic Cost and as a result there was no requirement to create or manage an Unders and Overs Account in 2006/07.

## **Ceiling Test - Unders and Overs Result**

RailCorp has supplied its Ceiling Test calculations to IPART on a Commercial in Confidence basis.

Public

## CPI Calculations

CPI												
Sydney All Groups												
June to June	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
September	117.30	120.20	119.80	121.90	124.10	131.60	135.40	139.60	142.40	146.20	150.50	156.10
December	118.30	120.40	120.10	122.40	124.70	132.20	136.60	140.40	143.60	147.30	151.00	155.80
March	119.10	120.60	120.70	122.60	125.80	134.00	137.90	142.10	145.00	148.20	152.20	155.60
June	119.90	120.20	121.40	123.00	127.00	135.00	138.80	142.20	145.50	149.00	154.70	157.40
<b>Annual indexation</b>		<b>1.0143</b>	<b>1.0012</b>	<b>1.0164</b>	<b>1.0239</b>	<b>1.0622</b>	<b>1.0298</b>	<b>1.0284</b>	<b>1.0216</b>	<b>1.0246</b>	<b>1.0300</b>	<b>1.0271</b>

## **RailCorp RAB Roll Forward Summary Calculations**

RailCorp has supplied its RAB calculations to IPART on a Commercial in Confidence basis.



Public

## **RailCorp RAB Roll Forward Detail Calculations**

RailCorp has supplied its RAB calculations to IPART on a Commercial in Confidence basis.