



CONSULTATION

Invitation for Public Submissions

WEIGHTED AVERAGE COST OF CAPITAL FOR RAILWAY NETWORKS: 2013 UPDATE AND 2014 METHOD REVIEW

The Economic Regulation Authority (“**ERA**”) is seeking public comment on:

- an update of the weighted average cost of capital (“**WACC**”) values to apply to regulated railway networks from 30 June 2013; and
- a review of the method for calculating the WACC values to apply from 30 June 2014.

Clause 3 of Schedule 4 of the *Railways (Access) Code 2000* (“**Code**”) requires the ERA to make an annual determination of a WACC to be applied in the determination of floor and ceiling prices for the regulated railway networks.

In addition, Clause 3 of Schedule 4 of the Code requires that, in every fifth year subsequent to 2003, the ERA undertake public consultation prior to determining the WACC values for that year. Consequently, the ERA is required to undertake public consultation prior to making its WACC determination for 30 June 2013.

The ERA is currently developing rate of return guidelines for gas transmission and distribution networks pursuant to the National Gas Rules, to be finalised by the end of 2013. The ERA considers there is considerable value in harmonising as much as possible the formulation of a method for calculating the rates of return for regulated entities across these two industries. The ERA considers that there is a significant overlap of issues between the required five yearly rail consultation process mentioned above and the development of the gas access rate of return guidelines.

The ERA expects to institute changes to the method for calculating rail WACC values from 30 June 2014 and proposes to determine the rail WACC values for 30 June 2013 separately. The ERA will take into consideration the submissions it receives in response to this invitation for written submissions and relevant outcomes of the ERA’s current process of developing guidelines for the rate of return for gas transmission and distribution networks pursuant to the National Gas Rules, for which a [consultation paper](#) was published on 21 December 2012.

The ERA has prepared an [issues paper](#), which identifies similar issues to those presented in the gas rate of return guidelines consultation paper and identifies rail-specific matters, in order to assist stakeholders in providing submissions in relation to the rail WACC determinations required by the Code.

This issues paper serves to inform two separate rail consultation processes. The ERA is seeking public comment on:

- an update of the WACC values to apply to regulated railway networks as at 30 June 2013 (**2013 WACC review**); and
- a review of the methods for calculating the WACC values to apply from 30 June 2014 (**2014 method review**).

Interested parties are invited to make submissions on:

- the 2013 update of the WACC values for regulated railway networks in Western Australia; by **4:00 pm (WST) on Friday, 15 March 2013**; and
- the review of the methods for calculating the WACC values to apply from 30 June 2014 by **4:00 pm (WST) on Friday, 15 March 2013**.

Stakeholders wishing to make submissions may make a single submission, which clearly distinguishes any matters that are relevant to each process or may choose to make separate submissions.

Submissions should be marked to the attention of Mr Jeremy Threlfall, Assistant Director – Rail.

Postal address: PO Box 8469, PERTH BC WA 6849
Office address: Level 4, Albert Facey House, 469 Wellington Street, PERTH WA 6000
Email address: publicsubmissions@erawa.com.au

CONFIDENTIALITY

In general, all submissions from interested parties will be treated as being in the public domain and placed on the ERA's website. Where an interested party wishes to make a submission in confidence, it should clearly indicate the parts of the submission for which confidentiality is claimed, and specify in reasonable detail the basis for the claim. Any claim of confidentiality will be considered in accordance with the provisions of Section 50 of the *Railways (Access) Code 2000*.

The publication of a submission on the ERA's website shall not be taken as indicating that the Authority has knowledge either actual or constructive of the contents of a particular submission and, in particular, whether the submission in whole or part contains information of a confidential nature and no duty of confidence will arise for the Authority.

For further information contact:

General Enquiries

Mr Jeremy Threlfall
Assistant Director, Rail
Ph: 08 6557 7900
Fax: 08 6557 7999

Media Enquiries

Richard Taylor
Riley Mathewson Public Relations
Ph: 08 9381 2144
Fax: 08 9381 3877

LYNDON ROWE
CHAIRMAN

7 February 2013