



Notice

28 November 2014

Invitation for Public Submissions

REVISED DRAFT DECISION RELATING TO THE REVIEW OF METHOD FOR ESTIMATING THE WEIGHTED AVERAGE COST OF CAPITAL FOR RAILWAY NETWORKS

The Economic Regulation Authority (“**ERA**”) is seeking public comment on the [revised draft decision](#) for the method for calculating the weighted average cost of capital (**WACC**) values to apply from 1 July 2015.

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 capital costs 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.

To that end, the Authority undertook a public consultation program prior to making its annual WACC determination for the regulatory year commencing 1 July 2013, with a view to also undertaking the five yearly review of the WACC method at that time. The 2013 [issues paper](#), as well as submissions from stakeholders, can be found on the Authority’s website.

However, the Authority chose to defer finalisation of the five yearly rail WACC review at the time, because it was undertaking a comprehensive review of its approach to determining the WACC for gas networks under the National Gas Rules, which involved significant common issues. The Authority subsequently released the rate of return guidelines for gas transmission and distribution networks pursuant to the National Gas Rules in December 2013.

The Authority released a [draft decision](#) in relation to the rail WACC review on 5 June 2014.

The Authority’s rate of return approach has undergone further development during the course of the Authority’s deliberations in developing the draft decision on the proposed revisions to ATCO’s gas distribution system (**GDS**) access arrangement, released on 14 October 2014. Again, there is a significant overlap of issues between the rail WACC methodology and the revised rate of return methodology set out in the ATCO GDS draft decision.

To accommodate the changes in approach, and to allow due process in terms of consultation with rail stakeholders, the Authority has decided to re-issue the rail WACC review as a [revised draft decision](#). Following receipt of submissions, the Authority intends to release a final rail WACC review decision in 2015, with the resulting updated methodology to apply for the rail WACC update for the regulatory year commencing 1 July 2015, and for subsequent years.



Notice

Stakeholders wishing to make a submission on the revised draft decision should mark their submissions to the attention of Mr Richard Begley, Regulatory Advisor by **4.00pm (WST) on Friday 20 February 2015**.

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STATUS OF PREVIOUS SUBMISSIONS

The Authority notes that a number of interested parties made submissions in response to the original Draft Decision, which was released on 5 June 2014. The Authority will take those submissions into account. Therefore stakeholders do not necessarily need to review material in this revised Draft Decision that has not changed.

However, interested parties may make additional submissions on any material in this revised draft decision, which the Authority will also take into account.

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 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:

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