

29 May 2018

Dr Peter Boxall  
Chair  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop, NSW 1240



Dear Dr Boxall,

### **IPART's review of financeability test 2018 – issues paper**

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 welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART) issues paper.

PIAC supports IPART continuing to conduct financeability tests. PIAC agrees with the three benefits of conducting the test which IPART has identified:

- 1. When the test is based on financial inputs for a benchmark business, we can assess whether our pricing decision would enable an efficient business to raise finance consistent with an investment grade-rated business.*
- 2. When the test is based on financial inputs from the actual business, we can assess whether the business can raise finance consistent with an investment grade-rated business.*
- 3. If we identify a financeability problem, it helps us decide what actions can be taken to address the problem.<sup>1</sup>*

Further, PIAC strongly supports continuing to use financeability test as a check of the output of the price determination process and not as an input in setting the allowed prices and/or rate of return for a regulated business.

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<sup>1</sup> IPART, Review of our financeability test – issues paper, 11.

**Continued engagement**

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

Yours sincerely,

**Miyuru Ediriweera**

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Public Interest Advocacy Centre

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