

11 March 2024

Mr Mike Smart
Chief Economist
IPART
PO Box K35, Haymarket Post Shop
NSW 1240

Submission via email: [REDACTED]

Dear Mr Smart,

Re: Unders and Overs Account Policy for the TAHE Hunter Valley Coal Network

Pacific National welcomes the opportunity to comment on TAHE's Unders and Overs Account Policy for the TAHE Hunter Valley Coal Network (HVCN).

Pacific National is generally happy with the direction of the TAHE HVCN Unders and Overs Account Policy. We acknowledge the work TAHE has undertaken in development to consult with stakeholders and welcome the stakeholder feedback they have incorporated within the Policy.

We are particularly appreciative of the work TAHE has done to make the policy clear and administratively simple for rail operators and participants. It is to their credit that TAHE listened to concerns of rail operators and did not progress the idea of a one-off rebate as a mechanism to clear historical account balances. As was explained to TAHE, a rebate becomes very resource intensive when rail operators try to pass it through to customers.

Implementing the TAHE HVCN Unders and Overs Account Policy will provide benefits for rail operators and we support its inclusion in 1 July 2024 pricing.

We note that the policy has undergone several iterations, including:

- An adjustment to the threshold from 10% to 20%, so that there will be a formulaic annual adjustment to coal access prices for account balances up to and including 20% per cent of forecast full economic cost.
 - The remaining balance that is in excess of 20% will be included in 'H factors' for clearance through future annual price adjustments.
 - Pacific National believes the 20% threshold strikes an appropriate balance between minimising price volatility while still acting rapidly to clear account balances.
- Clearing the historical account balance over two years rather than four years, with \$6.0 million to be cleared over the first two years of operation of this policy.

Pacific National is supportive of the above amendments as they will see amounts cleared more rapidly.

TAHE has nominated to conduct a formal post implementation review by 31 October 2026, and we understand that this may trigger the need for a policy update. We suggest that in addition to the October 2026 review, TAHE should deliver a review in 2025 to confirm that the efficacy of the Policy.

We again reiterate our thanks to TAHE on their thorough stakeholder consultation and desire to deliver an informed decision-making process.

The requirement to deliver regulatory outcomes and a well-informed Unders and Overs Account Policy has become arguably more important given IPART's recent finding that TAHE's cumulative over-recovery has increased from \$6.0 million to \$7.2 million.¹

We trust you find our feedback useful in informing your approval of the Unders and Overs Account Policy. If you wish to discuss the contents, please contact me on [REDACTED]

Yours sincerely,

[REDACTED]

Susan Furze
Regulation Access & Policy Manager – Pacific National

¹ IPART, TAHE's compliance with the NSW Rail Access Undertaking – 2022-23 Draft Report, January 2024