

## IPART's financeability test – Final Report

The Independent Pricing and Regulatory Tribunal (IPART) has released its Final Report on the test used to assess the short-term financeability of regulated businesses as part of the price regulation process.

We use a financeability test to assess whether our price decisions affect a regulated business's financial sustainability and ability to raise funds to manage its activities, over the upcoming regulatory period.

IPART Chair Dr Peter Boxall said "Overall we consider our previous financeability test worked well, however, we have enhanced the test to better address the objectives of the test."

"Whilst our final decisions maintain a number of elements from the previous test, we have made a number of improvements in our updated test. These include how we conduct the financeability test, the assessment of financeability and the process we use to identify and remedy financeability concerns."

The key final decisions include: conducting the test for both the benchmark and actual business; assigning a single target ratio (benchmark value) for each financial metric; adopting a clearer process to identify a financeability concern and tailoring the remedy for a financeability concern based on its source.

We have made changes to a few draft decisions, reflecting our analysis of positions put forward through stakeholder feedback. These include using the actual cost of debt of the business to calculate the metrics for the actual test and revising the target ratios for the benchmark test.

The Final Report is available on IPART's website.

This revised financeability test will apply to IPART's decisions that take effect on or after 1 July 2019.