

## ITEM 12

# Cost and Pricing Access Model Update

## Executive Summary

June 2021

Released under the NSW GIPA Act

Sensitive: NSW Cabinet



Transport Asset  
Holding Entity

# Background and introduction

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# Background and purpose

## Background

In 2017, a Cost and Pricing Access Model ('the original model') was developed for the rail network infrastructure of NSW (excluding the ARTC leased network). The original model assisted TfNSW with understanding the cost and pricing for access to the NSW rail network within the context of preliminary TAHE implementation activity.

## Model update

The original model has been updated using fixed asset register data as at 30 June 2020 and budget information for FY20-21. The following slides present the output of the model based on this latest update.

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## Purpose of this document

The purpose of this document is to provide a high level overview of:

- the purpose of the model
- the methodology applied for designing and building the model
- the model's outputs.

The outputs presented in these slides are for the first year of the model update (i.e. 2020-21)

# Purpose of the model

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# Purpose of the model

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**Scope - The scope of the model is for the NSW Rail network and related services.**

The following areas are out of scope and not incorporated in the model:

- Passenger Rolling stock
- ARTC Leased Network
- Private Corridors
- Transport Heritage NSW
- CRN Non-operational lines

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# Regulatory Compliance

The NSW Rail Access Undertaking (NSW RAU) applies various tests to rail access pricing for regulatory compliance purposes. The NSW Rail Access Undertaking pricing principles are set out below.

## Floor test:

- **Access revenue  $\geq$  Direct costs** – Revenue from access seeker (or groups of access seeker) at least meet the direct cost imposed by that access seeker
- **Access revenue  $\geq$  Full incremental costs** – Revenue from all access seekers together with community service obligations should as an objective, meet the full incremental cost of the service

## Ceiling test:

- **Access revenue  $\leq$  full economic cost (MAR)** – Access revenue (by group of access seekers) must not exceed the full economic cost of providing the services on a standalone basis

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# Model Design and Methodology

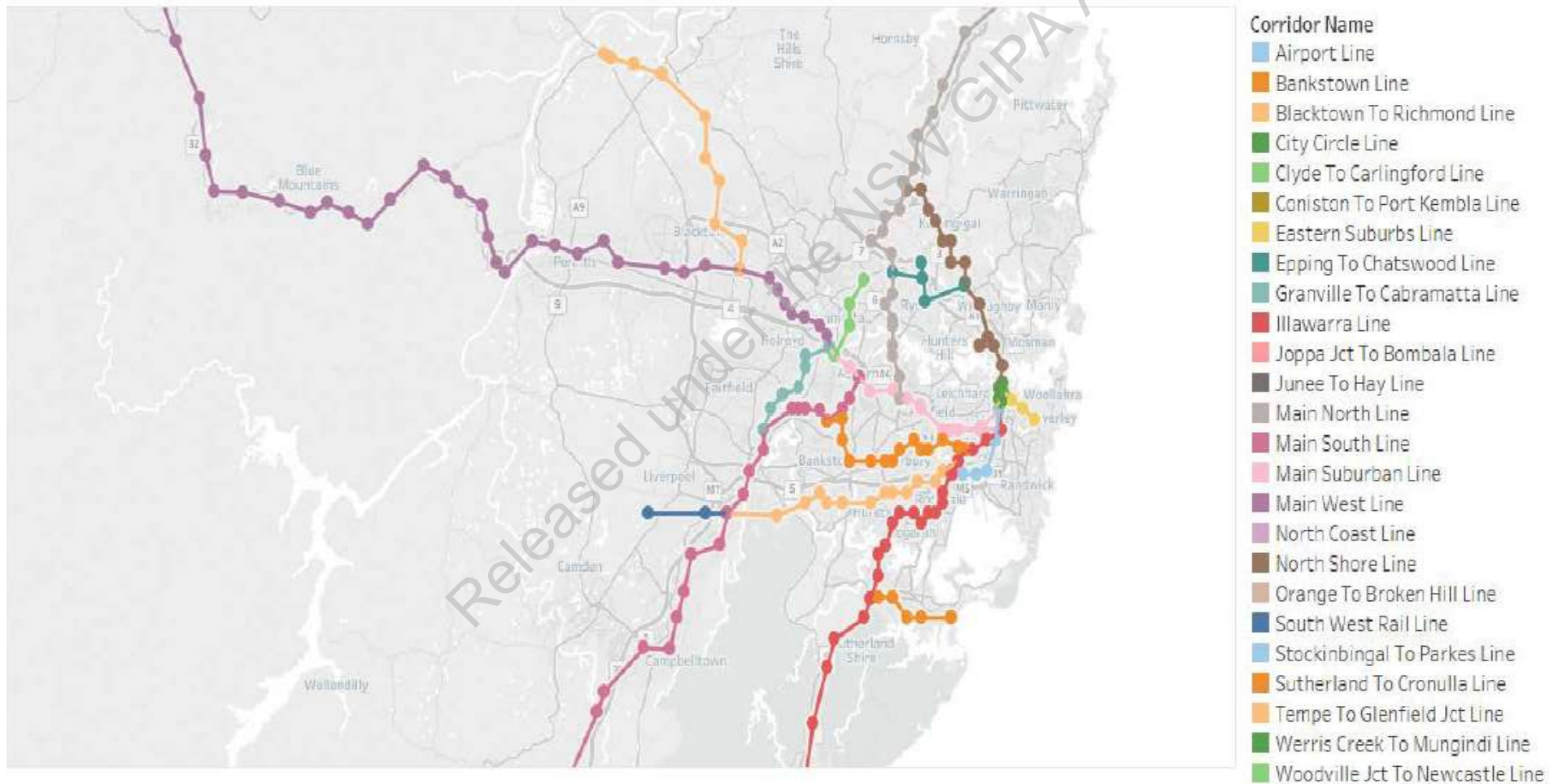
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# Segmenting the network

- The network has been segmented into 'corridors' as defined by the Asset Management Branch of TfNSW listing of corridors.
- Corridors represent a zonal area (within a boundary and defined by a start and end node) that contains rail infrastructure assets to support the operation of rail transport services.

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- An illustration of the 'Corridors' is provided below.





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# Model outputs

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# Model outputs

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# Model Outputs

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# Model Outputs

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# Appendix 1:

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# Appendix 2:

redacted



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# Appendix 3:

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# Appendix 4:

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# Rail Access Undertaking

The NSW Rail Access Undertake applies various tests on charges to access seekers for regulatory compliance purposes.

## The NSW Rail Access Undertaking pricing principles

- **Floor test:**
  - **Access revenue  $\geq$  Direct costs** – Revenue from access seeker (or groups of access seeker) at least meet the direct cost imposed by that access seeker
  - **Access revenue  $\geq$  Full incremental costs** – Revenue from all access seekers together with community service obligations should as an objective, meet the full incremental cost of the service
- **Ceiling test: Access revenue  $\leq$  full economic cost (MAR)** – Access revenue (by group of access seekers) must not exceed the full economic cost of providing the services on a standalone basis

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