



Better Regulation Update - March 2013

Recap

February & March

- **Expenditure assessments**
Five workshops held on category analysis and benchmarking techniques.
- **Rate of return**
Workshops on cost of debt and cost of equity held on 25 and 26 February. Meeting summaries and action items on our website.
- **Service provider consumer engagement**
Held consumer forums on 11 (Sydney), 12 (Melbourne), 13 (Adelaide), and 18 (Brisbane) March.
- **Consumer reference group**
Formed group representing 21 organisations. Sub-groups formed to focus on specific workstreams and report back to the main group.
- **Confidentiality**
Released issues paper 18 March.

Upcoming

March & April

- **Expenditure assessments**
Holding workshops on category analysis (19, 20, 27 March and 11 and 24 April), and benchmarking (20 March and 30 April).
- **Rate of return**
Further consultation with stakeholders on action items coming out of February workshops. Releasing consultation paper in late April.
- **Expenditure incentives**
Releasing issues paper week beginning 18 March.
- **Shared assets**
Releasing issues paper before the end of March.
- **Confidentiality**
Holding forum 4 April.
- **Consumer challenge panel**
Calling for expressions of interest for suitable Panel Members in April.

Over the past few weeks the AER's focus has been consulting on our expenditure forecast assessment and rate of return issues papers. The next few weeks will see us release issues papers for expenditure incentives, shared assets and confidential information. Working group meetings for these workstreams will follow soon after. For more information or to subscribe to updates please see our website.

In our rate of return workstream we held two successful workshops at the end of February. Through constructive engagement we agreed on a list of future action items and decided to push publication of our further consultation paper back to late April so we can pursue these action items. The expenditure forecast assessment guideline is the topic of our spotlight this month. In this workstream we've already held 5 workshops with stakeholders, with more planned over the coming month. We've also begun consultation on our network service provider consumer engagement guideline. We held four consumer forums in Sydney, Melbourne, Brisbane and Adelaide. Here, consumer representatives discussed with us good examples of current engagement and ideas for improvement.

Spotlight: Expenditure Forecast Assessment

During a determination, businesses forecast the amount of capital and operating expenditure they will need during the next regulatory period. This, in turn, shapes how much revenue businesses will need to cover their expenditure.

A focus of the new rules is increasing the use of benchmarking as a regulatory tool. Benchmarking involves us collecting data from businesses and using it compare businesses to each other. We are developing potential benchmarking techniques and discussing the data requirements of each approach.

Ultimately, our guideline will set out our approach to determining efficient forecasts in accordance with the expenditure objectives, criteria and factors set out in the new rules. We will improve our approach to expenditure assessment to become better equipped to challenge the proposals businesses put to us.

We released an issues paper on 20 December 2012 and submissions closed on 15 March 2013. We continue to hold workshops with stakeholders to explore how to categorise types of expenditure (category analysis) and the tools we could employ to compare network businesses (benchmarking). To register your interest in our expenditure assessments work you can email expenditure@ aer.gov.au.