

Public Forum 2 Draft Rate of Return Instrument

September 2022

Eric Groom, AER Board member

Acknowledgment of Country

Purpose of this public forum

- Opportunity for stakeholders to present key points from their submissions to the AER
- Brief stakeholders on developments since the first public forum

Opportunity for stakeholders to present key points

- AER Board members are in attendance today
- Encourage all to actively participate today
- We received 23 written submissions and these have been published
- 5 stakeholders are presenting today

Stakeholders presenting today

Organisation	Presenter
Energy Networks Australia	Garth Crawford
Consumer Reference Group	Bev Hughson
Queensland Treasury Corporation	David Johnston
Australian Pipelines and Gas Association	Nick Wills-Johnson
Australian Energy Council	David Markham

Developments since the first public forum

- Independent Panel released their review report - published on 1 August
- The Independent Panel concluded that:
 - the draft instrument is generally supported by evidence and reasons
 - the draft instrument is likely to contribute to the National Energy Objectives
- In the report, the Independent Panel made 3 central recommendations:
 1. Consider the extent to which the recent data used in the analysis of MRP and equity beta have been distorted by the temporary monetary policy responses to the pandemic and its subsequent rapid reversal
 2. Undertake analysis on the efficacy of the rate of return instrument, including consulting on decomposition of the RAB multiples, investment incentives and other regulators' approaches
 3. Discuss effect of the rate of return instrument under a wider range of scenarios so as to better inform consumers

Work in response to the Independent Panel

- Wrote to the RBA and Commonwealth Treasury to seek their advice on the impact of monetary policy on our estimate of Market Risk Premium
- Engaged CEPA to undertake further work on RAB multiples
- We will hold a 2-week consultation focused on the above material at the end of September or early October

Other Independent Panel recommendations

- Aside from the 3 central recommendations, the Independent Panel has also made other recommendations in their report
- Our final rate of return instrument explanatory statement will address these recommendations
- Some recommendations are for future work

Timeline to make our final Instrument decision

Milestone	Date
Submissions on draft Instrument closed	2 September 2022
Second public forum on draft Instrument	7 September 2022
Consultation on monetary policy impact and RAB multiples	End September – Early October 2022
Final Instrument published	16 December 2022 – applies to regulatory determinations made after this date

