

## Detailed agenda for Rate of return expert sessions

Session 1: 10 February 2022 – 9:30 to 12:00 (Melbourne/Sydney time) -  
AER's industry debt index (EICSI) and equity beta

Experts: D. Kumareswaran, T. Hird, G. Boyle, M. Lally, J. Hancock

Time	Speakers	Comments
9:30 – 9:40	Commissioner Anna Brakey	Welcome, acknowledgement of country, introduction
		<p><b><u>AER's industry debt index (EICSI)</u></b></p> <ul style="list-style-type: none"> <li>• Questions for the session: <ul style="list-style-type: none"> <li>○ What role should our debt index (EICSI) take in the rate of return instrument?</li> <li>○ Our analysis has indicated that there has been some outperformance of our return on debt. Is the outperformance such as to require an adjustment to our return on debt?</li> <li>○ Should the EICSI (and resulting WATMI) be used to inform the term for the return on debt? And if so, how?</li> </ul> </li> </ul>
9:40 – 9:55	T. Hird M. Lally All other experts	5 minute initial presentation on questions 5 minute initial presentation on questions Any other points that are genuinely additive
9:55 – 10:50	Board and experts	General discussion and questions
		<p><b><u>Equity beta</u></b></p> <ul style="list-style-type: none"> <li>• Questions for the session: <ul style="list-style-type: none"> <li>○ For the 2022 instrument, should we continue to use the longest available estimates of beta for our comparator firms to set the equity beta?</li> <li>○ If the AER moves to a 5-year estimate of the return on equity, does this have implications for the period over which it measures beta? Should the AER place more reliance on estimates of beta from the last 5-years?</li> </ul> </li> </ul>
10:50 – 11:05	G. Boyle D. Kumareswaran All other experts	5 minute initial presentation on questions 5 minute initial presentation on questions Any other points that are genuinely additive
11:05 – 12:00	Board and experts	General discussion and questions

## Session 2: 10 February 2022 – 1:30 to 4:00 (Melbourne/Sydney time) - Term of the rate of return and weighted trailing average

Experts: D. Kumareswaran, T. Hird, M. Lally, G. Partington, J. Hancock, G. Boyle

Time	Speakers	Comments
1:30 – 1:40	Commissioner Anna Brakey	Introduction
		<p><b><u>Term of the rate of return</u></b></p> <ul style="list-style-type: none"> <li>• Questions for the session: <ul style="list-style-type: none"> <li>○ Should the AER use a 10 year term for estimating the return on equity or a term that matches the length of the regulatory period in our 2022 rate of return instrument?</li> <li>○ If we were to adopt a 5 year term what other adjustments would need to be made? For example, would we need to estimate beta, risk free rate or MRP on a different basis?</li> </ul> </li> </ul>
1:40 – 1:55	M. Lally D. Kumareswaran All other experts	5 minute initial presentation on questions 5 minute initial presentation on questions Any other points that are genuinely additive
1:55 – 2:50	Board and experts	General discussion and questions
		<p><b><u>Weighted trailing average</u></b></p> <ul style="list-style-type: none"> <li>• Questions for the session: <ul style="list-style-type: none"> <li>○ Is there a case for taking a more tailored approach to determining the return on debt for regulated firms with temporarily large capex? <ul style="list-style-type: none"> <li>▪ For example, our CRG has suggested we might establish a separate asset base for the new investments. Should we consider this option and how would we set the return on debt?</li> </ul> </li> <li>○ If we adopted a weighted trailing average what incentives might it create for financial engineering that need consideration?</li> </ul> </li> </ul>
2:50 – 3:05	T. Hird G. Partington All other experts	5 minute initial presentation on questions 5 minute initial presentation on questions Any other points that are genuinely additive
3:05 – 4:00	Board and experts	General discussion and questions

## Session 3: 17 February 2022 – 9:30 to 12:30 (Melbourne/Sydney time) – Market risk premium

Experts: D. Kumareswaran, J. Mirrlees-Black, M. Lally, G. Partington, G. Boyle, T. Brown

Time	Speakers	Comments
9:30 – 9:40	Commissioner Anna Brakey	Introduction
		<p><b><u>Market Risk Premium</u></b></p> <ul style="list-style-type: none"> <li>• What is your view on the weight of evidence about whether the MRP varies through time?</li> <li>• If you think the evidence suggests that the MRP varies through time, how does it vary?</li> </ul>
9:40 – 10:30	All experts and Board	Views from each expert  General discussion and questions
		<p><b><u>Market Risk Premium (continued)</u></b></p> <ul style="list-style-type: none"> <li>• Is the long-run estimate of historical excess returns the best estimate of the MRP?</li> <li>• Can we derive a better estimate by incorporating other information? If so, how?</li> <li>• What are the challenges we would need to overcome in giving weight to other information?</li> </ul>
10:30 – 10:45	J. Mirrlees-Black  G. Partington  All other experts	5 minute initial presentation on questions  5 minute initial presentation on questions  Any other points that are genuinely additive
10:45 – 12:30	Board and experts	General discussion and questions

## Session 4: 17 February 2022 – 2:00 to 4:30 (Melbourne/Sydney time) – Cross-checks and overall rate of return

Experts: D. Kumareswaran, T. Brown, G. Partington, G. Boyle, J. Hancock, J. Mirrlees-Black

Time	Speakers	Comments
2:00 – 2:10	Commissioner Anna Brakey	Introduction
		<p><b><u>Cross-checks and overall rate of return</u></b></p> <ul style="list-style-type: none"> <li>• What is the role of cross checks?</li> <li>• How can they be used transparently and predictably to promote confidence?</li> <li>• What role can measures of financeability play?</li> <li>• What information can we obtain from examining trading and acquisition multiples of the RAB?</li> <li>• Our CRG has noted that regulated businesses have persistently outperformed our allowed return on equity. How might this be considered in setting the rate of return?</li> </ul>
2:10 – 2:25	T. Brown J. Hancock All other experts	5 minute initial presentation on questions 5 minute initial presentation on questions Views from each expert
2:25 – 4:30	Board and experts	General discussion and questions