

New Process - Rate of Return Guideline: Independent Panel

What is the new process?

The AER is currently reviewing its Rate of Return Guideline (**guideline**). The rate of return is a forecast of the cost of funds a network business requires to attract investment in its network. The rate of return makes up approximately 50 per cent of a network business' allowed revenue. The network business' revenue contributes up to 50 per cent of final electricity bills.

As a part of this process the AER has established an independent panel (**panel**) to review the draft guideline and report on whether it is supported by sound reasoning based on the available information such that it is capable of promoting achievement of the national gas and electricity objectives.

What is the role of the panel?

The role of the panel is to review the AER's rate of return draft guideline by looking at the information before the AER and the information that the AER had regard to in drafting the guideline. This will include submissions made to the AER as a part of the process and expert reports.

It is not the role of the panel to engage with stakeholders or perform any independent consultation when reviewing the draft guideline.

In reviewing the guideline, the panel will have regard to the question below, extracted from the positions paper of November 2017.

In your [the panel's] view, is the draft guideline supported by sound reasoning based on the available information such that it is capable of promoting achievement of the NEO/NGO?¹

¹ The objective of this law is to promote efficient investment in, and efficient operation and use of, electricity/gas services for the long term interests of consumers of electricity/gas with respect to: (a) price, quality, safety, reliability and security of supply of electricity; and (b) the reliability, safety and security of the national electricity system.

What is the nature of the report?

The panel will set out its conclusions in a publishable report that will be available to all stakeholders via the AER's website.

CoAG Energy Council has proposed new legislation to govern the development of the rate of return guideline. The draft of the new legislation provides that the panel should seek to provide its report by consensus and state whether the report is provided by consensus. Where the panel does not agree on conclusions or recommendations in the report, the report should set out the range of views by panel members without specifically attributing them to individual panel members.

When will the report be available?

The report is due no later than 50 business days after the release of the draft guideline. The AER will publish the report on its website once confidentiality checks have made and confidential material redacted.

How transparent will interactions with the panel be?

The AER is conscious of protecting the independence of the panel. As a result, a summary of correspondence between the AER and the panel will be published on the AER's website.

How will conflicts be managed?

The AER will disclose all perceived conflicts of interest in a register on its website.

Checks for actual conflicts were performed during the selection process of the panel. The panel members do not have any actual conflicts.

Where can I find more information?

More information on the panel can be found in the terms of reference (page 36-37, positions paper, November 2017) on the Rate of Return Guideline [webpage](#).