AER minute of 21 June 2018 ATO meeting with ATO staff and comments on ENA summary

Date of minute: 5 July 2018

Author: Esmond Smith (Australian Energy Regulator (AER))

Date of meeting: 21 June 2018

Location: ATO Canberra offices 26 Narellan St Civic. Teleconference facilities provided for those who required them.

Attendees:

Australian Energy Regulator

- Warwick Anderson
- Esmond Smith
- Ivy Zhang (attended via telephone)
- Martin Lally (Consultant for AER via telephone)

Energy Networks Australia (ENA)

- Patrick Makinson (SAPN Company Secretary. Via telephone in an ENA representative capacity)
- Stephen Gray (Consultant for the ENA. Via telephone)
- Neville Hathaway (consultant for ENA. Via telephone)

Australian Tax Office (ATO)

- Tangamani Kusa
- Dominic Dodgson

Background to the meeting

The AER must reduce the tax allowance it provides to regulated business for the 'value' of imputation credits

Under the AER's 'utilisation' approach to estimating the value of imputation credits, the value of imputation credits is effectively calculated as the proportion of company tax paid by the benchmark efficient entity expected to be returned to investors through the utilisation of imputation credits.

The ATO provided advice to the AER dated 9 May 2018 publically indicating they recommended the AER should not use Taxation Statistics data to undertake a detailed macro analysis of Australia's imputation system. The 9 May 2018 ATO advice is contained in Appendix A to this minute.

Earlier ATO advice that fed into a 29 March 2018 AER note also raised limitations with the use of ATO data. The 29 March 2018 AER note is contained in Appendix B to this minute.

On 25 May 2018 the ENA provided the AER via email with its interpretation of the ATO's 9 May note. The ENA requested in its 25 May email that if the AER had a different interpretation of the ATO's 9 May note that the AER and ENA meet with the ATO.

On 1 June AER staff indicated to the ENA that AER staff interpreted the ATO note more broadly than the ENA and that they had asked the ATO if ATO staff could meet with staff from the AER and ENA in Canberra.

The 25 May and 1 June correspondence referred to above is contained in Appendix C.

Correspondence to the ATO from the AER on 31 May providing the ATO with the ENA's email and requesting further clarification and a meeting is contained in Appendix D.

From the AER's perspective the purpose of the meeting on 21 June 2018 was to better understand the limitations of ATO data, including the issues with the FAB data, and if these limitations extended to other ATO data sets that might be used as inputs to estimating the value of imputation credits. It was also to better understand what might need to be done going forward to best use ATO data sets (potentially with the assistance of ATO staff).

On 26 June the ENA circulated a draft summary of the meeting held on 21 June 2018 for comment.

On 28 June the AER circulated its own draft minutes of the meeting for comment. This included comments on the ENA's draft summary.

Comments were received on the AER's draft minutes on 29 June from both ATO staff and the ENA. Comments were received from Martin Lally on 27 and 29 June.

The final meeting minutes below are AER minutes finalised by the AER in consideration of comments on the draft minutes from other meeting participants.

Final meetings minutes as recorded by AER staff

ATO staff indicated:

- Taxation statistics should not be used to reconcile the imputation system
- Information labels (not used for tax purposes) can be unreliable
- Net tax from ATO table 1 is not a good proxy for imputation credits created. It is data on tax owed rather than tax paid.
- Using aggregated data related to the imputation system from taxation statistics, including FAB, net tax amounts, dividends etc., in a time series analysis doesn't allow for entries and exits (e.g. corporate transactions and events) and therefore the analysis will be flawed.
- The net tax data and credits redeemed data is more reliable than the FAB data.
- It is unclear exactly the difference between tax owed (reflected in ATO table 1) and tax paid, but ATO table 1 may overestimate tax paid
- Tax paid does not reflect imputation credits created as Australian tax paid by non-resident entities does not create franking credits

Neville Hathaway indicated:

- ATO document indicates the proportion of Australian company tax paid by overseas companies is 2.3%
- He was happy to have confirmed that it is the FAB data is the unreliable one

Martin Lally has indicated that it was very useful for the ATO to have offered a plausible explanation for the $87b discrepancy identified by Neville Hathaway (the mix of companies underlying the FAB balance changes over time) and noted that this point would not afflict the tax paid, tax owed or credits redeemed figures.[1]

It was agreed that the ENA would initially send around a draft summary of their understanding of the meeting for comment.

AER staff indicated at the end meeting:

- It would work with the ATO to get expanded ATO advice in light of the conversation and would have regard to the discussions in its draft Guideline.
- It would continue to work with the ATO post the publication of the Draft guideline to better understand the limitations of the different ATO data sets and what could be done with them.

AER comments on the ENA summary of the meeting (received on 29 June 2018)

The ENA provided an initial draft summary of the meeting on 26 June and a revised summary on 29 June. The revised summary is at Appendix E. The following comments relate to the revised summary.

Having reviewed the revised summary, AER staff think the summary reasonably accurate, although note the following:

- The AER considered the purpose of the meeting slightly broader. It considered it was to assist AER staff (and ENA) to understand the relative limitations of all ATO data sets the AER might use and to better understand what work might need to be done going forward to best use ATO data sets (potentially with the assistance of ATO staff).
- The statement that "so the AER's utilisation gamma can be estimated as the ratio of those two items" is not agreed. Even if the ATO data is sufficiently reliable (or can be adjusted to make it sufficiently reliable) to estimate a national proportion of credits utilised, this will not reflect the utilisation value to shareholders in the benchmark efficient entity if it has a different efficient distribution rate to the national average distribution rate reflected in the ATO data.
- The last two dot points were noted by ENA participants at the meeting
- The comment "Any difference is unlikely to be material" was made by ENA participants and the AER does not consider the evidence currently before it is sufficient to support this statement.
- The comment "Any such difference would need to be compared with the accuracy of alternative approaches such as the equity ownership method" were raised by ENA

[1] Martin Lally provided these comments post the meeting on consideration of Stephen Gray's recollection of his comments at the meeting on 21 June. He indicated he could not recall his exact words at the meeting, but it would have been something along these lines.

participants and while AER staff generally agree, AER staff note ATO staff are not in a position to comment on AER evaluations using other (non ATO) data.

- The AER has added some further detail on some points in its summary above.
- ATO staff have not considered the ENA summary, limiting their consideration to the AER's draft minute of the meeting.

Appendix A - ATO advice dated 9 May 2018

Background to ATO advice

Following the 5 April 2018 concurrent evidence session, AER staff asked the ATO to provide it with a publishable document in response to the AER questions set out in *Note on the ATO staff response to AER staff inquiries about Hathaway's 2013 report on imputation credit redemption* dated 29/03/2018. AER staff indicated to ATO staff that there was material discussion of the AER note at the concurrent evidence session. It provided the ATO with web links to the draft transcript and the AER note. In response to the AER's request the ATO provided the 9 May 2018 ATO note for publication.

Published ATO note dated 9 May 2018

ATO NOTE

Issue date: 9 May 2018

To:	Warwick Anderson, General Manager Network Finance and Reporting, Australian Energy Regulator

Subject:	Franking account balance – tax of time series data from Taxation Statistics

Background

The AER has sought input from the ATO regarding the use of Taxation Statistics data to reconstruct the franking account balance.

Key Points

The ATO is of the view that the Taxation Statistics data should not be used for detailed time series analysis of the imputation system.

It would be difficult to use this data to reconstruct franking accounts due to the dynamic nature of the tax system as it impacts on business. Factors such as entries and exits, churn within consolidation groups, and other complexities such the rules relating to life insurance companies would affect any macro analysis.

Consequently, we would not recommend using Taxation Statistics data as the basis of a detailed macro analysis of Australia's imputation system.

Appendix B - AER note dated 29 March 2018

Published AER note dated 29 March 2018

Note on ATO staff response to AER staff inquiries about Hathaway's 2013 report on imputation credit redemption

29/03/2018

AER staff made enquiries with ATO staff regarding Neville Hathaway usage of taxation data in a 2013 report by him on imputation credit redemption.[2] This was in response to a 2017 note from Hathaway that discusses the reliability of several estimates in his 2013 report. [3] The 2017 note was provided to the AER by the Energy Networks Australia as part of the current Rate of return guideline review process.

AER staff corresponded with staff in the ATO's Public Groups & International branch with regard to these enquiries. AER staff received information in response to its enquiries prepared by staff in the ATO's Revenue analysis branch.

The response from the ATO staff, as outlined below, suggest that there are certain limitations in relying on taxation data as an analytical tool in the calculation of imputation credits.[4] The details of the AER's enquiries can be found in *Attachment 1.*

Issues noted by ATO revenue analysis branch in response to the AER enquiries:

1. Net tax in the tax statistic publication is calculated using unpublished data and is not analogous to 'tax payable'.

2. ATO staff identified issues with assumptions made by Hathaway with regard to the net credits distributed. They indicated the labels overestimate the amounts of franking credits recycled as the labels include a variety of tax offsets, not just franking credits:
    a. Label C – "Rebates/tax offset"

    Total of actual rebates and tax offsets available (Not the amounts giving rise to those tax offsets)

    - Entrepreneurs tax offset
    - Allowable franking tax offsets for the year – the amount claimed here should include the share of franking credit included in gross distributions from partnerships/trusts, the amount recorded at 7J Franking credits and 7C Australian franking credits from a new Zealand company
    - Tax offsets for bonuses and certain other amounts under short-term life insurance policies

2 Hathaway, Imputation Credit Redemption ATO data 1988-2011: Where have all the credit gone?, Sept 2013

3 Hathaway, Response to questions from Energy Networks Australia, 12 Dec 2017.

4 Information provided from the ATO Revenue Analysis Branch via AER correspondence with the ATO's Public Groups & International branch.

- Tax offsets for interest on government/semi-government securities
- Tax offsets to approved resident lenders

None of the above tax offsets will be refunded

b. Label Z – “Other refundable credits”
   - Share of credit from PTR/TRT for tax withheld no-ABN
   - Credit for tax paid by trustee
   - Life insurance: refundable franking tax offsets to the extent they relate to franked distribution. Paid on equity interests held on behalf of policy holders
   - Franking credits for endorsed income tax exempt entities and DGRs entitles to claim a refund of excess FC
   - Total amount of entitlement to film tax offset Dive 376 ITAA 1997
   - Any refundable amount of the NRAS (rental affordability) tax offset

3. A limitation in the analysis exists due to the dynamic nature of the tax system as a whole. The analysis proceeds on the basis of a closed system where companies are fixed, all company tax generates franking credits, and all franking credits are enclosed and disclosed in the tax system etc. This does not take into account situations such as consolidation, where a company has a franking account balance (FAB) associated with a consolidated group but then leaves that group and takes the FAB with it. This limitation will be accentuated over longer time periods.

4. The analysis does not account for non-resident companies paying company tax in Australia which do not generate franking credits. Although this proportion may appear to be small at first glance, it adds to the report’s inability to reconcile the imputation system using aggregate data.

5. Mergers and acquisitions – companies who merge or take over other companies and who either do not report the aggregate FAB or for whatever reason are not able use the FAB from the acquired company will skew the data.

6. There is a reporting issue with the FAB label itself. As it is only an informational label and not used in the calculation of tax payable, the integrity of the label can be considered low.

Attachment 1: AER's enquiries to the ATO[5]

Enquiry 1: Reconciling the net tax paid figures with franking accounts distributed and the FAB balance from Company Tax Table 1

To check if the ATO numbers in Table 1 are reliable, Hathaway (2014) did the following check:

Imputation credits (IC) created (Hathaway used "net tax") = IC distributed (ATO dividend data) + IC retained in the FAB (ATO FAB data)

The right hand side of the equation should be equal to the left hand side of the equation if the ATO tax data used in the analysis is reliable and relevant (the analysis is confined to the period 2004-2011).

For IC created during 2004-2011, Hathaway used net tax from Company Tax Table 1 and summed up Net Tax (row 339) for the period 2004-2011 to arrive at $421.5bil. (We also question whether the "net tax" figure can be regarded as IC created for that year?)

He then used "Class C Franking Account Balance" in Table 1 to work out how much IC was created for the period 2004-2011 but hadn't been distributed. It is calculated as the 2011 value of 'Class C Franking Account Balance' (row 213) in Company Tax Table 1 minus the 2003 value.

To get the IC distributed for that period, he used Franked Dividend (row 207)/0.7*0.3 for 2004-2011, and got $270bil. He then took away the imputation credits resulted from the dividend recycled (e.g. Company A pays Company B dividend) from the total IC distributed $270bil. He also adjusted for dividend paid to Life office. He then got $204.7 for IC distributed for the period 2004-2011.

Theoretically, if we add up IC distributed ($204.7bil) and IC hasn't been distributed ($122.3bil, retained in the FAB) that would be equal to IC created. But the number we got from Table 1 for IC created (we assume that is net tax) is $421.5, reflecting an $87.5bil discrepancy between these two numbers.

Enquiry 2: Calculation of credits redeemed and its reliability as a measure of the actual credits utilised.

With regard to the $66bil of recycled credits (Hathaway, 2014), as franking credits can be received directly via franked dividend income or indirectly as a share of distributions from partnerships and trusts, to calculated the total franking credits received by companies (or franking credits recycled) Hathaway added up 'Other Refundable Credits' (row 322) and 'Rebates/Tax Offsets' (row 328) to get $72.3bil. (The franking credits received directly by companies can be calculated from 'Franking Credits' (row 116) in Company Tax Table 1 to get $56.9bil.) He then adjusted for franking credits received by Life office. It is unclear to us how he got the figure of $6.4bil for the franking credits received by Life Office. It would seem that Hathaway estimated it with reference to the level of direct franking credits received by funds and the Life Office share of the total fund holding of Australian equities ($6.4bil implies 26% share of the total fund is owned by Life Office). The level of direct franking credits received by funds can be calculated from 'Dividend Franking Credit' (row 41) of Super Funds Table 1 (APRA regulated) plus 'Dividend Franking Credits' (row 30) of Super Funds Table 2

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5 The AER also provide ATO staff Hathaway's 2013 report and 2017 note and links to the relevant data during this correspondence.

(SMSF) (See para 93 of Hathaway's 2014 report). Hence we got net IC recycled which is about $66bil rounded (72.3-6.4). He then got $204.7 (270.7-66) for net IC distributed for the period 2004-2011.

The $127.6 bill credits redeemed is the sum of the franking credits redeemed by each class of investor: $7 (Companies) + $81.2 (Persons) + $36.2 (Funds) + $3.2 (Charities)

- Companies $7bil- 'Other Refundable Credits' (row 322) of Company Tax Table 1
- Persons $81.2bil- 'Dividends Franking Credit' (row 91) of Individual Tax Table 1 $58.9bil (received directly) + 'Share Of Franking Credit From Franked Dividends' (row 283) same table $22.3bil (received indirectly)
- Funds $36.2bil- 'Dividend Franking Credit' (row 41) of Super Funds Table 1 (APRA regulated) $12.16bil + 'Dividend Franking Credits' (row 30) of Super Funds Table 2 (SMSF) $12bil + 'Credits Received Indirectly By Super Funds' $12bil (this is calculated by: 'Credit: Refundable Franking Credits' (row 164) minus 'Dividend Franking Credit' (row 30) of Super Fund Table 2 (SMSF) plus the total of 2008 to 2011 of 'Trust Distributions Franking Credit' (row 53) plus the total of of 2004 to 2007 of 'Credit: Refundable Franking Credits' (row 175) minus the total of 2004 to 2007 of 'Dividend Franking Credit' (row 41) from Super Fund Table 1 (APRA))
- Charities $3.2bil- Total (row 14) in Charities Table 1

In a previous correspondence with the ATO, it was noted that not all payments of company tax liabilities give rise to franking credits, for example, credits cannot arise for a company that is not a 'franking entity'" as defined in section 202-15 or for one that does not satisfy the "residency requirement" test in section 202-20 of the ITAA97. But we are unsure of how material this could be. If the total tax payments made by non-residency companies is large, it could help explain the discrepancy.

Appendix C – Email correspondence between the AER and the ENA in relation to the ATO note dated 9 May 2018

From: Smith, Esmond
Sent: Friday, 1 June 2018 11:36 AM
To: 'Garth Crawford'; Anderson, Warwick **Cc:** Fincham, Kevin ; Rate of Return
Subject: RE: Follow up request - Release of ATO Note - Franking account balance – Tax of Time series Data from Taxation Statistics [SEC=UNCLASSIFIED]

Hi Garth,

Thanks for your email which Warwick and I have discussed.

We have considered the ATO note and are of the view it implies we should not use the ATO Taxation Statistics data, or should give it relatively low weight, more broadly. This includes in relation to its records of net corporate tax and franking credits redeemed.

In relation to corporate tax items 3 and 4 in our 29 March note also raises concerns with the use of corporate tax paid as a measure imputation credits created.

We have asked the ATO if they can either provide further written clarification, or if ATO staff are able to meet with the ENA and the AER in Canberra in the next two weeks. We will let you know once we receive a response.

Kind Regards, Esmond

Esmond Smith
Director Rate of Return
Network Regulation
Australian Energy Regulator

From: Garth Crawford
Sent: Friday, 25 May 2018 11:24 AM
To: Anderson, Warwick
Cc: Smith, Esmond Fincham, Kevin Rate of Return
Subject: Follow up request - Release of ATO Note - Franking account balance – Tax of Time series Data from Taxation Statistics

Hi Warwick (cc Esmond)

<u>Follow up request - Release of ATO Note - Franking account balance – Tax of Time series Data from Taxation Statistics</u>

Good to see you at and after the AER Board discussion last week.

Thank you for the notice provided around the release of the Australian Taxation Office Note on 22 May on titled 'Franking account balance – tax of time series data from Taxation Statistics'. We have obviously been closely examining this short note in the context of the upcoming draft guideline.

We wanted to check our interpretation of this new piece of information, and propose some next steps should that interpretation diverge from the AER's own.

Our interpretation of this note is that the ATO considers estimates of companies' franking account balances (FAB) constructed from the data available on the ATO's web site to be unreliable. The reason for this is due to the dynamic nature of the tax system (with a number of examples presented). We interpret the ATO note to be making no comment on its records of corporate tax paid or franking credits redeemed.

We understand the recent short note from the ATO to be consistent with the AER's note of 29 March 2018, in that it identifies issues relating to the FAB approach to estimating the quantum of credits distributed (Items 2, 3, 5 and 6 of the AER note).

We wanted to advise that to further inform the draft guideline, we have asked Dr Neville Hathaway whether the information in the short notes from the AER and ATO and the relevant section in the recent report from Dr Lally, affect the opinions set out in his note of December 2017 which we submitted to the AER guideline process and to briefly explain why or why not.

We would be very keen to establish clarity over how the AER interprets this ATO note. To this end, please could you advise if your interpretation of the note differs from ours?

If the AER's interpretation of the note does differ from ours as outlined above, we would propose to seek better alignment of our views and understandings through a short meeting over the next two weeks (for example, between AER staff/advisors, representatives from the AER Consumer Reference Group, ENA staff/advisors, and if desired and appropriate relevant ATO staff). The purpose of this meeting would be to clarify how this new piece of evidence could be expected to inform the draft guideline.

Look forward to hearing from you.

Cheers

Garth

Garth Crawford
General Manager, Economic Regulation
Energy Networks Australia

Appendix D – Email from AER to the ATO requesting further assistance dated 31 May 2018

From: Smith, Esmond
Sent: Thursday, 31 May 2018 12:16 PM
To: Dodgson, Dominic
Subject: FW: Follow up request - Release of ATO Note - Franking account balance – Tax of Time series Data from Taxation Statistics [SEC=UNCLASSIFIED]

Hi Dominic,

Thanks again for the original ATO note and all the work to date.

As just discussed and reflected in the email below, Energy Networks Australia (who represents the network businesses we regulate) is reading your note we published here narrowly. The earlier 29 March AER note referred to below is here.

Following our discussion, I understand the ATO note to more broadly indicate we also shouldn't rely on the tax payable data (to estimate imputation credits created), or on the credits redeemed data (to estimate credits utilised).

If possible, we would request from the ATO either:

- A further note that is more explicit in response to the ENA's interpretation below and includes explicit consideration of the use of the tax payable data and credits redeemed data, or
- A meeting in the next two weeks where ATO staff could sit down with ENA and AER staff to discuss this data. This could be in Canberra in our offices given both you and the ENA are located in Canberra. We can arrange scheduling.

Could you please discuss what is possible with your manager, and let me know. Please contact me if you have any questions, or need anything further.

We really appreciate your assistance with this work.

Thanks, Esmond

Esmond Smith
Director Rate of Return
Network Regulation
Australian Energy Regulator

From: Garth Crawford
Sent: Friday, 25 May 2018 11:24 AM
To: Anderson, Warwick
Cc: Smith, Esmond Fincham, Kevin; Rate of Return
Subject: Follow up request - Release of ATO Note - Franking account balance – Tax of Time series Data from Taxation Statistics

Hi Warwick (cc Esmond)

Follow up request - Release of ATO Note - Franking account balance – Tax of Time series Data from Taxation Statistics

Good to see you at and after the AER Board discussion last week.

Thank you for the notice provided around the release of the Australian Taxation Office Note on 22 May on titled ‘Franking account balance – tax of time series data from Taxation Statistics’. We have obviously been closely examining this short note in the context of the upcoming draft guideline.

We wanted to check our interpretation of this new piece of information, and propose some next steps should that interpretation diverge from the AER’s own.

Our interpretation of this note is that the ATO considers estimates of companies’ franking account balances (FAB) constructed from the data available on the ATO’s web site to be unreliable. The reason for this is due to the dynamic nature of the tax system (with a number of examples presented). We interpret the ATO note to be making no comment on its records of corporate tax paid or franking credits redeemed.

We understand the recent short note from the ATO to be consistent with the AER’s note of 29 March 2018, in that it identifies issues relating to the FAB approach to estimating the quantum of credits distributed (Items 2, 3, 5 and 6 of the AER note).

We wanted to advise that to further inform the draft guideline, we have asked Dr Neville Hathaway whether the information in the short notes from the AER and ATO and the relevant section in the recent report from Dr Lally, affect the opinions set out in his note of December 2017 which we submitted to the AER guideline process and to briefly explain why or why not.

We would be very keen to establish clarity over how the AER interprets this ATO note. To this end, please could you advise if your interpretation of the note differs from ours?

If the AER’s interpretation of the note does differ from ours as outlined above, we would propose to seek better alignment of our views and understandings through a short meeting over the next two weeks (for example, between AER staff/advisors, representatives from the AER Consumer Reference Group, ENA staff/advisors, and if desired and appropriate relevant ATO staff). The purpose of this meeting would be to clarify how this new piece of evidence could be expected to inform the draft guideline.

Look forward to hearing from you.

Cheers

Garth

Garth Crawford
General Manager, Economic Regulation
Energy Networks Australia

Appendix E – ENA Revised Summary of Teleconference on 21 June.

Summary of Teleconference

Use of ATO tax statistics to estimate gamma

Participants:

- Esmond Smith, Warwick Anderson and Martin Lally for AER
- Patrick Makinson, Stephen Gray and Neville Hathaway for Energy Networks Australia
- Staff members from Australian Taxation Office, Revenue Analysis Branch

Background

Under the AER's 'utilisation' interpretation, gamma is defined to be the ratio of 'credits redeemed' to 'credits created.' That is, what proportion of all created credits will be redeemed/utilized against Australian personal tax obligations?

The ATO publishes aggregate data on 'credits redeemed' and 'credits created,' so the AER's utilisation gamma can be estimated as the ratio of those two items.

The ATO also provides data that can be used to derive 'credits distributed.' Two methods have been proposed for deriving 'credits distributed' – the dividend method uses data on dividends paid by companies and the FAB method uses data on the franking account balances reported by companies. These two methods provide materially different estimates of 'credits distributed.' Prior work has indicated that the FAB data is problematic and should not be relied upon.

The purpose of the phone conference was to gain a better understanding of the problems with the FAB data and to determine whether the data on 'credits redeemed' and 'credits created' was contaminated by any problems with the FAB data.

Outcomes from the call

ATO staff set out a number of reasons why the FAB data should not be relied upon including:

- The FAB data is an 'information label' field that does not feed into any tax calculation. The data in such fields can be unreliable;
- The FAB data is affected by corporate transactions and events. For example, a firm may build up a franking account balance over some years and then liquidate, resulting in the elimination (not the distribution) of those credits; and
- It is difficult to track credits through group structures.

ATO staff noted that the data on credits created and credits redeemed is "quite good data." No issues at all were raised in relation to the data on credits redeemed. Two minor issues were raised in relation to the data the ATO publishes in relation to credits created:

- The ATO publishes data on tax owed rather than tax paid (which is what gives rise to the creation of credits). Any difference is unlikely to be material. Any difference would need to be compared with the accuracy of alternative approaches such as the equity ownership method.
- Some tax paid does not create imputation credits because it is paid by non-resident companies. The AER notes that the amounts in question appear to be small. Dr

Hathaway has further investigated this issue and confirms that the amounts in question are indeed immaterial.

Participants on the call generally noted that:

- We would be delighted if we could get such accurate data for the other WACC parameters; and
- The ‘credits created’ and ‘credits redeemed’ figures are not contaminated by the issues that relate to the FAB data.