

Correspondence dated 8 February 2018

From Esmond Smith to Garth Crawford; David Havyatt; Craig de Laine; Jennifer Harris; Irina Umback; John Devereau'; Robyn Robinson; Kym Mercer; Patrick Makinson

Hi Garth,

As discussed, the AER staff work on beta is available at the bottom of this web page:
<https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/review-of-rate-of-return-guideline/initiation>

Kind Regards, Esmond

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Correspondence dated 9 February 2018

Hi All,

As discussed at yesterday's meetings, attached is a spreadsheet setting out initial AER staff calculations of market value based gearing for a number of potential comparator entities using data up until 30 June 2016. Gearing is calculated both for gross and net debt measures. The calculations are AER staff work and still subject to further work and review. The numbers are based on annual report data with links to the raw data.

In terms of how the AER has calculated gearing to date (and why), this is set out in our 2009 WACC review and again in our 2013 WACC review documents. The 2009 final decision is here: <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/electricity-transmission-and-distribution-wacc-parameters-review-0/final-decision> (see the final decision pp 111 – 125). The 2013 decision final decision is here: <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/rate-of-return-guideline-2013> (see the appendices to the rate of return guideline pp 126-130).

I am happy for the attached document to be circulated to others (including the rest of CRG and CCP) under the qualifiers that it is initial AER staff work and it also should not be construed to indicate we have formed a position on the methodology that is appropriate going forward.

Kind Regards, Esmond