

By e-mail: [rateofreturn@aer.gov.au](mailto:rateofreturn@aer.gov.au)

## APA submission on rate of return review consultation paper

As a major owner and operator of regulated transmission pipelines, and of electricity transmission lines, APA Group (APA) expects to be an active stakeholder in the Australian Energy Regulator's forthcoming review of its rate of return guidelines.

In addition to describing the review process and proposed timeline, the AER's first consultation paper raises with stakeholders four key issues arising from review planning:

- establishment of a consumer reference group
- publication of an issues paper
- "hot-tubbing" of expert advisors
- independent review of the draft guidelines.

Informed participation by consumers is desirable in circumstances where the objective is the delivery of outcomes which are in the long term interests of consumers.

APA sees the early publication of an issues paper as being a critical step in focusing the review. The AER advises that, following release of the issues paper, the regulator would expect substantive consultation on rate of return issues to commence.

Given the propensity for disagreement on key technical aspects of rate of return determination, the proposed "hot-tubbing" of expert advisors is likely to aid the efficiency of the review process.

Ultimately, the rate of return guidelines are the AER's guidelines. APA understands that the review process will necessarily involve the regulator having regard to a large amount of relatively complex material, taking into account the views of experts on that material, and exercising its regulatory judgement to produce amended guidelines. An independent review of draft guidelines, focused on process rather than the substance of rate of return determination, has the potential to create uncertainty about the outcome.

The allowed rate of return of the National Electricity Rules and the National Gas Rules is not the service provider's rate of return. It is the rate of return of a benchmark efficient entity. If the allowed rate of return is to be a meaningful benchmark, it should be determined by reference to the way in which financial markets actually work.

APA has direct experience of how major investments in electricity networks and gas transmission pipelines must be financed. We are active participants in Australian and international financial markets, and are well aware of the practicalities of infrastructure financing.

APA looks forward to contributing its expertise in the substantive consultation on rate of return issues which the AER's consultation paper foreshadows.

A handwritten signature in black ink, appearing to read 'P. Bolding', with a long horizontal flourish extending to the right.

Peter Bolding  
General Manager Strategy and Regulatory

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