**CRG submission to the Rate of Return Guideline Review**

**Due date for submission – 20 April 2018**

**Possible structure/contents.**

1. **Executive summary**
2. **Background – what is the CRG**

* Representing Australian energy consumers, comprising nnnnnn
* Established by the AER (to provide consumers with a voice in the ROR guideline process)
* AER charter “ *to provide direct and ongoing feedback to the AER during guideline development, and to facilitate broader consumer participation and engagement*. “

1. **Introduction**

* The ROR guideline review process to date (2009, 2013 and current)
* Previous lack of consumer involvement
* Information and resource asymmetry
* CRG engagement with the ENA

1. **Outcomes from the 2013 ROR guideline review**

* Brief description – mandatory application versus guideline, judgement versus objective data, role of AER
* Use of CAPM model
* Description of parameter outcomes or methodology to determine parameter values
* Actual ROR allowed to network companies since 2013, compared to (say) applicable risk free rate

1. **Analysis of outcomes against NEO and NGO**

* Based on objective evidence:
* Actual rates of return achieved by the network companies since 2013
* Asset multiplier values achieved from sales of network assets
* Actual capex spend compared to allowed capex, by network company
* Actual opex spend compared to allowed opex
* Other

1. **CRG conclusions**

* What does the analysis tell us, relative to ROR and impact on prices
* Networks have received a ROR which is too high, and embedded in current prices paid by consumers

1. **CRG research/findings on CAPM parameters**

* (note – respond to AER issues paper)
* Using the issues identified in the DH table/spreadsheet
* Five “core” subject themes – gearing, debt, risk, equity, beta (?)
* Based on the conclusions section above, which parameters need to be adjusted
* The research results which support that contention
* Outcomes from deep dives, hot tubs, joint CRG/ENA experts, other experts
* What would be the impact to consumers of the above changes

1. **Respond to AER**
2. **CRG recommendations**
3. **Alignment with ENA position**