

AER Rate of Return Guideline Review

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Objectives

- » Primary process goal of a guideline that is '**capable of acceptance**' by all stakeholders
- » Overall goal of guideline that achieves the National Electricity and Gas Objectives and the Allowed Rate of Return Objective
- » Energy Networks Australia members want to do what they can to reduce gas and electricity prices for consumers, which means hearing from consumers is vital
- » Consequences for Consumers
 - The Rate of Return Guideline will affect nearly every Australian energy consumer. Energy Networks Australia's engagement through the rate of return process is aimed at building trust with consumers and other stakeholders.
- » Consequences for the Energy Network Sector
 - As a binding Rate of Return Guideline, network sector wants to achieve a commercial return based on past capital investments, and sufficient incentives to underpin required investment to support safe and reliable delivery of regulated network services to consumers.

Approach

- » Welcome AER's proposed new guideline development process
- » Building constructively and incrementally on 2013 review outcomes
 - Network businesses will **not** be advocating the 'multi-model' approach businesses previously proposed
 - Agree that there are **no major developments** in finance theory that would warrant a new approach
 - Support the **updating of key empirical data** and the application of the **AER's foundation model approach** and making suggestions to better give effect to understood policy intent of 2013 guideline
 - **No material issues in debt**
 - Comments on gamma focused on **data and implementation of AER approach**
- » Risk assumptions and outcomes consistent across the regulatory framework
- ➔ **Capable of acceptance" goal**

Opportunities and process – stakeholder engagement

- » Networks are committed to working with stakeholders in development of the AER guideline
- » Development of **draft stakeholder engagement framework** for release for stakeholder comment
 - Aims to complement the AER’s stakeholder engagement process
 - Seeking direct input and feedback from stakeholders to inform network sector thinking as it develops positions on key issues and topics
- » Will be actively looking for opportunities to undertake collaborative work through the process
 - Joint identification of potential areas for discussion at concurrent expert sessions?
 - Opportunities for joint expert work?

Questions

1. Feedback on Energy Networks Australia's proposed approach and initial views?
2. Any additional input into the review you think is important for us to consider?
3. Any early feedback on proposed stakeholder engagement approach?

Thank you

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