



17 January 2019

Mr Warwick Anderson  
General Manager  
Network Finance and Reporting  
Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001

Sent by: email to [RateOfReturn@aer.gov.au](mailto:RateOfReturn@aer.gov.au)

**Pathway to the 2022 rate of return instrument  
Consultation paper**

Dear Warwick

The Major Energy Users Inc (MEU) welcomes the opportunity to provide its views on the AER Consultation Paper addressing its pathway to the 2022 rate of return (RoR) instrument. The MEU is well known to the AER as it has provided active involvement and informed observations about capital intensive industries and network regulation for many years.

MEU members and the many firms and employees dependent on them continue to be very concerned about the very high prices they pay for the use of the electricity and gas networks and comment that the levels of reliability and security provided are more than adequate for the delivery the supplies of electricity and gas so essential to their ongoing operations. Further, the MEU notes that the rate of return applied to the regulated asset base is the single highest cost element of allowed network revenue. As the regulated asset base is effectively set through a “mechanical” adjustment, this makes the setting of the rate of return a critical element setting the prices for the provision of network services

Because of this the MEU considers that active and informed consumer involvement in the development of the rate of return is essential to ensure that consumers pay the appropriate amount for network services.

The MEU observes that a MEU representative was a member of the Consumer Reference Group (CRG) and the MEU notes that it provided feedback to Brattle Group undertaking the stakeholder feedback of the AER process used for the 2018 review.

The MEU would like to highlight the following important aspects that the MEU considers are pertinent to the development of the pathway to the 2022 review.

- ) The membership of the 2018 CRG provided it with a wide range of knowledge and technical understanding of the development of the rate of return. This provided an ability of some members to be able to provide guidance to members that had a lesser understanding of these technical aspects to offset the skills and knowledge they provided about other important elements
- ) Just as important was the 2018 CRG had in its membership a high level of understanding of the impacts that decisions made by the AER (specifically the rate of return allowed by the AER) have on consumers of electricity and gas. This wide base of consumer experiences provided an invaluable input to the deliberations of the CRG
- ) The MEU considers that the major shortcomings of the 2018 CRG process were:
  - o the level of funding provided by the AER and this resulted in the CRG not being able to utilise to the maximum extent the competencies inherent in its make up
  - o the commencement of the CRG activities was later than was optimum

The MEU considers that the 2018 CRG as structured provided a critical element into the AER deliberations on the 2018 RoR process and is pleased to note that the AER intends to repeat having a similar group provide input to the 2022 RoR review

The MEU has been active in assisting in the preparation of the CRG response to this Consultation Paper and so has little to add to the detail enclosed in that response. As such, the MEU would like to endorse, in full, all of the comments, observations and recommendations that are detailed in that CRG response and in the answers it provides to the 12 questions posed by the AER in its consultation paper.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at [REDACTED] or [REDACTED]

Yours faithfully

[REDACTED]

Public Officer