

## Meeting record

**Date:** 22 October 2020

**Time:** 12.00 to 1.00 pm

**Purpose:** Third meeting of the **Investor Reference Group** for the 2022 Rate of return instrument

**Present:** Australian Super – Paul Dawson  
QTC – David Johnston  
SP Group – Mike Williamson  
Spark Infrastructure – Sally McMahon  
State Grid International – Albert Tse  
AER – Warwick Anderson, Ben Stonehouse, Conor McSween, Scott Johnson, Robyn Pickering, Antony Machdo

**Apologies:** AMP Capital – Stasha Prnjatovic  
ATCO Australia– John Ivulich, Hugh Smith  
Australian Super – Daniel Walters  
Global Infrastructure Partners – Veeral Kanji  
IFM – Josh Crane  
Magellan – David Costello  
Morgan Stanley – Rob Koh  
OMERS – Simon Palagyi

## Meeting notes

- AER staff went through the list of actions from the last IRG meeting, all are complete.
  - AER staff thanked IRG members for providing input at the inflation forum and on the two rate of return working papers.
- AER staff provided an update on key rate of return processes:
  - The *Energy Network Debt Data – Final Working Paper* is close to being finalised and will be released in mid-November.
  - Submissions closed on 9 October on the *International Regulatory Approaches to Rate of Return* and *CAPM and Alternative Return on Equity Models* draft working papers. Final working papers will be released mid-December.
  - AER staff advised that the final working paper on each topic would narrow scope and propose preferred option/s, but would not lock in a final position.
  - The *2020 Rate of Return Annual Update* is on track to be released in late November or early December and will include EICSI debt costs updates.
- AER staff described the current state of the inflation review. The draft position paper was released on 30 September and a public online forum was held on 21 October, which 60 people attended.

- AER staff summarised the key outcomes and questions from the draft position paper. The AER is proposing to change the approach to a 5-year horizon and glide path, but maintain the real return target (rather than change to a hybrid target). The AER is asking for comment on whether a transition period is necessary to move to a 5-year horizon.
- The meeting discussed the inflation paper. IRG members suggested it would be helpful if forum presentations were given by the primary author/s of AER documents, and if the AER could provide further guidance on the sort of evidence that would be relevant to its deliberations. AER staff noted submissions on a transition were welcome.
- AER staff outlined the working paper program for 2021:
  - There will be a working paper on *Rate of Return and Cash Flows in a Low Return Environment* and there is the possibility of additional working papers prior to the mid-year start of the active phase of the 2022 rate of return process. The AER confirmed that elements of Financeability will be considered in this working paper.
  - IRG members also requested a working paper on how the long term interests of consumers are assessed in making the rate of return instrument.

### **Meeting action items**

- AER staff to:
  - Organise next meeting and distribute invite (tentatively scheduled for early December). Members will be invited directly instead of by forwarding the invite.