

Meeting record

Date: 16 November 2022

Time: 1.00 to 1.30 pm

Purpose: Fifteenth meeting of the **Investor Reference Group** for the 2022 rate of return instrument

Present: ATCO Australia – Hugh Smith
IFM – Josh Crane
OMERS – John Maiolo
QTC – David Johnston
Spark Infrastructure - Neil Donaldson
AER – Warwick Anderson, Yuliya Moore, Pradeep Fernando

Apologies: ATCO Australia – John Ivulich
Ausbil - Paul Johnston
Australian Super – Daniel Walters, Paul Dawson
Brookfield – Ray Neill
Global Infrastructure Partners – Veeral Kanji
Magellan – David Costello
Morgan Stanley – Rob Koh
SP Group – John Chng
Spark Infrastructure – Gerard Dover, Neil Donaldson
State Grid International – Sandeep Kumar

Meeting notes

- AER staff went through the list of actions from the last IRG meeting, all are complete.
- AER staff provided an update on the CEPA RAB multiples report:
 - In response to one of the Independent Panel’s central recommendations, we engaged CEPA to update its May 2021 report on regulated asset bases (RAB) multiples.
 - The updated report was published on 25 October and stakeholders were invited to make submissions prior to 9 November.
- AER staff provided an update on MRP and HER estimates:
 - The Independent Panel recommended that we consider the extent to which some of the rate of return parameters may have been impacted by the low interest rates and quantitative easing which is now being unwound. They suggested that we seek expert advice.

- We sought advice from the Reserve Bank of Australia and the Australian Commonwealth Treasury (The Treasury). This correspondence is now published on the AER website.
- Having regard to The Treasury advice, alternative options for estimating the market risk premium (MRP) were discussed.
- On 14 November the AER decided to delay publishing the 2022 Instrument until February 2023 to allow us to consider submissions.
 - IRG members noted that the delay will have impacts on investors who update their valuations in December.
- Submissions are due on November 25.
 - IRG members asked whether the AER would accept submissions on options beyond the ones brought forward. AER staff confirmed that other options can be submitted.
- AER staff informed IRG members that Professor Schmalensee provided a response to our letter, which will be published on the AER website shortly. We are not seeking consultation on this.

Meeting action items

- AER staff to:
 - Publish meeting record on AER website.
 - Organise next meeting and distribute invites (tentatively scheduled for January 2023).
- IRG members to:
 - Provide a response to the CEPA RAB multiples report (optional)
 - Provide a response to The Treasury advice on MRP HER estimates (optional)
 - Read Professor Schmalensee's response (optional)