

## Meeting record

**Date:** 2 March 2022

**Time:** 1.00 to 1.40 pm

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

**Present:** ATCO Australia – Hugh Smith  
Global Infrastructure Partners – Michael Black  
IFM – Josh Crane  
OMERS – John Maiolo  
QTC – David Johnston  
SP Group – Mike Williamson  
Spark Infrastructure – Sally McMahan,  
State Grid International - Sandeep Kumar  
AER – Warwick Anderson, Conor McSween

**Apologies:** ATCO Australia – John Ivulich, Allan Hudson  
Ausbil - Paul Johnston  
Australian Super – Daniel Walters, Paul Dawson  
Global Infrastructure Partners – Veeral Kanji  
Magellan – David Costello  
Morgan Stanley – Rob Koh  
State Grid International – Albert Tse  
AER – Pradeep Fernando, Yuliya Moore, Zhen Wang

## Meeting notes

- AER staff went through the list of actions from the last IRG meeting, all are complete.
- AER staff provided a summary of the key issues from the concurrent evidence sessions hosted on 10 and 17 February:
  - Session 1 discussed the Energy Infrastructure Credit Spread Index (EICSI) and equity beta. Experts were of the view that the EICSI is useful, but questions remain about the conclusions that might be drawn. Experts noted the strengths of the current equity beta approach but noted the lack of data on comparator firms in the future. Experts were divided on the role of international equity beta comparators.
  - Session 2 discussed term of the rate of return and weighted trailing average. Experts debated whether the AER should use a 5 or 10-year term for equity with a mix of views. There were a mix of views from experts on whether the AER should weight trailing average by RAB.
  - Session 3 discussed the market risk premium (MRP). Three different approaches to estimating MRP were discussed: (1) using long-term historical excess returns (the current approach), (2) introducing additional sources of information, mainly from

dividend growth models, and (3) using additional sources of information and employing an adjustment mechanism.

- Session 4 discussed cross-checks and overall rate of return. There was a diversity of views on the value of each cross-check and an overall view from experts that cross-checks have limitations.
- IRG members noted a disconnect between academic and in-practice approaches to rate of return between experts in the sessions and asked how the AER considers these different forms of evidence. The AER responded that all evidence will be considered.
- AER staff reminded IRG members that submissions on the *Information paper and call for submissions* are due on 11 March.
- AER staff provided an updated on the process timeline for the remainder of 2022:
  - The draft rate of return Instrument will be published on 17 June.
  - The submission period on the draft Instrument will be open until late August/September.
  - The final Instrument will be published in mid-December.

### **Meeting action items**

- AER staff to:
  - Publish meeting record on AER website.
  - Organise next meeting and distribute invites (tentatively scheduled for May).
- IRG members to:
  - Read material from the concurrent evidence sessions on the AER website (optional)
  - Consider providing a submission on the *Information paper* by 11 March.