

Meeting record

Date: 17 March 2021

Time: 3.30 pm to 4.15 pm

Purpose: Sixth meeting of the **Retailer Reference Group** for the 2022 rate of return instrument

Present: Energy Australia – Lawrence Irlam
Lumo Energy / Red Energy – Constantine Noutso
Momentum – Randall Brown
Simply Energy – Matthew Giampiccolo
AER – Warwick Anderson, Steve Williams, Shaun Collard, Conor McSween
Consumer Reference Group – Kieran Donoghue

Apologies: AGL – Patrick Wish-Wilson
AEC – David Markham
Energy Australia – Eleonora Mentjukova
Origin Energy - Gary Davies

Meeting notes

- AER staff went through the list of actions from the last RRG meeting. All are complete.
- AER staff informed RRG members of internal team changes. Ben Stonehouse has moved to the ACCC on a 12-month secondment. Steve Williams has joined the team as a director and Shaun Collard is acting in the position of director.
- A CRG representative attended the meeting to inform RRG members of the CRG’s purpose and goals. RRG members were asked to reach out to the CRG if they wished to collaborate or if there was the possibility for the CRG to leverage retailer customer engagement channels.
- AER staff provided an update on the working paper program for 2021:
 - The program is close to being finalised. A notice will be published with the confirmed schedule on the AER website shortly. The program is likely to include 2 papers in the first half of 2021, and 3 papers in the second half of the year.
 - The first two papers will examine the rate of return and cashflows in a low interest rate environment, and the term of the rate of return.
 - Working papers in the second half of 2021 will more broadly examine issues relating to equity, debt and the overall rate of return – the latter will include topics such as gearing, cross-checks and imputation credits.
 - At the end of 2021 an information paper will be published that will pull together information from all working papers. This will lay the foundation for the expert sessions at the start of 2022 and outline key issues for stakeholder submissions next year.

- AER staff provided an update on the *Rate of Return and Cashflows in a Low Interest Rate Environment* working paper:
 - Networks have provided the AER with two reports, one from NERA and one from Frontier outlining some financeability concerns.
 - RRG members asked what is causing the financeability concerns from the network perspective. AER staff advised that lower interest rates can lower the networks' cash flows. Some metrics such as the FFO/net debt ratio, which credit rating agencies consider, can be affected. If everything else is held constant, lower interest rates will lower this ratio for the regulated networks.
 - RRG members asked whether the high debt to total RAB of some networks is concerning. AER staff advised that some networks have high book ratios, but this becomes lower if you look at market value.
- RRG members asked whether ElectraNet and Transgrid would undertake certain transmission projects if their AEMC rule change is unsuccessful. AER staff advised that this isn't clear currently.

Meeting action items

- AER staff to:
 - Publish meeting record on AER website.
 - Organise next meeting and distribute invitations (tentatively scheduled for end of April).
- RRG members to:
 - Reach out to the CRG (via AER staff if needed) if they wish to collaborate.