

Meeting record

Date: 2 September 2020

Time: 1.30 pm to 2.30 pm

Purpose: Second meeting of the **Retailer Reference Group** for the 2022 Rate of Return Instrument

Present: AGL – Patrick Wish- Wilson
Australian Energy Council – David Markham
Energy Australia – Lawrence Irlam, Eleonora Mentnyukova
Lumo Energy – Constantine Noutso
Momentum – Randall Brown
AER – Warwick Anderson, Ben Stonehouse, Scott Johnson, Conor McSween, Karen Ho, Antony Machado, Harry Gordon

Apologies: Origin Energy – Sean Greenup

Meeting notes

- AER staff went through the list of actions from the last RRG meeting, all are complete.
- No issues were raised by the RRG with the draft Terms of Reference. The AER will finalise and publish on the website.
- AER staff outlined the two recently published working papers on *International Regulatory Approaches to Rate of Return* and *CAPM and Alternative Return on Equity Models*. AER staff invited submissions from RRG members, individually or as a group, on any of the topics discussed in the working papers.
- The meeting discussed the *International Regulatory Approaches to Rate of Return* Working Paper with AER staff clarifying points raised by RRG members:
 - AER staff advised that the 2022 rate of return instrument is not bound by the current instrument and changes can be considered through the process we are now undertaking.
- The meeting discussed the *CAPM and Alternative Return on Equity Models* Working Paper with AER staff clarifying points raised by RRG members:
 - AER staff advised that this paper is focused on overall equity models rather than input parameters themselves.
 - AER staff advised that the RRG provides a valuable perspective to the process as they are consumer facing and that in the process of running their own businesses, can offer insights into how cost of debt and equity could be calculated. These insights can be provided at whatever level RRG members are comfortable and can be provided directly to the AER.

- AER staff outlined the models/topics in the working paper where there had been differing stakeholder perspectives in past reviews.
- AER staff advised that these papers are open for submissions until 9 October and a public forum will be hosted on 16 September from 2 to 5pm. The RRG has been asked to consider whether they would like to present.
- AER staff described the current state of the inflation review. Submissions closed a month ago and the AER is in the process of writing the draft position paper. This paper is due for release on 30 September.
 - In response to process questions, AER staff advised that reset determinations have to follow the inflation approach outlined in the post-tax revenue model (PTRM). However, there are a range of possible outcomes from the inflation review, including modifying the PTRM and then applying a new inflation approach to future resets.
- AER staff described the current state of the *Energy Network Debt Data Working Paper* and 2020 annual update:
 - Submissions closed on 14 August and the final working paper will be published in mid-November (originally scheduled for late October).
 - We're in the process of collecting additional debt information from the networks so that we can update our debt index, this will be published in our annual update for 2020.
- The AER outlined the working paper program for 2021:
 - A working paper on *Rate of Return and Cash Flows in a Low Return Environment* has been pushed back until Q1 of 2021.
 - AER staff directed RRG members to the Pathway to 2022 paper, which outlines potential working paper topics for 2021.

Meeting action items

- AER staff to:
 - Finalise Terms of Reference and publish on the website.
 - Set up next meeting and distribute invite (tentatively scheduled for mid-October)
- RRG members to:
 - Consider whether the RRG would like to make a short presentation at the next Rate of Return stakeholder forum and report back to the AER next week.
 - Consider making written submissions (either individually or as a group) on the two recently published working papers by 9 October.
 - Read the Pathway to 2022 working paper and advise whether there are any working paper topics they are interested in for 2021.