

Meeting record

Date: 1 March 2022

Time: 1.00 pm to 1.45 pm

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

Present: AGL – Patrick Whish-Wilson
AEC – David Markham
Energy Australia – Lawrence Irlam
Momentum – Randall Brown
Red / Lumo Energy – Constantine Noutso
AER – Warwick Anderson, Conor McSween

Apologies: Origin Energy – Sean Greenup
Simply Energy – Matthew Giampiccolo
AER – Yuliya Moore, Pradeep Fernando, Zhen Wang

Meeting notes

- AER staff went through the list of actions from the last RRG 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.
 - RRG members asked whether any experts were of the view that there wasn't an issue with the trailing average. AER staff confirmed that some experts were of the view any potential issues could be resolved through depreciation or gearing.
 - 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.
- AER staff reminded RRG 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).
- RRG 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.