

Meeting record

Date: 9 November 2022

Time: 2.00 pm to 2.30 pm

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

Present: AEC – David Markham
Energy Australia – Lawrence Irlam
Momentum – Randall Brown
Red / Lumo Energy – Constantine Noutso
AER – Warwick Anderson, Conor McSween, Yuliya Moore

Apologies: AGL – Patrick Whish-Wilson
Origin Energy – Sean Greenup, Gary Davies
Simply Energy – Matthew Giampiccolo

Meeting notes

- AER staff went through the list of actions from the last RRG 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 are invited to make submissions prior to 9 November.
 - RRG members noted that they thought CEPA’s approach was methodological and logical and were supportive the conclusions.
- 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. If the option that includes December 2022 HER data is selected, either a delay in publishing the Instrument until February 2023 or

including a formula that can be mechanically applied in the Instrument will be required.

- RRG members were not supportive of using a formulaic approach but were supportive of delaying until February 2023 if the December data is included.
- Submissions are due on November 25.
- AER staff informed RRG members that Professor Schmalensee provided a response to our letter, which has been published on the AER website. 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).
- RRG 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)