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Record No: D2019/45854
Container No: PM2017/2/37

Mr Warwick Anderson
General Manager, Network Finance and Reporting
Australian Energy Regulator
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Via email: warwick.anderson@aer.gov.au; NTPowerWater2019@aer.gov.au;
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Dear Mr Anderson

Impact of Rate of Return Binding Instrument on Revised Proposal

We appreciated the opportunity to discuss the rate of return binding instrument (the Instrument) with you and the team on 25 January – and your initiative to set it up.

Our revised proposal was submitted to the Australian Energy Regulator (AER) in November 2018 and therefore did not consider the Instrument, which was published by the AER in December 2018. We have since had the opportunity to consider the Instrument and the explanatory statement that sits behind it, and we continue to maintain our position that no transition should be used to apply the trailing average return on debt approach to Power and Water Corporation over the 2019-24 regulatory period.

This is because in effect the transition started for us on 1 July 2009 due to the impact of the Ministerial Direction. We understand that the definition of 'transition period' was revised in the Instrument from what was included in the draft rate of return guideline. However, we consider that our proposed approach could be adopted in a way that is consistent with that Instrument.

Our rationale for why no transition should apply is set out in Attachment 1.5 to our revised proposal. We ask that you and the team consider our position further and look into whether there is any flexibility available within the Instrument before recommending to the AER Board an approach to setting the return on debt for Power and Water in the forthcoming April 2019 determination.

If you wish to discuss this matter further, please let me know on (08) 8985 8431 or at djuna.pollard@powerwater.com.au.

Yours sincerely

Djuna Pollard
Executive General Manager Power Services

21 February 2019