

14 August 2020



██████████
General Manager
Australian Energy Regulator
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Email: ██████████

Dear ██████████

ENERGY NETWORK DEBT DATA – PATHWAY TO RATE OF RETURN 2022

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to comment on the Australian Energy Regulator's (AER) draft working paper on regulated energy network debt data. Energy Queensland supports the AER seeking to engage early with stakeholders on key issues in the lead up to the formal 2022 Rate of Return Instrument development process.

Energy Queensland is member of Energy Networks Australia (ENA) and endorses the comprehensive submission prepared by the ENA. This submission wishes to highlight Energy Queensland's concerns in relation to the AER contemplating, as one option, using its recently developed Energy Infrastructure Credit Spread Index (EICSI) in directly estimating regulatory debt allowances. We do not support the use of the EICSI either as a fourth data source alongside Bloomberg, Thomson Reuters and the Reserve Bank of Australia data or directly as the regulated return on debt.

The use of actual network debt data to set regulatory allowances, would represent a fundamental shift in the estimation of the benchmark regulated cost of debt allowances. In Energy Queensland's view, the AER should only consider going down such a path if the EICSI is robust. We do not consider that the EICSI is presently fit for purpose. There are several process and measurement problems with the EICSI that mean it should not be relied on to set regulatory allowances. A number of the critical issues regarding the construction of the EICSI were raised in the 2018 Rate of Return review but Energy Queensland notes that these have not been addressed in the AER's draft working paper. The ENA's submission details the deficiencies in the EICSI.

Energy Queensland supports actual network data having a similar role to that in the 2018 Rate of Return Instrument. That is, data should be used only as a 'sense check' of reasonableness of the AER's benchmark approach.

Should you wish to discuss any aspect of this matter further, please contact ██████████
██████████.

Yours sincerely



Manager Regulation

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