

Our Ref: [AER 200206]

5th July 2023

Luke Yeaman
Deputy Secretary, Macroeconomics Group
Australian Commonwealth Treasury
Langton Crescent
Parkes ACT 2600

Sent by email to: [REDACTED]

Cc: [REDACTED]

Dear Mr Yeaman

As you may be aware, the Reserve Bank of Australia (RBA) for commercial reasons has stopped publishing its Indicative Mid Rates of Australian Government Securities – F16 Statistical Table.

The Australian Energy Regulator (AER) has been using the F16 data series to set the rate of return for fully regulated gas and electricity transmission and distribution assets in the National electricity and National gas markets with an asset value of around \$100 billion.

Every 4 years the AER develops a Rate of Return Instrument (RoRI) which sets out the methodology and data sources for calculating and applying the rate of return to all network regulatory determinations over the 4-year life of a given RoRI. The RoRI is binding on the AER and must be applied without the use of any discretion.

The F16 Table is the data source set out in the RoRI for calculating the 10-year risk free rate of return that feeds into our return on equity and debt calculations. While the AER likely has options to replace the F16 Table data in applying the RORI, we consider its removal from publication is undesirable from a public policy perspective.

Although the RBA continues to publish interpolated nominal yields at select maturities in its F2 Statistical Table, the removal of individual Commonwealth Government Security (CGS) yields from publication (as were contained in the F16 Table) results in the removal of a valuable public good that contains base reference yields used for pricing both debt and equity capital. This limits the ability of non-sophisticated investors to engage in financial

markets given the significant cost to obtain this data from private providers such as Bloomberg or Yieldbroker.

While we are aware that staff at the Treasury, the RBA and the Australian Office of Financial Management are working on a solution to this issue, we consider it appropriate to voice our support for a solution to be found given the value of having individual CGS yield information in the public domain.

Please do not hesitate to contact me on [REDACTED], or at [REDACTED] to discuss this further.

Yours sincerely

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Dr Kris Funston
Executive General Manager, Networks