



Australian Energy Regulator MELBOURNE VIC

By e-mail: RateofReturn@aer.gov.au

APA submission on AER return on debt model

APA Group (APA) appreciates the opportunity to review the Australian Energy Regulator's (AER) return on debt model, and the accompanying *Handbook*.

The *Rate of return instrument* is sharp and succinct, as befits a statutory instrument. We found the model, and the *Handbook*, useful in understanding the way in which the instrument is applied by the AER.

APA has not systematically tested the model in all scenarios in which it might be used, but has confirmed that:

- the model uses the source data described in the AER's December 2018 *Rate of return instrument*
- the model performs the calculations set out in the *Rate of return instrument*

We were able to load the required source data, and use the model to produce rates of return on debt which accorded with those from simple models we have developed for determining the rates of return on debt used in our recent access arrangement revision proposals.

In carrying out a review of the model, we were cognisant of the point made on page 1 of the *Handbook*: the model did not incorporate functionality to address all of the possible scenarios described in the *Rate of return instrument*. We did not find this a major limitation.

We expect the model and the *Handbook* to be of assistance should we find, at some time in the future, that we must determine the return on debt in unusual circumstances.

APA would be pleased to elaborate on the views in this submission. The return and debt model and the *Handbook* have been reviewed by John Williams, who is in our Perth office and can be contacted directly on [REDACTED] or at [REDACTED]

John Williams
Manager Regulatory

4 October 2019