AER Consumer Reference Group

Advice to the Australian energy Regulator on the Rate of Return and Cashflows in a Low Interest Rate Environment

CRG Response to the AER's Draft Working Paper on the Rate or Return in a Low Interest Rate Environment

2 July 2021

Executive summary

The Consumer Reference Group (CRG) thanks the Australian Energy Regulator (AER) for the opportunity to respond to the two Draft Working Papers published in May 2021, namely:

- *Rate of return -Term of the rate of return, Draft working paper May 2021* (12345467.1) (***Term paper***); and
- *Rate of return and cashflows in a low interest rate environment, Draft working paper. May 2021* (***LIRE paper***)

We understand that the purpose of the AER's working papers is to consider technical aspects of the rate of return and to thereby narrow the focus of work ahead of the active phase of the 2022 Rate of Return Instrument (RoRI) development.

This advice pertains to the AER's *LIRE paper*.

Overview of the CRG's advice to the AER's draft *LIRE paper*

The AER states that the purpose of the *LIRE paper* is to explore three issues:

1. Whether we are in a low interest rate environment;
2. If we are, what are the consequences of lower interest rates; and
3. Does this suggest there is something that needs to be addressed?

In responding to each of these questions, the CRG first considers the 'headline' issues raised by each of these questions, then provides a deeper exploration of matters in the 'subtext' of the *LIRE paper* and the CRG's concerns with those matters.

The CRG then makes recommendations (where relevant) outlining how the AER should address these concerns to uphold consumers' confidence in the regulatory framework.

The CRG's responses to the questions are summarised below, followed by a summary table of our recommendations.

1. The CRG supports the AER's conclusion that the Australian economy is currently in a low interest rate environment. The CRG also highlights the importance of the AER clearly defining the evidentiary thresholds to be satisfied before it accepts the need for a regulatory review of parameters in the rate of return estimate. Importantly, these thresholds need to be enduring, rather than reacting to current environmental factors, particularly when these environmental factors are more extreme.
2. While the AER appears at this stage to be committed to its current approach, the *LIRE paper* suggests the AER remains open to new evidence implying particular elements of the rate of return may be revisited. The CRG supports the AER's finding, but again emphasises the importance of establishing, *ex-ante*, the evidential threshold for change and to do so in consultation with consumers and other stakeholders.

While the AER discusses the potential relationships between the risk-free rate and the Sharpe-Lintner CAPM (SL-CAPM) model variables (beta and market risk premium) and the debt risk premium, the AER does not reflect on the significance of any such correlations on its use of the SL-CAPM framework. For example, if such correlations were found, it may call into question what theoretical framework the AER should adopt.

The CRG is concerned that the AER's search for correlations might take the regulatory framework in such a direction. Even if the AER did not go this far, correlations observed at a point in time raises questions about their stability and the drivers of these correlations. Without an understanding and theoretical context for these correlations, their meaning is unclear for the AER's regulatory task.

3. Some stakeholders have suggested that the low interest rate environment reinforces the need for the AER to introduce a 'financeability' test. The *LIRE paper* rejects this suggestion. The CRG supports the AER's assessment that the primary responsibility for financeability lies with the regulated networks and the networks have provided little evidence to support their claims.

   The CRG also supports the AER's assessment that the measures proposed by the proponents of the test are too narrow and fail to capture the full returns to the networks (including indexation of the regulatory asset base). The proponents also fail to capture all the qualitative elements that rating agencies use to assign a credit rating to the businesses. The study by the ACCC's Regulatory Economics Unit also reveals the complex relationships between financial measures.

   The CRG is not clear why the AER has reopened this issue given: the lack of 'real world' evidence provided by the networks to their claims, the limitations of the measures proposed by the networks, and the AER's and AEMC's previous considerations of this issue. The CRG recognises there may be special circumstances when the current approach may not apply, but there must be clear guidelines established *ex-ante* around these special cases.

After considering each of the AER's questions, the discussion in Section 3 highlights the CRG's concerns with a range of matters identified in the subtext of the *LIRE paper* – and how the AER should address these concerns to uphold consumers' confidence in the regulatory framework.

In Section 4 of this advice, the CRG seeks to convey how the RoRI review process appears from a consumer perspective. Section 5 summarises key findings from the CRG's consumer research that have informed the CRG in this advice.

Section 4 poses three specific areas for the AER to consider when exercising its regulatory judgement. They are:

- **The importance of 'stability' as a principle (rather than a regulatory objective):** The AER recognises this principle in the *LIRE paper* and the CRG emphasises the importance of stability in its response to the AER's questions. The importance the AER places on stability leads the CRG to question why the AER sees the need to re-open issues that have been settled for some time – particularly as no strong evidence has been submitted suggesting such reviews are necessary. The CRG considers the AER should outline its *ex-ante* decision frameworks for undertaking such reviews before it considers re-opening settled issues.

- **'The high bar for change' is about accountability not inertia**: This principle reflects the importance of precedence and establishing clear thresholds (*ex-ante*) for changing long-standing regulatory frameworks and practices.
- **Taking a quid pro quo approach to reviewing the RoRI**: The CRG has observed from consumer research that consumers are wary of the 'endless' cycle of reviews into previously settled matters. Consumers are similarly concerned that the AER appears willing to open matters to review without requiring networks to demonstrate benefits for consumers. In making this observation, the CRG stresses that consumer benefits must be evidenced beyond the all too frequent argument that services will decline if the rate of return does not increase.

Summary of CRG recommendations

Recommendation 1	The AER should: • define and consult on the evidentiary thresholds to be satisfied before it reviews the 'environment' in which a regulatory review is being conducted; and • having established those thresholds, demonstrate that proposed changes to the framework are enduring, rather than merely reacting to current environmental factors.
Recommendation 2	The AER should: • explain and consult on its intended approach to assessing relationships between inputs to its rate of return model; and • explain how a finding of any such relationships would affect the theoretical foundations of its approach to estimating the rate of return.
Recommendation 3	The AER could enhance consumer confidence in the regulatory framework: • if networks were not seen to be 'calling the shots' for the regulatory agenda; and • the AER demanded a clear standard of compelling evidence before it responded to networks' concerns.

Recommendation 4	To uphold consumers' confidence in the regulatory framework, the AER should: • require networks advocating for changes to the RoRI to demonstrate the benefits accruing to consumers as part of those proposed changes; and • reflect the value consumers place on regulatory stability, by clearly demonstrating the benefits for consumers from changes to its methodology for estimating the rate of return.

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1 Introduction

The Australian Energy Regulator (AER) established the Consumer Reference Group (CRG) in mid-2020 to provide a consumer perspective during the review of its Rate of Return Instrument (RoRI) and the Review of Regulatory Treatment of Inflation.[1] The CRG is established under legislation. In this sense, the CRG does not participate in the review process as an advocate *for* consumers' interests, but rather as an adviser ***of*** consumers' interests – and how the AER can address those interests in exercising its regulatory functions.

Accordingly, the CRG's recommendations in this advice to the AER reflect its role as an adviser to the AER.

In May 2021, the AER released two draft working papers. This submission responds to the AER's draft working paper on the *Rate of Return and Cash Flows in a Low Interest Environment* (*LIRE paper*).[2] In the *LIRE paper*, the AER explores three broad questions:[3]

- Whether we are in a low interest environment;
- If we are, what are the consequences of lower interest rates; and
- Does this suggest that there is something that need to be addressed?

The AER also states that it will give these questions more detailed consideration in its upcoming series of 'Omnibus papers' due for publication in July 2021.

For these reasons, the CRG considers this advice to the AER as preliminary. The CRG expects its views will continue to develop following the AER's publication of its further papers on the return on equity, the return on debt and the benchmark gearing ratio.

The CRG's parallel response to the AER's *Term paper* emphasised CRG concerns with the AER's narrow focus on satisfying the NPV=0 —reflecting a narrow definition of the AER's 'regulatory task'. The CRG also argued that the focus on the NPV=0 was at the expense of other evidence to support such a significant change of practice and almost at the expense of other regulatory criteria such as stability, predictability and transparency. In contrast, the AER's *LIRE paper* presents a more balanced consideration of these additional factors in its evaluation of the current practice of using a 10-year trailing average for the return on debt.

1 AER, *Final Position. Regulatory treatment of inflation* (December 2020)

2 AER, *LIRE paper* (May 2021)

3 AER, *LIRE paper* (May 2021) p 3

Following its inception in 2020, the CRG established five principles for assessing AER regulatory proposals. The CRG has repeatedly referenced these principles in its submissions and consequently they should be well-known to the AER.

The CRG has also recently validated these principles with consumers. The CRG recognises the AER is not bound by the CRG's principles, however, the CRG's principles were carefully crafted to sit alongside the AER's legislative obligations under the National Electricity/Gas Law.[4]

The CRG therefore considers these principles would assist the AER in meeting its primary objective of making a decision "for the long-term interests of consumers". On this basis, there is nothing preventing the AER from taking into account the CRG's five principles when it is developing regulatory proposals. Doing so, would ensure the AER adequately addresses consumers' interests as part of its decision making.

The AER hosted a public forum on 23 June 2021 to present and discuss its *LIRE paper*. Along with other representatives, the CRG outlined its preliminary response to the AER's proposal. This submission further explains the CRG's response to the *LIRE paper* and includes four recommendations to the AER. These recommendations describe further work required for consumers to have confidence the AER is acting in their interests, as required by the governing legislation.

This submission responds to the *LIRE paper* as follows:

- Section 2 outlines the CRG's role and its five principles for promoting consumers' interests during the RoRI review. A more detailed discussion on these important principles is set out in our parallel advice in response to the AER's *Term paper*.
- Section 3 responds to the three headline matters reviewed in the *LIRE paper*. It then discusses related concerns the CRG has identified in the subtext of the paper, and how the AER should address these concerns to uphold consumers' confidence in the regulatory framework.
- Section 4 reflects on the concept of regulatory stability, why it is valued by consumers, and how it can be respected in networks' proposals and the AER's RoRI decisions.
- Section 5 provides a summary of the findings from the CRG's workshop with consumer advocates. This workshop was held on the 9 June 2021 and was designed to explore the responses of experienced consumer advocates to the AER's two draft working papers, and the CRG's preliminary observations. The findings are complementary to the CRG's observations set out in our advice to the AER on the *Term paper.*

[4] *National Electricity (South Australia) (New National Electricity Law) Amendment Act 2005*, South Australia (2005)

The CRG looks forward to working with the AER and other stakeholders in addressing concerns with the AER's *LIRE paper* raised in this submission.

2 About the CRG and its role

2.1 Overview

In June 2020, the AER appointed the Consumer Reference Group (CRG).[5] The CRG's role is set out in the National Electricity Law (NEL) and National Gas Law (NGL) which states the CRG may:[6]

- Consult with consumers of electricity and gas;
- Facilitate consumer engagement in the process for making the instrument; and
- Make written submissions to the AER about the content and the process for making the rate of return instrument.

The CRG's legislative status suggests it is not just another AER stakeholder, nor is it a competitor with, or substitute for, consumer advocates or Energy Consumers Australia.

The CRG recognises the AER must exercise its judgement according to the law. However, the CRG considers its advice on particular matters has implicit value. Most notably, when the CRG's advice indicates the sort of analysis required to give consumers confidence in regulatory outcomes, the AER should accept that a decision *not* to follow this advice potentially harms consumer confidence in the regulatory process.

Since June 2020, the CRG has responded to each of the AER's papers by making submissions and presenting at public forums. Our advice to the AER has been informed by interviews with consumer advocates. Our current advice also reflects the feedback we have received from consumer advocates through a workshop and by a survey of residential and commercial consumers.

2.2 CRG principles

The CRG established its five principles to guide its advice to the AER.[7] They are:

- Principle 1 – A regulatory framework serving the long-term interests of consumers must promote behaviours that engender consumer confidence in the framework.
- Principle 2 – Any change to the regulatory model must be tested against detrimental consumer impacts in relation to absolute prices and price changes.
- Principle 3 – Any change to the regulatory model must be tested against acceptable consumer impacts in relation to service standards.

5 For more information on the CRG and its members see CRG *Fact sheet* (September 2020)

6 NEL, Part 3, Div 1B, Sub Div 3, clause 18N(2); NGL, Chapt2, Part 1, Div1A, SubDiv3, rule 30I (2005)

7 CRG, *Submission to AER – return on equity* (October 2020), p 21

- Principle 4 – Risks should be borne by the party best placed to manage them.
- Principle 5 – There should be a high bar for change.

On 15 June 2021, the CRG presented its preliminary response to the AER's working paper on the term of the rate of return at a public forum hosted by the AER.[8] The presentation is available on the AER's website.[9] This submission expands on that presentation.

2.3 The energy objectives (NEO/NGO) and the CRG's principles

The CRG's five principles neither compete with, nor seek to displace, the energy laws and rules. However, the laws make clear that the efficiency objective includes both efficient investment in *and* the efficient operation and use of electricity/gas and these represent two distinct requirements for the AER to consider.

In our view, the AER continues to treat the second part of the energy objectives as redundant by simply asserting its equivalence with the first part. The AER's working papers focus on promoting investment efficiency, apparently assuming that this will also achieve consumption efficiency. This is a simplistic assumption and ignores consumers' behavioural responses to the regulatory framework, and changes to the framework.

We suggest the AER erroneously focuses only on investment efficiency in the *Term paper*, as evidenced in its focus on the NPV=0 test. By focussing on this test, particularly in its review of the return on equity, the AER ignores consumers' potential behavioural responses to the focus on the NPV=0 principle to the exclusion of other considerations.

Consideration of investment efficiency is not relevant to the exclusion of all other considerations, the CRG's five principles are more than just secondary considerations. Any lack of confidence by consumers in the AER's decisions and decision-making processes will influence their expectations of price and services offered by the networks, and consumers' own investment decisions. Confidence stems from stability and predictability, transparency about the impact of decisions on prices and services, and a clear assessment by the AER of the risks that follow from its decisions.

Therefore, it follows, that the CRG's five principles are integral to the AER achieving the second part of its statutory objective, namely the promotion of efficient operation and use of energy for the long-term interests of consumers.

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8 AER, *Rate of return: Term of the rate of return, Draft working paper* (May 2021)

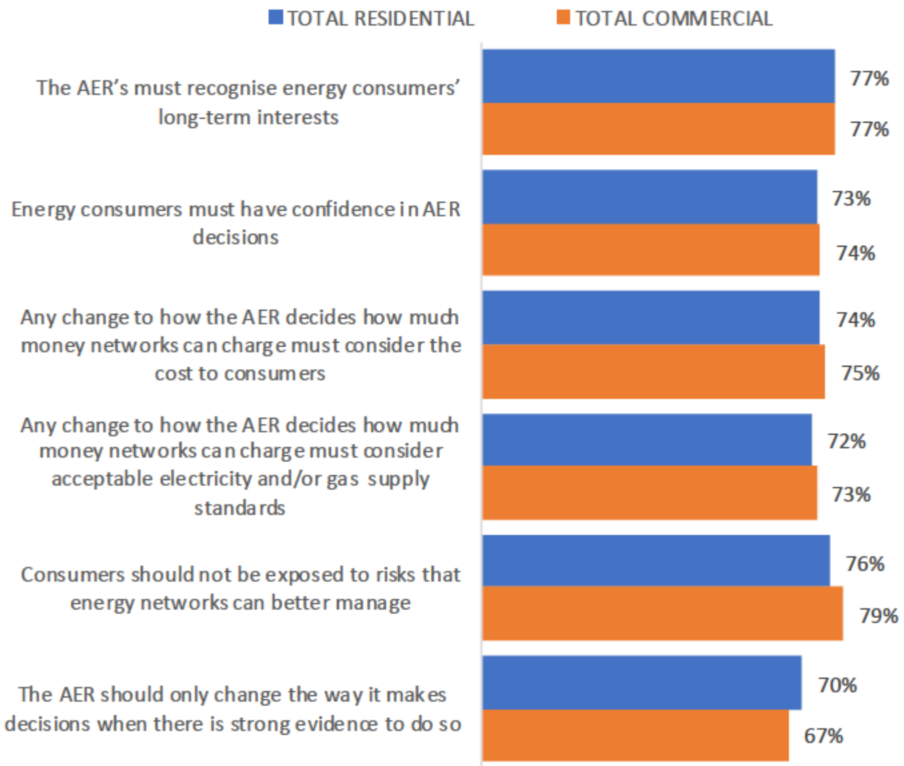
9 CRG, Presentation to public forum on the term of the rate of review (June 2021)

Accordingly, the CRG proposes that the five principles set out above are the minimum requirements for the AER to engender consumer confidence in regulatory processes and outcomes, particularly when the AER is proposing a change to an established regime.

Importantly, the CRG has tested consumer support for its principles with a representative sample of 1,000 residential consumers and 200 commercial consumers[10] and as shown in the following figure, consumers clearly support these five principles.

The CRG notes with interest the AER's observation that the rating agency Moody, gives a weighting of 15 per cent to the sub-factor of 'stability and predictability of the regulatory regime'.[11] This further highlights that qualitative elements are relevant to the achievement of the NEO/NGO.

Figure 2-1: Energy consumer support for CRG principles



Section 5 includes a summary of the CRG's workshop with consumer advocates , held on-line on 9 June 2021. The advocates' comments highlight the importance of stability, predictability and the need for clear evidence when changing elements of the existing RoRI.

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10 An overview of the CRG's initial Consumer Survey is provided in Appendix B

11 AER, *LIRE paper* (May 2021), p 36. Also see Appendix D, p 79

3 Responding to the LIRE paper

This section broadly follows the description provided in the *LIRE paper* about its purpose, namely to explore three issues:[12]

1. Whether we are in a low interest rate environment;
2. If we are, what are the consequences of lower interest rates; and
3. Does this suggest that there is something that needs to be addressed?

The following discussion first reflects on the headline issues raised by each of these questions. This is followed by a deeper exploration of matters in the subtext of the *LIRE paper* and the CRG's concerns with those matters. Reflecting its advisory role to the AER, the CRG recommends (where relevant) how the AER should address these concerns to uphold consumers' confidence in the regulatory framework.

3.1 Are we in a low interest rate environment?

Chapter 3 of the *LIRE paper* provides considerable analysis of the available data. The chapter concludes:

> *"Going back to the 1940's we find that recent interest rates and large movements in interest rates are not without precedence. However, when compared to recent history, the key measures of interest rates are lower than they have been for some time as part of a sustained downward trend."*[13]

The AER then extends its observation that we are in a low interest environment, to suggest that: *"we should consider whether our framework remains appropriate in this environment*".[14]

The AER then asks whether the current level of interest rates has implications for the rate of return and prospects of achieving the NEO and NGO.[15] For example, the low interest rate environment has reinvigorated a long-standing debate led by networks and their consultants on whether there is a relationship between the risk-free rate and the equity beta and market risk premium (MRP).

[12] AER, *LIRE paper* (May 2021), p 3

[13] AER, *LIRE paper* (May 2021), p 21

[14] AER, *LIRE paper* (May 2021), p 21

[15] AER, *LIRE paper* (May 2021), p 22

3.1.1 CRG response to the headline question

The CRG considers the AER has adequately addressed the question of whether current circumstances represent a low interest rate environment. The CRG supports the AER's conclusion that the Australian economy is currently in a low interest rate environment.

The CRG also notes that the AER proposes to further investigate any potential relationship between the low interest rate environment and estimation of other parameters in the rate of return, including the market risk premium, equity beta and gearing.

As we explain further in this Section, the AER must establish an evidentiary threshold for changing the current approach and should consult with consumers and other stakeholders. The CRG also cautions that if relationships between the low interest rate environment and estimation of other parameters in the rate of return become evident, then there are wider implications for the integrity and application of the SL-CAPM model.

3.1.2 CRG's concerns with the subtext

Triggers for reviewing the "environment"

The *LIRE paper* offers two reasons for undertaking this review into the interest rate environment. These are:

(i) it is responding to stakeholders' concerns; and

(ii) the current unprecedent nature of financial markets.

However, the *LIRE paper* does not explain, the matters the AER considered when determining if such a review was required.

By not articulating these matters, the AER has left unanswered questions about when or why it might undertake future reviews of the broader "environment".

The CRG questions:

- Would the AER initiate a review if consumers (or other stakeholders) were concerned about a high interest rate environment?
- What would constitute a high interest rate environment?
- If unemployment had soared as initially expected following the onset of the pandemic, would the AER have reviewed the "environment"?

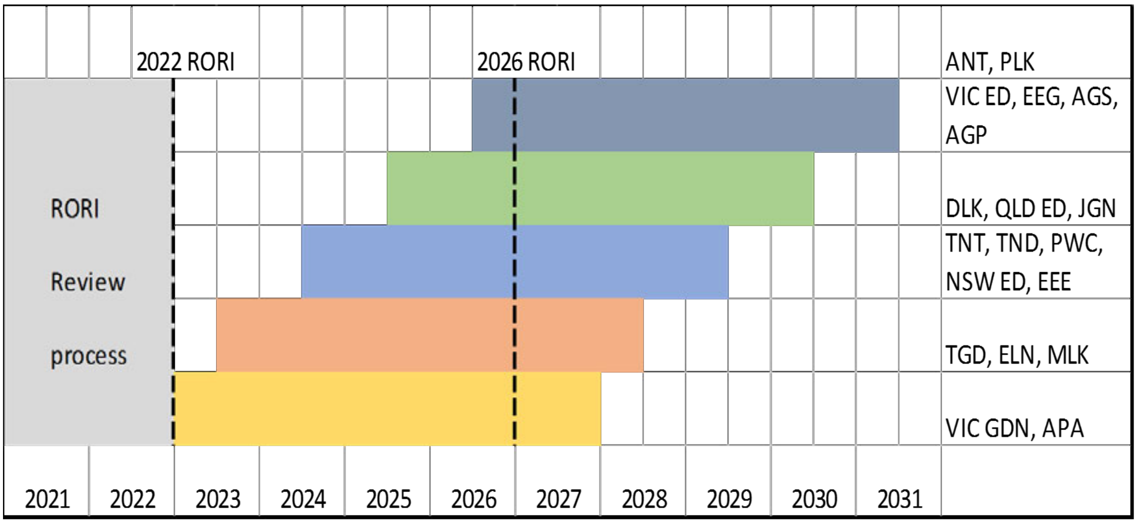
Stagnant real wage growth has been a feature of the Australian macroeconomic environment for some time, yet this unprecedent period does not appear to have caught the AER's the attention.

Consumers should not be left wondering what the AER considers to be a reasonable threshold for assessing the environment in which it is exercising its regulatory powers. Additionally, consumers should not be left with the perception that ‘the squeaky wheel gets the grease’. A review of existing parameters should be based around the AER’s independent assessments of the need for change, rather than based on the loudest objectors to the current process, particularly in the absence of evidence of sustained harm resulting from the current process.

Consequences of ‘declaring’ the environment

To the best of the CRG’s knowledge, this is the first time the AER has examined and reached conclusions about the type of environment in which a RoRI review is taking place at a point in time. Given the lags in the regulatory process, the current RoRI review will have implications for network revenues and consumer prices until 2031 as shown in the figure below.

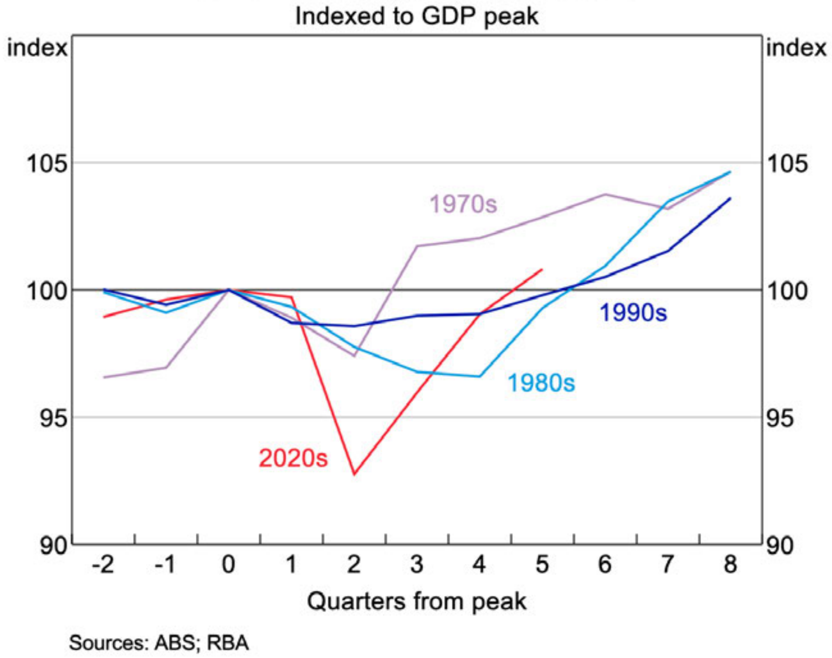
Figure 3-1: RoRI review process



It is doubtful that the 2020-21 environmental circumstances will have any bearing on the prevailing environment ten years later. The following RBA chart was presented by Luci Ellis, Assistant RBA Governor in a recent speech to the AI Group. It provides insight on the dangers of predicting economic outcomes by extrapolation of current conditions.[16]

[16] Ellis, Luci, *Lessons and Lasting Effects of the Pandemic* (June 2021)

Figure 3-2: GDP Through Recessions



The above figure suggests extreme caution must be exercised before amending the regulatory framework in response to contemporary events – particularly, and perhaps paradoxically, when these events are more extreme. To further reference Ellis:[17]

> *"The outcomes have diverged wildly from expectations"*
>
> *"Forecasting in this environment is inevitably an exercise in humility"*
>
> *"Even before the rollout of vaccines, Australia's recovery exceeded all expectations. Employment and output are already above pre-pandemic levels. Unemployment has returned to its pre-pandemic levels"*

For these reasons, it is important that the AER considers the economic cycles and past crises to reflect the underlying capacity of the economy to recover, or as Ellis said, "*when the crisis is over, people bounce back"*. [18]

The CRG therefore contends the burden of proof lies with the proponents for change to demonstrate they are not merely reacting to current events, but are genuinely advocating for enduring improvements to the regulatory framework.

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[17] Ellis, Luci, *Lessons and Lasting Effects of the Pandemic* (June 2021)

[18] Ellis, Luci, *Lessons and Lasting Effects of the Pandemic* (June 2021)

Evidence of a low interest rate environment

Although the CRG accepts the AER's finding that interest rates are currently 'low' by historical standards, it also observes that this finding may not be relevant to the regulatory framework.

The legislative and regulatory instruments governing the economic regulation of the electricity and gas networks repeatedly emphasise the long term nature of the framework. For example, this includes concepts such as the long term interests of consumers, long term planning and the long run marginal costs. All these references seek to guide regulatory decision-making away from reactive or short-term considerations.

The regulatory framework's emphasis on long term considerations suggests the relevant question for the AER is not whether financial markets *currently* reflect a low interest rate environment, but whether there has been a permanent (or at least persistent) shift in interest rates. This invites the obvious question:

- How should "low" be defined?

Figure 9 in the *LIRE paper* is reproduced below in Figure 3-3. Clearly, bond rates have been in general decline since 2011 and they reached all-time lows following the onset of the pandemic. The figure also highlights a significant uptick in rates in 2021, perhaps signalling the beginning of a market recovery as mooted by the RBA's recent statements. Such observations clearly caution regulators against becoming 'spooked' by stakeholders' over-reacting to current events.

Figure 3-3: Comparison of AER BBB estimate and AER risk free rate (May 2010 to February 2021)[19]

Sources: RBA; Bloomberg; AER

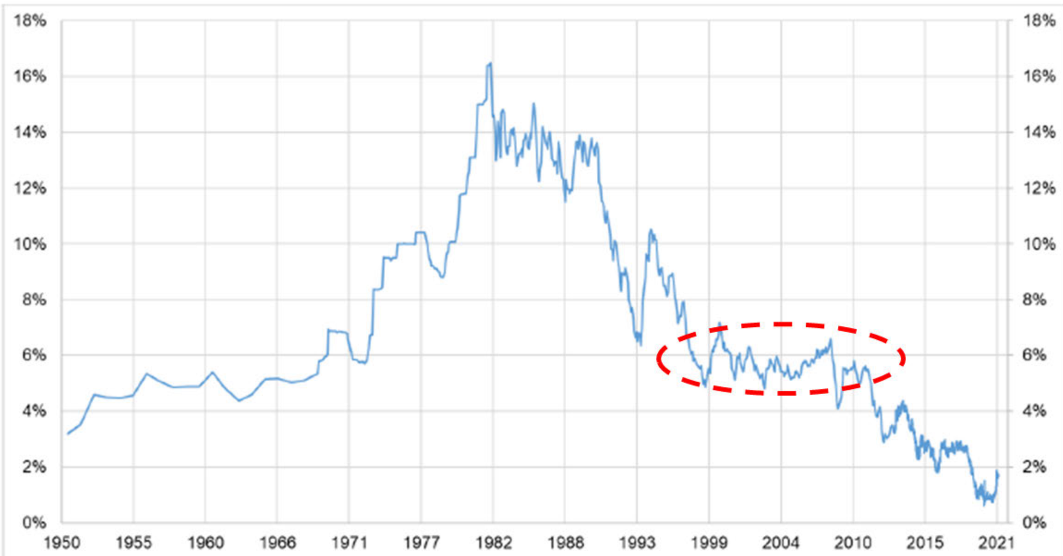
[19] AER, *LIRE paper* (May 2021), p 18

Figure 3 of the *LIRE paper* is also instructive and is reproduced below. While it highlights the long-term decline in rates since the 1980s, it also suggests that the high rates of the 1970s and 1980s were a historical anomaly and need to be assessed critically before they are included in any assessment of what may be historically 'normal'.

The figure also highlights how the period from the late 1990s through to the first decade of the new century was an era of historically stable interest rates. Interestingly, this period coincides with the establishment phase of the economic regulation of network service providers. It also follows on from the RBA establishing an inflation target of 2 per cent – 3 per cent in the medium term.

The CRG suggests that this long period of stable rates may have anchored investors' and networks' expectations, leading them to expect returns at a level that are inconsistent with contemporary market conditions of low interest rates.

Figure 3-4: Historic Australian interest rates on 10 year Government bond yields[20]



Source: RBA

[20] AER, *LIRE paper* (May 2021), p 13

3.1.3 Recommendation 1

The AER should:

- define and consult on the evidentiary thresholds that need to be satisfied before it reviews the 'environment' in which a regulatory review is being conducted; and
- having established those thresholds, demonstrate that proposed changes to the framework are enduring rather than merely reacting to current environmental factors.

3.2 Is the regulatory framework still applicable in a low interest rate environment?

Having found that current circumstances reflect a low interest rate environment, Chapter 3 of the *LIRE paper* concludes:

> *"This suggests that we should consider whether our framework remains appropriate in this environment."* [21]

Chapter 4 of the *LIRE paper* responds to this conclusion by examining the relationship between the risk free rate and parameters in the CAPM and WACC models, while Chapter 5 reflects on the relationship between low interest rates and various financial measures. The *LIRE paper's* conclusions on the regulatory allowance for debt are clear:

> *"[O]ur return on debt has declined significantly, but so have the costs of securing debt."* [22]

The *LIRE paper* is more equivocal in its commentary on the allowed return on equity:

> *"One view is that the expected return on equity moves on average with interest rates. Another view is that the expected return on equity on average may not change with movements in interest rates."* [23]
>
> *"At the current time when interest rates have declined significantly, we consider it is important to review the available material on this relationship again."* [24]

When commenting on the overall framework, however, the *LIRE paper* conclusions appear more definite:

> *"Overall our return on capital is appropriate and adequately compensates debt and equity investors."* [25]

[21] AER, *LIRE paper* (May 2021) p 21

[22] AER, *LIRE paper* (May 2021) p 4

[23] AER, *LIRE paper* (May 2021) pp 5-6

[24] AER, *LIRE paper* (May 2021) pp 5-6

[25] AER, *LIRE paper* (May 2021) p 40

"The current regulatory framework provides investors with a stable and predictable regulatory investment framework that includes an ex-ante return on their investments. This allowed return should be commensurate with the efficient financing costs of these regulated investments."[26]

3.2.1 CRG response to the headline question

The commentary in the *LIRE paper* is not always clear whether the AER considers the current regulatory framework is applicable in a low interest rate environment. The CRG's impression is that the AER remains committed to its current approach, although the AER is open to new evidence, suggesting particular elements may need to be revisited.

The CRG supports the AER's finding but emphasises the evidentiary threshold for changing the framework should be established in advance, and includes consultation with consumers and other stakeholder.

3.2.2 CRG's concerns with the subtext behind this issue

Relationships between 10 or 5 year estimates?

The *LIRE paper* does not elaborate how it will assess relationships between the inputs to the rate of return formulation, or the data it will use. In the absence of statements to the contrary, it would seem the AER intends to use long term estimates for the various inputs (proxied over 10 year estimation terms).

The *Term paper* signals the AER's intention to shift to estimates of the risk free rate that match the term of the regulatory period. In most cases, this will be five years. While the *Term paper* indicates this would involve switching to a five year estimate for the risk free rate, it provides no insight into how (or whether) the AER would also look to apply five year estimates for the inputs to the CAPM. These matters are the subject of considerable concerns, as discussed in the CRG's submission on the *Term paper*.

In any event, for the purposes of this submission, the CRG observes that any relationships the AER might or might not find when using 10 years estimates of the inputs, may or may not hold if it shifts to using five year estimates in the RoRI, and five year estimates of inflation.

Consumers' confidence in any revisions to the regulatory framework would be supported by the AER explaining, and consulting on, its intended approach to assessing relationships between inputs to its rate of return methodology.

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26 AER, *LIRE paper* (May 2021) p 48

Correlations between inputs to the regulated rate of return

The regulated rate of return is determined via two mathematical relationships. The CAPM formulation is applied to derive a return on equity while a weighted average cost of capital (WACC) is used to determine the balance of compensation for debt and equity costs.

Chapter 4 in the *LIRE paper* reflects on claims by the networks and their advisers of relationships between various inputs to these formulae. At various places in the chapter, the AER commits to empirically investigating whether relationships or correlations exist between the risk free rate and:

(i) the market risk premium used in the CAPM;

(ii) the beta parameter in the CAPM formula;

(iii) the debt risk premium associated with the cost of debt; and

(iv) the gearing ratio used in the WACC formula.

While Chapter 4 reflects on some of the arguments for and against claims that these inputs may be related, it does not reflect on the significance of any finding of a correlation between some or all of the inputs might mean for the regulatory model.

Economic relationships, such as the one described by the CAPM formula, assume the formula's inputs are independent. On this basis, the inputs to the formula can be estimated empirically and plugged into the equation to produce (subject to sufficient data) an efficient and unbiased estimate of investors' *ex-ante* required return on equity.

If, for example, the AER concludes the market premium is correlated to the risk free rate, then two of the inputs to the CAPM formula would no longer be independent. Alternatively stated, the market risk premium could be rewritten as a function of the risk free rate. This would leave the return on equity formula as a function of two rather than three independent variables, i.e. the risk free rate and beta. If beta was also found to be related to the risk free rate, then the formula might contract to one independent variable.

If the CAPM formula was contracted from three independent inputs to only two or one independent inputs, it would no longer be the CAPM formula on which the entire regulatory framework is predicated.

In undertaking its empirical analysis, the AER will possibly find other independent factors which have explanatory power in estimating the relationships between inputs to the CAPM. These factors could then become useful inputs to the AER's estimation methodologies.

Whether the CAPM contracts or expands as a result of the AER analysis of the potential relationships between inputs, a new formula for estimating the return on equity would represent an alternative asset pricing model. However this raises the question, what would be the theoretical foundations of that alternative model?

As Partington and Satchell wrote in their advice to the AER in 2020:

> *"It is desirable for there to be a well-accepted theory that explains how and why an asset pricing model determines required returns."*[27]

and also quoting Fama and French:

> *"We worry, however, that opening the game to factors that seem empirically robust but lack theoretical motivation has a destructive downside – the end of discipline that produces parsimonious models and the beginning of a dark age of data dredging that produces a long list of factors with little hope of sifting through them in a statistically reliable way."*[28]

The CRG shares these worries and is concerned the AER's search for correlations might take the regulatory framework in such a direction.

In its December 2020 paper on the CAPM model,[29] the AER reached two conclusions relevant to the *LIRE paper*. First, it endorsed the ongoing use of the CAPM model (specifically the SL-CAPM) for regulatory purposes. That endorsement would be rendered void if it now concluded inputs to the model were correlated. Second, the AER rejected other versions of the CAPM on the basis they lacked the theoretical foundations of the SL-CAPM, even if at times those other versions of the CAPM performed well empirically.

This insistence on a firm theoretical foundation for any model the AER applied would suggests that if the AER finds inputs to the formula are correlated, it will need to pursue a new theoretical foundation for its regulatory task.

A further matter that the AER must investigate is the stability of any correlations between the model inputs. Alternatively, if the correlations are observed to change over time, then the driver(s) of those changes must be identified and quantified. In the absence of data supporting a stable relationship or the absence of a clearly evidenced and theoretically sound explanation of changing relationships, the AER's position in the 2018 RoRI should prevail.

Overall, the CRG is concerned the *LIRE paper* does not contemplate the consequences of finding correlations between the inputs to the AER's preferred formulation for deriving a return on equity. As made clear in its submission on the *Term paper*, the CRG agrees that any methodology the AER adopts must have sound theoretical foundations.

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27 Partington, G. and Satchell, S., *Report to the AER: Alternative asset pricing models* (June 2020) p 9

28 Fama, F. and French, K., 2017, Choosing factors. Chicago Booth working paper, subsequently published in Journal of Financial Economics, (2018) p 7

29 AER, *Rate of return. CAPM and alternative return on equity models. Final working paper* (December 2020)

3.2.3 Recommendation 2

> The AER should:
>
> - explain and consult on its intended approach to assessing relationships between inputs to its rate of return model; and
> - explain how a finding of any such relationships would affect the theoretical foundations of its approach to estimating the rate of return.

3.3 Does financeability need to be addressed in the RoRI?

The *LIRE paper* rejects suggestions that the RoRI should have regard to financeability considerations:[30]

> *"The view we expressed in that process*[31] *was that financeability considerations should not be used to directly adjust our rate of return parameters and further consideration has not altered our view based on the information currently before us."*

3.3.1 CRG response to the headline question

The CRG supports the AER's assessment of financeability issues as they apply to regulated energy networks in Australia, including the conclusion that the primary responsibility for financeability lies with the regulated business.

The CRG considers that network representations have offered little to counter the AER's assessment, which is understood to be broadly consistent across the 2018 RoRI review, the AER's input to the AEMC rule change process on financeability of the Integrated System Projects (ISP) and this latest working paper.

3.3.2 CRG's concerns with the subtext behind this issue

Why has the AER revisited financeability?

Claims about financeability have surrounded the regulatory framework for some time. As the *LIRE paper* notes:

> *"Financeability is not a new concept, and has been considered by us in the past."*[32]

[30] AER, *LIRE paper* (May 2021) p 6

[31] The reference to "That process" relates to a recent review by the AEMC of a special rule change request from Transgrid and Electranet

[32] AER, *LIRE paper* (May 2021) p 35, (also see Appendix C)

The *LIRE paper* also notes:

> *"Recently, a number of network service providers raised concerns about their ability to meet their financing requirements and to efficiently raise new capital."*[33]

The evidence in support of these "concerns" appears to have come from a report from Frontier Economics commissioned by four of the Victorian distribution companies and submitted to the AER in November 2020.[34] There is no further reference to the analysis Frontier Economics analysis. Nonetheless, the *LIRE paper* continues to discuss financeability, based on stakeholders expressed concerns with two financial indicators; regulatory net profit after tax (NPAT) and the funds from operations (FFO) to net debt ratio.

These two measures are applied to the 'benchmark' efficient financed network, rather than to actual accounting outcomes of the businesses. Nevertheless, the benchmark is informed by the actual financial practices and outcomes of the networks, and the CRG sees no compelling evidence that the networks have suffered financial distress, failed to provide dividends to their investors or had their credit rating downgraded as a direct result of the 2018 RoRI.

It is not clear why the AER has considered it necessary to respond yet again to financeability concerns in the absence of compelling new evidence from the networks. The CRG has not independently assessed the Frontier Economics report but observes it offers a high-level desktop analysis and cannot be treated as 'hard evidence' of networks confronting an immediate or imminent financeability constraint.

The CRG also notes the advice the AER received from the ACCC's Regulatory Economics Unit (REU).[35] The REU advised that the total revenue compensation for the return on the capital building block is received in two forms, the cash flows (income) and the RAB indexation (capital gains).

In addition, the REU advice identifies that the measures of financeability, such as NPAT and cash returns to equity, will be affected by the level of expected inflation, gearing and the allowed return on equity.

The REU's paper confirms the AER's and the CRG's view, that the simple financial measures used by the networks to support their case fail to capture the overall financial position of the networks, and the response to this position by the rating agencies. They also ignore the qualitative factors that rating agencies apply in their assessments.

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[33] AER, *LIRE paper* (May 2021) p 38

[34] Frontier Economics, *The impact of artificially supressed government bond yields* (2020)

[35] AER, *LIRE paper* (May 2021) pp 39- 44, and Appendix B.

As with the observations made in Section 3.1, the REU paper also demonstrates it is important for the AER to define the thresholds and evidentiary requirements that need to be satisfied before it responds to network 'concerns'. Failure to do so, while continuously reacting to such 'concerns', leaves consumers with the impression that networks are disproportionately influencing the regulatory agenda. Consumer representatives supported these impressions in the CRG's consumer workshop on 9 June 2021.

The AER must consult if compelling new evidence is submitted

The CRG is concerned that network stakeholders' focus on narrow quantitative assessments such as FFO/debt thresholds in isolation are poor proxies for the broader quantitative and qualitative evaluations carried out by ratings agencies. Previous analysis that comes much closer to reflecting rating agency practices has been carried out by the Australian Energy Council in its submission[36] to the 2018 draft instrument and by CEPA for the AEMC[37] in its recent rule change process. Both these analyses support the conclusion that the 2018 RoRI represented a broadly financeable rate of return. We note these analyses as obvious and credible contrasts to the networks' presentations of the issues, although the CRG recognises the AER must satisfy itself about these matters.

Given these factors, the CRG has not carried out further work on financeability issues at this stage. There are implications if networks or other stakeholders produce genuinely compelling evidence of a need for the AER to evaluate the financeability of regulated networks. This evaluation should occur within the RoRI review. If the AER revises its position, the CRG emphasises that it is essential that the AER consults further on this potential revised position rather than simply publishing its view in a final working paper.

Special cases cannot become the 'thin edge of the wedge'

The *LIRE paper* mentions complications arising from necessary large new network investments in the future, for example, as identified in AEMO's ISP.[38] These new investments could be undertaken by new entrant or incumbent service providers. In either case, the CRG recognises there may be reasons why the RoRI's generic rate of return may not be appropriate in these special circumstances.

The CRG is concerned that the gradual drift in the design of the regulatory framework from its original 'set-and-forget' conception, could be hastened if networks and investors seek to use

36 Australian Energy Council, *Untitled* (2020)

37 CEPA Economic Matters, *Financeability of ISP Projects Australian Energy Market Commission*, January 2021

38 Australian Energy Market Operator, *2020 Integrated System Plan*, July 2020

such projects to gain favourable amendments to the generic returns earned by networks. Section 4 discusses this gradual drift in further detail.

3.3.3 Recommendation 3

The AER could enhance consumer confidence in the regulatory framework:

- if networks were not seen to be 'calling the shots' for the regulatory agenda; and
- the AER demanded a clear standard of compelling evidence before it responded to networks' concerns.

4 Taking a consumer perspective

The CRG has been charged by the AER to be a voice for energy consumers in the RORI review currently underway. The CRG has sought to do this by:

(i) placing itself in the shoes of 'ordinary' customers as it engages in the regulatory review;

(ii) engaging directly with consumer representatives; and

(iii) surveying household and business customers.

This section briefly seeks to convey how the RoRI review process to date appears from a consumer perspective. Section 5 of this report provides a summary of the insights provided to the CRG by the consumer advocates on consumer perspective.

4.1 Evidence supporting claims that proposed changes are in the LTIC

While the CRG understands the AER's obligations in law to conduct a review of the RoRI every four years, the AER's apparent questions seems to arise out of a need to be seen to be responsive to networks' complaints about any part of the rate of return framework and the estimation of expected inflation. This occurs even in the absence of sound evidence of a deficiency in the framework or material new information that may be sufficient to drive a change in approach.

The thrust and parry of network and investor arguments and the regulator are almost exclusively abstract, focussed on the so-called benchmark efficient financed network and without consideration of the total benefits of the regulatory framework.

Little or no effort is made to demonstrate 'real world' circumstances necessitating claims of required changes, nor is attention paid to the concrete consequences for consumers if such changes were to proceed. While regulatory officers joust over claims and counter claims, consumers pick-up the tab.

Of course, networks, investors and the regulator repeatedly refer to pursuing the long term interests of consumers. Such appeals to benevolence look hollow when no serious attempt is made to meaningfully define (and quantify) how their obstruse debates will ultimately affect consumers' lives other than vague threats or promises about future reliability outcomes.

The CRG is not aware of any evidence of a decline in reliability of the networks since 2018 (other than due to extreme climate events), nor do the network's capital expenditure proposals to the AER indicate any hesitancy to undertake capital investments.

Alternatively, consumers are not guaranteed that more money to the network through changes that result in a higher return will result in efficient and prudent investment in the network. The massive over-investment in capacity from 2009 to 2014 suggests a contrary outcome and one that has come at a significant cost to consumers.

Since 2014, the allowed rate of return has progressively reduced in line with reductions in interest and bond rates. In its 2020 report on network performance, the AER notes:

- "*network reliability has improved over recent years.*"[39]
- *"there has been a significant increase in the capacity of the electrical supply system since 2006… This has meant that utilisation of networks is lower than 2006."*[40]
- *"regulated NSPs have become less profitable in recent years, following reductions in the allowed rates of return."*[41]
- *"nonetheless, our analysis of market evidence suggests that investors continue to view allowed returns as being at least sufficient to attract efficient investment"* [42]

4.2 Stability is everywhere but in the actions of the parties

All parties to the RoRI review, including the CRG, repeatedly appeal to stability as a guiding principle for the review and administration of the regulatory framework. As observed in Section 3.1 of this submission, it appears that for networks and investors, stability means a return to the returns benchmarks established under previous legislative and regulatory frameworks that were subsequently overturned during the development of the 2018 RoRI.

Neither the *LIRE paper* nor the *Term paper* explicitly describes the AER's definition of stability, although it is implied in statements such as:

> *"Our preliminary position is to maintain the use of a trailing average return on debt. We consider this would provide certainty and stability for businesses and consumers."*[43]
>
> *"Maintaining a ten-year term* [for the return on equity] *would promote regulatory stability and predictability because we have adopted it since the 2009 WACC Review."*[44]

These statements imply the AER interprets 'stability' as maintaining existing practice, rather than the outcome produced by that practice. Importantly, the *Term paper* concludes in favour of maintaining existing practice for the trailing average return on debt but abandons existing

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39 AER, *Electricity Network Performance Report* (September 2020) p 2

40 AER, *Electricity Network Performance Report* (September 2020) pp 2-3

41 AER, *Electricity Network Performance Report* (September 2020) p 3

42 AER, *Electricity Network Performance Report* (September 2020) p 3

43 AER, *Term Paper* (May 2021) p.5

44 AER, *Term Paper* (May 2021) p 41

practice for the return on equity. This signals that the AER views 'stability' as a principle guiding its regulatory task, rather than the objective of its regulatory task.

The CRG concurs with the AER's interpretation that stability should be viewed as a principle rather than an objective of regulatory design and administration. In this respect we support the AER's views in the *LIRE paper* that:

(i) CGS yields remain the best proxy for the risk-free rate, and

(ii) the AER does not need to introduce a financeability check to its RoRI reviews.

While we question the need to revisit these issues through a working paper, the CRG agrees with the AER's conclusions.

Conversely, the CRG is yet to understand the AER's driver for reopening questions related to the relationship between the risk free rate and other components of the SL-CAPM. It does not logically follow from the risk-free rate being historically low (albeit observed previously during the 1940s and 1950s) that these matters require consideration. The CRG expects a clear weight of new academic and/or empirical evidence regarding such relationships to re-open these debates. The CRG also expects the proponents of change to clearly demonstrate the benefits to consumers in prices and/or services, and to do so beyond traditional, but unsupported trade-off claims.

4.3 A 'high bar for change' is about accountability not inertia

The CRG's fifth principle states:

- *"There should be a high bar for change".*

It has become apparent to the CRG that the AER has difficulty to apply this principle and has therefore been somewhat dismissive of it, even questioning whether it is an advocation for *no* change.

The AER's difficulty appears to derive from the subjective nature of 'high'. The AER considers (rightly) that many of its decisions already involve *judgement* and therefore, the CRG's principle provides no further insight into how that judgment ought to be exercised. Alternatively stated, the AER appears to believe that it is implicitly setting the bar at the appropriate height by virtue of its decisions.

This self-referential argument does not engender confidence in consumers who are unable to see into the AER's mind. Consumer advocate feedback collected by the CRG clearly demonstrates apprehension about how the AER is setting the 'height of the bar' and whether it is too indulging of arguments that have been made (and rejected) repeatedly over the years.

The above quotes from the AER's *Term paper* indicate that it recognises how the longstanding nature of the regulatory framework establishes its own precedent value. The AER firmly agrees with this view. However, it appears, the AER places less weight than consumers on the importance of regulatory precedent when setting the height of the bar for change.

In its submission on the *Term paper*, the CRG observes:

> *"The CRG holds that the AER should not be held hostage to precedent, but it is accountable for abandoning a precedent of its own making. The burden of proof for abandoning such a precedent – or the responsibility for acknowledging an error its previous judgment in these matters – lies solely with the AER."*[45]

The CRG's principles outlined earlier in this submission identify the matters the AER should consider when exercising its judgement in the interests of consumers. Such matters would be irrelevant if the CRG opposed changes to the regulatory framework as a matter of principle. The CRG does not equate stability with inertia. Instead, the CRG contends that stability means the AER is responsible for establishing *ex-ante* the threshold for abandoning precedent, and then demonstrating that the relevant threshold has been satisfied (for example, as per Recommendation 1 of this submission).

4.4 Squaring the circle by taking a quid pro quo approach to reviewing the RoRI

The *LIRE paper* and the *Term paper* both emphasise the imprecise nature of determining the rate of return.

> *"For return on equity, experts and regulators often reach differing positions on the strengths and weaknesses of different models and how those models should be implemented."*[46]

> *"Estimating the rate of return is difficult and contentious. It requires regulatory judgement to assess the complex and sometimes conflicting evidence; and to engage with finance theory, academic literature and market practice. There is no one 'right answer' to be found."*[47]

Despite this imprecision, the *LIRE paper* confidently concludes:

> *"The current regulatory framework provides investors with a stable and predictable regulatory investment framework that includes an ex-ante return on their investments."*[48]

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[45] CRG, *Advice to the Australian Energy Regulator on the Term of the Rate of Return submission on the Term paper* (July 2021)

[46] AER, *LIRE paper (May 2021)* p 22

[47] AER, *Term paper*, *(May 2021)* p 2

[48] AER, *LIRE paper*, *(May 2021)* p 48

Given these statements, the AER should not be surprised that consumers are both wary and weary of the seemingly endless cycle of reviews into matters previously settled. In the *LIRE paper* and the *Term paper*, the AER throws open these doors once again – seemingly in response to the special pleadings of the networks but without any expectation that networks demonstrate how reconsidering these matters will benefit consumers.

To date, the only 'benefits' the networks have offered consumers is that services will not decline and suggesting prices will not need to increase in future if they succeed in their pleadings. These thinly veiled threats do not engender confidence in the regulatory framework. As the CRG's first principle states:

> ***A regulatory framework serving the long-term interests of consumers must promote behaviours that engender consumer confidence in the framework.***

The AER must take responsibility for creating a regulatory environment where such threats can be made with impunity. The AER could rise to this challenge by recognising the high value consumers place on precedent and stability, and therefore placing a burden of proof on networks to demonstrate how any rescission of precedent would be offset through additional benefits to consumers.

The AER should similarly respect the value consumers place on regulatory stability. When making a regulatory decision that abrogates a precedent it has established for determining the rate of return, the AER should comprehensively and transparently outline the additional benefits consumers will receive as a result.

4.5 Recommendation 4

To uphold consumers' confidence in the regulatory framework, the AER should:

- require networks advocating for changes to the RoRI to demonstrate the benefits accruing to consumers as part of those proposed changes; and
- reflect the value consumers place on regulatory stability, by clearly demonstrating the benefits for consumers from changes to its methodology for estimating the rate of return.

5 Consumer advocates feedback on the *LIRE paper*

5.1 Context

On 9 June 2021, the CRG held a two-hour online workshop using MSTeams with eleven invited consumer representatives to provide an overview of the AER's *Term paper* and *LIRE paper* and seek their initial reaction to the AER's papers. The CRG provided participants with copies of the working papers ahead of the workshop.

A CRG member facilitated the workshop, which was structured around the *Term paper* and the *LIRE paper*. Throughout the workshop, participants were encouraged to provide comments and ask questions using the chat function in MSTeams, as well as in a facilitated question and answer session.

CRG members used PowerPoint presentations to inform participants about the contents of the working papers, including AER arguments for and against changing the term.

Participants were given an opportunity to provide comments and ask questions before the CRG presented its perspective on the papers.

The second half of the workshop began with a short presentation by the CRG of its preliminary assessment of the *Term paper* and the *LIRE paper*s. This presentation was followed by a further discussion where consumer representatives were invited to reflect on the CRG's preliminary views. Importantly, the workshop was aimed to ensure consumer representatives were able to express their own views on the *Term paper* before the CRG shared its preliminary views.

The CRG is grateful for consumer representatives' willing participation and anticipates ongoing engagement with consumer representatives throughout the development of the RoRI.

5.2 Key findings relevant to the *LIRE paper*

The CRG has provided a more detailed review of the workshop outcomes in its advice to the AER on the *Term paper*[49] as this was a priority area in the discussions. However, consumer representatives did also provide comments that are relevant to the *LIRE paper* and the CRG's advice to the AER on that paper. In summary, they indicated:

- They are not convinced of the need for change, when there is no evidence that networks are in difficulties in the 'real world' and still proposing substantial capital investment.
- They are concerned that the AER may be contemplating changes when a case for change has not been made by the networks or the AER.

[49] CRG, *Advice to the Australian Energy Regulator on the Term of the Rate of Return submission on the Term paper* (July 2021)

- They are concerned the networks are driving the agenda for the AER to make changes that are not in consumers interests.
- They value regulatory precedence, predictability and stability in the framework and the pricing outcomes.
- They expect the AER to conduct an *ex-post* evaluation of its of its rate of return decisions.
- The AER consults with consumers, and if there is a change, providing clear reasons for this change, expressed in terms of consumer outcomes.
- The AER should take a longer-term view of the business cycle, and not be overly focussed on the current conditions in the market place.

AER Consumer Reference Group

Appendix A: Overview of CRG Consumer Survey

The CRG requires direct evidence of consumers' preferences and interests to provide a broad context for its advice to the AER on its regulatory proposals in the establishment of the next Rate of Return Instrument (RoRI).

The CRG greatly values advice it receives from advocates, other consumer representatives, and technical experts. The CRG also believes that it is important to engage widely and directly with energy consumers to obtain their perspectives on issues relevant to the RoRI.

To this end, in June 2021, the CRG conducted an *initial* online survey of a representative sample of 1,000 residential energy consumers[50] and 200 commercial consumers[51] to establish:

- baseline data related to energy consumers' awareness and perceptions of regulatory processes and decisions
- expectations related to regulatory processes and decisions the AER makes on consumers' behalf.

The CRG believes this survey is the first of its kind,[52] and as such provides valuable evidence to inform the perspectives of energy consumers' needs, interests and expectations. This survey also provides the CRG with a sound basis to identify areas where further research with consumers is appropriate, as well as framing its deeper engagement with consumer representatives and advocates who have a greater understanding of regulatory processes and decisions.

The CRG identified a series of high-level issues to test with energy consumers and developed the questionnaire. Energy Consumers Australia, on behalf of the CRG, engaged Indeana to set up the online survey and facilitate the data collection. Indeana managed the age and gender quotas within State. Indeana sourced survey participants from the Researchify[53] online panel.

The CRG has undertaken an initial analysis of the survey data and has referenced some key findings in this submission. We intend to share other findings with the AER and other stakeholders as we analyse the results in more detail.

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50 Approximate residential quotas based on the proportions of households by State, according to the Australian Bureau of Statistics, *2016 Census of Population and Housing, Table Builder*, while Indeana established the age and gender quotas within each State

51 In line with Energy Consumers Australia (ECA) small business definition applied to its *Consumer Sentiment Survey*

52 We acknowledge the ECA regularly surveys residential and commercial energy consumers for its Consumer Survey. However, its focus is on "three key areas of [energy consumer] satisfaction, confidence, and activity", rather than the topics covered in this survey (https://energyconsumersaustralia.com.au/publications/energy-consumer-sentiment-survey-findings-december-2020)

We also acknowledge AER periodically undertakes a survey to monitor its performance from the perspective of those individual stakeholders and stakeholder organisations with whom it engages. However, this survey does not include the general population of energy users (https://www.aer.gov.au/publications/corporate-documents/aer-stakeholder-survey-2018)

53 For details see https://www.researchify.com.au/wdyt-research-panel

Appendix B: Overview of CRG's 9 June 2021 Consumer Workshop

Participants

Name	Organisation
[redacted]	Independent
[redacted]	Major Energy Users
[redacted]	St Vincent de Paul
[redacted]	Independent
[redacted]	Queensland Electricity Users Network
[redacted]	Council of the Ageing
[redacted]	Energy Users Association of Australia
[redacted]	Queensland Electricity Users Network
[redacted]	Council of the Ageing NSW
[redacted]	Council of the Ageing
[redacted]	Canegrowers Queensland

Workshop agenda

1. Welcome and introduction
2. Workshop aims and protocols
3. Context of these working papers
4. High level overview of working papers
5. Participant queries and reactions to the papers
6. CRG preliminary views
7. Question for participants: What would participants want to see to be satisfied the AER has acted in consumers' long-term interests?
8. Conclusion and next steps

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