

Statement

The Consumer Reference Group (CRG)* welcomes the publication on 16 June 2022 of the Australian Energy Regulator's (AER's) 2022 Draft Rate of Return Instrument (Draft 2022 RoRI).

The AER's publication of the Draft RoRI follows over 18 months of consultation on the rate of return that owners should receive for their investments in regulated electricity and gas network assets in the ACT, New South Wales, Northern Territory, Queensland, South Australia, and Victoria. Network costs make up some 30 to 50% of a typical household or small business energy bill, and the rate of return accounts for the largest component of network costs.

The CRG's chair, Bev Hughson, said "the AER's Draft RoRI decision comes at a critical time for the energy market and energy consumers. Efficient investment by network owners in electricity and gas infrastructure is essential as we transition to renewable energy sources. However, it is also essential that consumers pay no more than necessary for the network services they require now and in the future.

The existing RoRI (the 2018 RoRI), which came into effect at the start of 2019, has been a major factor in stabilising, and even reducing network costs to consumers following a decade of significant cost increases.

Increasingly, consumers are also investors in energy infrastructure through rooftop PV, batteries and electric vehicles. We agree with the AER's conclusion in the Draft RoRI that *'minimising change is likely to promote stability and predictability and therefore, efficient investment'* by both networks owners and consumers."

For these reasons, the CRG advised the AER to continue the 2018 approach unless there was clear evidence that a change was required in the long-term interests of consumers. The CRG based its advice on evidence from its research with consumers, consumer representatives and independent investors, who generally supported a stable and predictable regulatory framework and outcomes.

The CRG congratulates the AER on its current comprehensive review process, including the acknowledgement of the role of consumer preferences and the CRG's consumer based principles. We are pleased to note that the 2022 Draft RoRI largely continues the approach adopted by the AER in the 2018 RoRI. The Draft provides a stable and predictable framework for network costs, an outcome that is particularly important for consumers given current inflationary pressures and wholesale energy market volatility.

We thank the AER for their ongoing support of the CRG, and the many energy consumers and representatives who have contributed to our work over the last 18 months. We look forward to continuing to represent consumer interests and perspectives to the AER as it finalises the 2022 RoRI.

* The AER appointed the CRG to advise the AER on consumer perspectives and to represent consumers' long-term interests in the AER's decision on the rate of return.