Debt Raising Costs

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CHAIRMONT
ADVISERS+IMPLEMENTERS

Table of Contents

1 Executive Summary

1.1 Scope of Work

The Australian Energy Regulator (AER) determines the amount of revenue that electricity and gas network businesses can recover from customers for the use of their networks. A key component of this allowed revenue is the 'rate of return' (ROR). This is a forecast of the cost of funds a network business requires to attract investment in its network.

The ROR enables network businesses to obtain necessary funds from capital markets to fund capital investments and service the debt they incur in borrowing the funds. The return on capital makes up approximately 50 per cent of a network business' allowed revenue. This therefore is a key driver of the amount of network charges that consumers pay.

AER's current standard approach to forecasting debt raising costs is based on the approach in a report from the Allen Consulting Group (ACG)[1], commissioned by the Australian Competition Consumer Commission (ACCC) in 2004. However, AER relied on updated market data from 2008–13, as submitted in a report by PricewaterhouseCoopers (PwC)[2] in 2013.

In 2019, SA Power Networks (SAPN) has submitted a report from Competition Economists Group (CEG)[3] proposing additions to AER's estimate of debt raising cost. These additions are:

- an increment to Arrangement fees based on the difference between issue and trading price;
- costs of establishing and maintaining a liquidity reserve to meet Standard and Poor's requirement for an investment grade credit rating; and
- 3 month ahead financing costs.

The Terms of Reference (TOR) are contained in Attachment 1.

1.2 Our Approach

Chairmont's high level approach was as follows:

1. Review the materials referenced in the Request For Quote (RFQ)
2. Examine data obtained from industry participants and stakeholders
3. Conduct a Critical Review of the CEG report
4. Consider materials in Step 2, the Critical Review and the data collected
5. Address questions outlined in the RFQ
6. Review Debt Raising Cost Model
7. Revise or confirm Debt Raising Cost Model
8. Report the findings of the prior steps.

[1] Allen Consulting Group, Debt and Equity Raising Transaction Costs, 2004
[2] PWC, Energy Network Association Debt Financing Costs, 2013
[3] CEG, Debt Transaction costs and PRTM Finding Benefits, 2019

1.3 Key Findings and Solutions - Debt Raising Model

The key findings are:

1. The current model needs adjusting to better reflect debt raising market practice and because of the changes brought about by predominantly private rather than public ownership of energy assets; and
2. The liquidity reserve, committee fee and 3 month financing cost are not debt raising costs.

Diagram 1 illustrates the current and revised models. As it can be seen some one-off expenses have been re-categorised as operating expenses and therefore excluded from the debt raising cost model.

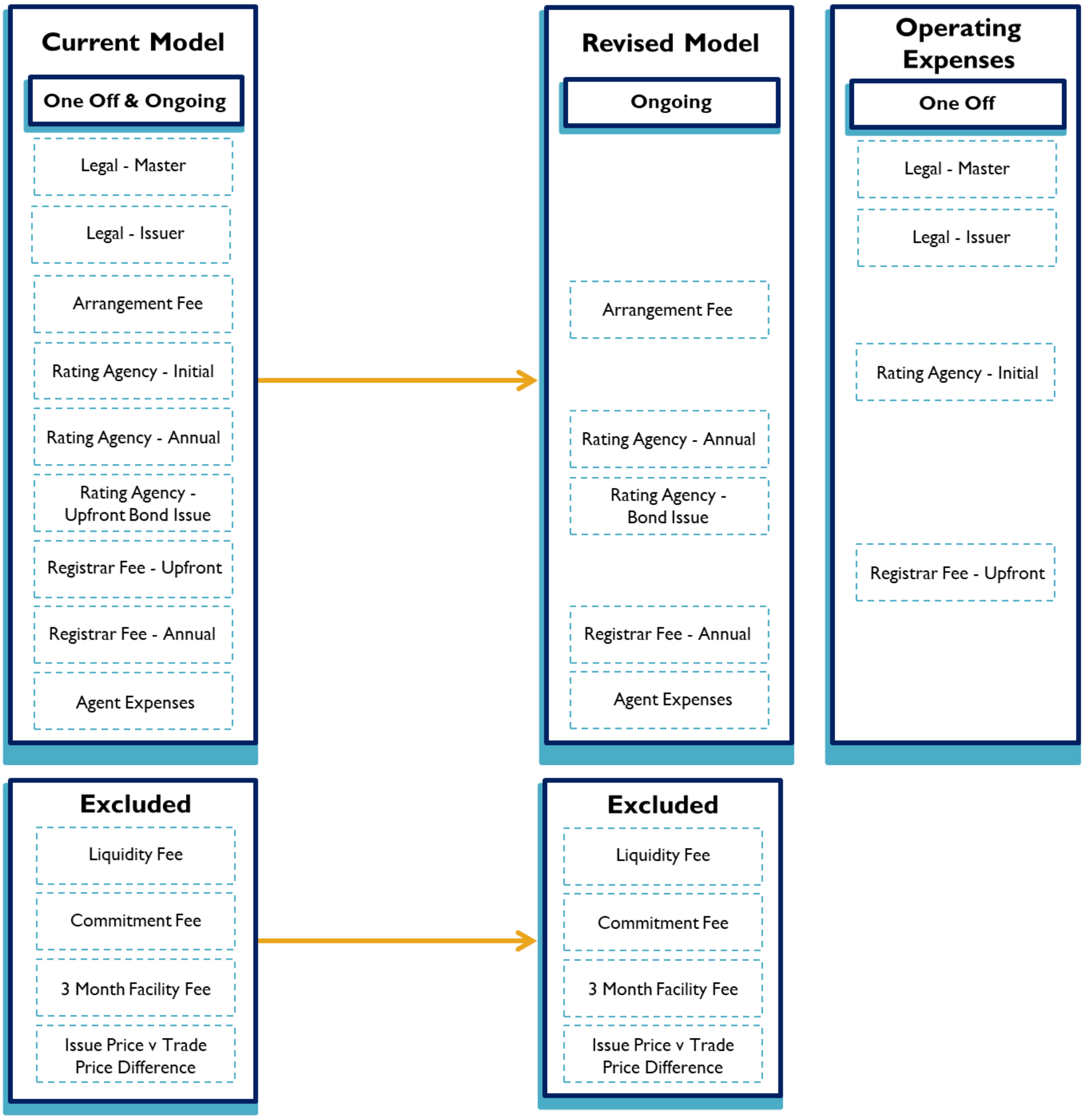


Diagram 1: Revised Debt Raising Model

The proposed changes are:

1. The benchmark should be changed so it is assumed that bonds are repurchased 1 year before maturity and an adjustment to the debt transaction cost model for the shorter term, i.e. 9 years, not 10 years of the bonds being in the market place;
2. The revised model should recognise both one-off and ongoing costs. See diagram 1;

3. The one-off costs should be treated as part of operational expenses[4]. See Section 3.4 Table 1 for explanations on these costs obtained from an informal market research and discussion throughout this report; and
4. Consideration should be given to reducing the benchmark capital raising costs from 9.1bps to between 4.5bps and 7.2bps and adding an operational expense allowance for one-off costs. The upper range being representative of an Australian issuer raising debt globally, rather than domestically as assumed by the benchmark.

1.4 Key Findings and Solutions - Arrangement Fee

The key findings are:

1. The adjustment factor to convert the Arrangement fee into an annual basis points allowance should be the Rate of Return of the Debt, not the Weighted Average Cost of Capital (WACC), so as align the arrangement cost with the cost of debt and exclude the cost of equity;
2. The Bloomberg filters used for bond selection are not a good proxy for the 10 year benchmark debt instrument;
3. The Bloomberg filter of 'All' for maturities is too wide; and
4. The 'annualised basis points per annum' tenor adjustment is not required because of the inclusion of the maturity filter.

Diagram 2 illustrates the revised Arrangement fee components.

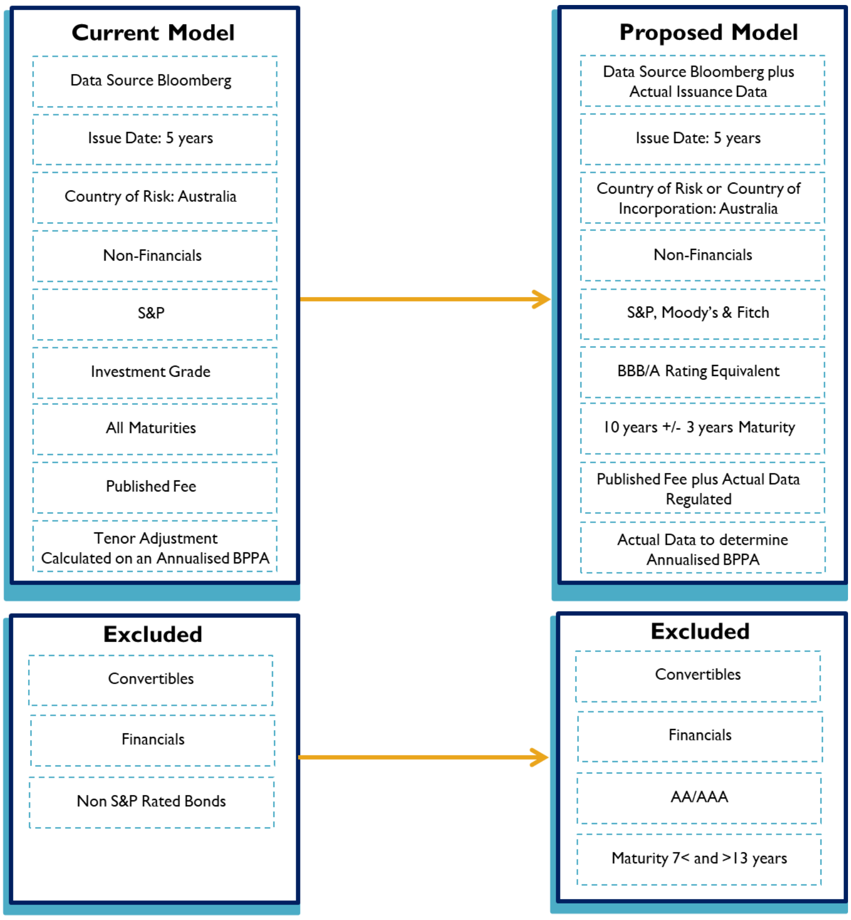


Diagram 2: Proposed Arrangement Fee Components

[4] Rate of Return Instrument Explanatory Statement December 2018, AER pages 302-303

The proposed changes are:

1. Align the Arrangement fee with the cost of debt and exclude the cost of equity. This means that the adjustment factor to convert the Arrangement fee into an annual basis points allowance should be the Rate of Return of Debt, not the WACC;
2. The ‘annualised basis points per annum’ tenor adjustment should be replaced with actual data;
3. The Bloomberg filter for ‘Maturities’ should be changed from ‘All’ to ‘10 +/- 3 years’; and
4. Consideration should be given to changing the Arrangement fee allowance to between 3.23bps and 4.53bps.

1.5 CONCLUSION

The key conclusions are:

1. It is timely to change the debt raising costs to reflect market practices and structural changes to the industry;
2. The Arrangement fee allowance formula should be aligned with the cost of debt and not the WACC; and
3. The more actual relevant data included in a benchmark or used in analysing a benchmark, the better the benchmark will be in representing debt raising costs.

2 SCOPE OF WORK

The scope of work was to:

- Review and update AER's current approach for (and estimates of) debt raising costs where necessary. Chairmont needs to have regard to the rate of return instrument to ensure the approach for estimating the debt raising costs is consistent with the instrument. In particular, the approach for estimating the trailing average cost of debt in the instrument;
- Provide a critical review of the arguments relating to debt raising costs in the CEG's report on 'debt transaction costs and PTRM timing benefits'; and
- Address a series of questions which are set out below and are contained in the TOR.

Questions

- Review and comment on the appropriateness of our current approach (including model) for estimating debt raising costs for a benchmark efficient firm supplying regulated energy services with a 10-year trailing average return on debt including but not limited to:
    a. The criteria for selecting bonds for estimating the Arrangement fee (and the bonds included);
    b. The discount rate used in calculating the annualised Arrangement fee;
    c. The AER's exclusion of outliers (high Arrangement fee bonds) when estimating the Arrangement fee;
    d. Provide updated estimates of the AER's debt raising costs (including benchmark bond issue size);
    e. Consistency with the 2018 Rate of Return Instrument particularly in regard to the return on debt approach; and
    f. Where additional costs need to be included, then provide their estimates, methodology, assumptions and data sources.
- Explain if CEG's adjustment to the Arrangement fee for the difference between issue and trading price reflects the true cost of issuance to a benchmark efficient firm in the supply of regulated energy services and warrants the inclusion of outliers when estimating Arrangement fees.
- Explain if CEG's costs of establishing and maintaining a liquidity reserve and financing 3 months ahead are efficient costs incurred by a benchmark efficient firm in the supply of regulated energy services in the process of raising debt funding.

  When considering these costs, Chairmont should consider the costs expected to be incurred by a benchmark efficient firm in the supply of regulated energy services.
- If the answer to Question 3 is yes, explain if Chairmont considers CEG's approach for and estimates of the indirect costs are appropriate? To answer this question, Chairmont is required to review CEG's approach for calculating the indirect costs in detail and comment on specific areas (such as commitment fees, establishment fees, liquidity reserve, 3 months ahead re-financing costs, etc.). If CEG's approach and estimates are not considered efficient, the Chairmont should provide its own estimates and approach.

If desirable, Chairmont is free to add commentary on other matters they consider of relevance in coming to the right approach to estimating debt raising costs.

3 Debt Raising Costs: Current Approach

3.1 Bond Selection

The bond selection adopted by AER came from the PWC 2014 report which was combined with the findings in ACG 2004[5], that the Arrangement fee charged was invariant to factors such as issue size, term at issuance and credit rating.

An approach that is consistent with benchmarking of debt costs requires factors such as term at issuance and credit rating to be included in the selection of bonds for the benchmarking process. One important principle of sound benchmarking is to have an appropriate proxy.[6]

Chairmont recommends that the bond selection criteria include filters for maturity, rating and non-published data that AER sources from the industry.

There is no published data on arrangements fees for Australian corporations issuing Australian Dollar bonds in the domestic bond market. In this report, the term 'Arrangement fee' will be inclusive of any arrangement, dealer and underwriting fees charged to the company for the issuance of the bonds.

The bond selection criteria requires the Arrangement fee to be published on Bloomberg otherwise it is excluded. This means that only 3% of the bonds that achieved all the other selection criteria, e.g. non-convertible, are included in the data set. This filter skews the data set, so it should be supplemented with additional data.

The bonds included in the benchmarking debt raising costs model are all investment grade, non-convertible bonds, issued globally by Australian corporates and have a Standard and Poor's (S&P) investment grade rating. Financial services sector bonds are excluded.

Bloomberg publishes Arrangement fee data for specific bond issues and the AER relies on updated market data from 2008-13.

Chairmont agrees with the inclusion of international bonds issued by Australian corporations in the bond selection process. International bond markets remain competitive and data on international bond issues by Australian corporates remains a reasonable proxy for fees in the Australian Bond Market and should be included in the bond selection process.

The collection of the data can be shown in Screen Shot 1 where this search criteria has Country of Incorporation, rather than the alternative filter of Country of Risk.

Chairmont recommends that all bonds be categorised on either a Country of Risk, or Country of Incorporation, be included in the bond selection criteria. Although an individual security may then be excluded based on individual characteristics, e.g. tenor, rating, industry or bond structure.

[5] PricewaterhouseCoopers, Energy Networks Association: Debt financing costs, June 2013, page 14-15
[6] Debt Risk Premium Chairmont 9 February 2012 page 6

Screen Shot 1 below is from Bloomberg and it shows the bond selection and how the filters reduce the number of bonds available for inclusion in the data set.

Screen Shot 1: Bond Selection Filters

As it is can be seen the above selection criteria results in only 56 securities being included in the dataset from an Australian data pool of 9,129. PwC adopted the same selection criteria in their analysis over the 2008-2013 timeframe, also the results in the CEG report[7] are similar.

Using the filter "Fee (Total Gross)" and "Has Data" results reduces the pool to 340 bonds, or over 96% of bonds being excluded from the results. This is problematic as it excludes bonds that should be included for capturing Arrangement fee data.

Chairmont recommends that AER revise its bond selection criteria to remove the "Has Data" filter which would mean there is a greater selection of bonds. AER could then examine this pool of bonds and then approach those issuers that it regulates and obtain actual Arrangement fee data directly from them.

3.2 Arrangement Fee Amortisation Rate

Conceptually, the amortisation of a debt Arrangement fee should be consistent with the rate used for the amortisation of any premium/(discount) on that security.

AER's amortisation methodology is to use WACC which includes both the cost of debt and equity in the WACC rate. This approach is not conceptually sound because the cost of equity may be positive, zero or negative with the consequential impact being an over/(under) statement of the amortisation rate.

Chairmont's recommendation is that the amortisation rate from the Arrangement fee be changed from the WACC to the Rate of Return of Debt.

[7] PricewaterhouseCoopers, Energy Networks Association: Debt financing costs, June 2013, and CEG, debt transaction costs and PTRM timing benefits, January 2019

3.3 OUTLIER EXCLUSION

Outliers are included or excluded based on 'annualised basis points per annum' rather than on characteristics of the bonds. Outliers with high annualised Arrangements fees are excluded. It is recommended that AER remove the 'annualised basis points per annum' as part of its bond selection methodology.

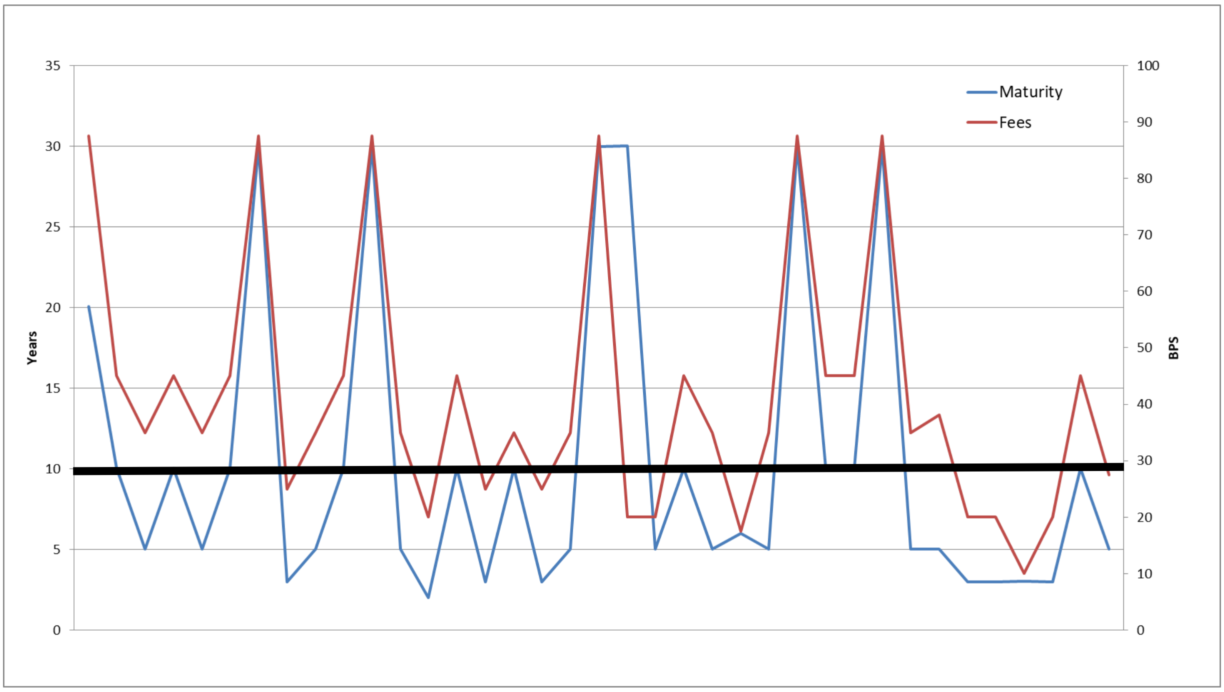
Chairmont conducted informal discussions with several bond market participants on debt raising fees charged. It was found that issuance size, tenor, sector and credit rating of the issuer are factors in the determination of Arrangement fees charged. In summary, the comments were:

- Issuance Size. Large issues are considered to be more liquid, are easier to place and have increased benchmark weighting;
- Tenor. The Arrangement fee could be adjusted lower for shorter maturity bonds or higher for longer term to maturities. This relationship is not linear to the actual maturity of issue, although maturity groupings specific to different markets have similar fees; and
- Sector and Credit Rating. The volatility of the sector, or issuer specific factors may impact the Arrangement fee. Higher rated issuers in a stable sector will normally be quoted a lower fee for a bond issue of the same size and maturity compared to a lower rated issuer in a more volatile sector.

The informal market survey revealed that 30 basis points is the norm for 10 year benchmark investment grade (BBB) bonds.

Chairmont reviewed the bonds in the CEG sample and found that the Arrangement fee did vary for bonds with AAA or AA rating, or short, or very long maturity dates. Bonds with better credit rating and/or shorter maturity date had a lower Arrangement fee, whilst bonds with maturity date greater than 15-20 years had a higher Arrangement fee.

Graph 1 below shows maturity profile compared to Arrangement fees excluding outliers.

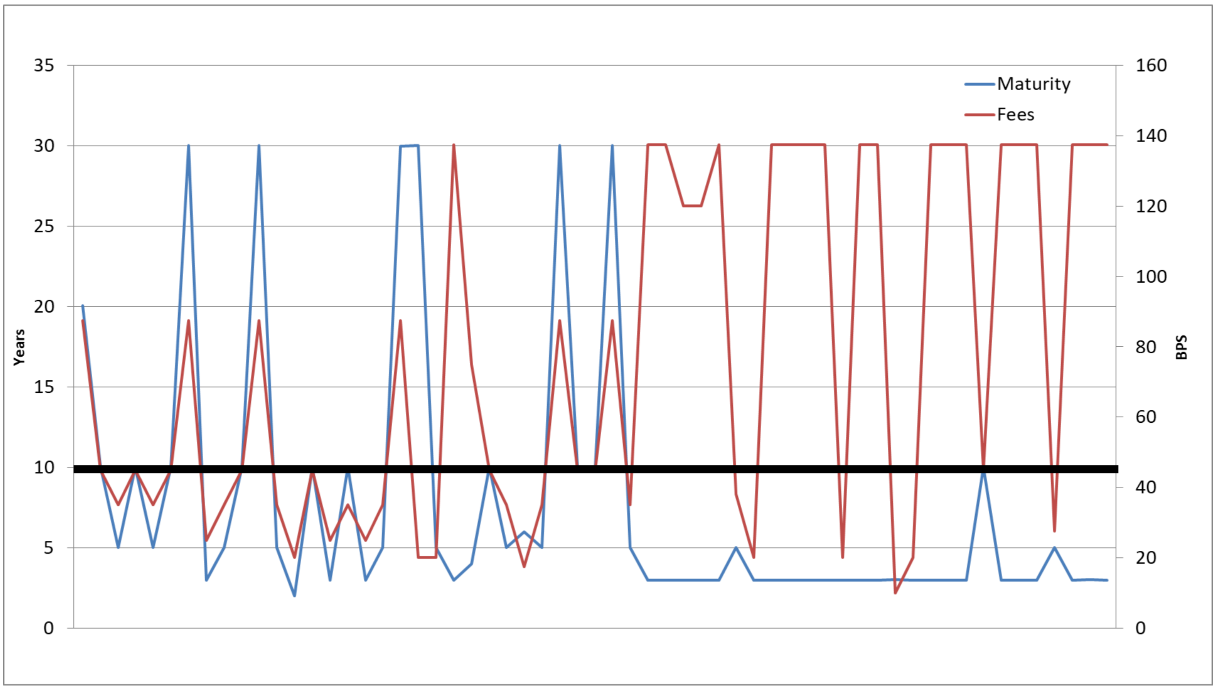


Graph 1: Maturity Profile v Arrangement Fees Excludes Outliers (2008-2018)

Consistent with our discussion with arrangers, Graph 1 above shows that the Arrangement fee on 10 year bonds is approximately 30bps. Whereas, in Graph 2 below the inclusion of outliers increases the Arrangement fee to around 45bps.

The above data set was used to calculate AER's 'annualised basis points per annum' tenor adjustment. As there is a non-linear relationship between Arrangement fee and term, the AER basis approach produces outcomes that are not consistent with Arrangement fees for benchmark tenor 10 year bonds.

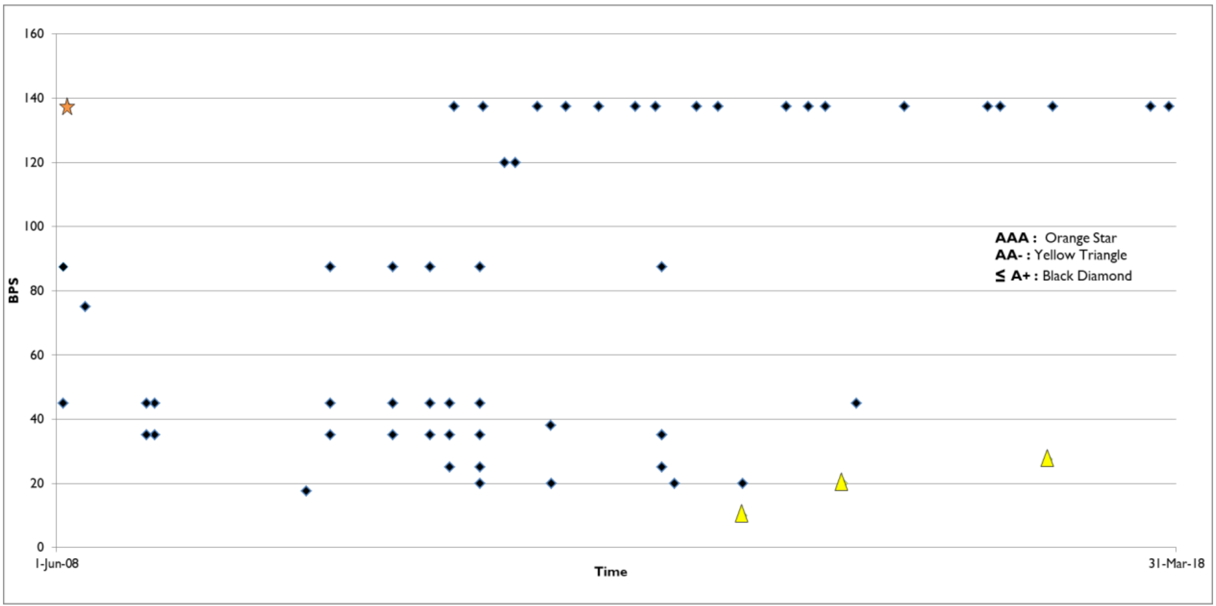
Graph 2 below shows that outliers can be identified as those furthest away from the benchmark debt proxy and by maturity date. Inclusion of actual fee data from the regulated entities would also reduce outliers based on rating, or sector as they are in the same sector in a narrow rating band.



Graph 2: Maturity Profile v Arrangement Fees Includes Outliers (2008-2018)

Access to additional bond debt raising data would assist in validation of the result that the bonds included in AER bond selection process would benefit from the inclusion of criteria on rating and maturity. If so, it would improve the consistency of the model by aligning the bond selection criteria for debt raising costs to the benchmark debt. A larger data set, potentially with actual arrangements fees charged to businesses would assist in validating this conclusion.

Graph 3 below shows credit rating compared to Arrangement fee with the outliers.



Graph 3: Credit Rating v Arrangement Fees Includes Outliers (2008-2018)

As Graph 3 illustrates higher rated bonds, e.g. AAA and AA-, normally have a lower Arrangement fee; however there will always be outliers because of specific features of that bond. Two separate AA- bonds had deal effective dates of 28 April 2015 which are represented by a single (yellow) triangle at 0.2 bps.

Chairmont recommends revising:

1. The credit rating filter to broad BBB and broad A category and to exclude AAA and broad AA; and
2. Replacing 'All Maturities' filter and replace it with a range of '+/- 3 years' around the 10 year benchmark maturity.

Furthermore, the current approach of limiting bond selection to those with a S&P rating should be expanded to include Moody's and Fitch, as there does not appear to be any valid reason for limiting the rating to S&P only for published Arrangement fee data.

Diagram 3 below illustrates the revised Arrangement fee components.

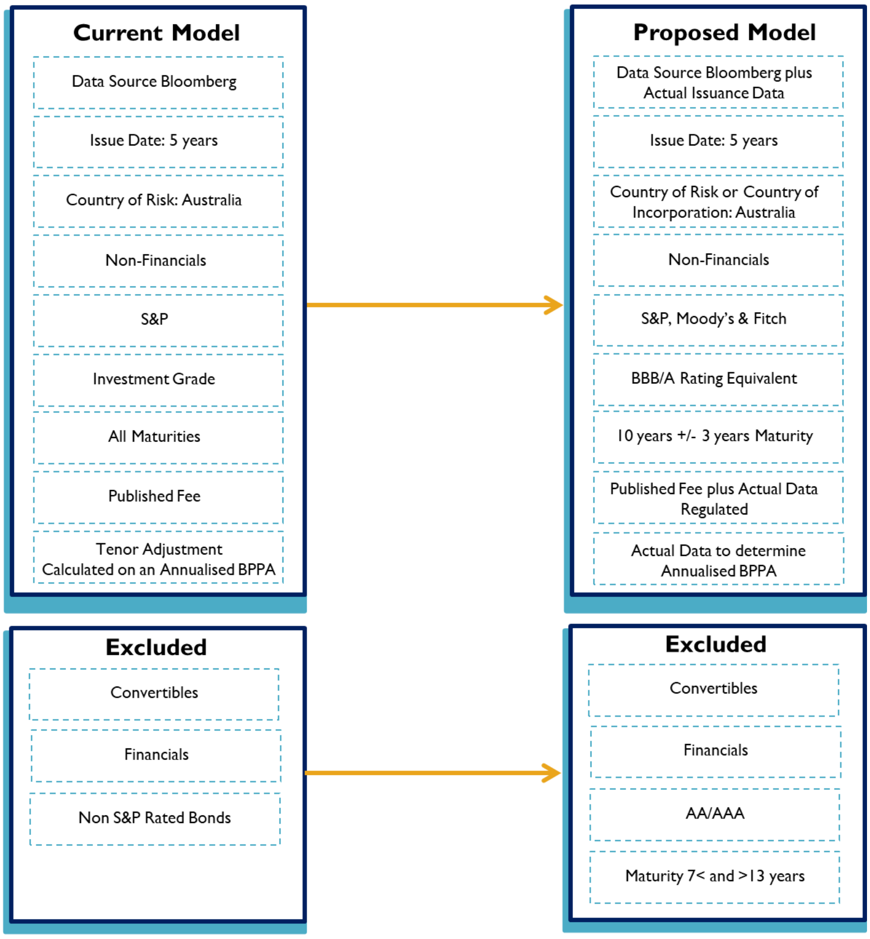


Diagram 3: Proposed Arrangement Fee Components

In conclusion these revisions mean that the:

- tenor of the bonds is more closely matched to the benchmark;
- rating of the bonds is the same as the benchmark; and
- industry sector is a better proxy with the benchmark.

3.4 Estimates of Debt Raising Costs

Debt raising costs for issuances in the Australian bond market are not published. As mentioned earlier Chairmont has undertaken informal interviews with several financial market intermediaries to assist with determining these costs.

Table 1 below contains a breakdown of the costs based on these interviews assuming a $250m, BBB and for 10 year debt issuance in the Australian market.

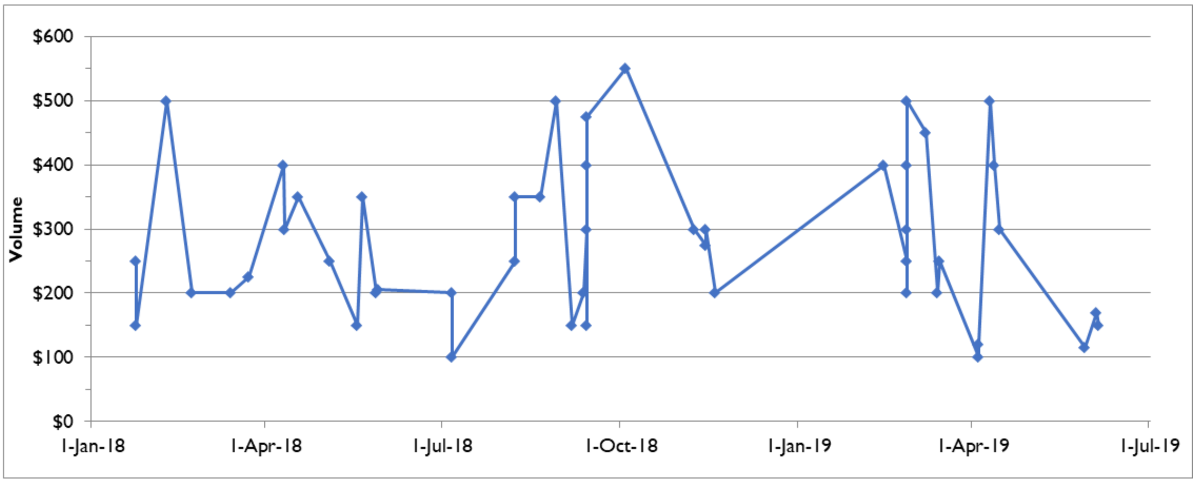
Cost Item	Estimated Cost	Observation
Arrangement fee	25bps - 35bps x Notional Median: 30bps	No linear relationship between maturity and fee. Includes dealer, arrangement and underwriting.
Legal Counsel - Master Programs	$70k – $150k	Estimates for legal fees varied based on the type of program being documented, domestic or global program.
Legal Counsel - Fees for the Issuer (Dealer Counsel)	$10k - $50k	Described as either once off fee or per drawdown. The lower fee range was for global programs with an annual fee. A domestic program typically has the higher fee which is a one-off fee.
Credit Rating - Initial Credit Rating	$70k - $100k	A once off fee that is paid when the rating is established. This fee is negotiated between the issuer and the rating agency. Most corporates will have two ratings.
Credit Rating - Annual Surveillance	$10k - $20k	An annual fee paid by the corporate for the ongoing surveillance. This fee is negotiated between the issuer and the rating agency.
Credit Rating - Up front bond issue fee	5bps - 10bps X Notional	This fee is paid to the rating agency on each new bond issue. It is negotiated between the issuer and the rating agency.
Registrar - Up front fees	$6k - $20k	A once off fee on establishment. This fee tends to be higher for global programs.
Registrar - Annual fee	$6k - $7k	An annual fee.
Agents Out-of-Pocket fees	$5k - $10k domestic $20k - $50k global	This includes arranger expenses.

Table 1: Estimated Debt Raising Costs

Market participants highlighted that the fee negotiation on some costs is between the issuer and third parties, e.g. rating agency and registrar, and it may not involve them. Chairmont proposes that AER seek actual data from industry participants as data inputs into the benchmark. This will assist in validating the estimated debt raising costs.

The current benchmark bond issue size is $250m and Chairmont has discussed with market participants and sourced data on the size of recent issues. Feedback from market participants was that existing benchmark size was appropriate.

Graph 4 shows recent corporate bond issues with the average issue size of $274m for domestic corporates and an average size of $308 million for Kangaroo issues.



Graph 4: Corporate Bonds Includes Kangaroo Issues (2018-2019)

Source: Kanga News 13 June 2019

Based on market feedback on the size of recent corporate bond issues in Australia, Chairmont has found no reason for AER to adjust the current benchmark issue size because the average of $274m is within a 10% range of the $250m benchmark.

The current approach by AER is based on the ACG recommendation that actual costs are not used, rather a benchmark be established against which a benchmark efficient firm operates. However, there is no inconsistency in having the actual data of debt raising costs sourced and included in the benchmark calculation. If these actual costs had been published, they would have been included in the benchmark calculation. Furthermore, with the evolution of time the dominance of government owned energy providers has significantly reduced meaning that the impact of inter-government agency transfer pricing diminishes.

In summary, the more actual relevant data is included in a benchmark or used in analysing of the benchmark, the better the benchmark is in representing actual debt raising costs.

3.5 Consistency with 'Return on Debt Approach'

The 2018 Rate of Return instrument includes tenor and rating criteria. The current AER approach for the calculation of debt raising costs does not use these filters in the estimation of the Arrangement fee. The analysis in this report demonstrates that these criteria can be adopted which will better align the debt raising costs with the Rate of Return instrument.

3.6 Additional Costs

The current model allows for a rating, master legal fees and initial registrar costs to be claimed as part of the debt raising costs every 10 years when they are one-off exercises and the fees are only incurred once. Corporates pay an Initial Rating Agency fee, then each year they pay an annual fee regardless of whether their debt rating has changed.

Market participants feedback is contained in Table 1. Legal Counsel fees for the Issuer (Dealer Counsel) could be either once off or ongoing depending upon the program type. Typically for domestic programs feedback was that this was a one-off fee. The revised model allows for these costs as one-off which provides flexibility for annual actual fees to be included in operational expenses.

The revised model separates one-off costs from ongoing debt raising costs where the one-off costs are excluded from the model while included in operational expenses. Whereas, the ongoing legal, annual review and registrar annual fees should remain part of the debt raising cost model.

In the revised debt raising costs model, Chairmont proposes the separation of one-off and ongoing fees, as shown in Diagram 1.

4 CEG ANALYSIS: BENCHMARK EFFICIENT FIRM

4.1 ARRANGEMENT FEE ADJUSTMENT

CEG adjusts the Arrangement fee for the difference between issue price and the average trading price in the first 5 days' of trading. CEG then adds back to the original Arrangement fee the difference between the average trading price in the first 5 days' of trading to the original issuance trading price. CEG argues that this is a valid adjustment because it is an additional fee borne by the issuer.

There are fundamental difficulties with this proposition, as follows:

1. The Arrangement fee is negotiated and agreed in the period before bond launch and issuance;
2. Higher Arrangement fee bonds are those that have a longer term to maturity and are the most price sensitive to changes in absolute levels of interest rates;
3. The underwriter advises and has input into the issuance price prior to it being set;
4. The underwriter does not allocate the bonds. The bonds are allocated by the issuer, not the arranger. Furthermore, as regulators globally require 'Chinese Walls' between an investment bank's Debt and Equity Capital Markets team and the Trading Desk. With the issuer determining the allocation this provides the arranger with another protection to insider trading;
5. For bonds allocated to the underwriter any post issuance trading price difference is borne by the underwriter, not the issuer. Underwriters are compensated for this risk through the underwriting fee which is included within the overall Arrangement fee;
6. The market interest rate movement in bond prices between the issue price and the average 5 days trading price have not been included in the calculation. If this was to be included, it should be the movement in the credit spread, not the absolute rate level; and
7. All the bonds analysed by CEG were issued offshore and their price movements may have reflected offshore factors and not Australian domestic factors.

Chairmont does not agree with CEG finding that the existence of outliers is because underwriters are unable to sell the bonds at the nominated price and therefore need to be compensated for this loss.

Whilst CEG found "…. a strong positive relationship between arrangement fees paid to underwriters and the subsequent loss, relative to the issue price, made by underwriters when selling those bonds to the public".[8] Chairmont is not of the view that any adjustment is required to the Arrangement fee for "CEG DRT incremental to AER DRT"[9] for the reasons outlined above.

Chairmont therefore does not agree with CEG's adjustment to the Arrangement fee for the difference between issue and trading price. Nor does this adjustment to the Arrangement fee reflect the true cost of issuance, or that a benchmark efficient firm in the supply of regulated energy services bears these costs, or for the inclusion of the outliers when estimating Arrangement fees.

[8] CEG, debt transaction costs and PTRM timing benefits, January 2019 page 7

[9] CEG, debt transaction costs and PTRM timing benefits, January 2019 page 31

4.2 LIQUIDITY RESERVE AND THREE MONTH REFINANCING

The Liquidity Reserve may be defined as the excess amount required over and above known funding requirements. A Commitment Facility is a committed but unused debt facility that must be maintained and is only used in specific circumstances.

It is important to formulate policy before establishing detail practices or calculations. It is Chairmont's view that the policy approach to this matter needs revisiting. If the refinancing policy benchmark should be changed, then it can be integrated into the Rate of Return instrument.

Current AER benchmark methodology is that the bonds are rolled on maturity. This is not consistent with market practice or risk management common practice.

PWC and CEG on the 3 month Refinancing costs all adopt the 3 month minimum requirement. This forces the calculation on this basis, the effect being it increases the liquidity reserve requirement and associated costs and increases the commitment fee.

This 3 month minimum approach has been adopted in previous analysis as it means providers fall within the BBB rating band; whereas if a provider adopted refinancing at or close to 12 months before maturity, then they would not incur increased liquidity reserve and commitment fee costs. International bond benchmarks remove bonds once they reach 1 year to maturity.

Rating agencies in determining a rating consider a range of factors, including management experience, sovereign risk, etc in its scoring. A regulated entity can still be a BBB rated and adopt industry best practice as this will not automatically lead to an uplift in rating.

The Refinancing debt policy should form part of the overall cost of debt because:

1. It reflects the how and when a corporate chooses to raise debt. This is a risk management decision, not a debt sourcing decision, i.e. a corporate must firstly decide its approach to refinancing and once that has been decided, then it determines the type of debt transaction;
2. Embedded within the S&P liquidity calculation is a cascading down 'increasing penalty cost' for debt being re-financed 12, 6 and 3 months ahead, i.e. the closer to maturity the greater the penalty;
3. Global market conventions for bonds to be included in an index is 1year plus benchmark.[10] This means that bonds with less than a year to maturity are dropped from the benchmark index;
4. Australian market practice when planning to refinance a bond, a corporate may seek to re-purchase its own paper from the market[11]; and
5. If the benchmark assumes that they have been refinanced then there is no need for the commitment, liquidity and 3 month ahead financing debt raising costs to be included in the benchmark.

The benchmark should be changed so that bonds are re-purchased 1 year before maturity and an adjustment the debt transaction cost model for the shorter term, i.e. 9 years not 10 years of the bonds being in the market place.

[10] Australian bond indices assume 1month plus benchmark.

[11] PWC Energy Networks Association Debt Financing Cost 2013 Page 9-10. Bond legal documents do not normally allow early redemption rights under the bonds. The issuer buys the bonds in the market place

In the analysis of CEG work below it is assumed that Chairmont agrees that these costs are debt raising costs. Based on this assumption the following comments apply.

CEG retains several assumptions from previous analysis undertaken by PWC on the calculations of liquidity management costs. Whilst they may be valid assumptions, there has been several regulatory changes post PWC 2013 report which would impact the costs and availability of these types of facilities in Australia.

"For the purposes of calculating adequate liquidity, the debt maturities and the undrawn, available portion of committed credit facilities are based on a six-month time horizon for companies with certain strong credit characteristics……. Characteristics of credible plans generally include advanced discussions with lending groups or bond underwriters with clear timetables for proposed refinancing or new debt issues, which would not extend beyond the next three months." [12]

Chairmont agrees that there are costs of establishing and maintaining a liquidity reserve and financing debt ahead of maturity. There are steps that companies can take to mitigate or reduce the size and the cost of these reserves. These include:

- Using a minimum 6 month time horizon for refinancing debt;
- Repurchase of short dated maturing debt; and
- Inclusion of the cashflow from the hedging strategy of the 10 year benchmark interest rate risk.

A company with sound a capital asset management plan will have supporting refinancing risk management policies. This is recognised by S&P as mentioned above, that a company with a credible plan for refinancing of the debt has:

- advanced discussions with lending groups or bond underwriters; and
- a clear timetable for proposed refinancing or new debt issues.

Additional analysis on the current policy and actual costs by regulated energy providers may assist AER in how to include any allowance for these costs.

As outlined above Chairmont considers these costs as being part of the cost of debt, not a debt raising cost. Therefore, before any adjustments are made to AER's approach additional information be sought from the regulated entities on the use of these facilities and their costs.

Issues that the AER may want to consider before any change to the approach on liquidity reserve and 3 month refinancing, include although are not limited to the below comments:

- The assumption by CEG that bonds are only refinanced 3 months ahead is based on the minimum S&P requirement and is not consistent with either market practice or international bond indices market benchmarks;
- The cost models do not adjust for any benefit of the interest rate risk management associated with hedging the 10 year bond which has been refinanced;
- The regulated entity can as part of the refinancing repurchase their own short dated debt when issuing new debt, thereby reducing the amount of maturing debt;
- In the S&P methodology, if the regulated entity refinances more than 6 months ahead, this changes the calculation of the required commitment facility;
- Actual data should be sourced on the commitment fee. CEG uses the PWC assumption that the benchmark commitment fee is 50% of the margin between the benchmark credit rating and swap;

[12] S&P Methodology and Assumptions: Liquidity Descriptors for Corporate Global Issuers, December 2014 Pages 7-8

- Actual data should be sourced for liquidity reserve, including amount and costs;
- The refinancing and maturing debt component of the benchmark should adopt common practice of a minimum of 12 months; and
- Commitment facility are normally short term and do not match the benchmark tenor.

In conclusion, these costs should be re-defined as a cost of debt, not a cost of capital raising. If this approach is not accepted, then no adjustment is required to the current model based on available information.

4.3 Post Tax Revenue Model

As Chairmont considers the liquidity, commitment fees and the 3 month refinancing cost, as a cost of debt, not a cost of capital raising, then any allowance/benefit from PTRM timing assumption continues to benefit the regulated provider.[13]

4.4 Relevant Other Matters

Actual Data

Chairmont is proposing that actual debt raising costs are included as inputs into the benchmark debt raising costs. The current AER approach is consistent with the findings of ACG 2004 which concluded that the financial arrangement costs are not actual costs. Any allowance for transaction costs are to be based on a benchmark allowance rather than the actual costs that may be incurred by the business.

The use of actual costs was deemed inappropriate for 3 main reasons:

1. The actual debt level would not be the same as the notional structure;
2. Inability to identify the debt that had been raised for the regulated entity as opposed to other parts of the business; and
3. Potential trade-off between the required return and the transaction costs incurred thus making it difficult to scale down fees.

Table 2 illustrates the data sourcing approach to each cost item.

Cost Item	Unit	Current data	Comments
Arrangement fee	$250m 10 year	Bloomberg	Bloomberg & Actual
Legal Counsel - Master programs	Upfront	PWC 2014	Operational expense
Legal Counsel - Fees for the Issuer	Per Issue or one-off	PWC 2014	Operational expense
Credit Rating - Initial credit rating	Upfront	PWC 2014	Operational expense
Credit Rating - Annual surveillance	Per annum in total	PWC 2014	Actual costs are input into benchmark
Credit Rating - Up-front bond issue fee	Per Issue	PWC 2014	Actual costs are input into benchmark
Registrar - Up-front fee	Upfront	PWC 2014	Operational expense
Registrar - Annual fee	Per annum per Issue	PWC 2014	Actual costs are input into benchmark
Agent's Out-of-pocket fees	Per Issue	PWC 2014	Actual costs are input into benchmark

Table 2: Cost Item – Data Sourcing Approach

[13] Rate of Return Instrument Explanatory Statement December 2018, AER page 303

The ownership of regulated entities has also transitioned since 2004 from predominately government owned, which also complicated calculating debt raising costs to privately owned.

Chairmont agrees that it remains difficult to identify the debt that has been raised by the regulated entity, as opposed to other parts of the business. There are some costs that are relatively fixed, irrespective of any incremental debt for the other business activities of the regulated entity.

Initial credit rating agency costs and the master programme setup costs are one-off costs which are highly likely never to be incurred again, therefore, they should be included as a one-off fixed costs; whereas, the annual rating agency maintenance fee and registrar annual fees should be included in the allowance for debt raising costs.

As discussed above legal programme management fees could be either once off or annual, domestic program typically is a higher once off fee. These expenses are included as operational expenses.

These fixed costs have some separate issues which can create variation in the actual costs for the regulated entity. An example is Legal Counsel for the Master Program, estimates of the cost for these legal fees varied based on the type of program being documented, domestic or alternative global bond programs. The global programs are more expensive and typically include an annual maintenance fee, they allow the regulated entities to have diverse funding sources, broaden the investor base and provide access to cheaper funding when available from international bond markets.

The administration of a bond program involves a registrar and an issuing and paying agent. A domestic program may have a cheaper cost structure to a program that requires issuing and payments across regions and currency.

Credit rating fees is an area where decisions need to be made on what are allowable costs. Many corporates now obtain ratings from two rating agencies. These are normally Standard and Poor's and either Moody's and/or Fitch Ratings. Again, the actual cost of these initial credit ratings is not published, although are fixed in nature.

Environmental Sustainability and Governance

There is an increasing global trend of issuers and investors to adopt Environmental Sustainability and Governance (ESG) principles. These principles will in the medium to long term impact on Debt Raising Costs as those issuers that cannot demonstrate adoption of these principles may find their issuances trading at a discount.[14]

[14] PIMCO, ESG Investing Report 2018

ATTACHMENT 1 - REQUEST FOR QUOTE

Australian Competition & Consumer Commission

EXPERT CONSULTANCY PANEL REQUEST FOR QUOTE (RFQ)

FOR THE

PROVISION OF CONSULTANCY SERVICES

Invitation to Quote

The Australian Competition and Consumer Commission/Australian Energy Regulator (ACCC/AER) is seeking Quotations from suitably qualified service providers for the provision of Consultancy Services

Response to this RFQ should be submitted by 15 May 2019. In submitting a response, Potential Suppliers are required to comply with all the requirements set out in the Deed of Standing Offer.

It is anticipated that the services will be required by 28 June 2019. Specifically we anticipate that we will require a draft report/series by 14 June 2019 and a final by 24 June 2019.

Requirements

The AER determines the amount of revenue that electricity and gas network businesses can recover from customers for the use of their networks. A key component of this allowed revenue is the 'rate of return'. This is a forecast of the cost of funds a network business requires to attract investment in its network.

It enables network businesses to obtain necessary funds from capital markets to fund capital investments and service the debt they incur in borrowing the funds. The return on capital makes up approximately 50 per cent of a network business' allowed revenue. It therefore is a key driver of the amount of network charges that consumers pay.

Our current standard approach to forecasting debt raising costs is based on the approach in a report from the Allen Consulting Group (ACG), commissioned by the ACCC in 2004.[15] However, we relied on updated market data from 2008–13, as submitted in a report by PricewaterhouseCoopers (PwC) in 2013.[16]

SAPN has submitted a report from CEG proposing additions to our estimate of debt raising cost:[17]

15 The Allen Consulting Group, Debt and equity raising transaction costs: Final report, December 2004.

16 PricewaterhouseCoopers, Energy Networks Association: Debt financing costs, June 2013, p. i.

17 CEG, debt transaction costs and PTRM timing benefits, January 2019

- An increment to Arrangement fees based on the difference between issue and trading price
- Cost of establishing and maintaining a liquidity reserve to meet Standard and Poor's requirement for an investment grade credit rating
- 3 month ahead financing costs

Broadly the requirement of the services is to:

- Review our current approach for calculating debt raising costs for a regulated energy network business operating efficiently including its consistency with our return on debt approach in the 2018 Rate of Return Instrument
- Update our estimates of debt raising costs (including benchmark bond issue size);
- Review and comment on CEG's:
    - adjustment to the Arrangement fee
    - inclusion and estimates of indirect debt raising costs
        - Cost of establishing and maintaining liquidity reserve commitment fees
        - 3 months ahead financing costs

More detail is in Attachment A.

Selection Criteria

- Fitness for purpose
- Supplier's experience and performance history
- Flexibility
- Value for money
- Ability to deliver project in the 2018–19 financial year

Key Considerations

Respondents should be aware of the following key considerations and address them in providing the Quotation:

- Demonstrate understanding and skill in rate of return matters and the AER's rate of return instrument.
- Respondents should be aware that the contract amount will be capped

Information

The Quote including all attachments and supporting documentation must be written in English. Quantities are to be expressed in Australian legal units of measurement.

Your response should also include:

- A summary of your understanding of the requirements and how you will address these issues;
- A statement concerning your organisations capability to address the requirements;

- A list of all previous work by the Consultant, whether in Australia or internationally, on related topics to those in the services required provided;
- A list of recent previous work by the Consultant, provided to Australian energy network infrastructure operators or advocates of Australian energy consumers, on topics unrelated to the services required;
- A list of referees which may or may not be contacted.

The consultant is also required to explain what source of data s/he will be using for updating/estimating the debt raising costs, especially the data source for various categories of direct debt raising costs.

Responses which do not include this information may not be considered any further.

The ACCC/AER will only accept responses on the basis that you have:

- Examined this RFQ, any documents referenced in this RFQ and any other information made available by the Commonwealth to tenders for the purpose of Quoting;
- Examined all further information which is obtainable by the making of reasonable inquiries relevant to the risks, contingencies, and other circumstances having an affect on their Quotation; and
- Been satisfied by the correctness and sufficiency of the Quote including pricing structure.

Provision of this Quotation is made on the basis that the respondent acknowledges:

- They do not rely on any representation, letter, document or arrangement whether oral or in writing, or other conduct as adding to or amending these conditions other than amendments addenda issued by the ACCC;
- They do not rely upon any warranty or representation made by, or on behalf of, the Commonwealth, except as are expressly provided for in this RFQ, but they have relied entirely upon their own inquiries and inspection in respect of the subject of their tender;
- The ACCC shall not be responsible for any costs or expenses incurred by respondents in complying with the requirements of this RFQ;
- Neither these conditions nor the Quote give rise to contractual obligations between the ACCC and the respondent; and
- They are not to make public statements in relation to this Quote without prior written permission of the ACCC.

Lodgement Details

Your response is to be delivered via email as follows:

Attention Wei Ting Ji

RFQ: Debt raising cost review
Email: Wei.ji@accc.gov.au; RateOfReturn@aer.gov.au

Any queries on this matter should be directed to:

Name: Wei Ting Ji

Telephone: +61 03 9290 1490

Email: Wei.ji@accc.gov.au

ACCC Conditions

The ACCC does not guarantee, warrant or otherwise represent that any business, revenue or other benefit or any minimum volume or value of business, revenue or other benefit will be earned or received by any successful respondent.

The ACCC will decide on any further action after reviewing the responses to the RFQ. The ACCC reserves the right to:

a. Vary the process and timetable relating to this process in its absolute discretion;
b. Vary the terms of the RFQ;
c. Cease the RFQ process;
d. Accept or reject any Quotes whether or not they are compliant;
e. Seek additional information or clarification from Respondents (including their sub contractors or agents);
f. Shortlist, select and negotiate with more than one Respondent;
g. Cancel, add to or amend the information, requirement, terms, procedures or processes set out in this RFQ; or
h. Approach the market with an open Request for Tender (RFT) or seeking further Quotations via an Expression of Interest (EOI).

ATTACHMENT A

REFERENCE NO: AER DEBT RAISING COST 2019

TERMS OF REFERENCE

The Australian Competition and Consumer Commission (ACCC) / Australian Energy Regulator (AER) seeks experts in corporate finance, specifically, debt raising costs. This is to provide advice for the AER's review of debt raising costs for regulated businesses.

Background

The AER is responsible for the economic regulation of electricity networks and gas pipelines in Australia.[18] In undertaking this role, the AER sets the allowed revenues or prices for these monopoly service providers[19] over a fixed period determined in advance (usually 5 years),[20] in accordance with the relevant legislation.[21] As part of determining the total revenues or prices that a service provider may earn, the AER applies a 'building block' framework that includes a return on capital building block which is derived from a regulated rate of return and a income tax building block.[22]

The rate of return instrument sets out the approach the AER uses to estimate the efficient rate of return on equity and debt given the risk of providing regulated energy network services. Our approach for estimating the return on debt is based on the following key elements:

- A benchmarking approach based on debt yield data from third party data providers and benchmarks for term of debt of 10 years and credit rating of BBB+.
- A 10-year trailing average approach with an annual update.[23]
- A 10-year transition into the adoption of the 10-year trailing average approach from the on the day approach.[24]

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18 Excludes Western Australia and the Northern Territory.

19 A list of these service providers can be find at: https://www.aer.gov.au/networks-pipelines/service-providers-assets

20 This period is known in an electricity context as a regulatory control period or in a gas context as an access arrangement period.

21 For electricity networks, this means the National Electricity Law (NEL) and National Electricity Rules (NER). For gas networks, this means the National Gas Law (NGL) and National Gas Rules (NGR).

22 That is, the rate of return on capital is multiplied by the regulated asset base (for electricity networks) or the capital base (gas networks) to derive the return on capital building block for a given year.

23 The return on debt is a simple average of prevailing interest rates during a regulated business' averaging periods over the previous 10 years (a trailing average)

24 Our previous approach for estimating cost of debt was to use an on the day approach which examines the prevailing interest rates near the commencement of the regulatory control period. The Allen Consulting Group, Debt and equity raising transaction costs: Final report, December 2004. The timing assumption within the PTRM that assumes revenue is received at the end of the year create a bias in favor of the service providers

However, the instrument does not consider the AER's position on transaction costs, which includes debt raising costs.

- Debt raising costs are transaction costs incurred each time debt is raised or refinanced. These costs may include Arrangement fees, legal fees, company credit rating fees and other transaction costs. Debt raising costs are an unavoidable cost of raising debt that would be incurred by a prudent service provider, and data exists such that we can estimate them. Accordingly, we provide an allowance to the regulated businesses (in the operating expenditure allowance) to recover an efficient amount of debt raising costs.

Our current standard approach to forecasting debt raising costs is based on the approach in a report from the Allen Consulting Group (ACG), commissioned by the ACCC in 2004.[25] However, we have relied on updated market data from 2008–13, as submitted in a report by PricewaterhouseCoopers (PwC) in 2013.[26] The approach uses a five year window of up to date bond data to reflect the market conditions at the time the report was written. Where PwC has updated the data or the method, we have compared it against our standard approach and we are broadly satisfied it is reasonable.

The ACG method involves calculating the benchmark bond size, and the number of bond issues required to rollover the benchmark debt share (60 per cent) of the RAB. Our standard approach is to amortise the upfront costs that are incurred using the relevant nominal vanilla WACC over a ten year amortisation period. This is then expressed in basis points per annum (bppa) as an input into the post-tax revenue model (PTRM). This rate is multiplied by the debt component of a service provider's projected RAB to determine the debt raising cost allowance. The ACG approach recognises that credit rating costs can be spread across multiple bond issues, which lowers the benchmark allowance (as expressed in bppa) as the number of bond issues increases. Our approach for estimating debt raising costs has not changed since our last review of PwC's report on debt raising costs.

SA Power Networks (SAPN) recently submitted a report from Competition Economists Group (CEG) on debt transaction costs and PTRM timing benefits.[27] In the report, CEG examined the application of the AER's method in calculating the Arrangement fee, which is the major component of the debt raising costs, and identified a number of high outliers when it comes to Arrangement fees paid by bond issuers.[28] It found the existence of the outliers is because underwriters are unable to sell the bonds at the nominated issue price and therefore need to charge a higher Arrangement fee to compensate for its subsequent loss. It also found that the bonds that have 'normal'

25 The Allen Consulting Group, Debt and equity raising transaction costs: Final report, December 2004.
26 PricewaterhouseCoopers, Energy Networks Association: Debt financing costs, June 2013, p. i.
27 CEG, debt transaction costs and PTRM timing benefits, January 2019
28 CEG, debt transaction costs and PTRM timing benefits, January 2019, pp. 6-7 ,pp. 22-23

Arrangement fees tend to have been traded at a higher price than the 'issue price'.[29] CEG proposed that when estimating the Arrangement fee for regulated businesses, the AER should look at the adjusted Arrangement fee to account for the difference between trading price and issue price because it is the true compensation that underwriters receive.[30]

In addition, CEG also examined the debt management costs relating to managing liquidity and refinance risk (indirect costs) and compared these costs against its estimated timing benefits in the AER's PTRM.[31] It proposed that its estimated PTRM timing benefit of around 7-8 bppa per dollar of debt for SAPN is not sufficient to compensate for the estimated liquidity related debt costs of around 12 bppa.

Services required

This request is for a capped-price contract. The quote should be based on the time to be spent on providing the services.

Having reviewed the relevant material, the AER requires the consultant to:

- review and update our current approach for (and estimates of) debt raising costs where necessary. The consultant should have regard to the rate of return instrument to ensure the approach for estimating the debt raising costs is consistent with the instrument, in particular, the approach for estimating the trailing average cost of debt in the instrument.
- Provide a critical review of the arguments relating to debt raising costs in the CEG's report on 'debt transaction costs and PTRM timing benefits'

The AER, without intending to directly or by implication provide a view of the relative importance of the expert reports and relevant material, wishes to highlight the questions/issues set out below. These questions must be specifically addressed in the consultant's report.

In responding to these issues and questions, the consultant should comment on their assumptions, methodological choices and findings, data sources, and in light of the material in this report, other material the consultant is aware of, and the consultant's expertise.

In addition, the consultant should review and address all relevant issues that support its overall conclusion.

Questions for the consultant

29 CEG, debt transaction costs and PTRM timing benefits, January 2019, pp. 6-7 ,pp. 22-23

30 CEG, debt transaction costs and PTRM timing benefits, January 2019, pp. 6-7 ,pp. 22-23

31 The timing assumption for cash inflows and outflows within the PTRM overall creates a bias in favor of the service providers.

1. Review and comment on the appropriateness of our current approach (including model) for estimating debt raising costs for a benchmark efficient firm supplying regulated energy services with a 10-year trailing average return on debt including but not limited to:
    a. The criteria for selecting bonds for estimating the Arrangement fee (and the bonds included)
    b. The discount rate used in calculating the annualised Arrangement fee
    c. The AER's exclusion of outliers (high Arrangement fee bonds) when estimating the Arrangement fee
    d. Provide updated estimates of the AER's debt raising costs (including benchmark bond issue size)
    e. Consistency with the 2018 Rate of Return Instrument particularly with regard to its return on debt approach
    f. Where additional costs need to be included please provide their estimates, methodology, assumptions and data sources.

2. Explain if CEG's adjustment to the Arrangement fee for the difference between issue and trading price reflects the true cost of issuance to a benchmark efficient firm in the supply of regulated energy services and warrants the inclusion of outliers when estimating Arrangement fees.
3. Explain if CEG's costs of establishing and maintaining a liquidity reserve and financing 3 months ahead are efficient costs incurred by a benchmark efficient firm in the supply of regulated energy services in the process of raising debt funding.

   When considering these costs, the consultant should consider the costs expected to be incurred by a benchmark efficient firm in the supply of regulated energy services.
4. If the answer to Question 3 is yes, explain if you consider CEG's approach for and estimates of the indirect costs are appropriate? To answer this question, the consultant is required to review CEG's approach for calculating the indirect costs in detail and comment on specific areas (such as commitment fees, establishment fees, liquidity reserve, 3 months ahead re-financing costs, etc.). If CEG's approach and estimates are not considered efficient, the consultant should provide its own estimates and approach.

Where s/he consider it desirable, the consultant is free to add commentary on other matters they consider of relevance in coming to the right approach to estimating debt raising costs.

The consultant must consider the following documents in providing the required advice:

-CEG: Debt transaction costs and PTRM timing benefits, Jan 2019. This report can be obtained by clicking the following link.

-CEG: Debt and equity raising costs- a response to the AER 2008 draft decisions for electricity distribution and transmission, Jan 2009. This report can be obtained by clicking the following link.

-PwC: Energy Networks Association: Debt financing costs, June 2013. The report can be obtained by clicking the following link.

-The Allen Consulting Group (ACG): Debt and equity raising transaction costs, December 2004. The report can be obtained by clicking the following link.

-Incenta: Debt raising transaction costs, January 2015. The report can be obtained by clicking the following link.

-The AER: 2018 Rate of return instrument- Explanatory statement, December 2018. The instrument can be obtained by clicking the following link.

-KPMG: Debt and equity raising transaction costs, January 2016. The report can be obtained by clicking the following link.

-The AER, Final decision: South Australia distribution determination 2010-11 to 2014-15, May 2010. The decision can be obtained by clicking the following link.

-SAPN, proposed PTRM model, Jan 2019. The model can be obtained by clicking the following link.

The consultant is required to provide a draft report for comment of AER staff and a final report taking into account AER staff comments. Where the consultant has a dissenting view, that opinion should be documented, giving a brief explanation as to why he hold that view.

Project Deliverables

The key deliverables are as follows:

- A written report addressing the advice sought as per the services required.
- Updated debt raising cost model (Excel-based)

Timeline[32]

Work commences (24 May 2019)	Contract signed (X)

32 Dates within brackets are indicative based on the assumed contract signing date.

Commencement discussion with AER staff (27 May 2019)	X+1 business day
Oral update to AER staff (4 June 2019)	X+7 business days
Draft report to AER staff (14 June 2019)	X+14 business days
AER staff feedback on draft report (19 June 2019)	X+17 business days
Final report to AER (24 June 2019)	X+20 business days

Samples of relevant material

Table 1 AER rate of return instrument

The AER: 2018 Rate of return instrument- Explanatory statement
The AER: 2018 Rate of return instrument

Key consultant reports attached to revenue proposals / regulatory proposals / access arrangement proposals are shown in the tables below.

Table 2 Previously expert reports on debt raising costs

The Allen Consulting Group (ACG): Debt and equity raising transaction costs, December 2004 **PwC: Debt and equity raising costs, April 2011** **PwC: Energy Networks Association: Debt financing costs, June 2013** **Incenta: Debt raising transaction costs, October 2014** **Incenta: Debt raising transaction costs, January 2015** **KPMG: Debt and equity raising transaction costs, January 2016**

Table 3 AER's previous decisions

The AER, Draft decision: South Australia distribution determination 2010-11 to 2014-15, Nov 2009 **The AER, Final decision: South Australia distribution determination 2010-11 to 2014-15, May 2010** **The AER, Draft decision: Ausnet services transmission determination-attachment 3-rate of return, July 2016** **The AER, Final decision- Post-tax revenue model, Sep 2007** **The AER, Final decision- Post-tax revenue models, Jan 2015**

Any reports referenced in the above reports can be provided upon request.

Context and framework

The expert advice is required in the following context and framework:

1. The overarching requirement is that the rate of return on capital must be consistent with the relevant legislation; the NEL, NGL, NER and NGR (see below 'Legal requirements for

the allowed rate of return'). The NER and NGR requires the rate of return instrument to explain:

a. Why the AER is satisfied the instrument will, or is most likely to, contribute to the achievement of the national electricity objective to the greatest degree

b. How the AER had regard to the following in making the instrument:

   i. estimation methods, financial models, market data and other evidence relevant to making the instrument

   ii. revenue and pricing principles

   iii. matters mentioned in section 18L

   iv. prevailing conditions in the market for equity funds

   v. the interrelationships between estimates of parameters used, or to be used, in relation to deciding the rate or value.

2. The rate of return instrument sets out the AER's approach to determining the allowed rate of return in accordance with the relevant legislation. The expert advice should have regard to the instrument approach when identifying issues put forward by the relevant service providers in their proposals.

Legal requirements for the allowed rate of return

In determining the rate of return, the AER is guided by requirements in:

- the national electricity law (NEL) and national gas law (NGL)
- the national electricity rules (NER) and national gas rules (NGR).

The expert advice is required in the context of these requirements.

Judicial review

The regulatory determinations made by the AER under the NER and NGR are subject to judicial review in the Federal Court of Australia. Accordingly, the consultant's services and the consultant's final report must be performed to the following standards:

- To a professional standard which is robust, transparent, well-reasoned and defendable.
- Conform with the updated expert evidence practice note issued by the Federal Court of Australia in October 2016, including the Expert Witness Code of Conduct[33]

Any work required of the consultant as a result of a review would be the subject of a separate contract. The consultant may be requested to provide services in support of the final decision of the AER and the consultant must not unreasonably decline a request for assistance.

[33] http://www.fedcourt.gov.au/law-and-practice/practice-documents/practice-notes/gpn-expt