

AER Inflation Review 2020 Public Forum

AER Consumer Reference Group Inflation and Rate of Return

Craig Memery 2nd July 2020

CRG role

- Current CRG established June 2020
- Inflation 2020 and Rate of Return 2022 AER Reviews
- Statutory requirement
- Act in an advisory capacity to AER
- Help the AER implement effective consumer consultation processes
- Help inform the AER's decisions with regards to consumer interests, with input and challenge which might not come through other means
- Public comments made by CRG members not on behalf the AER

CRG members

- Allan Asher
- Alex Oeser
- Bev Hughson
- Craig Memery
- Helen Bartley
- Kieran Donoghue
- Jo De Silva
- Ron Ben-David
- Energy Consumers Australia

CRG approach

- Ensure the AER makes decisions which are best for consumers, by finding out what consumers want from energy companies and persuading the regulator to act on their preference
- Long term interests of consumers is paramount
- Will recommend best options within current frameworks
- May recommend changing frameworks
- Will consider existing knowledge base with an open mind

Snapshot of current CRG considerations

- What are the consumer preferences?
- What trade-offs are consumers prepared to make?
- Who is best placed to manage risk?
- What is the materiality of consumer impacts of different options?
- Relationship between investor and consumer interests
- Evaluation framework
- Principles

CRG working principles - technical

- Efficiency
- Robustness
- Replicability
- Transparency
- Simplicity
- Cost

CRG working principles - under consideration

- Congruency between predicted and actual (Inflation and RoR)
- Acceptable price impacts on consumers
- Acceptable service level impacts on consumers
- Commercially sustainable
- Socially sustainable

Initial CRG thoughts on AER questions

- What is the best method for estimating expected inflation?
- Does the AER's current approach deliver the 'promised' real rate of return (other things being equal)?
- Is the real rate of return the appropriate regulatory target? Should the AER consider adopting a nominal rate of return or a hybrid rate of return?

CRG next steps



- Look out for our fact sheets*
- Submission on Inflation Review 2020
- Establish social media and public contacts
- Engaging with key stakeholders
 - AER
 - Consumers and advocates
 - Energy network businesses and investors
 - Other energy stakeholders



inflation · rate of return

* From draft CRG Inflation fact sheet. Presented for illustrative purposes only. Final design subject to change.