



MORRISON&CO

25 September 2018

Mr Warwick Anderson  
General Manager  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001  
Via email [REDACTED]

Dear Mr Anderson,

### **Introduction to HRL Morrison & Co ("Morrison & Co")**

Morrison & Co is an investment manager with a 25-year track record in the Australian energy and infrastructure sector. We are custodians of the retirement savings for millions of Australians via funds that we manage for Australian and international superannuation and sovereign funds.

We are major investors across large segments of the Australian energy sector including within generation, network and energy service businesses worth over A\$15 billion<sup>1</sup>. This means Morrison & Co is a key stakeholder in not only 'keeping the lights on' across Australia but in providing Australian businesses and consumers affordable and reliable energy during a time of technological transition and policy uncertainty. We welcome the opportunity to comment on the draft Rate of Return Guideline (RORG).

### **Perspective on the AER's draft Rate of Return Guidelines ('RORG')**

If implemented, the draft RORG would reduce returns to investors to an extent that is likely to disincentivise new investment. This will be harmful for Australian consumers because investment in new electricity transmission infrastructure is critical to the efficient operation of the National Electricity Market and to the introduction of new low-cost generation, both of which the Australian Energy Market Operator ('AEMO') has shown would lower energy prices for consumers and increase reliability<sup>2</sup>.

We are therefore concerned that the draft RORG will not achieve the AER's desired long-term outcomes for consumers. It appears to us that the RORG has not sufficiently considered the issues facing networks and investors from changing market, investment, technology and policy risks. As a result, it seems likely that the draft RORG will not lead to the satisfaction of the National Electricity Objective and National Gas Objective. Further evidence on this is set out in the Network Shareholder Group submission.

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<sup>1</sup> Approximate, full enterprise value of the unlisted businesses in which Morrison & Co has significant investments

<sup>2</sup> AEMO Integrated System Plan August 2018

**We value open communication and seek to work collaboratively with the AER**

We recognize that at this time of energy transformation the AER, as independent regulator, faces numerous challenges, both in delivering an appropriate RORG as well as the evolving broader regulatory framework. As a result, we would welcome the opportunity to engage with the AER as partners with a common interest in delivering a sustainable and low-cost energy system for consumers, industry, regulators and investors.

We look forward to further engagement with AER staff and the AER Board in relation to our submission and would be pleased to meet in person to discuss the issues we have raised.

Please contact Michael Faulkner via email [REDACTED] or by phone on [REDACTED] with any questions.

Yours sincerely



**Paul Newfield**  
**Chief Investment Officer**  
**HRL Morrison & Co**

**Steven Fitzgerald**  
**Head of Asset Management**  
**HRL Morrison & Co**