

24 July 2023

Mr Steve Edwell  
Chair  
Economic Regulation Authority  
Level 4, Albert Facey House  
469 Wellington Street  
Perth WA 6000

*Submitted online*

Dear Mr Edwell

**Re: 2022 Gas Rate of Return Instrument proposed amendments**

Thank you for the opportunity to respond to the Economic Regulation Authority's (ERA) consultation paper for the "2022 Gas Rate of Return Instrument proposed amendments" (RoRI). This letter states our response to the consultation paper, related workshop with the ERA and subsequent email correspondence in response to feedback at the workshop.

The ERA's 2022 Rate of Return Instrument relied on the RBA statistics table F16 for bond yields to calculate the equity risk free rate and expected inflation rate. The RBA no longer publishes table F16 and therefore a new data source or sources are required. Currently the RoRI contains no contingencies to accommodate this change in circumstance.

ATCO understands that the intention of the introduction of the binding rate of return instrument was to avoid amendments to the instrument during the period that it is in force. However, in the circumstances ATCO supports the pragmatic approach that the ERA have adopted to respond to the particular circumstances of this data source no longer being published.

In response, the ERA proposes to amend the RORI to incorporate a new data source for the calculation of the equity risk free rate and expected inflation rate as well as the definition of trading day.

ATCO supports the ERA's proposed solution to the unavailability of the RBA's F16 data, in particular:

- Replacing the RBA table F16 data with Bloomberg data for the calculation of the equity risk free rate and the expected inflation rate. However additional clarification on Bloomberg settings for transparency and replicability need to be published.
- Inclusion of these amendments in both the equity risk free rate and expected inflation sections of the RORI and clearly specify the data source order of preference.
- Amendments to RORI footnotes 3 and 4 to change the definition of trading day with the additional clarification that the dates in RBA table F02 be specified rather than the more general phrase "RBA statistical tables".

The ERA is to be commended on the collegiate approach it has taken to reaching a solution to the situation of unavailable data. If you wish to discuss any of the matters raised in this letter further, feel free to contact me or Hugh Smith, General Manager Regulatory Strategy and Policy.

Yours sincerely,



**John Ivulich**

Country Chair and Chief Financial Officer