



## **GUIDELINE**

# **Approval of Retail Tariffs in accordance with the 2010 Determination**

**Version 1**

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# 1 INTRODUCTION

## 1.1 Background

As in the 2007 Determination, the 2010 Declared Electrical Services Pricing Determination includes the requirement that:

Retail tariffs are to be submitted to the Regulator for approval each year in accordance with the Tariff Customers Regulations and any relevant guidelines issued by the Regulator.

Regulation 5 of the *Electricity Supply Industry (Tariff Customers) Regulations 1998* (Tariff Customers Regulations) also requires:

- (2) After 30 September 1998, an electricity retailer that proposes to amend a tariff as provided by section 38(2) of the Act –
  - (a) must submit a draft of the proposed amendment to the Regulator; and
  - (b) must not make the amendment to the tariff until the draft has been approved by the Regulator.

This Guideline should be read in conjunction with the 2010 Determination and the Tariff Customers Regulations.



## 2 GUIDELINE

### 2.1 Application

This Guideline takes effect from the date of issue and applies to Aurora Energy Pty Ltd in its capacity as Retailer providing retail services for non-contestable tariff customers. The Guideline ceases to have effect at the expiry of the 2010 Determination for Retail Services, ie on 30 June 2013.

### 2.2 Interpretation

In this Guideline:

**“Aurora”** means Aurora Energy Pty Ltd (ABN 85 082 464 622) or its successors;

**“charging parameters”** of a retail tariff means the constituent elements of the retail tariff;

**“Consumer Price Index” or “CPI”** means the *Consumer Price Index: Average All Capital Cities* published by the Australian Statistician under the *Census and Statistics Act 1905* of the Commonwealth;

**“duration of the Determination”** means the period from 1 July 2010 to 30 June 2013.

**“non-contestable tariff customers”** means those customers that are not contestable within the meaning of the *Electricity Supply Industry (Contestable Customer) Regulations 2005* and that are eligible to take supply under tariffs described in Schedule 3(a) of the 2010 Determination.

**“period 1”** means the period commencing 1 July 2010 and ending on 30 June 2011;

**“period 2”** means the period commencing 1 July 2011 and ending on 30 June 2012;

**“period 3”** means the period commencing 1 July 2012 and ending on 30 June 2013;

**“Regulator”** has the same meaning as in the *Electricity Supply Industry Act 1995*;

**“Retail Tariff”** means a schedule setting out retail prices and conditions for the sale of electricity to non-contestable customers generally or the various classes of non-contestable customers, as amended from time to time;

**“typical customers”** means a set of customers derived using the methodology described in the *Typical Electricity Customers Information Paper* issued by the Office of the Tasmanian Energy Regulator in August 2010;

**“2010 Determination”** means the *Electricity Supply Industry Pricing Policies Declared Electrical Services Pricing Determination* issued on 29 October 2010 by the Regulator in accordance with the *Electricity Supply Industry Price Control Regulations 2003*.

## 2.3 Tariff Strategy and Pricing Proposals

(a) Aurora must:

- (1) submit to the Regulator, as soon as practicable, and in any case by 12 November 2010:
  - (i) a draft revised Retail Tariff Strategy, and
  - (ii) a Retail Tariff Pricing Proposal for the period from 1 December 2010 to 30 June 2011 (Period 1 Retail Tariff Pricing Proposal); and
- (2) publish its draft revised Retail Tariff Strategy for consultation, including by inviting public submissions, by 1 February 2011;
- (3) prepare a final revised Retail Tariff Strategy that takes account of any submissions received and submit that revised Retail Tariff Strategy to the Regulator by 30 March 2011; and
- (4) submit to the Regulator, at least four (4) weeks before the commencement of period 2 and subsequent period 3 of the Determination, a further Retail Tariff Pricing Proposal (an ‘Annual Retail Tariff Pricing Proposal’) for the relevant period.

(b) The draft and the final revised Retail Tariff Strategy must set out:

- (1) an explanation of the regulatory arrangements;
- (2) details of the retail tariff setting policy framework;
- (3) details on how Aurora will achieve compliance with the 2010 Determination;
- (4) details of the overarching revised Retail Tariff Strategy, including:
  - (i) information on the current retail tariffs,
  - (ii) the proposed methodology or methodologies for deriving the retail tariff price adjustments, and the anticipated directions, movements and outcomes for each retail tariff,
  - (iii) proposed amendments to the terms and conditions for the retail tariffs including the rationale for the change and the expected impact on customers,

- (iv) an explanation of the proposed methodology or methodologies for allocating costs between contestable and non-contestable retail tariff customers,
  - (v) an explanation as to how the breakdown between fixed and variable charges has been determined,
  - (vi) proposed reform or rebalancing of, or changes to, the retail tariffs and their structure during the duration of the Determination, including the rationale for change,
  - (vii) details of retail tariff assignment and any proposed re-assignment including the rationale for change,
  - (viii) a description of outcomes arising from the proposed strategy including a customer impact analysis that demonstrates the impact on typical customers, and
  - (ix) consultation undertaken in accordance with clause 2.4.
- (c) A Retail Tariff Pricing Proposal must:
- (1) set out the draft retail tariffs that are to apply for the relevant period;
  - (2) set out, for each draft retail tariff, the proposed charging parameters and the elements of service to which each charging parameter relates;
  - (3) detail any amendments, variations or adjustments to the retail tariff proposed, including any amendments to the terms and conditions that are to apply, whether these amendments, variations or adjustments are consistent with the Retail Tariff Strategy and the justification for the proposed variations, adjustments and amendments and customer impacts, variations or adjustments;
  - (4) provide details of adjustment variables and the methodologies used for calculating those adjustment variables, including CPI, pass-through and other adjustments permissible under the 2010 Determination attributable to the non-contestable tariff customers for the period and an explanation of how each retail tariff will be affected by the impact of the adjustment or adjustments.
  - (5) set out the nature of any variation or adjustment to the retail tariffs that could occur during the subsequent periods and the basis on which it could occur;
  - (6) demonstrate compliance with the 2010 Determination, including demonstrating that the expected revenue from the retail tariffs does not exceed the Notional Maximum Revenue for the specified period, these Guidelines and the Retail Tariff Strategy;
  - (7) describe the nature and extent of change from the previous period;

- (8) demonstrate the impact on typical customers; and
  - (9) be accompanied by an internal audit certificate and certified as correct by the Chairman and one other Director of Aurora.
- (d) The Regulator, on receipt of a Retail Tariff Strategy or Retail Tariff Proposal from Aurora, will publish the proposal on the Regulator's website.

## 2.4 Consultation

Aurora is required to provide the following details as to its consultation with stakeholders on the development of its Retail Tariff Strategy:

- (1) parties with whom Aurora has consulted;
- (2) information provided and how accessible it was;
- (3) the timeliness of the provision of the information;
- (4) the time which stakeholders were given to respond; and
- (5) how issues raised by stakeholders were taken into account.

## 2.5 Approval of a Retail Tariff

- (a) The Regulator may only approve a draft Retail Tariff if it is satisfied that:
- (1) the draft Retail Tariff complies with the 2010 Determination; and
  - (2) all forecasts and methodologies associated with the draft Retail Tariff are reasonable.
- (b) If the Regulator determines that a draft Retail Tariff is deficient:
- (1) within 10 days after receiving notice, Aurora must resubmit the draft Retail Tariff, with the modifications necessary to correct the identified deficiencies and (unless the Regulator permits further modification) no further modification; or
  - (2) the Regulator may itself make the modifications necessary to correct the deficiencies.
- (c) If Aurora fails to comply with a requirement under paragraph (b), or the resubmitted draft Retail Tariff fails to correct the deficiencies in the former draft Retail Tariff, the Regulator may itself amend the draft Retail Tariff to bring it into conformity with the requirements of this Guideline and the 2010 Determination.
- (d) An approved draft Retail Tariff takes effect at the commencement of the period to which the draft Retail Tariff relates.

## 2.6 Publication of Information: Retail Tariffs

- (a) In addition to any requirements imposed by the Tariff Customers Regulations, Aurora must maintain on its website:
  - (1) a statement of its approved Retail Tariff; and
  - (2) for each retail tariff – the terms and conditions and the charging parameters and the elements of the service to which each charging parameter relates; and
  - (3) a statement of expected price trends (to be updated for each period) giving an indication of how Aurora expects its retail tariff prices to change over the regulatory control period and the reasons for the expected changes.
- (b) The information for a particular period must, if practicable, be posted on the website 1 month before the commencement of the relevant period and, if that is not practicable, as soon as practicable thereafter.