



**PRICING PROPOSAL FOR PERIOD 6 OF
THE 2016 STANDING OFFER PRICE
DETERMINATION**

1 JULY 2021 – 30 JUNE 2022

Pricing Proposal Overview

This document represents Aurora Energy's Pricing Proposal to the Tasmanian Economic Regulator (Regulator) outlining the maximum prices that it proposes to charge its regulated Standing Offer customers during the period 1 July 2021 to 30 June 2022 (Period 6 of the 2016 Standing Offer Price Determination).

Aurora Energy has proposed to apply two discrete uniform price decreases, one that applies to residential tariffs and one that applies to business tariffs. This approach helps to reduce historical cross-subsidies from business to residential tariffs without having to undertake extensive re-balancing that would otherwise result in inconsistent bill change outcomes for all customers. Under this approach, Aurora Energy proposes a uniform price decrease of **7.11 per cent** to all residential Standing Offer tariffs at 1 July 2021, and a uniform price decrease of **11.00 per cent** to all business Standing Offer tariffs at 1 July 2021.

For 2021-22, Aurora Energy proposes the total Notional Maximum Revenue (NMR) to be **\$511,853,461**, a decrease of 6.7 per cent relative to the 2020-21 NMR of **\$548,684,631**.

There are a number of key movements in the 2021-22 NMR.

Wholesale Energy Costs decreased by 22.7 per cent from \$189,760,758 in 2020-21 to \$146,717,177 in 2021-22. Network Costs increased 3.8 per cent from \$209,953,355 to \$217,893,733 and Metering Costs increased 22.1 per cent from \$21,255,492 to \$25,944,133. Aggregate Over/Under Recoveries decreased by 51.6 per cent from \$7,665,827 to \$3,706,830.

Aurora Energy does not propose to introduce any new tariffs or abolish any existing tariffs.

1. Notional Maximum Revenue Calculation

Aurora Energy's Notional Maximum Revenue (NMR) for Period 6 has been calculated in accordance with the following methodology prescribed in the 2016 Standing Offer Price Determination:

$$\mathbf{NMR}_y = (\mathbf{R}_y + \mathbf{WEC}_y + \mathbf{NC}_y + \mathbf{M}_y + \mathbf{AEMO}_y + \mathbf{RET}_y + \mathbf{K}_y) \times \mathbf{Margin}_y + \mathbf{A}_y + \mathbf{CF}_y$$

where:

NMR_y is the notional maximum revenue for the notional tariff base;

R_y represents the cost to serve;

WEC_y represents wholesale electricity costs;

NC_y represents network charges;

M_y represents metering costs;

AEMO_y represents market participant fees and ancillary services;

RET_y represents the cost of complying with the Australian Government's mandatory renewable energy schemes;

K_y is an aggregate of under and/or over recoveries for network costs, metering costs, RET and AEMO charges from previous periods covered by the 2016 Standing Offer Price Determination;

Margin_y represents a return on total costs;

A_y represents any adjustments calculated in accordance with a methodology approved by the Regulator; and

CF_y is an aggregate of under and/or over recoveries from previous periods covered by the 2013 Standing Offer Price Determination.

The following sections outline the calculation of each component in the NMR formula.

1.1 Cost to Serve (R_y)

R_y has been calculated as follows:

[Cost to Serve_y x Prescribed Inflationary Factor x forecast number of small customers]

Parameter	Value	Source
Cost to Serve _y	\$149.22 per customer	2021-22 (Period 6) Cost to Serve (representing the \$138.45 set in the 2016 Standing Offer Price Determination as inflated by the Period 2, Period 3, Period 4, Period 5 and Period 6 Prescribed Inflationary Factors)
Prescribed Inflationary Factor	1.006	Calculated in accordance with 2016 Standing Offer Price Determination.
Forecast Customer Numbers	273,663	Reported to the AER as at 31 March 2021 (per 7.2 of Standing Offer Price Approval Guideline – 28 March 2019).
R_y	\$40,834,855	

1.2 Wholesale Electricity Cost (WEC_y)

WEC_y has been calculated as follows:

[Forecast Small Customer Load_y x MLF_y x DLF_y x WEP_y]

Parameter	Value	Source
Forecast Small Customer Load _y	2,300.49 GWh	Aurora Energy 2021-22 Load Forecast
MLF_y	0.9951	AEMO published loss factors.
DLF_y	1.0583	AEMO published loss factors.
WEP_y	\$60.56/MWh	The WEP has been calculated by the Regulator as at 18 May 2021 for Period 6 in accordance with the method outlined in clause 7.1(2) of the <i>Standing Offer Price Approval Guideline</i> , March 2019.
WEC_y	\$146,717,177	

1.3 Network Costs (NC_y)

NC_y has been calculated by multiplying TasNetworks' approved network prices for 2021-22 (network tariffs_y) multiplied by the notional tariff base_y for 2021-22. This results in total network costs of **\$217,893,733** for Period 6.

1.4 Forecast Metering Costs (M_y)

The following table provides a detailed breakdown of the forecast metering costs (M_y) calculated:

Detailed breakdown of Forecast Metering Costs (M _y)	
TasNetworks direct metering charges relating to Type 6 basic meter installations	\$10,571,543
Metering Coordinator direct metering charges relating to Type 4 and Type 4A advanced meter installations	\$13,994,022
Total Direct Metering Costs	\$24,565,565
Fee-Based Services	\$22,558
Recovery of capital costs incurred to comply with AEMO's market system changes	\$548,823
Recovery of costs associated with the implementation of an additional metering coordinator.	\$807,186
Total M_y	\$25,944,133

Direct Metering Costs

Metering costs are calculated on the basis that Aurora Energy (through its appointed Metering Coordinators) will install 50,000 Type 4 and Type 4A advanced meters in 2021-22 on top of the forecast 92,245 installed as at 30 June 2021. On this basis, the annual metering charges associated with these installations is forecast to amount to \$14.0M, with approximately \$10.6M in annual charges relating to TasNetworks' existing Type 6 meters (including the recovery of capital charges associated with Type 6 meters replaced with Type 4 and Type 4A advanced meters).

One-off, fee-based service charges for advanced meters

Consistent with 2020-21, the following one-off, fee based service charges have been included in the NMR:

- High-gain Antenna Installation;
- Conversion of a Type 4A to a Type 4 meter;
- Isolate at the service fuse (usually at the point of supply);
- On-site on-demand read for a Type 4a non-communications enabled meter (not customer requested); and
- “Regional” and “Remote” site service surcharge.

These one-off, fee-based service charges are estimated to total approximately \$0.02M in 2021-22, a significant reduction on prior years due to the removal of “Regional” and “Remote” installation surcharges.

Recovery of capital and operating costs incurred to comply with AEMO’s market system changes

In its calculation of M_v in 2020-21, Aurora Energy included the recovery of capital costs incurred to comply with AEMO’s market system changes. This was calculated at the applicable depreciation rate as approved by the TER in its decision on 26 May 2017 (i.e. over a period of six years) on a pro-rata basis from 1 December 2017. In 2021-22, approximately \$0.5M has been included in 2021-22 M_v representing another full year of depreciation.

Recovery of costs associated with the implementation of an additional metering coordinator

During 2020-21, Aurora Energy is forecast to incur a one-off implementation cost of \$0.8M to implement the necessary systems and process changes associated with the introduction of an additional metering coordinator. The decision to change metering coordinator for new metering installations is based on significant financial benefits that will flow through to customers as well as providing an enhanced customer experience for those engaging with Aurora Energy’s metering delivery service.

Based on the total estimated direct metering charges, one-off fee-based services and the recovery of capital costs associated with AEMO market compliance, M_v has been calculated as **\$25,944,133**.

1.5 Forecast AEMO Costs (AEMO_y)

AEMO_y is calculated by applying the 2020-21 relevant fees published by the Australian Energy Market Operator for market participation (note that no draft 2021-22 fees have been released by AEMO at the time of preparing this proposal) as well as an estimate for ancillary charges based on ancillary costs for May 2020 to April 2021.

AEMO_y has been calculated as **\$2,990,666** for Period 6.

1.6 Renewable Energy Costs (RET_y)

RET_y has been calculated by:

- adopting the Clean Energy Regulator's published 2021 Calendar Year Renewable Power Percentage (RPP) and Small-scale Technology Percentage (STP) for the June 2021 to December 2021 period;
- adopting the Clean Energy Regulator's non-binding RPP and STP for the January 2022 to June 2022 period; and
- applying the RPP and STP to forecast prices for Large-Scale Generation Certificates (LGC) and Small-Scale Technology Certificates (STC) respectively.

When applied to Aurora Energy's liable customer load and estimated renewable certificate costs, RET_y for Period 6 has been calculated as **\$46,291,090**.

1.7 Aggregate Over/Under Recoveries from 2016 Standing Offer Price Determination (K_y)

K_y is estimated to be an under-recovery of **\$3,706,830** which is primarily driven by a higher than anticipated Small-scale Technology Percentage (STP) for Calendar Year 2021. Higher than forecast advanced meter costs and increased AEMO charges are also contributing to the under-recovery.

Parameter	Value
REC _y Final Adjustment 2019-20	(\$247,139)
REC _y Preliminary Adjustment 2020-21	\$3,384,603
AEMO _y Final Adjustment 2019-20	(\$71,913)
AEMO _y Preliminary Adjustment 2020-21	\$390,082
Metering, Final Adjustment 2019-20	(\$101,056)
Metering, Preliminary Adjustment 2020-21	\$543,257
REC _y Prior Periods Credit Adjustment	(\$191,005)
K_y	\$3,706,830

1.8 Aggregate Over/Under Recoveries from 2013 Standing Offer Price Determination (CF_y)

Aggregate Over / Under Recoveries relating to the 2013 Standing Offer Price Determination are **(\$127,337)**.

Parameter	Value
REC _y Prior Periods Credit Adjustment	(\$127,337)

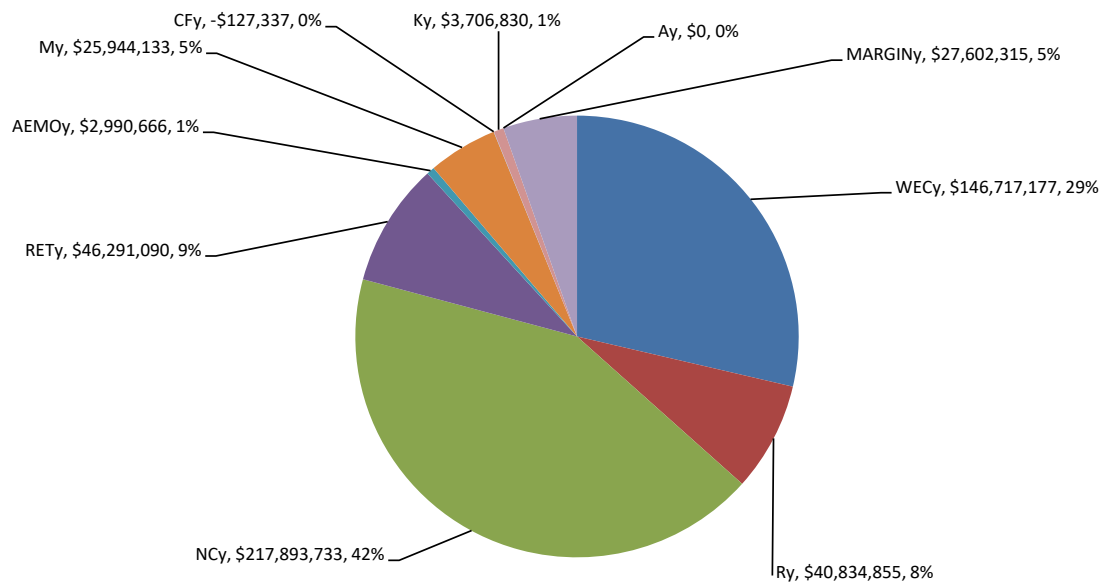
1.9 Retail Margin (Margin_y)

Margin_y is calculated as 5.7 per cent of total costs (excluding A_y) and is estimated to be **\$27,602,315** for Period 6.

1.10 Summary 2021-22 NMR

Taking into account the calculation of each individual cost component, Aurora Energy's total NMR for 2021-22 is **\$511,853,461**. This is a decrease of 6.7 per cent relative to the 2020-21 NMR of **\$548,684,631**. The following chart shows the total NMR proposed for Aurora Energy for 2021-22 by cost component.

Figure 1 – 2021-22 NMR



2. Non-Price Related Proposals

Aurora Energy has no material non-price changes proposed to the Standing Offer Tariff Schedule (Tariff Schedule) for 2021-22 tariffs.

A proposed Tariff Schedule is provided to the Regulator alongside the 2021-22 Price Proposal.

Consistent with the approach in 2020-21, Aurora Energy proposes to publish an advertisement confirming a price decrease of **7.11 per cent** to all residential Standing Offer tariffs from 1 July 2021, and a uniform price decrease of **11.00 per cent** to all business Standing Offer tariffs from 1 July 2021 and that further details are available on the Aurora Energy website or by phoning Aurora Energy, with website and contact details provided.

3. Proposed Maximum Prices for Period 6

Following the final calculation of the NMR, the final price decrease proposed by Aurora Energy is 7.11 per cent to all residential Standing Offer tariffs and 11.00 per cent to all business Standing Offer tariffs from 1 July 2021.

The tables below show Aurora Energy's proposed maximum prices for 1 July 2021 to 30 June 2022, as well as the percentage movement in tariff components and the check that demonstrates that the calculated NMR will not be exceeded when its proposed prices are applied to forecast load.

Proposed Maximum Prices for 2021-22 (excluding GST)

	\$/day	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kW or kVA pa
Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Energy Peak	Energy Shoulder	Energy OffPeak	Demand
22	\$ 0.82954	\$ 0.27560	\$ 0.20388					
31	\$ 0.80388	\$ 0.22452						
41	\$ 0.14989	\$ 0.14580						
43	\$ 0.14872	\$ 0.13055						
61	\$ 0.18525	\$ 0.11738						
62	\$ 0.17708	\$ 0.11056						
75	\$ 2.32389				\$ 0.25256	\$ 0.18391	\$ 0.11492	
82	\$ 2.60079	\$ 0.13361						\$ 123.77457
93	\$ 0.89303				\$ 0.27138		\$ 0.12636	
94	\$ 0.89855				\$ 0.22679	\$ 0.16392	\$ 0.09588	

Proposed Maximum Prices for 2021-22 (including GST)

	\$/day	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kW or kVA pa
Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Energy Peak	Energy Shoulder	Energy OffPeak	Demand
22	\$ 0.91249	\$ 0.30316	\$ 0.22427					
31	\$ 0.88427	\$ 0.24697						
41	\$ 0.16488	\$ 0.16038						
43	\$ 0.16359	\$ 0.14361						
61	\$ 0.20378	\$ 0.12912						
62	\$ 0.19479	\$ 0.12162						
75	\$ 2.55628				\$ 0.27781	\$ 0.20230	\$ 0.12641	
82	\$ 2.86087	\$ 0.14698						\$ 136.15202
93	\$ 0.98234				\$ 0.29852		\$ 0.13900	
94	\$ 0.98841				\$ 0.24947	\$ 0.18031	\$ 0.10547	

Percentage Movement in Tariff Components for 2021-22

Price Increase - 1 July 2021 to 30 June 2022								
Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Energy Peak	Energy Shoulder	Energy OffPeak	Demand
22	-11.00%	-11.00%	-11.00%					
31	-7.11%	-7.11%						
41	-7.11%	-7.11%						
43	-11.00%	-11.00%						
61	-7.11%	-7.11%						
62	-7.11%	-7.11%						
75	-11.00%				-11.00%	-11.00%	-11.00%	
82	-11.00%	-11.00%						-11.00%
93	-7.11%				-7.11%		-7.11%	
94	-11.00%				-11.00%	-11.00%	-11.00%	

2021-22 NMR Check

Tariff	\$/day*	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kW or kVA pa
Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Energy Peak	Energy Shoulder	Energy OffPeak	Demand
22	\$ 7,456,899	\$ 9,497,506	\$ 41,735,704					
31	\$ 56,112,039	\$ 157,615,032						
41	\$ 9,754,279	\$ 117,319,369						
43	\$ 46,520	\$ 809,977						
61	\$ 1,111,078	\$ 4,129,671						
62	\$ 109,554	\$ 696,604						
75	\$ 1,638,763				\$ 687,224	\$ 3,714,686	\$ 3,614,767	
82	\$ 109,168	\$ 674,766						\$ 235,914
93	\$ 17,096,190				\$ 31,229,169		\$ 33,927,337	
94	\$ 1,082,965				\$ 7,835,004	\$ 1,911,078	\$ 1,702,197	
Total	\$ 511,853,461							
Allowed NMR	\$ 511,853,461							

4. Customer Impacts

As a result of the dual price decrease, regulated Standing Offer customers will see different percentage movements in their retail tariff prices and annual electricity bills based on whether they are on residential or small business tariffs. However, the average annual electricity bill movement in dollar terms will vary depending on the tariff and consumption level. The bill movements (including GST) for the different tariffs and combinations in the Regulator's *Typical Electricity Customers in Tasmania – 2020* report are shown below.

Tariff	Number of Customers	\$ Price Movement			% Price Movement			
		Low	Median	High	Low	Median	High	
Small Business	22	24,628	\$ (92)	\$ (183)	\$ (359)	(11.00%)	(11.00%)	(11.00%)
	75	1,932		\$ (461)			(11.00%)	
	94	3,352		\$ (977)			(11.00%)	
Residential	31	12,948		\$ (84)			(7.11%)	
	31/41	176,330	\$ (117)	\$ (145)	\$ (181)	(7.11%)	(7.11%)	(7.11%)
	31/41/61	16,432		\$ (187)			(7.11%)	
	93	37,976		\$ (126)			(7.11%)	

5. Additional Charges

The Additional Charges applying from 1 July 2021 are shown in the table below.

Additional Charges	2021-22 Price
Late payment fee	A late payment fee of \$5.00 applies for accounts not paid in full by the fifth day past the due date (Pensioner, Health Care Card and other exemptions apply).
Overdue accounts	Overdue accounts for Standing Offer customers may be charged interest in accordance with the 2016 Standing Offer Price Determination.

6. Supporting Documents Provided to the Regulator

Document	NMR / Input Reference
31 March 2021 Customer Numbers submitted to AER	Cost-to-Serve (R_y)
STOF Load Forecast 2021-22 STOF Pricing.XLS	Load Forecast
TER's letter advising the Wholesale Energy Price as calculated under the Wholesale Contract Regulatory Instrument	Wholesale Electricity Costs (WEC_y)
Loss Factors 2021-22.xlsx	Distribution and Marginal Loss Factors
2021-22-Network-Tariff-Application-and-Price-Guide.pdf	Network Costs (NC_y)
v9-Green_Renewable_Master.XLS	Renewable Costs (RET_y)
2021-22-Metering-Services-Application-and-Price-Guide.pdf	Metering Costs (M_y)
TasNetworks' Meter Register Numbers by type and tariff as at April 2021	Metering Costs (M_y)
2021-22_Metering_Model.XLSX	Metering Costs (M_y)
Recovery of costs – onboarding a new metering coordinator	Metering Costs (M_y)
PPF130a - Billings.xlsx	2016 Determination Recoveries (K_y)
NBV Meter Charges Summary.XLS	2016 Determination Recoveries (K_y)
Energy Purchase Master Sheet – Extract.XLS	AEMO Costs ($AEMO_y$) 2016 Determination Recoveries (K_y)
Renewable Energy Certificates correction – support.pdf	Determination Adjustments (A_y)