



AURORA ENERGY PTY LTD

2022 STANDING OFFER PRICE DETERMINATION

Issued:

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TABLE OF CONTENTS

PART 1 – PRELIMINARY 2

Commencement date, effective date and expiry date..... 2

Interpretation 2

Prescribed inflationary factor and efficiency factor 4

PART 2 – MAXIMUM PRICES 5

Calculation of maximum prices 5

Approval of standing offer prices under this Determination 5

Notional Maximum Revenues..... 5

PART 3 – STANDING OFFER TARIFF SCHEDULE AND OTHER CHARGES 8

Standing Offer tariff schedule..... 8

Other charges 9

PART 4 – NOTIONAL TARIFF BASE..... 10

PART 5 – MISCELLANEOUS PROVISIONS 11

DRAFT

The Tasmanian Economic Regulator, having conducted an investigation under the *Electricity Supply Industry Act 1995* into the maximum prices that may be charged by Aurora Energy under standard retail contracts in respect of small customers, makes the following Determination.

Dated:

Joe Dimasi
TASMANIAN ECONOMIC REGULATOR

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PART I – PRELIMINARY

Commencement date, effective date and expiry date

1. In accordance with section 40 AA of the *Electricity Supply Industry Act 1995* and Regulation 12(3) of the *Electricity Supply Industry Pricing and Related Matters) Regulations 2013*, this Determination takes effect on 1 July 2022 and remains in effect until 30 June 2025.

Interpretation

2. (a) Expressions not defined in this Determination have the same meaning as they have in the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013* and the *Electricity Supply Industry Act 1995*.

(b) In this Determination –

AEMO means the Australian Energy Market Operator (ABN 94 072 010 327);

AEMO charges mean the annual charges imposed on National Energy Market participants by the AEMO;

adjustment has the same meaning as it has in regulation 16 of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013*;

standing offer price approval process means the process set out in any guideline issued by the Regulator relating to the approval of standing offer prices under this Determination;

Aurora Energy means Aurora Energy Pty Ltd ABN 85 082 464 622;

Consumer Price Index or **CPI** means the All Groups CPI index number for Hobart (ABS CAT NO. 6401.0);

efficiency factor means the percentage rate specified in clause 3 of this Determination;

GWh means gigawatt-hour (one gigawatt-hour is equivalent to 1 000 megawatt-hours or 1 000 000 kilowatt-hours);

Hydro Tasmania means the Hydro-Electric Corporation (ABN 48 072 377 158);

kVA means KiloVolt-Ampere (kVA measures the apparent energy being consumed and is used to measure demand);

kWh means a kilowatt hour, the amount of energy used at a constant rate of one kilowatt for one hour (one kilowatt-hour is equivalent to 1 000 watt hours);

MW means megawatt;

MWh means megawatt hour (one megawatt-hour is equivalent to 1 000 kilowatt-hours);

network tariff means the applicable schedule of tariffs (including the rate or rates) as approved by the Australian Energy Regulator (as amended from time to time) that Aurora

Energy uses to calculate the amount it charges customers, or a class of customers, for network services;

notional maximum revenue means Aurora Energy's notional maximum revenue as calculated for each of Period 1, Period 2 and Period 3 in accordance with the formula in clause 7;

notional tariff base means the forecast small customer loads and small customer numbers as accepted by the Tasmanian Economic Regulator as part of the annual standing offer price approval process;

Period 1 means the period commencing on 1 July 2022 and ending on 30 June 2023;

Period 2 means the period commencing on 1 July 2023 and ending on 30 June 2024;

Period 3 means the period commencing on 1 July 2024 and ending on 30 June 2025;

prescribed inflationary factor has the same meaning as it has in clause 3 of this Determination;

reference rate means the monthly 90-day Bank Accepted Bill rate published by the Reserve Bank of Australia. The rate to apply in each quarter is the rate for the second month preceding the start of each new quarter. The reference rate will apply from the first business day of each new quarter up to and including the last business day of that quarter.

regional reference node has the same meaning as it has in the National Electricity Rules;

regulatory period means the period commencing on 1 July 2022 and ending on 30 June 2025;

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

retail margin means the Regulator's allowance to compensate Aurora Energy for its investment in the business and the risks it assumes in providing standard retail services to small customers;

Standing Offer Tariff Strategy means Aurora Energy's *Standing Offer Tariff Strategy*;

small customer has the same meaning as in the *Electricity Supply Industry Act 1995*;

standard retail contract has the same meaning as in the *Electricity Supply Industry Act 1995*;

standard retail services has the same meaning as in section 40AB(6) of the *Electricity Supply Industry Act 1995*;

standing offer tariff strategy means Aurora Energy's 2022 Standing Offer Tariff Strategy;

standing offer prices has the same meaning as in the *Electricity Supply Industry Act 1995*;

WPI means Tasmania's Wage Price Index (ABS CAT NO 6345.0);

wholesale electricity price means the Regulator’s calculation of the price Aurora Energy is taken to have purchased electricity, for the purpose of providing services under standard retail contracts to small customers.

Prescribed inflationary factors and efficiency factor for the cost to serve

3.

(a) For the purposes of this Determination, the prescribed inflationary factor for **labour costs** is to be calculated as follows:

$$(i) \text{ Period 2} = \frac{WPI_{\text{Mar2023}} + WPI_{\text{Dec2022}} + WPI_{\text{Sep2022}} + WPI_{\text{Jun2022}}}{WPI_{\text{Mar2022}} + WPI_{\text{Dec2021}} + WPI_{\text{Sep2021}} + WPI_{\text{Jun2021}}}$$

$$(ii) \text{ Period 3} = \frac{WPI_{\text{Mar2024}} + WPI_{\text{Dec2023}} + WPI_{\text{Sep2023}} + WPI_{\text{Jun2023}}}{WPI_{\text{Mar2023}} + WPI_{\text{Dec2022}} + WPI_{\text{Sep2022}} + WPI_{\text{Jun2022}}}$$

(b) For the purposes of this Determination, the prescribed inflationary factor for **non-labour costs** is to be calculated as follows:

$$(i) \text{ Period 2} = \frac{CPI_{\text{Mar2023}} + CPI_{\text{Dec 2022}} + CPI_{\text{Sep 2022}} + CPI_{\text{Jun 2022}}}{CPI_{\text{Mar2022}} + CPI_{\text{Dec2021}} + CPI_{\text{Sep2021}} + CPI_{\text{Jun2021}}}$$

$$(ii) \text{ Period 3} = \frac{CPI_{\text{Mar2024}} + CPI_{\text{Dec2023}} + CPI_{\text{Sep2023}} + CPI_{\text{Jun 2023}}}{CPI_{\text{Mar2023}} + CPI_{\text{Dec2022}} + CPI_{\text{Sep2022}} + CPI_{\text{Jun2022}}}$$

(c) For the purposes of this Determination, the efficiency factor is 3.4 per cent in Periods 2 and 3.

PART 2 – MAXIMUM PRICES

Calculation of maximum prices

4.

- (a) The maximum prices that Aurora Energy may charge in respect of standard retail services provided to small customers under standard retail contracts during the term of this Determination are to be calculated in accordance with the principles outlined in clause 6.
- (b) For the avoidance of doubt, the maximum prices calculated in accordance with clause 6 of this determination do not include the late payment fees and interest on overdue accounts listed in Table 3.

Approval of standing offer prices under this Determination

5. Draft standing offer prices are to be submitted to the Regulator for approval in accordance with the *Electricity Supply Industry Act 1995* and the annual standing offer price approval process.

Notional Maximum Revenues

6.

- (a) For each of Periods 1, 2 and 3 and for the purposes of this clause and clause 7, Aurora Energy is required to provide details of its notional tariff base during the annual standing offer price approval process.
- (b) In Period 1, and for the purposes of this clause and clause 7, the tariffs that will apply to small customers are specified in Table 2.
- (c) The maximum prices that Aurora Energy may charge in respect of small customers for the tariffs that are to apply each period are to be determined in accordance with the following principle:

If the price for each tariff were to be applied to the load and billing day schedule for the notional tariff base for each tariff as provided as provided by Aurora Energy and approved by the Regulator during the annual standing offer price approval process, for each of Periods 1, 2 and 3,

the aggregate of the results so obtained will not exceed the notional maximum revenue calculated in accordance with clause 7 for the relevant period.

- (d) The maximum prices determined under clause 6(c) are subject to clauses 9 and 10.

7. The notional maximum revenue (NMR_y) for Period 1, Period 2 and Period 3 is calculated in accordance with the following formula:

$$NMR_y = CTS_y + WEC_y + NC_y + M_y + AEMO_y + RET_y + Retail\ Margin_y + K_y + A_y + CF_y$$

Where:

y is the relevant period (ie Period 1, Period 2 or Period 3)

NMR_y is the notional maximum revenue in Period y .

CTS_y = cost to serve per customer in Period y x forecast number of small customers $_y$

where: the forecast number of small customers $_y$ included in the notional tariff base for each of Periods 1, 2 and 3 is as provided by Aurora Energy and approved by the Regulator during the annual standing offer price approval process.

Cost to serve $_y$ means the allowance determined by the Regulator, per customer, to cover the cost of providing services under standard retail contracts during each period, comprising labour and non-labour cost (see Table 1 for Period 1). The two components of the cost to serve will be escalated by the appropriate prescribed inflationary factor. The total cost to serve will be adjusted by the prescribed efficiency factor in each period.

Table 1: Cost to serve in Period 1 (2022-23) (\$2020-21)

Cost to serve component	\$ per customer
CTS - Labour	78.28
CTS - Non-labour	78.14
Cost to serve	156.42

Other than to account for inflation and efficiencies as set out in this determination, the cost to serve allowance will not be adjusted as part of the annual standing offer price approval process.

WEC $_y$ means the wholesale energy cost calculated as the forecast small customer load $_y$ x MLF_y x DLF_y x WEP_y where the forecast small customer load $_y$ for each of Periods 1, 2 and 3 is as provided by Aurora Energy and approved by the Regulator during the annual standing offer price approval process.

MLF $_y$ means the load weighted average marginal loss factor at the regional reference node for Tasmania for the relevant period as approved by the Regulator during the annual standing offer price approval process.

DLF $_y$ means the load weighted average distribution loss factor for the relevant period as approved by the Regulator during the annual standing offer price approval process.

WEP $_y$ means the wholesale energy price and is calculated by the Regulator in accordance with a methodology that complies with section 40AB(3) of the *Electricity Supply Industry Act 1995* and any guidelines issued by the Regulator. The Regulator will calculate the applicable

wholesale electricity price for each period in accordance with the annual standing offer price approval process.

NC_y means the network costs derived by multiplying network tariffs_y by the notional tariff base_y. The Regulator will estimate network costs for each period during the annual standing offer price approval process.

M_y means the forecast metering costs as approved by the Regulator. The Regulator will estimate metering costs for each period during the annual standing offer price approval process.

$AEMO_y$ means the forecast charges, as billed by AEMO for market participation and ancillary services for each period. The Regulator will estimate AEMO charges for each period during the annual standing offer price approval process.

RET_y means the cost of complying with the Australian Government's mandatory renewable energy schemes for each period. The Regulator will approve the RET cost allowance for each period during the annual standing offer price approval.

K_y means over or under recoveries from a previous period covered by this Determination in relation to changes in network costs, RET costs and AEMO charges attributable to the notional tariff base as approved by the Regulator.

CF_y is an aggregate of under and/or over recoveries from previous periods covered by the 2016 Standing Offer Determination as approved by the Regulator.

Retail Margin, is the allowance to compensate Aurora Energy for its investment in the business. The retail margin for 2022-23 is \$96.25 per customer (in \$2020-21).

Other than to account for movements in the Hobart CPI in accordance with the formula in clause 8, the retail margin will not be adjusted as part of the annual standing offer price approval process.

A_y is an adjustment calculated in accordance with a methodology approved by the Regulator, consistent with Regulation 12 and Regulation 16 of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013*, as detailed in any guidelines issued by the Regulator.

Prescribed inflationary factor for the Retail Margin

8. For the purposes of this Determination, the prescribed inflationary factor for the **Retail Margin** is to be calculated as follows:

$$(i) \text{ Period 2} = \frac{\text{CPI}_{\text{Mar2023}} + \text{CPI}_{\text{Dec2022}} + \text{CPI}_{\text{Sep2022}} + \text{CPI}_{\text{Jun2022}}}{\text{CPI}_{\text{Mar2022}} + \text{CPI}_{\text{Dec2021}} + \text{CPI}_{\text{Sep2021}} + \text{CPI}_{\text{Jun2021}}}$$

$$(ii) \text{ Period 3} = \frac{\text{CPI}_{\text{Mar2024}} + \text{CPI}_{\text{Dec2023}} + \text{CPI}_{\text{Sep2023}} + \text{CPI}_{\text{Jun2023}}}{\text{CPI}_{\text{Mar2023}} + \text{CPI}_{\text{Dec2022}} + \text{CPI}_{\text{Sep2022}} + \text{CPI}_{\text{Jun2022}}}$$

PART 3 – STANDING OFFER TARIFF SCHEDULE and OTHER CHARGES

Standing Offer tariff schedule

9. Aurora Energy’s tariffs under standard retail contracts for Period 1 are listed in Table 2.
10. Changes to Aurora Energy’s standing offer tariffs for Periods 2 and 3 must be consistent with Aurora Energy’s approved Standing Offer Tariff Strategy.

Table 2: Standing Offer Tariffs

Tariffs	Category	Description
31	Residential	Residential Light and Power
41	Residential	Hot Water
42	Residential	HydroHeat (hot water and space heating)
62	Residential	Off-Peak night only
93	Residential	Time-of-use
<hr/>		
22	Business	General
43	Business	Institutional hot water
94	Business	Time-of-use
75	Business	Irrigation (Time-of-Use)
82	Business	Monthly kVA demand low voltage

Other charges

11. Aurora Energy is permitted to impose other charges as specified in Table 3.

Table 3: Other Charges

Charge	Amount/Calculation	Description
Late payment fee	\$5	Late payment fee for accounts not paid in full by the fifth day past the due date.
Interest on overdue accounts	$[(N/365) \times I] \times O$	Interest calculated on accounts not paid in full by the fifth day past the due date where: N = the number of days the account is overdue. I = the reference rate + 6% O = the overdue amount.

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PART 4 – NOTIONAL TARIFF BASE

12. For each of Periods 1, 2 and 3, Aurora Energy is required to provide, during the annual standing offer price approval process, details of its notional tariff base in accordance with the requirements and formats specified in Tables 4 and 5.

Table 4 Notional tariff base

Small customer load _y (GWh)
Small customers _y (number)

Table 5 Notional tariff base load and billing day schedule

Tariff	Energy Step 1	Energy Step 2	Energy Step 3	Energy Peak	Energy Shoulder	Energy Off- Peak	Total Billing Days	Demand Step 1

PART 5 – MISCELLANEOUS PROVISIONS

13. The Regulator’s decision in respect of all matters to do with the Determination will be final and no correspondence will be entered into.
14. This Determination is administered by the Regulator.

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