



**PRICING PROPOSAL FOR PERIOD 1 OF
THE 2022 STANDING OFFER PRICE
DETERMINATION**

1 JULY 2022 – 30 JUNE 2023

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 Period 1 (1 July 2022 to 30 June 2023) of the 2022 Standing Offer Price Determination (2022 Determination).

Aurora Energy proposes a uniform price increase of **11.88 per cent** to all Standing Offer tariffs at 1 July 2022.

For 2022-23, Aurora Energy proposes the total Notional Annual Revenue (NAR) to be **\$574,389,358**, an increase of 12.2 per cent relative to the 2021-22 Notional Maximum Revenue (NMR) of **\$511,853,461**.

The key driver of the increase in the 2022-23 NAR is the Wholesale Energy Cost, which increased by 37.4 per cent from \$146,717,177 in 2021-22 to \$201,546,419 in 2022-23. The next largest increase is forecast Australian Energy Market Operator (AEMO) charges, which increased by 83 per cent from \$2,990,666 in 2021-22 to \$5,458,708 in 2022-23.

The commencement of the 2022 Determination sees the start of a new '2022 Standing Offer Tariff Strategy' (Tariff Strategy) for Aurora Energy. The new Tariff Strategy represents a continuation of the current approach to managing retail tariffs. For clarity, Aurora Energy does not propose to introduce any new tariffs or abolish any existing tariffs during Period 1.

1. Notional Annual Revenue Calculation

Aurora Energy's revenue calculation is calculated in accordance with the methodology prescribed in the 2022 Standing Offer Price Determination:

$$\mathbf{NMR}_y = \mathbf{CTS}_y + \mathbf{WEC}_y + \mathbf{NC}_y + \mathbf{M}_y + \mathbf{AEMO}_y + \mathbf{RET}_y + \mathbf{Retail\ Margin}_y + \mathbf{K}_y + \mathbf{A}_y + \mathbf{CF}_y$$

where:

NMR_y is the notional maximum revenue;

CTS_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;

Retail Margin_y represents the allowance to compensate Aurora Energy for its investment in the business;

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 2022 Standing Offer Price Determination;

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 2016 Standing Offer Price Determination.

The Notional Maximum Revenue (NMR) is prescribed by the 2022 Standing Offer Price Determination. For Period 1, Aurora Energy is proposing to recover a Notional Annual Revenue (NAR) including a CTS allowance using an Adjusted Cost to Serve per Customer.

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

1.1 Cost to Serve (CTS_y)

CTS_y has been calculated as follows:

$$[(Adjusted\ Cost\ to\ Serve\ per\ Customer_y + the\ CTS\ customer\ number\ adjustment\ factor_y) \times Forecast\ Number\ of\ Small\ Customers_y]$$

Parameter	Value	Source
Cost to Serve _y	\$164.08 per customer	Set in the 2022 Standing Offer Price Determination.
Adjusted Cost to Serve _y	\$154.55 per customer	2022-23 (Period 1) Cost to Serve (representing the \$164.08 set in the 2022 Standing Offer Price Determination with \$9.53 removed). \$9.53 has been removed as a result of the request from the Tasmanian Government direction to not include the approved regulatory allowance for the aurora+ product in the cost to serve allowance 2022-23 Standing Offer Prices.
CTS customer number adjustment factor	0	No adjustment in Period 1.
Forecast Customer Numbers	269,277	Aurora Energy 2022-23 customer forecast.
CTS_y	\$41,616,596	

1.2 Wholesale Electricity Cost (WEC_y)

WEC_y has been calculated as follows:

$$[Forecast\ Small\ Customer\ Load_y \times MLF_y \times DLF_y \times WEP_y]$$

Parameter	Value	Source
Forecast Small Customer Load _y	2,324.29 GWh	Aurora Energy 2022-23 load forecast.
MLF _y	1.0018	AEMO published loss factors.
DLF _y	1.0579	AEMO published loss factors.
WEP _y	\$81.82/MWh	The WEP has been calculated by the Regulator as at 24 May 2022 for Period 1 in accordance with the method

	outlined in clause 4.1(1) of the 2022 <i>Standing Office Price Approval Guideline.</i>
WEC_y	\$201,546,419

1.3 Network Costs (NC_y)

NC_y has been calculated by multiplying TasNetworks' approved network prices for 2022-23 (network tariffs_y) by the notional tariff base_y for 2022-23. This results in total network costs of **\$219,154,586** for Period 1.

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 meters	\$9,929,517
Metering Coordinator direct metering charges relating to Type 4 and Type 4A advanced meters	\$17,103,590
Total Direct Metering Costs	\$27,033,108
Fee-Based Services	\$65,659
Recovery of capital costs incurred to comply with AEMO's market system changes	\$548,823
Total M_y	\$27,647,590

Direct Metering Costs

Metering costs are calculated on the basis that Aurora Energy (through its appointed Metering Coordinators) will install 55,000 Type 4 and Type 4A advanced meters in 2022-23 on top of existing installations as at 30 June 2022. On this basis, the annual metering charges associated with these installations is forecast to amount to \$17.1M, with approximately \$9.9M 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 2021-22, 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 \$0.07M in 2022-23.

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

In its calculation of M_y in 2022-23, 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 2022-23, approximately \$0.5M has been included in M_y relating to the recovery of capital costs incurred to comply with AEMO’s market system changes.

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_y has been calculated as **\$27,647,590** for Period 1.

1.5 Forecast AEMO Costs ($AEMO_y$)

$AEMO_y$ is calculated by applying the 2022-23 relevant budgeted fees from the Australian Energy Market Operator (AEMO) for market participation as well as an estimate for ancillary charges based on ancillary costs for May 2021 to April 2022.

$AEMO_y$ has been calculated as **\$5,458,708** for Period 1.

1.6 Renewable Energy Costs (RET_y)

RET_y has been calculated by:

- adopting the Clean Energy Regulator’s published 2022 Calendar Year Renewable Power Percentage (RPP) and Small-scale Technology Percentage (STP) for the July 2022 to December 2022 period;

- adopting the Clean Energy Regulator’s non-binding RPP and STP for the January 2023 to June 2023 period; and
- applying the RPP and STP to historical forward market prices for Large-Scale Generation Certificates (LGC) and forecast prices for Small-Scale Technology Certificates (STC) respectively.

When applied to Aurora Energy’s liable customer load, RET_y for Period 1 has been calculated as **\$47,217,076**.

1.7 Retail Margin (Retail Margin_y)

Retail Margin_y is calculated as the allowance of \$100.90 per customer multiplied by forecast customer numbers and is estimated to be **\$27,170,015** for Period 1.

1.8 Aggregate Over/Under Recoveries from 2016 Standing Offer Price Determination (CF_y)

CF_y is estimated to be an under-recovery of **\$4,578,367** which is primarily driven by higher than anticipated Large-Scale Generation Certificate (LGC) costs for Calendar Year 2021 and a higher than anticipated Small-scale Technology Percentage (STP) for Calendar Year 2022. Higher than forecast AEMO charges are also contributing to the under-recovery.

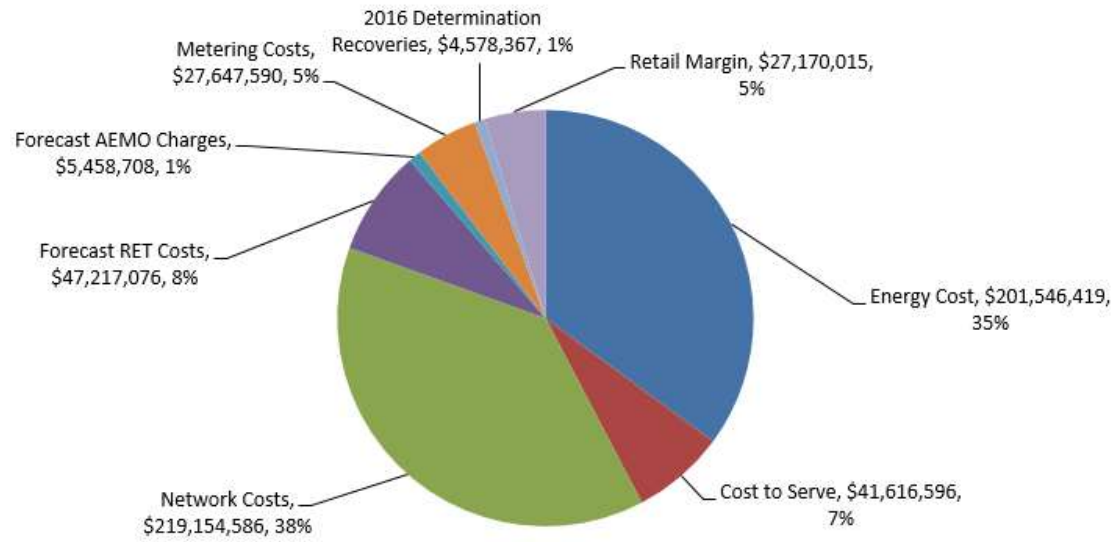
Parameter	Value
REC _y Final Adjustment 2020-21	\$65,915
REC _y Preliminary Adjustment 2021-22	\$3,305,332
AEMO _y Final Adjustment 2020-21	\$214,209
AEMO _y Preliminary Adjustment 2021-22	\$1,142,168
Metering, Final Adjustment 2020-21	\$116,178
Metering, Preliminary Adjustment 2021-22	(\$265,435)
CF_y	\$4,578,367

1.9 Summary 2022-23 NAR

Taking into account the calculation of each individual cost component, Aurora Energy’s total NAR for 2022-23 is **\$574,389,358**. This is an increase of 12.2 per cent relative to the 2021-22 NMR of **\$511,853,461**. It is also lower than the NMR for 2022-23 which is \$576,955,568 (which includes the unadjusted CTS as per the 2022 Determination).

The following chart shows the total NAR proposed for Aurora Energy for 2022-23 by cost component.

Figure 1 – 2022-23 NAR



2. Non-Price Related Proposals

Aurora Energy has no material non-price changes proposed to the Standing Offer Tariff Schedule (Tariff Schedule) for Period 1 and 2022-23 tariffs.

A proposed Tariff Schedule is provided to the Regulator alongside the 2022-23 Price Proposal.

Consistent with the approach in 2021-22, Aurora Energy proposes to publish an advertisement confirming a price increase of **11.88 per cent** to all Standing Offer tariffs from 1 July 2022. Further details are available on the Aurora Energy website or by phoning Aurora Energy, with website and contact details provided on the 2022-23 Tariff Schedule.

As part of the 2022 Determination, the Regulator approved Aurora Energy's Tariff Strategy. This has been submitted alongside this Retail Price Proposal for final approval by the Regulator.

3. Proposed Prices for Period 1

Following the final calculation of the NAR, the final price increase proposed by Aurora Energy is 11.88 per cent to all Standing Offer tariffs from 1 July 2022.

The tables below show Aurora Energy's proposed prices for 1 July 2022 to 30 June 2023, as well as the percentage movement in tariff components and the check that demonstrates that the calculated NAR will not be exceeded when its proposed prices are applied to forecast load.

Proposed Prices for 2022-23 (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	\$ 0.92809	\$ 0.30834	\$ 0.22810					
31	\$ 0.89938	\$ 0.25119						
41	\$ 0.16770	\$ 0.16312						
43	\$ 0.16639	\$ 0.14606						
61	\$ 0.20726	\$ 0.13133						
62	\$ 0.19811	\$ 0.12370						
75	\$ 2.59997				\$ 0.28256	\$ 0.20576	\$ 0.12857	
82	\$ 2.90976	\$ 0.14949						\$ 138.47872
93	\$ 0.99912				\$ 0.30362		\$ 0.14137	
94	\$ 1.00530				\$ 0.25374	\$ 0.18340	\$ 0.10727	

Proposed Prices for 2022-23 (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	\$ 1.02089	\$ 0.33918	\$ 0.25091					
31	\$ 0.98932	\$ 0.27631						
41	\$ 0.18447	\$ 0.17943						
43	\$ 0.18303	\$ 0.16067						
61	\$ 0.22798	\$ 0.14446						
62	\$ 0.21793	\$ 0.13607						
75	\$ 2.85996				\$ 0.31081	\$ 0.22634	\$ 0.14143	
82	\$ 3.20073	\$ 0.16444						\$ 152.32659
93	\$ 1.09903				\$ 0.33399		\$ 0.15551	
94	\$ 1.10583				\$ 0.27911	\$ 0.20174	\$ 0.11800	

Percentage Movement in Tariff Components for 2022-23

Price Increase - 1 July 2022 to 30 June 2023								
Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Energy Peak	Energy Shoulder	Energy OffPeak	Demand
22	11.88%	11.88%	11.88%					
31	11.88%	11.88%						
41	11.88%	11.88%						
43	11.88%	11.88%						
61	11.88%	11.88%						
62	11.88%	11.88%						
75	11.88%				11.88%	11.88%	11.88%	
82	11.88%	11.88%						11.88%
93	11.88%				11.88%		11.88%	
94	11.88%				11.88%	11.88%	11.88%	

2022-23 NAR Check

Tariff	Total	\$/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	\$ 7,134,268	\$ 8,117,582	\$ 34,128,307					
31	\$ 64,069,942	\$ 182,495,197						
41	\$ 11,254,881	\$ 139,577,356						
43	\$ 45,627	\$ 702,655						
61	\$ 1,232,793	\$ 4,012,713						
62	\$ 60,853	\$ 536,119						
75	\$ 1,836,304				\$ 669,627	\$ 2,802,437	\$ 2,497,845	
82	\$ 134,840	\$ 652,671						\$ 263,940
93	\$ 17,112,531				\$ 34,920,401		\$ 38,161,249	
94	\$ 1,565,057				\$ 14,083,266	\$ 3,285,471	\$ 3,035,425	
Total	\$ 574,389,358							
Allowed NAR	\$ 574,389,358							

4. Customer Impacts

Regulated Standing Offer customers will see consistent percentage movements in their retail tariff prices and annual electricity bills. 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	Medium	High	Low	Medium	High	
Small Business	22	22,509	\$ 88	\$ 176	\$ 346	11.88%	11.88%	11.88%
	75	1,979		\$ 443			11.88%	
	94	3,873		\$ 939			11.88%	
Residential	31	11,958		\$ 131			11.88%	
	31/41	171,293	\$ 182	\$ 227	\$ 283	11.88%	11.88%	11.88%
	31/41/61	16,589		\$ 291			11.88%	
	93	42,137		\$ 196			11.88%	

5. Additional Charges

The Additional Charges applying from 1 July 2022 are shown in the table below.

Additional Charges	2022-23 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 2022 Standing Offer Price Determination.

6. Supporting Documents Provided to the Regulator

Document	NAR / Input Reference
1. Standing Offer Load Forecast 2022-23.xlsx	Load Forecast
2. 2022-23 CTS and aurora+ in current dollars (OTTER).msg	Cost to Serve (CTS _y) adjustment
3. TER's letter advising the Wholesale Energy Price as calculated under the Wholesale Contract Regulatory Instrument.pdf	Wholesale Electricity Costs (WEC _y)
4. Loss Factors 2022-23.xlsx	Distribution and Marginal Loss Factors
5. AER Approved TasNetworks Annual Distribution Pricing Proposal 2022-23.pdf	Network Costs (NC _y)
6. Energy Purchase Master Sheet – 13 May.xlsx	AEMO Costs (AEMO _y) 2016 Determination Recoveries (CF _y)
7. 2022 PD LGC Market Recovery Methodology.xlsx	Renewable Costs (RET _y)
8. Renewable Portfolio Prices.xlsx	Renewable Costs (RET _y) 2016 Determination Recoveries (CF _y)
9. AEMO Fees.msg	AEMO Costs (AEMO _y)
10. 2022-23 Meter Cost Model.xlsx	Metering Costs (M _y)
11. PPF130a – Billings.xlsx	2016 Determination Recoveries (CF _y)
12. NBV Metering Charges Summary.xlsx	2016 Determination Recoveries (CF _y)