



**AURORA ENERGY PTY LTD**

**2022 STANDING OFFER PRICE DETERMINATION**

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Having:

- (a) conducted an investigation under Regulation 9 of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013* into the maximum prices that may be charged by Aurora Energy under standard retail contracts in respect of small customers; and
- (b) complied with the *Electricity Supply Industry Act 1995* and Regulations 12 and 13 of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013*,

I make the following Determination under section 40AA of the *Electricity Supply Industry Act 1995*.

A handwritten signature in black ink, appearing to read 'Joe Dimasi', with a stylized flourish at the end.

Joe Dimasi  
**TASMANIAN ECONOMIC REGULATOR**

Dated: 29 April 2022

# 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 –

**2016 Determination** means the determination made by the Regulator on 5 May 2016 and amended on 27 June 2016;

**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*;

**annual 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);

**Cost to serve customer number adjustment factor** refers to the adjustment of the cost to serve allowance for the material change (either upwards or downwards) in customers between years.

**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 year 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;

**year** means the financial year of 2022-23, 2023-24 and 2024-25;

**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 allowance approved by the Regulator to compensate Aurora Energy for the risks it assumes in providing standard retail services to small customers;

**small customers** means a customer using less than 150MWh of electricity per annum;

**Standing Offer Tariff Strategy** means Aurora Energy's *Standing Offer Tariff Strategy* for the 2022 Standing Offer Price Determination approved by the Regulator;

**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*;

**tariff strategy** means Aurora Energy’s 2022 Tariff Strategy;

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

**WPI** means Tasmania’s Wage Price Index for the private sector (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:

$$(i) \text{ 2022-23} = \frac{WPI_{\text{Mar2022}} + WPI_{\text{Dec2021}} + WPI_{\text{Sep2021}} + WPI_{\text{Jun2021}}}{WPI_{\text{Mar2021}} + WPI_{\text{Dec2020}} + WPI_{\text{Sep2020}} + WPI_{\text{Jun2020}}}$$

$$(ii) \text{ 2023-24} = \frac{WPI_{\text{Mar2023}} + WPI_{\text{Dec2022}} + WPI_{\text{Sep2022}} + WPI_{\text{Jun2022}}}{WPI_{\text{Mar2022}} + WPI_{\text{Dec2021}} + WPI_{\text{Sep2021}} + WPI_{\text{Jun2021}}}$$

$$(iii) \text{ 2024-25} = \frac{WPI_{\text{Mar2024}} + WPI_{\text{Dec2023}} + WPI_{\text{Sep2023}} + WPI_{\text{Jun2023}}}{WPI_{\text{Mar2023}} + WPI_{\text{Dec2022}} + WPI_{\text{Sep2022}} + WPI_{\text{Jun2022}}}$$

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

$$(i) \text{ 2022-23} = \frac{CPI_{\text{Mar2022}} + CPI_{\text{Dec2021}} + CPI_{\text{Sep2021}} + CPI_{\text{Jun2021}}}{CPI_{\text{Mar2021}} + CPI_{\text{Dec2020}} + CPI_{\text{Sep2020}} + CPI_{\text{Jun2020}}}$$

$$(ii) \text{ 2023-24} = \frac{CPI_{\text{Mar2023}} + CPI_{\text{Dec2022}} + CPI_{\text{Sep2022}} + CPI_{\text{Jun2022}}}{CPI_{\text{Mar2022}} + CPI_{\text{Dec2021}} + CPI_{\text{Sep2021}} + CPI_{\text{Jun2021}}}$$

$$(iii) \text{ 2024-25} = \frac{CPI_{\text{Mar2024}} + CPI_{\text{Dec2023}} + CPI_{\text{Sep2023}} + CPI_{\text{Jun2023}}}{CPI_{\text{Mar2023}} + CPI_{\text{Dec2022}} + CPI_{\text{Sep2022}} + CPI_{\text{Jun2022}}}$$

(c) For the purposes of this Determination, the efficiency factor is 3.4 per cent.

## 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 year, 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 2022-23, 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 year are to be determined in accordance with the following principle:

If the prices 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 year, the aggregate of the results so obtained will not exceed the notional maximum revenue calculated in accordance with Clause 7 for that year.

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

7. The notional maximum revenue for each year 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 year

$NMR_y$  is the notional maximum revenue in year  $y$ .

$$CTS_y = (\text{cost to serve per customer}_y + \text{the CTS customer number adjustment factor}_y) \times \text{forecast number of small customers}_y$$

where:

**Cost to serve per customer<sub>y</sub>** means the allowance determined by the Regulator, per customer, to cover the cost of providing services under standard retail contracts during each year, comprising labour and non-labour costs. The cost to serve allowance for 2022-23 is \$156.31 per customer (in 2020-21 dollars).

The two components of the cost to serve will be adjusted by the appropriate prescribed inflationary factor on a 50:50 basis. That is, 50 per cent of the cost to serve will be adjusted by changes in the Hobart CPI and 50 per cent of the cost to serve will be adjusted by changes in the Tasmanian WPI for the private sector. The cost to serve in 2023-24 and 2024-25 will be adjusted downwards by the prescribed efficiency factor.

**Forecast number of small customers<sub>y</sub>** included in the notional tariff base for each year as provided by Aurora Energy and approved by the Regulator during the annual standing offer price approval process.

**CTS customer number adjustment factor<sub>y</sub>** is an adjustment factor used to determine  $CTS_y$  to allow for a change (either upwards or downwards) in the number of customers between years.

For 2023-24, the adjustment factor is applied if the absolute value of the difference between of the number of small customers in the notional tariff base for 2023-24 and the actual number of small customers in 2022-23 (actual customer number<sub>1</sub> as defined below), is greater than two per cent. The adjustment factor is calculated as:

$$(\text{cost to serve per customer}_2 \times \text{change in customer numbers} \times \text{percentage of fixed costs}) / \text{actual customer number}_1$$

where:

**cost to serve per customer<sub>2</sub>** is for 2023-24.

**change in customer numbers** is the absolute value of the difference between the number of small customers in the notional tariff base for 2023-24 and the actual customer number<sub>1</sub>.

**actual customer number<sub>1</sub>** is the number of small customers in 2022-23 using the same method as for the notional tariff base for 2022-23.

**percentage of fixed costs** is the proportion of costs in Aurora Energy's cost to serve that does not vary with the number of customers, as provided by Aurora Energy and as approved by the Regulator.

If the CTS customer number adjustment factor is applied in the case of a decline in customer numbers, the value of the CTS customer number adjustment factor is positive. If the CTS customer number adjustment factor is applied in the case of an increase in customer numbers, the value of the CTS customer number adjustment factor is negative.

For 2024-25:

- (a) if the CTS customer number adjustment factor was not applied in 2023-24, the adjustment factor is applied if the absolute value of the difference between the number of small customers in the notional tariff base for 2024-25 and actual customer number<sub>1</sub> is greater than two per cent. The adjustment factor is calculated as:

$(\text{cost to serve per customer}_3 \times \text{change in customer numbers} \times \text{percentage of fixed costs}) / \text{actual customer number}_1$

where:

**cost to serve per customer<sub>3</sub>** is for 2024-25.

**change in customer numbers** is the difference between the absolute value of the number of small customers in the notional tariff base for 2024-25 and actual customer number<sub>1</sub>.

**actual customer number<sub>1</sub>** is the number of small customers in 2022-23 using the same method as for the notional tariff base for 2022-23.

- (b) if the CTS customer number adjustment factor was applied in 2023-24, it is applied if the absolute value of the difference between the number of small customers in the notional tariff base for 2024-25 and actual customer number<sub>2</sub> is greater than two per cent. The adjustment factor is calculated as:

$(\text{cost to serve per customer}_3 \times \text{change in customer numbers} \times \text{percentage of fixed costs}) / \text{actual customer number}_2$

where:

**cost to serve per customer<sub>3</sub>** is for 2024-25.

**change in customer numbers** is the absolute value of the difference between the number of small customers in the notional tariff base for 2024-25 and the actual customer number<sub>2</sub>.

**actual customer number<sub>2</sub>** is the number of small customers in 2023-24 using the same method as for the notional tariff base for 2023-24.

If the CTS customer number adjustment factor is applied in the case of a decline in customer numbers, the value of the CTS customer number adjustment factor is positive. If the CTS customer number adjustment factor is applied in the case of an increase in customer numbers, the value of the CTS customer number adjustment factor is negative.

**WEC<sub>y</sub>** means the wholesale energy cost calculated as the forecast small customer load<sub>y</sub> x MLF<sub>y</sub> x DLF<sub>y</sub> x WEP<sub>y</sub> where the forecast small customer load<sub>y</sub> for each year as provided by Aurora Energy and approved by the Regulator during the annual standing offer price approval process.

**MLF<sub>y</sub>** means the load weighted average marginal loss factor at the regional reference node for Tasmania for the relevant year as approved by the Regulator during the annual standing offer price approval process.

**DLF<sub>y</sub>** means the load weighted average distribution loss factor for the relevant year as approved by the Regulator during the annual standing offer price approval process.

**WEP<sub>y</sub>** 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 year in accordance with the annual standing offer price approval process.

**NC<sub>y</sub>** means the network costs derived by multiplying network tariffs<sub>y</sub> by the notional tariff base<sub>y</sub>. The Regulator will estimate network costs for each year during the annual standing offer price approval process.

**M<sub>y</sub>** means the forecast metering costs as approved by the Regulator. The Regulator will estimate metering costs for each year during the annual standing offer price approval process.

**AEMO<sub>y</sub>** means the forecast charges, as billed by AEMO for market participation and ancillary services for each year. The Regulator will estimate AEMO charges for each year during the annual standing offer price approval process.

**RET<sub>y</sub>** means the cost of complying with the Australian Government's mandatory renewable energy schemes for each year. The Regulator will approve the RET cost allowance for each year during the annual standing offer price approval.

**K<sub>y</sub>** means over or under recoveries from a previous year covered by this Determination in relation to changes in network costs, some 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 years covered by the 2016 Determination as approved by the Regulator.

**Retail Margin<sub>y</sub>** is the allowance to compensate Aurora Energy for its investment in the business. The retail margin for 2022-23 is \$100.90 per customer (in current dollars).

$A_y$  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:

$$(i) \text{ 2023-24} = \frac{CPI_{\text{Mar2023}} + CPI_{\text{Dec 2022}} + CPI_{\text{Sep 2022}} + CPI_{\text{Jun2022}}}{CPI_{\text{Mar2022}} + CPI_{\text{Dec2021}} + CPI_{\text{Sep2021}} + CPI_{\text{Jun2021}}}$$

$$(ii) \text{ 2024-25} = \frac{CPI_{\text{Mar2024}} + CPI_{\text{Dec2023}} + CPI_{\text{Sep2023}} + CPI_{\text{Jun2023}}}{CPI_{\text{Mar2023}} + CPI_{\text{Dec2022}} + CPI_{\text{Sep2022}} + CPI_{\text{Jun2022}}}$$

## ***PART 3 – STANDING OFFER TARIFF SCHEDULE and OTHER CHARGES***

### **Standing Offer tariff schedule**

9. Aurora Energy’s tariffs under standard retail contracts for 2022-23 are listed in Table 2.
10. Changes to Aurora Energy’s standing offer tariffs for 2023-24 and 2024-25 must be consistent with Aurora Energy’s approved Tariff Strategy.

**Table 2: Standing Offer Tariffs**

<b>Tariffs</b>	<b>Category</b>	<b>Description</b>
31	Residential	Residential light and power
41	Residential	Hot water
42	Residential	Hot water and space heating
61	Residential	Off-peak night and afternoon only
62	Residential	Off-peak night only
93	Residential	Time-of-use
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 year, 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 <sub>y</sub> (GWh)
Small customers <sub>y</sub> (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.