



**PRICING PROPOSAL FOR PERIOD 2 OF
THE 2022 STANDING OFFER PRICE
DETERMINATION**

1 JULY 2023 – 30 JUNE 2024

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 2 (1 July 2023 to 30 June 2024) of the 2022 Standing Offer Price Determination (2022 Determination).

To begin to address some of the legacy cross-subsidies and cost imbalance in its tariff base, Aurora Energy proposes a non-uniform price increase for Period 2. Aurora Energy proposes different increases for fixed rates and variable rates to better reflect the nature of the underlying costs it passes through. The proposed increases are as follows:

- 15% increase to all fixed retail tariff rates except for Tariff 22;
- 10% increase to Tariff 22 fixed retail tariff rate; and
- 8.38% increase to all variable retail tariff rates.

The above annual price adjustments result in the low to high customer groups defined by the Office of the Tasmanian Economic Regulator in its *Typical Electricity Customers in Tasmania – 2022* report receiving annual bill outcomes within +/- 1 per cent of what they otherwise would under a uniform price adjustment approach.

As a result, there will be an average price increase of **9.51 per cent** to Standing Offer tariffs from 1 July 2023.

For 2023-24, Aurora Energy proposes the total Notional Maximum Revenue (NMR) to be **\$632,835,146**, an increase of 10.2 per cent relative to the 2022-23 Notional Maximum Revenue (NMR) of **\$574,389,358**.

The key driver of the increase in the 2023-24 NMR is the Wholesale Energy Cost, which increased by 24.9 per cent from \$201,546,419 in 2022-23 to \$251,679,491 in 2023-24. The net impact from all other elements of the NMR was a 2.2 per cent increase.

Aligned with the 2022 Determination is Aurora Energy's '2022 Standing Offer Tariff Strategy' (Tariff Strategy). Under the Tariff Strategy Aurora Energy does not propose to introduce any new tariffs or abolish any existing tariffs during Period 2.

1. Notional Maximum 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 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:

$$[(\text{Adjusted Cost to Serve per Customer}_y + \text{the CTS customer number adjustment factor}_y) \times \text{Forecast Number of Small Customers}_y]$$

Parameter	Value	Source
Cost to Serve _y	\$167.36 per customer	Set in the 2022 Standing Offer Price Determination.
CTS customer number adjustment factor	0	No adjustment required in Period 2.
Forecast Customer Numbers	267,507	Aurora Energy 2023-24 customer forecast.
CTS_y	\$44,768,999	

1.2 Wholesale Electricity Cost (WEC_y)

WEC_y has been calculated as follows:

$$[\text{Forecast Small Customer Load}_y \times \text{MLF}_y \times \text{DLF}_y \times \text{WEP}_y]$$

Parameter	Value	Source
Forecast Small Customer Load _y	2,350.67 GWh	Aurora Energy 2023-24 load forecast.
MLF _y	1.0079	AEMO published loss factors.
DLF _y	1.0502	AEMO published loss factors.
WEP _y	\$101.15/MWh	The WEP has been calculated by the Regulator as at 23 May 2023 for Period 2 in accordance with the method outlined in clause 4.1(1) of the 2022 Standing Office Price Approval Guideline.
WEC_y	\$251,679,491	

1.3 Network Costs (NC_y)

NC_y has been calculated by multiplying TasNetworks' approved network prices for 2023-24 (network tariffs_y) by the notional tariff base_y for 2023-24. This results in total network costs of **\$228,873,620** for Period 2.

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	\$9,296,361
Metering Coordinator direct metering charges relating to Type 4 and Type 4A advanced meters	\$24,230,674
Total Direct Metering Costs	\$33,527,035
Fee-Based Services	\$174,678
Total M_y	\$33,701,713

Direct Metering Costs

Metering costs are calculated on the basis that Aurora Energy (through its appointed Metering Coordinators) will install 53,000 Type 4 and Type 4A advanced meters in 2023-24 on top of existing installations as at 30 June 2023. On this basis, the annual metering charges associated with these installations is forecast to amount to \$24.2M, with approximately \$9.3M 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 2022-23, 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 \$0.17M in 2023-24.

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 **\$33,701,713** for Period 2.

1.5 Forecast AEMO Costs ($AEMO_y$)

$AEMO_y$ is calculated by applying the 2023-24 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 2022 to April 2023.

$AEMO_y$ has been calculated as **\$6,043,743** for Period 2.

1.6 Renewable Energy Costs (RET_y)

RET_y has been calculated by:

- adopting the Clean Energy Regulator's published 2023 Calendar Year Renewable Power Percentage (RPP) for the July 2023 to June 2024 period;
- adopting the Clean Energy Regulator's published 2023 Calendar Year Small-scale Technology Percentage (STP) for the July 2023 to December 2023 period and non-binding 2024 STP for the January 2024 to June 2024 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 2 has been calculated as **\$41,439,416**.

1.7 Retail Margin ($Retail\ Margin_y$)

$Retail\ Margin_y$ is calculated as the allowance of \$108.38 per customer multiplied by forecast customer numbers and is estimated to be **\$28,992,420** for Period 2.

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

CF_y is estimated to be an over-recovery of **\$200,422**, which is primarily driven by lower than anticipated Large-Scale Generation Certificate (LGC) costs for Calendar Year 2022. This is partly offset by higher than forecast AEMO charges and metering charges.

Parameter	Value
RET _y Final Adjustment 2021-22	(\$413,179)
AEMO _y Final Adjustment 2021-22	\$168,164
M _y Final Adjustment 2021-22	\$44,593
Total 206 Determination Adjustments (CF_y)	(\$200,422)

1.9 Aggregate Over/Under Recoveries from 2022 Standing Offer Price Determination (K_y)

CF_y is estimated to be an over-recovery of **\$2,463,835**, which is primarily driven by the Clean Energy Regulator's 2023 Small-scale Technology Percentage (STP) being set lower than the non-binding estimate used in the 2022-23 NMR. This is partly offset by higher than forecast AEMO charges and metering charges.

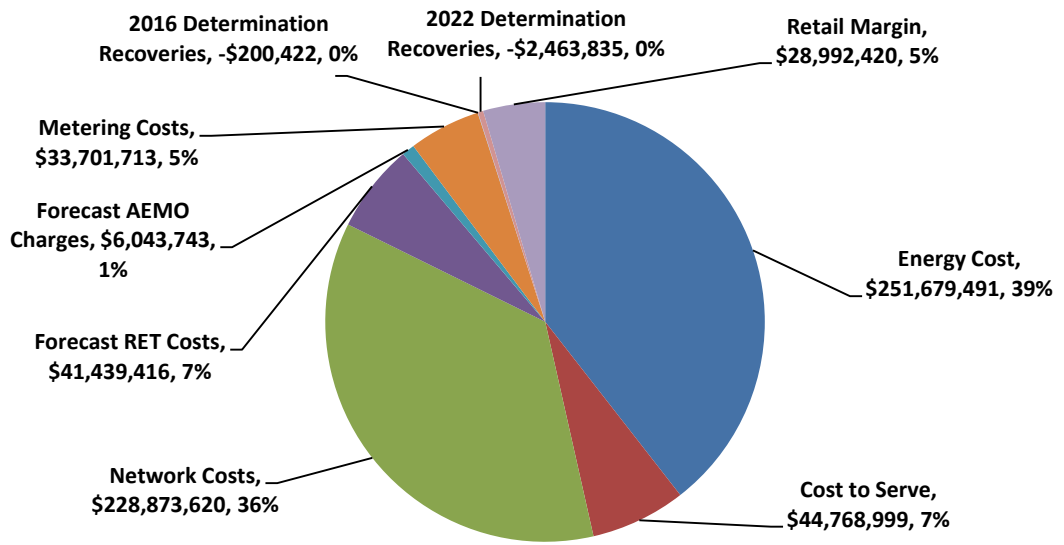
Parameter	Value
RET _y Preliminary Adjustment 2022-23	(\$2,781,668)
AEMO _y Preliminary Adjustment 2022-23	\$216,936
M _y Preliminary Adjustment 2022-23	\$100,897
Total 206 Determination Adjustments (CF_y)	(\$2,463,835)

1.10 Summary 2022-23 NMR

Taking into account the calculation of each individual cost component, Aurora Energy's total NMR for 2023-24 is **\$632,835,146**. This is an increase of 10.2 per cent relative to the 2022-23 NMR of **\$574,389,358**.

The following chart shows the total NMR proposed by Aurora Energy for 2023-24 by cost component.

Figure 1 – 2023-24 NMR



2. Non-Price Related Proposals

Aurora Energy has no non-price changes proposed to the Standing Offer Tariff Schedule (Tariff Schedule) for Period 2 and 2023-24 tariffs.

A proposed Tariff Schedule is provided to the Regulator alongside the 2023-24 Price Proposal.

3. Proposed Prices for Period 2

Following the final calculation of the NMR, the final price increases proposed by Aurora Energy to apply from 1 July 2023 are shown in the tables below. Also shown are the percentage movements in tariff components and the check that demonstrates that the calculated NMR will not be exceeded when proposed prices are applied to forecast load.

Under a non-uniform price change, Aurora Energy acknowledges price outcomes will vary to a minor degree for each customer. However, to communicate this change clearly and consistently to the broader Tasmanian population, Aurora Energy proposes to present a high-level message in media releases, newspapers and on customer bills that states there will be an average price increase of **9.51 per cent** to Standing Offer tariffs from 1 July 2023. For individual tariff impacts, customers will be directed to check the Aurora Energy website and/or their next electricity bill.

Proposed Prices for 2023-24 (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	\$ 1.02089	\$ 0.33419	\$ 0.24722					
31	\$ 1.03429	\$ 0.27225						
41	\$ 0.19285	\$ 0.17679						
43	\$ 0.19135	\$ 0.15830						
61	\$ 0.23835	\$ 0.14234						
62	\$ 0.22783	\$ 0.13407						
75	\$ 2.98996				\$ 0.30624	\$ 0.22301	\$ 0.13935	
82	\$ 3.34622	\$ 0.16202						\$ 150.08688
93	\$ 1.14899				\$ 0.32908		\$ 0.15322	
94	\$ 1.15610				\$ 0.27501	\$ 0.19877	\$ 0.11626	

Proposed Prices for 2023-24 (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	\$ 1.12298	\$ 0.36761	\$ 0.27195					
31	\$ 1.13772	\$ 0.29947						
41	\$ 0.21214	\$ 0.19447						
43	\$ 0.21048	\$ 0.17413						
61	\$ 0.26218	\$ 0.15657						
62	\$ 0.25061	\$ 0.14747						
75	\$ 3.28896				\$ 0.33687	\$ 0.24531	\$ 0.15329	
82	\$ 3.68085	\$ 0.17822						\$ 165.09557
93	\$ 1.26389				\$ 0.36198		\$ 0.16855	
94	\$ 1.27171				\$ 0.30251	\$ 0.21865	\$ 0.12789	

Percentage Movement in Tariff Components for 2023-24

Price Increase - 1 July 2023 to 30 June 2024								
Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Energy Peak	Energy Shoulder	Energy OffPeak	Demand
22	10.00%	8.38%	8.38%					
31	15.00%	8.38%						
41	15.00%	8.38%						
43	15.00%	8.38%						
61	15.00%	8.38%						
62	15.00%	8.38%						
75	15.00%				8.38%	8.38%	8.38%	
82	15.00%	8.38%						8.38%
93	15.00%				8.38%		8.38%	
94	15.00%				8.38%	8.38%	8.38%	

2023-24 NMR Check

Tariff	Total Fixed \$	Annual Variable \$	Annual Variable \$	Annual Variable \$	Annual Variable \$	Annual Variable \$	Annual Variable \$	Annual Variable \$
Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Energy Peak	Energy Shoulder	Energy OffPeak	Demand
22	\$ 7,333,844	\$ 8,610,635	\$ 37,659,836					
31	\$ 70,275,021	\$ 189,479,763						
41	\$ 12,301,084	\$ 145,213,899						
43	\$ 55,786	\$ 790,039						
61	\$ 1,404,638	\$ 4,287,141						
62	\$ 33,879	\$ 201,688						
75	\$ 2,254,958				\$ 794,497	\$ 3,402,026	\$ 3,018,426	
82	\$ 85,772	\$ 603,757						\$ 286,066
93	\$ 23,171,105				\$ 45,735,606		\$ 49,963,283	
94	\$ 1,916,108				\$ 16,523,282	\$ 3,842,201	\$ 3,590,805	
Total	\$ 632,835,146							
Allowed NMR	\$ 632,835,146							

4. Customer Impacts

Regulated Standing Offer customers will see varying percentage movements in their retail tariff prices and annual electricity bills. The bill movements (including GST) for low to high consumption bands within the different tariffs and combinations in the Regulator's *Typical Electricity Customers in Tasmania – 2022* report are shown below.

Tariff		Number of Customers	\$ Price Movement			% Price Movement		
			Low	Medium	High	Low	Medium	High
Small Business	22	19,679	\$ 71	\$ 126	\$ 237	9.16%	8.80%	8.60%
	75	2,062		\$ 389			10.19%	
	94	4,515		\$ 284			9.25%	
Residential	31	11,389		\$ 122			10.42%	
	31/41	158,956	\$ 169	\$ 201	\$ 243	10.07%	9.76%	9.49%
	31/41/61	16,143		\$ 265			9.61%	
	93	54,694		\$ 199			9.67%	

5. Additional Charges

The Additional Charges applying from 1 July 2023 are shown in the table below.

Additional Charges	2023-24 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	NMR / Input Reference
1. Standing Offer Load Forecast 2023-24.xlsx	Load Forecast
2. Letter from OTTER to Aurora re. WEP for 2023-24.pdf	Wholesale Electricity Costs (WEC _y)
3. Loss Factors 2023-24.xlsx	Distribution and Marginal Loss Factors
4. TasNetworks 2023-24 Annual Distribution Pricing Proposal (approved by AER).pdf	Network Costs (NC _y)
5. Energy Purchase Master Sheet 2023.xlsx	AEMO Costs (AEMO _y) 2016 Determination Recoveries (CF _y) 2022 Determination Recoveries (K _y)
6. 2022 PD LGC Market Recovery Methodology.xlsx	Renewable Costs (RET _y)
7. Adj P2 Renewable Portfolio Prices.xlsx	Renewable Costs (RET _y) 2016 Determination Recoveries (CF _y) 2022 Determination Recoveries (K _y)
8. AEMO Draft FY24 Budget and Fees.pdf	AEMO Costs (AEMO _y)
9. 2023-24 Meter Cost Forecast Model.xlsx	Metering Costs (M _y)
10. Billing Summary (NMR load extract report).xlsx	2016 Determination Recoveries (CF _y) 2022 Determination Recoveries (K _y)
11. NBV Summarised Meter Data.xlsx	2016 Determination Recoveries (CF _y) 2022 Determination Recoveries (K _y)