



DECISION PAPER ON STANDING OFFER ELECTRICITY PRICES TO APPLY FROM 1 JULY 2023

The Tasmanian Economic Regulator made a Price Determination in June 2022 that specifies a methodology for setting electricity prices for small customers for the three years from 2022-23 to 2024-25. Under the annual price approval process, Aurora Energy is required to submit a pricing proposal that complies with the methodology approved in the Price Determination.

On 31 May 2023 Aurora Energy submitted for approval its 2023-24 standing offer pricing proposal.

The Regulator has limited discretion during the annual price reset process. Rather, the Regulator's role is focussed on ensuring that Aurora Energy has followed the methodology set out in the Price Determination.

Aurora Energy's proposal has been reviewed in terms of the requirements set out in the *Electricity Supply Industry Act 1995*, the 2022 Standing Offer Price Determination, the 2022 Standing Offer Price Approval Process Guideline and Aurora Energy's 2022 Standing Offer Tariff Strategy.

In particular, it has been verified that:

- the methodology set out in Aurora Energy's pricing proposal was consistent with the 2022 Standing Offer Price Determination and 2022 Standing Offer Price Approval Process Guideline;
- efficiency savings and changes in the consumer price index were calculated in accordance with the 2022 Standing Offer Price Determination when calculating Aurora Energy's cost to serve;
- Aurora Energy's forecast customer numbers were calculated in accordance with the requirements set out in the 2022 Standing Offer Price Determination;
- Aurora Energy's forecast customer load was reasonable;
- the Australian Energy Market Operator's loss factors had been accurately applied;
- the wholesale electricity price calculated by the Regulator on 23 May 2023 was used in Aurora Energy's pricing model;
- Aurora Energy's pricing model and pricing proposal accurately reflected TasNetworks' approved network prices for 2023-24;
- Aurora Energy's forecast metering costs were reasonable;
- renewable energy costs were calculated in accordance with the 2022 Standing Offer Price Determination;

- Aurora Energy's under and over recoveries were correctly calculated; and
- Aurora Energy's retail margin was correctly calculated.

It has also been noted that Aurora Energy's price proposal includes the costs associated with the aurora+ app, which were excluded in 2022-23.

Aurora Energy's proposal also included the following different increases in fixed and variable prices, to better reflect its underlying costs:

- 15 per cent increase to all fixed retail tariff prices except for Tariff 22;
- 10 per cent increase to Tariff 22 fixed retail tariff price; and
- 8.38 per cent increase to all variable retail tariff prices.

These changes were approved after considering the customer impacts and verifying that the changes complied with the 2022 Determination, the Aurora Energy's 2022 Tariff Strategy and the Standing Offer Price Approval Process Guideline.

Several minor changes were requested to Aurora Energy's pricing proposal and tariff schedule to correct some typographical and calculation errors and improve readability. Aurora Energy submitted a revised pricing proposal on 9 June 2023 and a revised tariff schedule on 13 June 2023 that addressed these issues.

The changes made in the revised proposal did not have a material impact on Aurora Energy's costs and, therefore, did not result in any change to the proposed average price increase of 9.51 per cent.

In summary, I am satisfied that Aurora Energy's revised proposal complies with the *Electricity Supply Industry Act 1995*, the 2022 Standing Offer Price Determination, the 2022 Standing Offer Price Approval Process Guideline and Aurora Energy's 2022 Standing Offer Tariff Strategy, and have therefore approved Aurora Energy's revised pricing proposal and the revised standing offer price schedule for 2023-24.



Joe Dimasi
TASMANIAN ECONOMIC REGULATOR

21 June 2023