



**DRAFT STANDING OFFER PRICE APPROVAL
PROCESS GUIDELINE**

**IN ACCORDANCE WITH
THE 2025 PRICE-REGULATED RETAIL SERVICE DRAFT
PRICE DETERMINATION**

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1 INTRODUCTION

A regulated offer electricity retailer must offer small customers on mainland Tasmania (including Bruny Island) standing offer prices for services provided under standard retail contracts. At present, Aurora Energy Pty Ltd (Aurora Energy) is the only regulated offer retailer operating in the Tasmanian market.

The *Aurora Energy Pty Ltd 2025 Price-regulated Retail Service Draft Price Determination* (2025 Draft Determination) sets out how the Regulator intends determining maximum standing offer prices.

The 2025 Draft Determination requires Aurora Energy to submit draft standing offer prices to the Regulator for approval in accordance with the *Electricity Supply Industry Act 1995* (ESI Act) and the annual standing offer price approval process as described in this Draft Guideline.

The Regulator allows Aurora Energy to recover the costs of supplying electricity to customers on standard retail contracts through the prices set out in Aurora Energy's tariff schedule, which is approved, annually, by the Regulator. This is achieved by applying the prices under each tariff to the billing days and load relating to an annual forecast number of customers under that tariff thereby calculating a notional amount of annual revenue for each tariff. The aggregate of this calculation for all tariffs must not exceed the Notional Maximum Revenue (NMR) as calculated in the 2025 Draft Determination.

The following cost components and inputs may be varied for each of the 2025-26, 2026-27 and 2027-28 financial years in accordance with the 2025 Draft Determination and this Draft Guideline:

- the wholesale electricity price (WEP) and wholesale electricity costs (WEC);
- network costs (NC);
- network costs in relation to the Basslink interconnector if the Australian Energy Regulator decides to treat the interconnector as a regulated link (NC - Basslink);
- renewable energy target (RET) costs;
- metering costs (M);

- the notional tariff base (NTB) which comprises forecasts of the number of customers and their load;
- distribution loss factor (DLF) and marginal loss factor (MLF);
- the cost to serve (CTS):¹
- retail margin (R);²
- Australian Energy Market Operator (AEMO) charges for market participation and ancillary services;
- under or over recoveries for pass through costs from a previous period covered by the 2022 Determination (CF);
- under or over recoveries for pass through costs from previous periods (K); and
- adjustments (A).

This Draft Guideline should be read in conjunction with:

- (a) the *Electricity Supply Industry Act 1995*;
- (b) the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2023*;
- (c) the *Aurora Energy Pty Ltd 2025 Price-regulated Retail Service Price Draft Determination*; and
- (d) the *2025 Standing Offer Electricity Pricing Investigation, Draft Report*, 24 February 2025.

1.1 Purpose of this draft Guideline

This Draft Guideline sets out the annual process for the Regulator’s approval of standing offer prices in accordance with the 2025 Draft Determination.

¹ The cost to serve per customer for 2025-26 is set out in the 2025 Standing Offer Price Draft Determination. For 2026-27 and 2027-28 the cost to serve will be adjusted to account for inflation.

² The retail margin per customer for 2025-26 is set out in the 2025 Standing Offer Price Draft Determination. For 2026-27 and 2027-28, the retail margin will be indexed to account for inflation.

1.2 Application

This Guideline takes effect from the date of issue and applies to Aurora Energy as a regulated offer retailer selling electricity under standard retail contracts to small customers on mainland Tasmania (including Bruny Island).

The Guideline ceases to have effect on 30 June 2028.

1.3 Interpretation

In this Guideline:

“2022 Determination” means the Price-regulated Retail Service Price Determination made by the Regulator on 29 April 2022;

“2025 Determination” means the Price-regulated Retail Service Draft Price Determination to be made by the Regulator on or before 2 May 2025;

“2025 Draft Determination” means the draft price determination released for consultation by the Regulator on 24 February 2025;

“Absolute Minimum Capacity Offer Volume” has the same meaning as it has in the Wholesale Contract Regulatory Instrument;

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

“Authorised Retailer” has the same meaning as it has in the *Electricity Supply Industry Act 1995*;

“calculation date” means the date that the Regulator calculates the Wholesale Electricity Price in accordance with clause 4.1 of this Guideline;

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

“Draft Guideline” means the Draft Standing Offer Price Approval Process Guideline released for consultation by the Regulator on 24 February 2025;

“Final Report” means the Regulator’s *2025 Standing Offer Pricing Investigation, Final Report*, to be released on 2 May 2025;

“Guideline” means the Standing Offer Price Approval Process Guideline to be released by the Regulator on 2 May 2025;

“LFS” or load following swap, has the same meaning as it has in the *Electricity Supply Industry Act 1995*;

“non-uniform price change” means the same percentage price change is not applied to every component of every tariff;

“Notional Maximum Revenue” means the notional maximum revenue calculated in accordance with the 2025 Draft Determination for the relevant year;

“Year” means each of the 2025-26, 2026-27 and 2027-28 financial years;

“proposed new tariffs” means new standing offer tariffs proposed by Aurora Energy during the standing offer price approval process for any year;

“Regulated Tariff Strategy” means Aurora Energy’s *Regulated Tariff Strategy* for the regulatory period as approved by the Regulator;

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

“regulatory period” means the period from 1 July 2025 to 30 June 2028;

“relevant year” means each of the years from 1 July 2025 to 30 June 2026, 1 July 2026 to 30 June 2027 and 1 July 2027 to 30 June 2028 as relevant;

“small customer” means a customer using less than 150 MWh of electricity per annum;

“small customer volume” the “Absolute Minimum Capacity Offer Volume” or the Regulator’s estimate of the quarterly small customer volume calculated as the average of the previous two year’s small customer load;

“standing offer price” has the same meaning as it has in the *Electricity Supply Industry Act 1995*;

“standing offer price approval process” means the annual standing offer price approval process set out in the Draft Guideline;

“Standing Offer Price Proposal” means the annual price proposal Aurora Energy is required to submit for the Regulator’s approval in accordance with the obligations set out in the Draft Guideline;

“typical customers” means the set of customers identified by applying the methodology described in the *Typical Electricity Customers in Tasmania* released by the Regulator in September 2022 (and in later versions of that Paper);

“uniform price change” means the same percentage price change is applied to every component of every tariff;

“Wage Price Index” or “WPI” means Tasmania’s Wage Price Index for the private sector (ABS CAT NO. 6345.0);

“Wholesale Contract Regulatory Instrument” means the most recent instrument that specifies the regulated financial risk contracts Hydro Tasmania must offer to authorised retailers operating in Tasmania; and

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

2 ANNUAL STANDING OFFER PRICE APPROVAL PROCESS

2.1 Standing Offer Pricing Proposals

- (1) Aurora Energy must submit a Standing Offer Price Proposal for the relevant year to the Regulator by 31 May of the previous year.
- (2) The Standing Offer Price Proposal must:
 - (a) set out and describe the tariffs and charges that Aurora Energy proposes to apply for the relevant year, including the terms and conditions that will apply to each tariff and charge;
 - (b) set out, for each tariff, the draft standing offer prices that are proposed to apply for the relevant year;
 - (c) detail and justify any proposed changes to the tariffs and charges, including any changes to definitions, terms and conditions that are proposed to apply;
 - (d) demonstrate the impact of price changes on typical customers' electricity bills;
 - (e) demonstrate how any proposed changes to existing tariffs:
 - (i) are not linked to the provision of non-electricity services or products;
 - (ii) promote efficiency and competition in the electricity supply industry;
 - (iii) are in the long-term interests of electricity customers;
 - (iv) are accompanied by the description of the tariff and the terms and conditions that are clear and in easily understood language;
 - (v) have been subject to consultation with its customers; and
 - (vi) have been modelled so as the possible bill impacts on typical customers are able to be considered;
 - (f) demonstrate how any proposed new tariffs meet the following new tariff assessment criteria:
 - (i) the tariff is offered on an opt-in basis;
 - (ii) the tariff is not linked to the provision of non-electricity services or products;

- (iii) the tariff promotes efficiency and competition in the electricity supply industry;
 - (iv) introduction of the new tariff is in the long-term interests of electricity customers;
 - (v) the description of the tariff and the terms and conditions are provided in clear, easily understood language;
 - (vi) Aurora Energy has consulted with its customers on the proposed new tariff; and
 - (vii) adequate modelling has been conducted to determine the possible bill impacts of the proposed new tariff on typical customers.
- (g) if a tariff is proposed to be made obsolete or abolished:
 - (i) provide justification for making the tariff obsolete or abolished;
 - (ii) specify the impact on customers; and
 - (iii) seek and obtain the Regulator’s approval prior to abolishing a regulated tariff or making a regulated tariff obsolete.
- (h) provide details of the methods used for calculating the Notional Maximum Revenue used to determine tariff prices, including wage and price indexation, pass-through and other adjustments permissible under the 2025 Determination attributable to small customers for the relevant period and an explanation of how each standing offer price will be impacted;
- (i) in the event the Australian Bureau of Statistics changes the CPI or WPI index reference period, to maintain consistency, the applicable CPI or WPI under the new reference period must be converted to the previous index period using conversion factors published by the ABS. The applicable CPI or WPI is to be calculated in accordance with the 2025 Determination and must be rounded to four decimal places;
- (j) demonstrate compliance with:
 - (i) the 2025 Determination (including demonstrating that the expected revenue from the standing offer prices when applied to the proposed tariffs and NTB for the relevant year does not exceed the NMR for that year); and

- (ii) the Guideline; and
 - (j) be accompanied by an internal audit certificate and certified as correct by the Chairperson and one other Director of Aurora Energy.
- (3) After receiving Aurora Energy's Standing Offer Price Proposal, the Regulator will publish the Proposal on the Regulator's website.

2.2 Approval of standing offer prices

- (1) The Regulator will only approve the draft standing offer prices if satisfied that:
- (a) the draft standing offer prices are calculated in accordance with the 2025 Determination; and
 - (b) all forecasts and methods used to determine the draft standing offer prices are reasonable and have regard to the methods outlined in the Regulator's Final Report.
- (2) If the Regulator does not approve the draft standing offer prices because they are deficient:
- (a) Aurora Energy must resubmit draft standing offer prices within the requested timeframes with the modifications necessary to correct the identified deficiencies and, unless the Regulator permits further modification, no further modification; or
 - (b) the Regulator may make the modifications necessary to correct the deficiencies.
- (3) Approved standing offer prices take effect at the start of the relevant year to which the standing offer prices relate.

3 PUBLICATION OF STANDING OFFER PRICES

- (1) In addition to any requirements imposed under the ESI Act, Aurora Energy must maintain on its website:
 - (a) a schedule setting out its approved tariffs and other charges including the applicable standing offer prices and other charges;
 - (b) terms and conditions relating to each tariff; and
 - (c) terms and conditions relating to other charges.
- (2) The information specified in Clause 3(1) of the Guideline must be published on Aurora Energy's website as soon as practicable and, in any case, before 1 July of the relevant year.

4 DETERMINING NMR COMPONENTS AND INPUTS

4.1 Calculating the Wholesale Electricity Price (WEP)

- (1) The Regulator will use the following method to calculate the WEP for 2025-26 (Period 1):
 - (a) multiply the weekly regulated load following swap (LFS) price for each respective quarter of the relevant year by the weekly small customer volume for that quarter for all weeks in which there is a regulated LFS price preceding the start of each quarter of the relevant year;
 - (b) for those weeks where Hydro Tasmania is not required to offer regulated contracts, set the respective small customer volume to zero;
 - (c) use the respective weekly point-in-time regulated LFS price calculated on the calculation date for all future weeks for which there is no regulated LFS price; and
 - (d) divide the sum of the values calculated in accordance with clauses 4.1(1)(a) and 4.1(1)(b) by the sum of the weekly small customer volume for all weeks in which there is a regulated LFS price preceding the start of each quarter of the relevant year.
- (2) The Regulator will use the following method to calculate the WEP for 2026-27 and 2027-28 (Period 2 and Period 3):
 - (a) multiply the weekly regulated load following swap (LFS) price for each respective quarter of the relevant year by the weekly small customer volume for all weeks in which there is a regulated LFS price preceding the start of each quarter of the relevant year;
 - (b) for those weeks where Hydro Tasmania is not required to offer regulated contracts, set the respective small customer volume to zero;
 - (c) for all weeks after the calculation date, no LFS price and no volume is to be taken into account when calculating the WEP; and
 - (d) divide the sum of the values calculated in accordance with Clause 4.2(1)(a) by the sum of the weekly small customer volume for all weeks in which there is a regulated LFS price preceding the start of each quarter of the relevant year.
- (3) The Regulator will provide the WEP, calculated in accordance with the methods outlined in Clause 4.1(1) and Clause 4.1(2) for the relevant period, to Aurora Energy, not less than seven days prior to 31 May in each year.

The WEP will also be published on the Regulator’s website at the same time.

4.2 Revising the Notional Tariff Base

(1) The following methodology is to be adopted in estimating the Notional Tariff Base (NTB) for each year:

(a) Customer numbers

Customer numbers in Aurora Energy’s NTB are to be calculated as the mid-point of actual customer number data Aurora Energy has reported to the Australian Energy Regulator for the quarter ending 31 March and a forecast of customer numbers as at 31 March in each year;

(b) Customer load

In its pricing proposal for each year, Aurora Energy is to submit details of its forecast load that relates to the customer numbers it submits in accordance with Clause 4.2(1)(a).

The load in Aurora Energy’s forecast NTB is to be a forecast of the total amount of electricity consumed by the forecast number of customers over the 12-month period from 1 April to the following 31 March.

4.3 Calculating adjustments

(1) The following method is to be used to calculate an adjustment (i.e. the A component of the NMR) under Regulations 12 and 16 of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2023*:

(a) if the adjustment is due to an error, or omission, the value of the adjustment is to be calculated with reference to the impact of the error on the NMR i.e. the NMR will be recalculated incorporating the correct value but with all other values held constant. The difference between the original NMR and the recalculated NMR will be the value of the adjustment (A); and

(b) in all other cases, the adjustment is to be calculated using a method approved by the Regulator.

(2) The adjustment may include an allowance for the applicable retail margin.

4.4 Calculating the cost to serve allowance

- (1) As set out in the 2025 Determination, the cost to serve allowances for 2026-27 and 2027-28 are to be calculated by indexing the allowance for 2025-26 to account for inflation.
- (2) In each of its annual pricing proposals, Aurora Energy is to submit details of the inflation factors it has used.

4.5 Calculating the retail margin

- (1) As set out in the 2025 Draft Determination, the fixed component of the retail margins for 2026-27 and 2027-28 are to be calculated by indexing the fixed component of the margin for 2025-26 to account for inflation. The variable component of the retail margins for 2026-27 and 2027-28 are to be based on 5.25 per cent of approved costs in the relevant year
- (2) In each of its annual pricing proposals, Aurora Energy is to submit details of the inflation factors it has used.