



**PRICING PROPOSAL FOR PERIOD 3 OF
THE 2022 STANDING OFFER PRICE
DETERMINATION**

1 JULY 2024 – 30 JUNE 2025

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 3 (1 July 2024 to 30 June 2025) of the 2022 Standing Offer Price Determination (2022 Determination).

In Period 2 (1 July 2023 to 30 June 2024), Aurora Energy began to address some of the legacy cross-subsidies and cost imbalances in its tariff base by implementing a non-uniform price increase. This was effective in addressing some of the cross-subsidies, however, Aurora Energy acknowledges this process is likely take time and there is more to do. As such, Aurora Energy again proposes a non-uniform price increase for Period 3. 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:

- 6.8% increase to all fixed retail tariff rates except for Tariff 22;
- 4.0% increase to Tariff 22 fixed retail tariff rate; and
- 1.0% decrease 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 **0.5 per cent** to Standing Offer tariffs from 1 July 2024.

The key driver of the price outcome is network prices, with individual network tariff rates increasing between 10 per cent to 21 per cent compared to 2023-24. This increase is largely offset by the reduction in wholesale energy price, which has decreased by 16.6 per cent.

For 2024-25, Aurora Energy proposes the total Notional Maximum Revenue (NMR) to be **\$613,573,893**, a decrease of 3 per cent relative to the 2023-24 Notional Maximum Revenue (NMR) of **\$632,835,146**. The decrease to the total NMR is driven by a slight reduction in forecast load for the Standing Offer customer base for 2024-25.

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 3, however Aurora Energy is proposing to grandfather the following Standing Offer Flat-Rate Tariffs.

- Residential Flat Rate (Tariff 31/41)
- Business Hot Water (Tariff 43)
- General Business (Tariff 22)

This change is due to TasNetworks no longer offering its flat rate network tariffs to new customers from 1 July 2024 and is further explained in **Section 2.0 Non-Price Related Proposals**.

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	\$168.45 per customer	Set in the 2022 Standing Offer Price Determination.
CTS customer number adjustment factor	0	No adjustment required in Period 3.
Forecast Customer Numbers	270,202	Aurora Energy 2024-25 customer forecast.
CTS_y	\$45,515,854	

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	2,252.56 GWh	Aurora Energy 2024-25 load forecast.
MLF _y	1.0038	AEMO published loss factors.
DLF _y	1.0412	AEMO published loss factors.
WEP _y	\$84.33/MWh	The WEP has been calculated by the Regulator as at 21 May 2024 for Period 3 in accordance with the method outlined in clause 4.1(1) of the 2022 Standing Office Price Approval Guideline.
WEC_y	\$197,655,289	

1.3 Network Costs (NC_y)

NC_y has been calculated by multiplying TasNetworks' AER-approved network prices for 2024-25 (network tariffs_y) by the notional tariff base_y for 2024-25. This results in total network costs of **\$254,422,203** for Period 3.

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	\$8,213,274
Metering Coordinator direct metering charges relating to Type 4 and Type 4A advanced meters	\$30,490,920
Total Direct Metering Costs	\$38,704,194
Fee-Based Services	\$120,389
Total M_y	\$38,824,583

Direct Metering Costs

Metering costs are calculated on the basis that Aurora Energy (through its appointed Metering Coordinators) will install 38,555 Type 4 and Type 4A advanced meters in 2024-25 on top of existing installations as at 30 June 2024. On this basis, the annual metering charges associated with total Type 4 and Type 4A installations is forecast to amount to \$30.5M, with a further \$8.2M in annual charges relating to TasNetworks' remaining 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 2023-24, 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 \$0.12M in 2024-25.

Based on the total estimated direct metering charges and one-off fee-based services, M_y has been calculated as **\$38,824,583** for Period 3.

1.5 Forecast AEMO Costs ($AEMO_y$)

$AEMO_y$ is calculated by applying the 2024-25 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 2023 to April 2024.

$AEMO_y$ has been calculated as **\$6,140,355** for Period 3.

1.6 Renewable Energy Costs (RET_y)

RET_y has been calculated by:

- adopting the Clean Energy Regulator's published 2024 Calendar Year Renewable Power Percentage (RPP) for the July 2024 to June 2025 period;
- adopting the Clean Energy Regulator's published 2024 Calendar Year Small-scale Technology Percentage (STP) for the July 2024 to December 2024 period and non-binding 2025 STP for the January 2025 to June 2025 period; and
- applying the RPP and STP to historical forward market price and contract prices for Large-Scale Generation Certificates (LGC) and forecast market prices for Small-Scale Technology Certificates (STC) respectively.

When applied to Aurora Energy's liable customer load, RET_y for Period 3 has been calculated as **\$40,033,501**.

1.7 Retail Margin ($Retail\ Margin_y$)

$Retail\ Margin_y$ is calculated as the allowance of \$112.68 per customer multiplied by forecast customer numbers and is estimated to be **\$30,445,834** for Period 3.

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

There are no recoveries in relation to the 2016 Standing Offer Price Determination in Period 3.

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

K_y is estimated to be an under-recovery of **\$536,274**, which is primarily driven by the Clean Energy Regulator's 2024 Small-scale Technology Percentage (STP) being set

higher than the non-binding estimate used in the 2023-24 NMR. This is partly offset by lower than forecast AEMO charges and metering charges.

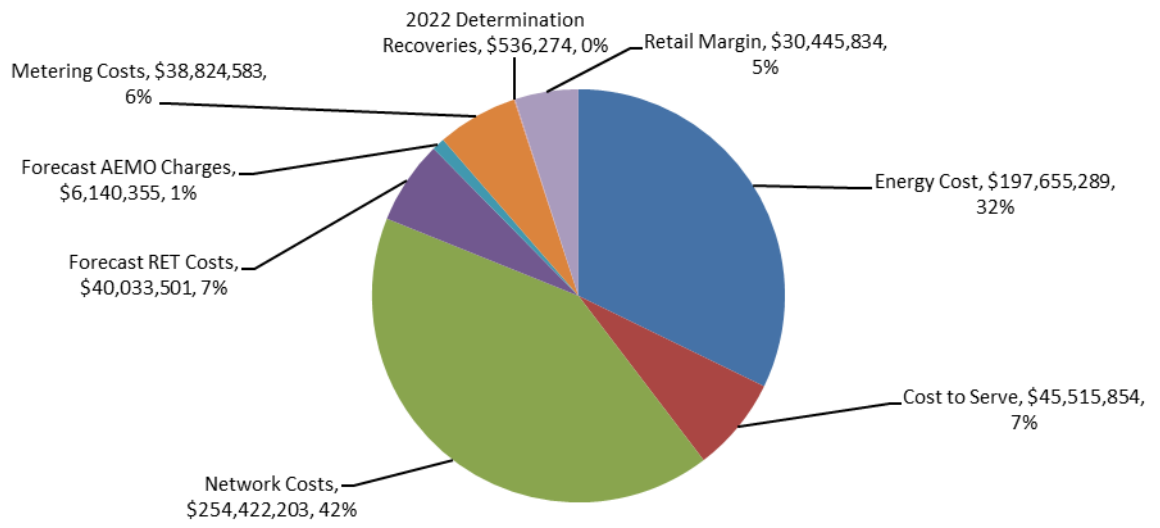
Parameter	Value
RET _y Preliminary Adjustment 2023-24	\$178,920
RET _y Final Adjustment 2022-23	\$1,226,571
AEMO _y Preliminary Adjustment 2023-24	\$73,387
AEMO _y Final Adjustment 2022-23	(\$377,809)
M _y Preliminary Adjustment 2023-24	(\$98,030)
M _y Final Adjustment 2022-23	(\$466,765)
Total 2022 Determination Adjustments (K_y)	\$536,274

1.10 Summary 2024-25 NMR

Taking into account the calculation of each individual cost component, Aurora Energy's total NMR for 2024-25 is **\$613,573,893**. This is a decrease of 3 per cent relative to the 2023-24 NMR of **\$632,835,146**.

The following chart shows the total NMR proposed by Aurora Energy for 2024-25 by cost component.

Figure 1 – 2024-25 NMR



2. Non-Price Related Proposals

With TasNetworks no longer offering its flat rate network tariffs to new customers from 1 July 2024, Aurora Energy is proposing make the following Standing Offer Flat-Rate Tariffs obsolete:

- Residential Flat Rate (Tariff 31)
- Residential Heating and Hot Water (Tariff 41)
- Business Hot Water (Tariff 43)
- General Business (Tariff 22)

A key principle of Aurora Energy's 2022 Standing Offer Tariff Strategy was Flexibility and Simplicity. To support this principle, Aurora Energy outlined the need to assess requirements to make any tariffs obsolete/abolished, as it has done in the past.

In proposing to make these flat rate tariffs obsolete, Aurora Energy has assessed impacts and has consulted with its stakeholders and assessed the following various impacts associated with its proposal:

- Continuing to offer a non-cost reflective tariff option to customers without a corresponding network tariff significantly increases forecasting risk.
- Research shows 78 per cent of Aurora Energy's residential customers and 71 per cent of small business customers are better off on a time of use tariff. Additionally, for those residential customers who can make a very marginal change in behaviour, up to 90 per cent will be better off.
- Aurora Energy estimates that up to 6,000 customers per year may be impacted by the change.
- To support customers who prefer a flat rate tariff option, Aurora Energy is creating new Market Retail Contracts for both residential and business customers, with the expectation that these offers will be available in July 2024.

Aurora Energy is undertaking further targeted consultation to explain and imbed the proposed changes and, subject to approval by the Regulator, is preparing detailed training and communications materials to ensure its frontline services are ready to assist customers in selecting their optimal tariff following 1 July 2024.

3. Proposed Prices for Period 3

Following the final calculation of the NMR, the final price increases proposed by Aurora Energy to apply from 1 July 2024 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 **0.5 per cent** to Standing Offer tariffs from 1 July 2024. For individual tariff impacts, customers will be directed to check the Aurora Energy website and/or their next electricity bill.

Proposed Prices for 2024-25 (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	\$ 1.061729	\$ 0.330848	\$ 0.244753					
31	\$ 1.104619	\$ 0.269524						
41	\$ 0.205968	\$ 0.175025						
43	\$ 0.204357	\$ 0.156721						
61	\$ 0.254555	\$ 0.140914						
62	\$ 0.243324	\$ 0.132726						
75	\$ 3.193280				\$ 0.303183	\$ 0.220780	\$ 0.137958	
82	\$ 3.573766	\$ 0.160399						\$ 148.586572
93	\$ 1.227122				\$ 0.325787		\$ 0.151693	
94	\$ 1.234710				\$ 0.272256	\$ 0.196783	\$ 0.115103	

Proposed Prices for 2024-25 (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	\$ 1.167902	\$ 0.363932	\$ 0.269229					
31	\$ 1.215081	\$ 0.296477						
41	\$ 0.226564	\$ 0.192528						
43	\$ 0.224793	\$ 0.172393						
61	\$ 0.280011	\$ 0.155006						
62	\$ 0.267657	\$ 0.145998						
75	\$ 3.512608				\$ 0.333501	\$ 0.242859	\$ 0.151754	
82	\$ 3.931143	\$ 0.176438						\$ 163.445229
93	\$ 1.349834				\$ 0.358366		\$ 0.166862	
94	\$ 1.358181				\$ 0.299482	\$ 0.216461	\$ 0.126613	

Percentage Movement in Tariff Components for 2024-25

Price Increase - 1 July 2024 to 30 June 2025								
Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Energy Peak	Energy Shoulder	Energy OffPeak	Demand
22	4.00%	-1.00%	-1.00%					
31	6.80%	-1.00%						
41	6.80%	-1.00%						
43	6.80%	-1.00%						
61	6.80%	-1.00%						
62	6.80%	-1.00%						
75	6.80%				-1.00%	-1.00%	-1.00%	
82	6.80%	-1.00%						-1.00%
93	6.80%				-1.00%		-1.00%	
94	6.80%				-1.00%	-1.00%	-1.00%	

2024-25 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	\$ 8,074,218	\$ 9,024,454	\$ 34,620,297					
31	\$ 71,894,461	\$ 171,423,325						
41	\$ 12,606,506	\$ 127,381,635						
43	\$ 70,060	\$ 681,837						
61	\$ 1,348,212	\$ 3,214,125						
62	\$ 55,800	\$ 170,713						
75	\$ 2,821,326				\$ 787,809	\$ 3,662,666	\$ 3,343,582	
82	\$ 92,791	\$ 624,965						\$ 283,206
93	\$ 28,368,374				\$ 49,238,896		\$ 54,088,155	
94	\$ 2,505,123				\$ 18,760,008	\$ 4,325,574	\$ 4,105,774	
Total	\$ 613,573,893							
Allowed NMR	\$ 613,573,893							

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	20,816	\$ 12	\$ 5	\$ (9)	1.43%	0.32%	(0.31%)
	75	2,399		\$ 52			1.22%	
	94	5,492		\$ 3			0.08%	
Residential	31	10,639		\$ 19			1.50%	
	31/41	153,031	\$ 20	\$ 16	\$ 10	1.08%	0.70%	0.37%
	31/41/61	14,587		\$ 16			0.52%	
	93	63,168		\$ 13			0.59%	

5. Additional Charges

The Additional Charges applying from 1 July 2024 are shown in the table below.

Additional Charges	2024-25 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 2024-25.xlsx	Load Forecast
2. Letter from OTTER to Aurora re. WEP for 2024-25.pdf	Wholesale Electricity Costs (WEC _y)
3. Loss Factors 2024-25.xlsx	Distribution and Marginal Loss Factors
4. 2024-25 Annual SCS Network tariff schedule.pdf	Network Costs (NC _y)
5. Energy Purchase Master Sheet 2024.xlsx	AEMO Costs (AEMO _y) 2022 Determination Recoveries (K _y)
6. 2022 PD LGC Market Recovery Methodology.xlsx	Renewable Costs (RET _y)
7. Adj P3 Renewable Portfolio Prices.xlsx	Renewable Costs (RET _y) 2022 Determination Recoveries (K _y)
8. AEMO Draft FY25 Budget and Fees.pdf	AEMO Costs (AEMO _y)
9. 2024-25 Meter Cost Forecast Model.xlsx	Metering Costs (M _y)
10. NBV Summarised Meter Data.xlsx	2022 Determination Recoveries (K _y)