



DECISION PAPER ON STANDING OFFER ELECTRICITY PRICES TO APPLY FROM 1 JULY 2019

On 30 May 2019, Aurora Energy sought approval of its pricing proposal for standing offer prices for 2019-20.

The Tasmanian Economic Regulator reviewed the pricing proposal against the requirements set out in the 2019 Wholesale Electricity Price (WEP) Order, the Treasurer's 2019 Ministerial Notice, the *Electricity Supply Industry Act 1995*, the 2016 Standing Offer Price Determination and the 2019 Standing Offer Price Approval Guideline.

Specifically, the Economic Regulator checked that:

- Aurora Energy's methodology set out in its pricing proposal was consistent with the 2016 Standing Offer Price Determination and 2019 Standing Offer Price Approval Guidelines;
- the prescribed inflation factor for Aurora Energy's cost to serve calculation was in accordance with the 2016 Standing Offer Price Determination;
- Aurora Energy's forecast customer numbers were the same as reported to the Australian Energy Regulator as at 31 March 2019;
- Aurora Energy's forecast customer load was reasonable;
- the Australian Energy Market Operator's loss factors had been accurately applied;
- the WEP in the WEP Order issued by the Treasurer on 10 May 2019 was used in Aurora Energy's pricing model;
- TasNetworks' approved network prices for 2019-20 were included in Aurora Energy's pricing model;
- Aurora Energy's forecast metering costs were reasonable;
- the renewable energy costs were calculated in accordance with the 2016 Standing Offer Price Determination;
- Aurora Energy's under and over recoveries were correctly calculated; and
- Aurora Energy's retail margin was correctly calculated.

The Economic Regulator also verified, in accordance with section 41(5) of the Electricity Supply Industry Act, that the increase in standing offer prices was not higher than the increase in CPI for Hobart between December 2017 and December 2018.

The Regulator reviewed Aurora Energy's original pricing proposal and identified that the forecast AEMO fees and charges did not include full retail contestability (FRC) operation fees. The Regulator also requested some minor changes be made to the original tariff schedule to correct typographical errors and improve readability.

On 11 June 2019, Aurora Energy submitted a revised pricing proposal and also submitted a revised tariff schedule to the Economic Regulator.¹

Aurora Energy has proposed a uniform price increase of 2.0 per cent across its standing offer prices for 2019-20. This is consistent with the Treasurer's Ministerial Notice, dated 10 May 2019, which requires the Regulator to approve draft standing offer prices up to a maximum increase of 2.0 per cent.

The Regulator assessed that the revised proposal complies with the WEP Order, the Treasurer's Ministerial Notice, the *Electricity Supply Industry Act 1995*, the 2016 Standing Offer Price Determination and the 2019 Standing Offer Price Approval Guideline.

The Regulator therefore approved Aurora Energy's revised pricing proposal and the draft standing offer prices set out in that proposal for 2019-20.



Joe Dimasi
TASMANIAN ECONOMIC REGULATOR

21 June 2019

¹ Aurora Energy's revised proposal and Notional Maximum Revenue for 2019-20 did not include the full amount of these fees as to do so would have resulted in standing offer prices increasing by greater than the 2.0 per cent cap specified in the Treasurer's Ministerial Order of 10 May 2019.