



DECISION PAPER ON STANDING OFFER ELECTRICITY PRICES TO APPLY FROM 1 JULY 2024

The Tasmanian Economic Regulator made a Price Determination in June 2022 (the Determination) that specifies a methodology for setting electricity prices for residential and small customers for the three years from 1 July 2022 to 30 June 2025. Under the annual price approval process, Aurora Energy is required to submit a pricing proposal.

On 31 May 2024, Aurora Energy submitted its 2024-25 standing offer pricing proposal to the Regulator for approval as part of the annual price approval process.

The Regulator has limited discretion during the annual price approval process. Rather, during this process the Regulator is focussed on ensuring that Aurora Energy has followed the methodology set out in the Determination.

Aurora Energy's proposal has been reviewed in terms of the requirements set out in the *Electricity Supply Industry Act 1995*, the 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 Determination and 2022 Standing Offer Price Approval Process Guideline;
- efficiency savings and changes in the Hobart consumer price index and Tasmanian wage 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 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 21 May 2024 was used in Aurora Energy's pricing model;
- Aurora Energy's forecast metering costs were reasonable;
- renewable energy costs were calculated in accordance with the Determination;
- Aurora Energy's under and over recoveries were correctly calculated; and

- Aurora Energy's retail margin was correctly calculated.

In relation to Aurora Energy's calculation of network costs, the Regulator identified an error in the proposal Aurora Energy submitted on 31 May 2024 regarding the network load for Tariff 94. Aurora Energy submitted a revised pricing proposal and tariff schedule on 4 June 2024 that corrected this error. The correction made in the revised proposal resulted in a \$3.97 million reduction in Aurora Energy's costs and a reduction of 0.62 percentage points in its proposed average price increase.

To better reflect its underlying costs, Aurora Energy's proposal also included the following increases in daily supply and energy usage prices:

- a 6.8 per cent increase to all daily supply retail tariff prices except for Tariff 22;
- a 4.0 per cent increase to Tariff 22 daily supply retail tariff price; and
- a 1.0 per cent decrease to all energy usage 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.

I note that Aurora Energy's decision to grandfather its flat rate tariffs is consistent with Aurora Energy's 2022 Tariff Strategy.

I intend to further examine the structure of Aurora Energy's tariffs and the availability of flat rate tariffs to standing offer customers during the upcoming methodology review and 2024-25 pricing investigation.

In summary, I am satisfied that Aurora Energy's revised proposal complies with the *Electricity Supply Industry Act 1995*, the Determination, the 2022 Standing Offer Price Approval Process Guideline and Aurora Energy's 2022 Standing Offer Tariff Strategy.

I have therefore approved Aurora Energy's revised pricing proposal and the revised standing offer price schedule for 2024-25.



Joe Dimasi
TASMANIAN ECONOMIC REGULATOR

17 June 2024