



**Prior Year Cost Adjustments to be included in the Period 2
2013 Standing Offer Determination
Notional Maximum Revenue**

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1.0 BACKGROUND

The Regulator published the Interim Price-Regulated Retail Service Price Determination (the Determination) in February 2014.

The Determination confirms that prices will be regulated such that a Notional Maximum Revenue (NMR) will be established and Aurora must demonstrate that its proposed standing offer prices do not exceed that value.

In accordance with the methodologies and processes of the Determination, the Regulator provides for any variance between the forecast and actual Renewable Energy Target (RET) costs and AEMO Market charges.

In setting the Period 2 standing offer prices (Jul14-Jun15) preliminary reconciliations were performed in respect to RET_y & AEMO_y charges for Period 1 of the Determination (Jan-Jun14).

This paper is concerned with deriving the preliminary reconciliations for Period 1.

2.0 SUMMARY OF ADJUSTMENTS

Term in 2013 Formula	Cost Item	Value
K _y	Preliminary Period 1 RET _y	\$0.292M
K _y	Preliminary Period 1 AEMO _y	(\$0.065M)
Total Adjustment included in Period 2 NMR		\$0.227M

3.0 PERIOD 1 RECONCILIATIONS

3.1 Preliminary Adjustment for RET_y Period 1

The estimated combined cost of complying with the large-scale and small-scale RET schemes during Period 1 is \$0.292M more than the \$6.920M provided for in the Period 1 prices. This under-recovery will be added to the NMR for Period 2.

The detailed calculations are shown below:

RET_y Preliminary Adjustment for Period 1 (Jan-Jun14)		
Determination Allowance for RET _y	\$6,920,000	13-14 \$
Estimated RET _y Load Jan-Jun 2014	931,501,526	kWh
Estimated Large RET (LRET) rate 2014	0.36726	13-14 \$
Estimated Small RET (SRET) rate 2014	0.40694	13-14 \$
Estimated LRET cost 2014	\$3,421,058	13-14 \$
Estimated SRET cost 2014	\$3,790,637	13-14 \$
Total LRET + SRET Period 1	\$7,211,695	13-14 \$
Under-Recovery of LRET & SRET	\$291,695	13-14 \$
Amount to be taken into NMR	\$0.292M	13-14 \$

3.2 Preliminary Adjustment for AEMO_y Period 1

The estimated combined cost for AEMO market and ancillary charges during Period 1 is \$1.015M. This compares with a cost allowance for Period 1 of \$1.080M. Therefore the retail prices for Period 1 have over-recovered by \$0.065M, this amount will be reduced from the total NMR for Period 2.

The detailed calculations are shown below:

AEMO_y Preliminary Adjustment for Period 1 (Jan-Jun14)		
Determination Allowance for AEMO_y Period 1	\$1,080,000	13-14 \$
Estimate AEMO charges for Period 1	\$1,015,365	13-14 \$
Under-Recovery for Period 1	(\$64,635)	13-14 \$
Amount to be taken into NMR	(\$0.065M)	13-14 \$