



Office of the Tasmanian Economic Regulator

**Consultation Paper on proposed changes to the
Interim Price-Regulated Retail Service Price
Determinations**

November 2013

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1 BACKGROUND

As part of its “Energy for the Future” reforms announced in May 2012, the Government announced its intention of introducing retail competition from 1 January 2014. As part of these reforms, Aurora Energy’s customers were to be offered for sale in two separate bundles during the second half of the 2013 calendar year.

With the previously planned introduction of retail competition from 1 January 2014 all residential and small business customers were to be provided the option of entering into a market retail contract with an authorised retailer. As is often the case in other jurisdictions where retail competition is in place, it was intended that regulated or standing offer prices still available for those customers choosing not to enter into a market retail contract.

Under the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013* (Pricing and Related Matters Regulations) the Tasmanian Economic Regulator (the Regulator) was required to determine standing offer prices for each block of customers that were to be offered for sale. This involved the Regulator making a determination of a Regulated Offer Retailer’s (RORs) notional maximum revenue (NMR) and the price control mechanism to apply to determine maximum prices. The Regulator subsequently approves prices submitted by RORs that are consistent with the NMR determinations.

In July 2013 the Regulator made the Interim Price-regulated Retail Service Price Determinations (together the 2013 Standing Offer Determinations) to apply for the interim pricing period 1 January 2014 to 30 June 2016. Two determinations were required, reflecting the Government’s intention to sell Aurora Energy’s existing customers in two separate bundles. As the two RORs were not known at that time, the Regulator’s determinations refer to Retailer A with respect to Customer bundle 1 and to Retailer B with respect to Customer bundle 2. The Regulator subsequently approved standing offer prices for the period 1 January 2014 to 30 June 2014 for the respective Notional Maximum Revenues (NMR) calculated in accordance with each determination.

The Tasmania Government recently announced changes to its electricity reform process. These changes have implications for the determinations themselves and in terms of the costs and risks that electricity retailers may face in the market relative to when the 2013 Standing Offer Determinations were made and when the prices were approved. These changes involve delaying the sale of Aurora Energy’s customer base and the introduction of retail competition from 1 July 2014. Furthermore, from 1 July 2014, there will not be any restrictions on customer churn (customers switching between retailers) as was previously the case.

In a letter dated 25 October 2013, the Minister for Finance stated that he did not intend making an order under section 38B of the *Electricity Supply Industry Act 1995* declaring authorised retailers to be regulated offer retailers. As a result, Aurora

Energy Pty Ltd will continue to be the only regulated offer retailer able to sell electricity to small customers on mainland Tasmania (including Bruny Island) for the immediate future.

This paper presents the results of the Regulator's analysis of the implications of the change in the Government's electricity reform policy and considers whether the 2013 Standing Offer Determinations should be altered in any way to address those impacts. Specifically:

- Chapter 2 presents the legal framework for making changes to a determination;
- Chapter 3 presents the specific details about the policy change;
- Chapter 4 considers whether the 2013 Standing Offer Determinations should be amended with respect to the legal framework in Chapter 2 and the impact of the policy changes outlined in Chapter 3. Chapter 4 also considers whether the 2013 Standing Offer Determinations should be amended to correct other errors;
- Chapter 5 presents the changes to the determinations the Regulator proposes based on the analysis from Chapter 4 and seeks stakeholders' feedback; and
- Chapter 6 discusses the likely implications for standing offer prices as a result of the proposed changes.

This document should be read in conjunction with the 2013 Standing Offer Determinations made on 29 July 2013 in respect of Retailer A and Retailer B and the Regulator's *Report on investigation of maximum prices for interim price-regulated electricity retail services for small customers on mainland Tasmania*, July 2013.

2 LEGAL FRAMEWORK – MAKING CHANGES TO A DETERMINATION

2.1 Introduction

The *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013* (Pricing and Related Matters Regulations) govern the making of changes to an existing electricity price determination.

Specifically, the Pricing and Related Matters Regulations give the Regulator the power to amend or revoke a determination, set out the conditions under which a determination may be amended or revoked and detail the process that must be followed by the Regulator before amending or revoking a determination.

2.2 Circumstances under which a determination may be changed

In particular, Regulation 17(2) of the Pricing and Related Matters Regulations provides that:

- (2) The Regulator may amend or revoke a price-regulated retail service price determination under section 40AA(3) of the Act if the Regulator determines –
- (a) that the determination was made on the basis of information, provided by the regulated offer retailer to which the determination relates, that was false or misleading in a material particular; or
 - (b) that there is a material error in the determination; or
 - (c) that –
 - (i) the regulated offer retailer to which the determination relates is materially adversely affected by the determination as a result of an event which is beyond the retailer's reasonable control and was not taken into account in the terms of the determination; and
 - (ii) the benefits of amending or revoking the determination would outweigh any detriment, to the regulated offer retailer to which the determination relates, or any customer of such a retailer, that might result from the amendment or revocation of the determination.

The following chapters present the nature of the Government's policy change and assesses whether, as a result of the Government's policy change, any of the above criteria have been met such that amendment or revocation of the 2013 Standing Offer Determinations is warranted. In particular assessment is made with reference to Regulations 17(2)(b) and 17(2)(c). The Regulator has no reason to believe that the criteria in Regulation 17(2)(a) has been breached and therefore has

not considered it on this occasion. Should the Regulator consider that any of these criteria are met and an amendment or revocation is therefore warranted, the Regulator must follow the process outlined below in section 2.3.

2.3 Process to be followed when proposing changes to a determination

Under Regulation 18 of the Pricing and Related Matters Regulations the Regulator must adopt the following process before amending or revoking a determination:

18. Process for amendment or revocation

(1) Before amending or revoking under section 40AA(3) of the Act a price-regulated retail service price determination, the Regulator is to invite submissions in respect of whether the determination ought to be amended or revoked.

(2) The invitation referred to in subregulation (1) is to –

(a) be in writing; and

(b) specify a reasonable period within which the submissions may be made.

(3) The Regulator is to –

(a) give a copy of the invitation to –

(i) the Minister; and

(ii) the regulated offer retailer to which relates the price-regulated retail service price determination that the Regulator is considering amending or revoking; and

(b) publish a copy of the invitation in the daily newspapers that the Regulator considers appropriate.

(4) The Regulator is only to amend or revoke under section 40AA(3) of the Act a price-regulated retail service price determination –

(a) after the expiry of the period within which submissions may, under the invitation referred to in subregulation (1), be made in relation to the determination; and

(b) after considering any such submissions received.

(5) Subject to these regulations, for the purpose of determining whether or not to amend or revoke a price-regulated retail service price determination under section 40AA(3) of the Act, the Regulator may do any or all of the following:

(a) consult with any person;

(b) hold seminars;

(c) hold hearings;

(d) do anything the Regulator considers necessary or convenient.

(6) In determining whether or not to amend or revoke under section 40AA(3) of the Act a price-regulated retail service price determination, the Regulator is not bound by the rules of evidence but may inform itself in any matter in any manner the Regulator considers appropriate.

(7) If the Regulator decides to hold a hearing for the purpose of determining whether or not to amend or revoke under section 40AA(3) of the Act a price-regulated retail service price determination, regulation 50 applies as if the hearing were a hearing in respect of a pricing investigation.

(8) Regulations 51 and 52 apply in relation to the determining by the Regulator of whether or not to amend or revoke under section 40AA(3) of the Act a price-regulated retail service price determination, as if the Regulator were conducting a pricing investigation.

3 WHAT ARE THE CHANGES?

The recent changes made to the electricity reform process relate to the timing of the introduction of retail competition and the sale of Aurora Energy's customer base. Specifically, the Regulator understands that:

- Aurora Energy's regulated tariff customer base will not be separated into two bundles and sold to two new RORs;
- Aurora Energy will remain as the only ROR in Tasmania in the near future;
- from 1 January 2014 Aurora Energy will be able to offer unregulated market contracts to small customers in Tasmania or, alternatively, those customers can choose to remain on regulated standing offer contracts;
- the commencement of retail competition will be delayed from 1 January 2014 to 1 July 2014; and
- once retail competition commences on 1 July 2014 there will not be any restrictions on the ability of customers to move between authorised retailers (i.e. churn).

These changes mean that:

- there will only be one ROR - Aurora Energy - as opposed to the previously proposed two RORs to which the current 2013 Standing Offer Determinations were to apply;
- the 2013 Standing Offer Determinations individually contain approximately one half of the Tasmanian small customer base, unlike Aurora Energy which will be providing electricity retail services to the entire Tasmanian small customer base; and
- Aurora Energy will face different market conditions compared to those expected to be in place for the interim pricing period at the time the 2013 Standing Offer Determinations were made for the RORs.

The next chapter considers whether these changes are sufficient to warrant amendment and/or revocation of the 2013 Standing Offer Determinations based on the legal criteria outlined in section 2.2.

4 SHOULD THE 2013 STANDING OFFER DETERMINATIONS BE AMENDED OR REVOKED?

4.1 Introduction

This Chapter considers the impact of the policy change on the 2013 Standing Offer Determinations and whether the determinations should be amended having regard to the legal framework outlined in Chapter 2 and the impact of the policy changes set out in Chapter 3.

Section 4.2 considers the grounds for amendment under Regulation 17(2)(c) (as outlined in section 2.2) which relates to whether the ROR would be materially adversely affected and the benefits of amending and revoking a determination. It does this by considering the impact on the NMR and NMR components as a result of the Government's policy change.

Section 4.3 considers the grounds for amendment under Regulation 17(2)(b) (as outlined in section 2.3) which relates to whether there is a material error in a determination. It does this by considering whether the determinations still apply correctly under the Government's new policy.

Section 4.4 presents details of further changes the Regulator proposes be made to Retailer A's determination to correct material errors in accordance with the grounds for amendment outlined in Regulation 17(2)(b).

4.2 Impacts on the NMR and NMR components

The change in Government policy means that the risks faced by Aurora Energy with respect to customer churn and the increased marketing costs faced by Aurora Energy to retain its customers are likely to be different to the risks considered in and the costs adopted for 2013 Standing Offer Determinations.

Table 4.1 below compares the churn rates the 2013 Standing Offer Determinations were based on with the churn rates associated with the new Government policy.

As a result of these changes the assumptions used to determine the Retail Margin and the Customer Acquisition and Retention Costs (CARC), as part of a RORs cost to serve, are no longer valid. The specific impact of the new Government policy on the Retail Margin and the CARC are discussed below.

Table 4.1 Summary of impact of policy change - churn rates

Period	2013 Determinations	New Government Policy
Period 1	1 January 2014 to 31 March 2014	No churn permitted
	1 April 2014 to 30 June 2014	1 000 per month
Period 2	1 July 2014 to 31 December 2014	1 000 per month
	1 January 2015 to 30 June 2015	No restriction
Period 3	1 July 2015 to 30 June 2016	No restriction

4.2.1 Impact on the Retail Margin

The retail margin is intended to compensate a ROR for its investment in the business and the risks it assumes in providing retailer services. It is calculated in terms of a net margin on earnings before interest, tax, depreciation and amortisation (EBITDA). As noted in the Regulator's report with respect to the 2013 Standing Offer Determinations, a key component in determining the retail margin was determining the RORs volume risk associated with customer churn. The Regulator estimated three different retail margins, one for each period covered by the interim pricing period. The three separate retail margins reflected the expected levels of volume risk in each period. However, given the changes announced by the Government as presented in Table 4.1, Aurora Energy's volume risk is different to the assumed risk profile that was the basis for the retail margin in the 2013 Standing Offer Determinations.

The methodology used to determine the retail margin in each of the periods of the 2013 Standing Offer Determinations is presented on pages 87 to 88 of the Regulator's report.¹ In summary the methodology involves:

- allowing for a retail margin of 4.85 per cent in periods when customers were unable to change retailers;
- adding 0.85 per cent to this figure (5.70 per cent) in periods where there aren't any restrictions on customers changing retailers; and
- taking the average of these two estimates (4.85 per cent and 5.70 per cent) for periods with restricted churn (5.30 per cent).

¹ See Tasmania Economic Regulator, *Report on investigation of maximum prices for interim price-regulated electricity retail services for small customers on mainland Tasmania*, July 2013, pp.87-88.

Table 4.2 presents revised estimates of the retail margin based on the risk profile that Aurora Energy will face under the Government’s new policy and compares the revised retail margins with the retail margins adopted in the current 2013 Standing Offer Determinations.

Table 4.2 Change retail margin

Period		2013 Determinations (%)	New Government Policy (%)
Period 1	1 January 2014 to 30 March 2014	4.85	4.85
	1 April 2014 to 30 June 2014	5.30*	4.85
	Average	5.10	4.85
Period 2	1 July 2014 to 31 December 2014	5.30*	5.70**
	1 January 2015 to 30 June 2015	5.70**	5.70**
	Average	5.50	5.70
Period 3	1 July 2015 to 30 June 2016	5.70	5.70

* 1 000 transfers allowed per month

** removal of restrictions on transfers allowed per month

As can be seen from Table 4.2 the impact of the new policy means that the retail margin in Period 1 would fall from 5.10 per cent to 4.85 per cent and increase from 5.50 per cent to 5.70 per cent in Period 2.

The lower retail margin in Period 1 reflects relatively lower volume risk in that period due to customers not being permitted to transfer to a another retailer compared to partial restrictions under the previous policy. The higher retail margin in Period 2 reflects higher volume risk in Period 2 with unrestricted retail competition commencing on 1 July 2014 compared to the partial restrictions on churn under the Government’s previous policy.

4.2.2 Impact on Customer Acquisition and Retention Costs (CARC)

As noted in the Regulator’s report with respect to the current 2013 Standing Offer Determinations, CARC are costs incurred by retailers in contestable markets where new entrant retailers are endeavouring to attract customers away from incumbent retailers and incumbent retailers are endeavouring to both retain existing customers and attract new ones.² The CARC forms a part of the retailer’s cost to serve in the NMR in the 2013 Standing Offer Determinations. None of the other items that form the cost to serve are impacted by the change in the Government’s policy settings.

² Ibid p.45.

Similar to the situation with the retail margin, in the current 2013 Standing Offer Determinations the Regulator determined an amount of CARC to be recovered from customers that matched the allowable level of churn for each period. However, given that restrictions on churn have changed under the Government's new policy, it is necessary to consider the appropriate level of CARC under the new policy.

The methodology used to determine the CARC in each of the periods of the 2013 Standing Offer Determinations is presented pages 64 to 65 of the Regulator's report.³ In summary the methodology involves:

- allowing for an annual CARC of \$42 per customer in periods with unrestricted retail competition (reflecting estimates in mature markets with unrestricted churn);
- multiplying estimates of the unit cost of switching by the allowable amount of churn volume in the periods with churn restrictions; and
- multiplying the unit cost of transfers to market contracts with the same retailer by the expected number of such transfers during periods with restricted churn.

Table 4.3 compares CARC under the current 2013 Standing Offer Determinations with estimated CARC based on the Government's new policy.

Table 4.3 Change to CARC (\$ per customer)

Period		2013 Determinations	New Government Policy
Period 1	1 January 2014 to 30 March 2014	3.12	3.12
	1 April 2014 to 30 June 2014	8.47	3.12
	Total	\$11.60	\$6.24
Period 2	1 July 2014 to 31 December 2014	8.55	21.00
	1 January 2015 to 30 June 2015	21.00	21.00
	Total	\$29.55	\$42.00
Period 3	1 July 2015 to 30 June 2016	\$42.00	\$42.00

As can be seen from Table 4.2 the impact of the Government's new policy means that the CARC in Period 1 would fall from \$11.60 to \$6.24 per customer and increase from \$29.55 to \$42.00 per customer in Period 2. The lower CARC in Period 1 reflects the absence of retail competition in Period 1 under the new policy

³ Ibid pp.64-65.

compared to partial competition under the previous policy. Some level of CARC would still be allowed in Period 1 reflecting Aurora Retail's regulated customers transferring to market contracts and Aurora Energy preparing itself for the commencement of unrestricted retail competition. The higher CARC in Period 2 reflects unrestricted retail competition commencing on 1 July 2014 compared to partial restrictions on competition under the previous policy. Hence from Period 2 onwards the mature market estimate of CARC would be adopted to reflect the Government's new policy.

4.2.3 Summary of impact on the NMR

Table 4.4 and Table 4.5 compare the NMRs determined for Retailer A and Retailer B in the current 2013 Standing Offer Determinations with NMRs calculated under the Government's new policy. As can be seen for each of Retailer A and Retailer B, the NMR falls in Period 1 but increases in Period 2. This is the result of the relative decreases in both the Retail Margin and the CARC in Period 1 and relative increases in both of these variables in Period 2 compared to the current 2013 Standing Offer Determinations. Table 4.6 presents the same information on an aggregated basis for Retailer A and Retailer B.

Table 4.4 Changes to NMRs \$ million Retailer A

Period	2013 Determination	New Government Policy	Difference
Period 1	126.825	126.212	-0.612
Period 2	269.715	271.704	1.989
Period 3	272.920	272.920	0

Table 4.5 Changes to NMRs \$ million Retailer B

Period	2013 Determination	New Government Policy	Difference
Period 1	121.002	120.421	-0.581
Period 2	257.019	258.899	1.881
Period 3	259.546	259.546	0

Table 4.6 Changes to NMRs \$ million Retailer A and B combined

Period	2013 Determination	New Government Policy	Difference
Period 1	247.826	246.633	-1.193
Period 2	526.734	530.603	3.869
Period 3	532.465	532.465	0
TOTAL	1 307.025	1 309.701	2.676
DIFFERENCE			0.20%

As shown in Table 4.6, under the Government's new policy the combined NMR would increase by \$2.68 million over the interim pricing period. This represents a 0.20 per cent increase in the NMR a retailer could recover from small customers over that period.

Table 4.7 and Table 4.8 present the impact of the change in revenue on the RORs 'controllable costs' which include a retailer's cost to serve and its retail margin. Other components of the NMR (the Wholesale Electricity Price (WEP), Renewable Energy Target costs, Australian Energy Market Operator and network costs and losses) are largely out of a retailer's control and are passed directly other entities to customers. The impact of the Government's new policy on Retailer A's and B's controllable costs be an average decrease of 4.76 per cent in Period 1 and an average increase of 6.68 per cent in Period 2 with no impact on Period 3. The overall impact over the three periods would therefore be a 1.84 per cent increase in the ROR's NMR based on their controllable costs.

Table 4.7 Changes to the NMRs (\$ million) Retailer A

Period	Retailer A's controllable costs from the 2013 Determination	Change in NMR	Percentage impact
Period 1	12.877	-0.612	-4.76
Period 2	29.728	1.989	6.69
Period 3	32.069	0	0
Total	74.673	1.376	1.84

Table 4.8 Changes to the NMRs (\$ million) Retailer B

Period	Retailer B's controllable costs from the 2013 Determination	Change in NMR	Percentage Impact
Period 1	12.213	-0.581	-4.76
Period 2	28.176	1.881	6.67
Period 3	30.362	0	0
Total	70.751	1.300	1.84

4.2.4 Regulator’s conclusions – impact of the policy change on the NMR and NMR components

Based on the preceding discussion, the Regulator considers that a ROR would not be materially adversely affected by an event outside its control (i.e. the Government’s policy change) in terms of the impact of that event on the Retail Margin and the CARC i.e. the conditions in Regulation 17(2)(c)(i) have not been met.

The Regulator has therefore concluded that the impact of the Government’s policy change is immaterial such that the grounds to amend and/or revoke the determinations under Regulation 17(2)(c) have not been met.

The Regulator therefore proposes that:

- the Retail Margins for each period remain the same as the Retail Margins reflected for each period in the 2013 Standing Offer Determinations; and
- the CARC for each period remain the same as the CARC reflected in the Cost to Serve allowances for each period in the 2013 Standing Offer Determinations.

The Regulator seeks comments on:

- its proposal not to amend the Retail Margin and the CARC (as part of the Cost to Serve) in the current Retailer A 2013 Standing Offer Determination.

4.3 Application of the 2013 Standing Offer Determinations

Apart from assessing the impact of the policy change on the NMRs and the NMR components, the Regulator has also considered whether the determinations will, in their current form, apply under the new policy setting as intended or whether alterations need to be made to ensure that the determinations apply correctly.

As noted in Chapter 1, the determinations were made with the intent they apply to two new RORs. However, under the new policy setting Aurora Energy will be the

only ROR. If the determinations were to remain in effect then they would both need to apply to Aurora Energy which would appear to be inconsistent with the original policy intent as the determinations are intended to apply to two different retailers. Furthermore, individually the 2013 Standing Offer Determinations apply to approximately one half of the Tasmanian small customer base. However, under the Government's new policy setting Aurora Energy, being the only ROR, will be providing retail electricity services to the entire Tasmanian small customer base. This means that the parameters in each individual determination with respect to the notional tariff base (NTB), which is the amount of customers and the expected consumption by those customers, would be inconsistent with Aurora Energy's NTB.

4.3.1 Regulator's conclusions – impact of the policy change on the application of the 2013 Standing Offer Determinations

Having regard to the impact of the policy change and to Regulation 17(2)(b) of the Pricing and Related Matters Regulations, the Regulator has concluded there is a material error in each of the 2013 Standing Offer Determinations.

That is, neither of the 2013 Standing Offer Determinations apply to Aurora Energy nor does either determination apply to the entire small customer NTB.

4.4 Other changes to the 2013 Standing Offer Determinations

Having further regard to Regulation 17(2)(b) of the Pricing and Related Matters Regulations, the Regulator has also identified that there are also several other material errors in Retailer A's determination that need to be corrected to ensure that the determination applies as intended.

4.4.1 Regulator's conclusions – other changes

Having regard to Regulation 17(2)(b) of the Pricing and Related Matters Regulations, the Regulator has concluded that Retailer A's determination contains the following additional material errors:

- the definition of the Wholesale Contract Regulatory Instrument in the Interpretation section is incorrect as it does not account for the fact that the Minister for Finance has now signed the Wholesale Contract Regulatory Instrument;
- the description of the Notional Tariff Base in Table 1 and in the text immediately above Table 1 is incorrect as it does not include a _y subscript; and
- the presentation format for the WEP in Table 3 is incomplete in that it is not expressed in a c/kWh format. In Retailer A's 2013 Standing Offer Determination the WEP was presented in a \$/MWh format which, in practice is converted into a c/kWh format when calculating 'R' (energy component of the NMR).

The Regulator seeks comments on the conclusions outlined in sections 4.3.1 and 4.4.1. That is, the Regulator has concluded that Retailer A's 2013 Standing Offer Determination contains material errors such that the determination requires amendment.

The next chapter discusses the amendments that the Regulator proposes to make with respect to the determination that currently applies to Retailer A.

5 PROPOSED AMENDMENTS TO DETERMINATIONS

5.1 Introduction

As discussed in the previous chapter the Regulator proposes to amend the determination with respect to Retailer A and revoke the determination with respect to Retailer B.

Regulation 18 of the Pricing and Related Matters Regulations, as outlined in section 2.3, outlines the process the Regulator is to follow when amending and/or revoking a determination.

This chapter outlines the proposed amendments to Retailer A's determination based on the analysis in the previous chapters and, in accordance with Regulation 18, requests input from stakeholders on the proposed amendments.

5.2 Regulator's proposals – amendments to the 2013 Standing Offer Determinations

5.2.1 Application of the 2013 Standing Offer Determinations

Based on the conclusions noted in section 4.3.1, the Regulator proposes:

- amending Retailer A's 2013 Standing Offer Determination so that the amended determination applies to Aurora Energy;
- amending the NTB in Retailer A's 2013 Standing Offer Determination so that it is now the sum of the customer numbers and forecast demand currently specified in Retailer A's 2013 Standing Offer Determination and Retailer B's Standing Offer Determination.

The Regulator seeks comments on:

- its proposed amendment of Retailer A's 2013 Standing Offer Determination so as it applies to Aurora Energy;
- its proposed amendment of the NTB in the current Retailer A 2013 Standing Offer Determination so that it is now the sum of the NTB's from Retailer A's and Retailer B's respective 2013 Standing Offer Determinations; and
- its proposed revocation of Retailer B's 2013 Standing Offer Determination.

5.2.2 Other changes

Based on the conclusions noted in section 4.4.1, the Regulator proposes the following additional amendments be made to Retailer A's 2013 Standing Offer Determination:

- PART 1 – PRELIMINARY, Interpretation (Clause 2(b): amend the definition of **'Wholesale Contract Regulatory Instrument'** to reflect the fact that the Minister for Finance made the instrument on 29 July 2013 (i.e. on the same day that the Regulator made its determinations);
- PART 2 – MAXIMUM PRICES, Notional Maximum Revenue (Clause 7):
 - Notional Tariff Base: insert γ after each of 'forecast small customer load' and 'forecast number of small customers' in the text above Table 1 and each of 'Small customer load' and 'Small customers' in Table 1; and
 - Wholesale Electricity Price (WEP): in Table 3, add another line and present the WEP in an additional c/kWh format. Consistent with the presentation of the other NMR components the current 'WEP (\$/MWh)' figures are to be unbolded and the additional 'WEP (c/kWh)' figures are to be in bold.

The Regulator seeks comments on:

- its proposal to amend the definition of 'Wholesale Contract Regulatory Instrument' in Clause 2(b) of Retailer A's 2013 Standing Offer Determination;
- its proposal to amend the references to the Notional Tariff Base and Wholesale Electricity Price in Clause 7 of Retailer A's 2013 Standing Offer Determination; and
- its proposal to amend the figure quoted for Network costs in Clause 7 of Retailer A's 2013 Standing Offer Determination.

6 WHAT IS THE EXPECTED IMPACT ON PRICES?

The Regulator has also carried out preliminary calculations of the NMR that would apply under the proposed 2013 Standing Offer Determination (Aurora Energy) and notes that this does not differ markedly from the sum of the individual NMRs calculated for Retailer A and Retailer B under the 2013 Standing Offer Determinations made on 29 July 2013.

For Period 1, the recalculated NMR translates to a standing offer price decrease that is slightly smaller than the 5.23 per cent decrease approved by the Regulator on 15 August 2013.

However, the actual standing offer prices that will apply from 1 January 2014 and how those prices compare to the current tariffs which apply until 31 December 2013 will depend on the content of Aurora Energy's standing offer price proposal which will be made in response to the amended standing offer determination.

7 RESPONDING TO THE REGULATOR'S PROPOSALS

The Economic Regulator invites written comments on the proposals outlined in this consultation paper. Submissions will be considered prior to the proposed Interim Price-regulated Retail Service Price Determination being finalised and must be received by the close of business on Friday 22 November 2013.

It is normal practice for all submissions to be published on the Regulator's website unless the author of the submission requests confidentiality in relation to the submission (or any part of the submission). Those parts of a submission that are requested to be kept confidential should be submitted as an attachment to that part suitable for publication.

The Regulator will not publish submissions which contain material that the Regulator believes is, or could be, derogatory or defamatory.

If you would like further information on the treatment of confidential submissions, please refer to the Economic Regulator's *Policy on the treatment of confidential submissions* document on its website.

Submissions by email are preferred to assist in publishing submissions on the website.

Submissions and enquiries may be made to:

office@economicregulator.tas.gov.au

or to

Glenn Bounds (Assistant Director – Price and Service)

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A copy of the proposed Interim Price-regulated Retail Service Price Determination and this Consultation Paper may also be found on the Economic Regulator's website: www.economicregulator.tas.gov.au