



AURORA ENERGY

DRAFT RETAIL TARIFF STRATEGY  
AND PRICING PROPOSAL

FROM 1 DECEMBER 2010

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## 1.0 Draft Revised Tariff Strategy - Dec 2010 - June 2013

### 1.1 Background and regulatory arrangements

The prices for electricity supply are mainly comprised of the electricity retailer's costs to purchase energy, transmission costs, distribution costs, and the retailer's own costs.

The amount of revenue Aurora Retail can recover from non-contestable customers is subject to the '*Declared Electrical Services Pricing Determination 2010*', (Determination) made by the Energy Regulator.

In determining the maximum prices for tariff customers, the Energy Regulator makes an allowance for the cost to provide services for customers, and for a retail margin. The cost to serve reflects the efficient costs that would be incurred by a retailer in providing services to its customers, including billing, account collection, customer enquiries and advice.

The Determination, made by the Energy Regulator includes the requirement that:

*" Retail tariffs are to be submitted to the Regulator for approval each year in accordance with the Tariff Customers Regulations and any relevant guidelines issued by the Regulator."*

The Energy Regulator has issued a Guideline '*Approval of Retail Tariffs in accordance with the 2010 Determination*', which sets out the methodology for Aurora Retail to develop a revised tariff strategy. This Guideline requires that Aurora Energy sets out its revised strategy for retail tariffs during the 1<sup>st</sup> period of the new Determination.

Aurora published and consulted on its Retail Tariff Strategy in March and April 2008 and published a final retail tariff strategy in May 2008. This document deals only with revisions to that final tariff strategy.

Aurora is required to publish its draft revised Tariff Strategy before 12/11/2010, consult on it before 1 February 2011 and publish a Final Retail Pricing Strategy by 30 March 2011. Details of the Guideline's requirements can be found at:

[http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/103429\\_104798\\_Guideline\\_for\\_Approval\\_of\\_2010\\_Retail\\_Tariffs\\_October\\_2010.pdf/\\$file/103429\\_104798\\_Guideline\\_for\\_Approval\\_of\\_2010\\_Retail\\_Tariffs\\_October\\_2010.pdf](http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/103429_104798_Guideline_for_Approval_of_2010_Retail_Tariffs_October_2010.pdf/$file/103429_104798_Guideline_for_Approval_of_2010_Retail_Tariffs_October_2010.pdf)

## **1.2 Policy Objectives of the Tariff Strategy**

In developing the Aurora Retail tariffs, the high level principles that govern tariff development are unchanged from the previous Tariff Strategy developed in 2007-08 and are:

Retail tariff prices will comply with the provisions of the Determination issued in November 2010,

The strategy will attempt to align (over time) the retail tariffs with the approved network tariffs,

The number of retail tariffs should, as far as possible, be reduced,

The terms and conditions surrounding each retail tariff should, as far as possible, be simplified and made less rigid, in order to make it easier for customers to choose the most favourable tariff, or tariff combination, for them, and

The gross margin from each tariff, or permitted combination of tariffs, should be positive.

## **1.3 Compliance**

Retail tariffs will be set so as to recover, in aggregate, no more than the Notional Maximum Revenue permitted by the Determination.

Compliance will be demonstrated by calculating:

- NMR for the relevant Period in accordance with the formulae included in the Determination; and
- Notional Revenue that would be obtained by applying the proposed retail prices to the loads contained in the relevant Schedules in the Determination and demonstrating that it does not exceed the NMR.

These calculations will be covered in the Retail Tariff Pricing Proposal.

## **1.4 Current retail tariffs**

Retail tariffs were last adjusted on 1 July 2010. This adjustment reflected increases in network charges. The adjustment proposed for 1 December 2010 will reflect changes in other input costs, principally energy purchase costs and renewable energy obligation

costs. Details of the Regulator's decisions on allowable costs can be found in the Final Report at:

[http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/104709\\_104791\\_Electricity\\_Retail\\_Price\\_Investigation\\_Final\\_Report\\_October\\_2010.pdf/\\$file/104709\\_104791\\_Electricity\\_Retail\\_Price\\_Investigation\\_Final\\_Report\\_October\\_2010.pdf](http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/104709_104791_Electricity_Retail_Price_Investigation_Final_Report_October_2010.pdf/$file/104709_104791_Electricity_Retail_Price_Investigation_Final_Report_October_2010.pdf)

The average increase in retail prices on 1 July 2010 was 6% for residential tariffs and 8.1% for business tariffs.

Actual tariff prices, including GST, are shown below:

Table 1 July 2010 Tariff Prices including GST

Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Demand Step 1	Tariff Class
	c/day	c/kWh	c/kWh	c/kWh	\$/kW or kVA pa	
22	79.793	28.401	20.849			Business
31	73.862	20.823	20.823	20.823		Residential
34	111.882	26.336	20.477	17.228		Business
41	14.306	12.558				Residential
42	14.306	12.558				Residential
43	14.306	12.558				Business
55	85.044	25.751				Business
61	18.127	10.110				Residential
62	18.127	9.522				Residential
73		10.908				Business
74	261.346	24.824				Business
82	250.164	12.852			177.687	Business
83	250.164	13.098			229.947	Business
85	245.365	11.314			96.452	Business
86	245.365	11.529			124.823	Business

## 1.5 Methodology for calculating retail tariffs

The method of deriving the tariff prices to operate from 1 December 2010 is unusual, in that it represents the second stage of a two-stage process, and in that prices are subject to revenue smoothing. The first stage was the setting of prices from 1 July 2010.

The process contains the following steps:

- Calculate the Notional Maximum Revenue for the whole of 2010-2011 using the formula in the Determination;
- Calculate the amount of NMR earned between 1/7/2010 and 30/11/2010 by applying the 1/7/2010 prices to the loads given in Schedule 2(a) of the Determination;
- Deduct this amount from the full year NMR to give the balance of NMR to be earned between 1/12/2010 and 30/6/2011;
- Deduct from this balance the amount of revenue to be deferred to future years as given in the determination - this gives the target NMR value;
- Determine the average uniform price change that gives prices which, when applied to the loads in Schedule 2(b) of the Determination, produce notional revenue which does not exceed the target NMR value.

Application of this process gives an average price change from 1/12/2010 of 8.766%.

## **1.6 Proposed amendments to tariffs and terms and conditions**

### **1.6.1 Obsolete Tariffs**

Aurora continues to wish to abolish obsolete tariffs. During 2010-11 we intend to abolish the obsolete un-metered supply tariff, Tariff 55, and transfer these sites to the general tariff, Tariff 22. There are some 35 customers, with 85 sites remaining on Tariff 55. Of the 35 customers only 4 will see an increase in cost as a result of the change, and then only by between 10 cents and 60 cents per week.

No specific action is proposed in respect of the obsolete kW demand tariffs – Tariffs 83 and 86. These are generally larger sites with early contestability dates. As they enter market based contracts these customers will move to kVA based prices, so that the obsolete kW tariffs will become self-eliminating.

### 1.6.2 Nursing Home Tariff 34

The retail Nursing home tariff, Tariff 34, was introduced in 1997 to enable the transition of nursing home prices from the residential tariff 31 to the general business tariff, Tariff 22. At that time there was a significant difference in the price levels of the two tariffs.

Over the following 12 years the envisaged transition has not taken place. Whilst the prices for Tariffs 31 and 22 have converged, Tariff 34 has become increasing out of line with both. This has been exacerbated by the removal of the three-step structure of T31 in 2009-10, whilst Tariff 34 retained such a price structure.

In 2009-10, residential consumption and the bulk [90%] of T22 consumption were charged at around 17.5 to 17.8 c/kWh. However, the bulk [93%] of Tariff 34 consumption is charged only at 14.5 c/kWh. This is not what was intended when this tariff was introduced, and is unsustainable, but eliminating the difference between T34 and the other two tariffs in a short time frame would impose unsustainable burdens upon nursing homes.

Aurora will consult on the proposal to make Tariff 34 obsolete from 1/7/2011 i.e. no new installations can be connected to it, and the introduction of a Time of Use tariff for Nursing Homes. This tariff would attract the time of use network tariff N13(b) which offers shoulder and off-peak rates at weekends and at night.

By way of example, indicative pricing, consistent with the inputs to the Pricing Proposal is shown below (excluding GST), and compared with the price for Tariff 34 after 1/12/2010. This is subject to Aurora internal approvals.

Table 2 Example of a potential future Nursing Home TOU tariff

Weekday Day	07:00-22:00	21.840c/kWh
Weekend Day	07:00-22:00	17.392c/kWh
All Nights	22:00-07:00	10.721c/kWh
Daily Charge		83.17c/day

Tariff 34 pricing, from 1/12/2010, is proposed to be increased by 8.766% as shown below:

Table 3 Proposed prices for T34 Nursing Homes

Energy Step 1	26.041c/kWh
Energy Step 2	20.247c/kWh
Energy Step 3	17.035c/kWh
Daily Charge	110.63c/day

### 1.6.3 Irrigation

The TFGA has indicated a preference for a Time of Use irrigation tariff, and Aurora in its Submission to the Investigation proposed to introduce such a tariff. Another driver for this move is that the standard network tariff for irrigation has been declared obsolete – ideally the retail tariff should also become obsolete.

Aurora will consult on the proposal to , from 1/7/2011, to introduce an irrigation TOU tariff, and to make Tariff 73/74 obsolete from that date.

An example of possible pricing, subject to approvals, is given below:

Table 4 Example of potential future prices of T73/74 irrigation

		Summer (Oct-March)	Winter (April-Sept)
Weekday Day	07:00-22:00	18.228c/kWh	23.251c/kWh
Weekend Day	07:00-22:00	10.694c/kWh	18.228c/kWh
Night	22:00-07:00	10.694c/kWh	10.694c/kWh
Daily Charge		215.209c/kWh	215.209c/kWh

It is proposed to increase Tariff 73/74 pricing from 1/12/2010 by 8.766% as shown below:

Table 5 Proposed prices of T73/74 irrigation

Day	07:00-20:00	24.545c/kWh
Night	20:00-07:00	10.785c/kWh
Daily Charge		258.414c/day

### 1.6.4 Other Issues

Aurora has no plans for the general introduction of TOU tariffs for residential and small business customers during the current regulatory period. However, we will monitor the rate of installation of interval capable meters as part of the routine meter replacement programme, and will consider the introduction of such products once we are satisfied that sufficient suitable meters are installed.

Aurora currently has no further plans for tariff restructuring during the regulatory period. However, during the consultation period for the Draft Tariff Strategy any views put forward in favour of rebalancing tariffs will be considered.

As already agreed by the Regulator, removal of the multiple connection discount will take effect from 1 December 2010.

## **1.7 Cost Allocation Methodologies**

The price resetting process described above does not require Aurora Retail to make any judgements as to the allocation of costs between contestable and non-contestable customers. The Determination sets the underlying costs for non-contestable customers.

## **1.8 Fixed and Variable Charges**

In general, the relative incidence of fixed and variable charges in the retail tariffs does not significantly change in 2010 from that applying in 2009-10.

Aurora expects that it will receive submissions on this issue during the forthcoming consultation process, and will reconsider the fixed/variable balance in the light of those submissions.

## 2.0 Pricing Proposal for Period 1 (1/7/2010 to 30/6/2011)

### 2.1 Introduction

In Period 1, retail prices will be set in two stages. The first stage, reflecting the introduction of revised NUOS tariffs, was approved and implemented with effect from 1 July 2010.

This Section deals with the second phase of the price reset, which is to take effect from 1 December 2010. It sets out Aurora Energy's proposed prices for the period 1/12/2010 to 30/6/2011, demonstrates that they comply with the Determination, indicates the impact of the proposal on customers and seeks approval from the Tasmanian Energy Regulator for the proposed prices and the Notional Maximum Revenue (NMR) for Period 1 on which they are based.

The detailed calculations implement the formula given in Part 2 of the Determination.

The prices submitted in Section 4 have been developed according to the principles of the Draft Tariff Strategy described in Section 1.

The Table below summarises the outcomes in terms of Period 1 NMR for each of the variables, and indicates in which section of this Submission the relevant calculations are considered.

Table 6 Period 1 NMR components

Cost Element	Value	Submission Reference
R	\$225,484,513	Section 2.2.2.1
NC	\$276,793,720	Section 2.2.2.2
AEMO	\$2,875,000	Section 2.2.2.3
M	\$2,012,000	Section 2.2.2.4
REC	\$11,544,000	Section 2.2.2.5
Tax	\$0	Section 2.2.1
Ky-p	\$0	Section 2.2.1
Margin	3.8%	From Determination
CF	\$403,000	Section 2.2.2.6
Unsmoothed NMR Period 1	\$569,953,842	Section 2.2.2.7
S	-\$28,439,000	From Determination

The average price change between July and December 2010 is 8.766%.

## 2.2 Calculation of unsmoothed NMR.

In calculating the NMR for Period 1 the following formula is to be applied:

$$\text{NMR}_y = (\text{R}_y + \text{NC}_y + \text{AEMO}_y + \text{M}_y + \text{REC}_y + \text{K}_y + \text{Tax}_y) \times (1 + \text{Margin}) + \text{CF}_y + \text{S}_y$$
, where:

NMR is the permitted maximum revenue to be earned from the data given in Schedules 2A and 2B of the Determination

R represents the sum of the energy costs plus Cost to Serve for residential customers

NC represents the Network charges for residential customers

AEMO represents the market participant fees and ancillary services

M<sub>y</sub> refers to allowable retail meter costs

REC represents the cost of acquiring Renewable Energy

K<sub>y</sub> means under or over recoveries of certain costs in a previous period in the current determination

Tax represents the impact of any allowable tax event

Margin is 3.8%

CF represents any over- or under-recoveries of costs in years covered by the Determination issued in November 2007

S refers to any amount of NMR deferred from or to another period.

## 2.3 Terms having no value in Period 1

The following terms in the above formula will have no value in Period 1. They are:

Tax – there have been no allowable tax events.

K<sub>y</sub> – since this is the first period of the new Determination, there are no cost adjustments referable to this Determination to be taken into account.

## 2.4 Calculation of NMR for Period 1

### 2.4.1 R

R is calculated as shown in the Table below:

The value of R is given by:

[Forecast load x Marginal Loss Factor x Distribution Loss Factor x (Energy Price + any energy adjustment)] + [Cost to Serve x Prescribed Inflationary Factor x forecast number of customers].

The majority of these values are given in the Determination as follows:

**Table 7 Determination Values for R**

Parameter	Value	Source
Forecast load	2,790GWh	Determination – Table 1 – Notional Tariff Base
Marginal Loss Factor	1.03033	Spreadsheet “Loss Factors for pricing investigation April 2010.xls”
Distribution Loss Factor	1.0681	Spreadsheet “Loss Factors for pricing investigation April 2010.xls”
Energy Price	7.505 c/kWh	Determination - Table 2
Cost to Serve	\$94 per customer	Determination - Table 1 – Cost to Serve
Prescribed Inflationary factor	1	All values are in 2010-11 dollars
Forecast number of customers	266,514	Determination – Table 1

The Marginal Loss Factor and Distribution Loss Factors quoted above are based on the 2010-11 loss factors published by AEMO, and is calculated as a load weighted average for Tranche 5. The detailed calculations are contained in the spreadsheet “Loss Factors for pricing investigation April 2010.xls” which was used by TER in its modelling during 2010. A copy of the spreadsheet is included in the package.

The calculation of R is therefore:

$$[2,790 \times 1,000,000 \times 1.03033 \times 1.0681 \times 7.505/100] + [266,514 \times \$94] =$$

$$[\$230,432,197] + [\$25,052,316] = \underline{\$255,484,513}$$

## 2.4.2 NC

NC is to be calculated by applying the approved Network tariffs for Period 1 to the residential loads set out in Schedules 2A and 2B of the Determination.

The network tariffs used are shown below:

Table 8 Network Tariffs for 2010-11

Retail Tariff	Network Tariff	Fixed	Energy 1	Energy 2	Energy 3	Demand1	Demand 2
		\$/day	c/kWh	c/kWh	c/kWh	\$/kW or KVA/pa	\$/kW or KVA/pa
22	N02	.48112	12.592	10.683			
31	N01	.44560	11.870	10.980	10.683		
34	N02a	.48112	11.273	5.947	5.947		
36c		.18858					
41	N05	.11590	3.650				
42	N05	.11590	3.650				
43	N05	.11590	3.650				
61	N06	.15313	0.990				
62	N06a	.15313	0.941				
73	N08	0	0.990				
74	N08	1.9007	12.592				
82	N09	1.93142	2.480			161.5344	145.5985
83	N03	2.10987	2.728			209.0428	188.4203
85	N10	1.86044	1.439			87.6840	
86	N11	1.98268	1.582			113.4749	

The combined Loads and billing days from Schedules 2A and 2B are:

Table 9 Schedule 2A and 2C Loads and Billing Days

Retail Tariff	Billing Days	Energy Step 1	Energy Step 2	Energy Step 3	Demand 1	Demand 2
22	12,286,995	52,734,129	466,016,871			
31	81,812,195	989,270,166				
34	9,125	50,990	31,112	1,103,899		
36c	1,934,500					
41	37,630,442	341,871,131				
42	40,413,012	729,098,766				
43	559,180	12,934,000				
61	6,488,371	74,507,333				
62	792,415	10,746,800				
73	0	52,457,092				
74	1,074,560	36,194,086				
82	50,735	14,918,053			5,677	0
83	39,055	7,990,287			3,040	0
85	730	120,000			46	0
86	730	107,954			41	0

Note: a) The demand values above are the month weighted averages of the values given in the Schedules i.e (Schedule 2a value x 5 + Schedule 2b value x 7)/12

b) In order to correctly deal with curtilage discounts, some of the billing days for Tariff 22 have been allocated to a notional Tariff 36c. The values for T22 + T36c = the schedule totals.

Using these values, the value of NC is \$276,793,720

The detailed calculations are included in the spreadsheet "NMR compliance Dec 2010.xls" under the tab "calculation of Res\_Bus NC"

### 2.4.3 AEMO

The value of AEMO for Period 1 is given in Table 3 of the Determination as \$2.857M, in 2010-11 (December 2009) dollars.

#### 2.4.4 M

The value for M for Period 1 is given in Table 4 of the Determination as \$2.021M, in 2010-11 (December 2009) dollars.

#### 2.4.5 REC

The value of REC for Period 1 is given in Table 5 of the Determination as \$11.544M in 2010-11 (December 2009) dollars.

#### 2.4.6 CF

The under-recovery carried forward from the 2007 Determination is \$403,000. The detailed calculations of this amount are given in the attachment to this Proposal "Prior Year adjustments submission Sept 2010" and in the spreadsheet "Sept 10 Over&under data.xls"

#### 2.4.7 NMR

NMR for Period 1 is shown below:

Table 10 Calculation of NMR for Period 1

Parameter	Value
R	\$255,484,513
NC	\$276,793,720
AEMO	\$2,857,000
M	\$2,021,000
REC	\$11,544,000
Subtotal	\$548,700,233
Margin @ 3.8%	\$20,850,609
CF	\$403,000
NMR	\$569,953,842

## **2.5 Smoothing of NMR**

The NMR calculated above is to be recovered in two stages. Prices already established in July 2010 will apply between 1/7/2010 and 30/11/2010 and will recover part of the NMR.

The balance of the NMR will be recovered through the prices, which are the subject of this Proposal.

### **2.5.1 Balance of NMR**

The NMR earned between July and November inclusive is given by applying the prices approved in July 2010 to the loads in Schedule 2a of the Determination. This calculation is carried out in the spreadsheet "NMR compliance Dec 2010.xls" under the tab "load\_price reconciliation" at rows 30 to 106.

The revenue earned in the first 5 months is \$237,095,899, leaving a balance of NMR of \$332,857,943 to be recovered from the December 2010 prices.

### **2.5.2 Smoothing**

In order to mitigate the price impact on customers, which would otherwise be felt if the NMR balance was fully recovered between December 2010 and June 2011, the Regulator has mandated that some NMR be deferred from 2010-11 and recovered in the following 2 years. The amount of NMR to be deferred is \$28,349,000, which represents 8.5% of the NMR balance.

The amount of NMR to be recovered through the December 2010 prices is therefore reduced to \$304,508,943.

### **2.5.3 Average Price Change**

Having established the quantum of NMR to be recovered, it is now necessary to determine the average uniform change in the previous period prices (July 2010) which will, when applied to the loads given in Schedule 2b of the Determination, produce revenue which does not exceed \$304,508,943.

That price change is established through Excel's goal seek function. It is 8.766%

These calculations are to be found in the spreadsheet "NMR compliance Dec 2010.xls" under the tab "load\_price reconciliation" at rows 107 to 175.

## 2.5.4 Proposed Period 1 Prices

The Table below shows the proposed Period 1 prices, exclusive of GST;

Table 11 Proposed Period 1 Prices [ex GST]

Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Demand Step 1
	c/day	c/kWh	c/kWh	c/kWh	\$/kVA or kW/pa
22	78.897	28.082	20.615		
31	73.033	20.589			
34	110.627	26.041	20.247	17.035	
36C	23.669				
41	14.145	12.417	12.417		
42	14.145	12.417			
43	14.145	12.417			
61	17.924	9.997			
62	17.924	9.415			
73		10.785			
74	258.414	24.545			
82	247.358	12.708			161.5344
83	247.358	12.950			209.0428
85	242.612	11.187			87.6840
86	242.612	11.400			113.4749

The following Table shows the percentage change over the July 2010 prices.

Table 12 Percentage increase in prices on 1 December 2010

Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Demand Step 1
22	8.77%	8.77%	8.76%		

31	8.77%	8.76%			
34	8.77%	8.77%	8.76%	8.77%	
36C	8.77%				
41	8.76%	8.77%	8.77%		
42	8.76%	8.77%			
43	8.76%	8.77%			
61	8.77%	8.77%			
62	8.77%	8.77%			
73		8.77%			
74	8.77%	8.77%			
82	8.77%	8.76%			0.00%
83	8.77%	8.76%			0.00%
85	8.77%	8.77%			0.00%
86	8.77%	8.77%			0.00%

Note: Percentage change varies between some tariffs by 0.01% due to rounding of the above prices to three decimal places.

Prices including GST, submitted for approval, are:

Table 13 Proposed Period 1 Prices [including GST]

Tariff	Daily charge	Energy Step 1	Energy Step 2	Energy Step 3	Demand Step 1
	c/day	c/kWh	c/kWh	c/kWh	\$/kVA or kW/pa
22	86.787	30.890	22.677		
31	80.336	22.648			
34	121.690	28.645	22.272	18.739	
36C	26.036				
41	15.560	13.659			
42	15.560	13.659			
43	15.560	13.659			
61	19.716	10.997			
62	19.716	10.357			
73		11.864			
74	284.255	27.000			
82	272.094	13.979			177.687
83	272.094	14.245			229.947

85	266.873	12.306			96.452
86	266.873	12.540			124.823

## 2.6 Customer Impacts

With the exception of the demand charges for Tariffs 82 to 86, each component of each tariff is being increased by 8.766%.

Therefore all residential customers, small business customers, irrigators and nursing homes supplied under energy only tariffs will experience price rises of 8.766% over the prices set in July 2010.

The change in quarterly bills shown below is based, where possible, on the consumption data given in the Regulator's Information Paper "Typical Electricity Customers" of September 2010. Where that Paper is silent on typical consumption e.g. for large customers using only Tariff 31, the cost estimates are based on Aurora's internal data, which has also been provided to the Regulator.

### 2.6.1 Residential quarterly cost impacts

The quarterly bill increases for typical residential customers are shown in the following Table.

Table 14 Residential Customers bill impacts

	Low Consumption	Medium Consumption	High Consumption
Tariff 31	\$10.32	\$18.71	\$29.75
Tariff 31 & 41	\$20.87	\$33.73	\$51.58
Tariff 31 and 42	\$25.99	\$40.55	\$60.48
Tariff 31, 41 and 61	\$34.19	\$44.75	\$58.21
Tariff 31, 42 and 61	\$38.87	\$50.14	\$64.91

Note: Pensioner Concessions will result in lower customer bill impacts

### 2.6.2 Small Business quarterly cost impacts

The quarterly bill increases for typical small business customers are shown in the following Table.

Table 15 Small Business Customer bill impacts

	Low Consumption	Medium Consumption	High Consumption
Tariff 22	\$12.85	\$28.54	\$63.27
Tariff 22 and Off-Peak	\$55.58	\$113.54	\$251.00
Tariff 22 and 43	\$34.91	\$80.96	\$200.58
Tariff 22, 43 and Off-Peak	\$106.08	\$202.75	\$330.24

### 2.6.3 Nursing Homes

There are only 20 nursing home installations within the regulated tariff base. This is too few to allow any meaningful statistical summary of typical customers. Quarterly consumption varies between 456 kWh and 32,210 kWh. All that can be said is that the average quarterly bill increase will be \$206.25, with a minimum of \$16.61 and a maximum of \$501.03.

### 2.6.4 Irrigation

The quarterly bill increases for typical irrigation customers are shown in the following Table.

Table 16 Irrigation customer bill impact

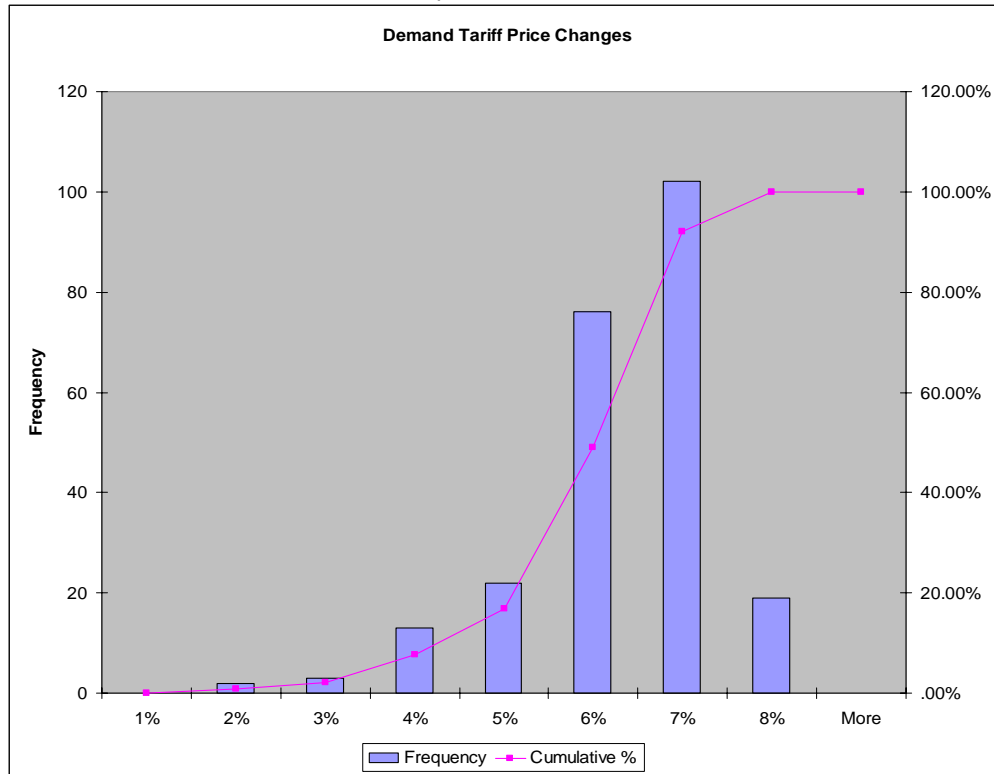
	Low Consumption	Medium Consumption	High Consumption
Quarterly bill increase	\$45.42	\$94.30	\$168.44

### 2.6.5 Demand Tariffs

Whilst the daily charge and the energy charge for the demand tariffs 82, 83, 85 and 86 have been increased by 8.766%, the demand charge has not been increased at all. This is because Aurora has adopted a policy of setting the demand charge in the retail tariff to equal that for the first step of the corresponding network tariff – and there has been no change in the network tariffs since 1/7/2010.

The average cost increases for these customers is therefore less than 8.766% and is most commonly between 6% and 7% as shown in the chart below:

Table 17 Demand Customer bill Impact



## 2.7 Special Services Prices

Special services prices for Period 1 have been set by the Regulator, and are given in Schedule 3 of the Determination.

## 2.8 Revenue Check

This Section demonstrates that the proposed prices, excluding GST, when applied to the forecast loads set out in Schedule 2B of the Determination, produce total revenue for each customer segment within the Notional Maximum Revenue calculated in Section 2.3.2 above. The detailed calculations are given in the spreadsheet "NMR Compliance Dec 2010.xls" under the tab "load\_price reconciliation". The following Table summarises the revenue outcomes:

Table 18 Revenue Check

Tariff	Energy Step 1	Energy Step 2	Energy Step 3	Daily charges	Demand \$	Total Revenue	
22	\$8,273,479	\$53,672,688		\$5,630,529		\$67,576,695	
31	\$109,195,382			\$34,704,052		\$143,899,434	
34	\$6,437	\$3,054	\$91,162	\$5,863		\$106,516	
36C				\$265,946		\$265,946	
41	\$22,425,953			\$3,091,614		\$25,517,567	
42	\$42,080,225			\$3,320,222		\$45,400,448	
43	\$903,124			\$45,941		\$949,065	
55	\$35,027			\$33,694		\$68,721	
61	\$2,863,227			\$675,482		\$3,538,709	
62	\$433,418			\$82,496		\$515,914	
73	\$4,800,201			\$0		\$4,800,201	
74	\$7,411,879			\$1,612,834		\$9,024,713	
82	\$1,164,882			\$72,891	\$563,436	\$1,801,210	
83	\$596,247			\$56,111	\$366,240	\$1,018,598	
85	\$7,843			\$1,029	\$2,339	\$11,211	
86	\$6,531			\$1,029	\$2,474	\$10,034	Target Balance of NMR
						\$304,504,979	\$304,508,943

### 3.0 Changes to the Tariff Schedule

#### 3.1 Removal of Tariff 55

In order to accomplish the removal of Tariff 55 from the Schedule, all the references to and terms and conditions of the Tariff headed "Unmetered Supplies – Tariff 55 (Obsolete) in the current Schedule will be removed.

#### 3.2 Schedule of Supply Fees

To give effect to Schedule 3 of the 2010 Determination, a new Schedule of Supply Fees will be included in the tariff Schedule as shown below:

Table 19 SCHEDULE OF SUPPLY FEES

Change of tariff or charging of supply by a different method under a particular tariff	\$77.53
Supply given under an additional tariff	\$77.53
Supply given under an additional tariff where a new or altered circuit is required	\$174.36
New application for supply for an installation which is or has been previously connected to Aurora supply under Aurora's standard connection policy	\$77.53
New application for supply for an installation which is or has been previously connected to Aurora supply where same day reconnection is required	\$169.80
Reconnection, under Aurora's standard connection policy, of all or part of an electrical installation after disconnection requested by the customer whilst in constant occupation	\$77.53
Same day reconnection of all or part of an electrical installation after disconnection requested by the customer whilst in constant occupation	\$169.80
Special meter reading taken at the customer's request	\$77.53
Deposit for test of accuracy of a meter at the customers request – single or three phase meters	\$98.49
Deposit for test of accuracy of a meter at the customers request – current transformer meters	\$378.52

Time switch adjustment at the customer's request	\$98.49
Late payment fee for accounts not paid in full by the fifth day past the due date (Pensioner, Health care Card and other exemptions apply)	\$5.00

### 3.3 Reconnection Fees

The current schedule includes a clause which states that "A customer who requires supply or a portion thereof to be disconnected and, after the date of disconnection, requires the same electrical installation to be reconnected must pay Aurora the scheduled fee and any services charge applicable under the relevant tariff for the period of disconnection.

Services charges are no longer published or calculated. The fixed charge in the tariff includes contributions to cost to serve, to metering costs, to use of system charges and to margin. It is not however simply a sum of these charges, and is determined according to Aurora's preferred balance of fixed and variable charges in particular tariff.

Because it is not possible to identify what the "services charge" is for any tariff, Aurora proposes that, in the above clause, the words "services charge" should be replaced by the words "fixed charge".

## 4.0 References

Table 20 References

Topic	Submission Section	Source Document Name	Source Document Reference
NMR Calculation	2.2 and 2.3	NMR Compliance Dec 2010.xls	AR20255392
Price development and compliance calculations	2.4 and 2.7	NMR Compliance Dec 2010.xls	AR20255392
Customer Impacts	2.5	Customer Impacts Dec 2010.xls	AR20256616
Marginal and Distribution Loss Factors	2.2 & 2.3	Loss factors for Pricing Investigation April 2010.xls; tab "T5 Grouped" rows 704 to 706	AR20180548