

Aurora – Distribution pricing scorecard 2023

Overall score: 4.5/5



Current state:
 There is very good content in the pricing methodology documents, including a comprehensive pricing strategy and roadmap. There are explicit connections between context and pricing implications across various regions. There is an in-depth discussion about the degree of consistency between current pricing and pricing principles, with a valuable focus on the desired state.

Strategy:
 Aurora effectively communicates its approach to cost allocation and pricing, outlining key stages and the types of decisions in which it will involve the community. Accomplishments thus far and upcoming actions are described. An additional roadmap document supplies valuable context and specifics. Aurora expanded its considerations about affordability and gathered good data about deprivation in its networks, which will inform the implementation of Time-Of-Use (TOU) tariffs next year.

Key messages:
 The Authority is pleased with the ongoing advancements regarding the new capital contribution policy. The proposal to incorporate flexibility services has been positively received. Implementing a Time-Of-Use (TOU) tariff with reduced off-peak rates is recommended. We note high off-peak charges, which should be reduced. To enhance the pricing methodology, it is suggested to provide a comprehensive quantitative analysis that establishes the connection between network circumstances and peak signal strength. We also observe that Aurora has only one residential tariff, which is based on the LFC. There is no standard tariff with a higher daily fixed charge - which is our favoured pricing approach. However, the LFC will eventually be phased out in the next two pricing years.

Outcomes:
 The cost of using the network during off-peak hours appears to be high across all networks. The Authority acknowledges the alignment between controlled tariffs and peak signals. Aurora could enhance its pricing methodology by offering a more comprehensive quantitative analysis that links network conditions to peak signal intensity.

Aurora Energy decided to defer the implementation of TOU charges until April 2024 based on reasonable concerns around affordability for more vulnerable customers.

Regarding the five specific expectations of progress shared in September 2022 in the Open Letter:

- Focus area 1: Roadmaps responding to future network congestion: Roadmap responds to future congestion using flexibility services and pricing to respond better.
- Focus area 2: First mover disadvantage in new and expanded connections: A new capital contribution is underway. The FMD will be addressed as part of its review.
- Focus area 3: Pass-through of new transmission charges: TPM pass-through is consistent with Authority guidance.
- Focus area 4: Phase-out of low fixed charge (LFC) regulations: Price methodology follows guidance for the phase-out of the LFC tariff.
- Focus area 5: Recovery of fixed costs through use-based charges: No presence of demand charges which avoids inefficient outcomes..