



Aurora – other revenue adjustments methodology

Proposed adjustment methodologies
for other revenue adjustments
to Aurora's ARR
for the period
1 July 2012 until 30 June 2017

Version 1.0
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1.1. Prior years under or over recovery of revenue adjustment; K_y

The adjustment for under or over recovery of allowable revenue in prior years (K_y) for each period is calculated on the following basis:

$$K_y = (DTRe_{y-2} - DTRa_{y-2}) \times (1 + WACC_{y-2}) \times (1 + WACC_{y-1}) + (DTRf_{y-1} - DTRe_{y-1}) \times (1 + WACC_{y-1})$$

Where:

$DTRa_{y-2}$ is the actual revenue from distribution tariffs for the period prior to the previous period;

$DTRe_{y-2}$ is the estimated revenue from distribution tariffs for the period prior to the previous period;

$DTRe_{y-1}$ is the estimated revenue from distribution tariffs for the period previous to the relevant period;

$DTRf_{y-1}$ is the forecast revenue from distribution tariffs for the period previous to the relevant period;

$WACC_{y-1}$ is the Weighted Average Cost of Capital in the period previous to the relevant period; and

$WACC_{y-2}$ is the Weighted Average Cost of Capital in the period prior to the previous period.

An example using revenue adjustments from Period 5 of the 2007 Distribution Determination is shown below.

Actual revenue from distribution tariffs in Period 3, $DTRa_3$, is \$310.892m.

Estimated revenue from distribution tariffs in Period 3, $DTRe_3$, is \$314.418m.

Estimated revenue from distribution tariffs in Period 4, $DTRe_4$, is \$355.452m.

Forecast revenue from distribution tariffs in Period 4, $DTRf_4$, is \$359.117m.

WACC for Period 3, $WACC_3$, is 7.59%.

WACC for Period 4, $WACC_4$, is 7.59%.

$$K_5 = (314.418 - 310.892) \times (1 + 0.0759) \times (1 + 0.0759) + (359.117 - 355.452) \times (1 + 0.0759)$$

$$K_5 = \$8.025m$$

1.2. TUoS adjustment; T_y

The adjustment for under or over recovery of TUoS charges in prior years (T_y) for each period is calculated on the following basis:

$$T_y = (TC_{y-2} - TR_{y-2}) \times (1 + WACC_{y-2}) \times (1 + WACC_{y-1})$$

Where:

TC_{y-2} is the actual charge received from Transend for the provision of transmission services for the period prior to the previous period;

TR_{y-2} is the actual revenue recovered through distribution tariffs for the provision of transmission services for the period prior to the previous period;

$WACC_{y-1}$ is the Weighted Average Cost of Capital in the period previous to the relevant period; and

$WACC_{y-2}$ is the Weighted Average Cost of Capital in the period prior to the previous period.

An example using revenue adjustments from Period 5 of the 2007 Distribution Determination is shown below.

Actual TUoS charge from Transend in Period 3, TC_3 , is \$92.384m.

Actual TUoS revenue from distribution tariffs in Period 3, TR_3 , is \$90.227m.

WACC for Period 3, $WACC_3$, is 7.59%.

WACC for Period 4, $WACC_4$, is 7.59%.

$$T_5 = (92.384 - 90.227) \times (1 + 0.0759) \times (1 + 0.0759)$$

$$T_5 = \$2.497m$$

1.3. Electrical safety inspection service charge adjustment; ESISC_y

The adjustment for the difference between the actual electrical safety inspection service charge and the forecast charge for the previous period (ESISC_y) is calculated on the following basis:

$$ESISC_y = (ESISCa_{y-1} - ESISCf_{y-1}) \times (1 + WACC)$$

Where,

ESISCa_{y-1} is the actual charge for the period previous to the relevant period;

ESISCf_{y-1} is the forecast charge for the period previous to the relevant period; and

WACC is the Weighted Average Cost of Capital for a full year.

An example using revenue adjustments from Period 5 of the 2007 Distribution Determination is shown below.

Actual electrical safety inspection service charge in Period 4, ESISCa₄, is \$3.252m.

Forecast electrical safety inspection service charge in Period 4, ESISCf₄, is \$2.821m.

WACC for Period 4, WACC₄, is 7.59%.

$$ESISC_5 = (3.252 - 2.821) \times (1 + 0.0759)$$

$$ESISC_5 = \$0.464m$$

1.4. National energy market charge adjustment; NEMC_y

The adjustment for the difference between the actual national energy market charge and the forecast charge for the previous period (NEMC_y) is calculated on the following basis:

$$\text{NEMC}_y = (\text{NEMCa}_{y-1} - \text{NEMCf}_{y-1}) \times (1 + \text{WACC})$$

Where,

NEMCa_{y-1} is the actual charge for the period previous to the relevant period;

NEMCf_{y-1} is the forecast charge for the period previous to the relevant period; and

WACC is the Weighted Average Cost of Capital for a full year.

An example using revenue adjustments from Period 5 of the 2007 Distribution Determination is shown below.

Actual national energy market charge in Period 4, NEMCa₄, is \$0.371m.

Forecast national energy market charge in Period 4, NEMCf₄, is \$0.401m.

WACC for Period 4, WACC₄, is 7.59%.

$$\text{NEMC}_5 = (0.371 - 0.401) \times (1 + 0.0759)$$

$$\text{NEMC}_5 = (\$0.032)$$

1.5. Trunk mobile radio network charge adjustment; TMR_y

The adjustment for the difference between the actual trunk mobile radio network charge and the forecast charge for the previous period (TMR_y) is calculated on the following basis:

$$\text{TMR}_y = (\text{TMR}_{a_{y-1}} - \text{TMR}_{f_{y-1}}) \times (1 + \text{WACC})$$

Where,

TMR_{a_{y-1}} is the actual trunk mobile radio charge for the period previous to the relevant period;

TMR_{f_{y-1}} is the forecast trunk mobile radio charge for the period previous to the relevant period; and

WACC is the Weighted Average Cost of Capital for a full year.

An example using revenue adjustments from Period 5 of the 2007 Distribution Determination is shown below.

Actual trunk mobile radio charge in Period 4, TMR_{a₄}, is \$0.371m.

Forecast trunk mobile radio charge in Period 4, TMR_{f₄}, is \$0.401m.

WACC for Period 4, WACC₄, is 7.59%.

$$\text{TMR}_5 = (1.682 - 2.197) \times (1 + 0.0759)$$

$$\text{TMR}_5 = (\$0.554)$$

1.6. GSL threshold adjustment; GSL_{se_y}

The adjustment for making single duration outage GSL payments to customers where the threshold for payments has been subsequently altered using the approved methodology (GSL_{se_y}) is calculated on the following basis:

$$GSL_{se_y} = GSL_{y-1} \times (1 + WACC)$$

Where,

GSL_{y-1} is the sum of the payments made to customers who experienced an outage shorter than the adjusted threshold for the period previous to the relevant period; and

WACC is the Weighted Average Cost of Capital for a full year.

GSL_{y-1} is calculated on the following basis:

$$GSL_{y-1} = \sum_{\text{events}} \left(\frac{P}{2} \times 80 \right)$$

Where,

P is the number of payments made to customers who experienced an outage shorter than the adjusted threshold.

An example using revenue adjustments from Period 5 of the 2007 Distribution Determination is shown below.

There was a single outage in Period 4 where the threshold for payments has been subsequently altered using the approved methodology. The number of payments made to customers who experienced an outage shorter than the adjusted threshold in Period 4, P , is 6,150.

$$GSL_4 = \frac{6,150}{2} \times 80$$

$$GSL_4 = \$0.246\text{m}$$

WACC for Period 4, $WACC_4$, is 7.59%.

$$GSL_{se_5} = 0.246 \times (1 + 0.0759)$$

$$GSL_{se_5} = \$0.265\text{m}$$

1.7. Allowance for implementation of full retail contestability; FRC_y

The adjustment for the difference between the actual revenue allowance and the forecast revenue allowance in prior periods for costs attributable to full retail contestability (FRC_y) is calculated on the following basis:

$$FRC_y = (FRCa_{y-2} - FRCf_{y-2}) \times (1 + WACC_{y-2}) \times (1 + WACC_{y-1})$$

Where,

$FRCf_{y-2}$ is the forecast revenue in relation to the implementation of FRC for the period prior to the previous period;

$FRCa_{y-2}$ is the actual revenue in relation to the implementation of FRC for the period prior to the previous period;

$WACC_{y-1}$ is the Weighted Average Cost of Capital in the period previous to the relevant period; and

$WACC_{y-2}$ is the Weighted Average Cost of Capital in the period prior to the previous period.

$FRCf_{y-2}$ is calculated on the following basis:

$$FRCf_{y-2} = RAB_f \times WACC + DEPN_f + OM_f$$

Where,

RAB_f is the forecast value of the FRC RAB for the relevant period;

$WACC$ is the Weighted Average Cost of Capital for the relevant period;

$DEPN_f$ is the forecast FRC depreciation for the relevant period; and

OM_f is the forecast FRC operations and maintenance expenditure for the relevant period.

RAB_f is calculated on the following basis:

$$RAB_f = RAB_{f_{open}} + Capex_f - DEPN_f$$

Where,

$RAB_{f_{open}}$ is the forecast opening value of the RAB associated with FRC assets for the relevant period; and

$Capex_f$ is the forecast capital expenditure associated with FRC for the relevant period.

$RAB_{f_{open}}$ is zero in the first period and is calculated on the following basis for other periods:

$$RAB_{f_{open}} = RAB_{f_{close}} \times \frac{CPI_y}{CPI_{y-1}}$$

Where,

$RAB_{f_{close}}$ is the forecast closing value of the RAB from the period previous to the relevant period associated with FRC assets (first period is zero);

CPI_y is the Weighted Average of All Capital Cities CPI for the quarter ending 30 June in the period previous to the relevant period; and

CPI_{y-1} is the Weighted Average of All Capital Cities CPI for the quarter ending 30 June in the period prior to the previous period.

FRCa_{y-2} is calculated on the following basis:

$$\text{FRCa}_{y-2} = \text{RAB}_a \times \text{WACC} + \text{DEPN}_a + \text{OM}_a$$

Where,

RAB_a is the actual value of the FRC RAB for the relevant period;

WACC is the Weighted Average Cost of Capital for the relevant period;

DEPN_a is the actual FRC depreciation for the relevant period; and

OM_a is the actual FRC operations and maintenance expenditure for the relevant period.

RAB_a is calculated on the following basis:

$$\text{RAB}_a = \text{RABa}_{\text{open}} + \text{Capex}_a - \text{DEPN}_a$$

Where,

RABa_{open} is the actual opening value of the RAB associated with FRC assets for the relevant period; and

Capex_a is the actual capital expenditure associated with FRC for the relevant period.

RABa_{open} is zero in the first period and is calculated on the following basis for other periods:

$$\text{RABa}_{\text{open}} = \text{RABa}_{\text{close}} \times \frac{\text{CPI}_y}{\text{CPI}_{y-1}}$$

Where,

RABa_{close} is the actual closing value of the RAB from the period previous to the relevant period associated with FRC assets (first period is zero);

CPI_y is the Weighted Average of All Capital Cities CPI for the quarter ending 30 June in the period previous to the relevant period; and

CPI_{y-1} is the Weighted Average of All Capital Cities CPI for the quarter ending 30 June in period prior to the previous period.

An example calculation for Period 5 is shown below.

Actual closing RAB in Period 3, RABa_{close}, is \$0.100m.

Weighted Average of All Capital Cities CPI for the quarter ending 30 June in Period 2, CPI_y, is 164.6.

Weighted Average of All Capital Cities CPI for the quarter ending 30 June in Period 3, CPI_y, is 167.0.

Actual capital expenditure for Period 3, Capex_a, is \$1.234m.

Actual depreciation for Period 3, DEPN_a, is \$0.400m.

Actual operations and maintenance expenditure for Period 3, OM_a, is \$0.565m.

WACC for Period 4, WACC₄ is 7.59%.

WACC for Period 3, WACC₃ is 7.59%.

WACC for RAB calculations, WACC, is 7.59%.

Forecast closing RAB in Period 3, RABf_{close}, is \$0.105m.

Forecast capital expenditure for Period 3, Capex_f, is \$1.123m.

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Forecast depreciation for Period 3, $DEPN_f$, is \$0.394m.

Forecast operations and maintenance expenditure for Period 3, OM_f , is \$0.432m.

$$RABa_{open} = 0.100 \times \frac{167.0}{164.6}$$

$$RABa_{open} = \$0.101m$$

$$RAB_a = 0.101 + 1.234 - 0.400$$

$$RAB_a = \$0.935m$$

$$RABf_{open} = 0.105 \times \frac{167.0}{164.6}$$

$$RABf_{open} = \$0.107m$$

$$RAB_f = 0.107 + 1.123 - 0.394$$

$$RAB_f = \$0.836m$$

$$FRCa_3 = 0.935 \times 0.0759 + 0.400 + 0.565$$

$$FRCa_3 = 1.036$$

$$FRCf_3 = 0.836 \times 0.0759 + 0.394 + 0.432$$

$$FRCf_3 = 0.889$$

$$FRC_5 = (1.036 - 0.889) \times (1 + 0.0759) \times (1 + 0.0759)$$

$$FRC_5 = \$0.170m$$

1.8. Participation in national energy market adjustment; NEM_y

The adjustment for the difference between the actual revenue allowance and the forecast revenue allowance in prior periods for costs attributable to NEM and retail contestability costs (but excluding full retail contestability costs) (NEM_y) is calculated on the following basis:

$$NEM_y = (NEMa_{y-2} - NEMf_{y-2}) \times (1 + WACC_{y-2}) \times (1 + WACC_{y-1})$$

Where,

NEMf_{y-2} is the forecast revenue in relation to NEM and retail contestability costs for the period prior to the previous period;

NEMa_{y-2} is the actual revenue in relation to NEM and retail contestability costs for the period prior to the previous period;

WACC_{y-1} is the Weighted Average Cost of Capital in the period previous to the relevant period; and

WACC_{y-2} is the Weighted Average Cost of Capital in the period prior to the previous period.

NEMf_{y-2} is calculated on the following basis:

$$NEMf_{y-2} = RAB_f \times WACC + DEPN_f + OM_f$$

Where,

RAB_f is the forecast value of the NEM and retail contestability cost RAB for the relevant period;

WACC is the Weighted Average Cost of Capital for the relevant period;

DEPN_f is the forecast NEM depreciation for the relevant period; and

OM_f is the forecast NEM and retail contestability operations and maintenance expenditure for the relevant period.

RAB_f is calculated on the following basis:

$$RAB_f = RABf_{open} + Capex_f - DEPN_f$$

Where,

RABf_{open} is the forecast opening value of the RAB associated with NEM and retail contestability cost assets for the relevant period; and

Capex_f is the forecast capital expenditure associated with NEM and retail contestability for the relevant period.

RABf_{open} is zero in the first period and is calculated on the following basis for other periods:

$$RABf_{open} = RABf_{close} \times \frac{CPI_y}{CPI_{y-1}}$$

Where,

RABf_{close} is the forecast closing value of the RAB from the period previous to the relevant period associated with NEM and retail contestability cost assets (first period is zero);

CPI_y is the Weighted Average of All Capital Cities CPI for the quarter ending 30 June in the period previous to the relevant period; and

CPI_{y-1} is the Weighted Average of All Capital Cities CPI for the quarter ending 30 June in period prior to the previous period.

$NEMa_{y-2}$ is calculated on the following basis:

$$NEMa_{y-2} = RAB_a \times WACC + DEPN_a + OM_a$$

Where,

RAB_a is the actual value of the NEM and retail contestability cost RAB for the relevant period;

WACC is the Weighted Average Cost of Capital for the relevant period;

$DEPN_a$ is the actual NEM and retail contestability depreciation for the relevant period; and

OM_a is the actual NEM and retail contestability operations and maintenance expenditure for the relevant period.

RAB_a is calculated on the following basis:

$$RAB_a = RAB_{a_{open}} + Capex_a - DEPN_a$$

Where,

$RAB_{a_{open}}$ is the actual opening value of the RAB associated with NEM and retail contestability cost assets for the relevant period; and

$Capex_a$ is the actual capital expenditure associated with NEM and retail contestability for the relevant period.

$RAB_{a_{open}}$ is zero in the first period and is calculated on the following basis for other periods:

$$RAB_{a_{open}} = RAB_{a_{close}} \times \frac{CPI_y}{CPI_{y-1}}$$

Where,

$RAB_{a_{close}}$ is the actual closing value of the RAB from the period previous to the relevant period associated with NEM assets (first period is zero);

CPI_y is the Weighted Average of All Capital Cities CPI for the quarter ending 30 June in the period previous to the relevant period; and

CPI_{y-1} is the Weighted Average of All Capital Cities CPI for the quarter ending 30 June in period prior to the previous period.

An example, using the same calculation basis as FRC_y , for Period 5 is shown below.

Actual closing RAB in Period 3, $RAB_{a_{close}}$, is \$0.100m.

Weighted Average of All Capital Cities CPI for the quarter ending 30 June in Period 2, CPI_y , is 164.6.

Weighted Average of All Capital Cities CPI for the quarter ending 30 June in Period 3, CPI_y , is 167.0.

Actual capital expenditure for Period 3, $Capex_a$, is \$1.234m.

Actual depreciation for Period 3, $DEPN_a$, is \$0.400m.

Actual operations and maintenance expenditure for Period 3, OM_a , is \$0.565m.

WACC for Period 4, $WACC_4$ is 7.59%.

WACC for Period 3, $WACC_3$ is 7.59%.

WACC for RAB calculations, WACC, is 7.59%.

Forecast closing RAB in Period 3, $RAB_{f_{close}}$, is \$0.105m.

Forecast capital expenditure for Period 3, $Capex_f$, is \$1.123m.

Forecast depreciation for Period 3, $DEPN_f$, is \$0.394m.

Forecast operations and maintenance expenditure for Period 3, OM_f , is \$0.432m.

$$RAB_{a_{open}} = 0.100 \times \frac{167.0}{164.6}$$

$$RAB_{a_{open}} = \$0.101m$$

$$RAB_a = 0.101 + 1.234 - 0.400$$

$$RAB_a = \$0.935m$$

$$RAB_{f_{open}} = 0.105 \times \frac{167.0}{164.6}$$

$$RAB_{f_{open}} = \$0.107m$$

$$RAB_f = 0.107 + 1.123 - 0.394$$

$$RAB_f = \$0.836m$$

$$NEM_{a_3} = 0.935 \times 0.0759 + 0.400 + 0.565$$

$$NEM_{a_3} = 1.036$$

$$NEM_{f_3} = 0.836 \times 0.0759 + 0.394 + 0.432$$

$$NEM_{f_3} = 0.889$$

$$NEM_5 = (1.036 - 0.889) \times (1 + 0.0759) \times (1 + 0.0759)$$

$$NEM_5 = \$0.170m$$

1.9. Adjustments arising from the administration of the 2007 Determination; CF_y

The adjustment for adjustments to allowable revenue from administration of the 2007 Determination (CF_y) for each period is calculated on the following basis:

$$CF_y = ESISC_y + NEMC_y + NEM_y + TMR_y + FRC_y + TAXA_y + L_y + CapCon_y + GSLcap_y + GSLse_y + K_{y-p}$$

Where:

$ESISC_y$ is the difference, calculated using a methodology approved by the Regulator, between the actual electrical safety inspection service charge for period y-1 and the relevant forecast for period y-1 as detailed in Table 2 of the 2007 Determination (escalated by the appropriate prescribed inflationary factor).

$NEMC_y$ is the difference between the national energy market charge for period y-1 determined by the Minister, and published in the Gazette, in accordance with Section 121 of the Electricity Supply Industry Act 1995 and the relevant forecast for period y-1 as detailed in Table 3 (escalated by the appropriate prescribed inflationary factor).

NEM_y is the impact on the AARR of any difference between the actual allowance for period y-2 approved by the Regulator and the forecast allowance for period y-2 (escalated by the appropriate prescribed inflationary factor) in relation to Aurora Distribution's participation in the NEM and retail contestability costs (but excluding full retail contestability costs) attributable to Aurora Distribution, as detailed in Table 4 of the 2007 Determination.

TMR_y is the difference between the actual cost for period y-1, as approved by the Regulator, to Aurora's distribution network services division arising from renegotiation of the contract to operate the State Government's trunk mobile radio network, and the forecast costs attributable for the period y-1 detailed in Table 5 of the 2007 Determination (escalated by the appropriate prescribed inflationary factor). If the contract is not renegotiated during period 3 or subsequent periods then TMR_y is to be -\$400 000 (escalated by the appropriate prescribed inflationary factor).

FRC_y is the allowance attributable to Aurora Distribution, calculated in accordance with a methodology approved by the Regulator, for the implementation of full retail contestability as approved by the Regulator.

$TAXA_y$ is the allowable tax event adjustment calculated in accordance with a methodology approved by the Regulator as consistent with Regulation 31(4) of the Price Control Regulations

L_y is the allowable adjustment to the AARR, calculated in accordance with a methodology approved by the Regulator, arising from additional costs imposed due to changes in safety and/or environmental legislation as approved by the Regulator.

$CapCon_y$ is the required adjustment to the AARR arising from a change in Aurora Distribution's capital contribution policies as approved by the Regulator.

$GSLCap_y$ is the adjustment to the AARR calculated as follows:

If the sum of actual payments made for period 1 to period y (inclusive) is greater than the cumulative GSL threshold for period y given in Table 6 of the 2007 Determination, then the adjustment is:

for period 1, the actual payments made for period 1 less the cumulative threshold for period 1; and

for all other periods, the sum of actual payments made in periods 1 to y (inclusive), less the cumulative threshold for period y , less the sum of all adjustments made in periods 1 to $y-1$ (inclusive).

Else, the adjustment for period 1 is zero and for all other periods the adjustment is zero less the sum of all adjustments made in periods 1 to $y-1$ (inclusive).

All calculations are to be done in \$2006 and the final adjustment is then to be escalated by the prescribed inflationary factor and then multiplied by WACC.

GSLse _{y} is the adjustment arising from the making of single duration outage GSL payments to customers for where the threshold for payments was subsequently altered using the methodology described in Schedule 1 of the 2007 Determination and which has not previously been adjusted for.

For the purposes of this clause, the methodology for the calculation of GSLse is as follows.

If in any 24 hour period more than 34,000 customers (excluding customers exempt from receiving a GSL payment) on mainland Tasmania experience an outage, the Single Outage Duration GSL threshold will be adjusted using:

$$\text{adjusted threshold} = x \times \left(\frac{\text{number of customers affected}}{34,000} \right)$$

Where:

x is the standard threshold taken from Table 7 of the 2007 Determination.

K_{y-p} is a correction term which is the amount, as approved by the Regulator, taking account of an appropriate inflation factor and cost of capital, of the under-recovery or over-recovery of allowable revenues in prior years as calculated in accordance with the following formula:

$$\begin{aligned} K_{y-p} = & ([\text{Distribution Network Tariff}_{y-p}] \times [\text{actual customer base}_{y-p}] \\ & - [\text{Distribution Network Tariff}_{y-p}] \times [\text{forecast customer base}_{y-p}]) \times \frac{CPI_y}{CPI_p} \\ & \times (1 + WACC)^{y-p} \end{aligned}$$

1.9.1. Electrical safety inspection service charge adjustment; ESISC _{y}

The adjustment for the difference between the actual electrical safety inspection service charge and the forecast charge for the previous period is calculated on the following basis:

$$ESISC_y = \left(ESISC_{a_{y-1}} \times \frac{CPI_y}{CPI_{y-1}} - ESISC_{f_{y-1}} \times \frac{CPI_y}{CPI_0} \right) \times (1 + WACC_{y-1})$$

1.9.2. National energy market charge adjustment; NEMC _{y}

The adjustment for the difference between the actual national energy market charge and the forecast charge for the previous period is calculated on the following basis:

$$NEMC_y = \left(NEMC_{a_{y-1}} \times \frac{CPI_y}{CPI_{y-1}} - NEMC_{f_{y-1}} \times \frac{CPI_y}{CPI_0} \right) \times (1 + WACC_{y-1})$$

1.9.3. Allowance for NEM participation and retail contestability; NEM _{y}

The adjustment for the difference between the actual allowance and the forecast allowance in relation to costs attributable to NEM participation and retail contestability (excluding full retail contestability) is calculated on the following basis:

$$NEM_y = \left(\left(NEMa_{y-2} - NEMf_{y-2} \times \frac{CPI_{y-2}}{CPI_0} \right) \times \frac{CPI_y}{CPI_{y-2}} \right) \times (1 + WACC_{y-2}) \times (1 + WACC_{y-1})$$

1.9.4. Trunk mobile radio network charge adjustment; TMR_y

The adjustment for the difference between the actual trunk mobile radio network charge and the forecast charge for the previous period is calculated on the following basis:

$$TMR_y = \left(TMRa_{y-1} \times \frac{CPI_y}{CPI_{y-1}} - TMRf_{y-1} \times \frac{CPI_y}{CPI_0} \right) \times (1 + WACC_{y-1})$$

1.9.5. Allowance for implementation of full retail contestability; FRC_y

The adjustment for the difference between the actual allowance and the forecast allowance in relation to costs attributable to full retail contestability is calculated on the following basis:

$$FRC_y = \left(\left(FRCa_{y-2} - FRCf_{y-2} \times \frac{CPI_{y-2}}{CPI_0} \right) \times \frac{CPI_y}{CPI_{y-2}} \right) \times (1 + WACC_{y-2}) \times (1 + WACC_{y-1})$$

1.9.6. Allowance for tax event; TAXA_y

The adjustment for a tax change event will be calculated in a method approved by the Regulator.

1.9.7. Allowance for changes in safety or environmental legislation; L_y

The adjustment for a change in safety or environmental legislation will be calculated in a method approved by the Regulator.

1.9.8. Allowance for changes to Aurora's capital contribution policy; CapCon_y

The adjustment for a change in Aurora's capital contribution policy will be calculated in a method approved by the Regulator.

1.9.9. GSL cap adjustment; GSLCap_y

The adjustment for making GSL payments to customers in excess of the cap payments is calculated on the following basis:

$$GSLCap_y = \left(\sum_{n=1}^{y-2} GSLpayment - GSLthreshold_{y-2} \right) \times \left(\frac{CPI_y}{CPI_0} \right) \times (1 + WACC_{y-2}) \times (1 + WACC_{y-1})$$

1.9.10. GSL threshold adjustment; GSLse_y

The adjustment for making single duration outage GSL payments to customers where the threshold for payments has been subsequently altered using the approved methodology and which has not previously been adjusted for is calculated on the following basis:

$$GSLse_y = \left(GSLse_{y-2} \times \frac{CPI_y}{CPI_{y-2}} \right) \times (1 + WACC_{y-2}) \times (1 + WACC_{y-1}) + \left(GSLse_{y-1} \times \frac{CPI_y}{CPI_{y-1}} \right) \times (1 + WACC_{y-1})$$

1.9.11. Prior years under or over recovery of revenue adjustment; K_{y-p}

The adjustment for under or over recovery of allowable revenue in prior years (K_{y-p}) for each period is calculated on the following basis:

$$K_{y-p} = (DTRe_{y-2} - DTRa_{y-2}) \times \frac{CPI_y}{CPI_{y-2}} \times (1 + WACC_{y-2}) \times (1 + WACC_{y-1}) \\ + (DTRf_{y-1} - DTRe_{y-1}) \times \frac{CPI_y}{CPI_{y-1}} \times (1 + WACC_{y-1})$$