SUBMISSION TO IPART's REVIEW OF ELECTRICITY REGULATED RETAIL TARIFFS

1 DECEMBER 2003

EXECUTIVE SUMMARY

EnergyAustralia bases this Standard Retail Supplier Submission to IPART on the objectives set out in the Electricity Supply Act, the Terms of Reference for IPART's investigation into Regulated Retail Prices and the continuation of the current Electricity Tariff Equalisation Fund mechanism.

Proposed Price Movements and Form of Regulation

EnergyAustralia proposes in this submission that the most appropriate form of regulation is a Weighted Average Price Cap (WAPC) calculated each year according to a set of principles proposed below. The aim of the proposed form of regulation is to allow prices to reach levels that reflect the benchmark retail operating costs and margin and also allow for the pass-through of other costs discussed below. EnergyAustralia further proposes that the price path resultant from the application of the form of regulation recognise consumers' ability to adjust to new prices.

EnergyAustralia believes that the WAPC should be calculated on an overall average c/kWh basis, rather than tariff-specific basis, without any side constraints. Further, given the uncertainty of some cost components and the effect of customer transfers on the weighted average price, EnergyAustralia proposes that the WAPC be calculated annually for each price change. EnergyAustralia's proposal with regard to price movements and the form of regulation has taken into consideration the following factors:

- Regulated retail tariffs should be at fully cost reflective levels by the end of the period;
- Network tariffs and charges, along with transmission and distribution losses are a pass-through item for regulated retail tariffs. Network tariffs are likely to have a significant adjustment in 2004/05 in order to ensure the continued safety and reliability of the distribution network;
- Electricity purchase costs, NEMMCO fees and charges and the cost of compliance with greenhouse gas and renewable energy legislation are a pass-through item for regulated retail tariffs;
- Appropriate retail costs and retail margin can be reasonably forecast and benchmarked over the regulatory period, whereas other cost components, such as the energy purchase cost, greenhouse compliance cost and market charge are subject to a higher degree of uncertainty; and
- Unacceptable price shocks have adverse implications on consumers and should be minimised, as far as is practicable.

EnergyAustralia proposes that the WAPC be calculated each year according to the proposed cost build up and that EnergyAustralia demonstrate to IPART each year that its price movement is in accordance with the principles agreed as part of this review.

EnergyAustralia's estimated price path based on the cost components that can be reasonably forecast over the regulatory period is an average retail price increase of CPI+3% for residential customers in 2004/05, and CPI in 2005/06 and 2006/07; and an average retail price increase of CPI+7% for business customers in 2004/05, and CPI in 2005/06 and 2006/07.

The proposed price increases and form of regulation are discussed in more detail in Section 2 of this submission.

Table 1 - Average Increase in Retail Tariffs Necessary to Cover Increase in Cost Components

Cost Components	2004/05	2005/06	2006/07
Network Tariff Retail Operating Costs Retail Margin	Residential - CPI + 3% Business - CPI + 7%	CPI	CPI
Electricity Purchase Costs (including energy losses) Green Compliance Costs Market Charge	Pass-through change in cost	Pass-through change in cost	Pass-through change in cost

Appropriate Structure for Regulated Tariffs

With regard to the structure of regulated tariffs, EnergyAustralia proposes:

1. That the structure of default tariffs should reflect the underlying costs of supplying energy, including the structure of applicable network tariffs

2. That block tariffs and time-of-use tariffs provide essential pricing signals to promote demand responses

3. That EnergyAustralia should have the discretion to modify the structure of its regulated retail tariffs in order to more accurately reflect the underlying costs of supply and to promote demand management

EnergyAustralia also seeks assurance from IPART that it will continue to allow regulated retail customers to make a positive contribution to reducing greenhouse gas emissions by receiving supply on one of EnergyAustralia's green tariffs available to regulated customers.

Appropriate Levels of Costs

Network Costs

EnergyAustralia proposes that the full amount of increases to network tariffs and charges be passed through to customers and that there be nothing in the retail form of regulation to restrict this.

Retail Operating Costs

Consistent with its previous submitted position, EnergyAustralia proposes a benchmark for average operating costs of $70 per customer per year. This compares favourably to benchmarks currently used in other jurisdictions.

Retail Net Margin

Providing a default retail service requires a substantial capital base to support the regulated business. EnergyAustralia proposes that IPART adopt a retail net margin that represents an appropriate return on the capital employed, taking into account the risks associated with the business.

Electricity Purchase Costs

EnergyAustralia's electricity purchase cost is determined under ETEF and therefore the magnitude of this cost is outside of EnergyAustralia's control. For this reason EnergyAustralia has proposed that this cost be treated as a pass-through item agreed each year between EnergyAustralia and IPART.

Green Costs

The NSW Government's Greenhouse Gas Reduction benchmark licence requirements and the Commonwealth Government's Mandatory Renewable Energy Target (MRET) place significant obligations on EnergyAustralia to reduce greenhouse gas emissions and purchase Renewable Energy Certificates. Uncertainty over future changes to the requirements, along with yearly increases to the targets, make accurately forecasting costs over the next three years a difficult task. For this reason, as with electricity purchase costs, EnergyAustralia proposes that this cost be treated as a pass-through item.

Retail Charges

Late Payment Fee

EnergyAustralia proposes that the maximum late payment fee be increased from $5 to $10 in order to more accurately reflect the cost resultant from late-paying customers and also to provide a greater incentive for customers to avoid costs.

Account Establishment Fee

EnergyAustralia proposes that IPART include an account establishment fee of $20 (in addition to the pass-through of the network fee) in the list of regulated retail charges.

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SECTION 1 - INTRODUCTION

It is now just under two years since the electricity market in NSW was opened to full retail competition (FRC). Since 1 January 2002 energy customers have been able to benefit from the rebates and discounts being offered by both the incumbent retailers and new market entrants.

The current electricity determination, which has applied since 1 January 2001, was written with the aim of facilitating a smooth transition to a contestable retail market. At the time of the Independent Pricing and Regulatory Tribunal (IPART) making their initial Recommendation there were many uncertainties regarding the impacts of competition. These uncertainties included the response of customers, retailers and underlying costs to the new competitive environment. The current determination therefore was necessarily prescriptive in order to provide a high degree of price certainty for customers choosing to remain on regulated retail tariffs.

The Target Tariff regime and side-constraints restricted price increases and have resulted in a number of inefficient outcomes, which include:

- Regulated retail businesses receiving an inadequate return on the capital employed in providing the retail service to its regulated customers.

- Prices for some tariffs being kept below the level of underlying costs due to the existence of restrictive price constraints. EnergyAustralia's weighted average price is below the current target levels by 1.7%. The under-recovery in retail prices will result in EnergyAustralia forgoing revenue of approximately $18m in 2003/04.

- Cross subsidies developing between tariffs as a result of tariffs with different underlying costs being compared to the same target level.

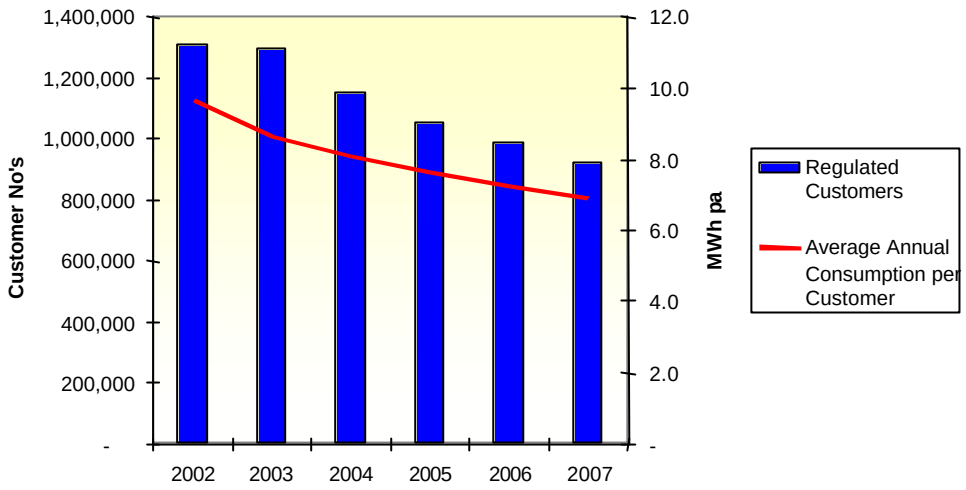
Another effect of the restrictions on price increases was that network price increases were not necessarily allowed to be passed-through to customers in all circumstances. The following statement, made in its Determination as a result of the Mid-Term review, shows IPART's willingness to allow default retailers to absorb increases in network prices in order to minimise the retail tariff increases:

> "The new price-constraints for retail tariffs more closely align with network price-constraints. The Tribunal recognises that the remaining difference must be accommodated via an underrecovery in retail prices." [1]

The existence of full retail competition has resulted in significant changes to EnergyAustralia's customer base as customers receive market offers and choose to receive supply on non-regulated, competitive tariffs. As high consumption customers are the first to receive competitive offers and move away from regulated tariffs, total consumption by regulated customers' decreases in greater proportion than the decrease in the total number of regulated customers. The graph below shows the reduction in the number of regulated customers and also the decrease in average consumption per regulated customer as a result of competition.

[1] IPART, Determination 4, 2002, p10.

Graph – Impact of Competition on EnergyAustralia's Regulated Customer Base



EnergyAustralia's submission for Standard Retail supply addresses these issues by:

1. Removing Target Tariffs and proposing a Weighted Average Price Cap
2. Removing side constraints, and
3. Proposing an annual review and calculation mechanism to ensure prices reflect actual pass-through costs and the effect of customer movements on retail costs

EnergyAustralia's proposes price movements that minimise unacceptable price shocks.

Customer Protection

EnergyAustralia as a comprehensive Customer Care Program, being enhanced by developing a 'safety net' program for customers that may be significantly disadvantaged by the block structure tariffs. Key elements of our social initiatives are:

- Energy efficiency – education of our customers, promotion of energy efficient devices and methods, including appliance and building standards and ratings
- A case management approach to working with customers experiencing difficulties
- Expanded REFIT program and Low Interest Loan Scheme, offering subsidised energy efficient products for low income households
- Research and development of appropriate Safety Net mechanisms.

SECTION 2 – FORM OF REGULATION

EnergyAustralia proposes in this submission that the most appropriate form of regulation is a Weighted Average Price Cap (WAPC) calculated each year according to a set of principles proposed below. The aim of the proposed form of regulation is to allow prices to reach levels that reflect the benchmark retail operating costs and margin and also allow for the pass-through of other costs discussed below. EnergyAustralia further proposes that the price path resultant from the application of the form of regulation recognises consumers' ability to adjust to new prices.

EnergyAustralia believes that the agreed price path should be calculated on an overall average c/kWh basis, rather than tariff-specific basis, as EnergyAustralia is in the best position to ensure individual tariffs are moved to their specific cost-reflective level. EnergyAustralia's proposal with regard to price movements and the form of regulation has taken into consideration the following factors:

- Regulated retail tariffs should be at fully cost reflective levels by the end of the period;

- Network tariffs and charges, along with transmission and distribution losses are a pass-through item for regulated retail tariffs. Network tariffs are likely to have a significant adjustment in 2004/05 in order to ensure the continued safety and reliability of the distribution network – as network tariffs are passed-through to customers, a first year adjustment in network tariffs will necessitate appropriate management of the retail component of the tariff in order to minimise price shocks faced by customers;

- Electricity purchase costs, NEMMCO fees and charges and the cost of compliance with greenhouse gas and renewable energy legislation are a pass-through item for regulated retail tariffs;

- Appropriate retail operating costs and an appropriate retail margin can be reasonably forecast over the regulatory period, whereas other cost components, such as the energy purchase cost, greenhouse compliance cost and market charge are subject to a higher degree of uncertainty; and

- Unacceptable price shocks have adverse implications on consumers and should be minimised, as far as is practicable – while tariffs must be cost reflective by the end of the period, the manner in which they reach this level must take into consideration the implications of different magnitudes of price increases on customers.

EnergyAustralia proposes the following principles for the building blocks of the Weighted Average Price Cap:

1. Retail operating costs and the retail margin should reach their cost-reflective benchmark levels by the end of the regulatory period.

2. Network tariffs and charges, along with transmission and distribution losses are pass-through items.

3. The wholesale energy cost, while supply is under the ETEF arrangement, is a pass through item as the magnitude of this cost is outside of EnergyAustralia's control.

4. The cost of compliance with greenhouse gas and renewable energy legislation is a pass through item.

5. Market fees and charges are pass-through items.

The table below shows the build-up of these costs. The table also shows the estimated price path based on changes to the costs that can be reasonably forecast at the time of this review (ie. the retail operating costs, retail margin and network costs).

Table 2 – Building Blocks of WAPC and Estimated Price Path

	2004/05	2005/06	2006/07
Benchmark Costs			
Retail Operating Costs (per customer)	$63	$65	$70
Retail Net Margin			1.5% - 2.5%
Increase in Pass-Through Costs			
Network Costs - Residential	CPI + 12%[1]	CPI	CPI
Network Costs - Business	CPI + 22%[1]	CPI	CPI
Electricity Purchase Costs	Unable to be forecast - assumed constant[2]		
Green Compliance Costs	Unable to be forecast - assumed constant[2]		
Market Fees and Charges	Unable to be forecast - assumed constant[2]		
Estimated Price Path (based on the above costs)			
Residential	CPI + 3%	CPI	CPI
Business	CPI + 7%	CPI	CPI

[1] Increase in network costs are as submitted to IPART and assume network tariff is 40% of total retail tariff

[2] Any increase in these costs would be passed-through (ie. in addition to the estimated price path)

Assumes CPI of 3% in all years. Operating cost elements increase by less than CPI, however lower customer numbers and high fixed cost cause operating cost/customer to rise by more than CPI

EnergyAustralia proposes that the WAPC be calculated each year according to the proposed cost build up and that EnergyAustralia demonstrate to IPART each year that its price movement is in accordance with the principles agreed as part of this review.

SECTION 3 – APPROPRIATE STRUCTURE OF TARIFFS

With regard to the structure of regulated tariffs, EnergyAustralia believes:

1. That the structure of default tariffs should reflect the underlying costs of supplying energy, including the structure of applicable network tariffs;
2. That block tariffs and time-of-use tariffs provide essential pricing signals to promote demand responses;
3. That EnergyAustralia should have the discretion to modify the structure of its regulated retail tariffs in order to more accurately reflect the underlying costs of supply and to promote demand management; and
4. That doing so neither reflects an intent to, nor has the effect of providing customer choice.

Wherever possible EnergyAustralia has managed the fixed/variable, peak/off peak and low consumption/high consumption components of its tariffs to accurately reflect the underlying costs of supply. This is beneficial from an efficiency perspective as customers are given appropriate price signals that reflect the costs of their consumption. It also allows customers to benefit by receiving the appropriate benefits from reducing consumption that has higher underlying costs.

In its Issues Paper for this review, IPART stated:

> "In addition, it will consider whether retailers should have the discretion to structure regulated tariffs to provide customer choice, or whether these tariffs should be a basic option without special features ('plain vanilla')" (p12)

EnergyAustralia should have the discretion to modify the structure of its regulated retail tariffs in order to more accurately reflect the underlying costs of supply, including network structures and costs.

It must be noted that the particular tariff applied to a regulated retail customer's supply is determined by the customer type (ie. residential or business) and the customer's meter (ie. controlled load, accumulation or time of use) and is at all times at the discretion of EnergyAustralia.

EnergyAustralia also proposes to retain the choice available to regulated customers to elect to pay an unregulated green premium, which enables them to contribute to the reduction of greenhouse gas resultant from electricity consumption.

EnergyAustralia seeks assurance from IPART that it will continue to allow customers to choose tariffs comprising unregulated green premiums. The benefits of providing customers who choose to remain on the safety net tariffs with an opportunity to reduce the greenhouse gas emissions from their consumption are significant and there is no reason why these customers should not have the choice to make a positive contribution to the environment through their electricity supply.

SECTION 4 – APPROPRIATE LEVELS OF COSTS

Network Costs

IPART has emphasised that costs incurred by retail suppliers in the form of network tariffs and charges levied by distribution network service providers (DNSP's) are pass-through costs, which implies that the full amount will be passed through to customers. These statements however have not always been matched by regulatory reality.

EnergyAustralia's proposals in this submission are based on the assumption that IPART will allow full pass through of network tariff structures and costs and that there will be nothing in the retail form of regulation that will restrict EnergyAustralia's ability to do so. Requiring default retailers to absorb network costs is unacceptable, both from an efficiency and competition perspective. The magnitude of the network costs are subject to a separate IPART review and therefore do not require additional comment by EnergyAustralia as part of the retail review.

Retail Operating Costs

EnergyAustralia is committed to providing quality customer service to its regulated customers while keeping its operating costs as low as possible. EnergyAustralia proposes a benchmark of $70 per customer on average (costs differ substantially between different types of customers) for operating costs and believes that this is the benchmark for the most efficient retailer. The comparison of retail operating cost benchmarks in Australia included in IPART's Issues Paper for this review shows that EnergyAustralia's proposal is below those currently used in Tasmania, ACT and South Australia and is within the range of operating costs used in Victoria.

Since competition began EnergyAustralia has experienced the consistent erosion of high consumption customers from its regulated customer base and this can be expected to continue over the next regulatory period. The average consumption per customer has declined from 9.6MWh pa in 2001/02 to a forecast 8.1MWh pa in 2003/04 and is expected to further decline over the next regulatory period to 6.9MWh pa. Without these high consumption customers, operating costs on a per MWh basis necessarily increase.

Retail Net Margin

As stated by IPART in its Issues Paper for this review, the retail net margin represents a return on capital employed and the risks associated with the business. It is of particular concern to EnergyAustralia that IPART consider as part of this review not only the rate of return on capital employed but also the quantity of capital employed, particularly working capital, in providing the default retail service.

EnergyAustralia has adopted a quarterly (approximately every 90 days) billing cycle for the large majority of its regulated customers, which means that at any moment in time it carries a large amount of working capital necessary to cover the time lag between receiving payment from its customers and actually paying for the energy and network costs resultant from their consumption.

Retail net margins used by regulators in other jurisdictions also suggest that the current range used by IPART is low for a regulated retail business provided a default service.

Electricity Purchase Costs

EnergyAustralia's electricity purchase cost is determined under the electricity tariff equalisation fund (ETEF) and therefore the magnitude of this cost is outside of EnergyAustralia's control. For this reason EnergyAustralia has proposed that this cost be treated as a pass-through item. EnergyAustralia's estimated price path assumes that there is no increase to pass through over this period.

EnergyAustralia has not calculated the long run marginal cost of generation for this market segment. In this regard the changing profile of regulated customers is relevant. The consideration of the market cost of generation is useful however, as a guide for the appropriate setting of electricity purchase costs under ETEF. EnergyAustralia estimates a market cost of generation of $48.50/MWh by the end of regulatory period, which is derived below.

In order to approximate the market cost, EnergyAustralia has assumed the purchase of a flat swap contract and a flat $300/MWh strike cap contract to hedge the regulated load. The following swap strikes and cap premiums ($/MWh) have been used in this analysis:

	Swap	Cap
2004/05	$37.00	$9.00
2005/06	$38.00	$9.25
2006/07	$39.00	$9.50

EnergyAustralia's analysis took 6 scenarios and set swap and cap quantities to minimise the risk of the actual regulated load shape, with risk measured as the maximum individual scenario price less the average cost of the 6 scenarios. The six scenarios are:

1. actual 2001 spot versus actual 2001 regulated load
2. actual 2002 spot versus actual 2002 regulated load
3. actual 2003 spot versus actual 2003 regulated load to 30 Sep03
4. actual 2002 regulated load - high volatility scenario
5. actual 2001 regulated load - low price scenario
6. actual 2002 regulated load - high price scenario

This methodology gave a risk minimising hedging strategy for the 6 scenarios of 112% of average load as swap, 48% of average load as cap with up to a 46% exposure to spot over the period covered. Although the above analysis is somewhat simplistic as hedging contracts in the market are able to be sculpted at a quarterly / peak / off peak resolution or even at a half hourly sculpted resolution, the pricing of these contracts is generally such that the expected hedging cost is about the same.

This hedging strategy returned the following average generation cost across the 6 scenarios for EnergyAustralia's regulated load:

2004/05	-	$46.00/MWh
2005/06	-	$47.25/MWh
2006/07	-	$48.50/MWh

As this analysis uses historical load shapes it may underestimate the cost of generation, due to the increasing peakiness of EnergyAustralia's load shape caused by a greater penetration of air-conditioning in EnergyAustralia's supply area.

Green Costs

The NSW Government's Greenhouse Gas Reduction benchmark licence requirements and the Commonwealth Government's Mandatory Renewable Energy Target (MRET) place significant obligations on EnergyAustralia to reduce greenhouse gas emissions and purchase Renewable Energy Certificates. As the cost of complying with these mandatory schemes is a function of the volume of electricity purchases, EnergyAustralia has determined that these costs should be passed through to customers in the form of a c/kWh charge.

MRET

The MRET scheme was introduced in April 2001 and has recently been reviewed by the MRET Review Team to identify deficiencies in the scheme. The Review Team has identified the inclusion of wood waste from native forestry and the lack of an escalator on the penalty price as deficiencies in the scheme, along with the failure of the scheme to deliver a real 2% increase in the level of renewable generation. As the findings have not yet been made public the outcome of the MRET review is unclear at this stage, however it is possible that the target will be enhanced to a real 2% or 14600GWh by 2010.

In order to secure sufficient Renewable Energy Certificates EnergyAustralia must not only purchase abatement from the trading market but also be active in facilitating project development of new long-term renewable projects. EnergyAustralia's cashflows will reflect the timing of capital expenditure for project delivery and will largely occur during the coming regulatory period.

NSW Greenhouse Abatement Scheme

The costs imposed on EnergyAustralia in order to meet the NSW Abatement scheme are estimated to be near or at the level of the penalty set by the scheme, which is $10.50/tonne of abatement. This reflects:

1. Limited identified abatement opportunities. There does not appear to be sufficient potential abatement to meet the scheme targets. An external report for EnergyAustralia indicates that the abatement target for the State will be 26.9 million tonnes of carbon dioxide in 2012 but that only 17million tonnes can be identified at this stage.

2. The length of the scheme (which ends in 2012) would allow only 7 years of production from new generation projects which limits the ability to finance projects. In the absence of investment opportunities, EnergyAustralia will procure certificates from the trading market to the extent they are available and any remaining shortfall will require payment of the penalty.

Whilst EnergyAustralia has developed strategies for meeting its greenhouse obligations, the exact costs of compliance cannot be accurately forecast at this time. Preliminary analysis reveals that costs may increase by as much as 115% over the three years of the regulatory period, depending on movements in the market and any changes to the mandatory obligations. For this reason EnergyAustralia proposes that this cost be treated as a pass-through item agreed each year between IPART and EnergyAustralia. As EnergyAustralia's compliance costs are spread uniformly across its regulated and non-regulated customers, the incentive for EnergyAustralia to avoid paying the penalty rate by developing its abatement activities will remain strong.

Other Costs

Market Charge

While the current benchmark cost used by IPART remains broadly appropriate, EnergyAustralia believes that market charges levied by the National Electricity Market Management Company Limited (NEMMCO) are best assessed on a year-by-year basis. The market charge is a pass-through cost that is outside of EnergyAustralia's control. The actual cost is available each year for determining regulated price movements.

Losses

As transmission loss factors are published yearly by NEMMCO and distribution loss factors are determined yearly by distribution network service providers (DNSP), EnergyAustralia proposes that the actual loss factors are applied to the electricity purchase cost each year and passed through in the regulated retail tariffs.

SECTION 5 – RETAIL CHARGES

EnergyAustralia proposes that the structure of fees and charges be at the discretion of the retailer, who is in the best position to deliver price signals to customers that reflect the underlying costs.

Late Payment Fee

EnergyAustralia incurs significant costs resultant from customers paying their accounts late. At present EnergyAustralia applies a $5 late payment fee on customers, however EnergyAustralia's believes that there is a significant likelihood that this will prove to be insufficient both to cover the costs involved and as a disincentive for customers who pay their accounts late. EnergyAustralia therefore proposes that the maximum late payment fee be increased to $10 for the next regulatory period, which it belies is reasonable given that IPART currently allow a late payment fee of $10 for ActewAGL and AGLRE gas customers. EnergyAustralia also notes that Telstra have recently announced that from March 2004 overdue payments on bills greater than $130 will incur an $11 late payment fee.

EnergyAustralia will continue to be sensitive to customers who are genuinely having difficulty in meeting payments by the due date. This includes not applying the late payment fee during the period of an extension, where there is an unresolved complaint in relation to the bill, or during the period of an instalment arrangement; and waiving the late payment fee where the customer has contacted a welfare agency for assistance, where payment or part payment is by an EAPA voucher, or on a case by case basis as other circumstances warrant.

Account Establishment Fee

EnergyAustralia proposes that IPART include an account establishment fee in the list of regulated retail charges. At present there is an allowance for the retail supplier to pass-through costs incurred by the DNSP in establishing the account, however there is no mechanism for the retail supplier to recover its administrative costs of establishing the customers account in the customer information system. EnergyAustralia proposes that this fee be set at $20 to align it with that allowed by IPART for ActewAGL and AGLRE in gas.

SECTION 6 – CONCLUSIONS

This submission is EnergyAustralia's response to the Issues Paper released by IPART as part of its review of electricity regulated retail tariffs. The key points of EnergyAustralia's submission are outlined below:

- EnergyAustralia proposes that the most appropriate form of regulation is a Weighted Average Price Cap calculated each year based on an agreed set of principles. Further, EnergyAustralia proposes that the WAPC should be calculated on an overall average c/kWh basis, rather than a tariff-specific basis, and that there should be no price constraints.

- Network tariffs and charges, distribution and transmission losses, electricity purchase costs, NEMMCO fees and charges and the cost of compliance with greenhouse gas and renewable energy legislation are all pass-through costs for regulated retail tariffs.

- EnergyAustralia's estimated price path based on the cost components that can be reasonably forecast over the regulatory period is an average retail price increase of CPI+3% for residential customers in 2004/05, and CPI in 2005/06 and 2006/07; and an average retail price increase of CPI+7% for business customers in 2004/05, and CPI in 2005/06 and 2006/07.

- EnergyAustralia should have the discretion to modify the structure of its regulated retail tariffs in order to more accurately reflect the underlying costs of supply, including network structures and costs.