



**2011 Aurora Pay As You Go
price comparison report**

(APAYG rates from 13 July 2011)

July 2011

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INTRODUCTION

Aurora Energy offers a prepayment option, Aurora Pay As You Go (APAYG), to residential customers as an alternative to electricity supply via the standard regulated tariffs. APAYG is currently used by around 37 500, or 16 per cent, of Tasmanian residential customers. Approximately 45 per cent of APAYG customers are in receipt of a concession.

APAYG offers time of use pricing, which is currently unavailable to residential customers on standard regulated tariffs. Pricing is set in four time blocks during the day which varies between summer and winter,¹ weekdays and weekends. This allows APAYG customers to shift their electricity usage in order to take advantage of cheaper rates.

As with customers on the standard regulated tariffs, APAYG is available in three tariffs: OffPeak, Aurora Heating Discount (HydroHeat) and Standard. The tariff selected when converting to APAYG is based on the tariffs already wired for the residence.

The Regulator, in its *Declaration of retail services to be investigated and terms of reference for the price investigation, statement of reasons, March 2010*, did not include APAYG in the declaration of services to be investigated for the purpose of setting maximum retail tariff prices. Instead, the Regulator decided to continue to monitor APAYG price movements and compare APAYG costs with standard regulated tariff costs, and report on these. The purpose of doing so is to help customers make an informed choice as to which service offers more value to them. This is the fourth such report published by the Regulator.

It is difficult to make a definitive comparison between APAYG and standard regulated tariffs as the bills for standard regulated tariff customers are calculated on consumption for each tariff over a quarter and APAYG charges vary according to time of use and summer and winter rates.

Therefore, a comparison of costs between customers on standard regulated tariffs and APAYG rates will depend on:

- the tariff mix, ie whether they use Light and Power only, Light and Power and Hot Water, HydroHeat or OffPeak;
- whether they use comparatively more electricity in winter or summer, which will relate to the use of electric heating, among other things; and
- the amount of electricity used in the lower priced periods, such as after 8.00 pm in winter or on weekends, rather than the higher priced morning and evening working day periods.

¹ Seasons align with Tasmanian Eastern Daylight Time (daylight saving).

OBSERVATIONS

It is important to note that in July 2011, prices for both APAYG and standard regulated tariffs increased uniformly across the board by 10.97 per cent. This means that observations made in this report between the typical costs for APAYG customers and standard regulated tariff customers from July 2011 will be largely consistent with observations made in December 2010.

Some general observations can be made based on various assumptions about tariffs, consumption levels and patterns of use, when comparing costs paid by APAYG customers to those paid by customers on standard regulated tariffs:

- Customers on the Standard (Light and Power and Hot Water) tariffs pay around \$3 more per fortnight on APAYG and \$58 to \$106 more per year on APAYG, depending on their level of consumption.
- Standard concession customers pay the same per fortnight in summer and up to \$10 less per fortnight in winter on APAYG, which amounts to around \$115 less on APAYG over the course of a year, depending on the level of consumption.
- HydroHeat customers (on Light and Power and HydroHeat tariffs) may pay up to \$7 more per fortnight in summer on APAYG, and \$3 less per fortnight in winter. For high consumption HydroHeat customers, there is very little difference between the annual cost on APAYG and the regulated tariffs, while customers with low to medium consumption may pay between \$66 to \$87 more on APAYG over the course of a year.
- HydroHeat customers eligible for a concession may pay around \$5 more per fortnight in summer and around \$6 less per fortnight in winter on APAYG. This equates to such customers paying up to \$71 less over the course of the year on APAYG.
- OffPeak customers with medium to high consumption may pay around \$7 more on APAYG per fortnight in summer, and in winter, depending on consumption, may pay anywhere between \$0 to \$11 more per fortnight on APAYG. Over the course of the year, these customers may pay from \$65 to \$205 more on APAYG.
- OffPeak customers with a concession may pay as little as \$4 more per fortnight in summer and up to \$6 less per fortnight in winter on APAYG, which means that over the course of the year, APAYG costs around the same as the regulated tariffs, with the difference being less than \$20 either way.

Thus, it appears that APAYG may be less attractive for non-concession customers than the standard regulated tariffs as they would appear to be paying consistently more on APAYG over the course of the year. However, the difference in costs is less than \$100 per year in many circumstances (less than

\$4 per fortnight), although the difference is greater for OffPeak customers who would need to examine their individual energy use to determine which option is more suited for their pattern of use.

Non-concession customers that consume proportionately more electricity in the winter months can expect to pay less on APAYG than their counterparts on standard regulated tariffs. However, every customer will have a different pattern of use and this will affect the comparative cost.

For customers eligible for a concession, APAYG may be an attractive option in most circumstances, with small savings on APAYG compared to the standard regulated tariffs. This appears to be most true for concession customers with high consumption, particularly in winter.

Overall, APAYG rates increased by 10.97 per cent in July 2011, which is around \$140 per year for low consumption customers and \$290 per year for high consumption customers. Standard regulated tariffs increased by 10.97 per cent on 1 July 2011.

METHODOLOGY AND ASSUMPTIONS

Methodology

This price comparison is based on the typical customer methodology established by the Regulator in its information paper *Typical Electricity Customers, March 2006*.² The methodology describes a set of ‘typical customers’ based on consumption patterns and the combination of tariffs from which they are supplied. In simulating costs for typical APAYG customers, a number of assumptions were made to take account of the differences between pricing structures for APAYG as compared to standard regulated tariffs. APAYG rates differ between summer and winter, weekdays and weekends, and time of day.

The consumption profile for concession customers has been found to be similar to the consumption profile of non-concession customers. Hence only one consumption profile has been used in the comparisons.

The comparisons in this report are based on rates for APAYG customers effective from 13 July 2011 and rates for standard regulated tariff customers effective from 1 July 2011.

The Report also compares the prices for APAYG and standard regulated tariff customers entitled to receive a relevant concession.

Assumptions

The following assumptions have been made;

- **Seasonal consumption:** The electricity consumption splits in the following table were based on a high-level assessment of the consumption patterns for a typical customer on each of the Standard, HydroHeat or Offpeak tariff mixes.

	Summer : Winter consumption		
	Low	Medium	High
Standard	50:50	50:50	40:60
HydroHeat	50:50	40:60	30:70
OffPeak	n/a	40:60	30:70

- 40:60 indicates that 40 per cent of energy consumption occurs during the summer months and the remaining 60 per cent occurs during the winter months;

² Available on the Regulator’s website www.economicregulator.tas.gov.au.

- 30:70 indicates that 30 per cent of energy consumption occurs during the summer months and the remaining 70 per cent occurs during the winter months; and
- 50:50 indicates that consumption is spread evenly throughout the year.
- **Relative consumption on a weekday to a weekend:** It has been assumed that the level of consumption is not dependent on the day of the week. While different domestic factors could give rise to different consumption patterns, it has been assumed that the differences are minimal.
- **Daily profile of energy consumption:** The daily consumption profile is based on data provided by Aurora Energy for APAYG customers in 2009-10. The profile differs between the summer and winter months, as well as weekdays and weekends. The proportion of consumption in each price band is shown below as a percentage of total usage (summer and winter):

	Monday - Friday				Saturday and Sunday			
	6:30 am - 11 am	11am - 4:30 pm	4:30 pm - 10:30 pm	10:30 pm - 6:30 am	6:30 am - 11:00 am	11am - 4:30 pm	4:30 pm - 10:30 pm	10:30 pm - 6:30 am
Summer	16%	17%	24%	15%	6%	8%	9%	6%
Winter	15%	14%	18%	24%	5%	7%	7%	10%

- **Typical annual consumption and splits** between tariffs are taken from the *Typical Electricity Customers, September 2010* Information Paper.

The sensitivity to assumptions has been tested by changing the ratio of usage between seasons, between tariffs 31 (residential light and power) and 41 (hot water), and the relative amounts used on weekdays and weekends. This testing resulted in small changes in annual costs.

Aurora tariffs used in comparisons:

Tariff 31 – Residential light and power

Tariff 41 – Hot water supply systems

Tariff 42 – HydroHeat (residential hot water and space heating)

Tariff 61 – OffPeak

FORTNIGHTLY COMPARISONS

The comparisons in this section are based on APAYG and standard regulated tariff customers, without concessions applied.

Table 1: Fortnightly cost for low, medium and high consumption standard tariff customers (Tariff 31 and Tariff 41)³

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Regulated tariff	\$44	\$44	\$71	\$71	\$90	\$128
APAYG	\$49	\$48	\$75	\$74	\$94	\$129
Difference	+\$5	+\$4	+\$4	+\$3	+\$4	+\$1

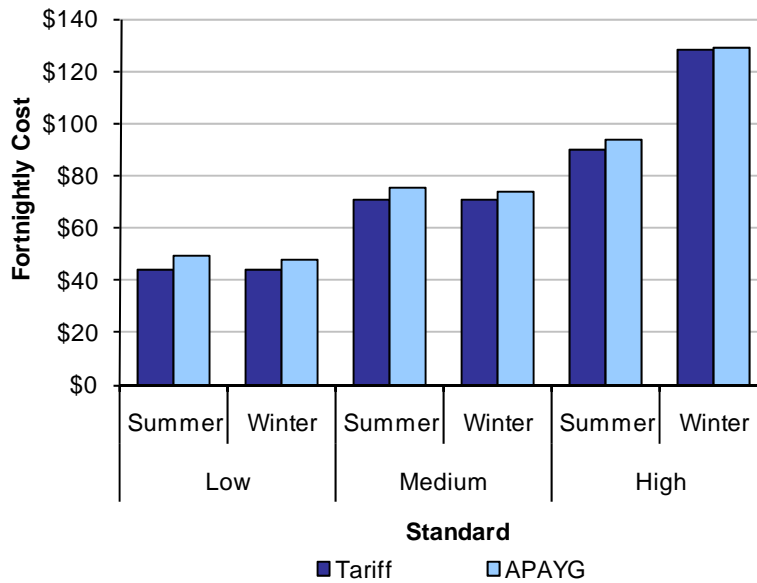


Table 1 shows that the fortnightly cost is around the same for APAYG standard customers and customers on the standard regulated tariff. Under low, medium and high consumption scenarios, there is generally less than five dollars per fortnight difference in the price between the two sets of customers. As found in previous comparisons, the difference between the fortnightly cost of APAYG and the standard regulated tariff is less in winter than in summer.

³ See last page for tariff details.

Table 2: Fortnightly cost for low, medium and high consumption HydroHeat customers (Tariff 31 and Tariff 42)

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Regulated tariff	\$55	\$55	\$72	\$100	\$83	\$174
APAYG	\$61	\$56	\$79	\$97	\$91	\$166
Difference	+\$6	+\$1	+\$7	-\$3	+\$8	-\$8

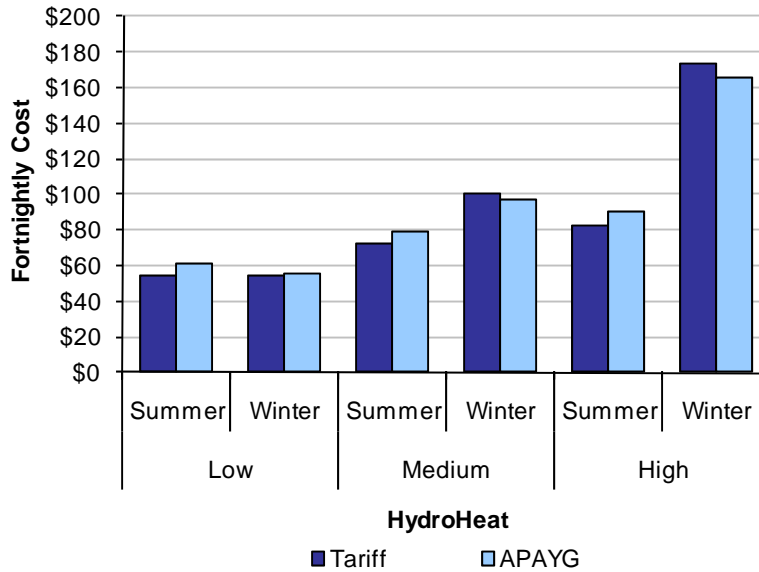


Table 2 shows that APAYG HydroHeat customers generally pay more per fortnight than customers on standard regulated tariffs in summer, but pay the same or less per fortnight in winter. APAYG HydroHeat customers with medium and high consumption may pay up to eight dollars less per fortnight in winter compared to customers on the standard regulated tariffs for HydroHeat.

Table 3: Fortnightly cost for OffPeak customers

	Tariff 31/61		Tariff 31/41/61		Tariff 31/42/61	
	Summer	Winter	Summer	Winter	Summer	Winter
Regulated tariff	\$62	\$85	\$64	\$125	\$71	\$141
APAYG	\$70	\$92	\$72	\$136	\$78	\$139
Difference	+\$8	+\$7	+\$8	+\$11	+\$7	-\$2

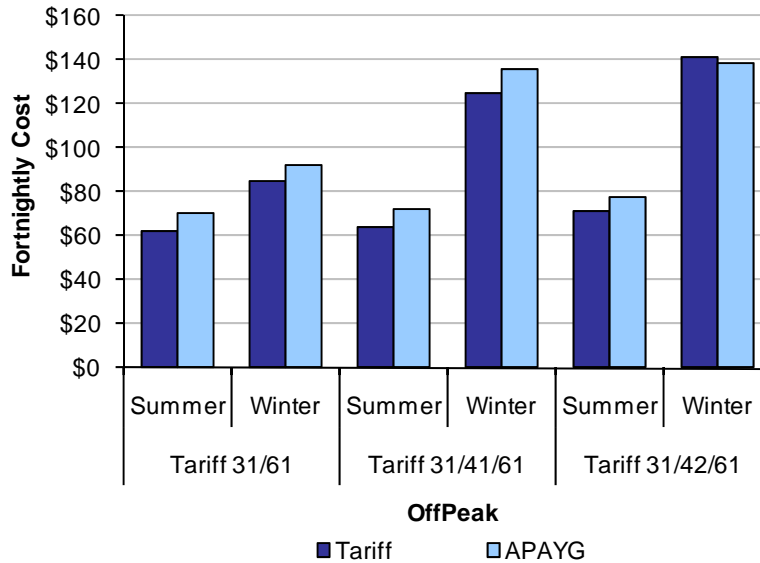


Table 3 shows that APAYG OffPeak customers generally pay more per fortnight compared to those on the standard regulated tariffs for OffPeak, particularly during summer. In winter, APAYG OffPeak customers may pay slightly less per fortnight than customers on the standard regulated tariffs, depending on their level of consumption in the cheaper priced bands.

FORTNIGHTLY COMPARISONS – CONCESSION CUSTOMERS

The comparisons in this section are based on APAYG and standard regulated tariff customers, with the relevant concessions applied.

Table 4: Fortnightly cost for low, medium and high consumption standard tariff concession customers (Tariff 31 and Tariff 41)⁴

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Regulated tariff	\$29	\$29	\$56	\$56	\$75	\$112
APAYG	\$30	\$27	\$57	\$51	\$75	\$102
Difference	+\$1	-\$2	+\$1	-\$5	nil	-\$10

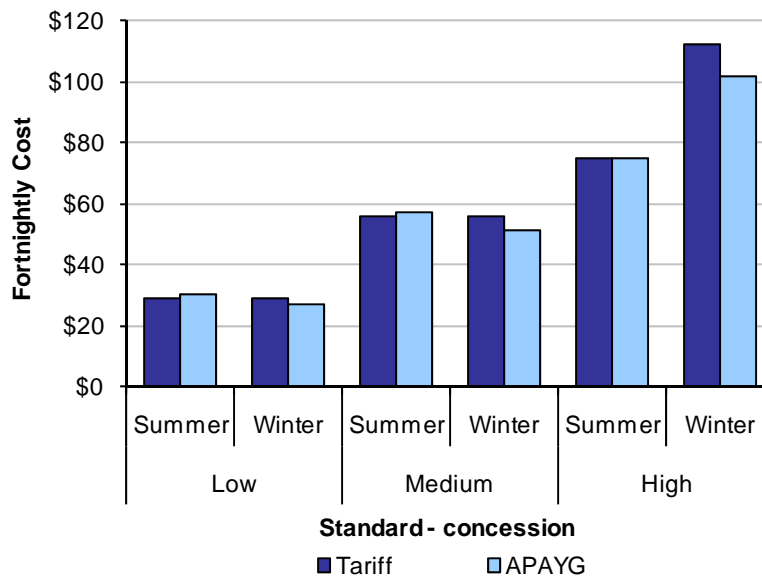


Table 4 shows that in summer, Standard APAYG concession customers pay the same per fortnight as concession customers on the standard regulated tariff, with as little as one dollar difference between the two customer types across all consumption levels. In winter, Standard APAYG concession customers pay less per fortnight than concession customers on the standard regulated tariff, with high consumption customers saving up to ten dollars per fortnight on APAYG.

⁴ See last page for tariff details.

Table 5: Fortnightly cost for low, medium and high consumption HydroHeat concession customers (Tariff 31 and Tariff 42)

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Regulated tariff	\$39	\$39	\$56	\$84	\$67	\$158
APAYG	\$43	\$37	\$61	\$79	\$73	\$147
Difference	+\$4	-\$2	+\$5	-\$5	+\$6	-\$11

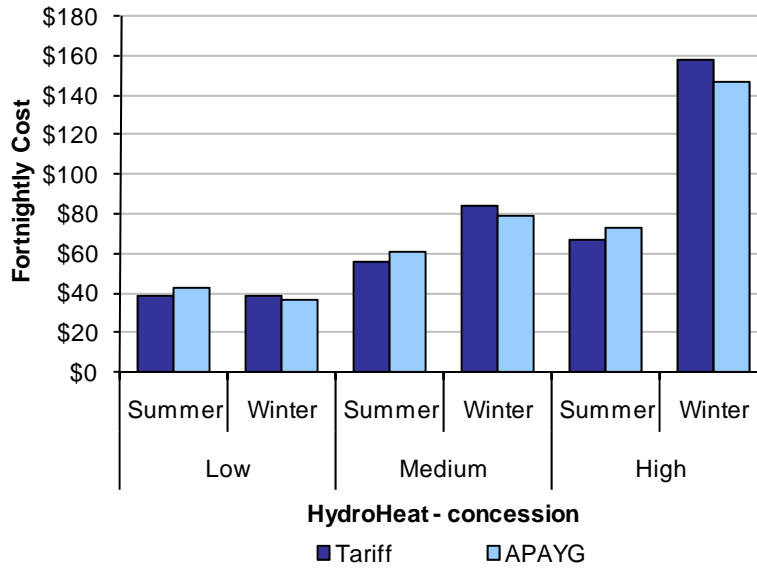


Table 5 shows that in winter, APAYG HydroHeat concession customers generally pay less per fortnight than concession customers on standard regulated tariffs across all consumption levels. However, customers with low consumption will pay about the same on APAYG as the standard regulated tariff. In summer, APAYG HydroHeat concession customers will pay around five dollars more per fortnight.

High consumption APAYG HydroHeat customers with a concession may pay up to eleven dollars less per fortnight in winter. This compares to previous comparison reports, where winter APAYG HydroHeat fortnightly costs were significantly lower for APAYG customers than for customers on the standard regulated tariffs.

Table 6: Fortnightly cost for OffPeak concession customers

	Tariff 31/61		Tariff 31/41/61		Tariff 31/42/61	
	Summer	Winter	Summer	Winter	Summer	Winter
Regulated tariff	\$46	\$69	\$48	\$110	\$55	\$126
APAYG	\$51	\$66	\$52	\$106	\$60	\$120
Difference	+\$5	-\$3	+\$4	-\$4	+\$5	-\$6

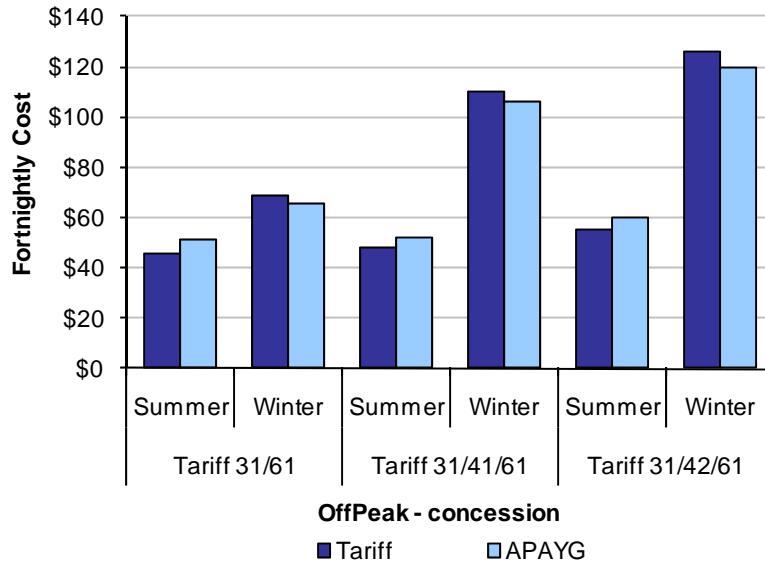


Table 6 shows that for OffPeak customers with a concession, the fortnightly cost is marginally higher for APAYG customers compared to those on the standard regulated tariffs in summer, while in winter, the opposite is true. APAYG OffPeak concession customers that consume proportionally more electricity in the winter months can expect to pay up to six dollars less per fortnight than customers on the standard regulated tariffs during winter.

ANNUAL COMPARISONS

Table 7: Annual cost for low, medium and high consumption standard tariff customers (Tariff 31 and Tariff 41)

	Low (3 706 kWh pa)	Medium (7 018 kWh pa)	High (11 660 kWh pa)
Regulated tariff	\$1 150	\$1 857	\$2 839
APAYG	\$1 257	\$1 942	\$2 897
Difference	+\$106	+\$85	+\$58
Regulated tariff - concession	\$744	\$1 451	\$2 432
APAYG - concession	\$740	\$1 401	\$2 304
Difference - concession	-\$4	-\$50	-\$127

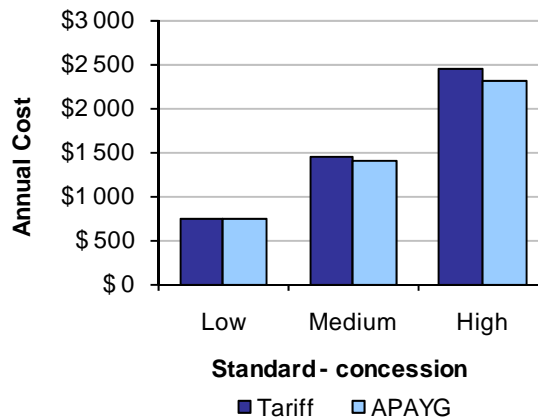
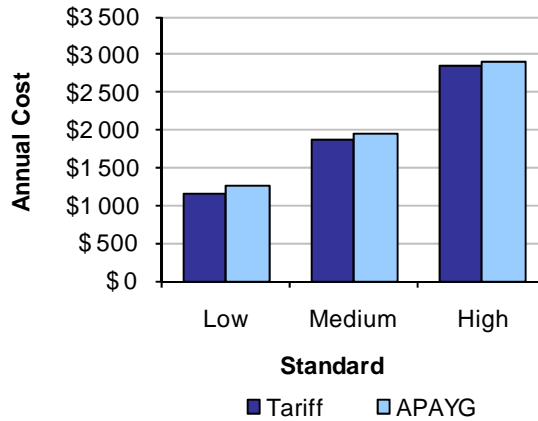


Table 7 shows that Standard APAYG customers pay \$58 to \$106 more per year than customers on the Standard regulated tariffs, depending on their consumption level. However, concession customers may pay up to \$127 less over the course of the year on Standard APAYG, depending on the level of consumption and proportion of winter usage.

Table 8: Annual cost for low, medium and high consumption HydroHeat customers (Tariff 31 and Tariff 42)

	Low (5 392 kWh pa)	Medium (9 587 kWh pa)	High (15 368 kWh pa)
Regulated tariff	\$1 431	\$2 229	\$3 336
APAYG	\$1 518	\$2 295	\$3 344
Difference	+\$87	+\$66	+\$8
Regulated tariff - concession	\$1,024	\$1 822	\$2 930
APAYG - concession	\$1,033	\$1 810	\$2 859
Difference - concession	+\$8	-\$12	-\$71

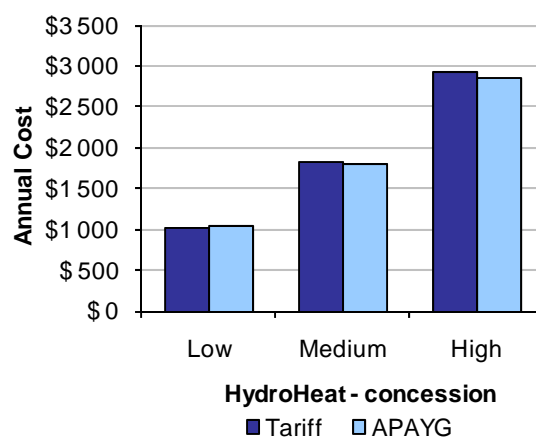
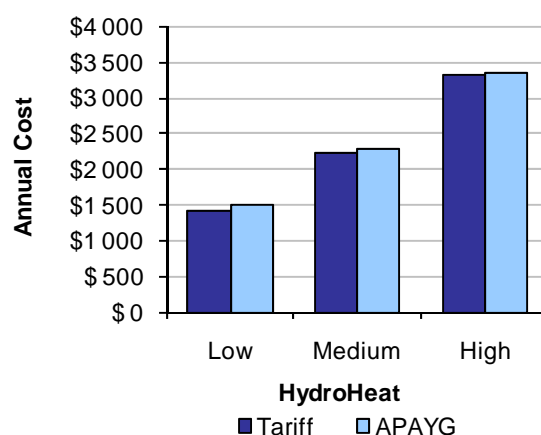


Table 8 shows annual costs for HydroHeat customers on APAYG compared to those on standard regulated tariffs, with and without concessions applied. Over the course of a year, HydroHeat customers pay more on APAYG than those on the standard regulated tariffs although, at high consumption levels, the difference is insignificant. For concession customers, HydroHeat APAYG customers generally pay less over the year than those on the standard regulated tariffs. On average, APAYG HydroHeat customers pay between \$8 and \$87 more per year while those with a concession pay up to \$71 less per year on APAYG, depending on the level of consumption.

Table 9: Annual cost for OffPeak customers

	Tariff 31/61 (7 850 kWh pa)	Tariff 31/41/61 (10 838 kWh pa)	Tariff 31/42/61 (12 586 kWh pa)
Regulated tariff	\$1 899	\$2 464	\$2 761
APAYG	\$2 104	\$2 704	\$2 826
Difference	\$205	\$240	\$65
Regulated tariff - concession	\$1,493	\$2 057	\$2 354
APAYG - concession	\$1,514	\$2 060	\$2 341
Difference - concession	+\$21	+\$3	-\$13

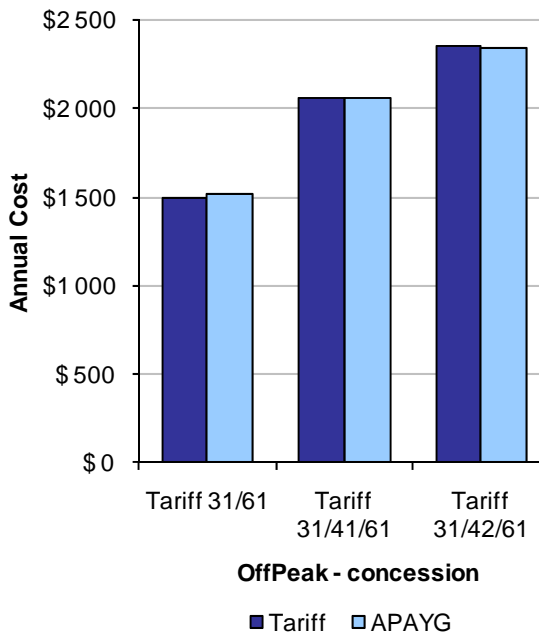
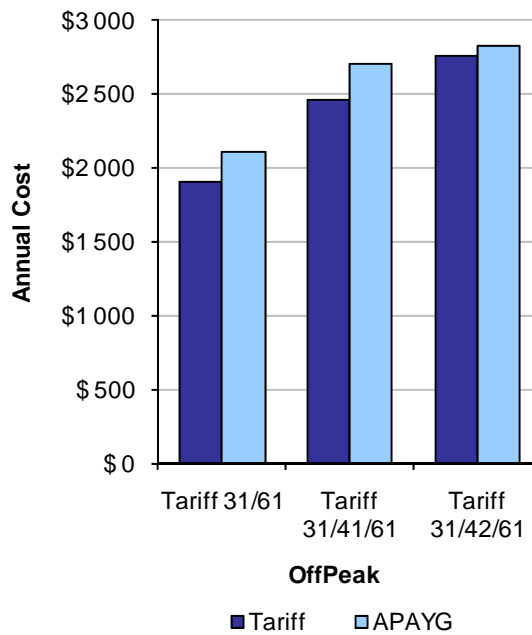


Table 9 shows annual costs for OffPeak customers on APAYG compared to those on standard regulated tariffs, with and without the relevant concessions. Over the course of a year, OffPeak customers pay \$65 to \$240 more on APAYG than those on the standard regulated tariffs, depending on the level of consumption. OffPeak customers with a concession pay about the same over the course of a year on APAYG, with the difference in costs being around \$20 compared to OffPeak customers on the regulated tariffs.

Overall, the comparisons show that over the course of a year, those who are not concession customers generally pay more on APAYG than on the regulated tariffs, although the difference is only a few dollars per fortnight, on average \$100 more over the course of a year. However, APAYG customers with the ability to modify their usage can take advantage of low winter rates to reduce their annual bills and bring them into line with the regulated tariffs. Concession customers may save a small percentage on their annual electricity bills on APAYG compared to the regulated tariffs. Over the course of a year, APAYG concession customers may pay \$10 to \$100 less, depending on the level of consumption and proportion of winter usage.

APAYG RATES AND CHARGES: AS AT 13 JULY 2011

The following rates apply to all Aurora Pay As You Go customers, except those in **bold** which apply only to concession card holders.

Summer (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.00pm – 10.30pm	10.30pm – 6.30am
APAYG Standard	Mon – Fri	26.30	20.46	26.30	11.93
	Sat - Sun	20.46	20.46	20.46	11.93
APAYG HydroHeat	Mon – Fri	25.77	20.06	25.77	11.67
	Sat - Sun	20.06	20.06	20.06	11.67
APAYG OffPeak	Mon – Fri	26.30	20.46	26.30	11.93
	Sat - Sun	20.46	20.46	20.46	11.93

Winter (c/kWh)		6.30am – 11.00am		11.00am – 4.30pm		4.00pm – 8.00pm		8.00pm – 6.30am	
APAYG Standard	Mon – Fri	26.34		21.15		21.15	18.72	16.71	15.06
	Sat - Sun	21.15	18.72	21.15	18.72	21.15	18.72	16.71	15.06
APAYG HydroHeat	Mon – Fri	21.56		21.56		15.06		15.06	
	Sat - Sun	21.56		21.56		15.06		15.06	
APAYG OffPeak	Mon – Fri	26.34		21.15		21.15	18.72	15.44	12.66
	Sat - Sun	21.15	18.72	21.15	18.72	21.15	18.72	15.44	12.66

Prices are inclusive of GST.

APAYG Fixed charges (c/day)

	Non-concession	Concession
APAYG Standard	134.58	n/a
APAYG OffPeak	138.50	n/a
APAYG HydroHeat	133.25	n/a

n/a – not applicable. There is no daily standing charge for concession card holders.

STANDARD REGULATED TARIFFS: AS AT 1 JULY 2011

Tariff		Fixed charges (cents per day)	Energy (all kWh) (cents per kWh)	Conditions ⁵
Tariff 31	Residential light and power	89.145	23.132	
Tariff 41	Hot water supply systems	17.266	15.157	This tariff applies only in association with Tariff 31
Tariff 42	HydroHeat (Residential hot water and space heating)	17.266	15.157	This tariff applies only in association with Tariff 31
Tariff 61	OffPeak with afternoon boost	21.878	12.202	This tariff applies only in association with Tariff 31
Tariff 62	OffPeak, night period only	21.878	11.492	This tariff applies only in association with Tariff 31
Concession		111.7 cents per day(from 1 July 2011) ⁶		

Prices are inclusive of GST.

⁵ For full tariff conditions, see Aurora's approved electricity tariff schedule, available at: www.auroraenergy.com.au

⁶ Concession details are available from: http://www.concessions.tas.gov.au/concessions/electricity_and_heating