

## AURORA PAY AS YOU GO PRICE COMPARISON REPORT

(rates as at January 2007)

Aurora Pay As You Go (APAYG) is a prepayment option offered to residential customers as an alternative to electricity supply via the standard tariffs. APAYG is now used by over 40 000 Tasmanian customers, or 19 per cent of residential customers.

The Regulator, in his *Declaration of Retail Services for the Regulation of Maximum Prices for Retail Tariffs and Terms of Reference for the Investigation, Issues Paper, December 2006* did not propose to include prices charged for APAYG customers in the current investigation of maximum prices, but rather monitor and report on price movements and in doing so make comparisons of APAYG costs with standard tariff costs to aid customers in making an informed choice as to which service offers more value to them.

It is difficult to make a definitive comparison between APAYG and standard tariffs because the bills for standard 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.

Thus, a customer's cost depends 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 than in summer, which probably depends on how much electric heating is used; and
- how much electricity is used in the lower price period, such as after 8pm in Winter or on weekends, rather than in the higher priced morning and evening working day periods.

### OBSERVATIONS

Some general observations can be made, based on various assumptions about tariffs and quantity and pattern of use:

- Low consumption customers (typical fortnightly costs of \$30 to \$45) may be paying \$4 to \$6 per fortnight more on APAYG in Summer, with Winter fortnightly costs approximately the same for either option.
- Medium consumption customers (typical fortnightly costs of \$45 in Summer and \$45 to \$65 in Winter) appear to pay about the same over the year, with higher APAYG Summer costs offsetting lower Winter costs.
- High consumption APAYG customers (typical fortnightly costs of \$50 per fortnight in Summer and \$70 to \$105 in Winter) may be paying on average \$2 to \$4 per fortnight more over the year, with Winter savings not enough to completely offset higher Summer charges.

Thus, as a general observation, APAYG appears to be slightly more attractive for winter usage due to the lower Winter rates. However, every customer will have a different pattern of use and this will affect the comparative cost.

Pensioners receive the same daily rebate whether a tariff customer or a user of APAYG. Thus the estimates of fortnightly differences will be the same with or without the pensioner rebate.

## METHODOLOGY

This price comparison is based on the typical customer methodology established by the Office in its *Information Paper: Typical Electricity Customers, March 2006*. 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 have been made to take account of the differences between the pricing structures for APAYG as compared to standard tariffs. APAYG rates differ between summer and winter, weekdays and weekends, and time of day.

The comparisons in this report are based on 2007 rates for APAYG and tariff customers.

## ASSUMPTIONS

- Seasonal consumption – the electricity consumption splits in the following table were based on a high level assessment of the consumption patterns for customers with differing tariff mixes and levels of consumption.

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

Here, 40:60 indicates that 40 per cent of energy consumption occurs during the summer months<sup>1</sup> and the remaining 60 per cent occurs during winter months, as is the case for 30:70 (higher because of winter heating). 50:50 indicates that consumption is spread evenly over 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.

Different domestic factors would give rise to different consumption patterns, however it has been assumed that the differences would be minimal.

- Daily profile of energy consumption – this is based on data supplied by Aurora at the time of the APAYG Review conducted by the Office. The profile differs between the summer and winter months as well as weekdays and weekends.
- Typical annual consumption and splits between tariffs – taken from the recent work on 'typical customers'.

The sensitivity to the assumptions has been tested by changing the ratio of usage between seasons, between Tariffs 31 and 41 and the relative amounts used on a weekday as opposed to a weekend. This testing resulted in small differences in the annual costs.

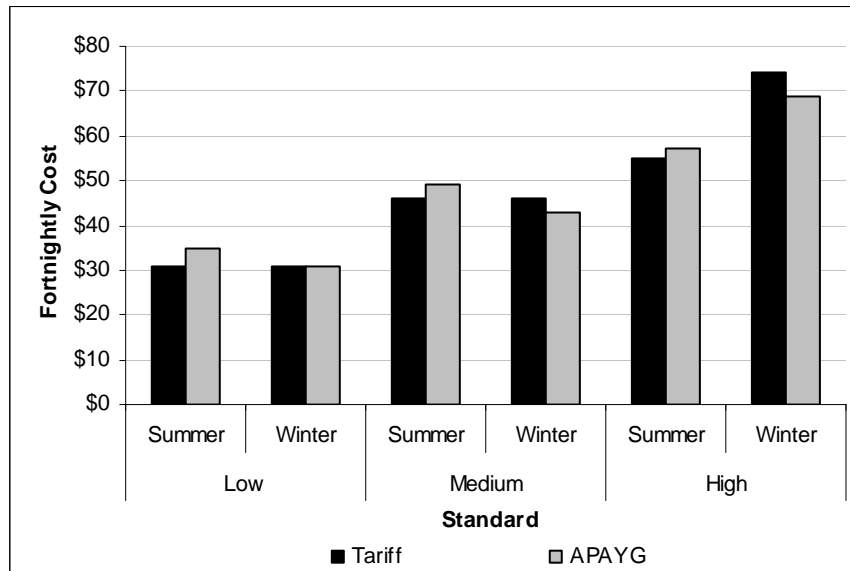
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<sup>1</sup> Seasons align with Australian Eastern Daylight Time (daylight saving).

## FORTNIGHTLY COMPARISONS

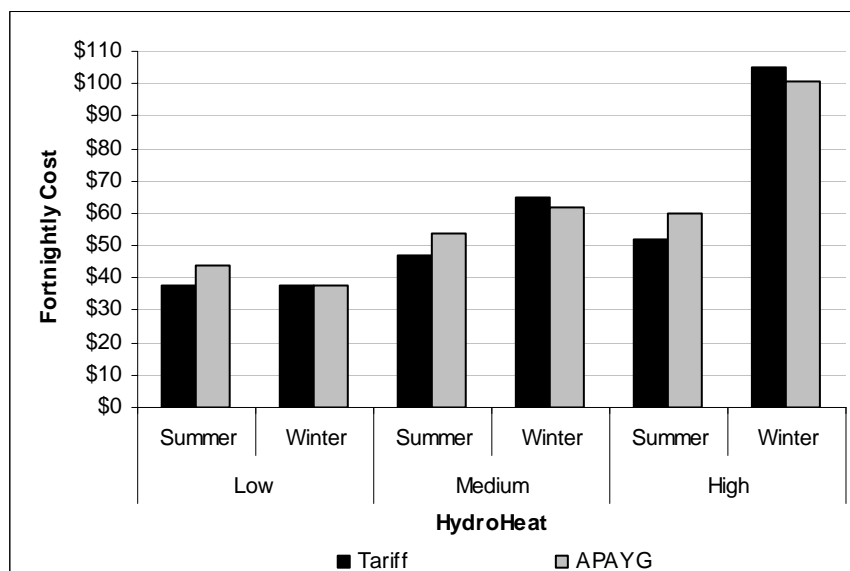
**Table 1: Fortnightly cost for low, medium and high consumption Standard customers (T31 & T41)**

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Tariff	\$31	\$31	\$46	\$46	\$55	\$74
APAYG	\$35	\$31	\$49	\$43	\$57	\$69
Difference	\$4	\$0	\$3	-\$3	\$2	-\$5



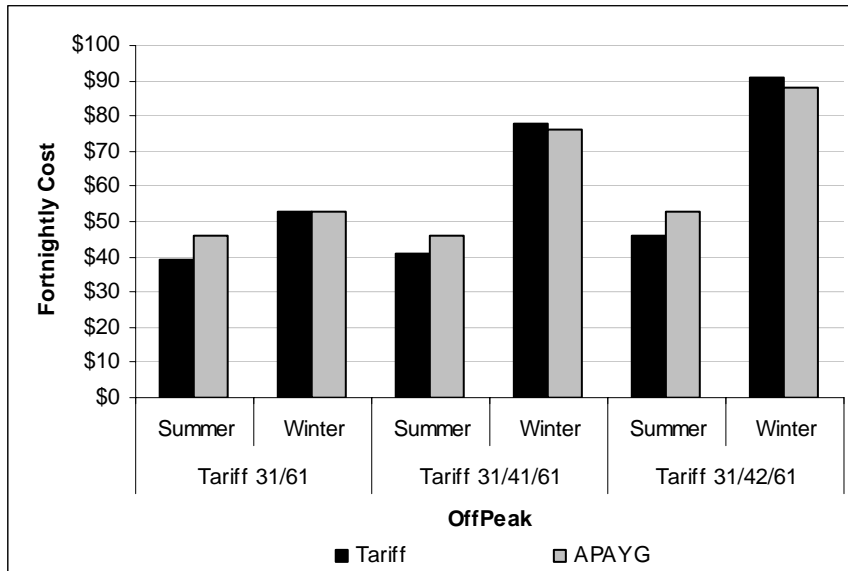
**Table 2: Fortnightly cost for low, medium and high consumption HydroHeat customers (T31 & T42)**

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Tariff	\$38	\$38	\$47	\$65	\$52	\$105
APAYG	\$44	\$38	\$54	\$62	\$60	\$101
Difference	\$6	\$0	\$7	-\$3	\$8	-\$4



**Table 3: Fortnightly cost for OffPeak customers**

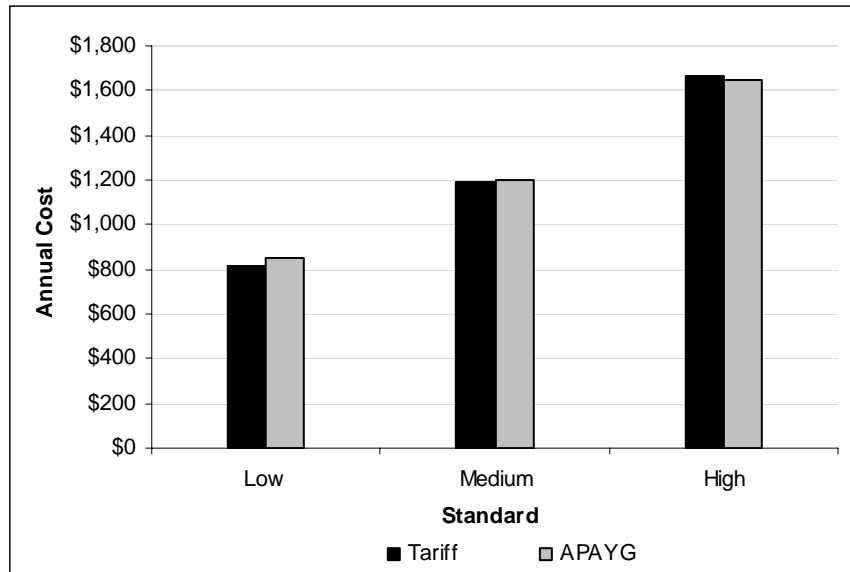
	Tariff 31/61		Tariff 31/41/61		Tariff 31/42/61	
	Summer	Winter	Summer	Winter	Summer	Winter
Tariff	\$39	\$53	\$41	\$78	\$46	\$91
APAYG	\$46	\$53	\$46	\$76	\$53	\$88
Difference	\$7	\$0	\$5	-\$2	\$7	-\$3



## ANNUAL COMPARISONS

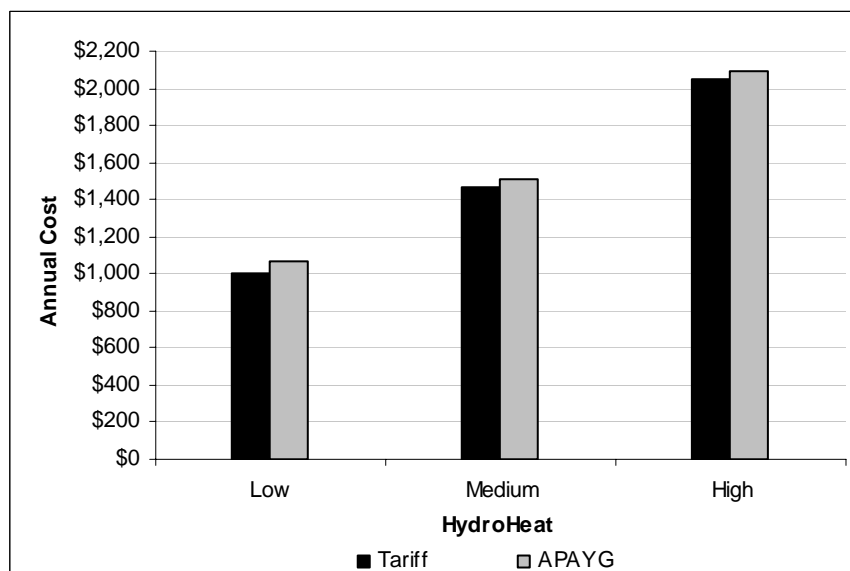
**Table 4: Annual cost for low, medium and high consumption Standard customers (T31& T41)**

	Low (4 385 kWh)	Medium (7 362 kWh)	High (11 344 kWh)
Tariff	\$816	\$1 193	\$1 669
APAYG	\$855	\$1 202	\$1 644
Difference	\$39	\$9	-\$25



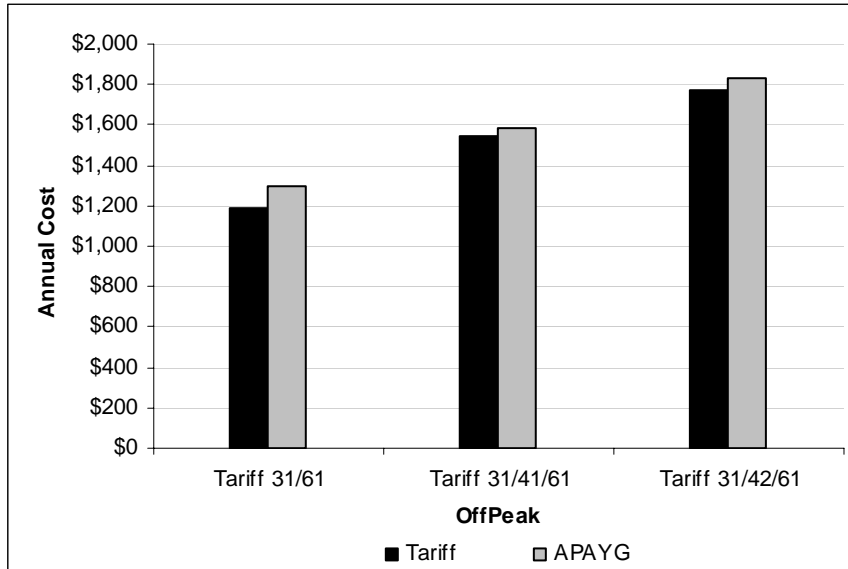
**Table 5: Annual cost for low, medium and high consumption HydroHeat customers (T31 & T42)**

	Low (6 477 kWh)	Medium (10 652 kWh)	High (16 318 kWh)
Tariff	\$999	\$1 461	\$2 047
APAYG	\$1 066	\$1 510	\$2 093
Difference	\$67	\$48	\$46



**Table 6: Annual cost for OffPeak customers**

	<b>Tariff 31/61 (8 383 kWh)</b>	<b>Tariff 31/41/61 (11 271 kWh)</b>	<b>Tariff 31/42/61 (13 892 kWh)</b>
Tariff	\$1 186	\$1 547	\$1 777
APAYG	\$1 292	\$1 589	\$1 833
Difference	\$106	\$42	\$56



## APAYG Rates and Charges: As at 1 January 2007

### Energy Rates

<b>Summer</b>		<b>6:30am–11:00am</b>	<b>11:00am–4:30pm</b>	<b>4:30pm–10:30pm</b>	<b>10:30pm–6:30am</b>
APAYG Standard	Mon – Fri	15.88	12.35	15.88	7.19
	Sat – Sun	12.35	12.35	12.35	7.19
APAYG HydroHeat	Mon – Fri	15.56	12.11	15.56	7.04
	Sat – Sun	12.11	12.11	12.11	7.04
APAYG OffPeak	Mon – Fri	15.88	12.35	15.88	7.19
	Sat – Sun	12.35	12.35	12.35	7.19

<b>Winter</b>		<b>6:30am–11:00am</b>	<b>11:00am–4:00pm</b>	<b>4:00pm–8:00pm</b>	<b>8:00pm–6:30am</b>
APAYG Standard	Mon – Fri	15.70	12.60	9.97	8.02
	Sat – Sun	12.60	9.97	9.97	8.02
APAYG HydroHeat	Mon – Fri	12.85	12.85	8.02	8.02
	Sat – Sun	12.85	12.85	8.02	8.02
APAYG OffPeak	Mon – Fri	15.70	12.60	9.97	6.74
	Sat – Sun	12.60	9.97	9.97	6.74

### Fixed Charges

	<b>Non-Pensioner (cents per day)</b>	<b>Pensioner (cents per day)</b>
APAYG Standard	94.30	45.90
APAYG HydroHeat	93.45	45.05
APAYG OffPeak	96.80	48.40

Note: Pensioner discount is equal to \$48.40 cents per day.