

2008 AURORA PAY AS YOU GO PRICE COMPARISON REPORT

(Rates as at 1st July 2008)

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 44,000 Tasmanian customers, or 20 per cent of all residential customers.

The Regulator, in his *Declaration of Retail Services to be Investigated and Terms of Reference for the Price Investigation, Statement of Reasons, January 2007* did not include prices charged for APAYG customers in the investigation of maximum prices. Instead, he would 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. This is the second report to be published on the Regulator's website.

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.

Therefore, a comparison of customer costs determined by standard 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
- how much electricity is used in the lower price period, such as after 8.00 pm in winter or on weekends, rather than the higher priced morning and evening working day periods.

OBSERVATIONS

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

- Low consumption standard customers (on standard Light and Power and Hot Water tariffs and with typical fortnightly costs of around \$37) may be paying \$2 per fortnight more on APAYG in summer, however in winter payments may be \$1 less under the same system. Annually, these customers may pay up to \$22 more on APAYG.
- High consumption standard customers (with typical fortnightly costs of around \$65 in summer and \$90 in winter) may pay \$2 more per fortnight in summer and up to \$8 less per fortnight in winter on APAYG. Over the year, such customers may pay \$70 less on APAYG.
- Low consumption HydroHeat customers (on Light and Power and HydroHeat tariffs and with a typical fortnightly cost of \$46) may pay up to \$5 more per fortnight in summer on APAYG, and \$2 less per fortnight in winter. Throughout the year, such customers may pay up to \$39 more on APAYG.

- High consumption HydroHeat customers (with typical fortnightly costs of around \$63 in summer and up to \$129 in winter) may pay \$7 more per fortnight in summer and \$8 less per fortnight in winter on APAYG. This equates to such customers paying about the same over the course of the year whether on APAYG or on the HydroHeat tariff.
- Low consumption OffPeak customers (with fortnightly costs of \$46 in summer and \$63 in winter) may be paying up to \$8 more on APAYG per fortnight in summer, and the same amount per fortnight in winter. This equates to these customers paying up to \$89 more on APAYG over the course of the year.
- High consumption OffPeak customers (with fortnightly costs of \$56 in summer and \$111 in winter) may pay up to \$6 more on APAYG in summer, and \$6 less in winter, resulting in such customers paying up to \$12 more on APAYG throughout the year.

Thus, as a general observation, APAYG may be less attractive for low consumption customers – in particular OffPeak customers – who appear to be paying consistently more on APAYG over the course of the year. APAYG also 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 Regulator in his Information Paper *Typical Electricity Customers, March 2006*.¹ 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 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 1 July 2008 rates for APAYG and Standard 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

¹ Available on the Regulator’s website.

Here, 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. 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. 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 dependant on the day of the week. Different domestic factors could give rise to different consumption patterns; however it has been assumed that the differences would be minimal.
- Daily profile of energy consumption. The daily consumption profile is based on data provided by Aurora Energy at the time of the 2004 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 are taken from the *Typical Electricity Customers, March 2006* Information Paper.

The sensitivity to assumptions has been tested by changing the ratio of usage between seasons, between Tariffs 31 and 41, and the relative amounts used on weekdays and weekends. This testing resulted in small changes in annual costs.

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	\$37	\$37	\$54	\$54	\$65	\$90
APAYG	\$39	\$36	\$57	\$51	\$67	\$82
Difference	+\$2	-\$1	+\$3	-\$3	+\$2	-\$8

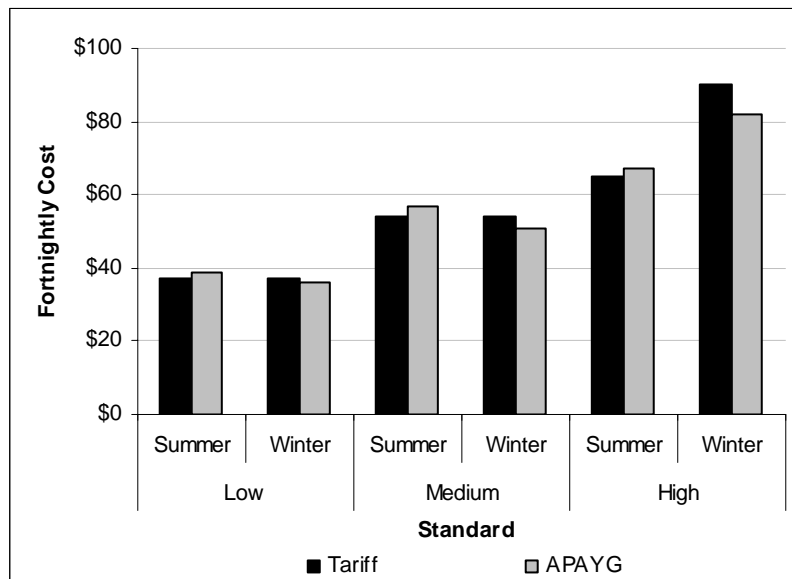


Table 2. Fortnightly Cost for Low, Medium and High Consumption HydroHeat Customers (T31 & T42)

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Tariff	\$46	\$46	\$56	\$79	\$63	\$129
APAYG	\$51	\$44	\$63	\$74	\$70	\$121
Difference	+\$5	-\$2	+\$7	-\$5	+\$7	-\$8

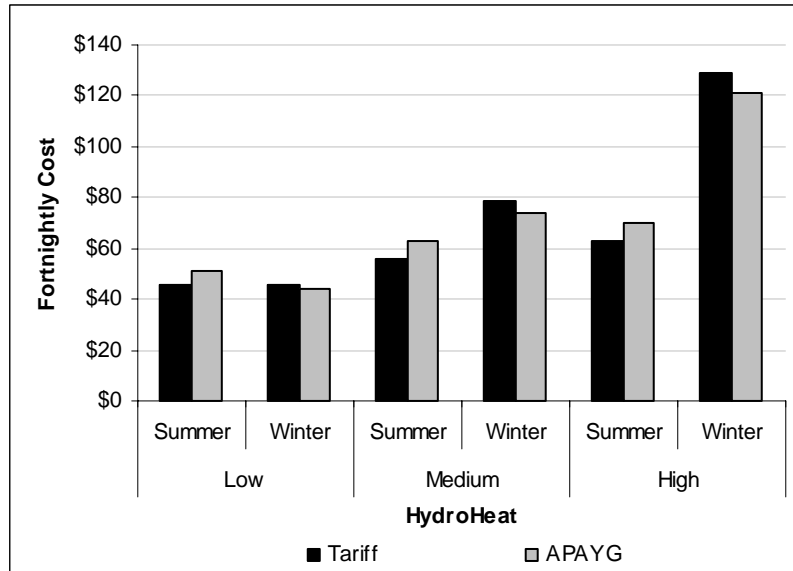
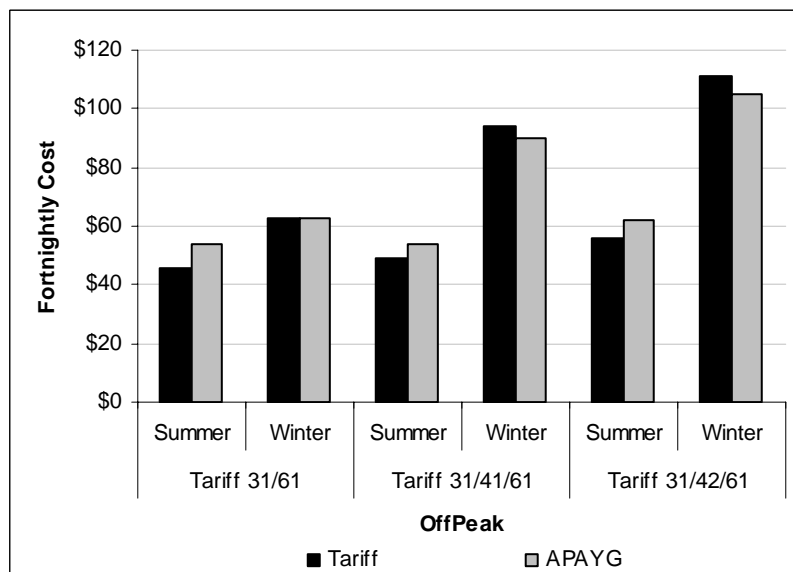


Table 3. Fortnightly Cost for OffPeak Customers

	Tariff 31/61		Tariff 31/41/61		Tariff 31/42/61	
	Summer	Winter	Summer	Winter	Summer	Winter
Tariff	\$46	\$63	\$49	\$94	\$56	\$111
APAYG	\$54	\$63	\$54	\$90	\$62	\$105
Difference	+\$8	\$0	+\$5	-\$4	+\$6	-\$6



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	\$956	\$1,413	\$2,009
APAYG	\$978	\$1,400	\$1,940
Difference	+\$22	-\$13	-\$70

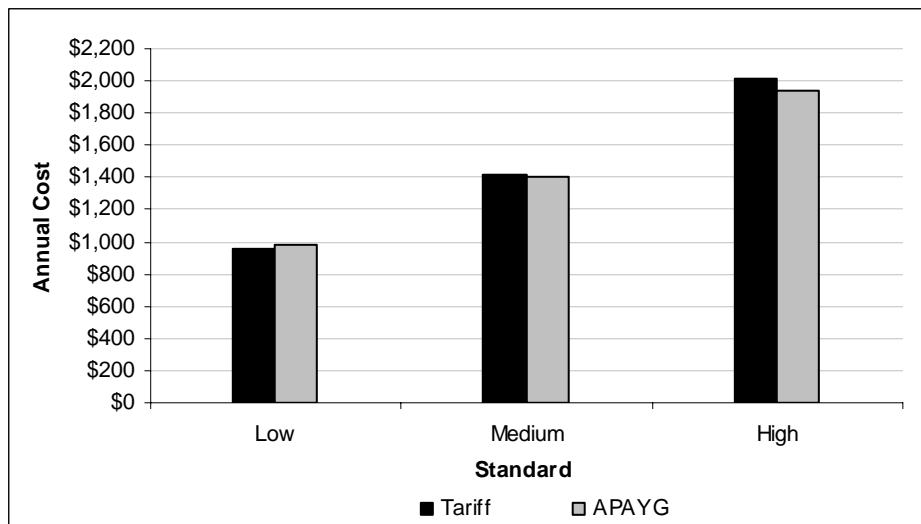


Table 5. Annual Cost for Low, Medium and High Consumption HydroHeat Customers (T31 & T42)

	Low (6,477 kWh)	Medium (10,652 kWh)	High (16,318 kWh)
Tariff	\$1,196	\$1,758	\$2,489
APAYG	\$1,236	\$1,776	\$2,489
Difference	+\$39	+\$18	+\$0

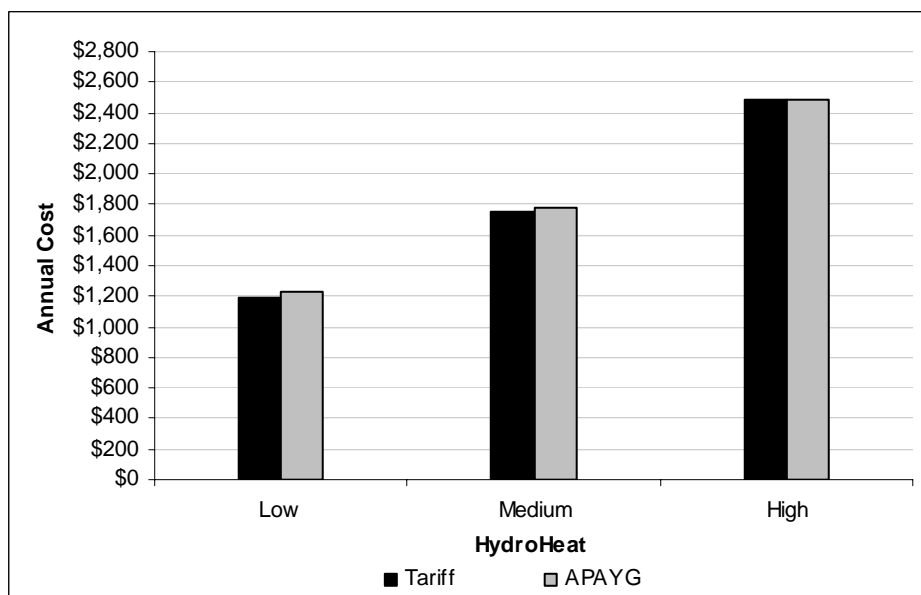
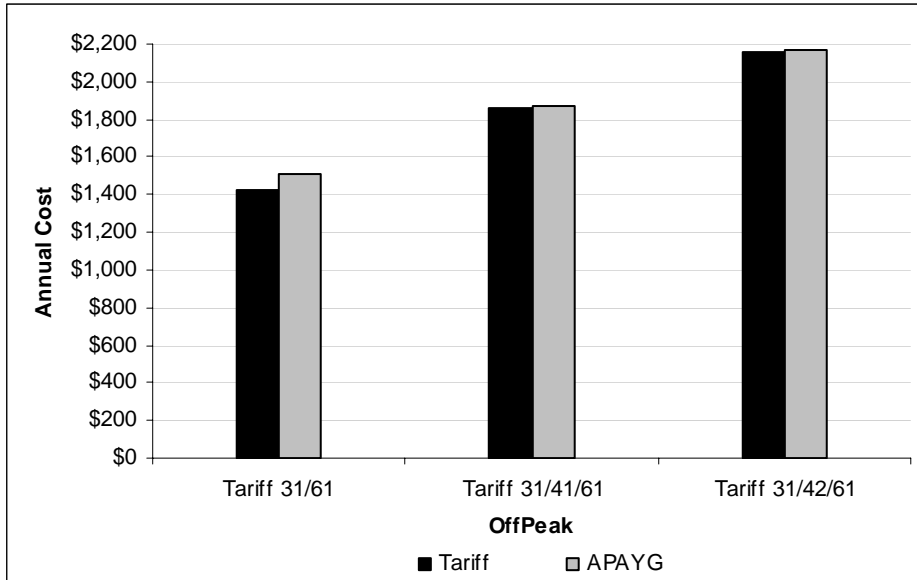


Table 6: Annual Cost for OffPeak Customers

	Tariff 31/61 (8,383 kWh)	Tariff 31/41/61 (11,271 kWh)	Tariff 31/42/61 (13,892 kWh)
Tariff	\$1,422	\$1,860	\$2,159
APAYG	\$1,511	\$1,874	\$2,171
Difference	+\$89	+\$14	+\$12



APAYG RATES AND CHARGES: AS AT 1 JULY 2008

Summer (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.00pm – 10.30pm	10.30pm – 6.30am
APAYG Standard	Mon – Fri	19.18	14.92	19.18	8.69
	Sat - Sun	14.92	14.92	14.92	8.69
APAYG HydroHeat	Mon – Fri	18.79	14.63	18.79	8.51
	Sat - Sun	14.63	14.63	14.63	8.51
APAYG Off Peak	Mon – Fri	19.18	14.92	19.18	8.69
	Sat - Sun	14.92	14.92	14.92	8.69

Winter (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.00pm – 10.30pm	10.30pm – 6.30am
APAYG Standard	Mon – Fri	19.21	15.42	12.19	9.81
	Sat - Sun	15.42	12.19	12.19	9.81
APAYG Hydro Heat	Mon – Fri	15.72	15.72	9.81	9.81
	Sat - Sun	15.72	15.72	9.81	9.81
APAYG Off Peak	Mon – Fri	19.21	15.42	12.19	8.25
	Sat - Sun	15.42	12.19	12.19	8.25

APAYG Fixed Charges (c/day)

	Non-Pensioner	Pensioner
APAYG (Standard)	98.11	12.68
APAYG (Offpeak)	101.00	15.57
APAYG (HydroHeat)	97.12	11.69