



Office of the Tasmanian Economic Regulator

2009 Aurora pay as you go price comparison report

(rates from 8 July 2009)

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Office of the Tasmanian Economic Regulator

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INTRODUCTION

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 used by around 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, the Regulator decided that price movements would be monitored and reported on and in doing so make comparisons of APAYG costs with standard tariff costs. The purpose of this regime is to aid customers in making an informed choice as to which service offers more value to them. This is the third report to be published by the Regulator.

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 patterns of use:

- Low consumption standard customers (on the standard Light and Power and Hot Water tariffs with typical fortnightly costs of around \$38) pay \$4 more per fortnight and up to \$92 more, annually on APAYG.
- High consumption standard customers (with typical fortnightly costs of around \$69 in summer and \$97 in winter) pay \$3 more per fortnight in summer and \$1 more per fortnight in winter on APAYG. Over the year, such customers may pay up to \$57 more on APAYG.
- Low consumption HydroHeat customers (on Light and Power and HydroHeat tariffs and with a typical fortnightly cost of \$48) may pay up to \$7 more per fortnight in summer on APAYG, and \$1 more per fortnight in winter. Throughout the year, such customers may pay up to \$91 more on APAYG.
- High consumption HydroHeat customers (with typical fortnightly costs of around \$66 in summer and up to \$139 in winter) may pay \$9 more per fortnight in summer and \$2 less per fortnight in winter on APAYG. This equates to such customers paying \$82 more over the course of the year on APAYG.
- Low consumption OffPeak customers (with fortnightly costs of \$49 in summer and \$67 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 \$231 more on APAYG over the course of the year.
- High consumption OffPeak customers (with fortnightly costs of \$59 in summer and \$118 in winter) may pay up to \$7 more on APAYG in summer, and \$1 more in winter, resulting in such customers paying up to \$102 more on APAYG throughout the year.
- The only customers that appear to pay less on APAYG than the standard tariff in any period, are HydroHeat customers in winter. However, overall, these customers are likely to pay more over the year than customers on standard tariffs.
- Fortnightly and annual costs for standard and OffPeak customers are significantly cheaper than APAYG tariffs in both summer and winter.

Thus, as a general observation, APAYG may be less attractive for customers than the standard tariffs – in particular OffPeak customers – who appear to be paying consistently more on APAYG over the course of the year. APAYG appears to be on par with the standard tariffs for high consumption winter usage, and slightly more attractive for HydroHeat customers due to the lower winter rates. However, every

customer will have a different pattern of use and this will affect the comparative cost. This is a shift from comparisons observed in 2008 when APAYG rates were consistently more attractive for winter usage than the standard tariffs across all customer groups, and that medium to high consumption standard customers may pay less on APAYG over the course of the year.

APAYG rates have increased significantly from 2008 to 2009 compared to the increases in standard tariffs. Summer APAYG prices have increased by 7.2 per cent from 2008 while winter rates have increased by between 20 and 35.6 per cent in the evening and night time periods, and up to 46.3 per cent at night for OffPeak APAYG customers.

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. That said, fixed daily charges have increased by 7.2 per cent for APAYG customers while the pensioner discount has risen by around 2 per cent to 87.31 cents per day.

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 published 8 July 2009 rates for APAYG and Standard Tariff customers as advised by Aurora.²

¹ Available on the Regulator's website.

² Rates published in the Mercury, Examiner and Advocate on 6 June 2009.

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 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

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; 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 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 tariff customers (Tariff 31 and Tariff 41)³

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Tariff	\$38	\$38	\$57	\$57	\$69	\$97
APAYG	\$42	\$42	\$61	\$60	\$72	\$98
Difference	+\$4	+\$4	+\$4	+\$3	+\$3	+\$1

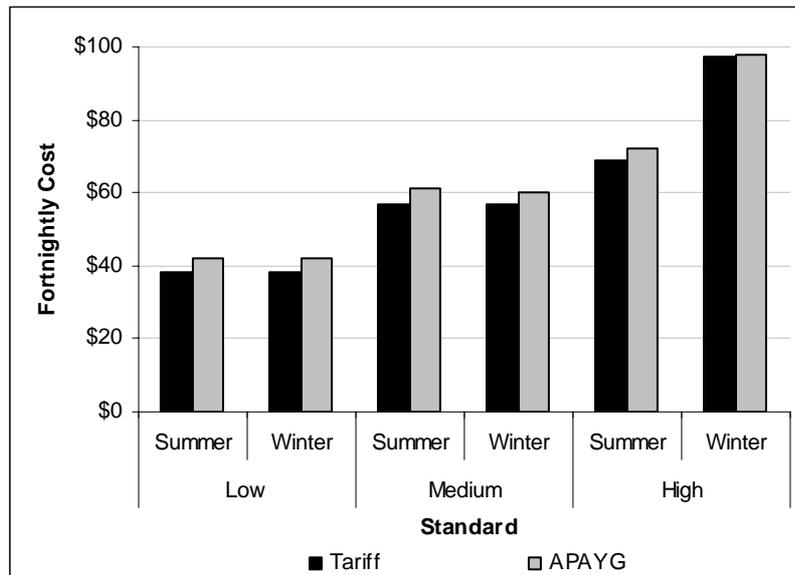


Table 1 shows that standard APAYG customers pay more per fortnight than customers on the standard tariff, regardless of consumption level. In previous years, APAYG customers paid slightly less per fortnight in winter than standard tariff customers.

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
Tariff	\$48	\$48	\$60	\$83	\$66	\$139
APAYG	\$55	\$49	\$67	\$83	\$75	\$137
Difference	+\$7	+\$1	+\$7	nil	+\$9	-\$2

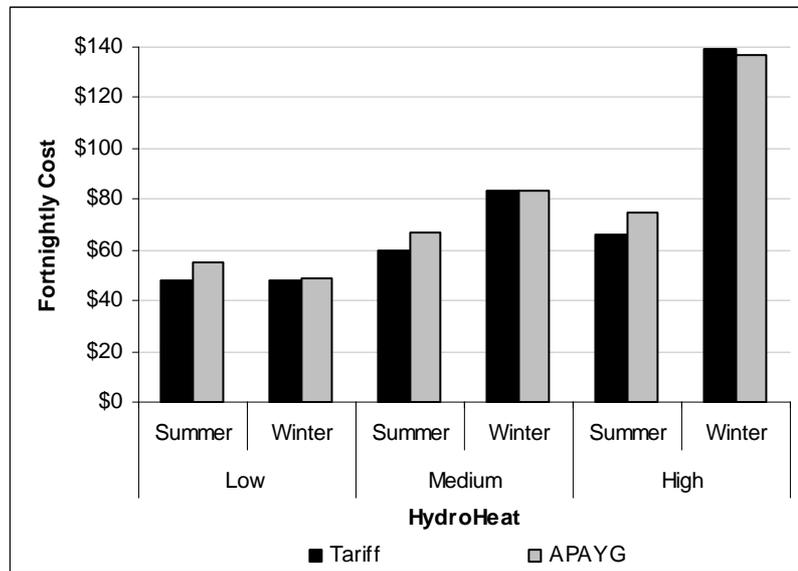


Table 2 shows that APAYG HydroHeat customers generally pay more per fortnight than standard tariff customers across all consumption groups, with the exception of high consumption customers during winter. This compares to 2008-09, where winter APAYG HydroHeat fortnightly costs were significantly lower for APAYG customers than for customers on the standard tariffs.

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	\$49	\$67	\$51	\$101	\$59	\$118
APAYG	\$57	\$76	\$58	\$110	\$66	\$119
Difference	+\$8	+\$9	+\$7	+\$9	+\$7	+\$1

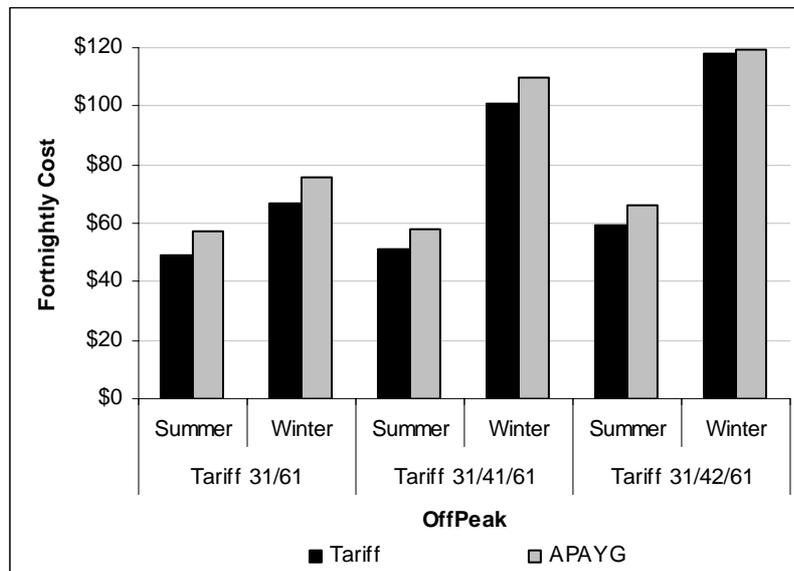


Table 3 shows that for OffPeak customers, the fortnightly cost is significantly higher for APAYG customers compared to those on the standard tariffs, particularly during summer. In 2008, OffPeak customers enjoyed lower fortnightly costs in winter on APAYG compared to the standard tariffs, with high consumption customers saving up to \$6 per fortnight on APAYG.

ANNUAL COMPARISONS

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

	Low (4 385 kWh pa)	Medium (7 362 kWh pa)	High (11 344 kWh pa)
Tariff	\$1 000	\$1 490	\$2 156
APAYG	\$1 092	\$1 574	\$2 213
Difference	+\$92	+\$84	+\$57

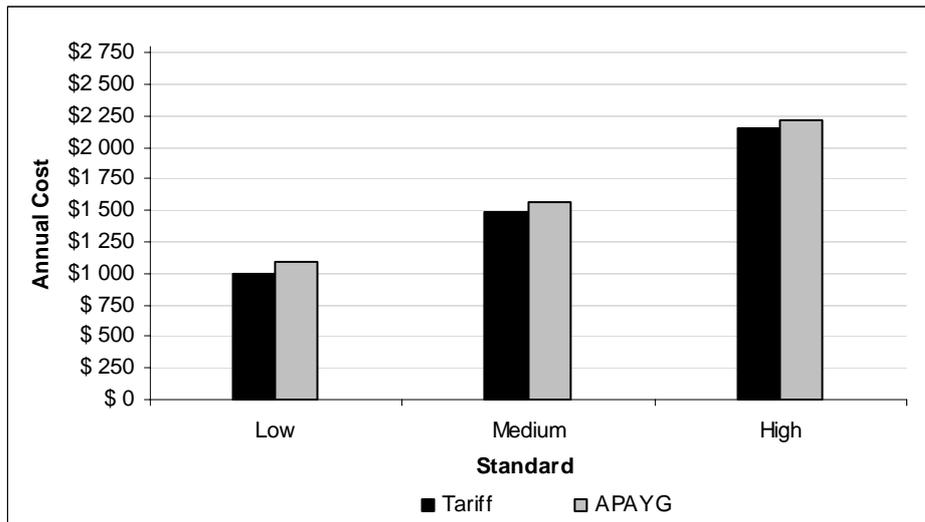


Table 5: Annual cost for low, medium and high consumption HydroHeat customers (Tariff 31 and Tariff 42)

	Low (6 477 kWh pa)	Medium (10 652 kWh pa)	High (16 318 kWh pa)
Tariff	\$1 258	\$1 859	\$2 669
APAYG	\$1 348	\$1 950	\$2 751
Difference	\$91	\$91	\$82

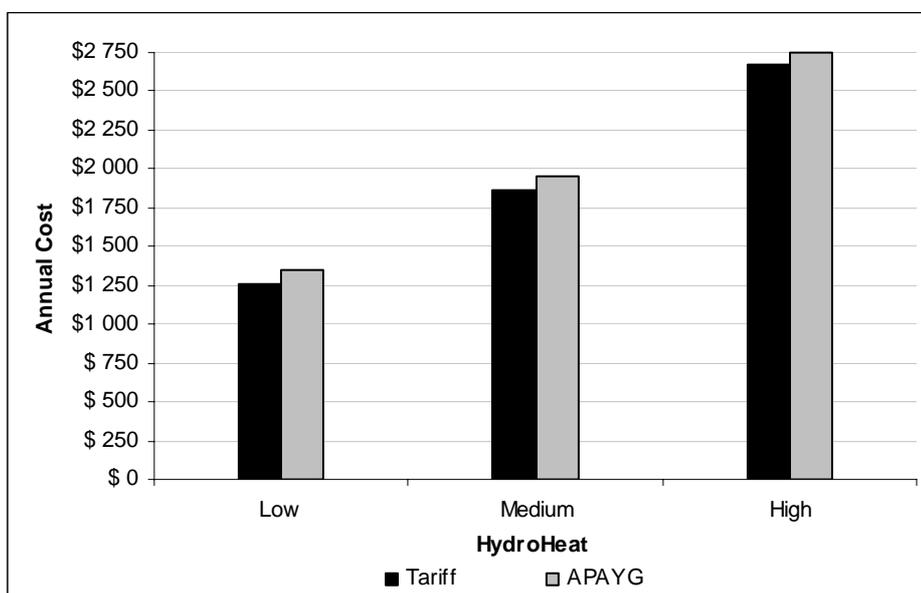
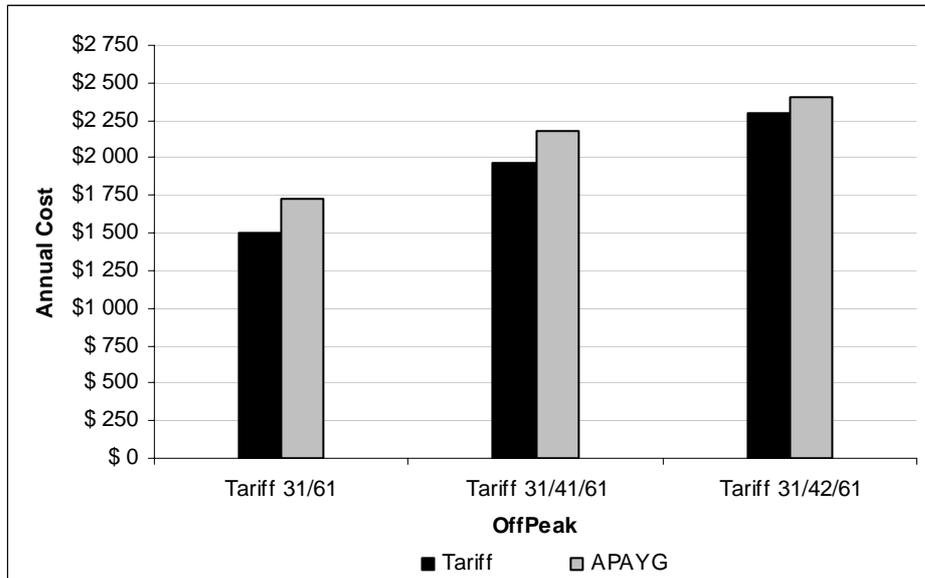


Table 6: Annual cost for OffPeak customers

	Tariff 31/61 (8 383 kWh pa)	Tariff 31/41/61 (11 271 kWh pa)	Tariff 31/42/61 (13 892 kWh pa)
Tariff	\$1 499	\$1 972	\$2 297
APAYG	\$1 730	\$2 182	\$2 399
Difference	\$231	\$210	\$102



Tables 4, 5 and 6 show annual costs for customers on APAYG compared to those on standard tariffs. Over the course of a year, standard, HydroHeat and OffPeak customers pay more on APAYG than on the standard tariffs. On average, APAYG customers pay \$80 - \$100 more per year and up to \$230 more on OffPeak.

AURORA'S STANDARD TARIFFS

Aurora tariffs used in comparisons:

31 – Residential light and power

41 – Hot water supply systems

42 – HydroHeat (residential hot water and space heating)

61 – OffPeak

APAYG RATES AND CHARGES: AS AT 8 JULY 2009

Summer (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.00pm – 10.30pm	10.30pm – 6.30am
APAYG Standard	Mon – Fri	20.56	15.99	20.56	9.32
	Sat - Sun	15.99	15.99	15.99	9.32
APAYG HydroHeat	Mon – Fri	20.14	15.68	20.14	9.12
	Sat - Sun	15.68	15.68	15.68	9.12
APAYG OffPeak	Mon – Fri	20.56	15.99	20.56	9.32
	Sat - Sun	15.99	15.99	15.99	9.32

Winter (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.00pm – 8.00pm	8.00pm – 6.30am
APAYG Standard	Mon – Fri	20.59	16.53	16.53	13.07
	Sat - Sun	16.53	16.53	16.53	13.07
APAYG HydroHeat	Mon – Fri	16.85	16.85	11.77	11.77
	Sat - Sun	16.85	16.85	11.77	11.77
APAYG OffPeak	Mon – Fri	20.59	16.53	16.53	12.07
	Sat - Sun	16.53	16.53	16.53	12.07

APAYG Fixed Charges (c/day)

	Non-Pensioner	Pensioner
APAYG Standard	105.20	17.89
APAYG OffPeak	108.25	20.94
APAYG HydroHeat	104.15	16.84