



**2010 Aurora Pay As You Go
price comparison report**

(rates from 1 August 2010)

July 2010

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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 regulated tariffs. APAYG is currently used by around 40 000 Tasmanian customers, or 17 per cent of all residential customers.

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 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.

APAYG customers purchase electricity credits which are transferred to the meter at the residence with a 'Smart Card'.

The Regulator, in his *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 this regime is to aid customers in making an informed choice as to which service offers more value to them. This is the fourth report to be 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

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

- 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.

OBSERVATIONS

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:

- Low consumption Standard customers (on the standard Light and Power and Hot Water tariffs with typical fortnightly costs of around \$45) pay \$4 more per fortnight and up to \$98 more per year on APAYG.
- High consumption Standard customers (with typical fortnightly costs of around \$75 in summer and \$105 in winter) pay as little as \$3 more per fortnight in summer and \$1 more per fortnight in winter on APAYG. Over the year, such customers may pay up to \$61 more on APAYG.
- Low consumption HydroHeat customers (on Light and Power and HydroHeat tariffs and with a typical fortnightly cost of \$58) 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 \$96 more on APAYG.
- High consumption HydroHeat customers (with typical fortnightly costs of around \$79 in summer and up to \$145 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 \$88 more over the course of the year on APAYG.
- Low consumption OffPeak customers (with fortnightly costs of \$61 in summer and \$80 in winter) may be paying up to \$10 more on APAYG per fortnight in summer, and around \$9 more per fortnight in winter. This equates to these customers paying up to \$245 more on APAYG over the course of the year.
- High consumption OffPeak customers (with fortnightly costs of \$70 in summer and \$126 in winter) may pay up to \$8 more on APAYG in summer, and \$1 more in winter, resulting in such customers paying up to \$108 more on APAYG throughout the year.

Thus, as a general observation, APAYG may be less attractive for customers than the standard regulated 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 regulated tariffs for high consumption winter usage, and slightly more attractive for HydroHeat customers due to the lower winter rates. Indeed, APAYG customers that consume proportionately more electricity in the winter months can expect to pay less than their counterparts on standard regulated tariffs. However, every customer will have a different pattern of use and this will affect the comparative cost.

Overall, APAYG rates have increased 6 per cent in August 2010, which is around \$80 per year for low consumption customers and \$150 per year for high consumption customers.

METHODOLOGY

This price comparison is based on the typical customer methodology established by the Regulator in his 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 have been 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 comparisons in this report are based on rates for APAYG customers published on 1 August 2010 and rates for standard regulated tariff customers published on 1 July 2010.

At the time of publication of the APAYG prices and the standard regulated tariffs, the Government had not advised Aurora of the concessions that would apply during the period. Therefore, concession rates are not presented in this report.

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

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 are 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 Regulator. 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 (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.

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
Regulated tariff	\$41	\$41	\$61	\$61	\$73	\$103
APAYG	\$45	\$44	\$65	\$64	\$76	\$104
Difference	+\$4	+\$3	+\$4	+\$3	+\$3	+\$1

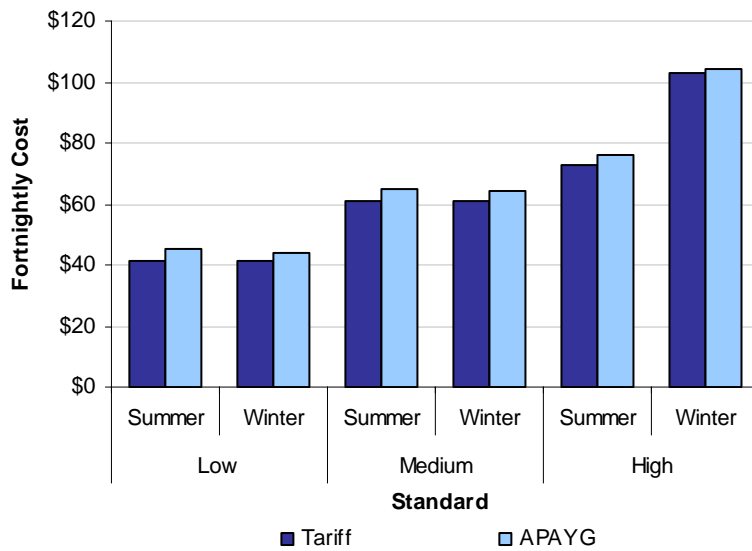


Table 1 shows that Standard APAYG customers pay more per fortnight than customers on the standard regulated tariff, regardless of consumption level. However, the difference in fortnightly cost is not significant, being less than \$5 per fortnight under the low, medium and high consumption scenarios. In previous years, APAYG customers paid slightly less per fortnight in winter than customers on standard regulated tariffs.

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	\$51	\$51	\$63	\$88	\$70	\$147
APAYG	\$58	\$52	\$71	\$88	\$79	\$145
Difference	+\$7	+\$1	+\$8	nil	+\$9	-\$2

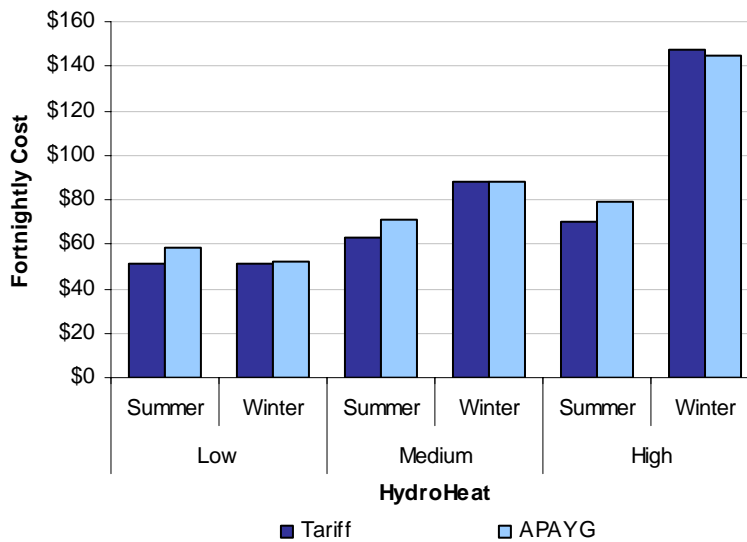


Table 2 shows that APAYG HydroHeat customers generally pay more per fortnight than customers on standard regulated tariffs across all consumption groups in summer, but the difference between APAYG and standard regulated tariff customers in winter is insignificant, or indeed, is slightly lower under APAYG. 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 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	\$51	\$71	\$54	\$107	\$62	\$125
APAYG	\$61	\$80	\$61	\$117	\$70	\$126
Difference	+\$10	+\$9	+\$7	+\$10	+\$8	+\$1

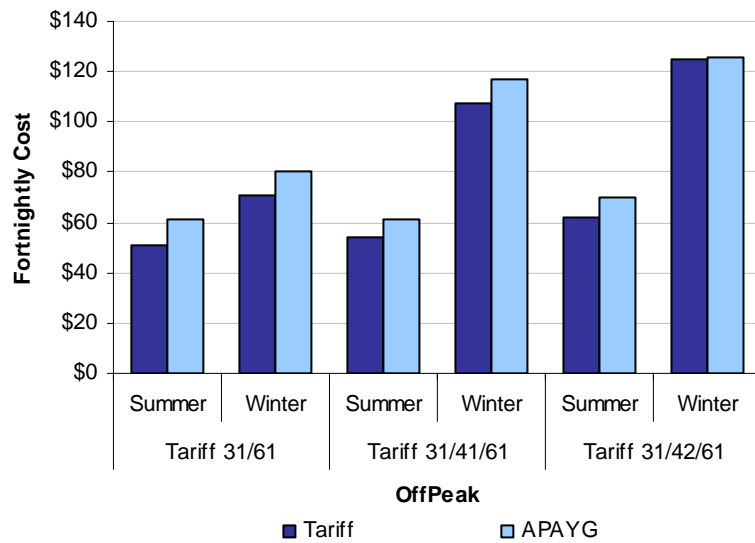


Table 3 shows that for OffPeak customers, the fortnightly cost is generally higher for APAYG customers compared to those on the standard regulated tariffs, particularly during summer. APAYG OffPeak customers that consume proportionally more electricity in the winter months can expect to pay around the same as customers on the standard regulated tariffs during winter.

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)
Regulated tariff	\$1,060	\$1,579	\$2,285
APAYG	\$1,158	\$1,668	\$2,346
Difference	+\$98	+\$89	+\$61

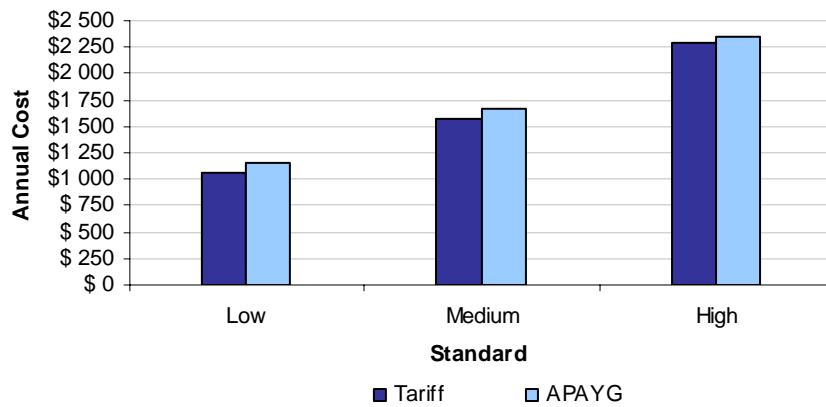


Table 5: Annual cost for low, medium and high consumption HydroHeat customers (Tariff 31 and Tariff 42)

	Low (6 477 kWh pa)	Medium (10 652 kWh pa)	High (16 318 kWh pa)
Regulated tariff	\$1,333	\$1,971	\$2,829
APAYG	\$1,429	\$2,068	\$2,917
Difference	+\$96	+\$97	+\$88

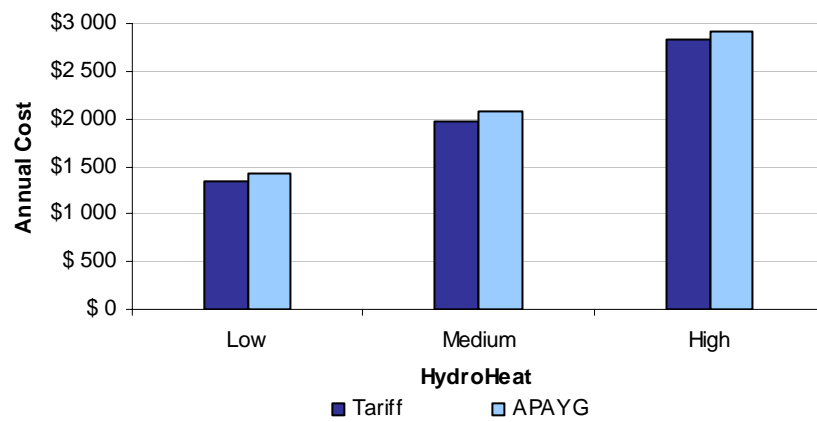
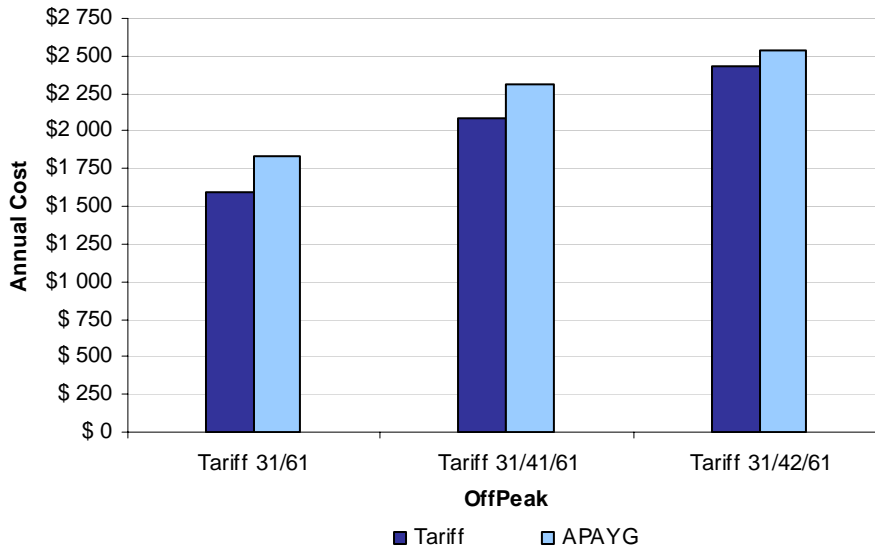


Table 6: Annual cost for OffPeak customers

	Tariff 31/61 (8 383 kWh pa)	Tariff 31/41/61 (11 271 kWh pa)	Tariff 31/42/61 (13 892 kWh pa)
Regulated tariff	\$1,589	\$2,090	\$2,435
APAYG	\$1,834	\$2,313	\$2,543
Difference	+\$245	+\$222	+\$108



Tables 4, 5 and 6 show annual costs for customers on APAYG compared to those on standard regulated tariffs. Over the course of a year, Standard, HydroHeat and OffPeak customers pay more on APAYG than those on the standard regulated tariffs. On average, APAYG Standard and HydroHeat customers pay \$80 - \$95 more per year and up to \$245 more on OffPeak.

AURORA'S STANDARD REGULATED RESIDENTIAL 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 1 AUGUST 2010

Summer (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.00pm – 10.30pm	10.30pm – 6.30am
APAYG Standard	Mon – Fri	21.79	16.95	21.79	9.88
	Sat - Sun	16.95	16.95	16.95	9.88
APAYG HydroHeat	Mon – Fri	21.35	16.62	21.35	9.67
	Sat - Sun	16.62	16.62	16.62	9.67
APAYG OffPeak	Mon – Fri	21.79	16.95	21.79	9.88
	Sat - Sun	16.95	16.95	16.95	9.88

Winter (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.00pm – 8.00pm	8.00pm – 6.30am
APAYG Standard	Mon – Fri	21.83	17.52	17.52	13.85
	Sat - Sun	17.52	17.52	17.52	13.85
APAYG HydroHeat	Mon – Fri	17.86	17.86	12.48	12.48
	Sat - Sun	17.86	17.86	12.48	12.48
APAYG OffPeak	Mon – Fri	21.83	17.52	17.52	12.79
	Sat - Sun	17.52	17.52	17.52	12.79

APAYG Fixed Charges (c/day)

	Non-Pensioner	Pensioner
APAYG Standard	111.51	n/a
APAYG OffPeak	114.75	n/a
APAYG HydroHeat	110.40	n/a

n/a – not applicable. There is no daily standing charge for pensioners.