



Prepayment price comparison report

(Aurora Pay As You Go)

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INTRODUCTION

Aurora Energy (Aurora) has a prepayment product Aurora Pay As You Go (APAYG), available to residential customers as an alternative to its regulated (Standing Offer) prices.¹

Section 10C of the *Electricity Supply Industry Act 1995*, requires the Regulator to prepare, and table in each House of Parliament, an annual prepayment price comparison report.

The Regulator has prepared, and published on its website, annual prepayment price comparison reports since 2008. The objective of the report is to assist customers in making an informed choice as to which service offers the best value. Further, as the Regulator does not regulate APAYG prices, the Regulator's role has been, and continues to be, restricted to monitoring and reporting on APAYG price movements compared to regulated prices via these annual prepayment price comparison reports.

According to Aurora's website²:

- its APAYG product is currently under review;
- the outcomes of the review should be known by late 2015; and
- during the review period, Aurora is not allowing customers to switch from Standing Offer prices to APAYG.

The Regulator understands that APAYG customers can switch from APAYG to Standing Offer without incurring a fee for a change of meter at certain times of the year ie after a price change or during the three month trial period.

This report compares both the fortnightly and annual costs facing a customer under APAYG prices applying from 25 July 2015 with the annual and fortnightly costs facing a customer under Standing Offer prices applying from 1 July 2015.

As well as being a prepayment electricity product, APAYG also offers Time of Use pricing, which means that electricity prices change depending on the time of consumption. Prices also vary between weekdays and weekends and between summer and winter.³ Given that Standing Offer customers are billed on consumption for each tariff over a quarter it is therefore difficult to directly compare costs under the two pricing scenarios.

¹ Standing Offer prices are approved by the Regulator on an annual basis in accordance with the *Aurora Energy Pty Ltd Interim Price-regulated Retail Service Price Determination* (29 July 2013 as amended 6 December 2013 and further amended 28 February 2014).

² <http://www.auroraenergy.com.au/your-home/aurora-pay-as-you-go/aurora-pay-as-you-go>

³ Seasons align with Tasmanian Eastern Daylight Time (daylight saving).

Aurora offers three pricing plans to APAYG customers:

- Standard;
- Heating Discount; and
- Offpeak.

Each of the three pricing plans also has a separate category which provides discounts for concession customers. The daily fixed charge is waived for concession customers under each APAYG pricing plan and there are also reduced APAYG Standard and APAYG Offpeak prices in particular time periods during winter. APAYG prices applying from 25 July 2015 together with the relevant concession discounts for each of these plans are included in Appendix 1.

As of 30 June 2015 there were 29 612 APAYG customers which is around 13 per cent of the total number of Tasmanian residential customers. Of this total around 54 per cent are concession customers. Table 1 outlines the number of customers for each APAYG pricing plan as at 30 June 2015.

Table 1: Number of APAYG customers on each pricing plan as at 30 June 2015

APAYG Pricing Plan	Customers
Heating Discount	6 920
Heating Discount Concession	8 791
Standard	5 877
Standard Concession	6 444
OffPeak	697
OffPeak Concession	883

Standing Offer prices applying as at 1 July 2015 are included in Appendix 2. Standing Offer customers may be eligible for the Government's daily electricity and heating concession of 128.161 cents per day.

All Standing Offer and APAYG prices increased by 1.95 per cent on 1 July 2015 and 25 July 2015 respectively.

OBSERVATIONS

As outlined in this report, the Regulator makes the following general observations when comparing the costs of electricity for APAYG customers with the costs facing customers on Standing Offer tariffs:

- the annual cost under APAYG Standard pricing is between \$117 and \$133 more per year than under Standing Offer pricing.
- the annual cost under APAYG Standard Concession pricing is between \$20 and \$63 more per year than under Standing Offer concession pricing.
- the annual cost under APAYG Heating Discount pricing is between \$62 and \$74 more per year than under Standing Offer pricing.
- the annual cost under APAYG Heating Discount Concession pricing is between \$58 and \$62 more per year than under Standing Offer concession prices.
- the annual cost under APAYG OffPeak pricing is between \$194 and \$260 more per year than under Standing Offer pricing.
- the annual cost under APAYG OffPeak Discount Concession pricing is between \$48 and \$95 more per year than under Standing Offer concession pricing.

Overall, the comparisons in this report show that over the course of a year, customers generally pay more on APAYG than on Standing Offer tariffs irrespective of whether or not they receive a concession, although the difference may only be a few dollars per fortnight.

However, APAYG customers with the ability to modify their usage can take advantage of lower winter rates to reduce their bills and bring their annual costs into line with the costs facing customers on Standing Offer tariffs.

METHODOLOGY

The Regulator has reviewed the methodology used to prepare previous prepayment price comparison reports and has refined its approach for this report.

Due to the change in methodology, the findings of this report are not directly comparable to those earlier findings and readers should not attempt to make such comparisons.

The methodology adopted by the Regulator in preparing this report is explained in the following sections.

Determination of comparable APAYG pricing plans and Standing Offer tariff combinations

Noting that existing Standing Offer customers are currently unable to elect to switch to being an APAYG customer, in preparing this report the Regulator has made comparisons with the Standing Offer tariff combinations that the Regulator considers existing APAYG customers would most likely switch to.

In this regard, the Regulator considers that APAYG customers would most likely switch to the Standing Offer tariff combinations outlined in Table 2.

Table 2: Comparable APAYG pricing plans and Standing Offer tariff combinations

APAYG pricing plans	Standing Offer tariff combinations
Standard	Tariff 31 (light and power) and Tariff 41 (Hot Water)
Heating Discount	Tariff 31 and Tariff 42 (Hot Water and Space Heating)
OffPeak	Tariff 31, Tariff 41 or Tariff 42 ⁴ and Tariff 61 (OffPeak)

These assumptions are unchanged from previous prepayment price comparison reports.

Changes to consumption patterns

The Regulator's assumptions about how much electricity was consumed in summer compared to winter have changed. Previously, the ratio of electricity consumed between summer and winter was set depending on the level of consumption. For example, it was assumed previously that an APAYG Standard customer with high consumption would use 40 per cent of their total annual consumption in summer with the remaining 60 per cent occurring in winter. For this report, Aurora has provided the Regulator with details of the consumption patterns for each group of APAYG customers. The Regulator has then used the

⁴ Fixed charges and the energy rate (consumption) under both Standing Offer Tariff 41 and Tariff 42 are the same.

consumption patterns for each group of customers to estimate the proportion of electricity consumed in both summer and winter for each APAYG pricing plan.

Determining the level of consumption

In this report, as in previous prepayment price comparison reports, the information from the Regulator's *Typical Electricity Customers, May 2014*⁵ report was used as the basis for comparing costs under the two pricing scenarios.

This information, together with the various APAYG pricing plans and the comparable Standing Offer tariff combinations, is reproduced in Table 3 below.

Table 3: APAYG pricing plans, comparable standing offer tariffs and consumption used for this price comparison report

APAYG Pricing Plan	Comparable Standing offer tariffs	Consumption (kWh)				
		T31	T41	T42	T61	Total
Standard	Tariffs 31/41 (low)	1 883	1 592			3 475
	Tariffs 31/41 (medium)	3 580	2 825			6 405
	Tariffs 31/41 (high)	5 850	4 728			10 578
Heating Discount	Tariffs 31/42 (low)	2 074		2 737		4 811
	Tariffs 31/42 (medium)	3 432		4 878		8 310
	Tariffs 31/42 (high)	5 420		7 865		13 285
OffPeak	Tariffs 31/61 (low)	3 612			3 114	6 726
	Tariffs 31/41/61 (medium)	4 025	2 915		2 193	9 133
	Tariffs 31/42/61 (high) ⁶	4 129		4 490	2 004	10 623

⁵ <http://www.economicregulator.tas.gov.au/domino/otter.nsf/8f46477f11c891c7ca256c4b001b41f2/db69ef3e7e82500fca2575d60007ebb9?OpenDocument#Typical%20Customer%20Methodology>

⁶ APAYG OffPeak customers with high consumption are assumed to have a Tariff 42 connection to their property rather than a Tariff 41 connection that is assumed for APAYG OffPeak customers with medium consumption.

FORTNIGHTLY COST COMPARISONS

Non-concession customers

The comparisons in this section are based on pricing for APAYG Standard, APAYG Heating Discount, APAYG Offpeak non-concession customers and pricing for Standing Offer tariffs for non-concession customers with low, medium and high consumption in both summer and winter.

Table 4: Fortnightly cost comparison - APAYG Standard prices and Standing Offer prices

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Standing Offer	\$39	\$46	\$59	\$74	\$87	\$111
APAYG	\$43	\$51	\$64	\$78	\$93	\$116
Difference	\$4	\$5	\$5	\$4	\$6	\$5

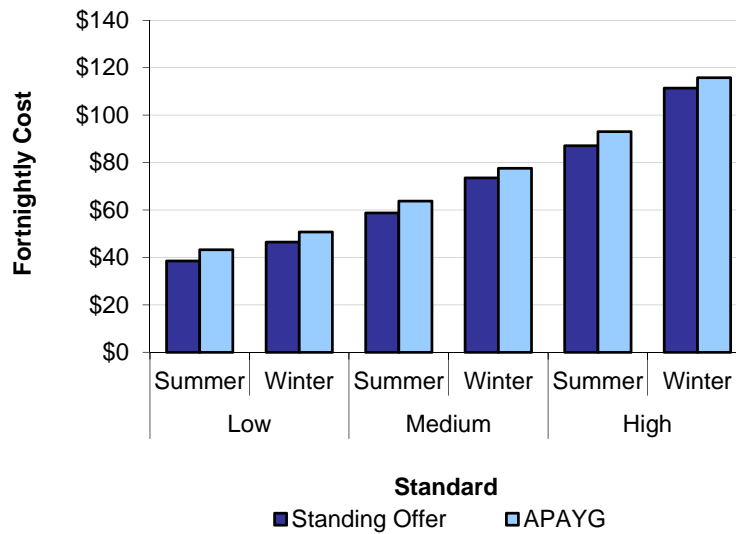


Table 4 shows that the fortnightly cost would be higher with APAYG Standard pricing compared to Standing Offer pricing at low, medium and high consumption levels in both summer and winter.

Table 5: Fortnightly cost comparison - APAYG Heating Discount prices and Standing Offer prices

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Standing Offer	\$43	\$59	\$63	\$90	\$92	\$135
APAYG	\$49	\$59	\$71	\$88	\$102	\$130
Difference	\$6	\$0	\$8	-\$2	\$10	-\$5

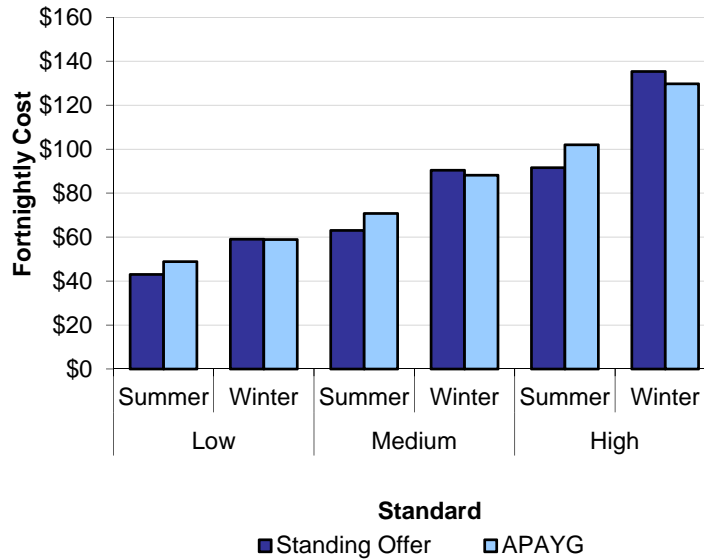


Table 5 shows that the fortnightly cost would be higher under APAYG Heating Discount pricing during summer. However, during winter, the fortnightly cost with APAYG Heating Discount prices would be the same as with Standing Offer prices for customers with low consumption. The fortnightly cost under APAYG Heating Discount pricing would be lower for customers with both medium and high consumption compared to the outcome under Standing Offer pricing.

Table 6: Fortnightly cost comparison - APAYG OffPeak prices and Standing Offer prices

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Standing Offer	\$56	\$75	\$72	\$97	\$79	\$108
APAYG	\$64	\$82	\$79	\$104	\$89	\$118
Difference	\$8	\$7	\$7	\$7	\$10	\$10

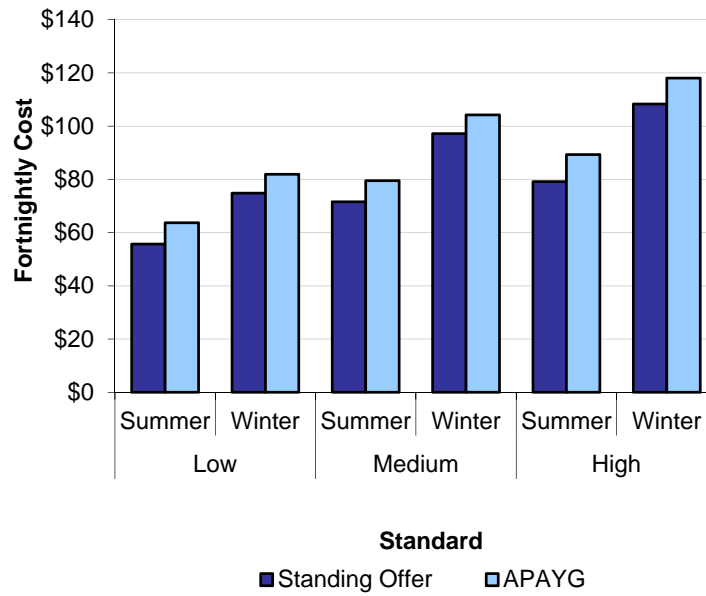


Table 6 shows that fortnightly costs would be higher under APAYG OffPeak pricing compared to Standing Offer pricing at low, medium and high consumption levels in both summer and winter.

Concession customers

The comparisons in this section are based on pricing for APAYG Standard Concession, APAYG Heating Discount Concession, APAYG Offpeak Concession customers and pricing for customers under Standing Offer tariffs with concession pricing with low, medium and high consumption in both summer and winter.

Table 7: Fortnightly cost comparison - APAYG Standard Concession prices and Standing Offer prices with concession discounts

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Standing Offer	\$21	\$29	\$41	\$56	\$69	\$94
APAYG	\$24	\$30	\$45	\$55	\$74	\$90
Difference	\$3	\$1	\$4	-\$1	\$5	-\$4

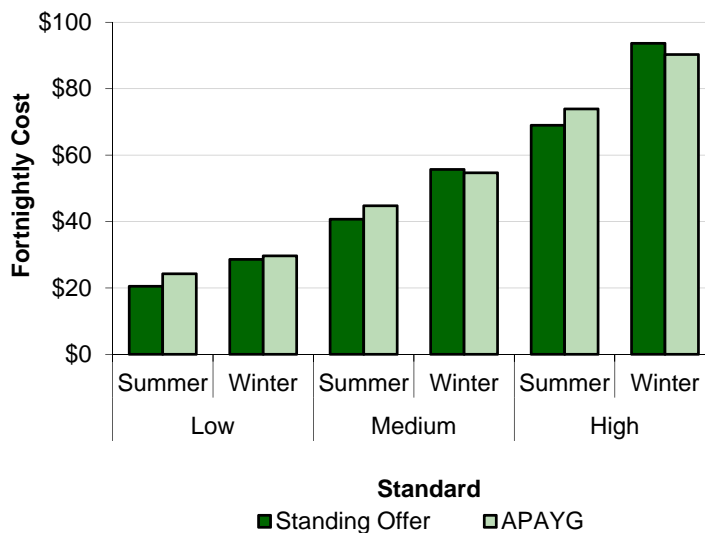


Table 7 shows that the fortnightly cost would be higher under APAYG Standard Concession pricing compared to Standing Offer concession pricing at low, medium and high consumption levels in summer and also for low consumers in winter. However, for medium and high consumption in winter, the fortnightly cost would be lower under APAYG Standard Concession pricing by one dollar and four dollars respectively.

Table 8: Fortnightly cost comparison - APAYG Heating Discount Concession prices and Standing Offer prices with concession discounts

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Standing Offer	\$25	\$41	\$45	\$73	\$74	\$117
APAYG	\$30	\$41	\$52	\$70	\$84	\$112
Difference	\$5	\$0	\$7	-\$3	\$10	-\$5

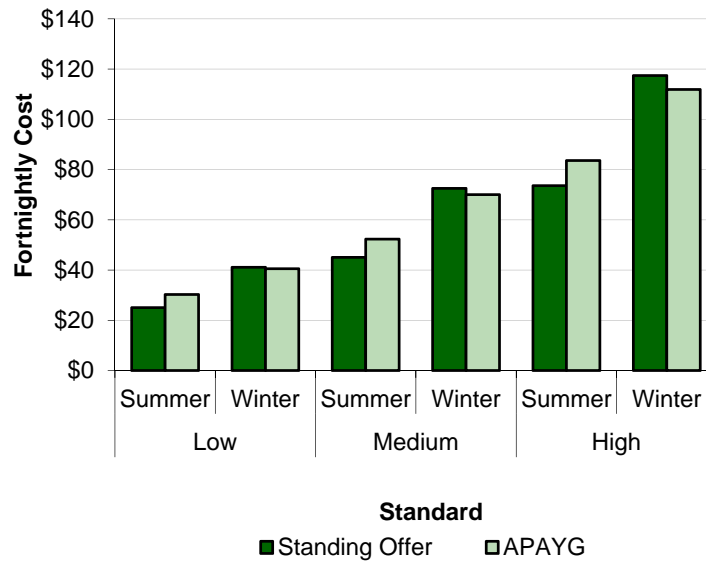


Table 8 shows that the fortnightly cost would be higher under APAYG Heating Discount Concession pricing compared to Standing Offer concession pricing at low, medium and high consumption levels in summer. However, in winter the fortnightly cost for APAYG Heating Discount concession customers would be comparable for customers with low consumption, three dollars less for customers with medium consumption and five dollars less for high consumption.

Table 9: Fortnightly cost comparison - APAYG Offpeak Concession prices and Standing Offer prices with concession discounts

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Standing Offer	\$37	\$58	\$53	\$80	\$60	\$91
APAYG	\$43	\$57	\$59	\$78	\$68	\$90
Difference	\$6	-\$1	\$6	-\$2	\$8	-\$1

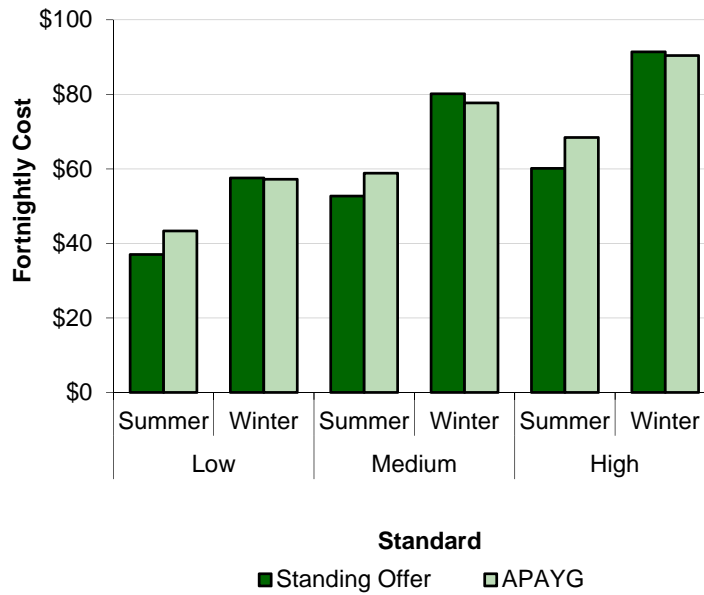


Table 9 shows that the fortnightly cost would be higher under APAYG OffPeak Concession pricing compared to Standing Offer concession pricing at low, medium and high consumption levels in summer, but slightly lower in winter.

ANNUAL COST COMPARISONS

This section provides annual cost comparisons under the various APAYG pricing plans and Standing Offer tariffs for both concession and non-concession customers with low, medium and high consumption.

Table 10: Annual cost comparison - APAYG Standard prices and Standing Offer prices (Concession and Non-concession)

	Low (3 475 kWh pa)	Medium (6 405 kWh pa)	High (10 578 kWh pa)
Standing Offer	\$1 105	\$1 720	\$2 581
APAYG	\$1 222	\$1 837	\$2 714
Difference - non-concession	\$117	\$117	\$133
Standing Offer - concession	\$638	\$1 253	\$2 115
APAYG - concession	\$701	\$1 293	\$2 135
Difference - concession	\$63	\$40	\$20

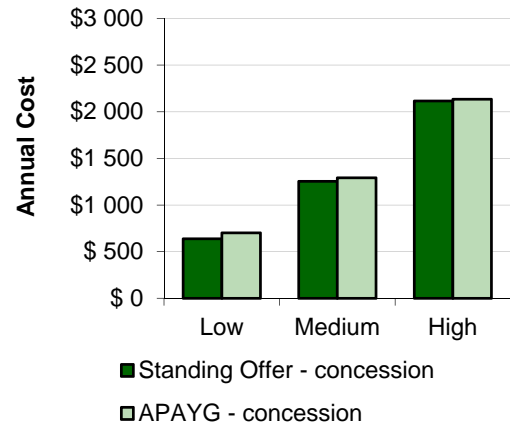
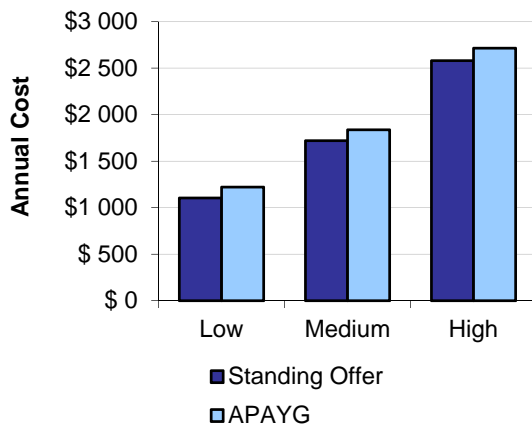


Table 10 shows that the annual cost for APAYG Standard pricing is between \$117 and \$133 more per year than under Standing Offer pricing. The annual cost for APAYG Standard Concession pricing is between \$20 and \$63 more per year than under Standing Offer concession pricing.

Table 11: Annual cost comparison - APAYG Heating Discount prices and Standing Offer prices (Concession and Non-concession)

	Low (4 811 kWh pa)	Medium (8 310 kWh pa)	High (13 285 kWh pa)
Standing Offer	\$1 327	\$1 995	\$2 949
APAYG	\$1 401	\$2 066	\$3 011
Difference – non-concession	\$74	\$71	\$62
Standing Offer - concession	\$860	\$1 528	\$2 483
APAYG - concession	\$920	\$1 590	\$2 541
Difference - concession	\$60	\$62	\$58

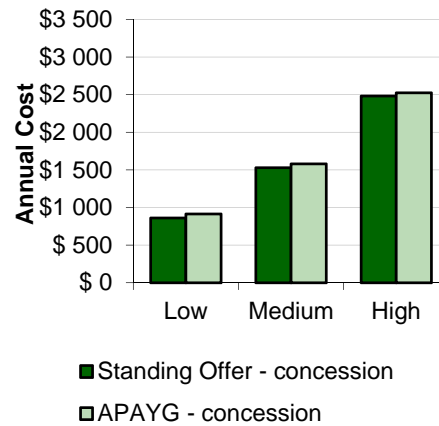
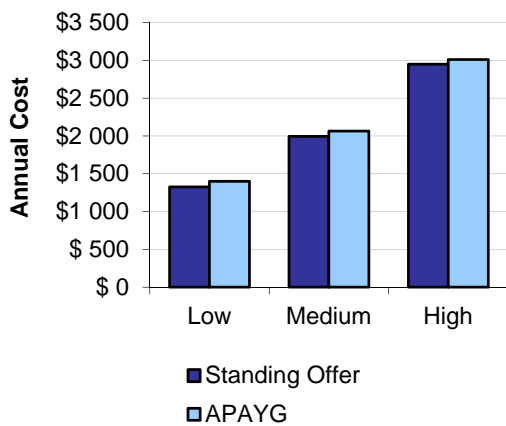


Table 11 shows that the annual cost under APAYG Heating Discount pricing is between \$62 and \$74 more per year than under Standing Offer prices.

The table also shows that the annual cost under APAYG Heating Discount Concession pricing is between \$58 and \$62 more per year than under Standing Offer concession prices.

Table 12: Annual cost comparison - APAYG OffPeak prices and Standing Offer prices (Concession and Non-concession)

	Tariff 31/61 (6 726 kWh pa)	Tariff 31/(41 or 42)/61 (9 133 kWh pa)	Tariff 31/(41 or 42)/61 (10 623 kWh pa)
Standing Offer	\$1 696	\$2 194	\$2 436
APAYG	\$1 892	\$2 388	\$2 696
Difference – non-concession	\$196	\$194	\$260
Standing Offer - concession	\$1 230	\$1 727	\$1 970
APAYG - concession	\$1 307	\$1 775	\$2 065
Difference - concession	\$77	\$48	\$95

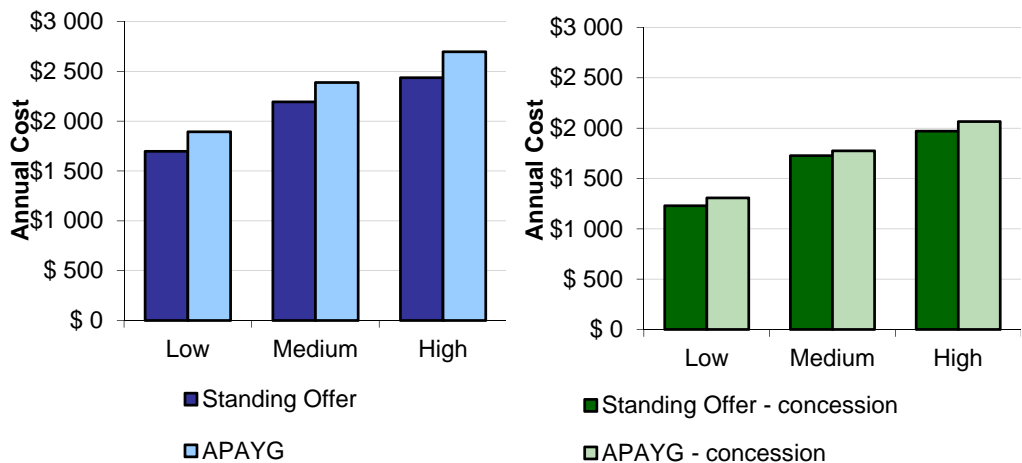


Table 12 shows that the annual cost for APAYG OffPeak pricing is between \$194 and \$260 more per year than under Standing Offer prices.

The table also shows that the annual cost for APAYG OffPeak Discount Concession pricing is between \$48 and \$95 more per year than under Standing Offer concession prices.

APPENDIX 1: APAYG RATES AS AT 25 JULY 2015

With the exception of those in **bold**, the following rates⁷ apply to all Aurora Pay As You Go customers. The rates in **bold** apply only to concession card holders.

Summer (cents per kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.30pm – 10.30pm	10.30pm – 6.30am
APAYG Standard	Mon – Fri	26.37	20.52	26.37	11.97
	Sat - Sun	20.52	20.52	20.52	11.97
APAYG HydroHeat	Mon – Fri	25.85	20.12	25.85	11.69
	Sat - Sun	20.12	20.12	20.12	11.69
APAYG OffPeak	Mon – Fri	26.37	20.52	26.37	11.97
	Sat - Sun	20.52	20.52	20.52	11.97

Winter (cents per kWh)		6.30am – 11.00am	11.00am – 4.00pm	4.00pm – 8.00pm	8.00pm – 6.30am		
APAYG Standard	Mon – Fri	26.41	21.21	21.21	18.77	16.75	15.11
	Sat - Sun	21.21	18.77	21.21	18.77	16.75	15.11
APAYG HydroHeat	Mon – Fri	21.62	21.62	15.11	15.11		
	Sat - Sun	21.62	21.62	15.11	15.11		
APAYG OffPeak	Mon – Fri	26.41	21.21	21.21	18.77	15.49	12.70
	Sat - Sun	21.21	18.77	21.21	18.77	15.49	12.70

Daily fixed charges (cents per day)	Non-concession	Concession
APAYG Standard	134.95	There is no daily fixed charge for concession card holders.
APAYG HydroHeat	133.61	
APAYG OffPeak	138.88	

⁷ Aurora's APAYG tariff schedule is available at: www.auroraenergy.com.au

APPENDIX 2: STANDING OFFER PRICES AS AT 1 JULY 2015

Tariff		Fixed charges (cents per day)	Energy (all kWh) (cents per kWh)	Conditions ⁸
31	Residential light and power	89.389	25.200	
41	Hot water supply systems	17.312	15.197	This tariff applies only in association with Tariff 31
42	HydroHeat (Residential hot water and space heating)	17.312	15.197	This tariff applies only in association with Tariff 31
61	OffPeak with afternoon boost	21.939	12.235	This tariff applies only in association with Tariff 31
Concession		128.161 cents per day from 1 July 2015 ⁹ (Annual Rebate of \$467.79)		

Prices are inclusive of GST.

⁸ For full tariff conditions, see Aurora's approved Standing Offer Price schedule, available at: www.auroraenergy.com.au

⁹ Concession details are available from: http://www.concessions.tas.gov.au/concessions/electricity_and_heating