



Prepayment Price Comparison Report

(Aurora Pay As You Go)

August 2016

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INTRODUCTION

Aurora Energy has a prepaid time-of-use product, Aurora Pay As You Go (APAYG), for residential customers as an alternative to the regulated (Standing Offer) tariffs.¹

The Regulator does not regulate APAYG but Section 10C of the *Electricity Supply Industry Act 1995* requires the Regulator to prepare annual Prepayment Price Comparison reports.

This report presents the fortnightly and annual costs for typical customers based on a comparison of APAYG prices (Appendix 1), from 23 July 2016, and Standing Offer tariff prices (Appendix 2), from 1 July 2016.

Aurora Energy has three APAYG products:

- Standard;
- Heating; and
- Offpeak.

As at 30 June 2016, there were 26 670 APAYG customers which is around 11.2 per cent of Tasmanian residential customers. Around 52 per cent of APAYG customers receive a concession discount. Table 1 shows the number of customers for each APAYG product as at 30 June 2016.

Table 1: Customers using APAYG products as at 30 June 2016

| APAYG Product | Customers |
|---------------------|-----------|
| Heating | 6 406 |
| Heating Concession | 6 897 |
| Standard | 5 774 |
| Standard Concession | 6 217 |
| OffPeak | 663 |
| OffPeak Concession | 713 |

While Aurora Energy is not currently offering new APAYG connections due to its review of the APAYG product, Aurora Energy continues to support APAYG customers.

¹ Standing Offer prices are approved by the Regulator on an annual basis in accordance with the *Aurora Energy Pty Ltd 2016 Standing Offer Price Determination (2016 Price-Regulated Retail Service Price Determination) (As Amended: 27 June 2016)* and the *Standing Offer Price Approval process in accordance with the 2016 Standing Offer Determination*.

Aurora Energy is developing ‘the next generation APAYG product’ and, according to its website², Aurora Energy has:

- assessed the current APAYG product to determine what works and what does not;
- engaged with APAYG customers to understand which features and benefits are the most valued; and
- has been working with suppliers to find a suitable solution.

APAYG customers can switch to Standing Offer tariffs at no cost within a three month trial period or during a period nominated by Aurora Energy when there is a price reset.

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

OBSERVATIONS

Prices for Standing Offer tariffs and APAYG products increased by 3.43 per cent, from 1 July 2016, and 23 July 2016 respectively. The uniform price increases resulted in slightly higher relative cost differences between the APAYG products and Standing Offer tariffs compared to the August 2015 Prepayment Price Comparison Report.

In winter, in certain circumstances, typical customers may receive the benefit of lower costs with APAYG products when compared to customers on Standing Offer tariffs. However, the costs in summer, for the same APAYG product, are higher than for Standing Offer tariffs. The lower costs for APAYG in winter do not offset the higher costs in summer. For a typical customer annual electricity costs are:

- between \$120 and \$137 higher for the APAYG Standard product compared to Standing Offer tariffs;
- between \$33 and \$69 higher for the APAYG Standard product with a concession compared to Standing Offer tariffs;
- between \$64 and \$76 higher for the APAYG Heating product compared to Standing Offer tariffs;
- between \$60 and \$63 higher for the APAYG Heating product with a concession compared to Standing Offer tariffs;
- between \$201 and \$268 higher for the APAYG OffPeak product compared to Standing Offer tariffs; and
- between \$49 and \$98 higher for the APAYG OffPeak product with a concession compared to Standing Offer tariffs.

In future reports, prices for APAYG products will be compared to prices for Aurora Energy's standing offer residential time-of-use tariff, Tariff 93, which was introduced on 1 July 2016.

METHODOLOGY

This report compares pricing for the APAYG products with the Standing Offer tariff combinations outlined in Table 2.

Table 2: Comparable APAYG products and Standing Offer tariff combinations

| APAYG product | Standing Offer tariff combinations |
|---------------|---|
| Standard | Tariff 31 (Light and Power) and Tariff 41 (Heating and Hot Water) |
| Heating | Tariff 31 and Tariff 41 |
| OffPeak | Tariff 31, Tariff 41 and Tariff 61 (OffPeak) |

The report uses the low, medium and high consumption typical customers described in the Regulator's *Typical Electricity Customers, May 2014*³ report.

Aurora Energy provides the Regulator with consumption data for each APAYG product and each price period. The Regulator uses that data to estimate a consumption pattern for each APAYG product included in Appendix 3.

On 1 July 2016, Aurora Energy introduced the residential time-of-use Standing Offer tariff, Tariff 93. Since Tariff 93 is a time-of-use product, it may be more appropriate in the future to compare Tariff 93 with APAYG products rather than compare the non time-of-use Standing Offer products with the APAYG products.

On 1 July 2016, Tariff 41 (Hot Water) and Tariff 42 (Heating) were combined and became Tariff 41 (Heating and Hot Water). The previous comparison report compared the APAYG Heating product with Tariff 31, 42 combinations and the APAYG Offpeak product with a Tariff 31, 42 and 61 combination for a high consumption typical customer.

This report incorporates the change to the tariffs by assuming Tariff 42 consumption, used for the previous report, to be Tariff 41 consumption. Table 3 includes the consumption assumptions.

³ [http://www.economicregulator.tas.gov.au/domino/otter.nsf/LookupFiles/Typical_Electricity_Customer_Information_Paper_Web_version_140603.pdf/\\$file/Typical_Electricity_Customer_Information_Paper_Web_version_140603.pdf](http://www.economicregulator.tas.gov.au/domino/otter.nsf/LookupFiles/Typical_Electricity_Customer_Information_Paper_Web_version_140603.pdf/$file/Typical_Electricity_Customer_Information_Paper_Web_version_140603.pdf)

Table 3: APAYG products, Standing Offer tariffs and consumption

| APAYG product | Comparable Standing offer tariff combination | Consumption (kWh) | | | |
|---------------|--|-------------------|-------|-------|--------|
| | | T31 | T41 | 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 | Tariffs 31/41 (low) | 2 074 | 2 737 | | 4 811 |
| | Tariffs 31/41 (medium) | 3 432 | 4 878 | | 8 310 |
| | Tariffs 31/41 (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 31/41/61 (high) | 4 129 | 4 490 | 2 004 | 10 623 |

For each comparison, the APAYG cost is a sum of the costs for each relevant price period. The cost in each price period is a product of the price and the consumption during the period. The consumption within the period is the product of the total annual consumption and the relevant proportion from the consumption pattern. The cost for a Standing Offer tariff is the product of the price and consumption during the relevant period.

FORTNIGHTLY COST COMPARISONS

This section compares the fortnightly costs for APAYG products and Standing Offer tariffs for typical customers with low, medium and high consumption in both summer and winter.

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

| | Low | | Medium | | High | |
|-------------------|------------|------------|------------|------------|------------|------------|
| | Summer | Winter | Summer | Winter | Summer | Winter |
| Standing Offer | \$40 | \$48 | \$61 | \$76 | \$90 | \$115 |
| APAYG | \$45 | \$52 | \$66 | \$80 | \$96 | \$120 |
| Difference | \$5 | \$4 | \$5 | \$4 | \$6 | \$5 |

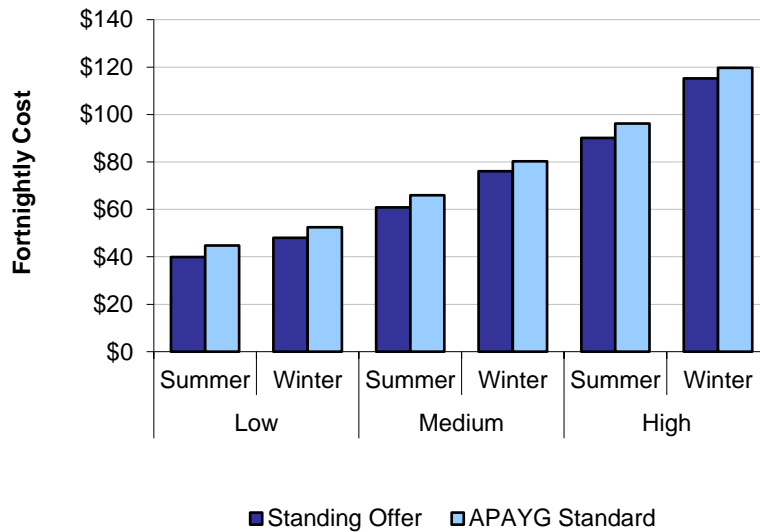


Table 4 shows that the fortnightly cost would be higher with the APAYG Standard product compared to Standing Offer tariffs at low, medium and high consumption levels in both summer and winter.

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

| | Low | | Medium | | High | |
|-------------------|------------|------------|------------|-------------|-------------|-------------|
| | Summer | Winter | Summer | Winter | Summer | Winter |
| Standing Offer | \$45 | \$61 | \$65 | \$94 | \$95 | \$140 |
| APAYG | \$51 | \$61 | \$73 | \$91 | \$105 | \$134 |
| Difference | \$6 | \$0 | \$8 | -\$3 | \$10 | -\$6 |

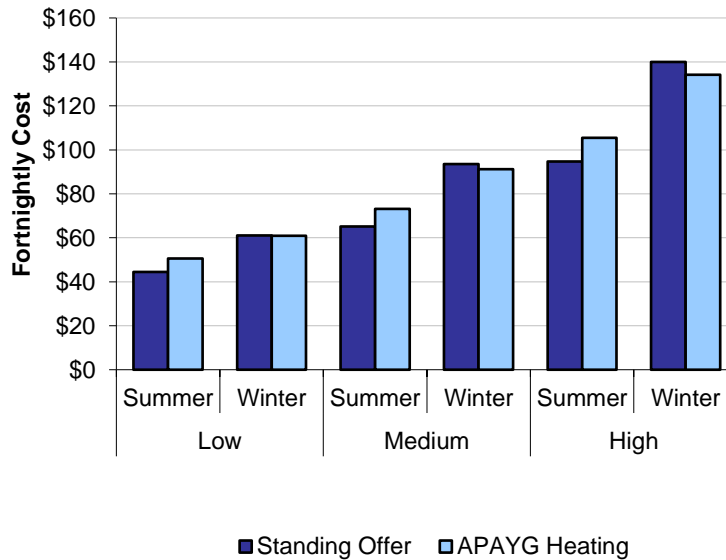


Table 5 shows that the fortnightly cost would be higher with the APAYG Heating product during summer. However, during winter, the fortnightly cost with the APAYG Heating product would be equal to Standing Offer tariffs for customers with low consumption. The fortnightly cost with the APAYG Heating product would be lower during winter for customers with both medium and high consumption compared to Standing Offer tariffs. However, the lower costs in winter do not offset the higher costs in summer.

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

| | Low | | Medium | | High | |
|----------------|------------|------------|------------|------------|-------------|-------------|
| | Summer | Winter | Summer | Winter | Summer | Winter |
| Standing Offer | \$58 | \$77 | \$74 | \$101 | \$82 | \$112 |
| APAYG Offpeak | \$66 | \$85 | \$82 | \$108 | \$92 | \$122 |
| Difference | \$8 | \$8 | \$8 | \$7 | \$10 | \$10 |

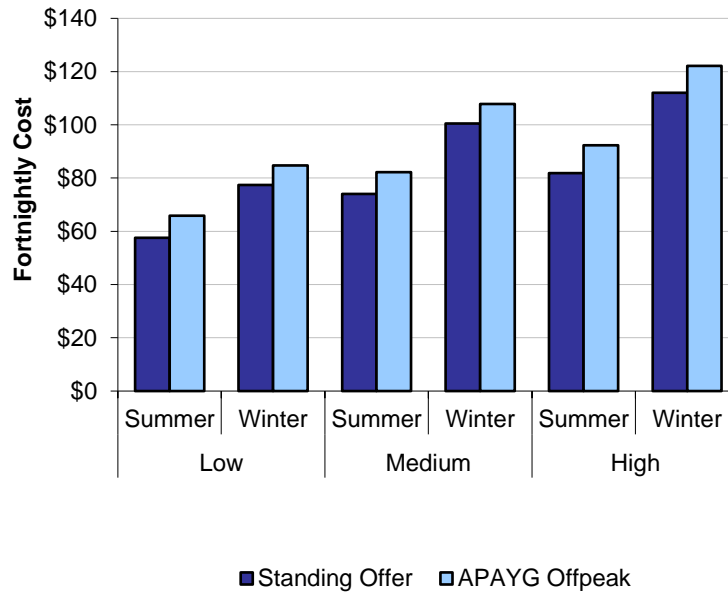


Table 6 shows that fortnightly costs would be higher with the APAYG OffPeak product compared to Standing Offer tariffs at low, medium and high consumption levels in both summer and winter.

Concession customers

This section compared the fortnightly costs for APAYG products and Standing Offer tariffs, after taking into account concession discounts, for typical customers with low, medium and high consumption in both summer and winter.

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

| | Low | | Medium | | High | |
|-------------------|------------|------------|------------|-------------|------------|-------------|
| | Summer | Winter | Summer | Winter | Summer | Winter |
| Standing Offer | \$21 | \$30 | \$42 | \$58 | \$71 | \$97 |
| APAYG Standard | \$25 | \$31 | \$46 | \$57 | \$76 | \$94 |
| Difference | \$4 | \$1 | \$4 | -\$1 | \$5 | -\$3 |

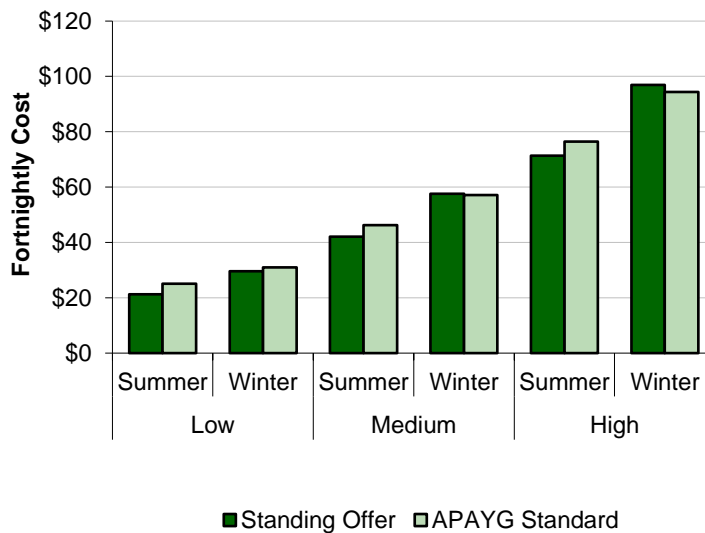


Table 7 shows that, with a concession discount, the fortnightly cost would be higher for the APAYG Standard product compared to Standing Offer tariffs at low, medium and high consumption levels in summer and also for low consumption in winter.

However, for customers with medium and high consumption in winter, the fortnightly cost would be lower for the APAYG Standard product. However, the lower costs in winter do not offset the higher costs in summer.

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

| | Low | | Medium | | High | |
|-------------------|------------|-------------|------------|-------------|-------------|-------------|
| | Summer | Winter | Summer | Winter | Summer | Winter |
| Standing Offer | \$26 | \$43 | \$47 | \$75 | \$76 | \$121 |
| APAYG Heating | \$31 | \$42 | \$54 | \$72 | \$86 | \$116 |
| Difference | \$5 | -\$1 | \$7 | -\$3 | \$10 | -\$5 |

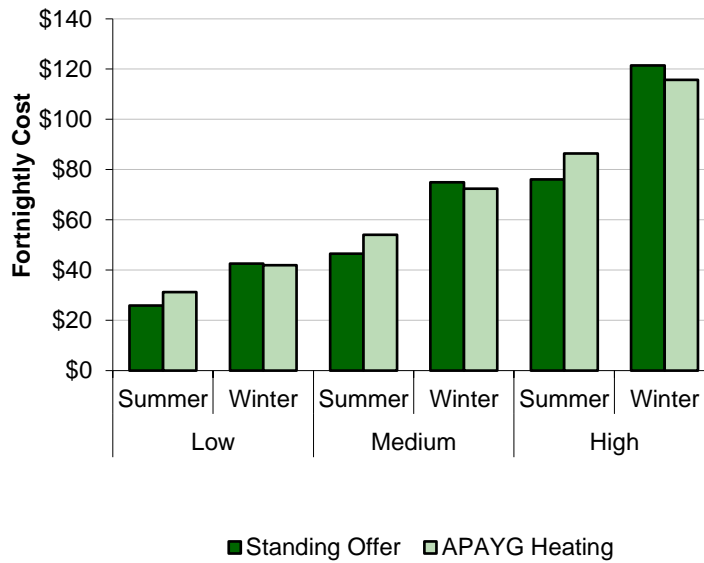


Table 8 shows that, with a concession discount, the fortnightly cost would be higher with the APAYG Heating product compared to Standing Offer tariffs at low, medium and high consumption levels in summer.

The fortnightly cost for customers with a concession discount would be lower with the APAYG Heating product compared to Standing Offer tariffs at low, medium and high consumption levels in winter. However, the lower costs in winter do not offset the higher costs in summer.

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

| | Low | | Medium | | High | |
|-------------------|------------|-------------|------------|-------------|------------|-------------|
| | Summer | Winter | Summer | Winter | Summer | Winter |
| Standing Offer | \$38 | \$60 | \$55 | \$83 | \$62 | \$95 |
| APAYG Offpeak | \$45 | \$59 | \$61 | \$80 | \$71 | \$94 |
| Difference | \$7 | -\$1 | \$6 | -\$3 | \$9 | -\$1 |

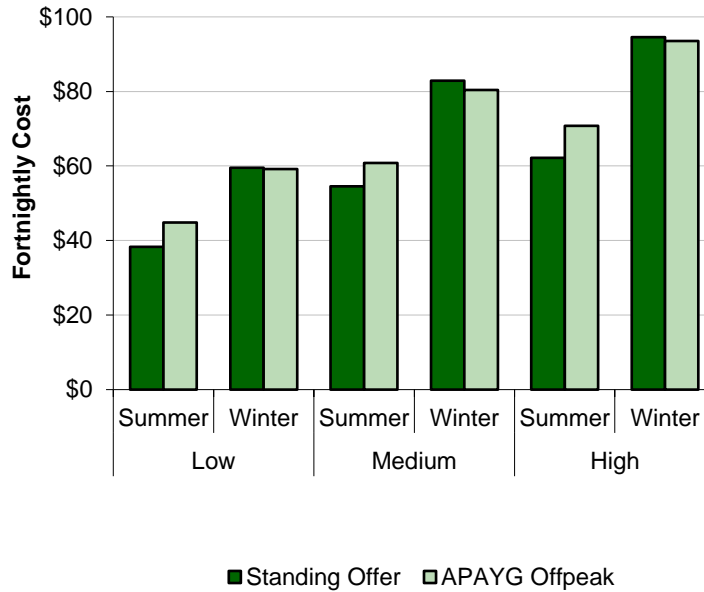


Table 9 shows that, with a concession discount, the fortnightly cost would be higher with the APAYG OffPeak product compared to Standing Offer tariffs at low, medium and high consumption levels in summer, but slightly lower in winter.

The fortnightly cost, with a concession discount, would be lower with the APAYG Offpeak product compared to Standing Offer tariffs at low, medium and high consumption levels in summer. However, the lower costs in winter does not offset the higher costs in summer.

ANNUAL COST COMPARISONS

This section provides annual cost comparisons for the APAYG products and Standing Offer tariffs, including concession discounts, for typical customers with low, medium and high consumption.

Table 10: Annual cost comparison - APAYG Standard and Standing Offer

| | Low (3 475 kWh pa) | Medium (6 405 kWh pa) | High (10 578 kWh pa) |
|-----------------------------|-------------------------------------|--|---------------------------------------|
| Standing Offer | \$1 143 | \$1 779 | \$2 670 |
| APAYG Standard | \$1 263 | \$1 900 | \$2 807 |
| Difference | \$120 | \$121 | \$137 |
| Standing Offer - concession | \$660 | \$1 297 | \$2 187 |
| APAYG Standard - concession | \$729 | \$1 344 | \$2 220 |
| Difference | \$69 | \$47 | \$33 |

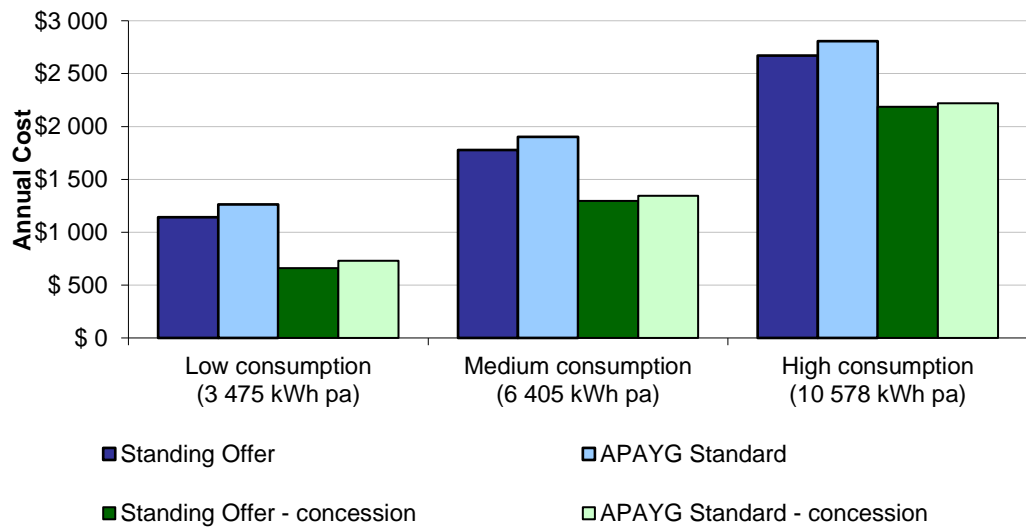


Table 10 shows that the annual cost for the APAYG Standard product is between \$120 and \$137 higher compared to Standing Offer pricing. The annual cost for APAYG Standard product for customers with a concession discount is between \$33 and \$69 higher compared to Standing Offer tariffs.

Table 11: Annual cost comparison - APAYG Heating and Standing Offer

| | Low (4 811 kWh pa) | Medium (8 310 kWh pa) | High (13 285 kWh pa) |
|-----------------------------|-------------------------------------|--|---------------------------------------|
| Standing Offer | \$1 373 | \$2 063 | \$3 051 |
| APAYG Heating | \$1 449 | \$2 137 | \$3 115 |
| Difference | \$76 | \$74 | \$64 |
| Standing Offer - concession | \$890 | \$1 581 | \$2 568 |
| APAYG Heating - concession | \$952 | \$1 644 | \$2 628 |
| Difference | \$62 | \$63 | \$60 |

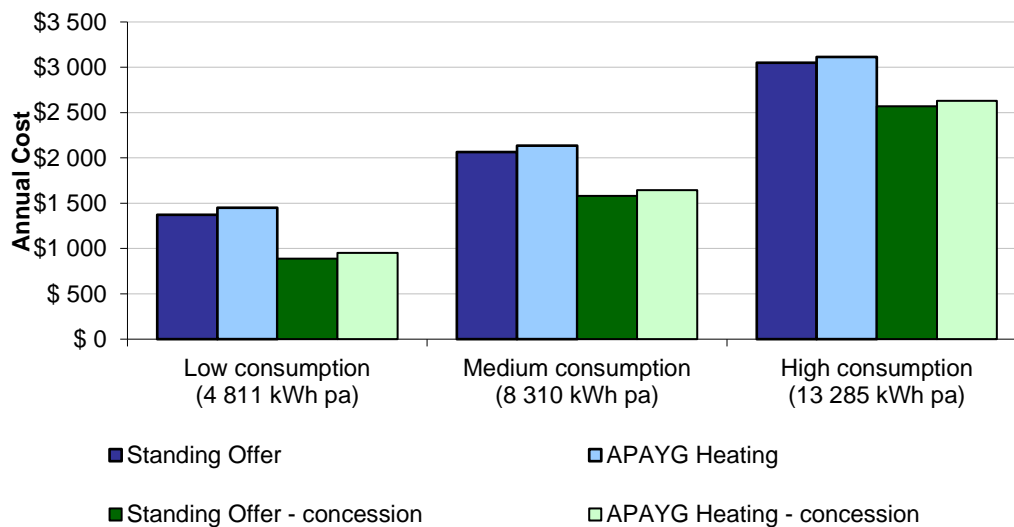


Table 11 shows that the annual cost for the APAYG Heating product is between \$64 and \$76 higher compared to Standing Offer tariffs.

The table also shows that the annual cost for the APAYG Heating product for customers with a concession discount is between \$60 and \$63 higher compared to Standing Offer tariffs.

Table 12: Annual cost comparison - APAYG OffPeak and Standing Offer

| | Tariff 31/61 (6 726 kWh pa) | Tariff 31/41/61 (9 133 kWh pa) | Tariff 31/41/61 (10 623 kWh pa) |
|-----------------------------|--|---|--|
| Standing Offer | \$1 755 | \$2 269 | \$2 520 |
| APAYG Offpeak | \$1 957 | \$2 470 | \$2 788 |
| Difference | \$202 | \$201 | \$268 |
| Standing Offer - concession | \$1 272 | \$1 787 | \$2 038 |
| APAYG Offpeak - concession | \$1 352 | \$1 836 | \$2 136 |
| Difference | \$80 | \$49 | \$98 |

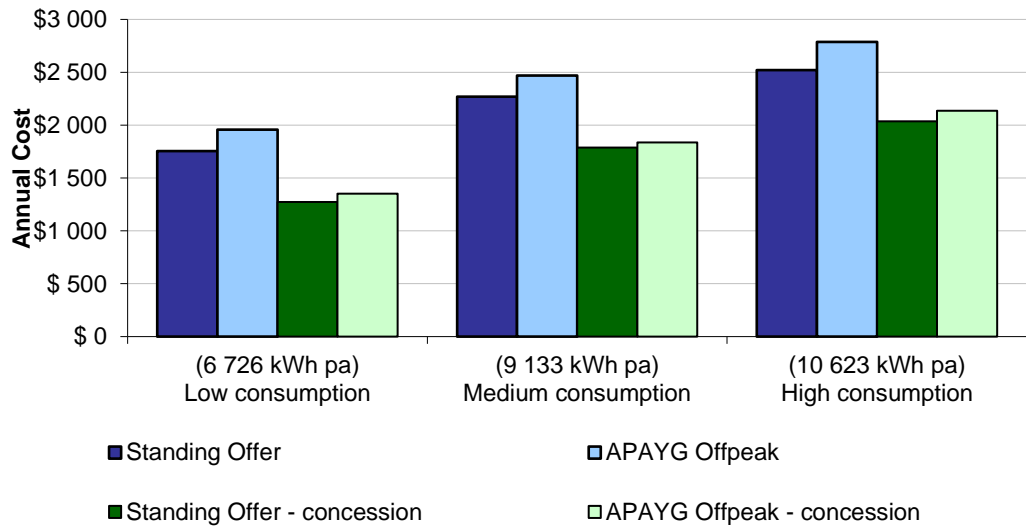


Table 12 shows that the annual cost for the APAYG OffPeak product is between \$201 and \$268 higher compared to Standing Offer tariffs.

The table also shows that the annual cost for APAYG OffPeak product for customers with a concession discount is between \$49 and \$98 higher compared to Standing Offer tariffs.

APPENDIX 1: APAYG RATES AS AT 23 JULY 2016

The following rates apply to all APAYG customers. The rates in **bold** apply only to APAYG concession card holders.

| Summer (c/kWh) | | 6.30am – 11.00am | 11.00am – 4.30pm | 4.30pm – 10.30pm | 10.30pm – 6.30am |
|---------------------------|-----------|---------------------|---------------------|---------------------|---------------------|
| APAYG | | | | | |
| Standard | Mon – Fri | 27.27 | 21.22 | 27.27 | 12.38 |
| | Sat - Sun | 21.22 | 21.22 | 21.22 | 12.38 |
| APAYG | | | | | |
| Heating | Mon – Fri | 26.74 | 20.81 | 26.74 | 12.09 |
| | Sat - Sun | 20.81 | 20.81 | 20.81 | 12.09 |
| APAYG | | | | | |
| OffPeak | Mon – Fri | 27.27 | 21.22 | 27.27 | 12.38 |
| | Sat - Sun | 21.22 | 21.22 | 21.22 | 12.38 |

| Winter (c/kWh) | | 6.30am – 11.00am | 11.00am – 4.00pm | 4.00pm – 8.00pm | 8.00pm – 6.30am | | |
|---------------------------|-----------|---------------------|---------------------|--------------------|--------------------|--------------|-------|
| APAYG | | | | | | | |
| Standard | Mon – Fri | 27.32 | 21.94 | 19.41 | 21.94 | 15.63 | 17.32 |
| | Sat - Sun | 19.41 | 21.94 | 19.41 | 21.94 | 15.63 | 17.32 |
| APAYG | | | | | | | |
| Heating | Mon – Fri | 22.36 | 22.36 | 15.63 | 15.63 | 15.63 | 15.63 |
| | Sat - Sun | 22.36 | 22.36 | 15.63 | 15.63 | 15.63 | 15.63 |
| APAYG | | | | | | | |
| OffPeak | Mon – Fri | 27.32 | 21.94 | 19.41 | 21.94 | 13.14 | 16.02 |
| | Sat - Sun | 19.41 | 21.94 | 19.41 | 21.94 | 13.14 | 16.02 |

| | Daily fixed charges (cents per day) | Concession |
|-----------------------|-------------------------------------|---|
| APAYG Standard | 139.58 | There is no daily fixed charge for concession card holders. |
| APAYG Heating | 138.19 | |
| APAYG OffPeak | 143.64 | |

APPENDIX 2: STANDING OFFER PRICES AS AT 1 JULY 2016

| Tariff | | Fixed charges (cents per day) | Energy (cents per kWh) | Conditions |
|-------------------|------------------------------|--|---------------------------|--|
| 31 | Residential light and power | 92.457 | 26.065 | |
| 41 | Heating and Hot Water | 17.907 | 15.719 | This tariff applies only in association with Tariff 31 |
| 61 | OffPeak with afternoon boost | 22.692 | 12.655 | This tariff applies only in association with Tariff 31 |
| Concession | | 132.557 cents per day from 1 July 2016 ⁴ (Annual Rebate of \$483.83) | | |

Prices are inclusive of GST.

⁴ Concession details are available from:
http://www.concessions.tas.gov.au/concessions/electricity_and_heating

APPENDIX 3: CONSUMPTION PROFILES

APAYG Standard Load Profile

| Summer | 6.30am – 11.00am | 11.00am – 4.30pm | 4.30pm – 10.30pm | 10.30pm – 6.30am |
|-------------------|---------------------|---------------------|---------------------|---------------------|
| Mon – Fri | 6.7% | 6.2% | 10.1% | 5.5% |
| Sat - Sun | 2.6% | 4.1% | 5.5% | 2.2% |
| <i>Concession</i> | | | | |
| Mon – Fri | 6.7% | 6.8% | 9.8% | 5.3% |
| Sat - Sun | 2.5% | 4.0% | 5.5% | 2.1% |
| Winter | 6.30am – 11.00am | 11.00am – 4.00pm | 4.00pm – 8.00pm | 8.00pm – 6.30am |
| Mon – Fri | 8.8% | 7.1% | 10.1% | 10.9% |
| Sat - Sun | 3.4% | 4.7% | 7.9% | 4.4% |
| <i>Concession</i> | | | | |
| Mon – Fri | 8.9% | 7.9% | 10.1% | 10.4% |
| Sat - Sun | 3.3% | 4.6% | 7.9% | 4.2% |

APAYG Heating Load Profile

| Summer | 6.30am – 11.00am | 11.00am – 4.30pm | 4.30pm – 10.30pm | 10.30pm – 6.30am |
|-------------------|---------------------|---------------------|---------------------|---------------------|
| Mon – Fri | 6.3% | 5.4% | 9.1% | 4.8% |
| Sat - Sun | 2.5% | 3.7% | 5.2% | 1.9% |
| <i>Concession</i> | | | | |
| Mon – Fri | 6.3% | 6.1% | 8.9% | 4.4% |
| Sat - Sun | 2.4% | 3.8% | 5.3% | 1.7% |
| Winter | 6.30am – 11.00am | 11.00am – 4.00pm | 4.00pm – 8.00pm | 8.00pm – 6.30am |
| Mon – Fri | 9.6% | 7.0% | 10.7% | 11.6% |
| Sat - Sun | 4.6% | 3.9% | 9.2% | 4.6% |
| <i>Concession</i> | | | | |
| Mon – Fri | 9.7% | 8.1% | 10.9% | 10.3% |
| Sat - Sun | 4.6% | 3.9% | 9.5% | 4.1% |

APAYG Offpeak Load Profile

| Summer | 6.30am – 11.00am | 11.00am – 4.30pm | 4.30pm – 10.30pm | 10.30pm – 6.30am |
|-------------------|---------------------|---------------------|---------------------|---------------------|
| Mon – Fri | 6.1% | 6.1% | 9.5% | 5.4% |
| Sat - Sun | 2.3% | 3.8% | 5.1% | 2.2% |
| <i>Concession</i> | | | | |
| Mon – Fri | 5.9% | 6.5% | 9.1% | 5.3% |
| Sat - Sun | 2.3% | 3.6% | 4.9% | 2.1% |
| Winter | 6.30am – 11.00am | 11.00am – 4.00pm | 4.00pm – 8.00pm | 8.00pm – 6.30am |
| Mon – Fri | 8.4% | 7.4% | 9.9% | 12.7% |
| Sat - Sun | 3.9% | 3.9% | 8.3% | 5.1% |
| <i>Concession</i> | | | | |
| Mon – Fri | 8.1% | 8.4% | 10.0% | 12.8% |
| Sat - Sun | 3.8% | 3.9% | 8.2% | 5.1% |