

APAYG Price Comparison Report 2017

CONTACT DETAILS

Office of the Tasmanian Economic Regulator

Office hours: 8.45am to 5.00pm, Monday to Friday (except public holidays)

Street address: Level 3, 21 Murray Street, Hobart, Tasmania 7000

Postal address: GPO Box 770, Hobart, Tasmania 7001

Telephone: (03) 6166 4422 or international +61 3 6166 4422

Email: office@economicregulator.tas.gov.au

Website: www.economicregulator.tas.gov.au

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1.1 Introduction

Each new financial year, following the Tasmanian Economic Regulator's (the Regulator) approval of Aurora Energy's annual standing offer (regulated) electricity prices, the Regulator compares the annual bills for Aurora Energy's prepayment products, Aurora Pay As You Go (APAYG) (Standard, Heating and Off-Peak), with the annual bills for Aurora Energy's regulated products. Aurora Energy published its 2017-18 regulated prices effective 1 July 2017 and its APAYG prices effective 29 July 2017.

Unlike previous APAYG Price Comparison Reports, which compared APAYG products against combinations of Tariffs 31, 41 and 61, this report compares APAYG products against Aurora Energy's time-of-use Tariff 93 (T93). The Regulator views T93 as the most relevant of Aurora Energy's regulated products to compare APAYG products against due to their shared time-of-use characteristics. Since the basis for this price comparison has changed, the Regulator has reviewed its price comparison methodology to account specifically for the time-of-use aspects of the APAYG and Tariff 93 products.

In conducting this price comparison, the Regulator notes that while APAYG prices rose by approximately two per cent from 2016-17 levels in 2017-18, Aurora Energy did not increase the prices for its T93 product.

1.2 Method

Due to technological constraints, Aurora Energy was unable to provide the Regulator with detailed information about APAYG customers and their electricity usage patterns. Table 1 shows the information that Aurora Energy was able to provide to the Regulator.

Table 1 APAYG Customer information

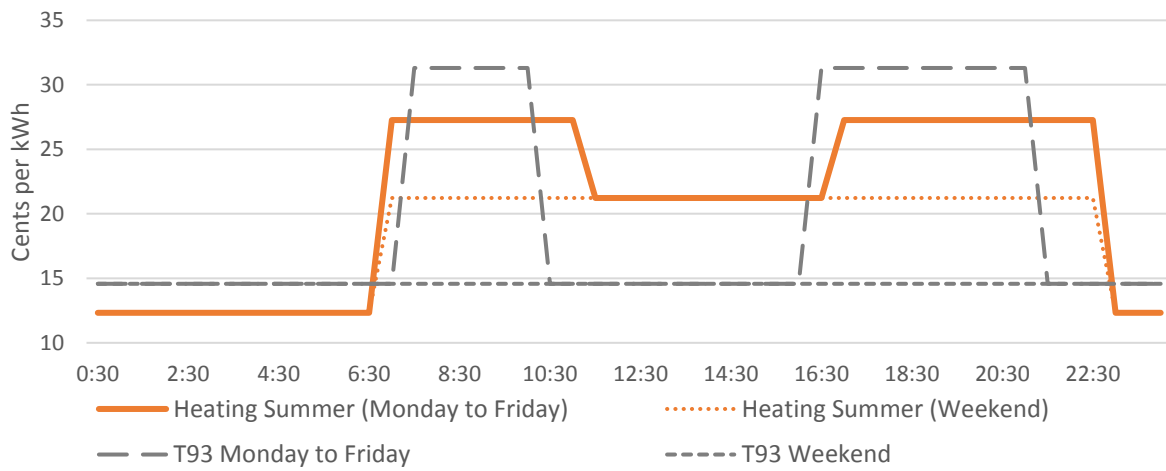
APAYG product	Customers	Average usage (kWh)
Heating	4 879	8 577
Heating (Concession)	5 885	7 910
OffPeak	507	7 372
OffPeak (Concession)	609	7 136
Standard	5 643	6 920
Standard (Concession)	6 147	6 824

To make a meaningful comparison between APAYG products and the T93 product the Regulator constructed a customer usage profile that could account for:

- a) APAYG rates, which vary based not only on the time of day but also between summer and winter and between weekdays and weekends; and
- b) Tariff 93 rates, which also vary based on the time of day and between weekdays and weekends.

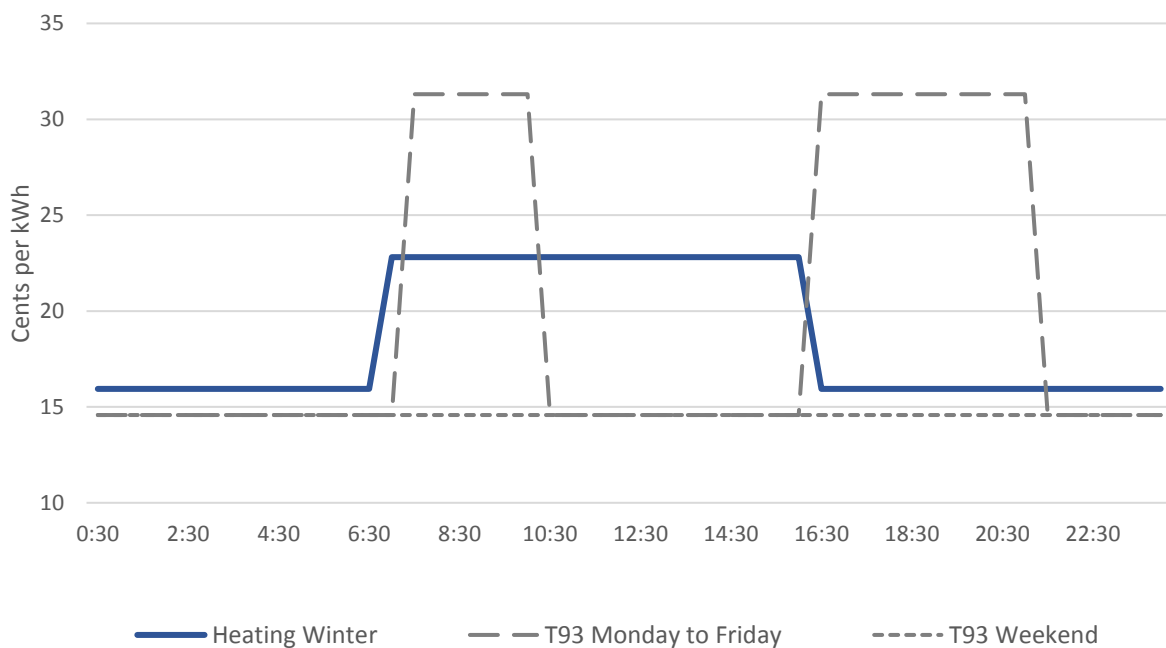
Another complication affecting this comparison is that the time-of-use periods (peak and off-peak) for APAYG do not directly match those for T93. Chart 1 shows the difference between the prices and peak times for T93 and APAYG (Heating) during summer.

Chart 1 Electricity cost per kWh in summer



For APAYG products, prices and peak times also differ between summer and winter. Chart 2 shows the difference between T93 and APAYG (Heating) prices and peak times during winter.

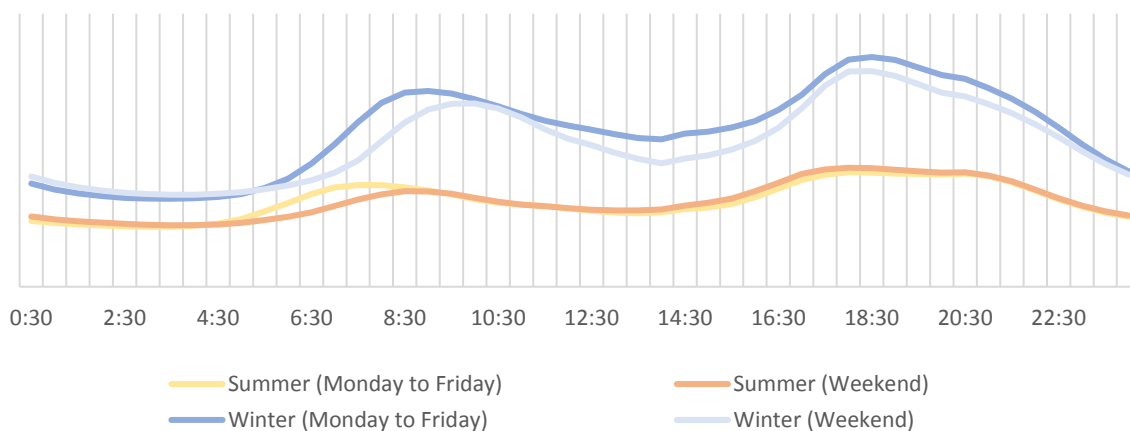
Chart 2 Electricity cost per kWh in winter



To reflect these pricing differences, the Regulator used load profile data¹ from the Australian Energy Market Operator (AEMO) to estimate load profiles for Aurora Energy customers, as shown in Chart 3.

¹ <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Data/Metering/Load-Profiles>

Chart 3 Estimated load profile



From the profiles in Chart 3, the Regulator estimates that:

- 26 per cent of Aurora Energy customers' annual electricity usage occurs during summer weekdays;
- a further 10 per cent occurs during summer weekends;
- another 47 per cent occurs during winter weekdays; and
- the remaining 17 per cent occurs during winter weekends.

If, in future years, Aurora Energy is able to provide actual customer load data, the Regulator will use Aurora Energy's load profile data rather than create an estimated load profile. This will allow the Regulator to produce more detailed price comparisons between the APAYG and Tariff 93 products.

1.3 Price Comparisons

The Regulator based the price comparisons between APAYG products and T93 shown in Table 2 on the estimated usage profiles (Chart 3), average APAYG customer annual electricity usages (Table 1) and the price schedules included below in section 1.4.

Note that there are no daily fixed charges for APAYG concession customers, whereas T93 concession customers pay a daily fixed charge. However, the daily concession discount offsets the fixed charge for T93 concession customers and results in the calculation of their fixed charges for the year returning a negative value.

Table 2 shows that the total annual bills for customers with APAYG products are higher than the total annual bills for customers with the T93 product at the same usage rates. The difference between T93 and APAYG annual bills in this comparison varies from six per cent (\$134) for APAYG (Heating) to 16 per cent (\$273) for APAYG (Standard). For concession customers, the difference varies from eight per cent (\$113) for APAYG (Heating) to 15 per cent (\$180) for APAYG (Standard).

The Regulator notes that this comparison serves as an estimate only, and that the non-price benefits of APAYG products may outweigh their additional expense when compared to the T93 product.

Table 2 APAYG products and T93 comparisons

	Annual Fixed Charges	Summer Usage Charges	Winter Usage Charges	Total	Comparison difference
Heating	514	655	1032	2201	6%
T93	376	604	1087	2067	134
Heating (Concession)	0	604	951	1555	8%
T93 (Concession)	-117	557	1003	1442	113
OffPeak	535	574	995	2104	15%
T93	376	519	935	1830	274
OffPeak (Concession)	0	556	876	1432	11%
T93 (Concession)	-117	502	905	1289	143
Standard	520	539	954	2013	16%
T93	376	487	877	1740	273
Standard (Concession)	0	532	877	1408	15%
T93 (Concession)	-117	480	865	1228	180

I.4 Price schedules

APAYG			Summer usage charges (c/kWh)				Winter usages charge (c/kWh)			
			6:30-11:00	11:00-16:30	16:30-22:30	22:30-6:30	7:00-11:00	11:00-16:00	16:00-20:00	20:00-7:00
Heating										
<i>Daily Charge (cents)</i>	140.950	<i>Monday to Friday</i>	27.270	21.230	27.270	12.330	22.810	22.810	15.940	15.940
		<i>Weekend</i>	21.230	21.230	21.230	12.330	22.810	22.810	15.940	15.940
OffPeak										
<i>Daily Charge (cents)</i>	146.510	<i>Monday to Friday</i>	27.820	21.640	27.820	12.630	27.870	22.380	22.380	16.340
		<i>Weekend</i>	21.640	21.640	21.640	12.630	22.380	22.380	22.380	16.340
OffPeak (Concession)										
		<i>Monday to Friday</i>	27.820	21.640	27.820	12.630	27.870	22.380	19.80	13.40
		<i>Weekend</i>	21.640	21.640	21.640	12.630	19.80	19.80	19.80	13.40
Standard										
<i>Daily Charge (cents)</i>	142.370	<i>Monday to Friday</i>	27.820	21.640	27.820	12.630	27.870	22.380	22.380	17.670
		<i>Weekend</i>	21.640	21.640	21.640	12.630	22.380	22.380	22.380	17.670
Standard (Concession)										
		<i>Monday to Friday</i>	27.820	21.640	27.820	12.630	27.870	22.380	19.80	15.940
		<i>Weekend</i>	21.640	21.640	21.640	12.630	19.80	19.80	19.80	15.940

T93			Usage charges (c/kWh)			
			7:00-10:00	10:00-16:00	16:00-21:00	21:00-7:00
<i>Daily Charge (cents)</i>	103.021	<i>Monday to Friday</i>	31.307	14.577	31.307	14.577
<i>Concession Discount</i>	135.208	<i>Weekend</i>	14.577	14.577	14.577	14.577

