



**2011 Aurora Pay As You Go
price comparison report**

(rates from 1 January 2011)

December 2010

Printed December 2010

Office of the Tasmanian Economic Regulator

Level 5, 111 Macquarie Street, Hobart TAS 7000

GPO Box 770, Hobart TAS 7001

Phone: (03) 6233 6323 Fax (03) 6233 5666

Copyright

© Office of the Tasmanian Economic Regulator

TABLE OF CONTENTS

INTRODUCTION	1
OBSERVATIONS	2
METHODOLOGY	3
ASSUMPTIONS.....	4
FORTNIGHTLY COMPARISONS	5
FORTNIGHTLY COMPARISONS – CONCESSION CUSTOMERS.....	8
ANNUAL COMPARISONS.....	11
AURORA’S STANDARD REGULATED RESIDENTIAL TARIFFS.....	14
APAYG RATES AND CHARGES: AS AT 1 JANUARY 2011	15

INTRODUCTION

Aurora Energy offers a prepayment option, Aurora Pay As You Go (APAYG), to residential customers as an alternative to electricity supply via the standard regulated tariffs. APAYG is currently used by around 39 000, or 17 per cent, of Tasmanian 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 regulated 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.

The Regulator, in its *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 doing so is to help customers make an informed choice as to which service offers more value to them. This is the fourth such report 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
- 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.

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

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:

- Customers on the Standard (Light and Power and Hot Water) tariffs pay around \$3 more per fortnight on APAYG and \$52 to \$96 more per year on APAYG, depending on their level of consumption.
- High consumption Standard concession customers pay only \$1 more per fortnight in summer and \$10 less per fortnight in winter on APAYG, which amounts to around \$115 less on APAYG over the course of a year.
- HydroHeat customers (on Light and Power and HydroHeat tariffs) may pay up to \$7 more per fortnight in summer on APAYG, and \$3 less per fortnight in winter. For high consumption HydroHeat customers, there is very little difference between the annual cost on APAYG and the regulated tariffs, while customers with low to medium consumption may pay between \$60 to \$80 more on APAYG over the course of a year.
- HydroHeat customers eligible for a concession may pay as little as \$3 more per fortnight in summer and around \$6 less per fortnight in winter on APAYG. This equates to such customers paying up to \$64 less over the course of the year on APAYG.
- OffPeak customers (with fortnightly costs of \$65 in summer and \$100 in winter) may be paying around \$7 more on APAYG per fortnight in summer, and around \$8 more per fortnight in winter. This equates to these customers paying up to \$216 more on APAYG over the course of the year.
- High consumption OffPeak customers who consume proportionately more electricity in winter may pay up to \$7 more on APAYG in summer, and \$2 less in winter, resulting in such customers paying only \$60 more on APAYG over the full year.
- OffPeak customers with a concession may pay as little as \$3 more per fortnight in summer and around \$3 less per fortnight in winter on APAYG, which means that over the course of the year, APAYG costs around the same as the regulated tariffs, with the difference being less than \$20 either way.

Thus, APAYG may be less attractive for non-concession 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. However, for customers eligible for a concession, it appears that APAYG may be an attractive option, with small savings on APAYG compared to the standard regulated tariffs.

APAYG appears to be on par with the standard regulated tariffs (for customers not eligible for a concession) for high consumption winter usage, and slightly more attractive for HydroHeat customers due to the lower winter rates. Indeed, APAYG non-concession 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 by around 8.8 per cent in January 2011, which is around \$100 per year for low consumption customers and \$210 per year for high consumption customers. Standard regulated tariffs increased by 8.8 per cent on 1 December 2010.

METHODOLOGY

This price comparison is based on the typical customer methodology established by the Regulator in its 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 effective from 1 January 2011 and rates for standard regulated tariff customers effective from 1 December 2010.

The Report also compares the prices for APAYG and standard regulated tariff customers entitled to receive a relevant concession.

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, September 2010* 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

The comparisons in this section are based on APAYG and standard regulated tariff customers, without concessions applied.

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	\$40	\$40	\$64	\$64	\$81	\$115
APAYG	\$44	\$43	\$68	\$67	\$85	\$116
Difference	+\$4	+\$3	+\$4	+\$3	+\$4	+\$1

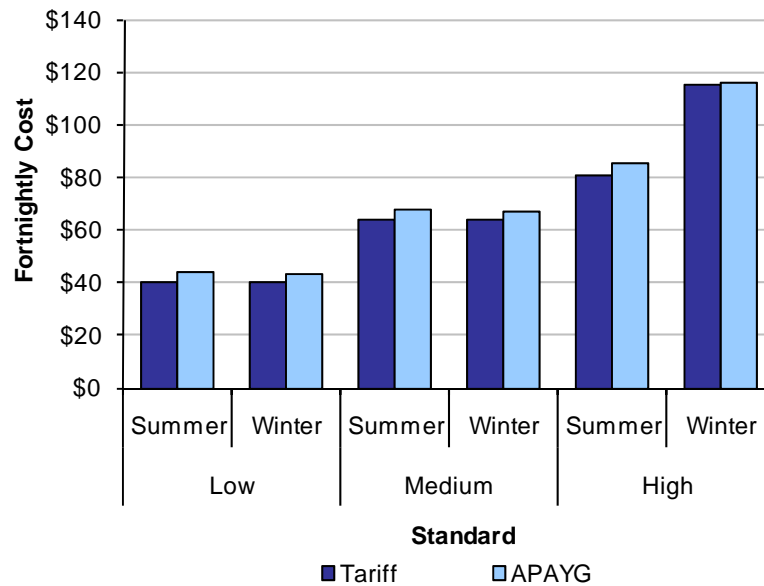


Table 1 shows that Standard APAYG customers pay around the same amount per fortnight as customers on the standard regulated tariff, across all levels of consumption. The difference in fortnightly cost is not significant, being less than \$4 more per fortnight under the low, medium and high consumption 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	\$50	\$50	\$64	\$90	\$75	\$157
APAYG	\$55	\$50	\$71	\$88	\$82	\$149
Difference	+\$5	nil	+\$7	-\$2	+\$7	-\$8

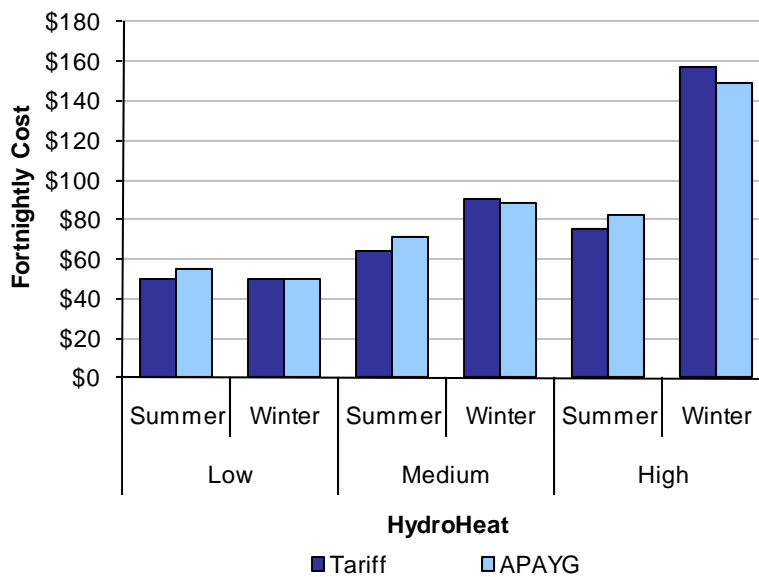


Table 2 shows that APAYG HydroHeat customers generally pay more per fortnight than customers on standard regulated tariffs in summer, but pay the same or lower per fortnight in winter. APAYG HydroHeat customers with medium and high consumption may pay up to eight dollars less per fortnight in winter compared to 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	\$55	\$76	\$58	\$113	\$64	\$127
APAYG	\$63	\$83	\$65	\$123	\$71	\$125
Difference	+\$8	+\$7	+\$7	+\$10	+\$7	-\$2

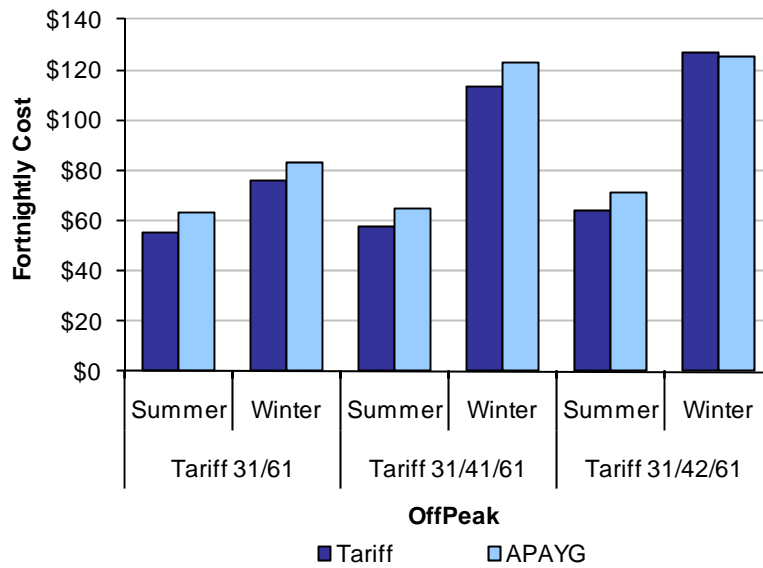


Table 3 shows that for OffPeak customers, the fortnightly cost is generally higher for APAYG customers compared to those on the standard regulated tariffs, particularly during summer. APAYG OffPeak customers may pay slightly less than customers on the standard regulated tariffs during winter, depending on the proportion of winter usage.

FORTNIGHTLY COMPARISONS – CONCESSION CUSTOMERS

The comparisons in this section are based on APAYG and standard regulated tariff customers, with the relevant concessions applied.

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

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Regulated tariff	\$26	\$26	\$50	\$50	\$67	\$101
APAYG	\$27	\$24	\$51	\$46	\$68	\$92
Difference	+\$1	-\$2	+\$1	-\$4	+\$1	-\$9

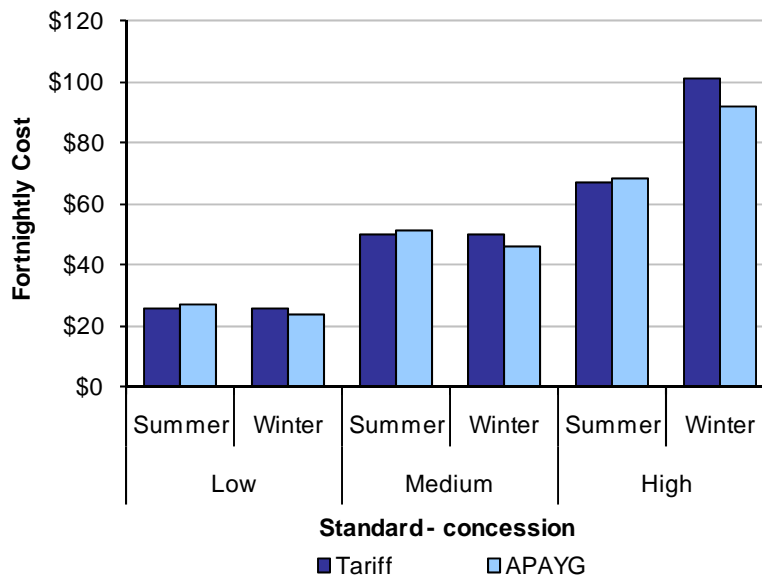


Table 4 shows that Standard APAYG concession customers pay the same per fortnight as concession customers on the standard regulated tariff during summer, and slightly less per fortnight in winter, with the difference increasing with consumption.

⁴ See last page for tariff details.

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

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Regulated tariff	\$36	\$36	\$50	\$76	\$61	\$142
APAYG	\$38	\$33	\$55	\$71	\$66	\$133
Difference	+\$2	-\$3	+\$5	-\$5	+\$5	-\$9

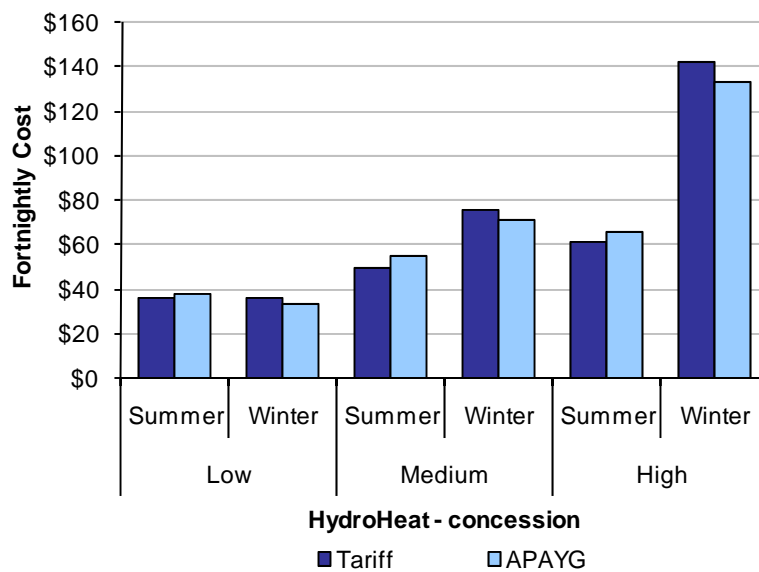


Table 5 shows that APAYG HydroHeat concession customers generally pay less per fortnight than concession customers on standard regulated tariffs across all consumption groups in winter although, at a low consumption level, the difference between the two is insignificant. In winter, APAYG HydroHeat customers with a concession may pay up to nine dollars less per fortnight. 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 6: Fortnightly cost for OffPeak concession customers

	Tariff 31/61		Tariff 31/41/61		Tariff 31/42/61	
	Summer	Winter	Summer	Winter	Summer	Winter
Regulated tariff	\$41	\$62	\$44	\$99	\$50	\$113
APAYG	\$46	\$59	\$47	\$96	\$54	\$109
Difference	+\$5	-\$3	+\$3	-\$3	+\$4	-\$4

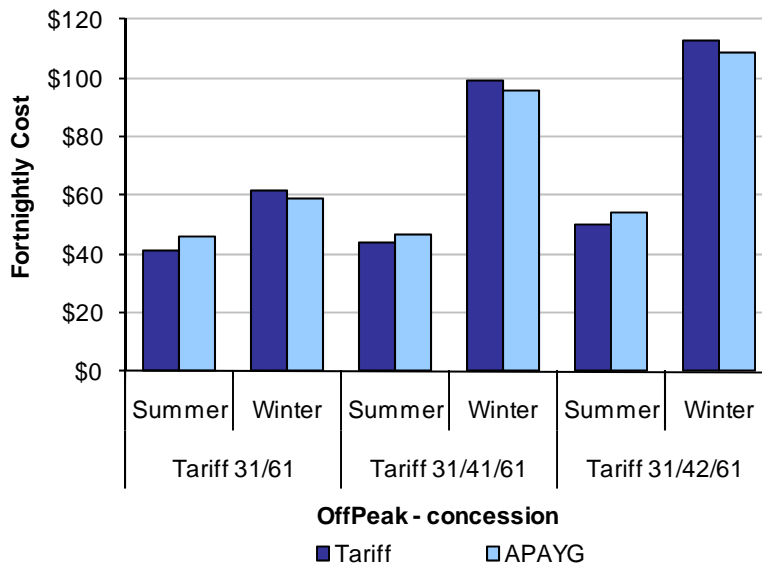


Table 6 shows that for OffPeak customers with a concession, the fortnightly cost is marginally higher for APAYG customers compared to those on the standard regulated tariffs in summer, while in winter, the opposite is true. APAYG OffPeak concession customers that consume proportionally more electricity in the winter months can expect to pay up to four dollars less per fortnight than customers on the standard regulated tariffs during winter.

ANNUAL COMPARISONS

Table 7: Annual cost for low, medium and high consumption standard tariff customers (Tariff 31 and Tariff 41)

	Low (3 706 kWh pa)	Medium (7 018 kWh pa)	High (11 660 kWh pa)
Regulated tariff	\$1 037	\$1 674	\$2 558
APAYG	\$1 133	\$1 750	\$2 610
Difference	+\$96	+\$76	+\$52
Regulated tariff - concession	\$670	\$1 308	\$2 192
APAYG - concession	\$667	\$1 262	\$2 077
Difference - concession	-\$4	-\$45	-\$115

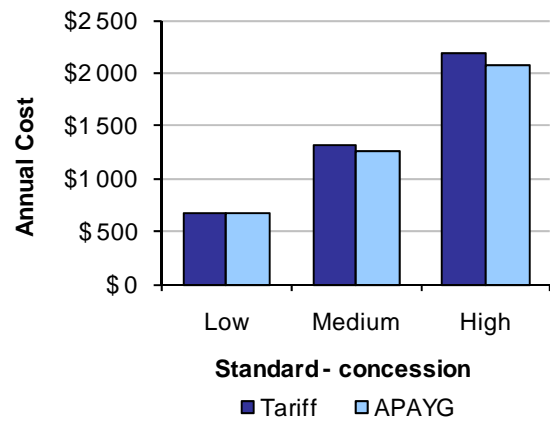
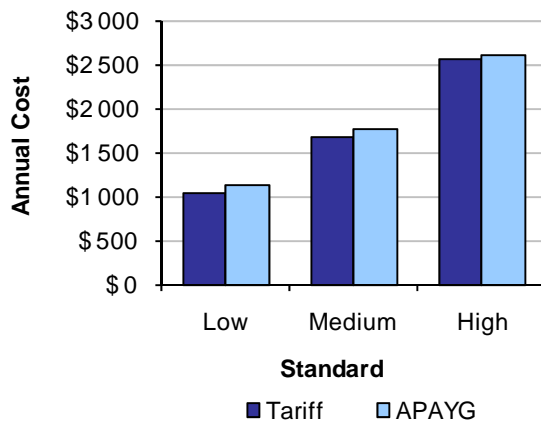


Table 7 shows that Standard APAYG customers pay between \$50 and \$100 more per year than customers on the Standard regulated tariffs. However, when concessions are applied, it appears that Standard APAYG customers may pay up to \$115 less over the course of the year, depending on the level of consumption and proportion of winter usage.

Table 8: Annual cost for low, medium and high consumption HydroHeat customers (Tariff 31 and Tariff 42)

	Low (5 392 kWh pa)	Medium (9 587 kWh pa)	High (15 368 kWh pa)
Regulated tariff	\$1 290	\$2 008	\$3 006
APAYG	\$1 368	\$2 068	\$3 013
Difference	+\$78	+\$59	+\$7
Regulated tariff - concession	\$923	\$1 642	\$2 640
APAYG - concession	\$930	\$1 631	\$2 576
Difference - concession	+\$7	-\$11	-\$64

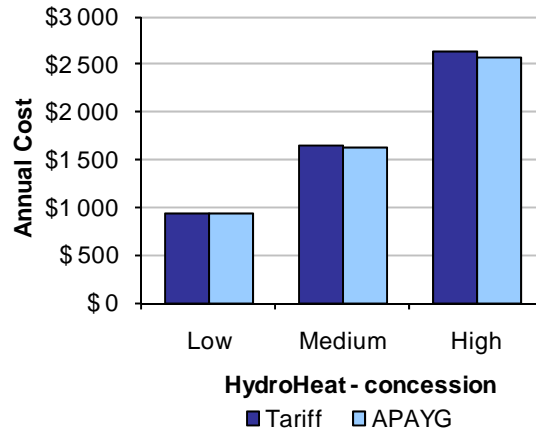
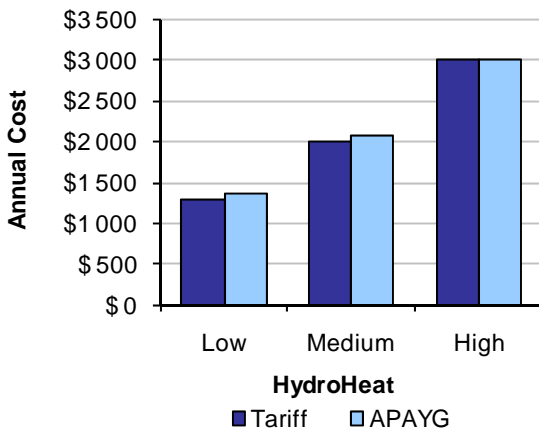


Table 8 shows annual costs for HydroHeat customers on APAYG compared to those on standard regulated tariffs, with and without concessions applied. Over the course of a year, HydroHeat customers pay more on APAYG than those on the standard regulated tariffs although, at high consumption levels, the difference is insignificant. For concession customers, HydroHeat APAYG customers generally pay less over the year than those on the standard regulated tariffs. On average, APAYG HydroHeat customers pay between \$7 and \$78 more per year while those with a concession pay up to \$64 less per year on APAYG, depending on the level of consumption.

Table 9: Annual cost for OffPeak customers

	Tariff 31/61 (7 850 kWh pa)	Tariff 31/41/61 (10 838 kWh pa)	Tariff 31/42/61 (12 586 kWh pa)
Regulated tariff	\$1 712	\$2 220	\$2 488
APAYG	\$1 896	\$2 436	\$2 547
Difference	+\$185	+\$216	+\$59
Regulated tariff - concession	\$1,346	\$1 854	\$2 122
APAYG - concession	\$1,364	\$1 857	\$2 110
Difference - concession	+\$19	+\$2	-\$12

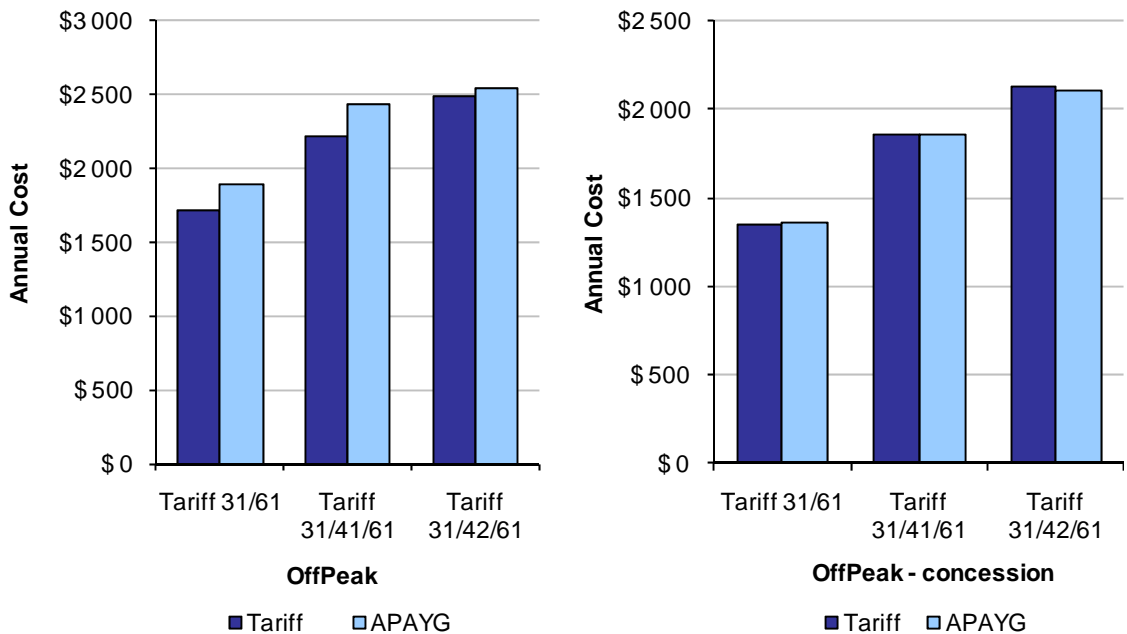


Table 9 shows annual costs for OffPeak customers on APAYG compared to those on standard regulated tariffs, including the relevant concessions. Over the course of a year, OffPeak customers pay up to \$216 more on APAYG than those on the standard regulated tariffs. OffPeak customers with a concession pay about the same over the course of a year on APAYG, with the difference in costs being around \$20 compared to OffPeak customers on the regulated tariffs.

Overall, the comparisons show that over the course of a year, those who are not concession customers pay more on APAYG than on the regulated tariffs, although the difference is generally only a few dollars per fortnight, on average \$90 more over the course of a year. However, APAYG customers with the ability to modify their usage can take advantage of low winter rates to reduce their annual bills and bring them into line with the regulated tariffs. For concession customers, it appears that APAYG concession customers may save a small percentage on their annual electricity bills compared to the regulated tariffs. Over the course of a year, APAYG concession customers may pay between \$10 and \$100 less, depending on the level of consumption and proportion of winter usage.

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

Concession: 100.6 cents per day (from 1 December 2011)⁵

⁵ Concession details are available from http://www.concessions.tas.gov.au/concessions/electricity_and_heating

APAYG RATES AND CHARGES: AS AT 1 JANUARY 2011

The following rates apply to all Aurora Pay As You Go customers, except those in **bold** which apply only to concession card holders.

Summer (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.00pm – 10.30pm	10.30pm – 6.30am
APAYG Standard	Mon – Fri	23.70	18.44	23.70	10.75
	Sat - Sun	18.44	18.44	18.44	10.75
APAYG HydroHeat	Mon – Fri	23.22	18.08	23.22	10.52
	Sat - Sun	18.08	18.08	18.08	10.52
APAYG OffPeak	Mon – Fri	23.70	18.44	23.70	10.75
	Sat - Sun	18.44	18.44	18.44	10.75

Winter (c/kWh)		6.30am – 11.00am		11.00am – 4.30pm		4.00pm – 8.00pm		8.00pm – 6.30am	
APAYG Standard	Mon – Fri	23.74		19.06		19.06	16.87	15.06	13.57
	Sat - Sun	19.06	16.87	19.06	16.87	19.06	16.87	15.06	13.57
APAYG HydroHeat	Mon – Fri	19.43		19.43		13.57		13.57	
	Sat - Sun	19.43		19.43		13.57		13.57	
APAYG OffPeak	Mon – Fri	23.74		19.06		19.06	16.87	13.91	11.41
	Sat - Sun	19.06	16.87	19.06	16.87	19.06	16.87	13.91	11.41

APAYG Fixed charges (c/day)

	Non-concession	Concession
APAYG Standard	121.28	n/a
APAYG OffPeak	124.81	n/a
APAYG HydroHeat	120.08	n/a

n/a – not applicable. There is no daily standing charge for concession card holders.