



**2009 Aurora Pay As You Go
Price Comparison Supplementary Report
Concession Customers**

(rates from 1 August 2009)

August 2009

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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

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INTRODUCTION

Aurora Pay As You Go (APAYG) is a prepaid electricity service available to residential customers as an alternative to electricity supply via the standard tariffs. APAYG is used by around 44 000 Tasmanian customers, or 20 per cent of all residential customers.

APAYG offers Time of Use pricing, which is currently unavailable to residential customers on standard 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, January 2007 did not include prices charged for APAYG customers in the investigation of maximum prices. Instead, the Regulator decided that price movements would be monitored and reported on and in doing so make comparisons of APAYG costs with standard tariff costs. The purpose of this regime is to aid customers in making an informed choice as to which service offers more value to them.

In July 2009, the Office of the Tasmanian Economic Regulator (OTTER) released its third APAYG price comparison report, comparing standard tariffs against APAYG rates as at 8 July 2009. The Report found that the only customers that may pay less on APAYG than the standard tariff in any period, are HydroHeat customers in winter. However, overall, these customers are likely to pay more over the year than customers on standard tariffs. APAYG appeared to be on par with the standard tariffs for high consumption winter usage, and slightly more attractive for HydroHeat customers due to the lower winter rates.

APAYG rates increased significantly from July 2008 to July 2009 compared to the increases in standard tariffs. Summer APAYG prices increased by 7.2 per cent from 2008 while winter rates increased by between 20 and 35.6 per cent in the evening and night time periods, and up to 46.3 per cent at night for OffPeak APAYG customers.

From 8 July 2009, concession customers (those customers who hold a health care card or pensioner concession card) received the same daily rebate whether a tariff

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

customer or a user of APAYG. Thus the estimates of fortnightly differences in the July 2009 Report were the same with or without the pensioner rebate.

However, on 26 July 2009, the State Government announced that Aurora Energy had agreed to its request to offer a further discount for eligible APAYG concession customers. This discount removes the daily standing charge and reduces charges in particular winter timeslots for these customers. This means that there is now a difference in the rebate offered to standard tariff concession customers and APAYG concession customers.

This Supplementary Report examines costs to concession customers under the standard tariff and APAYG and also compares the fortnightly and annual cost impact of the APAYG concession available in July 2009 with the new concession effective from 1 August 2009.

The methodology, standard tariffs and assumptions in this Supplementary Report are the same as employed in OTTER's APAYG Price Comparison Report relating to non-contestable customers. The comparisons in this Supplementary Report are based on published 1 August 2009 concession rates for APAYG² and 8 July 2009 rates for Standard Tariff concession customers.

² Rates published in the Mercury, Examiner and Advocate on 1 August 2009.

OBSERVATIONS

The concessions made available from 1 August 2009 for APAYG customers have effectively removed the difference in costs between APAYG and standard tariffs for concession customers inherent in the July 2009 rates. In particular, winter APAYG rates were reduced for Standard and OffPeak customers for evening and weekend timeslots, making APAYG rates more comparable to the standard tariffs for concession customers. However, every customer will have a different pattern of use and this will affect the comparative cost.

Some general observations can be made based on various assumptions about tariffs, consumption levels and patterns of use for concession customers:

- Low consumption concession customers on standard tariffs (ie Light and Power and Hot Water tariffs) with typical fortnightly costs of around \$27, pay \$2 more per fortnight in summer and \$1 less per fortnight in winter on APAYG. There is little difference in the annual cost between APAYG and the standard tariff.
- High consumption concession customers on standard tariffs (with typical fortnightly costs of around \$56 in summer and \$82 in winter) pay \$7 less per fortnight in winter and \$1 more per fortnight in summer on APAYG. Over the year, such customers may pay up to \$86 less on APAYG.
- Low consumption HydroHeat concession customers (on Light and Power and HydroHeat tariffs) with a typical fortnightly cost of \$36, may pay up to \$4 more per fortnight in summer on APAYG, and \$1 less per fortnight in winter. Throughout the year, such customers may pay up to \$30 more on APAYG.
- High consumption HydroHeat concession customers (on Light and Power and HydroHeat tariffs) with typical fortnightly costs of around \$55 in summer and up to \$125 in winter, may pay \$6 more per fortnight in summer and \$5 less per fortnight in winter on APAYG. This equates to such customers paying \$21 more over the course of the year on APAYG.
- Medium consumption OffPeak concession customers (with fortnightly costs of \$38 in summer and \$55 in winter) may be paying up to \$6 more on APAYG per fortnight in summer, and the same amount per fortnight in winter. This equates to these customers paying up to \$82 more on APAYG over the course of the year.
- High consumption OffPeak concession customers (with fortnightly costs of \$48 in summer and \$105 in winter) may pay up to \$6 more on APAYG in summer, and \$2 less in winter, resulting in such customers paying up to \$41 more on APAYG throughout the year.

Thus, as a general observation, there is now only a small difference (generally under \$40 per annum) in the annual costs experienced by concession customers on APAYG compared to concession customers on standard tariffs under most tariff combinations and usage levels. APAYG appears to be on par with the standard tariffs for low consumption winter usage, and slightly more attractive for medium and high consumption concession customers during winter.

FORTNIGHTLY COMPARISONS

The typical fortnightly electricity costs for low, medium and high electricity consumption have been calculated under the Standard, HydroHeat and OffPeak tariffs for concession customers on both APAYG and standard tariffs.³

The typical fortnightly cost for concession customers under the old (8 July 2009) and new (1 August 2009) APAYG prices has also been calculated to show the impact of the new concession price schedule.

Table 1: Concession customers - fortnightly cost for low, medium and high consumption standard tariff customers (Tariff 31 and Tariff 41)⁴

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Tariff	\$26	\$26	\$45	\$45	\$56	\$85
APAYG	\$28	\$25	\$46	\$42	\$57	\$78
APAYG [#]	\$30	\$29	\$49	\$48	\$60	\$86
Difference	\$2	-\$1	\$1	-\$3	\$1	-\$7

Notes: # - APAYG rates as at 8 July 2009.

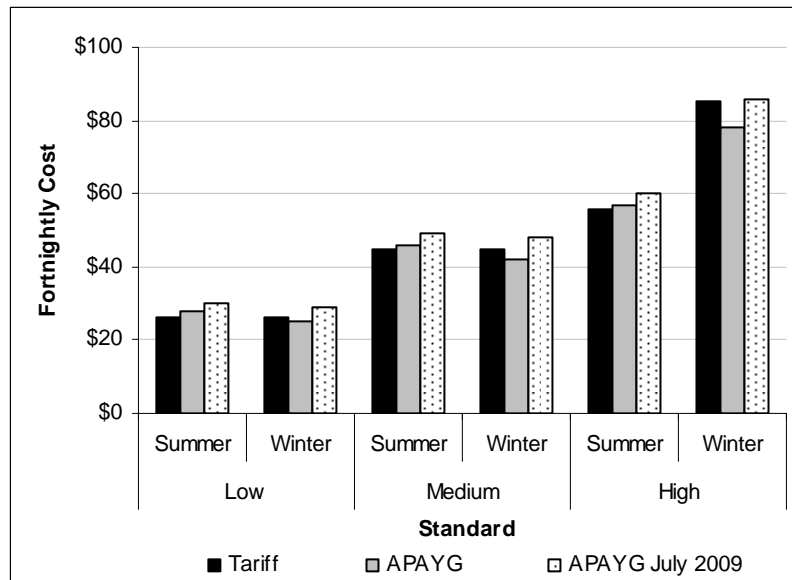


Table 1 shows that standard APAYG concession customers pay less per fortnight than concession customers on the standard tariff during winter, particularly those with high consumption. In winter, high consumption concession customers enjoy a

³ Aurora's fortnightly comparison is available at <http://apayg.com.au/tasmania/cost-comparison.asp>.

⁴ See last page for tariff details.

saving of up to \$7 per fortnight on APAYG. In summer, APAYG concession customers pay more per fortnight than concession customers on the standard tariffs, though for medium and high consumption concession customers the difference is only \$1 per fortnight. Table 1 also demonstrates the effect the new concession has had on fortnightly prices, showing a saving of around \$4 per fortnight for customers under the August 2009 APAYG concession rates.

Table 2: Concession customers - fortnightly cost for low, medium and high consumption HydroHeat customers (Tariff 31 and Tariff 42)

	Low		Medium		High	
	Summer	Winter	Summer	Winter	Summer	Winter
Tariff	\$36	\$36	\$47	\$71	\$54	\$127
APAYG	\$40	\$35	\$53	\$68	\$60	\$122
APAYG [#]	\$42	\$37	\$55	\$71	\$63	\$124
Difference	\$4	-\$1	\$6	-\$3	\$6	-\$5

Notes: # - APAYG rates as at 8 July 2009.

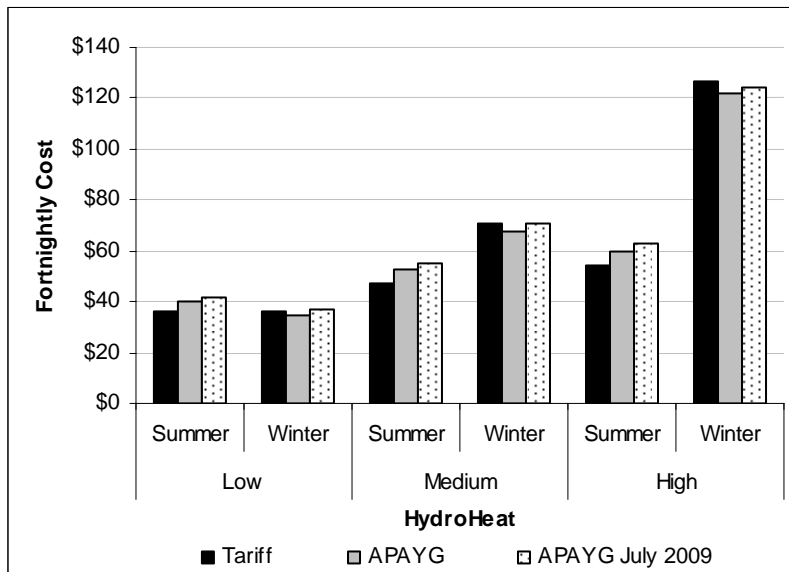


Table 2 shows that APAYG HydroHeat concession customers generally pay more per fortnight than standard tariff concession customers in summer and less per fortnight in winter, across all consumption groups. For low and medium consumption customers, the new concession has resulted in APAYG costs being lower than standard tariffs in winter where under the previous concession, they were higher.

Table 3: Fortnightly cost for OffPeak concession customers

	Tariff 31/61		Tariff 31/41/61		Tariff 31/42/61	
	Summer	Winter	Summer	Winter	Summer	Winter
Tariff	\$36	\$55	\$39	\$88	\$46	\$106
APAYG	\$42	\$55	\$43	\$86	\$51	\$104
APAYG [#]	\$45	\$63	\$46	\$98	\$54	\$106
Difference	\$6	nil	\$4	-\$2	\$5	-\$2

Notes: # - APAYG rates as at 8 July 2009.

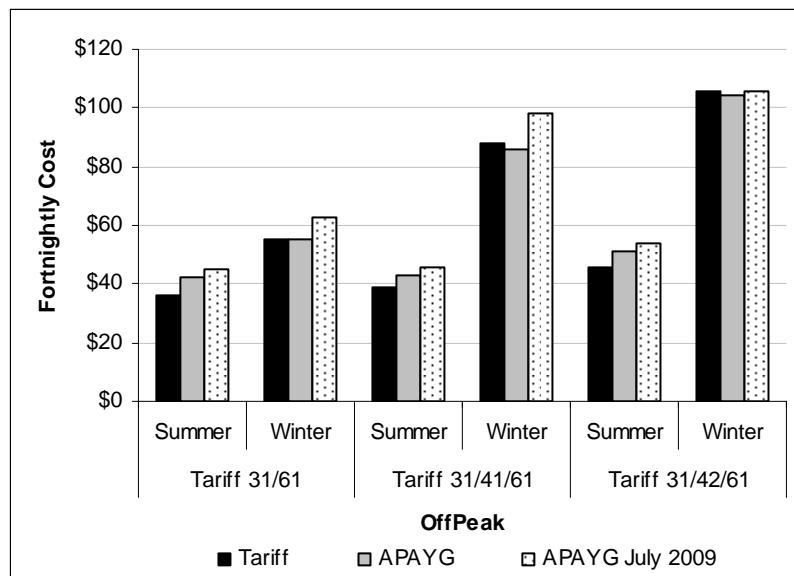


Table 3 shows that for OffPeak concession customers, the new concession has resulted in fortnightly costs in winter becoming the same or cheaper than the standard tariffs, and has reduced the difference between APAYG and standard tariffs in summer, although APAYG still costs around \$5 more per fortnight than the than that for concession customers on OffPeak standard tariffs.

ANNUAL COMPARISONS

As with the previous section with fortnightly costs, the typical annual electricity costs for low, medium and high consumption customers have been calculated under the Standard, HydroHeat and OffPeak tariffs for both concession customers on APAYG and concession customers on standard tariffs. The difference shown in the tables is the difference between the standard tariff and APAYG as at 1 August 2009 for concession customers.

Table 4: Concession customers - 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)
Tariff	\$682	\$1 172	\$1 838
APAYG	\$684	\$1 149	\$1 752
APAYG [#]	\$774	\$1 256	\$1 895
Difference	\$2	-\$23	-\$86

Notes: # - APAYG rates as at 8 July 2009.

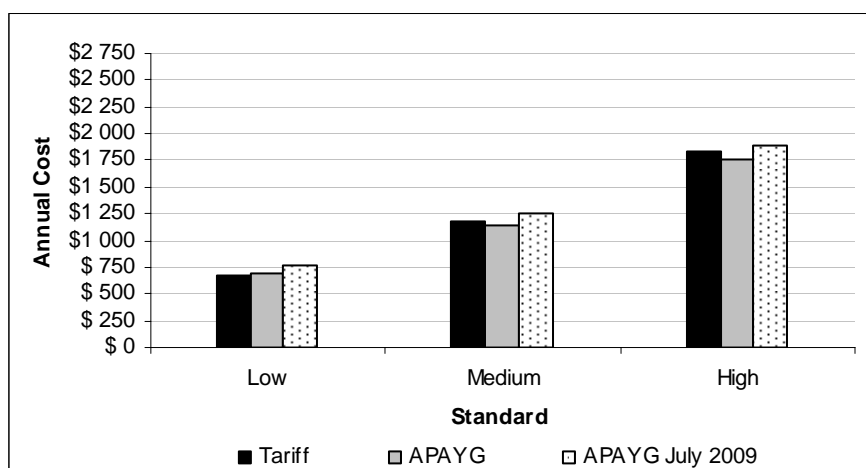


Table 4 shows that under the new concession, standard tariff concession customers with medium and high consumption now enjoy lower annual costs with APAYG compared to the standard tariff, while low consumption concession customers pay around the same annually.

Table 5: Concession customers - 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)
Tariff	\$940	\$1 542	\$2 351
APAYG	\$969	\$1 571	\$2 372
APAYG [#]	\$1 031	\$1 633	\$2 433
Difference	\$30	\$30	\$21

Notes: # - APAYG rates as at 8 July 2009.

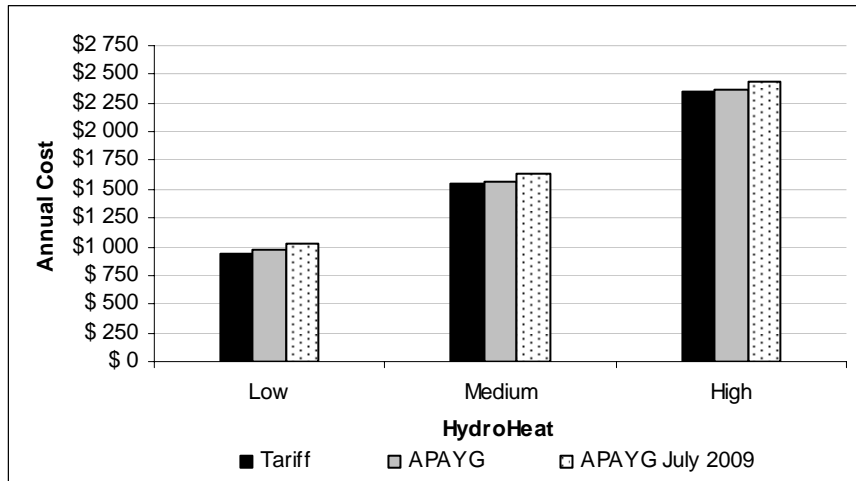


Table 5 shows HydroHeat concession customers will pay more over the course of the year on APAYG than on the standard tariffs, though the difference between the rates has been reduced to some extent by the new concessions. HydroHeat concession customers on APAYG will only pay \$20 to \$30 per annum under the August 2009 concession rate compared to \$80 to \$90 more under the July 2009 concession.

Table 6: Concession customers - 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)
Tariff	\$1 181	\$1 654	\$1 979
APAYG	\$1 264	\$1 675	\$2 020
APAYG [#]	\$1 412	\$1 864	\$2 081
Difference	\$82	\$20	\$41

Notes: # - APAYG rates as at 8 July 2009.

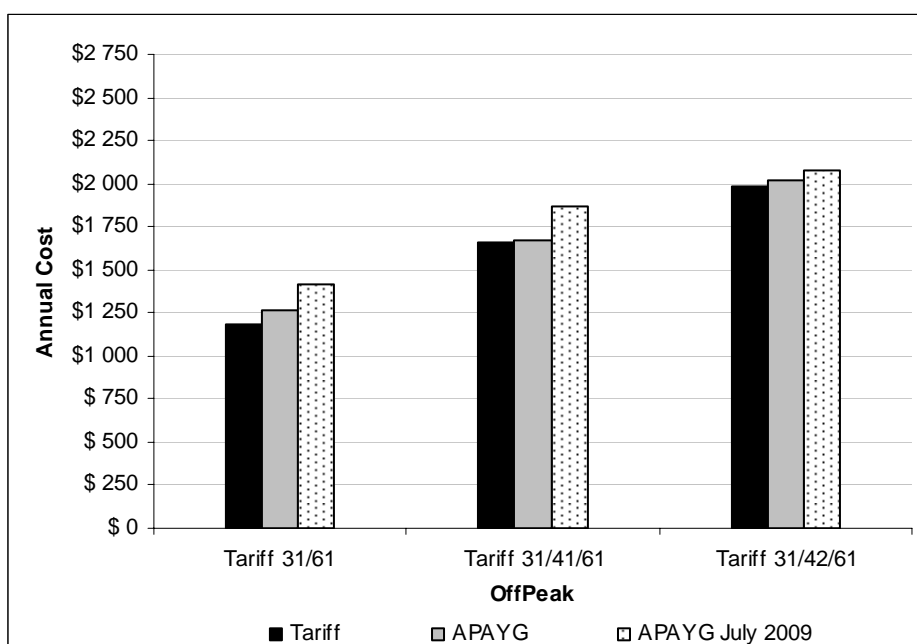


Table 6 shows annual costs for OffPeak concession customers on APAYG compared to concession customers on standard tariffs. Over the course of a year, OffPeak concession customers pay more on APAYG than on the standard tariffs. The new concession has made a significant impact, with APAYG customers now paying \$20 to \$82 more per year than those on the standard tariff, compared to up to \$230 more annually under the July 2009 rates.

APAYG CONCESSION CUSTOMER RATES AND CHARGES: AS AT 8 JULY 2009

Summer (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.30pm – 10.30pm	10.30pm – 6.30am
APAYG Standard	Mon – Fri	20.56	15.99	20.56	9.32
	Sat - Sun	15.99	15.99	15.99	9.32
APAYG HydroHeat	Mon – Fri	20.14	15.68	20.14	9.12
	Sat - Sun	15.68	15.68	15.68	9.12
APAYG OffPeak	Mon – Fri	20.56	15.99	20.56	9.32
	Sat - Sun	15.99	15.99	15.99	9.32

Winter (c/kWh)		6.30am – 11.00am	11.00am – 4.00pm	4.00pm – 8.00pm	8.00pm – 6.30am
APAYG Standard	Mon – Fri	20.59	16.53	16.53	13.07
	Sat - Sun	16.53	16.53	16.53	13.07
APAYG HydroHeat	Mon – Fri	16.85	16.85	11.77	11.77
	Sat - Sun	16.85	16.85	11.77	11.77
APAYG OffPeak	Mon – Fri	20.59	16.53	16.53	12.07
	Sat - Sun	16.53	16.53	16.53	12.07

APAYG Fixed Charges (c/day)

	Pensioner
APAYG Standard	17.89
APAYG OffPeak	20.94
APAYG HydroHeat	16.84

APAYG CONCESSION CUSTOMER RATES AND CHARGES: AS AT 1 AUGUST 2009

Summer (c/kWh)		6.30am – 11.00am	11.00am – 4.30pm	4.30pm – 10.30pm	10.30pm – 6.30am
APAYG Standard	Mon – Fri	20.56	15.99	20.56	9.32
	Sat - Sun	15.99	15.99	15.99	9.32
APAYG HydroHeat	Mon – Fri	20.14	15.68	20.14	9.12
	Sat - Sun	15.68	15.68	15.68	9.12
APAYG OffPeak	Mon – Fri	20.56	15.99	20.56	9.32
	Sat - Sun	15.99	15.99	15.99	9.32

Winter (c/kWh)		6.30am – 11.00am	11.00am – 4.00pm	4.00pm – 8.00pm	8.00pm – 6.30am
APAYG Standard	Mon – Fri	20.59	16.53	14.63	11.77
	Sat - Sun	14.63	14.63	14.63	11.77
APAYG HydroHeat	Mon – Fri	16.85	16.85	11.77	11.77
	Sat - Sun	16.85	16.85	11.77	11.77
APAYG OffPeak	Mon – Fri	20.59	16.53	14.63	9.90
	Sat - Sun	14.63	14.63	14.63	9.90

APAYG Fixed Charges (c/day)

	Pensioner
APAYG Standard	nil
APAYG OffPeak	nil
APAYG HydroHeat	nil