

# Distribution Pricing Issues

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# Problem Definition – Why are we here?

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Current level of competition is considered by some parties to be unsatisfactory

Retailers want to attract new customers and contain costs to improve the value equation for customers

The existence of 29 Networks (52 incl embedded) drives a breakdown of approach across the industry to the network level.

Why do some areas have more retailers active than others?

- Not all customers are attractive to all retailers for a variety of reasons (not just Distributor pricing issues)

# Considerations for entering a region

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## General

(for any new region)

Regionally targeted acquisition costs

Scale of the target customer group

Market pricing and returns

Meter reading

Variety of metering configurations

## Distributor related

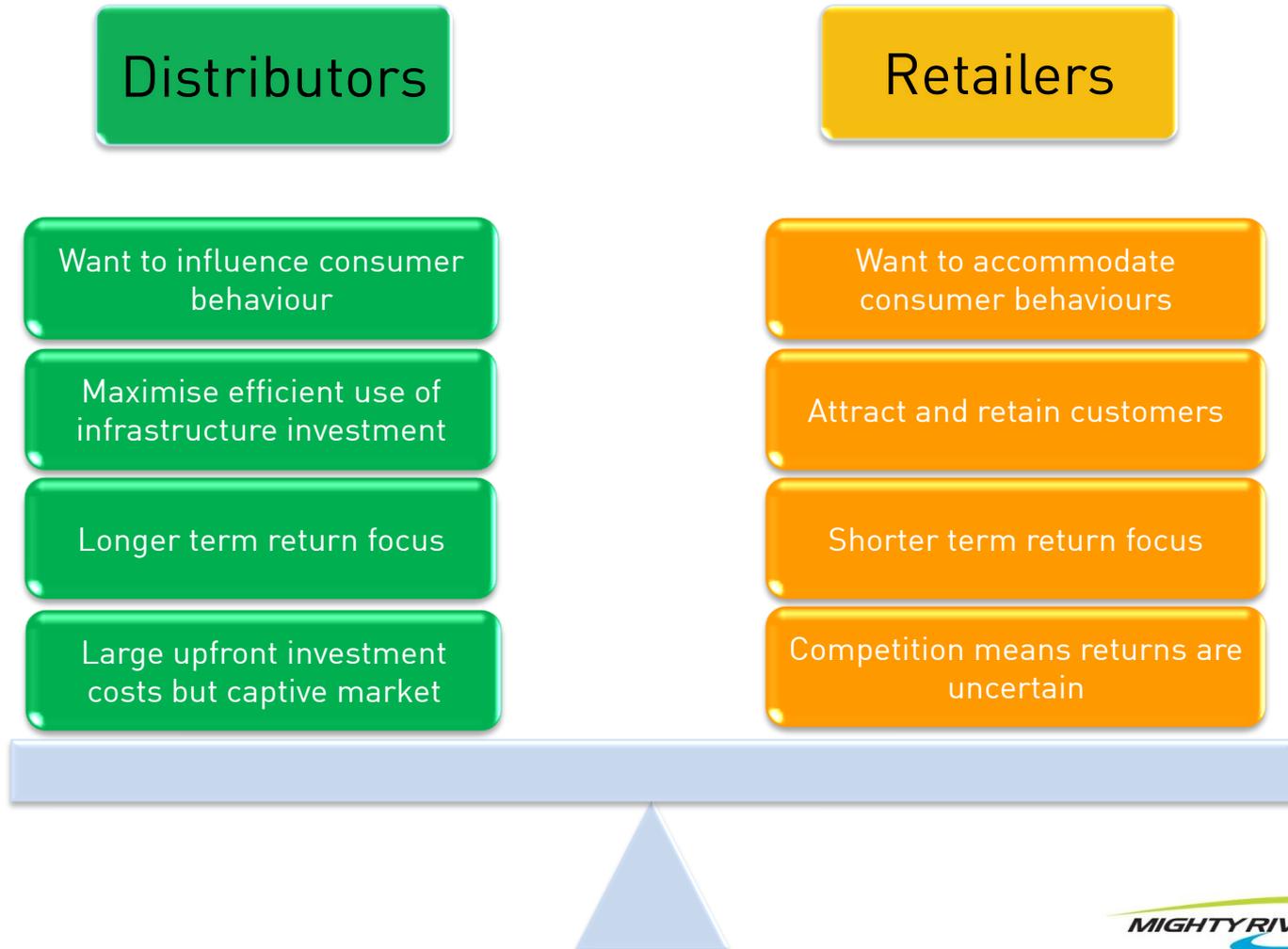
Faults servicing requirements

Legal agreements

Pricing

# Different Pricing Drivers

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# Distributor Pricing Issues

## Certainty of cost by ICP

Consumers (and Retailers) want price certainty

Issue – prices that are set retrospectively or significant costs that can not be quantified until “after the fact”

Retailer bears price risk

Discourages new entrants that don't have large existing base to spread risk

Retailers invent ways to estimate network pricing - distorts intended network pricing signal

Adds complexity = cost and discourages new entrants

# Distributor Pricing Issues

## Eliminate unnecessary complexity

Influencing consumer behaviour is difficult

Conflict between avoiding cross subsidisation vs complexity that increases overall costs beyond benefits

Do pricing signals work?

Day/Night  
Summer/  
Winter

Does there need to be a price for every metering configuration that exists in the network?

What is the point where the realistic positive value return falls below the cost to administer?

Retain ability to innovate and test relevance of complexity on a case by case basis

# Distributor Pricing Issues

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## Smaller administration items

Tidy up invoicing and standardise data exchange to EIEP1

Cease network charges for disconnected vacant premises

“Domestic” definitions – pricing vs regulations & guidelines.  
Adopt a pragmatic, consumer focussed attitude to exceptions

Tidy up pricing notifications

Tidy up approach to loss factors

# Concluding Remarks

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Consumers pay for everything ultimately

Low engagement product

Consumers do not naturally want to engage in complexity

If we want to use pricing to drive behaviours then need to find what consumers see as valuable

Retail competition will not be changed solely by Distributor pricing changes – but not a reason to do nothing in this space