

Discussion on the PAWG Pricing Principles

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Objectives

- Explain the high level PAWG principles that Unison has implemented
- Discuss cost allocation methodology in respect to the PAWG principles
- Explain future improvements to Pricing methodology
- Evaluate Unisons implementation of the PAWG Principles
- Highlight increased compliance obligations - mandatory disclosure

PAWG has focused on the guiding principles that were developed by the MDAP Group

1. Provide efficient price signals for utilisation of and investment in the network
2. Relate to the level of service, reflect the cost structures and risks and be easily understood
3. Encourage technology innovation

Unison summary of PAWG Principles

- Main driver for the PAWG consultative group was to move towards a more common and transparent framework for allocating costs and calculating prices
- Address consumer concerns about a lack of transparency in prices
- Promote retail competition where retailers are selling on a national basis in several different networks

Recommendation on Pricing Approaches

- **Categorisation of Costs**
- **Disaggregation of Network into Asset Groups**
- **Categorisation of Load Groups**
- **Cost Allocations to Load Groups (Market Segmentation)**

Categorisation of costs

- **Consumer Specific**
- **Load Dependent**
(Indirect costs excluding Head Office)
- **Load Independent**
(Head office costs and non network assets)

Each of these categories have allocators by
Asset Group, Load and Load Measurement

Disaggregation of the Network into Asset groups

PAWG

- Geographic
- Voltage
- ICP by
Geographic
Area
- GXP Location

Unison

- Hawke's Bay
Central Region
- Voltage
- GXP Location
- ICP (Industrials) &
by dedicated assets

Categorisation of Load Groups

PAWG

- Up to 15 kVA
- 16 to 70 kVA
- > 71kVA

Unison

- Up to 15kVA 1&2, 3 Phase
- 16 to 69kVA
- 70 to 138kVA
- 139 to 300kVA
- Dedicated Assets
200kVA to 1 MVA
- Industrials > 1MVA

Cost Allocations to Load Groups

PAWVG

- Residential & Domestic
- Non domestic
- Large Commercial or Industrial
- Major users
- Irrigation

Unison

- Up to 15kVA
(residential/small commercial)
- 16 to 300kVA
- Dedicated Equipment
200kVA to 1 MVA
- Industrials > 1MVA

Further Allocations to Load Groups

PAWVG

- Fuse Size
- AMD
- CMD
- Service Level
- Congestion period (>100 hours p.a.)

Unison

- Fuse size
- AMD
- CMD
- Service level
- Seasonal peak demand

Under the Retail Delivery Model

PAWG

- 24 hour c/kWh
- Day Supply
- Night Supply
- Controlled Supply

Unison

- 24 Hour Supply
- CTRL
- AICO (single meter & ripple)
- NITE
- CTUD 7am to 11pm
- CTUN 11pm to 7am (dual register meter)

Improvements to Unison's Pricing Methodology

- Assess the merits of consumer demand for seasonal tariffs e.g. Irrigation.
- Revisit the SOLEC report and assess the merits of splitting the existing tariff ($<15\text{kVA}$) "M12" to $<8\text{kVA}$, and $>8\text{kVA} < 15\text{kVA}$
- Engage with retailers on price signalling – maximising load shedding benefits.

Evaluation of Unison's Implementation

Restricted by;

- Low user tariff legislation restricts “cost reflective pricing for the level of service delivered by region and consumer groups”.
- Commerce Act regime restricts our ability to send efficient price signals and impacts on required capital investment programs.
- Sending of efficient price signals for peak capacity usage is lost by the retailers repackaging of transmission and distribution pricing.

Principles achieved under Interposed Agreements

- ✓ Main driver for the PAWG consultative group was to move towards a more common and transparent framework for allocating costs and calculating prices
- ✗ Address consumers concerns about a lack of Transparency in prices
- ✗ Promote retail competition where retailers are selling on a national basis in several different networks

Principles achieved under Conveyance Agreements

- ✓ Main driver for the PAWG consultative group was to move towards a more common and transparent framework for allocating costs and calculating prices
- ✓ Address consumers concerns about a lack of Transparency in prices
- ✓ Promote retail competition where retailers are selling on a national basis in several different networks

Additional comments

- As the price of delivered energy increases the demand for transparency on the transmission and distribution elements increases.
- Pass through costs reduce incentives and accountability resulting in higher costs.
- Retailers have an array of pricing solutions to customers.
- Difficult to understand how a consumer can respond to pricing signals, their response currently, is to the overall energy cost.

Comments/Feedback