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Electricity Authority
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Wellington 6143

By email: distribution.pricing@ea.govt.nz

Submission on Consultation Paper - Distribution Pricing Practice Note

WEL Networks (WEL) appreciates the opportunity to make a submission to the Electricity Authority (the Authority) regarding the consultation paper - **Distribution Pricing Practice Note**.

WEL is a consumer-owned electricity distribution business serving over 95,000 homes and businesses throughout the Waikato and is playing an essential role in the economic and social development of our communities. Key to this growth are strong partnerships and innovation which see us explore new ways of providing critical infrastructure and services to ensure our customers receive affordable, reliable, fairly priced, and sustainable energy.

WEL supports the Authority's efforts to reform distribution pricing and welcomes the updated guidance in the refreshed distribution pricing practice note. With transmission pricing signals changing in the near-future and confirmation of the phase out of low fixed charge (LFC) regulations, now is an ideal time to review and revise the distribution pricing practice note.

We support the updated distribution pricing practice note as drafted and appreciate the Authority's acknowledgement of the constraints and limitations distributors face when transitioning to cost-reflective pricing.

In addition to supporting the submission provided by the Electricity Networks Association (ENA) on behalf of its members, WEL would also like to highlight three issues which we believe require particular consideration by the Authority.

Pass-through of price signals

As distributors have endeavoured to implement more cost-reflective pricing, it has become clear that customers seldom see the price signals we send. This jeopardises the underlying premise of distribution pricing reform.

The Authority has questioned whether this issue warrants intervention. WEL emphatically believes it does.

If the Authority believes, as we do, that there is significant value to be gained from distribution pricing signals modifying consumer behaviour, the issue of pass-through distribution pricing signals must be investigated and appropriately addressed.

Data Access

Due to a long-term investment in smart metering equipment, WEL is one of a limited number of distributors that has access to meaningful low-voltage (LV) data allowing us to understand how much our LV network is operating. The insight this data provides has not only allowed us to create more accurate time-of-use pricing for mass market ICPs, but would also allow us to assess the efficacy of the pricing signals we send, if they were passed-through by retailers.

The existing mechanism for data access via the Default Distributor Agreement (DDA) Appendix C appears inadequate. WEL's experience has shown that without accurate LV data, distributors will find it difficult to transition towards more cost-reflective distribution pricing and critically, measure the outcomes of their reformed pricing.

Low fixed charge regulations

While the phase out of LFC regulations is a significant milestone on the path towards cost-reflective pricing for distributors, until the phase out is complete, more comprehensive distribution pricing reform for mass market ICPs will be difficult to implement.

For as long as distributors are still required to provide an LFC option (with a capped fixed charge), it will be very difficult to introduce pricing which "recovers the residual" in a non-distortionary way.

As LFC regulations are phased out over the next five years, we ask that the Authority continues to acknowledge and appreciate the limitations this regulation imposes on distributors.

Should you require clarification on any part of this submission, or wish to discuss WEL's journey and experience to date, please do not hesitate to contact me.

Yours sincerely

David Wiles
REVENUE MANAGER