

Northpower – Distribution pricing scorecard 2023

Overall score: 4.2/5



Current state:

There is very good content in the explanation of the distribution network current and future conditions and challenges. There is also an in-depth conversation about the degree of consistency between current pricing and pricing principles.

Strategy

The selection of TOU as cost-reflective pricing for residential and general consumers appears reasonable. Northpower is progressing on new pricing strategies relevant to the effectiveness of new technologies. The roadmap implementation was successful as Northpower accomplished each of the targeted actions for the year. The roadmap needs to include specific activities and timelines for the next five years targeting more cost-reflective pricing.

Key messages:

The zero tariffs on off-peak usage are excellent. A continued move to increase the proportion of revenue recovered through fixed charges and limit variable charges to the peak TOU period is welcomed. The pricing methodology could be improved by providing more quantitative detail about the network circumstances and peak signal strength. We also recommend Northpower include a calculation for incremental and standalone costs in its pricing methodology to demonstrate that its customer categories fall within the subsidy-free range.

Outcomes:

Northpower could improve its pricing methodology by providing a more detailed quantitative analysis linking network circumstances to peak signal strength. The Authority also recommends Northpower include a calculation for incremental and standalone costs to demonstrate that its customer categories fall within the subsidy-free range. The Authority acknowledges the increasing percentage of ICPs assigned to TOU pricing and the alignment between controlled tariffs and peak signals.

The methodology contains a clear identification of consumer impacts and their management.

Regarding the five specific expectations of progress shared in September 2022 in the Open Letter:

- Focus area 1: Roadmaps responding to future network congestion: Northpower states that currently, there are some congested areas during holiday periods. To respond to current and future congestion, Northpower implemented TOU and is analysing the opportunity for dynamic pricing.
- Focus area 2: First mover disadvantage in new and expanded connection: FMD is discussed in the capital contribution policy.
- Focus area 3: Pass-through of new transmission charges: TPM pass-through is consistent with Authority guidance.
- Focus area 4: Phase-out of low fixed charge (LFC) regulations: Price methodology follows guidance for the phase-out of the LFC tariff.
- Focus area 5: Recovery of fixed costs through use-based charges: No presence of demand charges which avoids inefficient outcomes.