OtagoNet Joint Venture – Distribution pricing scorecard 2023

Overall score: 4.3/5

Summary: Current state: 4/5 | Strategy: 4.7/5 | Outcomes: 4.2/5

Status detail:

- Circumstance
- Principles
- Strategy
- Roadmap
- Roadmap implementation
- Efficiency
- Consumer impact
- Focus areas

Current state:

The methodology laid down the current and expected conditions of the network. Highlights that some areas need capacity upgrades due to rapid urbanisation.
It also describes the expected uptake of solar, electric vehicles and battery storage technologies.
The methodology includes a good explanation of how it interprets and follows the pricing principles.

Strategy:

The section on the pricing strategy highlights the desired cost-reflectivity and the actions required to achieve this. Charges are increasingly becoming fixed and OtagoNet has introduced and implemented TOU pricing since last year. The recently updated roadmap shows the multiple actions to be analysed and implemented to accomplish fully cost-reflective pricing in the next four years. Some of those actions are rebalancing fixed and variable charges, refining peak TOU price signals, reviewing capital contribution policy, or developing EV pricing options. Roadmap implementation was successful as OtagoNet accomplished each of the targeted actions for the year.

Key messages:

The Authority is pleased to receive the updated pricing roadmap document. To improve the price schedule, load control tariffs should be clearly included.
Additionally, the pricing methodology could be enhanced by providing quantitative information about network circumstances and peak signal strength, as well as a more detailed calculation of incremental and stand-alone costs. The latter is essential for accurately determining the subsidy-free range for consumer groups.
We welcome the low off-peak charge.

Outcomes:

The price schedule does not clearly explain the load control tariffs. The pricing methodology lacks a sufficient quantitative analysis that links network conditions to peak signal strength. Furthermore, the methodology requires further information on calculating the subsidy-free range for consumer groups. The Authority supports the growing number of ICPs that are being assigned to TOU pricing. The methodology clearly identifies consumer impacts and how those will be managed. The analysis of customer impacts indicates that the implementation of TOU will not have a negative impact on electricity bills. Regarding the five specific expectations of progress shared in September in the Open Letter:

- Focus area 1: Roadmaps responding to future network congestion: Pricing methodology considers future congestion and responds to it by implementing TOU prices, load control tariffs and installed capacity charges. Considering monitoring TOU differential, including EV price option and pricing DG export.
- Focus Area 2: First mover disadvantage in new and expanded connections: In the current policy there is a refund mechanism which partially addresses the issue.
- 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.