The Lines Company – Distribution pricing scorecard 2023

Overall score: 3.8/5

Summary: Current state: 3.5/5 | Strategy: 4.3/5 | Outcomes: 3.5/5

Status detail:

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

Current state:

The Authority acknowledges The Lines Company (TLC) is testing non-network solutions, community projects and P2P trading. The methodology provides a general overview of the current circumstances. However, TLC could provide more detail about current and future network constraints and the uptake of new technologies that may affect future pricing. It clearly discusses how the methodology is consistent with the pricing principles.

Strategy:

The transition from demand pricing to TOU pricing is complete. Underway is the LFC removal, TPM implementation and increasing percentage of fixed charges (in 2021-28%, currently 41%).
The roadmap implementation is in progress, reflecting the advancements of the reported actions.
The updated roadmap includes clear objectives for the next five years, such as estimating LRMC, transitioning transmission charges to fixed pricing, evaluating TOU bands, and assessing locational pricing.

Key messages:

We recommend that TLC simplify the number of tariff codes across the network. (Planned for 2025)
We suggest continuing the transition towards fixed pricing. To improve the pricing methodology, TLC can provide more quantitative information about network circumstances and peak signal strength. Furthermore, a more detailed calculation of incremental and stand-alone costs is necessary for calculating the subsidy-free range. The Authority also encourages TLC to decrease off-peak rates further to prevent overcharging of the network where there is spare capacity.

Outcomes:

TLC should consider incorporating a quantitative analysis that correlates network conditions to peak signal strength to enhance their pricing approach. Additionally, TLC could provide more quantitative information on the subsidy-free range based on calculating incremental and stand-alone costs. The cost of network usage during off-peak hours seems to be slightly too elevated. The Authority is pleased with the increasing percentage of ICPs assigned to TOU pricing. The methodology mentions the modelling of consumer impacts. The Authority acknowledges the initiative TLC wants to implement of adding to the pricing methodology a summary/explanation of consumer impacts for its customers. Regarding the five specific expectations of progress shared in September 2022 in the Open Letter:

- Focus area 1: Roadmaps responding to future network congestion: Pricing methodology and roadmap consider congestion and respond to it by implementing TOU and load control tariffs and assessing the benefits of locational pricing.
- Focus Area 2: First mover disadvantage in new and expanded connections: Capital contribution is under review, where we would encourage the FMD issue to be discussed. The current policy has a refund mechanism which partially addresses this issue.
- Focus Area 3: Pass-through of new transmission charges: Although transmission pass-through is not entirely consistent with Authority guidance, TLC is transitioning away from 50% variable charges. Authority acknowledges that the main reason for not making it mostly fixed the first year is to avoid bill shock for vulnerable customers.
- 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.