

# Top Energy – Distribution pricing scorecard 2023

Overall score: 4.1/5



### Current state:

The methodology describes the local circumstances relevant to pricing, such as geography and demographics. Currently, the network is experiencing few capacity constraints; however, the expected additional load growth may cause congestion in future. Top Energy has the second-highest penetration of solar in the country. The Authority welcomes the battery trial that Top Energy is currently undertaking at Taipa. The pricing methodology clearly discusses how the pricing methodology is consistent with the pricing principles.

### Strategy

Current strategy focuses on efficient cost recovery, responses to current and future congestion and awareness of emerging trends. Pricing strategy and roadmap involve activities and timeframes for the next five years, including battery trial, FMD review, LV network study and optimization of price signals. Top Energy completed all the activities to be achieved for the year. Roadmap implementation is successful. Introducing TOU pricing for residential and commercial consumers is seen as a tool to deal with proximate congestion.

### Key messages:

The Authority acknowledges that Top Energy is moving away from demand charges towards capacity pricing. The off-peak after-discount price has increased. We acknowledge this may be a temporary response to transmission charge changes. However, the Authority recommends reducing off-peak rates (when the network has spare capacity). We hope that Top Energy will increase the proportion of residential ICPs on TOU tariffs.

### Outcomes:

It has been observed that only half of the ICPs are assigned to non-uniform tariffs, noting that Top has relatively low AMI penetration. Moreover, the network usage cost during off-peak hours seems to be relatively high. To enhance their pricing methodology, Top Energy should consider incorporating a quantitative analysis that establishes a link between network conditions and peak signal strength. Additionally, Top Energy could provide more information about the subsidy-free range for consumer groups, particularly detailed calculations of incremental and stand-alone costs.

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: The pricing roadmap responds to near and future congestion and shows efforts to understand better what is required in terms of cost recovery and price signalling.
- Focus Area 2: First mover disadvantage in new and expanded connections: the FMD issue is discussed in the pricing methodology.
- 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 MBIE guidance for the phase-out of the LFC tariff.
- Focus Area 5: Recovery of fixed costs through use-based charges: There are no demand charges. Top Energy is moving to capacity pricing.