

Waipa Networks – Distribution pricing scorecard 2023

Overall score: 3.7/5



Current state:

The methodology clearly introduces the demographic and use profiles impacting network pricing. Network demand is expected to increase in the medium term. It currently experiences various constraints in the Cambridge and Te Awamutu GXP. More information about the uptake of solar PV, batteries or EVs and its implication in future pricing will be welcomed. Waipa provides a reasonable discussion about its alignment with the pricing principles.

Strategy

A discussion on pricing strategy was not found in the latest pricing methodology document, however, Waipa discussed the strategy during a meeting with Authority staff. Waipa accomplished the targets set up for the year. Current roadmap targets and timeframes go till 2023. The Authority welcomes its current updating process and planned treatment as a “live” document. However, the Authority invites a forward-looking view, setting activities and targets for the next five years. Waipa completed all the activities to be achieved for the year.

Key messages:

Transitioning transmission pricing towards recovery through fixed charges could prove beneficial. We welcome the low off-peak price. Improving pricing methodology involves providing more quantitative information regarding network circumstances and peak signal strength.

Outcomes:

From the information provided, we note that the implied LRM from the controlled discount is much higher than that implied from TOU differential, which could result in ineffective price signals. We expect to discuss this further with you in due course. Furthermore, there doesn't seem to be a quantitative analysis that links network conditions to the strength of peak signals. It's worth noting that more than 83% are assigned to TOU pricing based on the material provided. Upon review, we have observed that Waipa is recovering around 5% of its revenue through AMD charges which seems appropriate.

The Authority notices the consultation with customers and retailers about recent pricing structures. Waipa provided material that 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: Waipa states they currently have some areas with some constraints feeders and experiencing some voltage issues. TOU and control load tariff are the main pricing tools to respond to network constraints.
- Focus area 2: First mover disadvantage in new and expanded connection: FMD issue is discussed in the updated version of 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: The price schedule follows guidance for the phase-out of the LFC tariff.
- Focus area 5: Recovery of fixed costs through use-based charges: There are still demand charges, although one of them (11xv contract category) is a legacy option which Waipa is considering removing in future pricing schedules.