

Centralines – Distribution pricing scorecard 2023

Overall score: 3.4/5



Current state:
 The methodology highlights essential pricing features, load types, and the increasing growth in residential and irrigation. It notes that these load groups do not require an upgrade in capacity yet. More detail about how technology uptake may impact future pricing would be welcome. A clear and comprehensive discussion of how the methodology is coherent with the pricing principles exists.

Strategy
 Although the network does not currently need to set strong price signals to reduce demand in peak times, Centralines is considering the provision of signals to address congestion that may arise in the future, to shift load to off-peak times or through EV residential plans. It has yet to consider the optimal balance between fixed and variable prices. The future roadmap needs to provide detailed or precise timeframes for the proposed activities.
 The roadmap implementation for the year was achieved.

Key messages
 It is recommended that Centralines remove demand charges and reduce the amount of revenue recovered through them. With a relatively unconstrained network, Centralines could consider implementing fully fixed pricing. We welcome the low off-peak rate. Transmission pass-through should be more transparent in its pricing methodology.
 To improve the pricing methodology, providing more quantitative information about the network circumstances and peak signal strength would be helpful. Additionally, we would encourage a more detailed calculation of incremental and stand-alone costs for accurately determining the subsidy-free range.
 Another suggestion is to increase the proportion of residential consumers on the Time-of-Use (TOU) pricing plan.

Outcomes:
 We observe that more than 6% of revenue is recovered through AMD charges, which is relatively high. We notice that the implied LRMC from the controlled discount is much higher than that implied from TOU differential. An explanation for this in the pricing methodology would be useful.

Centralines could improve its pricing methodology by including a quantitative analysis linking network circumstances to peak signal strength and more information about the subsidy-free range for consumer groups, especially detailed calculations of incremental and stand-alone costs.

The material provided shows that less than 60% of residential ICPs are assigned to TOU pricing.
 Although the methodology references a 2020 consumer survey, we would like more recent consumer feedback. The Authority acknowledges the annual customer survey about performance and service perception.

- Regarding the five specific expectations of progress shared in September 2022 in the Open Letter:
- Focus area 1: Centralines states there is no general congestion on the network, but some expected in future; it is recognised that moving load into non-peak pricing is advantageous.
 - Focus area 2: FMD issue is not mentioned in either methodology, capital contribution policy, or current roadmap.
 - Focus area 3: The pass-through of transmission charges is consistent with Authority guidance.
 - Focus area 4: Price schedule follows guidance for the phase-out of the LFC tariff.
 - Focus area 5: Demand charges for commercial users have increased for some or remain the same compared to previous years. Such charges strongly incentivise customers to alter their use at specific times despite that use having little impact on network costs.