Counties Energy – Distribution pricing scorecard 2023

Overall score: 3.7/5

Summary: Current state: 4/5 | Strategy: 4/5 | Outcomes: 3.4/5

Status detail:

Circumstance

Principles

Strategy

Roadmap

Roadmap implementation

Efficiency

Consumer impact

Focus areas

Current state:

Counties Energy clearly explains the current circumstances of its network and the urban growth it is experiencing due to the southward expansion of Auckland. In contrast, there is less growth in rural and remote areas. Among the tools implemented to address the growing need for infrastructure are the capital contribution policy and the introduction of peak demand signals.

It includes a good section explaining how the methodology aligns with the Authority's pricing principles.

Strategy

The pricing methodology is well integrated with the capital contribution policy.

Regarding roadmap implementation, Counties Energy achieved the introduction of TOU prices with the EV tariff. The peer-to-peer trial is yet to be done.

Key messages:

The Authority suggests that transitioning from variable/demand charges to fixed pricing should be continued. It is also advisable to maintain lower off-peak charges to avoid overcharging the network when there is extra capacity as we note the presence of a material off-peak charge. The capital contribution policy and pricing methodology are well integrated. However, Counties could enhance the pricing methodology by providing more quantitative information about network circumstances and peak signal strength, as well as more detailed calculations of incremental and stand-alone costs to determine the subsidy-free range.

Outcomes:

We note that the implied LRMC from the controlled discount is higher than that implied from the TOU differential. We expect to discuss this further with you in due course. There needs to be a quantitative analysis connecting network circumstances to peak signal strength, and more quantitative information on how the subsidy-free range is determined. The cost of network usage during off-peak times is slightly high. Additionally, the Authority was not able to determine the percentage of customers assigned to TOU pricing from the material provided.

The customer impact analysis shows different pricing impacts for residential and business customers. Counties plan to increase fixed tariffs gradually, so bill shock is minimized. Only some of the residential and business customers will have an impact of more than 10%. Regarding the five specific expectations of progress shared in September 2022 in the Open Letter:

- Focus area 1: Roadmaps responding to future network congestion: Counties is looking to implement congestion pricing through discounted load control price and targeted feeder load control to respond to the rapid growth experienced, which may cause congestion during winter peak times.
- Focus Area 2: First mover disadvantage in new and expanded connections: FMD issue is addressed in the capital contribution policy.
- Focus Area 3: Pass-through of new transmission charges: the pass-through of transmission charges 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: Demand charges are present for larger consumers. Counties state that in future, it plans to move customers away from demand charges to capacity charges.