Overall Rating 2.3/5

Distribution pricing principles - Scorecard 2020: **Alpine**

Summary

Current State

Strategy

Outcomes

Status - detail

Circumstance

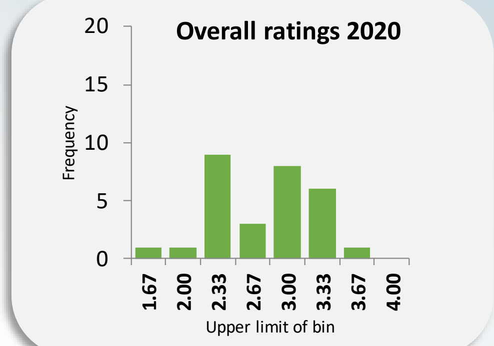
Principles

Strategy

Roadmap

Efficiency

Consumer impact N/A



Current State

- Good summary of the network's recent history, current use and growth pressures in different areas.
- Pricing includes day/night, and high/low cost area tariffs: "… low-cost area density (ICPs/transformer) is 13 times greater than high-cost area density."
- Interpretation of principles is not always aligned with Authority intent. For example, a demand charge set annually still provides incentives to change network use, and thus is not least distorting. Unclear if peak prices reflect economic cost of network use.

Strategy

- Alpine aims for a revenue split of 50/50 from fixed/variable tariffs.
- There is no roadmap. Alpine's document shows intent and some tactical changes; but due to resourcing pricing reform is said to depend on ENA guidance, and trends in uptake of EVs and DG.

Outcomes

- Low fixed charge consumers are paying less than the cost of the service.
- No evidence provided that variable prices signal the economic cost of using the network either at- or off-peak.

Key messages

- While pricing reform is not high on the agenda of Alpine, it remains important the pricing methodology provides assurance about the appropriateness of the economic signals provided by the variable charges across all consumer groups.
- When economic signals are not required, charges should recover revenue in a least-distorting manner.
- Alpine should review whether its cost categories are still mapped to appropriate cost allocation methods (p11 of the pricing methodology).

For scoring, see practice note and methodology at https://www.ea.govt.nz/operations/distribution/pricing/