

Overall Rating

2.8/5

## Distribution pricing principles - Scorecard 2020: Buller Electricity

### Summary

Current State



Strategy



Outcomes



### Status - detail

Circumstance



Principles



Strategy



Roadmap

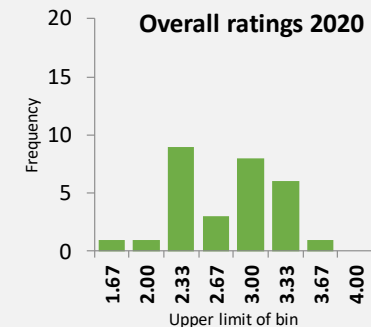


Efficiency



Consumer impact

N/A



#### Current State

- No immediate network pressures for pricing to send specific economic signals.
- Derivation of target revenue is very transparent in methodology, and consumer groupings and allocation of costs seem reasonable.
- Pricing comprises fixed daily or demand/capacity charges, and variable charge types (uncontrolled/controlled, all inclusive, day/night).

#### Strategy

- Completed 4-year journey to achieve 50/50 fixed/variable revenue split. Does not seek to go further for any consumer group or introduce urban/rural pricing.
- Currently seeking to realign commercial structures to lift fixed charges for some smaller users in the wrong pricing categories without disadvantaging them.
- Is considering more fundamental changes (TOU) to meet future challenges in 3-5 years. Is seeking retailer feedback on future structures.

#### Outcomes

- Economic costs of use are near zero, which reduces the efficiency reasons for a high day-to-night price ratio.
- Could be more transparent on whether the lack of town vs rural/remote pricing groups might involve a significant efficiency cost.

#### Key messages

- Retailer data access is raised as an issue, and Buller recommends EA make this a priority. The Code was amended in July to include a default data template to give distributors access to historical consumption data on reasonable terms, and provide a standardised process of data exchange.
- Generally a clear and transparent approach to cost allocation and pricing and pricing strategy. With no network capacity issues on the horizon, incremental costs of network use are very low. As variable prices do not need to signal the economic cost of use, variable charges could be reset to be 'least distorting' in recovering revenue.

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