

Overall Rating 2.8/5

Distribution pricing principles - Scorecard 2020: Centralines

Summary

Current State



Strategy



Outcomes



Status - detail

Circumstance



Principles



Strategy



Roadmap



Efficiency



Consumer impact

N/A



Current State

- Good description of network with relevance to costs and pricing. Small sparse network (4.2 ICPs per km) with little growth and significant headroom.
- Prices are principally $c/\text{day} + c/\text{kWh}$ (day/night). Low take-up of TOU option (peak, off-peak, night), but no strong requirement for it. Commercial connections and irrigators face demand charges.
- Clear on (in)consistency with pricing principles, but could expand on how relative prices for different services and customer groups are determined.

Strategy

- Emphasis is on limiting distorting network use. Incremental change seems appropriate, and roadmap notes some activities but is light on specifics.
- Heavy focus on equity and avoiding sharp changes to consumers bills.

Outcomes

- Heavy reliance on c/kWh prices is likely to cause inefficiencies.
- Efforts made to improve efficiency of pricing by e.g. reducing strength of price signal at peak, using broader-based pricing, and separating irrigators.
- No differentiation of rural and urban consumers “unless there is a clear signal from regulators that this would be permitted.” Centralines thinks this is not a significant issue as big farms and irrigators have own cost-reflective tariffs.

Key messages

- Pricing methodology reflects more thought about the role of price-signals than most. Basis for relative price differences needs to be better explained. This could include linking variable prices to incremental cost of network use (noting there are no network constraints), and the fixed and markups on variable charges to the recovery of remaining revenues in a least distorting manner.
- Roadmap could be improved with more explicit next steps and timeframes for pricing.
- Concerns for price ‘equity’ and avoiding ‘price shock’ ought to be accompanied by discussion about the implication for (efficient) prices.
- There are no regulatory constraints on differentiating urban from rural customers in order to reflect genuine differences in costs to serve that exist between high and low-density networks.

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