

Overall Rating 1.5/5

Distribution pricing principles - Scorecard 2020: Eastland

Summary

Current State



Strategy



Outcomes



Status - detail

Circumstance



Strategy



Principles



Roadmap



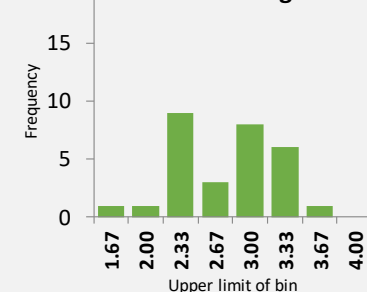
Efficiency



Consumer impact

N/A

Overall ratings 2020



Current State

- Electricity demand has been flat for many years. Existing network infrastructure and capacity can meet current electricity demand.
- Eastland removed the distinction between high- and low-density consumers on its network, to simplify pricing structures for retailers and faster fault restoration times in urban areas.
- Adjusted tariffs so residential consumers using more than 8,000 kWh per annum are better off on the 'Standard' rather than LFC tariff. This is a response to retailer pricing rather than Eastland looking to send more cost reflective price signals.
- Self-assessed against old principles and not aligned with EA's intent

Strategy

- Eastland's pricing methodology does not include a pricing strategy. Its roadmap is out-of-date.
- We understand Eastland is currently progressing TOU pricing to be in place from 1 April 2021, with a material difference between peak and off-peak prices.

Outcomes

- Pricing has taken a step back since last year – the pricing methodology does not provide a clear efficiency rationale for these recent changes.

Key messages

- Efficiency of pricing has gone backward with the removal of density-based pricing. This seems to be making prices less cost-reflective, which is not in the long-term interests of consumers.
- The pricing methodology prioritises factors such as stability in distribution prices, simplicity, whether retailers pass through price signals over the economic efficiency of distribution prices. The associated efficiency trade-offs (which may increase network costs for consumers in the long run) are not made clear.
- We encourage Eastland to clearly set out its distribution pricing strategy and provide an updated roadmap with or as part of its next pricing methodology.
- In progressing implementation of TOU-based pricing, Eastland needs to consider how sharp a signal the peak-time price will send, given there seems to be sufficient capacity to meet demand, which indicates the main role of pricing is not to signal incremental cost but to recover revenues in the least distorting manner.

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