

Overall Rating 2.7/5

Distribution pricing principles - Scorecard 2020: Electricity Ashburton

Summary

Current State



Strategy



Outcomes



Status - detail

Circumstance



Principles



Strategy



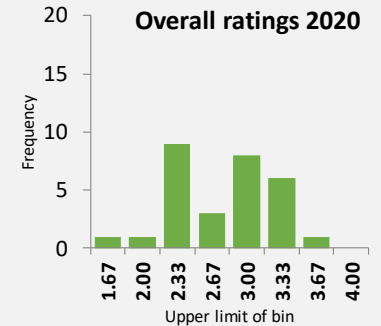
Roadmap



Efficiency



Consumer impact



Current State

- Good description of circumstances with relevance to pricing.
- Summer maximum demand (irrigation) has more than trebled since 1996 and can be three times higher, on average, than base load during winter.
- Load may exceed firm capacity at several of EA Networks' substations. Price signals provided by controlled load rates and peak \$/kVA charges.
- Interpretation of pricing principles not always aligned with Authority's intent.

Strategy

- EA Networks deferred pricing reform because of the review of TPM, distribution pricing principles, ENA's work, and the Electricity Price Review.
- Strategy is to evolve pricing as requirements change. Plans to review all aspects of pricing during 2020/21, given peak (irrigation) demand, technology uptake, fixed and avoidable costs, and options to support vulnerable consumers.

Outcomes

- Currently, EA Networks permits all consumers in the general tariff load group to access LFC tariffs, for simplicity, but acknowledges this must change. Plan is to recover more revenue from fixed charges which would improve efficiency.
- Significant annual variations in irrigators' transmission charges – this is being actively managed.

Key messages

- We encourage EA Networks to develop a clear pricing strategy, and a roadmap (missing).
- EA Networks trades efficiency for simplicity – e.g. LFC is available to all in the general group (though this is for historic reasons and is under review)
- The pricing methodology could consider the basis for prices and price ratios. This could include explaining how variable prices reflect incremental cost of network use, and how fixed charges and markups on variable charges are set to recover remaining revenues in a least distorting manner.
- EA Networks' discussion of 'economic cost of network use' principle is more about cost recovery than signalling cost of using the network. The description of 'prices that least distort' should also be revised because least distorting prices should not signal but avoid unnecessary load shifting/avoidance.

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