

Overall Rating 3.7/5

## Distribution pricing principles - Scorecard 2020: Northpower

### Summary

Current State



Strategy



Outcomes



### Status - detail

Circumstance



Principles



Strategy



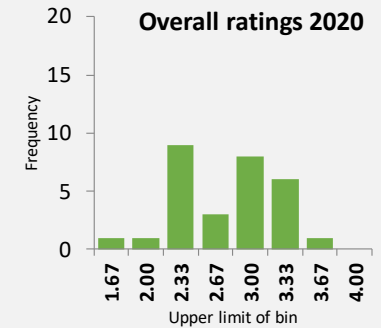
Roadmap



Efficiency



Consumer impact



#### Current State

- Useful description of context – would be better if it were to draw out clearly the implications for pricing.
- Discussion of alignment with pricing principles is OK. The methodology should recognise that much of its pricing likely is (rather than 'is not') for least-distorting revenue recovery rather than signalling economic costs.

#### Strategy

- Introduced TOU for mass market in 2020 and a standard residential plan alongside the low user plan. Aligned with Top Energy for retailers' ease.
- Caters for holiday homes in pricing plans and is considering non network alternatives in specific areas (e.g. holiday areas).
- Favours incremental change. Aims to lift share of revenue from fixed charges over 5 years and increase variable price differentials.

#### Outcomes

- Mass market tariffs now differentiate between low user group and others.
- Minimised TOU price ratios because Northpower does not need to signal cost right now, and to manage the transition and its impacts.
- As is common among distributors, pricing appears more cost-reflective and efficient for larger/commercial consumers.

#### Key messages

- Northpower has a clear direction for its pricing and made good progress on pricing reform. Its change management approach is to incrementally improve pricing.
- Northpower considers it has a good view on fixed and variable costs from its cost of supply model of where its pricing structure is headed from where it is now. Pricing methodology would benefit from more more detail on this direction, including efficiency reasoning for differentials in variable prices, and how pricing is, or would be, used to manage seasonal and differences in growth pressures across Northpower.

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