

Overall Rating 2.3/5

Distribution pricing principles - Scorecard 2020: Scanpower

Summary

Current State ●●●○○

Strategy ●●●○○

Outcomes ●●○○○

Status - detail

Circumstance ●●●○○

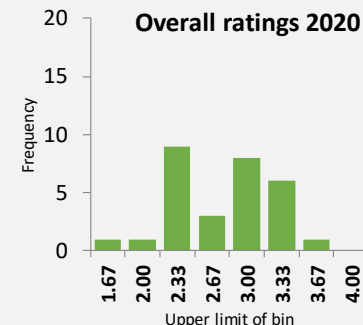
Strategy ●●●○○

Efficiency ●●○○○

Principles ●●○○○

Roadmap ●●○○○

Consumer impact N/A



Current State

- Scanpower's network faces no congestion issues now or in the foreseeable future. Electricity volumes have fallen 15% over the past decade.
- The network design is relatively simple – e.g. no zone substations. Allocates costs to customer groups based on installed transformer capacity.
- Very brief discussion only of alignment with pricing principles. High proportion of revenue (83.61%) comes from variable charges (driven by LFC compliance).

Strategy

- Succinct pricing strategy. GXP-billing and small customer base means simplicity in pricing is favoured, such as an 'installed capacity' approach.
- Is considering a move to capacity-based pricing, subject to being able to manage consumer impacts and reducing regulatory uncertainty.
- Roadmap has not been updated since 2017. Progress has been focussed on analysis, but it anticipates to consult during 2020 for a 2021 implementation.

Outcomes

- Falling volumes and applying the LFC rate to all residential customers exacerbates the impact of inefficient prices. Scanpower is aware of the issue.
- There is an opportunity to make the cost-allocation method more cost-reflective.

Key messages

- It would be useful to see more nuanced consideration of alignment with the pricing principles. For example, it is not clear that variable prices (day/night rates) appropriately signal the economic or incremental cost of network use given there are no capacity issues.
- The main role of Scanpower's pricing is to gather revenue in a way that least distorts network use (suggesting, for example, reducing the ratio of day/night prices, or pursuing its installed capacity charge).
- Scanpower could update its roadmap.
- Allocation of costs based on connections' shares of installed distribution transformer capacity is an imperfect representation of cost drivers. For example, administration is not linked to asset capacity, and currently transmission is linked to regional coincident peak demand.

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