

Overall Rating 2.2/5

## Distribution pricing principles - Scorecard 2020: Wellington Electricity

### Summary

Current State



Strategy



Outcomes



### Status - detail

Circumstance



Principles



Strategy



Roadmap

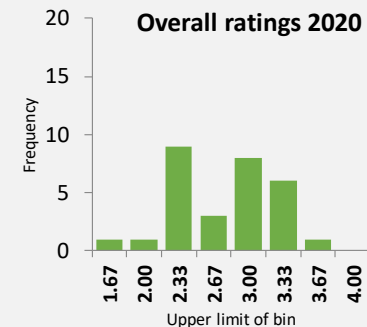


Efficiency



Consumer impact

N/A



### Current State

- Useful discussion of plans to improve earthquake resilience but would benefit from relating AMP material on capacity constraints and other network features and trends, such as EV penetration, to draw out implications for pricing.
- New residential TOU pricing option introduced in 2020/21. The summary explanations and charts on this are very good.

### Strategy

- No formal strategy. Intent appears to be to make incremental changes to prices.
- Roadmap dated 2017, with minimal discussion in pricing methodology. Is considering whether to transition all residential customers to TOU prices, but next steps are non-committal ('review' and 'consider').
- Emphasis on prices that are "affordable and fair", but not clear how this is determined or how traded off against efficient pricing.

### Outcomes

- Approach to allocating share of costs to consumer groups seems reasonable.
- Heavy reliance on c/kWh charges – unlikely to be least distortionary.
- TOU pricing has some efficiency advantages (easy to understand signals about when to charge EVs) but the relativities between peak and off-peak rates could be explained to indicate whether the TOU structure is efficient.

### Key messages

- WE could set out its pricing strategy and a concrete roadmap for the years ahead. The Authority understands that WE is, and has been, doing work in the background to better position its pricing for the future.
- Discussion of pricing principles emphasises alignment between costs and services.
- Would be good to also discuss the correlation between prices and economic costs of network use at different times. In terms of setting prices to recover revenues in a least distorting manner (rather than to act as a signal), Ramsey pricing is not the only approach. Alternatives include fixed charges and low, flat rate mark-ups on variable charges. The efficiency score reflects the current lack of an assessment in the methodology on these points.

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