

Summary

Current state



Strategy



Outcomes



Status-detail

Circumstance



Principles



Strategy



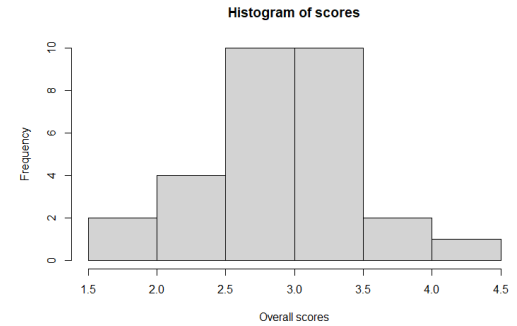
Roadmap



Efficiency



Consumer impact N/A



Current state

- Good description of network with relevance to costs and pricing. Small sparse network (4.2 ICPs per km) with little growth and significant headroom.
- Centralines is clear on its (in)consistencies with pricing principles. Explains why and how relative prices for different services and customer groups are set. Would be improved if Centralines also showed how prices relate to economic costs of network use.

Strategy

- Strategy is to limit distorting network use, e.g. by increasing the share of its revenue from fixed prices, while retaining incentives for consumers to shift demand to off-peak.
- Roadmap is substantially unchanged from past editions. Would be improved if it offered more detail on future actions and associated timelines.

Outcome

- Reliance on revenue from c/kWh, particularly for mass market, risks inefficient outcomes. Take-up of TOU option is low, but there is no strong requirement for it currently.
- Centralines considers pricing for commercial consumers in particular to be cost-reflective, though could clarify if variable prices reflect the economic costs of network use.

Key messages

- Centralines’s pricing methodology is thoughtful about the role of price-signals.
- The methodology could be improved by showing how its variable prices link to the actual cost of network use, and by being more consistent. In particular, in one place Centralines indicates that the lack of congestion means low marginal cost, but elsewhere variable prices are said to reflect the costs and benefits of consumption at different times and to reflect future benefits of shifting use off peak.
- Centralines understands there are cost differences between serving rural and urban consumers; while this may not show up explicitly in pricing, it considers this is not a significant issue as cost differences are adequately captured through its consumer grouping, for example, those that cover big farms and irrigators.

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

