

Summary

Current state



Strategy



Outcomes



Status-detail

Circumstance Principles



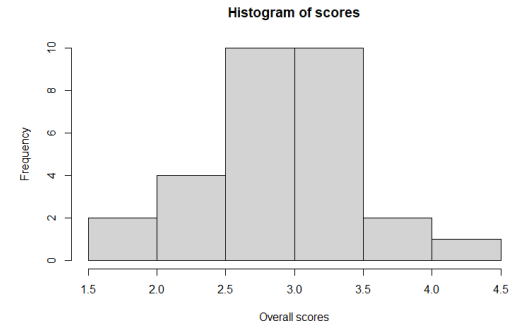
Strategy Roadmap



Efficiency



Consumer impact



Current state

- Mainpower’s pricing methodology offers only brief detail on network context and trends that are relevant to design of variable price signals. We understand Mainpower does not have significant capacity issues, except possibly in the HV distribution system.
- Pricing vs principles is generally well-explained, though discussion of residual cost recovery could be clearer – how are residual revenue requirements recovered in a least distorting manner? (See key messages.)

Strategy

- Clear strategy to reduce cross-subsidisation in a phased way, increase fixed charges, simplify pricing, and evolve pricing to adapt to emerging technologies.
- More information on planned approach to deal with future risks and reasons for changing the pricing strategy would be beneficial.

Outcome

- Reasonably significant cross-subsidies between consumer groups.
- As per Roadmap, Mainpower is phasing in proposed changes to reduce price impacts and communicate rationale for change, but little detail is provided.

Key messages

- Mainpower’s methodology indicates considerable analysis of costs and has reviewed cost allocators, providing a relatively strong foundation for its strategic direction for pricing. Mainpower is gradually reducing cross subsidisation through time.
- As noted last year, Mainpower, could first consider whether variable prices appropriately signal the economic cost of network use, and then determine how to recover remaining revenue in a least-distorting manner. Addressing this would lift the efficiency assessment.
- Mainpower could be clearer on the rationale for and calibration of variable charges, for example, for controlled and uncontrolled load, and how differences in the cost of supply between high and low density areas are (or will be?) taken into account. The increased reliance on fixed charges seems consistent with circumstance.

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

