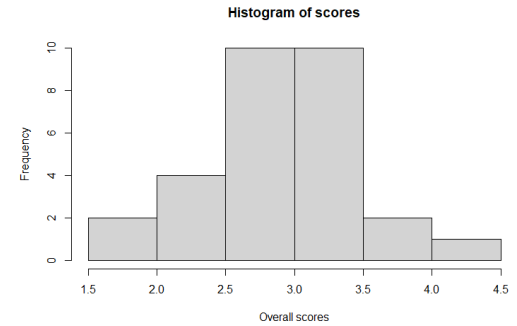


Summary



Status-detail



Current state

- Good summary of context and history – good charts. NEL network has plenty of capacity, so no need to manage demand to capacity with pricing.
- Standard approach to cost allocation, mix of load groups and tariffs – DG rate of 0.5c/kWh. Notes to be consistent with pricing principles it ought to raise revenue from fixed charges but wants to be future-proof with an incentive to shift demand to off-peak.

Strategy

- Discusses a range of options and drivers for change but considers there is no compelling case to change its pricing as that has worked well for over a decade.
- Considers capacity charges a good solution, and likely to introduce peak demand or TOU pricing to prepare for future issues (such as climate-policy-driven electrification).
- Roadmap activities and implementation dates delayed for 2 years. Would be improved if it explained why (align with potential LFC and TPM changes) or discussed progress on pricing-related initiatives.

Outcome

- Pricing structure is orthodox and based on longer-standing use patterns and historic constraints. Pricing requirements are likely to be different now that capacity constraint has been resolved.
- NEL considers its pricing works well, though does worry about customers taking up technologies to avoid their share of costs. NE considers this unfair. The Authority notes it may also be inefficient.

Key messages

- Line charges are around a third of typical consumer electricity bills. This makes it important that the economic costs of providing line services are well-reflected.
- As noted last year, NEL’s pricing methodology could be improved by explaining the economic rationale for its variable charges – that is, the cost of network use. For example, a strong signal to shift demand off-peak risks causing inefficient demand responses if there is no medium term prospect of the network reaching capacity constraints.
- NEL could also reconsider why it included a transmission charge component in its controlled rate, as it does not seem to match how load control is used in the network to avoid transmission charges.

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

