

Summary

Current state



Strategy



Outcomes



Status-detail

Circumstance Principles



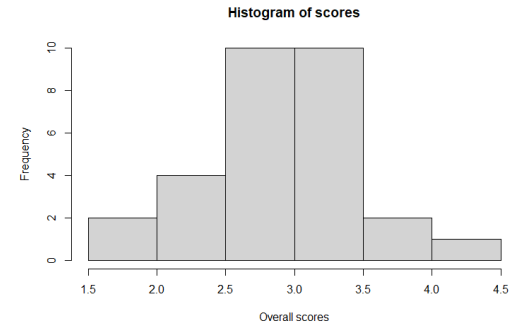
Strategy Roadmap



Efficiency



Consumer impact



Current state

- Potentially non-trivial impacts from irrigation and decarbonisation on network investment. Pricing methodology would benefit from raising this and explaining pricing implications.
- Pricing strategy seems well-aligned with the pricing principles. Would be improved with a rationale for its 80/20 target for revenue from capacity/variable charges, and whether variable charges will have any role in signalling the economic cost of network use.

Strategy

- Incremental rebalancing of tariffs from c/kWh prices to capacity charges, from 33/67 to 41/59 percent of revenue from fixed/volume charges in 2021, toward the 80/20 target.
- The steps to 2024/25 are clear, subject to LFC reform. Network Waitaki will consider review of legacy individual contracts, but does not consider these have incentive issues.

Outcome

- Step-improvement in balance of fixed/variable revenue. Would benefit from clarifying the signalling role for variable pricing or if discount for controlled load is appropriate.
- Shows consideration of impact on consumer bills and is actively working with worst affected customers, as rebalancing was quite a jump for some smaller customers; appointed a consumer and community liaison officer.

Key messages

- Network Waitaki has made significant progress by committing to a rebalancing toward revenue from capacity-based charges, as this is seen as being more cost-reflective of the demand different consumer groups place on the network.
- It would be useful if Network Waitaki showed why it considers 80/20 to be the right ratio, and whether there is any role for variable prices to signal the economic cost of network use, with capacity charges predominantly to recover revenues in a least distorting manner, rather than the primary mechanism by which consumers respond to prices by moving between capacity points.
- The cost allocation explanation could be clearer, by showing how the allocators in table 5 apply to line items in table 2 to achieve the revenue allocations by group in table 6.

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

