

Summary

Current state



Strategy



Outcomes



Status-detail

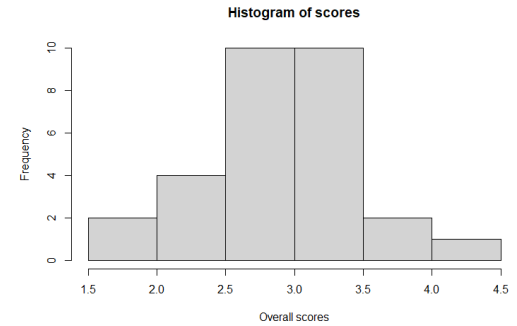
Circumstance Principles



Strategy Roadmap



Efficiency Consumer impact



Current state

- Scanpower’s network faces no congestion issues now or in the foreseeable future.
- All costs are allocated to customer groups based on capacity – as mentioned last year, not clear this is appropriate for overheads.
- Very brief section on pricing principles: misalignment said to be due to low fixed charges regulations. Could be improved by explaining the chosen variable charges and addressing the low share of revenue from fixed charges for all other consumer groups.

Strategy

- Succinct pricing strategy. GXP-billing, small customer base, and plenty of network capacity means simplicity in pricing is favoured, such as an ‘installed capacity’ approach.
- States regulatory barriers stop it from making progress, but reasons are not compelling.
- Roadmap has not been updated since 2017, except to push out dates. Could be improved by discussing progress made on pricing related initiatives.

Outcome

- High proportion of revenue (84%) comes from variable charges; would benefit from explaining why day charges are 1.4x or more the night charge, given prices do not need to signal capacity constraints / encourage demand to shift to off-peak.
- Overall, it is not clear that charges are cost-reflective, given the approach to allocate overhead costs or the funding of discounts/providing for contingencies.

Key messages

- Scores downgraded because of issues with cost allocation and out of date roadmap. Would be better if the roadmap accounted for the pushing out of target dates and explained any progress made in the background.
- As noted last year, network circumstances mean that the main role of Scanpower’s pricing is to gather revenue in a way that least distorts network use. This suggests, for example, reducing the ratio of day/night prices, or pursuing implementation of its installed capacity charge.
- We understand Scanpower has recently commenced a review of its cost of supply model and is considering what cost allocations and pricing improvements can be introduced by April 2022.

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

