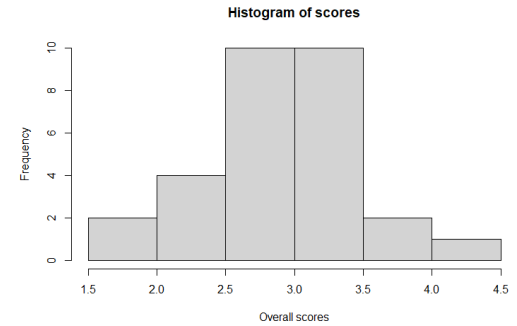


Summary



Status-detail



Current state

- Brief overview of network characteristics that impact costs and pricing. WEL considers the network can meet most expected growth over the next 10 years. The 2020 Capex heatmap indicates a number of planned investments to resolve capacity constraints.
- Section on consistency with pricing principles restate and reinterpret the principles. Could be improved by showing how WEL's prices meet or depart from the principles, as the methodology itself focuses on cost allocation.

Strategy

- WEL has been active since 2016 in introducing smart pricing in the mass market and has been introducing capacity charges for commercial consumers. It sees the introduction of the new TPM as a further opportunity to improve pricing.
- WEL has not provided a roadmap as it considers it cannot currently commit to clear timeframes for any further changes.

Outcome

- Across all consumer groups, volume and peak demand prices make up the majority of revenue recovery. Nature of costs and network circumstances suggest that from an efficiency perspective most revenue should come from fixed and capacity charges.
- With peak prices 2-4 times higher than off-peak prices, there is a risk electricity demand is inefficiently dampened during peak times, given no capacity constraints.

Key messages

- WEL's pricing methodology clearly explains WEL's cost allocation. The methodology could be improved by first showing the economic costs of network use. This would clarify the rationale for the chosen peak and off-peak prices, and then also the basis for the mix of revenue from variable and fixed prices.
- WEL has pricing-related activities and plans, such as to leverage data technology, understand the impact of EVs, and rebuild its cost allocation method for new transmission pricing from 2023. It would be useful to capture these in a roadmap, with planned steps and timeframes, even if contingent on regulatory developments.

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

