

Summary

Current state



Strategy



Outcomes



Status-detail

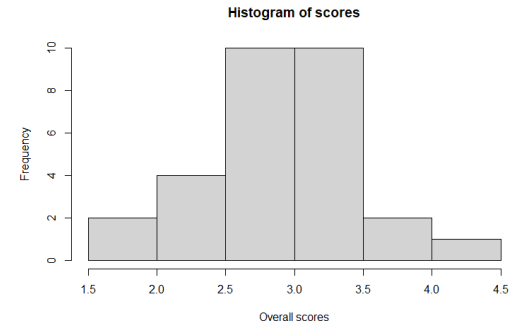
Circumstance
Principles



Strategy
Roadmap



Efficiency
Consumer impact



Current state

- Westpower’s network covers remote, challenging terrain. The network has spare capacity, so there is little need to have strong signals of the cost of network use.
- Discussion of conformance with pricing principles is useful, but could be improved by making pricing and explanations more consistent with these principles.

Strategy

- Westpower’s pricing reform strategy and roadmap are limited and ‘wait and see’ (e.g., until penetration of smart meters and new technology is higher). It has no plans to address inefficiencies and cross-subsidies that exist within the current pricing structure.

Outcome

- Westpower recovers most revenue through variable prices (around 70% when excluding residential consumers). The extent of spare capacity suggests efficiency could be improved by greater use of fixed or capacity charges.
- Westpower is concerned about price shock for its customers.

Key messages

- Westpower has made a decision not to differentiate pricing between urban to rural customers, and is very transparent about the significant cross subsidies that result. It considers that its capital contributions/network extension policy plays an important role in supporting efficient locational and investment choices.
- Given the extent of spare capacity on the network, Westpower could re-consider aspects of its assessment of conformance of pricing with pricing principles:
 - circumstances indicate there is little need to signal efficient network usage through day vs. night, and un- vs. controlled prices (p32)
 - the Authority’s practice note suggests using fixed or fixed-like charges to recover revenue in a way that least distorts consumer behaviour, as a feasible alternative to Ramsey pricing being discussed by Westpower (p33).
- Westpower could consider adopting a strategy and roadmap to recover a greater share of its revenue from non-residential consumers through, for example, capacity charges, as such charges distort consumer choices less than variable charges.

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

