

Network Tasman – Distribution pricing scorecard 2023

Overall score: 3.9/5



Current state:

We note that ripple control is being used to maintain a consistent load profile. There is a very good discussion of pricing relative to the pricing principles.

Strategy:

We note a plan to review price structures in the 23/24 year for large commercial customers. We note the use of AMD charges – and the plan to transition away from use of AMD charges. The Authority acknowledges the aim to develop an LRMC model to inform the fixed/variable price split. The current roadmap contains specific activities for the next three years. Roadmap implementation was successful as Network Tasman accomplished each of the targeted actions for the year.

Key messages:

We recommend that Network Tasman continues to move away from AMD charges and towards capacity charges. Network Tasman could also improve its pricing methodology by providing a quantitative analysis that links network circumstances to peak signal strength and has alignment between controlled tariffs and peak signals. We would also encourage Network Tasman to disclose the number of residential customers on TOU and non-TOU tariffs in the tariff schedule. We welcome the low off-peak rate.

Outcomes:

Our analysis has shown that Network Tasman is generating 13% of its revenue through AMD charges, a proportion which is relatively high.

There are some inconsistencies between the controlled tariff discount and peak signals, which may lead to ineffective price signals. Furthermore, there needs to be more quantitative analysis linking network conditions to peak signal strength.

We were unable to determine the percentage of residential customers utilizing TOU pricing based on the information provided.

A consumer impact assessment has been provided in the Pricing Methodology.

Regarding the five specific expectations of progress shared in September 2022 in the Open Letter:

- Focus area 1: Roadmaps responding to future network congestion: The pricing roadmap responds to future congestion by considering the value of load management.
- Focus area 2: First mover disadvantage in new and expanded connection: The FMD issue is addressed in its capital contribution policy.
- Focus area 3: Pass-through of new transmission charges: TPM pass-through is consistent with Authority guidance.
- Focus area 4: Phase-out of low fixed charge (LFC) regulations: Price methodology follows guidance for the phase-out of the LFC tariff.
- Focus area 5: Recovery of fixed costs through use-based charges: Even though most of the AMD charges increase for different large commercial categories, Network Tasman expresses in the methodology that they are working consistently to include capacity charges instead.