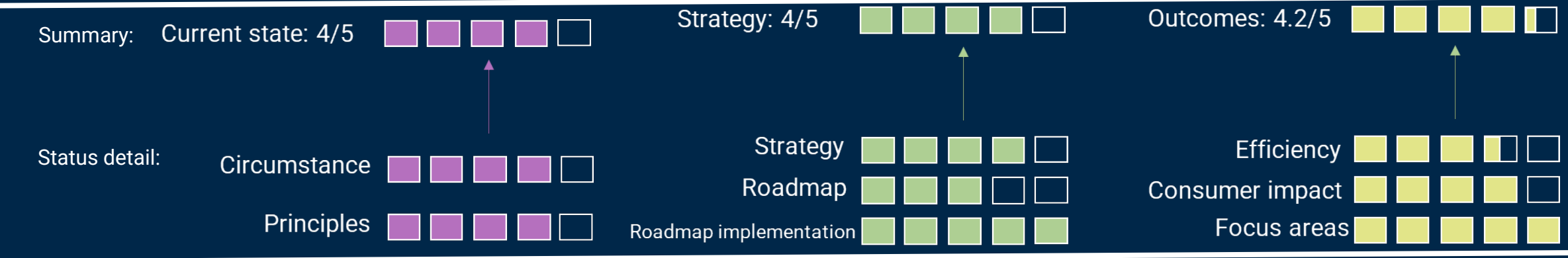


Network Waitaki – Distribution pricing scorecard 2023

Overall score: 4.1/5



Current state:

The methodology clearly describes the network characteristics relevant to pricing. Network Waitaki experiences its network peak in summer due to irrigation. The main driver for commercial and industrial load growth is the decarbonisation of process heat. The methodology contains a clear and concise explanation of how the pricing rationale is consistent with the pricing principles.

Strategy

The Authority acknowledges the strategy to achieve an 80% fixed capacity-based/20% volume-based price by 2024-2025. Network Waitaki is also considering moving to capacity-based pricing. Roadmap implementation was successful for the year, in which Network Waitaki achieved the split fixed/variables charges 70/30. Network Waitaki is currently working on a roadmap update.

Key messages:

We note that Network Waitaki is slowly moving variable tariff rates down and transitioning to fixed prices that reflect cost. Such changes are to be encouraged. We note the moderate off-peak charge. It would be beneficial to shift away from use of AMD charges. Improve pricing methodology by offering more detailed quantitative data on network conditions and peak signal strength and more detailed calculation of incremental and stand-alone costs significant for calculating the subsidy-free consumer range.

Outcomes:

Network Waitaki could improve its pricing methodology by including a quantitative analysis linking network circumstances to peak signal strength, more information about the subsidy-free range for consumer groups, and more detailed calculation of incremental and stand-alone costs. The Authority has recognized that a growing proportion of ICPs have been assigned to non-uniform distribution prices, such as night volume and daily volume.

The methodology clearly describes the current and potential consumer impacts.

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 near and future congestion and shows efforts to implement discounts on controllable loads to manage congestion where necessary.
- Focus Area 2: First mover disadvantage in new and expanded connections: the FMD issue is discussed in the new methodology.
- 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: Network Waitaki is transitioning away from AMD charges.