

# Westpower – Distribution pricing scorecard 2023

Overall score: 3.7/5



### Current state:

The methodology describes the local circumstances relevant to pricing, such as terrain. The network is not constrained, and there is spare capacity. Little uptake of EVs and solar is expected in the next five years. It contains a good explanation of how the methodology meets the pricing principles.

### Strategy:

The pricing roadmap published in March 2022 clearly describes the pricing strategy towards increasing the proportion of fixed charges, assessing the introduction of anytime variable rates, phasing out controlled load pricing, considering capacity pricing for large customers and reconsidering approaches to solar PV uptake. The current roadmap laid down activities and timeframes for the next five years. Roadmap implementation is successful. Westpower achieved all the reported actions for the year.

### Key messages:

The Authority recognizes that Westpower has shifted towards capacity charges, resulting in a decrease in demand charges. We note that off-peak charges are high. To enhance its pricing approach, the Authority recommends implementing fixed charges gradually and suggest reducing off-peak rates (when the network has spare capacity).

### Outcomes:

Westpower has room for improvement in its pricing methodology. This could include an explanation and quantitative analysis linking network circumstances to peak signal strength, and more information about the subsidy-free range for consumer groups, including detailed calculations of incremental and stand-alone costs. The cost of network use at off-peak times appears to be high. The Authority acknowledges an increasing number of ICPs assigned to a non-uniform distribution price. The reasoning appears inadequate to justify TOU, given that Westpower does not expect network congestion.

Although the methodology refers to a consumer consultation that took place in February 2021, there is no indication of how the current methodology affects consumers and what measures are taken to address any such 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. Westpower does not expect network congestion, so TOU pricing may not be appropriate at this point in time.
- Focus Area 2: First mover disadvantage in new and expanded connections: FMD issue is mentioned in the pricing methodology.
- Focus Area 3: Pass-through of new transmission charges: TPM pass-through is not 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: reducing demand charges and moving to capacity charges.