Electricity Invercargill– Distribution pricing scorecard 2023

Overall score: 4.4/5

Summary: Current state: 4/5

Strategy: 4.7/5

Outcomes: 4.4/5

Status detail:

Circumstance	4/5
Principles	4/5
Strategy	4/5
Roadmap	5/5
Roadmap implementation	5/5
Efficiency	4/5
Consumer impact	4/5
Focus areas	5/5

Current state:

Electricity Invercargill (EIL) is currently not experiencing significant constraints and is not forecasting system growth. It provides a detailed and reasonable description of the existing and expected uptake of solar, electric vehicles and battery storage technologies. EIL provides a good explanation of how the methodology is consistent with the pricing principles.

Strategy

Its pricing strategy highlights the desired cost reflectiveness and the actions to do it. Charges are increasingly becoming fixed and has introduced and implemented TOU pricing since last year. The recently updated roadmap shows the multiple actions to be analysed and implemented to accomplish fully cost-reflective pricing in the next four years. Some of those actions are rebalancing fixed and variable charges, refining peak TOU price signals, reviewing capital contribution policy, or developing EV pricing options. The roadmap implementation was successful as EIL accomplished each of the targeted actions for the year.

Key messages:

We positively acknowledge the latest version of the pricing roadmap document and the shift towards fixed prices.
To enhance the pricing methodology, we recommend presenting more quantitative data about network circumstances and peak signal strength, along with a comprehensive calculation of incremental and stand-alone costs for determining the subsidy-free consumer range.
Additionally, it would be beneficial to specify which are the load control tariffs in the price schedule clearly. We welcome the low off-peak rate.

Outcomes:

It is not clear from the tariff schedule what the load control tariffs are.

The pricing methodology has little quantitative analysis linking network circumstances to peak signal strength. In addition, the methodology needs to include more information about how it calculates the subsidy-free range customer group. The Authority acknowledges the increasing percentage of ICPs assigned to TOU pricing.

The methodology contains a clear identification of consumer impacts and their management. The customer impact analysis concludes that the TOU implementation will not negatively impact the electricity bill. Regarding the five specific expectations of progress shared in September in the Open Letter:

- Focus area 1 Roadmaps responding to future network congestion: Pricing methodology considers future congestion and responds to it by implementing TOU prices, load control tariffs and installed capacity charges. Considering monitoring TOU differential, including EV price option and pricing DG export.
- Focus area 2 First mover disadvantage in new and expanded connection: FMD issue is partially addressed in the capital contribution policy through a refund mechanism.
- 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: No demand charges, which avoids inefficient outcomes.