

Summary

Current state



Strategy



Outcomes



Status-detail

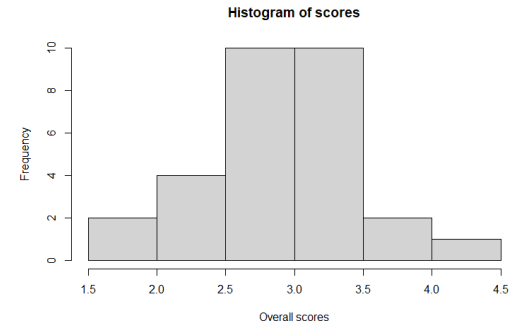
Circumstance Principles



Strategy Roadmap



Efficiency Consumer impact



Current state

- High-level outline of circumstances with few specifics. Existing network capacity can meet current demand. Eastland could improve its linking of pricing to context.
- Eastland’s self-assessment of consistency with pricing principles could also be improved, e.g., peak pricing is generally not a least-distorting pricing choice.

Strategy

- Eastland now outlines a pricing strategy and a roadmap with activities and timelines for the next 5 years.
- Plans include further raising share of revenue from fixed charges, an (interim) charge for customers with solar panels given growth, and reconsidering density-based charges.

Outcome

- Eastland introduced TOU pricing and improved consumer categories. A high proportion of revenue comes from fixed charges for standard domestic (60%) and small commercial consumers (70%). Would be improved with an economic justification for its choice of peak and off-peak prices.
- Eastland paid close attention to consumer impacts when introducing its new price structure, including by shifting some consumers to plans that are better for them. During 2020 dropped its prices when it risked over-recovery of revenue.

Key messages

- The pricing methodology has improved, and the direction indicated appears logical. This could be improved further by providing a clear economic foundation for its longer-term target of 80% of revenue from fixed charges.
- Eastland, in assessing pricing principle B, considers peak prices to be least-distorting because demand tends to be less elastic. This analysis could be improved, for example, with reference to Eastland’s stated intent to increase the share of revenue from fixed charges (and not influence demand) and the role of peak time prices to signal the cost of network use at peak time, and influence demand to consume at other times.
- Eastland’s plan to use the controlled rate to solve future pressures from EVs could be a reasonable solution. Eastland could explain how this thinking aligns with having TOU tariffs, and set out numerically the reason for the price difference to uncontrolled/off-peak rates.

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

