

Summary

Current state



Strategy



Outcomes



Status-detail

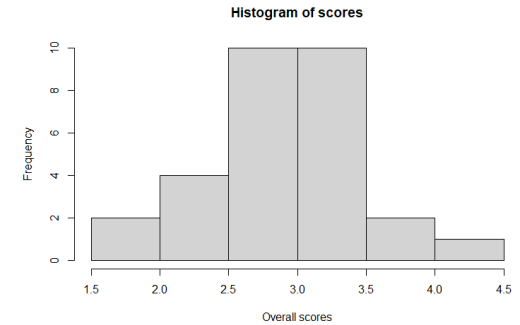
Circumstance Principles



Strategy Roadmap



Efficiency
Consumer impact



Current state

- Electra provides useful context for pricing: relatively compact network with significant spare capacity; customer base dominated by small users. Considerable consumer interest in PV/EV.
- Self-assessment against principles updated to new principles. Discussion could also be updated/extended (eg re least-distorting revenue recovery & discrepancies from principles).

Strategy

- Electra’s pricing strategy is to “progressively introduce service-oriented and cost-reflective price changes to fairly recover the full cost of the network from all customers that use the network”, providing foundation to manage growth in distributed energy resources.
- Concise roadmap developed, at fairly high level. Encourage Electra to report back on progress as the roadmap is traversed.
- Variable (kWh) distribution prices rose to recover Electra’s annual target revenue for all consumer types. Is that consistent with strategy?

Outcome

- Variable price signals increased for medium/standard users. Difficult to ascertain whether price signals are proportionate given spare network capacity.
- Low uptake of TOU noted in pricing methodology, but uptake more substantial recently. Could consumer data inform the calibration of TOU pricing to influence desirability and up-take (see fig.3)? What TOU price signals are required given network circumstance?
- Change in costs modest and relatively little consumer impact to manage (hence N/A).

Key messages

- Electra’s pricing strategy needs to balance current spare network capacity against the increasing demands of electrification, distributed energy resource, and changing demand given Covid and Transmission Gully.
- Establishing pricing that can accommodate larger or smaller signals as required is a sensible intermediate step. Spare capacity suggests little need for signalling currently.
- Electra’s methodology could be improved by identifying required price signals as a first step, with least-distorting pricing to meet any residual revenue requirements as a second. (Least-distorting candidates including fixed charges and low, broad-based variable charges.)
- Roadmap development is constructive – we encourage Electra to flesh out the details of that plan in coming methodologies.

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

