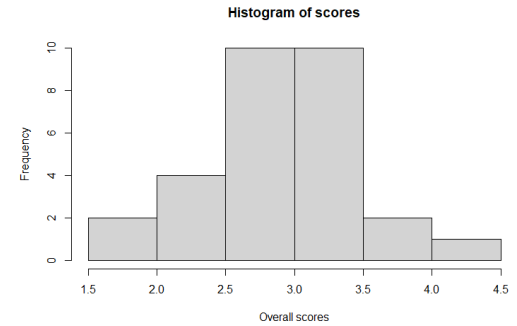


Summary



Status-detail



Current state

- Reasonable discussion of network features. Would benefit from information about cost drivers and whether efficient pricing could play a role to shift or moderate demand. (Eg, is the network capacity constrained? Could price signals mitigate constraints or risks?)
- Diverse network context suggests locational differences in cost to serve. Government policy does not compel distributors to align rural and urban price structures.
- Thoughtful discussion of pricing relative to pricing principles.

Strategy

- Network Tasman continues to increase revenue share from fixed charges for mass-market consumers, where unconstrained by LFC regulation. Pricing trajectory for other consumer groups unclear.
- New roadmap outlining future steps. Pricing strategy recognises risks associated with technological change (EVs, PV); could be further improved with more information on pricing options being considered and progress of pricing committee.

Outcome

- The efficiency of variable prices (and efficient proportion of revenue from fixed charges) is unclear given the discussion of circumstance.
- Small changes in pricing, and modest average consumer impacts to manage, though analysis indicates variation in consumer outcomes. Network Tasman has clear understanding of magnitudes of price impacts on consumers with different consumption levels.

Key messages

- Development of a roadmap is a promising step.
- More information about progress to date and pricing options under consideration would improve the pricing methodology. (How will tariffs change if LFC is removed and when TPM is updated? What consumer impacts are expected? How will any transition be managed?)
- Network Tasman could also consider a two-step process for pricing – first identifying needed price signals and, second, pricing for least-distorting revenue recovery.

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

