

# Scanpower – Distribution pricing scorecard 2023

Overall score: 4/5



### Current state:

No network congestion is expected now or in the foreseeable future, which is reflected in the long-term pricing approach. The pricing principles discussion has improved significantly from earlier years. However, it still requires more detail. The Authority acknowledges the use of an interpretation/self-assessment format.

### Strategy:

Excellent roadmap towards fixed charges, focusing on gradually reducing variable charges. An unwinding of some historical cross-subsidisation. Roadmap presents explicit activities and timeframes for the next four years. Scanpower achieved most of the activities targeted for the year.

### Key messages:

The Authority supports Scanpower's transition towards fully fixed pricing and acknowledges the implementation of new cost allocations. Scanpower's connections policy does not include any capital contributions. This is considered acceptable for now given Scanpower currently has spare network capacity. The Authority recommends reducing off-peak rates (when the network has spare capacity). We acknowledge that Scanpower's roadmap targets this outcome. To enhance the pricing methodology, it is suggested that more quantitative information be provided about network conditions, peak signal strength, and a detailed calculation of incremental and stand-alone costs, which is crucial for calculating the subsidy-free consumer range.

### Outcomes:

While the pricing methodology does not contain significant quantitative analysis that connects network circumstances to peak signal strength, this is not required given the network is not congested. However, more information around the subsidy-free range for consumer groups needs to be provided, specifically regarding calculating incremental and stand-alone costs. The cost of network use at off-peak times appears to be high. The pricing methodology contains a clear identification of consumer impacts and their management.

Regarding the five specific expectations of progress shared in September 2022 in the Open Letter:

- Focus area 1: Roadmaps responding to future network congestion: Scanpower manages an unconstrained network with sufficient existing capacity to absorb the predicted increases in demand driven by decarbonisation in the short term. By 2026, plans to explore introducing a peak charge if constraints develop in the network. Also, it plans to explore peak capacity charges for commercial and industrial consumers. The cost of network use at off-peak times appears to be high.
- Focus area 2: First mover disadvantage in new and expanded connection: We note that Scanpower does not charge capital contributions, so there is no need to assess or discuss FMD.
- Focus area 3: Pass-through of new transmission charges: Pass-through of transmission charges is consistent with Authority guidance.
- Focus area 4: Phase-out of low fixed charge (LFC) regulations: Follows guidance for the phase-out of LFC tariff regulation.
- Focus area 5: Recovery of fixed costs through use-based charges: The new pricing methodology eliminated demand charges that used to apply for the large commercial category.