

Unison – Distribution pricing scorecard 2023

Overall score: 3.4/5



Current state:
 The methodology highlights essential pricing features and recognises the opportunity technology uptake brings for more time-based pricing. Currently, there is uncertainty about capacity constraints and congestion following the impacts of the cyclone, and more certainty is expected to be obtained during 2023/2024. There is a clear and comprehensive discussion of how the methodology is coherent with the pricing principles.

Strategy:
 Although the network does not need to set strong price signals to reduce demand in peak times, it is considering the provision of signals to shift load to off-peak or through EV residential plans. Unison is yet to assess the optimal balance between fixed and variable prices. The current roadmap needs to provide more detail and clear timeframes for the proposed activities. Unison achieved the targeted actions for the year.

Key messages:
 It would be beneficial to remove demand charges. Additionally, in the future, the way in which transmission charges are passed through should be clarified. Unison could enhance its pricing methodology by including more quantitative information regarding network circumstances and peak signal strength. Furthermore, a more detailed calculation of incremental and stand-alone costs would aid in determining the subsidy-free range. We welcome the low off-peak charge.

Outcomes:
 Regarding efficiency, it appears that there is a discrepancy between the controlled tariff discount and peak signals, which may result in inefficient price signals. Unison could improve pricing methodology by including a quantitative analysis linking network circumstances to peak signal strength. We have yet to receive further details regarding the subsidy-free range based on calculating incremental and stand-alone costs. The Authority is pleased to see a growing number of ICPs being assigned to TOU pricing.

Although the methodology contains the main conclusion of a consumer survey undertaken in 2022, we would like to see evidence of recent feedback or the identification of consumer impact and its management. The Authority acknowledges the annual customer survey about performance and service perception. Regarding the five specific expectations of progress shared in September 2022 in the Open Letter:

- Focus area 1: Roadmaps responding to future network congestion: The Authority acknowledges the pricing methodology is forecasting constraints, including using scenario planning to model the impact of decarbonisation and electrification. Unison also wants to revisit how it communicates congestion, better signalling, and the location and cost of congestion.
- Focus Area 2: First mover disadvantage in new and expanded connections: FMD issue is not mentioned in either methodology, capital contribution policy, or current roadmap.
- 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: The price schedule follows guidance for the LFC phase-out.
- Focus Area 5: Recovery of fixed costs through use-based charges: Demand charges for commercial users have increased for some or remain the same compared to previous years. Such charges strongly incentivise customers to alter their use at specific times despite that use having little impact on network costs.