

Marlborough Lines – Distribution pricing scorecard 2023

Overall score: 4/5



Current state:

The pricing methodology clearly describes the network’s characteristics, including demographic and geographic features, technology uptake and type of customers that are relevant to the pricing methodology. The network is currently not experiencing material capacity constraints. The methodology adequately describes the consistency with the pricing principles. The explanation of cross-subsidy is clear.

Strategy

There is a clear strategy towards more cost-reflective pricing, including a shift to fixed charges and location-based pricing. It is well underway developing locational-based pricing and fixed prices. Marlborough Lines partially achieved its roadmap targeted for the financial year. Marlborough decided not to introduce additional time-of-use pricing. Instead, the focus has been on addressing location-based pricing. The roadmap laid down activities until 2023. The Authority acknowledges that Marlborough Lines is updating its roadmap for the next five years and is expected to release this in October 2023.

Key messages:

We note an increase in the fixed price component across all customer categories. Noting that this represents an increased revenue requirement for this year, we expect that future years will see a reduction in the variable rate. The Authority recommends reducing off-peak rates (when the network has spare capacity). To enhance the pricing methodology, it would be beneficial to incorporate a quantitative analysis that establishes a correlation between the network’s situation and the peak signal strength.

Outcomes:

There is no quantitative analysis linking network circumstances to peak signal strength. We observe that the cost of network use at off peak times is slightly high.

The Authority was unable to determine the proportion for residential customers in non-uniform tariffs (day and night) from the material provided.

The Authority acknowledges the consultation with customers and retailers about recent pricing structures. There is evidence of consumer impact 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: there are not significant network capacity constraints. However, Marlborough Lines has a night price plan and day/night price differentials to promote efficient use of the network.
- Focus area 2: First mover disadvantage in new and expanded connection: FMD issue is mentioned in the methodology by referring to the uptake of electric vehicles and the possibility of paying lower prices when connected to controllable meters.
- Focus area 3: Pass-through of new transmission charges: TPM pass-through is consistent with Authority guidance.
- Focus area 4: Phase-out of low fixed charge (LFC) regulations: Price methodology follows guidance for the phase-out of the LFC tariff.
- Focus area 5: Recovery of fixed costs through use-based charges: No presence of demand charges which avoids inefficient outcomes.