Overall Rating	2.2/5

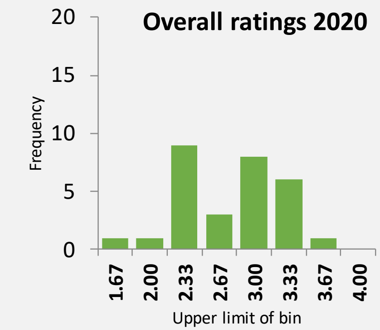
Distribution pricing principles - Scorecard 2020: **Counties Power**

Summary

Current State ●●○○○	Strategy ●●◐○○	Outcomes ●●○○○

Status - detail

Circumstance ●●○○○	Strategy ●●●○○	Efficiency ●●○○○
Principles ●●○○○	Roadmap ●●○○○	Consumer impact N/A



Current State

- Quite basic description of network circumstances and growth pressures. As noted last year, would benefit from setting out how network characteristics and trends affect pricing design (e.g. signal capacity constraints, or reflect density).
- Counties Power has assessed its pricing against the old pricing principles.

Strategy

- Having introduced smart tariffs, Counties Power now intends to ‘rebalance future revenue from variable to fixed charges… and significantly decrease the variable off-peak and controlled rates.’
- Roadmap section explains progress made but has not outlined concrete steps, as recommended last year.

Outcomes

- Move to smart tariffs as the default for all mass-market consumers signifies progress toward more efficient pricing.
- Continued high reliance on variable charges (over 75% of revenue), including in business and standard residential price categories is unlikely to be efficient.
- As noted last year, the methodology would benefit from more detail on the efficiency reasons for, e.g., the peak/off-peak price ratios.

Key messages

- Counties Power has invested in smart meters and analysis to enable it to allocate costs to relevant customer groups and to improve its pricing design.
- Counties Power’s cost allocation approach seems sensible. Costs are shared within broad groups. This is good for simplicity. But it would be useful to know how allocations deal with systemic cost differences within groups. (Counties Power’s capital contribution policy does this for urban vs rural connections, although price averaging is still applied over large groups.)
- The roadmap would benefit from concrete reform plans and timeframes, even if details are contingent on LFC and TPM changes; the share of revenue from fixed charges is low for standard residential and business consumers, and progress on that front is not dependent on LFC or TPM changes.
- Section 4.3 of the pricing methodology could detail how costs are split into fixed and variable prices and explain the basis for variable price ratios. Appendix C states peak charges reflect available capacity and future investment costs. But we understood the network does not face capacity constraints, meaning that peak prices may inefficiently suppress demand.