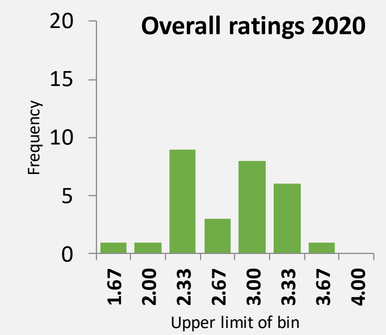
Overall Rating	2.3/5

Distribution pricing principles - Scorecard 2020: **Electra**

Summary	Current State ●●●○○	Strategy ●●○○○	Outcomes ●●○○○
Status - detail	Circumstance ●●●●○ Principles ●●○○○	Strategy ●●●○○ Roadmap ●○○○○	Efficiency ●●○○○ Consumer impact N/A



Current State

- Provides useful context for pricing. Electra is a relatively compact network that has significant spare capacity, dominated by small users.
- Electra has the lowest average use per connection of all distributors and consumption is falling so variable (kWh) distribution prices will rise to recover Electra's annual target revenue.
- Self-assessment is against out-of-date pricing principles.

Strategy

- Electra's pricing strategy is to "progressively introduce service-oriented and cost-reflective price changes to fairly recover the full cost of the network from all customers that use the network." No roadmap.
- Approaches include increasing recovery from fixed charges, making TOU more attractive to shift peak demand, and signaling the long-run marginal cost of the network services in light of EV and distributed energy resources.

Outcomes

- Currently, Electra is over-signalling incremental network costs, which are relatively low because of the significant excess capacity on the network.
- High reliance on variable charges, but pricing methodology does not clarify whether variable charges are set so as to 'least distort network use'

Key messages

- Electra is linking its peak prices to long-run incremental costs in light of the likely impact of new technology, uptake of EVs, and electrification. We understand the reasoning, but note the risk that this oversignals the economic costs of network use given there is significant spare capacity.

- Electra has noted it has started to reduce the price differentials between peak and night to better reflect economic costs. With currently high network capacity, a significant role for pricing is to recover Electra's revenues in a least distorting manner.

- Electra has a pricing strategy but not a current roadmap. Electra should develop such an implementation plan with explicit activities, timelines and resources.

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