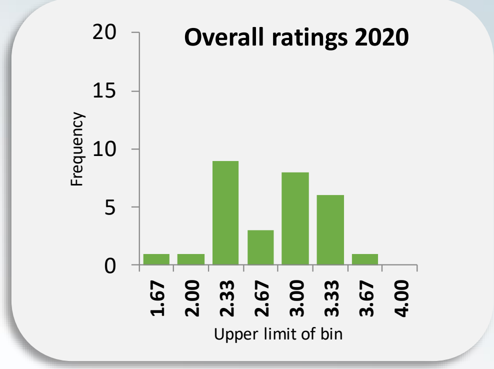
Overall Rating **2.8/5**

Distribution pricing principles - Scorecard 2020: **Nelson Electricity**

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



Current State

- Good summary of context and history – good charts. Plenty of capacity, so no need to manage capacity with pricing.
- Standard approach to cost allocation, mix of load groups and tariffs – DG rate of 0.5c/kWh. Focus is on fairness and what is thought to be acceptable, but implications for efficiency are not drawn out.

Strategy

- Considers there is no compelling case for change to its pricing as that has worked well for over a decade.
- No concrete proposals but is incrementally increasing the % recovered through fixed charges and considers capacity charges would be a good solution. Likely to introduce peak demand or TOU pricing to prepare for future issues.
- While no need to load control for network purposes now, is pitching a controlled load rate to be attractive to consumers in case it is needed in future.

Outcomes

- Pricing structure is orthodox and based on longer-standing use patterns and historic constraints, and not amended since capacity constraint was resolved.
- Pricing seen as a matter of fairness, rather than efficiency, given current lack of need to provide economic signals.

Key messages

- While line charges are typically only a third of typical consumer electricity bills, it is important that the economic costs of providing line services are well-reflected – as this does influence behaviour of consumers and suppliers.

- Nelson Electricity could explain the basis for the variable charges and the ratios between difference variable charges. For example, why is there a night rate at all for transmission charges (presumably any connection costs would be part of a fixed charge)? It could also set out its longer-term goal for capacity-based charges and the proportion of revenue to be recovered in that way.

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