

Overall Rating 3/5

## Distribution pricing principles - Scorecard 2020: Unison

### Summary

Current State ●●●●○

Strategy ●●●●○

Outcomes ●●●●○

### Status - detail

Circumstance ●●●●●

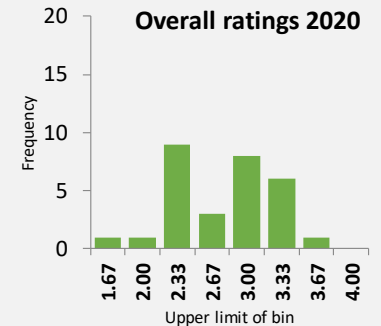
Strategy ●●●●○

Efficiency ●●●●○

Principles ●●●●○

Roadmap ●●●●○

Consumer impact N/A



### Current State

- Great description of the circumstances that affect pricing considerations.
- Operates across Hawke's Bay, Taupo and Rotorua. Taupo and Rotorua are treated as a single pricing region, as Unison considers that in practice the differences for tariffs are not very significant.
- No capacity issues in general – has ripple control and works with and rewards specific customers to manage demand to avoid capacity upgrades.

### Strategy

- Has no formal strategy, but clearly articulates approach is to wait and see what to do until LFC regulation changes. Roadmap also indicates progress has stalled.
- Is considering mandatory TOU and introducing nominated capacity pricing.

### Outcomes

- Significant reliance on c/day + c/kWh for residential and small commercial connections, which is inefficient. TOU options available.
- Larger commercials appear to be priced cost-reflectively.
- Argues that price differentials e.g. for peak and off-peak use, are set so as to avoid reducing demand during peak while giving modest incentives to shift load to off peak. Thoughtful discussion but unclear how they have been constructed, and whether they are proportionate and not unduly distortionary.

### Key messages

- Positive aspects of pricing approach include non-permanent residence prices, DG/PV prices with higher fixed daily charges, and incentives to EV owners to charge at night.
- Pricing methodology reflects more thought about the role of price-signals than most. Methodology could be improved by explaining the basis for relative price differences. This could include linking variable prices to incremental cost of network use that are to be signalled, and the fixed and markups on variable charges to the recovery of remaining revenues in a least distorting manner.
- Ramsey pricing raised when discussing the pricing principles is not the only way to recover residual revenue in a manner that least distorts network use – fixed charges or flat, broad-based variable charges (or markups) are other options.
- There are no regulatory constraints on differentiating urban from rural customers in order to reflect genuine differences in costs to serve that exist between high and low-density networks.

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