

Overall Rating 2.2/5

Distribution pricing principles - Scorecard 2020: Westpower

Summary

Current State



Strategy



Outcomes



Status - detail

Circumstance



Principles



Strategy



Roadmap

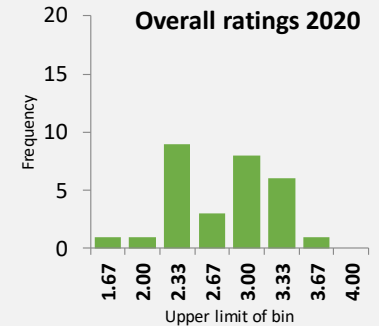


Efficiency



Consumer impact

N/A



Current State

- Westpower's network comprises one long line from north to south, similar to the distance between Wellington to Auckland.
- The network has spare capacity and Westpower considers there is not much marginal cost to reflect in variable prices (other than transmission RCPD costs).
- Westpower has assessed its pricing against out-of-date pricing principles.

Strategy

- Westpower is interested in introducing TOU, subject to managing consumer equity given low penetration of smart meters. Its consumer survey indicates most mass-market consumers favour fixed annual charges.
- Strategy is wait and see, and this is reflected in its 'roadmap' webpage which concludes no changes are planned until LFC regulations are addressed.

Outcomes

- Network does not favour reflecting significant urban and rural supply cost differences in pricing (because of potential bill shock, to recognise service quality differences, and in light of its capital contributions policy).
- Could demonstrate the economic reasons for the variable charges for general and medium load group, and relative prices for day, night and controlled demand, in the context of material surplus network capacity.

Key messages

- There is value in being transparent about the differences in cost of supplying urban and rural customers, even if those differences are not reflected in prices. This will help when evaluating network alternatives for remote connections and justifying contributions to connection costs. If prices are not cost-reflective it will cause less efficient locational choices and investment by electricity consumers.
- When Westpower considers TOU pricing, it will be important to consider the purpose and timing of peak-time prices, given excess network capacity.
- Similarly it would be useful to present material on how well the relativities between variable charges signal economic cost of network use, or whether those relativities are appropriate if variable charges are mainly to recover revenue in a least distorting way.
- The roadmap could include concrete detail on the steps for distribution pricing in light of the new distribution pricing principles, and anticipated changes in the regulatory environment and technology.

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