

Summary

Current state



Strategy



Outcomes



Status-detail

Circumstance
Principles



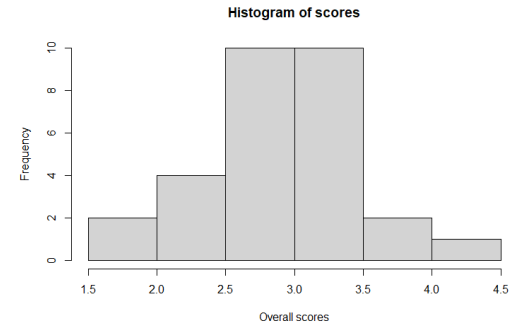
Strategy
Roadmap



Efficiency



Consumer impact



Current state

- Buller Electricity Ltd (BEL) faces no immediate network pressures, meaning its pricing does not need to send specific signals of economic costs of network use.
- Discussion of (in)consistency with pricing principles could be improved by better aligning the use of variable and fixed charges to the principles' intent.

Strategy

- BEL has decided on a 50/50 fixed/variable revenue split to keep incentives for load control and off-peak consumption.
- Roadmap is to bed-in recent pricing changes and in the next 1-2 years develop a plan to consider TOU pricing to prepare for future challenges (e.g. EVs). Roadmap would be improved with specific actions or timeframes.

Outcome

- Variable rates could be clearly linked to current or future costs of network use, to avoid inefficient outcomes. Use of a prior year's AMD for annual setting of fixed charges may also risk distorting non-residential customers' network use.
- BEL is seeking to avoid bill shocks through a 2-3 year transition in changes to its pricing that address cross-subsidies between its commercial customers/farms.

Key messages

- Discussion of (in)consistency with pricing principles could be improved by:
 - outlining how day and uncontrolled rates signal future incremental costs and why consumers need incentives to reduce or shift demand given network capacity (p39)
 - clarifying whether fixed charges recover revenues in a manner that least distorts consumer choices (p41) or provides incentives to reduce peak demand (p40).
- BEL has improved the capacity categorisation of non-residential consumers, using AMD as the indicator of demand for network capacity. This is positive. But the risk is that fixing charges based on last year's AMD may distort these customers' network use and investment decisions. Buller should at a minimum closely monitor the impacts.

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

