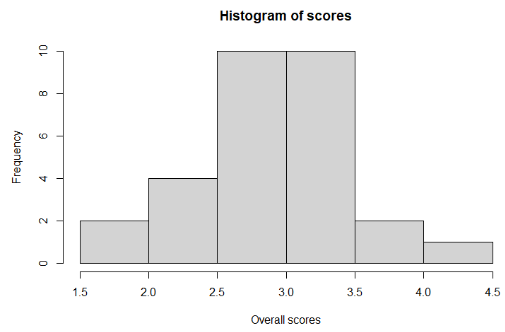
Overall Rating 3.3/5

Distribution pricing principles – Scorecard 2021: Marlborough Lines

Summary	Current state	Strategy	Outcomes
Status-detail	Circumstance Principles	Strategy Roadmap	Efficiency Consumer impact



Current state

- Challenging network for pricing with numerous uneconomic remote connections and relatively low (55%) smart meter penetration. Focus is on resilience and capacity.
- Reasonable discussion of (in)consistency with pricing principles. Would be improved if it drew on cost data to show if e.g. night and controlled rates signal economic cost.

Strategy

- MLL is incrementally increasing the share of revenue from fixed charges and has introduced a pricing category for remote customers.
- MLL is also considering TOU, but sees no urgent need given network circumstances and availability of e.g. night and controlled rate under existing pricing structure.

Outcome

- Progress is being made. Including capacity charges, around 50% of revenue comes from fixed or fixed-like charges; new pricing for remote customers improves cost-reflectiveness.
- MLL has a focus on managing price shock – it estimated the increased bills for remote customer when introducing new tariffs and discussed changes with retailers.

Key messages

- MLL has made noticeable progress on improving it pricing structures, and the pricing methodology has good additions that improve explanations and transparency.
- The aim for price differentials between night and controlled tariffs relative to standard variable charges is explained. The methodology could be improved by showing the economic basis for differentials in variable pricing, beyond noting they are considered enough of a differential to influence consumers.
- MLL shows the ‘subsidy free’ test is met for all groups. There remains an opportunity to address any imbalances between cost and expected revenue for remote and general customers, to make pricing more cost-reflective.

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

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