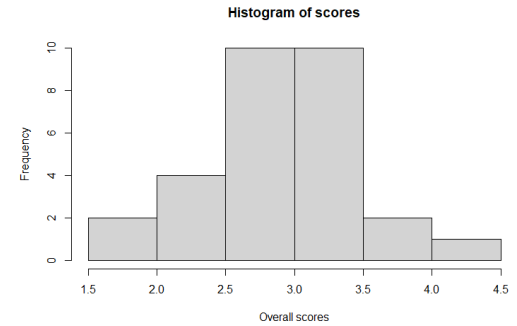


Summary



Status-detail



Current state

- Excellent new roadmap detailing circumstance.
- Discussion of pricing principles implicitly describes Ramsey pricing for residual revenue collection – current realistic alternatives include fixed charges and broad-based, low variable tariffs when constraints prevent fixed charges.
- Roadmap identifies Authority guidance to first identify signalling prices before revenue recovery – methodology could too. Consider updating principles discussion by discussing departures from the principles (eg, discuss any residual pricing inefficiencies?).

Strategy

- WE has introduced near-mandatory time of use prices to residential customers with AMI meters. (Alternatives available for ICPs with non-smart/non-communicating meters & retailers without necessary metering agreements.)
- Roadmap has been updated and activities are at a good level of specificity, together with progress summary. Project underway to accommodate EVs/DER on the network.

Outcome

- Time of use prices have been applied to all residential customers with communicating smart meters, from 1 April 2021.
- Methodology could be improved with more explanation of the cost-reflectiveness of peak vs off-peak prices.
- Strategy notes considering geographical cost to serve – encourage WE to draw out the cost differentials in any change in pricing.

Key messages

- WE’s new roadmap provides an excellent description of network context, with informative figures and insight into consumer group behaviours and expected trajectory given decarbonisation, explaining context for asset growth and pricing strategy.
- Methodology could be improved with greater alignment with the new roadmap.
- Greater insight into the calibration of variable price signals would enable more insight into the efficiency of pricing.
- Consumer impacts identified/managed by analysis prior to introduction of new pricing. Discussion of consumer impact in methodology could be more explicit.

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

