

November 2017

Distribution pricing reform – A roadmap of overall progress

Stakeholder interest in distribution pricing reform is such that updates on progress across the ENA membership is being sought every six months. In April 2017, all members published their initial roadmaps which set out each EDB's April situation regarding pricing reform, its plans to develop a strategy for pricing reform and its approach to consultation, amongst other things.

The roadmaps were presented in a variety of formats but most included this key information.

Since April 2017 ENA members have progressed pricing reform to a greater or lesser degree which will be reflected in their own individual roadmaps. The ENA expects that, over time, members will adopt a more consistent approach to both the presentation and content of the roadmaps.

ENA members may provide their own updates but, in addition to their own reform activities over the last 6 months, members have participated in collaborative activities that, taken together, contribute a great deal to pricing reform, as follows.

1.0 Distribution pricing work group

The DPWG membership comes from all ENA member businesses. It meets regularly to progress greater standardisation and consistency across members pricing, across terminology and especially with definitions and components of pricing and services. It is also required to advance pricing reform in response to network developments and more broader change in the electricity sector.

Over the last 12 to 18 months the latter objective has dominated the standardisation efforts that the DPWG managed prior to this time.

1.1 Guidance on pricing reform for members

The final version of the pricing reform guidance was published in August 2017 following considerable feedback from members and external stakeholders on the draft versions. This report provides members with practical guidance on how to think about the various issues that result from pricing that is not cost reflective; on how to think through pricing reform and the pricing options that would be more cost reflective from a network point of view; and importantly on the complex issues relating to implementation of reform that need to be dealt with over an extended transition timeline.

ENA members were all very active and engaged in this process.

1.2 Retailer workshop

On behalf of its members and in conjunction with ERANZ, the ENA held a pricing reform workshop on July 4 at PwC Auckland. For ENA members, what came out of this workshop is a key part of their strategy preparation – a joint work group to consider just what technical issues could get in the way of successful pricing reform and to figure out practical solutions that both EDB's and retailers could use to resolve the technical issues that impact pricing reform for their own business.

1.3 DPWG ToR and strategy

Following completion of the guidance document it was timely for the DPWG to review its terms of reference and the go forward strategy for pricing reform and other DPWG priorities. The review workshop was attended by nearly all ENA members and generated a high level of engagement and commitment to support individual and joint efforts with pricing reform.

2.0 Next steps with pricing reform

The following are the initiatives that are underway in 2017/18 as ENA members move forward with pricing reform.

2.1 Implementation strategy

A new workgroup of ENA members has been formed to focus on developing an overall strategy for implementing pricing reform and then working with individual members to develop their own implementation approach. Aside from being an efficient use of resources and expertise, this approach will deliver more consistency and cooperation across the membership. This group will consult with external stakeholders (including retailers) to quality assure their work. This process was successfully used when the guidance document was being developed.

The joint EDB/retailer Technical Implementation Working Group that was agreed to be formed at the ERANZ/ENA pricing reform workshop is up and running. ENA and ERANZ have agreed a draft term of reference for the group and a chair, Erik Westergaard, has been appointed. The first meeting of the working group took place on Friday 10 November.

2.2 Learnings from NZ and overseas

Members are drawing on local and international pricing reform experiences. Many pricing reform trials (and full implementations) have been undertaken which provide valuable input to the development of reform strategy and implementation tactics by ENA members. A number of members have already engaged with local and international advisors to inform their strategy development. ENA is holding a workshop for all members in October where tactical approaches to implementation will be reviewed with two international experts.

2.3 Stakeholder engagement

Experience when developing the guidance document revealed that the task of stakeholder engagement around pricing reform is complex and time consuming. A subgroup of the ENA consumer engagement work group has been established to support members with this important task. Again, this work will be undertaken with retailer involvement.

2.4 ENA coordination

The ENA has been tasked by its members to ensure that the process of reform is not only efficient across the membership but that individual reform efforts are coordinated and consistent.

3.0 Overall timeline

In their April 2017 roadmaps, some ENA members noted that reform of distribution pricing was conditional on changes and progress in other parts of the energy sector. Reform of the LFC was prominent in this regard as was the Electricity Authority work programme. We note that since April the timelines for key elements of the work programme have slipped, or in the case of the TPM review, have been overlaid by an alternative Transpower led review. Aspects of the Authority work programme are integral to the overall progress of the sector and will impact progress.

EDB	Update to timeline for roll-out of reform	Initiatives underway since previous update	Other comments
Alpine	1 April 2020	Further scoping and consideration of pricing approaches	We intend to consult with stakeholders within the next 12 months.
Aurora	No change. Any structural changes to pricing is likely to occur post 2020.	Initial engagement with several retailers has been performed.	No other comments
Buller	No change	No change	No other comments. Further update will be available at end 2017.
Centralines	Continuing to Monitor effect of 2016 DGEN + TOU price changes. Shape and timing of further reform likely influenced by current pan industry analysis and consultation	Active participation in ENA pricing strategy & working groups. Consultation with local retailers on price trials. Addition of new EV chargers in network. On-going analysis of new pricing options & local application	See benefit for all in shared industry analysis, some consistency of approach across EDB's, and retailer input on capacity to implement. Important to balance consumer insight with economic logic in formulating best options
Counties	No change – reform is already underway	First customers are now using Counties Power's	All retailers using smart meter data which cover 90% of ICP's.

		mass market cost reflective pricing	
Eastlands	Unchanged from initial workplan document.	Detailed planning for implementation has commenced, including a review of systems and business processes.	No other comments
Electra	No change	No change	No other comments
EA Networks	No change	Engaging with other regionally aligned EDB's to review options within the frameworks established by ENA DPWG.	No other comments
Electricity Invercargill Limited	April 2020 is the initial target date for pricing change.	Two pricing options have been selected for further exploration	Consultation with all stakeholders will now begin
Horizon	We continue to plan towards April 2020 as the target for introducing change	Consultation has started with Retailers, along with considerations around barriers to change	Working within ENA sub-groups to progress development in a coordinated approach
Mainpower	April 2018 refinement of current structure to meet retailer concerns and achieve greater standardisation. April 2019 is likely date for first cost reflective prices.	Engagement of Concept Consulting and Axos Systems to undertake impact assessment. Engaging with other regionally aligned EDB's to review options within the frameworks established by ENA DPWG.	Letter provided to Electricity Authority as update.
Marlborough	No change	Undertaking a study of the widespread impact of photovoltaics on its network	Undertaking cost study of servicing customers in remote areas
Nelson Electricity	Still 1 April 2020	No change	No other comments

Network Tasman	No material changes.	Continued development of TOU pricing, including initial consultation with retailers. Continued focus on rationalisation and standardisation of existing pricing.	No other comments
Network Waitaki	April 2021 remains the likely implementation date.	Reviewed current price structures as per roadmap. Currently engaging with other regionally aligned EDBs to review options within the frameworks established by ENA DPWG.	No other comments
Northpower	Completed the 2017Q1 actions (Long list of options and roadmap) 2017Q3 actions (modelling and goal-setting) have been deferred to 2017Q4 to allow time for data analysis	Working with an external consultant to develop options and provide a platform for data analysis. Actively participating in ENA working groups to promote efficiency and consistency across NZ.	Access to half-hour data for ICP's is an essential part of the process of developing service-based pricing options. Recent additional obstacles to sourcing this data were not anticipated when the roadmap was developed. This is an industry-wide issue.
Orion	April 2020 remains the likely date for material changes to pricing.	Consultation process has started with stakeholders.	Discussion paper on preferred options released for feedback.
Powerco	April 2020/2021 remains the likely date for implementation of more cost reflective pricing across both regions.	Consultation continues with stakeholders. System capability review initiated and due for completion by December '17.	Currently conducting the first phase of a TOU pricing trial with the second phase to commence from 1/4/2018 incorporating participant feedback.

The Power Company Limited	April 2020 is the initial target date for pricing change.	Two pricing options have been selected for further exploration	Consultation with all stakeholders will now begin
OtagoNet Joint Venture	April 2020 is the initial target date for pricing change.	Two pricing options have been selected for further exploration	Consultation with all stakeholders will now begin
Scanpower	No change	No change	No other comments
Top Energy	Inclusion of trial of new price structures in 2019/2020. No other material changes to previous roadmap.	Customer focus groups on pricing structures in conjunction with ENA.	Continue to align with industry including ENA, ERANZ and Working Groups.
Unison	Continuing to Monitor effect of 2016 DGEN + TOU price changes. Shape and timing of further reform likely influenced by current pan industry analysis and consultation	Active participation in ENA pricing strategy & working groups. Consultation with local retailers on price trials. Addition of new EV chargers in network. On-going analysis of new pricing options & local application	See benefit for all in shared industry analysis, some consistency of approach across EDB's, and retailer input on capacity to implement. Important to balance consumer insight with economic logic in formulating best options
Vector	Implementation phase of any new price plans is likely to commence in 2020 with mooted introduction of a revenue cap	Invite partnership in, and pursue, pricing trials in 2018 and 2019	No other comments
Waipa	We implemented our changes for new connections & DG on 1 April 17 as planned, but the timetable for existing ICPs to transition may be revised dependent on the remaining Retailer AMI rollout.	We have completed a project analysing Retailer-provided AMI data for a large sample of customers. This has allowed us a more detailed understanding of the price impact of our planned changes.	We intend to provide an update to Retailers in November and invite feedback on our timetable and progress to date.
WEL	Current goal is 1 April 2018, however awaiting	Completed customer focus groups in March	No other comments

	formal retailer feedback and board approval.	2017. Completed analysis, customer impacts, and mitigations for challenges. Had initial retailer consultation in July. Had formal retailer consultation in September and awaiting formal feedback.	
Wellington	Indicative timeline remains unchanged at this stage	In the process of conducting a trial of EV users on the Wellington network. Data will be gathered and analysed and will form part of our work in establishing the impact of EVs on our network. This analysis will also assist in the development of future pricing structures for our network.	No other comments
Westpower	Activities detailed in the road map for current period are underway		