



Orion delivery pricing development

2018 Decisions

1 November 2018



1. Purpose of this paper

On 14 September 2018 Orion issued a consultation paper targeted at retailers and consultants. The paper sought feedback on the next step of incremental pricing changes (largely following on from the direction taken from the 2017 consultation), provided feedback on issues raised in the 2017 consultation, and also sought further specific feedback on the longer term path forward with “time of use” pricing and other pricing options.

Responses to our consultation, other than those that were identified as being confidential, have been published on our website.

This paper focuses on the incremental changes that we intend to incorporate in our pricing update effective 1 April 2019. We have largely concluded our path forward, but we have some additional customer and stakeholder interaction and feedback to consider. The changes will be confirmed in our full pricing update notification which we intend to publish prior to the end of the year.

We will consider feedback on the other longer-term issues more thoroughly and respond separately at a later date.

2. Summary of changes

The following sections set out the basis for our intention to make the following changes to our pricing from 1 April 2019:

1. Introduce a flat 15c per day fixed charge for all general connections.
2. Broaden the major customer category, lowering the minimum for elective categorisation from 200kVA to 150 kVA, and increase the daily fixed charge to \$10.
3. Adjust the qualifying criteria for our interruptibility rebate to require monthly half-hour metering information to validate the load and load response.
4. End the generation credits arrangement.
5. Introduce a small charge for issuing failure to pay and default notices.

We previously advised that we expected to be passing on an approximate 5% reduction within our overall price movements. Updating our estimates, we now expect the reduction to be closer to 6.5% (largely driven by a reduction as we move off our customised price path, and a reduction in our grid charges from Transpower). This reduction will somewhat mitigate the impact our structural changes will have on customers.

3. Consultation responses

3.1 Universal 15c/day fixed charge for general connections

We proposed to move forward with the universal daily fixed charge that we initially suggested and was supported in our 2017 consultation.

As with our previous consultation, all submissions either supported or did not object to this change.

One submitter suggested that the introduction of the fixed charge should be used to offset and reduce the peak price, and that the charge only be applied for connections with the “Active” (002) status on the Electricity Authority’s registry. Another indicated that it would be useful to see analysis of the impact. These points were covered in our previous consultation.

We intend to introduce the 15c/day fixed charge from 1 April 2019.

3.2 Broadening the major customer category

We proposed to further broaden the major customer category, lowering the minimum for elective categorisation from 200 kVA to 150 kVA, and increase the daily fixed charge to \$10. All submissions either supported or did not object to this change.

One submitter, Powershop, strongly objected to our suggestion that we might proactively identify customers that might benefit from changing to the major customer category on the basis that we can’t know what network charges are being allocated by retailers to customers, so we can’t quantify if there is a benefit to customers. Powershop requested that Orion load the contracted capacity to the “chargeable capacity” field on the registry so that retailers can instead consider and make this elective decision.

However, the contracted capacity is only used as a determinant of category for new and upgraded connections, and we would be in breach of the rules if we were to load it to the chargeable capacity field when it is not a chargeable quantity. We intend to make the assessment of the benefit to customers only where suitable half hour metering is already in place, rather than require customers to upgrade metering. We understand that, for all customers in this situation, retailers currently pass through our delivery charges, so our comparison of charges will be valid. For Powershop, and any other retailer that notifies us, we will first propose any category changes to the retailer, before approaching the customer.

In response to other queries raised:

- As noted above, it will be an option for customers to upgrade metering to take advantage of the elective range (if their loads are high enough) but we will not require this action.
- We are not intending to adjust the threshold further.
- Pricing for the major customer category is aimed at connections that do not make extensive use of our low voltage network. It would not be appropriate or cost reflective to extend the elective range to include all connections where customers elect to install TOU metering (the type of metering installed has no impact on our network costs).

We intend to proceed with this adjustment. Please let us know if you would like us to confirm with you before applying any elective recategorisation that reduces delivery charges (note that this may delay the changes for your customers).

3.3 Metered measurement for interruptibility rebate

We proposed to include a monthly assessment of metering for the interruptibility rebate, and to augment our current half-hour metering data collection to also include advanced meter data for this purpose.

This proposal received some opposition from several retailers with a relatively small number of affected irrigation connections. The main theme of this objection is a call for annual assessment. We consider that we need more timely access in order to:

- Take corrective action where interruptible load is not available – raising issues with customers a year down the track is of little use, and it is difficult to recover credits retrospectively.
- Model and assess interruptible loading levels during the season – our irrigation load is highly correlated (with little diversity) and each season can be quite different to the previous.

One submitter sought to clarify the use of data and how we would treat occasional gaps in metering information (which tends to occur more often with half hour metering from advanced meters). We confirm that metering information would only be used for the purposes set out in clause 20 of our (current) delivery services agreement. We also would not look to penalise customers for occasional gaps in metering information and will include this in our assessment process.

Despite our proposal for a monthly process, one submitter advised us that our process is annual, and that information would only be provided annually. In the absence of provision of monthly half-hour metering information we would transition that retailer's irrigation connections off the interruptibility arrangement.

The submitter also stated that EIEP3 was not suitable as advanced meters do not record all the fields necessary for the file format. We expect this comment relates to the fact that advanced meters do not generally record reactive energy, and in this respect we note the following provision in the EIEP3 protocol:

“Although it is intended that all half hour meters are to measure active and reactive energy, if the reactive energy measurement is not available then Nulls must be provided in the reactive energy (kVArh) and apparent energy (kVAh) fields.”

We understand that the Electricity Authority has been asked to consider a more suitable format for half hour data from advanced meters which we could adopt for this purpose.

We intend to proceed with the change to a monthly metered assessment for the interruptibility rebate, and will aim to progressively implement it from 1 April 2019 with a view to having it in place for the start of the irrigation season on 1 October 2019. We have some work to do to develop our assessment and response processes, and we intend to ensure a light-handed approach during the implementation.

3.4 Ending the generation credits arrangement

With the regulation preventing us from making “avoid cost of transmission” payments, we proposed to end our generation credits arrangement and reduce the separate export credits.

No submitters objected to this, but one submitter’s support was conditional on consultation with affected customers. We are not sure that we can get any useful feedback from customers if we ask them how they feel about a credit being removed. It is the Electricity Authority that is driving this change, and the Authority is well aware of the impact, and it has carried out its own consultation process.

We intend to give notice to affected customers, explaining the reason for the change, and end the generation credits arrangement effective 1 April 2019.

3.5 Introduce a fee for late payment notices

We proposed to introduce a fee (in addition to all other remedies), where we have issued “failure to pay” or “default and termination” notices when delivery charges are not paid on time.

As noted in the consultation, we do not anticipate applying these charges more widely than the small number of retailers that will be familiar with these notices. We currently consider the charges will be in the range of \$50 to \$100 per event. The charge (or charges if there are multiple notices) would be added to the following month’s invoice.

No submitters objected to the proposal, and some supported it. We intend to introduce the charges from 1 April 2019.

4. Next steps

We intend to issue our pricing update by the end of 2018, including the pricing policy documentation supporting the changes noted above, as well as revised prices. This additional notice period reflects the material nature of the changes proposed, and meets the extended notice period required in our (current) delivery services agreement.

Following that we will collate and document our longer term pricing developments to address and incorporate the feedback provided.

We are keen to continue an open dialogue as we address these issues and would welcome any further comments you might have - please feel free to contact us at pricing@oriongroup.co.nz.