



Eastland
Network

Submission to the Electricity Authority

Implication of Evolving Technologies for Pricing of
Distribution Services

2 February 2016

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1 Introduction

This submission has been prepared in response to the Electricity Authority's (EA) consultation paper "Implications of evolving technologies for pricing of distribution services" (Consultation Paper) dated 3 November 2015.

Eastland Network Limited (ENL) owns and operates the electricity distribution networks servicing the jurisdictions of the Gisborne District Council on the East Cape and the Wairoa District Council in the northern Hawkes Bay. ENL has approximately 25,400 ICPs across a network circuit length of 3,654 kms and delivers 280 GWh of electricity per annum.

Eastland Network Limited is a subsidiary of Eastland Group Limited which owns and operates a number of energy and infrastructure related businesses. Included in the Eastland Group is Eastland Generation who provide security of supply for Eastland Network to customers in isolated pockets of its distribution region.

2 Overview

The Consultation Paper discusses the implications of emerging technologies in the electricity industry and raises issues regarding distribution prices that consumers pay are not reflective of the services provided or the costs incurred as a result of customer's use of the network. The Consultation Paper largely points towards the use of consumption pricing as problematic and concludes that EDBs should use a more cost reflective approach. The pricing approaches indicated by the Consultation Paper include capacity pricing and demand pricing. The paper also indicates that the use of capacity and demand prices are not prevented by the low fixed regulations.

3 Submission

1. Eastland Network Limited welcomes the consultation paper and the review of distribution pricing and in particular encouragement for the use of service-based pricing including capacity and demand based pricing structures.
2. Eastland Network Limited largely agrees with the viewpoint of the Consultation Paper.
3. Eastland Network Limited would welcome the opportunity to review its pricing structures and implement changes such as those suggested in the Consultation Paper. However, Eastland Network Limited is not confident with the viewpoint that the use of service-based pricing such as capacity or demand pricing will not breach the Low Fixed Charge regulations and would prefer greater assurance through regulatory change. If regulatory change is not possible, it would be useful to have a process whereby changes to pricing structures are given approval prior to implementation. This would provide the assurance required by Electricity Distribution Businesses and minimise costs of implementation.
4. Eastland Network Limited submits that a 2 year time frame for the implementation of alternative pricing structures could be difficult to implement and may cause price shocks for some customers. Therefore a 2-5 year timeframe for implementing changes would be preferred.
5. Eastland Network Limited supports the submissions prepared by the Electricity Network Association (ENA) and by PWC on behalf of 20 Electricity Distribution Businesses.



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Eastland Network Ltd, 172 Carnarvon Street
PO Box 1048, Gisborne 4040, New Zealand

Tel 06 869 0700 | Fax 06 867 8563 | info@eastland.nz | eastland.nz