Wellington Electricity Lines Limited

2017/18 Disclosure of Prices

Pursuant to Electricity Distribution Information Disclosure Determination 2012

6 March 2017

1 Disclosure Requirements

This document has been prepared to comply with the following requirements in the Electricity Distribution Information Disclosure Determination 2012:

Disclosure of prices

2.4.18 Every EDB must at all times publicly disclose-

(1) Each current price expressed in a manner that enables consumers to determine-

(a) the consumer group or consumer groups applicable to them;

(b) the total price for electricity lines services applicable to them;

(c) the prices represented by each price component applicable to them;

(d) the amount of each current price that is attributable to transmission charges;

(2) The number (or estimated number) of consumers which must pay each price;

(3) The date at which each price was or will be first introduced;

(4) The price that was payable immediately before each current price (if any) expressed in the manner referred to in subclause (1) above.

2.4.19 Every EDB must, at least 20 working days before changing or withdrawing a price or introducing a new price that is payable by 5 or more consumers-

(1) Publicly disclose-

(a) the information specified in clause 2.4.18 above in respect of that price;

(b) an explanation of the reasons for the new price or the changed or withdrawn price;

(2) In addition, either-

(a) give written notice to each consumer by whom that price is, or in the case of a withdrawn price would have been, payable, including the information specified in clause 2.4.18 above in respect of that price; or

(b) notify consumers in the news section of either-

(i) 2 separate editions of each newspaper; or

(ii) news media accessible using the internet that is widely read by consumers connected to EDB's network;

(c) notification under subclause (2)(b) above must provide details of the price, including-

(i) the changed price alongside the immediately preceding price applicable; and

(ii) contact details where further details of the new or changed price can be found including the URL of the EDB's publicly accessible website.

2.4.20 Every EDB must, in respect of-

(1) All new prices payable; or

(2) In the case of withdrawn prices, the prices which would have been payable;

by 4 or fewer consumers, at least 20 working days before introducing a new price, give written notice to each consumer by whom that price is payable, the information specified in clause 2.4.18 above in respect of that price.

2 Summary of changes to pricing structures

We have made the following change to pricing structures this year:

- Introduced a demand charge price signal ('EVDMND' measured in kilowatts) for owners of private electric vehicles (EV) who also utilise EVNITE pricing. The rate of this demand charge is initially set at $0/kW/month from 1 April 2017, however our intention is to introduce a congestion price signal in subsequent years.

We have also updated the description of the RLU-NITE and RSU-NITE price codes to "night boost" rather than "night", to better reflect the nature of supply for these codes and to be more consistent with the *Electricity Network Association's Distribution Pricing Guidelines (September 2016).*

Further information on these changes is provided below.

2.1 Compliance with the DPP Determination

Our delivery prices from 1 April 2017 remain unchanged from the previous year. Delivery prices consist of two components, being a distribution price component and pass-through price component (which includes transmission and other recoverable costs). Increases in the distribution price component have been offset by a net decrease in the pass-through price component (including transmission and other recoverable costs) so that overall we have kept our delivery prices constant for consumers. These changes are explained in section 4.

2.2 Pricing amendments

The adjustments made to pricing from 1 April 2017 are as follows:

2.2.1 Description change for 'Night only' supply to 'Night boost' supply for price codes RLU-NITE and RSU-NITE

The description change has been made to better reflect that this supply includes an additional boost period during the daytime as well as the night time supply period. This aligns with the *Electricity Network Association's Distribution Pricing Guidelines (September 2016).* There have been no changes in the eligibility requirements. Night boost is a separately metered supply to permanently wired appliances, such as night store heaters, which we arrange for switching on and off supply at our specific control times. Night boost supply will be switched on during the night period (11pm to 7am) and for a minimum two hour boost period during the day (generally between 1pm to 3pm). There is no electricity supply to the permanently wired appliances outside of these specified time periods.

2.2.2 Electric Vehicles

On 1 April 2017 we are introducing a demand charge price signal ('EVDMND' measured in kilowatts) for owners of private EVs who also utilise EVNITE pricing. This demand price signal applies during the network congestion period of 5pm to 9pm. Initially the rate of the demand charge is $0.00/kW/month, however this price signal is expected to be increased so it is cost reflective for EV owners in subsequent years. The purpose of this demand charge is to incentivise EV owners, through price signals, to charge their vehicles outside of the network evening congestion period. We believe that introducing this demand charge will help reduce the need for additional investment in upgrading the network for EV charging and also avoid the risk of network outages where no price signal is present during the congestion period. By avoiding increased investment for accommodating increasing network peak demand, customers will also avoid increased prices.

3 Consumer Groups

This section sets out the rationale and criteria for our consumer groups.

3.1 Defining Consumer Groups

Wellington Electricity Lines Limited (WELL) has adopted the following consumer groups for pricing purposes:

- Standard contracts:
  - Residential Low User (RLU);
  - Residential Standard User (RSU);
  - General Low Voltage Connection (GLV);
  - General Transformer Connection (GTX); and
  - Unmetered (G).
- Non Standard Contracts.

Consumers are grouped by voltage level connection, end use, and their utilisation of electricity assets. As an example, the General Transformer Connection group does not make use of the low voltage (LV) reticulation network, as it connects directly to the high voltage network via a dedicated transformer.

Our Electricity Delivery Price Schedule[1] sets out prices for the 2017/18 pricing year for the Standard contract consumer groups. Non-standard contract consumer groups are notified directly of their pricing.

The criteria used by WELL to allocate consumers to consumer groups is as follows:

Residential

The Residential consumer group is consistent with the definition of "Domestic consumer" in the Low Fixed Charge Regulations, where the primary use of the point of connection is a home not normally used for any business activity. Consumers in this group almost exclusively are connected to the LV Network, place similar capacity demands on the network, and can use night boost[2] and controlled[3] tariffs, provided they have the required metering, dedicated interruptible load and meet other eligibility criteria.

This residential consumer group has low and standard users. A low user is a residential consumer who consumes less than 8,000 kWh per year and who is on a low fixed charge retail pricing plan. The Low Fixed Charge Regulations require electricity distribution businesses (EDBs) to offer a pricing plan to domestic low users with a fixed price of no more than 15 cents per day.

A standard user is a residential consumer who consumes more than 8,000 kWh per year.

[1] Available at: http://www.welectricity.co.nz/disclosures/pricing/2017-pricing/

[2] Night boost is a separately metered supply to permanently wired appliances, such as night store heaters, which are switched on and off at specific times. Night boost supply will be switched on during the night period (11pm to 7am) and for a minimum two hour boost period during the day (generally between 1pm to 3pm).

3 A controlled supply is a supply that allows WELL to control energy supply to permanently wired appliances, such as hot water cylinders. The load control associated with a controlled supply is not operated based on specific daily times.

General Low Voltage Connection

The General Low Voltage Connection group is connected to the LV network with a connection capacity of up to 1500kVA, where the premises is a non-residential site used for business activity (e.g. a shop or a farm).

General Transformer Connection

The General Transformer Connection group includes consumers who receive supply from a transformer, owned by WELL and dedicated to supplying a single consumer, where the premises is a non-residential site used for business activity.

Voltage and asset distinctions

The following table depicts the relationship between consumer groups, load and asset utilisation characteristics.

Connection Asset Characteristics	Unmetered	Residential	General Low Voltage	General Transformer	Non Standard
<1kVA	✓				
<=15kVA		✓	✓	✓	
>15kVA & <=69kVA			✓	✓	
>69kVA & <=138kVA			✓	✓	
>138kVA & <=300kVA			✓	✓	
>300kVA & <=1500kVA			✓	✓	
>1500kVA				✓	✓
Low voltage	✓	✓	✓		
Transformer	✓	✓	✓	✓	✓
High voltage				✓	✓
Dedicated assets	✓[4]			✓[5]	✓[6]

Table 1 – Consumer group and load characteristics

Non-standard contracts

The non-standard contracts group is made up of consumers who have atypical connection characteristics. For non-standard consumers, a confidential agreement exists between WELL and the individual consumer which sets out the terms and conditions for the supply of the electricity lines services including the price.

In accordance with its Customer Contributions Policy[7], WELL uses the following criteria to determine if a non-standard contract is appropriate:

- The consumer represents an unusual credit risk; or
- The consumer wants to reserve future network capacity; or

[4] Streetlight circuits

[5] Transformers

[6] Dedicated network assets

[7] Available at http://www.welectricity.co.nz/disclosures/customer-contributions/

- There are unusual asset ownership or demarcation issues; or
- The consumer and/or WELL wishes to contract for additional services not covered in standard contracts; or
- The site to be connected has unusual locational or security issues; or
- Any other unusual circumstances that WELL, at its discretion, considers to warrant the use of a non-standard rather than standard contract.

Unmetered

The Unmetered consumer group includes consumers who do not have any metering because the cost of metering is prohibitive relative to their consumption. This includes streetlights, bus shelters, traffic lights etc.

4 Change in Prices from 2016/17 Disclosure

In accordance with clause 2.4.18, WELL's Electricity Delivery Price Schedule in Table 3 of this document sets out the prices that apply from 1 April 2017.

It should be noted that WELL's electricity delivery prices exclude the following:

- The provision of metering equipment or load management equipment which is located at consumers premises;
- The cost of consumer fittings; and
- Goods and Services Tax (GST).

In accordance with 2.4.19(1)(b) all prices for all consumers are set in accordance with the DPP Determination 2015, which allows WELL to increase the distribution component of its prices by CPI inflation and the recovery of pass-through and recoverable costs.

2017/18 prices are based on 2016/17 prices adjusted for the impact of changes in:

- The Consumer Price Index (CPI)[8];
- Transpower Transmission Costs[9];
- Pass Through Costs[10];
- Other Recoverable Costs[11]; and
- Cost of supply allocations.

Prices for residential consumers are also adjusted to comply with the Low Fixed Charge Regulations.

The impact of these changes is explained further below. Some costs have increased but other costs have reduced, meaning that overall WELL has been able to keep electricity delivery prices the same as the previous year.

4.1 Changes to standard prices

Consumer Price Index (CPI) adjustment:

The distribution component of prices has increased in line with CPI inflation of 0.33%.

Transpower Transmission Charges

Transpower charges have increased by 4.12%. WELL passes these charges on to consumers at cost.

ACOT

WELL pays Avoided Cost of Transmission (ACOT) charges to large distributed generators within WELL's network in recognition that these generators may cause WELL to avoid Transpower charges. These distributed generators reduce WELL's reliance on Transpower's transmission grid at peak times as peak demand is partly served through these distributed generators. WELL recognises these Transpower savings by paying an ACOT payment to the local distributed generator and WELL in turn pass these charges on to consumers at cost.

[8] As defined in the DPP Determination 2015

[9] As defined in the DPP Determination 2015

[10] As defined in the DPP Determination 2015

[11] As defined in the DPP Determination 2015

ACOT charges can fluctuate significantly depending on how much the distributed generation contributes to reducing coincident demand on the network in line with the lower North Island transmission peaks.

Pass-through costs

Pass-through costs have increased by 5.00%, reflecting increases in council rates and industry levies. Pass through costs are charged on to consumers at cost.

Other Recoverable costs

Other recoverable costs include capex wash-ups and quality incentives as well as movements in the pass-through balance. The pass-through balance is the cumulative difference between the revenue from transmission and pass-through prices and the sum of transmission, pass-through and other recoverable costs. In the previous year WELL had a positive pass-through balance movement primarily due to a one-off refund received from Transpower and higher volume revenue from transmission recovery. This prior year over-recovery has enabled overall prices for 2017/18 to be held at the same level as 2016/17 prices rather than the increases in distribution, transmission and pass-through costs being passed through to consumers. The wash-ups, incentives and pass-through balance are provided for in the Default Price-Quality Path Determination 2015 (DPP).

Balance between fixed and variable prices for users

Residential standard users have a higher fixed daily price to reflect the increased capacity used by these consumers. As at 1 April 2017, the fixed daily price for residential standard users is $1.10 per day, consistent with the prior year. Whilst these consumers will have a higher fixed daily price, they will generally have lower variable prices ($/kWh) than residential low users.

Summary of price changes

The change in delivery charges for 2017/18 is expected to result in no price change in the average consumer's annual network delivery charges when fixed and variable price components are combined.

Price change element	Contribution to total average change in Delivery Charges
Consumer Price Index (CPI)	0.29%
Transpower transmission charges	1.57%
ACOT charges	-0.37%
Pass-through costs (rates, levies, etc)	0.99%
Other recoverable costs (incl. wash-ups, incentives and pass-through balance movement)	-2.48%
Total weighted average price change	**0.00%**

Table 2 – Change in Delivery Charge by Price Component

Our delivery charges represent around 30 - 40% of the total electricity bill paid by consumers. However, consumers should be aware that energy retailers will package up our prices into their own retail offerings and the actual impact on consumer electricity bills will vary according to price plans, consumption and the extent to which energy retailers pass through WELL's network price changes. Consumers should check with their energy retailer if they wish to further understand the actual impact on their total electricity bill.

5 Public Disclosure of 2017/18 Prices

In accordance with clause 2.4.19(2)(b) a summary of the 2017/18 prices was advertised in the Dominion Post online edition on 1 March 2017 to 7 March 2017 and in the Dominion Post hardcopy on 4 March 2017.

In accordance with clause 2.4.20 WELL notified consumers on Non Standard Individual Contracts of the price change in writing on 13 February 2017.

WELL's Electricity Delivery Price Schedule

1 April 2017 to 31 March 2018

				effective 1 April 2017		
Code	Description	Units	Estimated number of consumers as at 31 January 2017	Distribution price	Transmission and pass through Price[6]	Delivery Price
Residential						
RLU-FIXD	Low user daily	$/con/day	89,686	0.1500	0.0000	0.1500
RLU-24UC	Low user uncontrolled	$/kWh		0.0468	0.0690	0.1158
RLU-AICO	Low user all inclusive	$/kWh		0.0367	0.0562	0.0929
RLU-CTRL	Low user controlled	$/kWh		0.0219	0.0339	0.0558
RLU-NITE	Low user night boost	$/kWh		0.0080	0.0109	0.0189
RLU-EVNITE	Low user electric vehicle night only[1]	$/kWh		0.0080	0.0109	0.0189
RLU-EVDMND	Low user electric vehicle demand[2]	$/kW/month		0.0000	0.0000	0.0000
RSU-FIXD	Standard user daily	$/con/day	59,808	1.1000	0.0000	1.1000
RSU-24UC	Standard user uncontrolled	$/kWh		0.0316	0.0409	0.0725
RSU-AICO	Standard user all inclusive	$/kWh		0.0228	0.0271	0.0499
RSU-CTRL	Standard user controlled	$/kWh		0.0107	0.0115	0.0222
RSU-NITE	Standard user night boost	$/kWh		0.0071	0.0102	0.0173
RSU-EVNITE	Standard user electric vehicle night only[1]	$/kWh		0.0071	0.0102	0.0173
RSU-EVDMND	Standard user electric vehicle demand[2]	$/kW/month		0.0000	0.0000	0.0000
General low voltage connection						
GLV15-FIXD	General low voltage <=15kVA daily	$/con/day	5,032	0.6268	0.0000	0.6268
GLV15-24UC	General low voltage <=15kVA uncontrolled	$/kWh		0.0207	0.0360	0.0567
GLV69-FIXD	General low voltage >15kVA and <=69kVA daily	$/con/day	10,013	1.5504	0.0000	1.5504
GLV69-24UC	General low voltage >15kVA and <=69kVA uncontrolled	$/kWh		0.0143	0.0250	0.0393
GLV138-FIXD	General low voltage >69kVA and <=138kVA daily	$/con/day	385	8.7851	0.0000	8.7851
GLV138-24UC	General low voltage >69kVA and <=138kVA uncontrolled	$/kWh		0.0170	0.0295	0.0465
GLV300-FIXD	General low voltage >138kVA and <=300kVA daily	$/con/day	320	12.5144	0.0000	12.5144
GLV300-24UC	General low voltage >138kVA and <=300kVA uncontrolled	$/kWh		0.0070	0.0123	0.0193
GLV1500-FIXD	General low voltage >300kVA and <=1500kVA daily	$/con/day	240	31.5561	0.0000	31.5561
GLV1500-24UC	General low voltage >300kVA and <=1500kVA uncontrolled	$/kWh		0.0031	0.0055	0.0086
GLV1500-DAMD	General low voltage >300kVA and <=1500kVA demand	$/kVA/month		2.7627	4.8915	7.6542
General transformer connection						
GTX15-FIXD	General transformer <=15kVA daily	$/con/day	1	0.5690	0.0000	0.5690
GTX15-24UC	General transformer <=15kVA uncontrolled	$/kWh		0.0201	0.0328	0.0529
GTX69-FIXD	General transformer >15kVA and <=69kVA daily	$/con/day	16	1.4069	0.0000	1.4069
GTX69-24UC	General transformer >15kVA and <=69kVA uncontrolled	$/kWh		0.0140	0.0229	0.0369
GTX138-FIXD	General transformer >69kVA and <=138kVA daily	$/con/day	17	7.9715	0.0000	7.9715
GTX138-24UC	General transformer >69kVA and <=138kVA uncontrolled	$/kWh		0.0166	0.0269	0.0435
GTX300-FIXD	General transformer >138kVA and <=300kVA daily	$/con/day	89	11.3555	0.0000	11.3555
GTX300-24UC	General transformer >138kVA and <=300kVA uncontrolled	$/kWh		0.0069	0.0111	0.0180
GTX1500-FIXD	General transformer >300kVA and <=1500kVA daily	$/con/day	188	24.5009	0.0000	24.5009
GTX1500-24UC	General transformer >300kVA and <=1500kVA uncontrolled	$/kWh		0.0026	0.0044	0.0070
GTX1500-CAPY	General transformer >300kVA and <=1500kVA capacity	$/kVA/day		0.0063	0.0104	0.0167
GTX1500-DAMD	General transformer >300kVA and <=1500kVA demand	$/kVA/month		2.4243	4.0093	6.4336
GTX1501-FIXD	General transformer >1500kVA connection daily	$/con/day	34	0.0545	0.0000	0.0545
GTX1501-24UC	General transformer >1500kVA connection uncontrolled	$/kWh		0.0006	0.0009	0.0015
GTX1501-CAPY	General transformer >1500kVA connection capacity	$/kVA/day		0.0119	0.0177	0.0296
GTX1501-DOPC	General transformer >1500kVA connection on-peak demand[3]	$/kW/month		4.8536	7.2683	12.1219
GTX1501-PWRF	General transformer, >1500kVA connection, power factor[4]	$/kVAr/month		3.5047	5.2483	8.7530
Unmetered						
G001-FIXD	Non-street lighting daily	$/fitting/day	278	0.0432	0.0000	0.0432
G001-24UC	Non-street lighting uncontrolled	$/kWh		0.0549	0.0854	0.1403
G002-FIXD	Street lighting daily	$/fitting/day	336	0.1246	0.0938	0.2184
G002-24UC	Street lighting uncontrolled	$/kWh		0.0000	0.0000	0.0000
Distributed generation						
*DGEN	Small scale distributed generation[5]	$/kWh	n/a	0.0000	0.0000	0.0000

Notes:

1. EV night rate applies from 9 p.m. to 7 a.m.

2. Electric vehicle demand is measured between 5 p.m. and 9 p.m. during weekdays including public holidays.

3. Charge is applicable to demand measured from 7.30 a.m. to 9.30 a.m. and 5.30 p.m. to 7.30 p.m. on weekdays including public holidays.

4. Charge is applicable for power factor <0.95 from 7 a.m. to 8 p.m. on weekdays where the kVAr charge amount represents twice the largest difference between the recorded kVArh and one third of the recorded kWh in any one half-hour period.

5. WE* has various codes for small scale distributed generation volumes, being RLU-DGEN, RSU-DGEN, GLV15-DGEN, GLV69-DGEN, GLV138-DGEN, GLV300-DGEN, GLV1500-DGEN, GTX15-DGEN, GTX69-DGEN, GTX138-DGEN, GTX300-DGEN, GTX1500-DGEN and GTX1501-DGEN.

6. Transmission charges makes up 91% of the Transmission and Other pass through Price. Other pass through charges recovered include costs such as Commerce Act Levies, Electricity Authority Levies, Council rates and other recoverable costs.

Table 3 – Delivery Charges effective 1 April 2017