

New line pricing from 1 April 2019

Overview

Network Tasman will be making some changes to its prices from 1 April 2019. Network Tasman's prices cover the cost of our local lines network and using the national grid. These prices are used to charge electricity retailers. Electricity retailers determine how to pass on our charges together with the energy, metering and other retail costs when setting the retail prices that appear in your power account.

There are two components to our price changes. Firstly, our bill for using the national grid has fallen and we are passing these cost savings through to consumers. Secondly, we are improving the fairness of our charges so that the prices consumers pay better reflects the costs of serving them. The effect of our changes is that a greater proportion of our cost savings accrue to those consumers who have previously been paying relatively higher lines charges.

The price changes mean that 99 per cent of residential consumers will see their lines charges fall, provided they are on the right electricity plan. There will be an increase in line charges for some very low use non-residential connections. Higher capacity business consumers will, on average, see their lines charges fall.

Although our changes will result in lower lines charges for most consumers, the extent to which our price changes affect you ultimately depends on how your retailer packages our charges together with the other charges that make up your power bill.

We encourage all consumers to call their electricity retailer if they are unsure whether they are on the correct plan for them. Connections that are at a primary place of residence and use less than 8,000kWh per year should be on a low-user plan and all other consumers should be on a standard plan.

FAQs

Why has Network Tasman changed its prices?

Network Tasman's current prices are not entirely fair for all consumers. Some consumers are paying too much and others are paying too little. The new prices allow fairer cost sharing between consumers.

Our changes help reduce cross-subsidies between consumers.

For example, there are currently some consumers that receive a dividend from the Trust that exceeds their annual line charges. This means that they effectively get paid for using the Network Tasman network, at a cost to other network users. This is one example of how the existing prices fail to allocate costs fairly.

Will Network Tasman earn more money as a result of these changes?

No.

These changes result in Network Tasman earning less revenue in the 2019/20 year, when these price changes apply from, than the current 2018/19 year. We forecast that our revenue will decrease by around \$2 million from 2018/19 to 2019/20.

Will these changes affect the discounts that Network Tasman provides?

No.

These changes will have no effect on the discounts provided by Network Tasman to our consumers. The reduction in our prices is driven by the lower cost of using the national grid. The costs of operating and maintaining the distribution network remain the same. Accordingly, the discounts we distribute to our consumers will remain the same.

Are Network Tasman's prices regulated?

Yes.

The amount of revenue that Network Tasman can earn from lines charges is capped by the Commerce Commission. Network Tasman's prices from 1 April 2019 are significantly below its price cap.

Network Tasman is also subject to oversight by the Electricity Authority, which has responsibility for the pricing methodologies used by lines companies to set their prices. The price changes that Network Tasman is making are consistent with recent direction provided by the Electricity Authority about improvements that lines companies should be making to their price structures.

Do these changes remove the cross-subsidies?

No, our changes haven't removed all cross-subsidies between consumers. Doing so could have resulted in some consumers facing considerably higher lines charges. In making changes to our prices we have balanced the dual objectives of establishing fairer prices for all consumers and the desire to limit any hardship that price changes will have on those consumers facing higher prices.

Will these changes mean my electricity supply is less reliable?

No.

We are reducing our prices because the cost of using the national grid have fallen and we are passing these cost savings on to our consumers. We are continuing to prudently invest in maintaining and improving the safety, reliability, and capacity of our core electricity network.