



Pricing Methodology

1 April 2022

Pursuant to Electricity Distribution Information Disclosure Determination 2012

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1. Introduction

1.1 Overview of MLL

1.1.1 Ownership structure and regulatory regime

Marlborough Lines Limited (MLL) is the electricity distribution business (EDB) connecting more than 26,000 consumers across the Marlborough region. It is owned by the Marlborough Electric Power Trust (MEPT), which holds shares on behalf of the consumers connected to MLL's network. The MEPT has six elected trustees, with elections held biennially.

MLL meets the criteria specified for a consumer owned EDB, under part 4 of the Commerce Act 1986 and as a result is not regulated by the Commerce Commission's default price-quality path (DPP) provisions. MLL is, however, required to comply with other regulations, including the Commerce Commission's Information Disclosure (ID) regime.

The Electricity Authority also has regulatory oversight of the electricity industry. It also sets out several requirements for EDBs.

1.1.2 MLL's business structure

MLL has its own inhouse electrical contracting capability to undertake capital and operational (maintenance) work, primarily for the network but also for other local customers. MLL has approximately 145 staff across both the network office and the contracting depot, both of which are in Blenheim.

Outside of its core business, MLL has invested in other companies both within the distribution sector and outside of the electricity industry. MLL owns 50% of Nelson Electricity Limited, the EDB supplying consumers in urban Nelson, and 100% of Yealands Wine Group Limited, a grape growing and wine producing business located primarily in Marlborough.

1.1.3 Network characteristics

MLL's network has a particularly extensive 33kV (sub-transmission) network (owing to the single Transpower grid exit point, located in Blenheim), connecting 16 zone substations. In total there is approximately 3,400km of overhead lines and underground cables. Lines typically radiate out (there is some meshing in urban areas) to supply most areas of Marlborough. Significant extents of MLL's network is in remote and rugged areas, including the outer Marlborough Sounds, upper Wairau, Waihopai and Awatere Valleys, the southern extent of Marlborough's East Coast and its inland valleys, such as the Clarence Valley.

These areas are very sparsely populated¹, and as a result, MLL has many connections where the cost to supply these connections greatly exceeds the revenue received from them. Electrical infrastructure supplying these areas was typically constructed in the 1960s and 1970s under grant funding from the Rural Electrical Reticulation Council. Many of the connections in these areas are holiday homes, where there is typically very low occupancy rates and consequently low electricity consumption.

¹ Across the network, there are on average 7.5 ICPs/km of line. In the remote areas, 1 to 2 ICPs/km of line is not uncommon.

The urban areas of the network (including their immediate surrounds) are typified by domestic premises, small to medium businesses, and large commercial and industrial consumers. The latter are concentrated at the Cloudy Bay and Riverlands industrial estates, and other wineries around the outskirts of Blenheim.

A significant number of irrigation consumers are connected to the network. These typically supply irrigation and/or storage water for irrigation or other agricultural/horticultural purposes.

Further information on MLL's network (including demand forecasting and network capacity) is included in the Asset Management Plan, available on MLL's website².

1.1.4 Electricity retailers (traders)

MLL has an interposed relationship with the consumers connected to its network, i.e. the contractual relationship to deliver services is through the energy retailers trading on the network. As such, MLL does not have a direct contractual relationship with the consumers connected to its network.

At the time of writing, there are 18 electricity retailers trading on MLL's network. MLL has an agreement in place with each of these retailers (noting that some retailers have multiple brands). Approximately 93% of consumers connected to MLL's network are represented by six of the 18 electricity retailers.

1.1.5 Consumer connections

Of the more than 26,000 consumers connected to the network, the vast majority are domestic premises, or residential connections. Table 3 includes a breakdown of consumer connection numbers on MLL's network.

In addition to these (predominantly) load connections, there are a few distributed generation connections on MLL's network, including:

- Weld Cone wind farm: Three 250kW wind turbines (0.75MW generation)
- Lulworth wind farm: Four 250kW wind turbines (1.0MW generation)
- Dominion Salt Limited's wind turbine: single 660kW turbine; and
- Kea Energy's Wairau Valley solar farm: generation of up to 1.85MW.

MLL's experience to date with distributed generation connection applications is that they involve considerable work on MLL's part in providing information requested by the applicant, and significant resource to review the application and its potential impacts on MLL's network (and potentially, existing consumers connected to the network).

In addition to the above, Trustpower's Waihopai hydro power station generates up to 2.4MW and is connected to MLL's 33kV network in the Waihopai Valley.

1.1.6 Annual discount payment

To recognise the benefits of being community trust owned, MLL makes an annual discount payment (posted) from its line ownership and operations to eligible consumers connected to its

² <https://www.marlboroughlines.co.nz/About-us/Disclosures/Asset-Management.aspx>

network. Applicable discount payment rates for eligible price plans are included in MLL's line delivery price schedule.³

In accordance with the Electricity Industry Act 2010, MLL, as a community trust owned EDB, must apply income distributions (i.e. the discount payment) to at least 90% of its beneficiaries.

The amount of the discount payment for each consumer is dependent on the type of connection (i.e. price plan the consumer is on) and the amount of energy consumed over the qualifying discount period. The discount payment is funded from MLL's return on investment (ROI) – refer to section 4.1.5 for further detail.

The discount payment rate set for most applicable price plans is approximately 20%.

1.2 Pricing changes for disclosure year 2023

Price changes become effective for disclosure year 2023 (DY23), from 1 April 2022. The most recent pricing changes prior to this took effect on 1 April 2021.

The following is a summary of the changes being introduced for DY23:

- A significant shift in variable price component to fixed price component for most consumer groups.
- Removal of a seasonal electricity consumption (kWh) price differential for irrigation consumers.
- Minor price increases to most consumer groups.
- Introduction of General remote consumer price plans for those General consumers in areas of MLL's network designated remote.

A full copy of the line delivery price schedule applying from 1 April 2022 is available on the pricing page of MLL's website. The schedule includes changes from DY22 prices, as well as what components of the line delivery price are attributable to distribution and transmission components.

1.2.1 Reasons for price changes

The DY23 price changes have been made to apply more effective price signalling and are set to recover sufficient revenue to meet increased forecast costs for DY23.

Prices have been set to target revenue of \$46.6m for DY23 (up from \$45.6m, or 2.4%, from DY22), which is based on applying proposed prices to forecast connections and electricity consumption and demands across the DY23 year.

1.3 Pricing Methodology

This pricing methodology provides detail on MLL's pricing structure. The pricing structure (and prices) are determined by MLL for the disclosure year to recover sufficient revenue to meet forecast regulatory costs. Information on MLL's regulatory costs, and how these are allocated to

³ Available at <https://www.marlboroughlines.co.nz/About-us/Disclosures/Pricing.aspx>

various consumers connected to its network (via their electricity retailers) are included in this pricing methodology.

MLL considers this pricing methodology to meet the requirements of ID, while giving due consideration to the Electricity Authority's pricing principles. For reference and completeness, these are included in Appendix 1 – Information Disclosure Requirements and Appendix 2 – Consistency with Pricing Principles respectively.

Two separately published documents⁴ should be read in conjunction with this pricing methodology:

- MLL's line delivery price schedule, which comprises a schedule of all prices for the various consumer groups and price plans, including a breakdown of distribution and transmission components, as well as applicable discount payment rates for the pricing year, and, the prior year's (DY22) line delivery prices for comparative purposes.
- MLL's line delivery price guidelines. The guidelines provide detail on the various consumer groups, respective qualification criteria, and a breakdown of the prices for each consumer group.

2. Consumer engagement

MLL undertakes regular consumer satisfaction surveys, to assess consumers' views on MLL's performance. The most recent consumer satisfaction survey was undertaken in August 2021 and included distribution pricing specific questions.

Separately, in December 2019, MLL conducted a distribution pricing survey of consumers connected to its network.

2.1 DY22 annual customer satisfaction survey

MLL undertook an annual customer satisfaction survey in August 2021. The survey was emailed out to approximately 11,000 consumers⁵. MLL received 2,180 survey responses, a 20.2% response rate with those responding providing a very representative sample of MLL's consumers by type and location.

With respect to survey questions that were specific to distribution pricing:

- 61% (nearly two thirds) of respondents responded that MLL's (distribution) price component (29% for an average domestic consumer) was fair.
- This compared with 35% of respondents who considered that the overall price of their monthly electricity bill was fair.
- Nearly three quarters (74%) of respondents thought that the prices should remain the same for the same amount of power outages as they are currently experiencing.
- With respect to location-based pricing, nearly two thirds (61%) of respondents believed that remote consumers that cost more to maintain supply to should somewhat or completely pay the full cost of maintaining those supplies.

⁴ Available on MLL's website at <https://www.marlboroughlines.co.nz/About-us/Disclosures/Pricing.aspx>

⁵ Not all electricity retailers permitted MLL emailing the survey to their customers.

Similar to the December 2019 distribution pricing survey, the August 2021 survey demonstrates that MLL is actively seeking consumers views on MLL's distribution pricing, and that consumers are broadly satisfied with MLL's distribution pricing and are supportive of MLL's distribution pricing strategy.

2.2 Distribution pricing survey

The purpose of the survey, undertaken in December 2019, was to:

- Help MLL better understand the level of interest consumers had with respect to distribution pricing, and their understanding of it; and
- Assess whether the current pricing structure and prices were appropriate from consumers' perspective, and whether there was a demand for a change to the existing pricing structure.

The results of this survey were set out in detail in the DY22 Pricing Methodology. The survey responses confirmed that generally those consumers that responded were satisfied with MLL's approach to distribution pricing (both structure and prices).

2.3 Further consumer engagement

MLL has actively engaged with its Commercial and Industrial consumers throughout DY22. Engagement has focused on understanding current and future electricity needs of these consumers, as MLL recognises the importance of understanding large changes in demand and any potential future network implications arising from this. This also provided consumers the opportunity to discuss distribution pricing.

MLL will continue its approach of liaising with the larger Commercial and Industrial (and other) consumers and offer those consumers the opportunity to speak about pricing to better understand it and to raise any concerns.

2.4 Electricity Retailer consultation.

During December 2021, MLL consulted with electricity retailers trading on its network on the proposed price changes for DY23. MLL received feedback from one electricity retailer only - that MLL consider the impacts of the proposed changes on consumers (which MLL has done, refer Appendix 2 D)).

3. Consumer groups

Typical of other EDBs, MLL separates consumers into the following consumer groups:

- Residential – those consumers that meet the definition of 'domestic premises' in relevant legislation;
- Residential (low fixed charge) – those consumers defined as 'domestic premises' in the Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 (LFC regulations), who consume <8,000kWh per annum and that meet other eligibility criteria (ministerial exemptions), including:
 - Not being supplied by three phases;
 - Not being supplied with capacity >15kVA;

- Not located in areas deemed remote on MLL’s network⁶; and/or
- Not being a home that is serviced by a single line that serves few homes and no other significant electricity consumers.
- General – generally those consumers that do not meet criteria for other consumers groups. These are typically small to medium businesses, but may also be residential dwellings used for commercial accommodation purposes;
- Commercial and Industrial – those consumers with installed capacity greater than 150kVA;
- Irrigation – consumers where connections are primarily to supply pumps for water supply, irrigation or storage;
- Unmetered – connections where metering is not installed to measure the volume of energy consumed (due to its low volume and as it is cost prohibitive); and
- Streetlights – connections supplying private or utility owned street lights.

These consumer groups are common throughout most EDB’s across New Zealand and have been the basis of MLL’s pricing structure for many years.

Ambiguity can exist, particularly between the residential and general consumer groups. This is particularly the case for holiday homes (of which there are many connected on MLL’s network, particularly in the Marlborough Sounds), residential dwellings that are used to house workers, and residential dwellings that are used primarily as a place of residence but from which also a small business operates (and/or a bedroom is let out through ‘AirBnB’ for example).

In DY21, MLL separated its Residential group consumers into remote vs non-remote. For DY2022, MLL increased prices for these remote residential consumers relative to the non-remote equivalents. A further increase has been applied for DY23.

For DY23, MLL has separated its General group consumers into remote vs non-remote. Most of the remote General consumers use relatively low amounts of electricity compared to their non-remote equivalents, and the cost of supplying these connections, like Residential remote connections, is significantly higher.

The method and way in which consumers are allocated to respective consumer groups is set out in MLL’s Line Delivery Price Guidelines⁷.

4. Forecast regulatory costs

4.1 DY23 regulatory costs and allocation methodologies

MLL’s forecast regulatory costs for DY23 are set out in Table 1. Further detail on these regulatory costs is provided in the sub-sections that follow. It should be noted that these costs are generally fixed in nature, and very little of MLL’s forecast expenditure relates to investing in capacity upgrades to meet consumers’ electricity demand, i.e., MLL’s network is generally not experiencing capacity constraints.

⁶ A map showing remote areas is included on MLL’s website’s pricing page <https://www.marlboroughlines.co.nz/About-us/Disclosures/Pricing.aspx>

⁷ Available at <https://www.marlboroughlines.co.nz/About-us/Disclosures/Pricing.aspx>

Table 1 – Summary of forecast regulatory costs for DY23

Cost component	DY2023 (\$m)	DY2022 (\$m)	Allocation basis
Transmission (interconnection RCPD)	5.9	6.1	Contribution to RCPD
Transmission (connection and new investment)	0.9	0.9	Share of assets
Levies and Rates	0.2	0.2	ICPs
Network operations, support and maintenance	12.0	12.0	Share of assets
Business support	4.9	4.2	MWh/ICP
Depreciation	9.6	9.6	Share of assets
Taxation	2.2	1.9	Revenue
Return on investment	11.6	11.8	Share of assets
TOTAL*	47.3	46.7	-

* These are deemed the total regulatory costs to recover through miscellaneous regulatory revenue and line delivery price revenue.

4.1.1 Transmission costs

Transmission costs comprise primarily the interconnection (regional coincident peak demand, or RCPD) charge, the connection charge, and new investment charges.

4.1.1.1 Interconnection (RCPD) charge

The RCPD charge, which is clearly the most significant transmission cost at \$5.9m (down from \$6.1m from DY22), is dependent on MLL's network load coincident with the 100 highest half-hour upper South Island⁸ demands.

MLL's approach to passing on the transmission charges to consumers is outlined as follows:

- The aggregate demand during times of USI peaks by consumer group is determined. For mass market consumers, this is averaged based on available consumption data.
- A share of the RCPD demand (percentage) is then allocated to each consumer group.
- The average for this and the two preceding years share (i.e. three-year rolling average to mitigate any year on year volatility) is then determined.
- The RCPD charge is then assigned to consumer groups based on the three-year average.
- For non-Commercial and Industrial consumers, the costs are attributed typically to the energy price components, to signal that the consumption has an impact on the total amount of RCPD charge borne by MLL.
- For Commercial and Industrial consumers, whose direct impact on MLL's network load coincident with the 100 upper South Island half hourly peaks is known, an RCPD value is determined and applied from 1 April 2022.
- The amount is calculated from averaging the half hourly demand between the months of May and September (inclusive), on weekdays between 7.30am and 11am, and 4.30pm and 7.30pm. This is to signal that this is typically the time periods that upper South Island half hourly peaks are set.

⁸ The current transmission pricing methodology splits RCPD costs across four regions, the upper South Island is one of these.

4.1.1.2 Connection and new investment charges

The connection and new investment charges are fixed, and for the disclosure year amount to \$0.9m (no change from DY22). These charges are allocated to consumer groups based on their share of network assets.

4.1.2 Levies and rates

A total of \$0.2m for levies and rates has been forecast for DY23. This comprises local government rates for properties owned by MLL, and Commerce Commission, Electricity Authority, and Utilities Disputes levies.

Levy and rates costs are allocated by consumer group ICPs.

4.1.3 Network operations, support and maintenance expenditure

System operations and maintenance expenditure includes the types⁹ set as follows:

- Service interruptions and emergencies: Works relating to unplanned instantaneous events impairing the normal operation of the network – i.e. work to rectify faults and ensure electricity supply restored.
- Vegetation management: Works involved with trimming or felling vegetation, including inspections and liaising with landowners.
- Routine and corrective maintenance and inspection: planned inspections, testing and maintenance work schedules for assets.
- Asset replacement and renewal: need to maintain network asset integrity to maintain safety, security of supply and physical security of assets.
- System operations and network support: management of the network, control room operation and office-based system operations (asset management, customers, IT, engineering, planning, asset related system management etc). comparative

As most of these costs are directly related to the assets servicing consumers, these costs have been allocated based on each consumer groups' share of network assets.

4.1.4 Business support expenditure

Business support activities, such as commercial, legal, finance, property and human resource related work (commonly referred to as administration and overhead costs) are related to MLL's servicing of all consumers and other company obligations. These shared costs are not directly attributable to any consumer group, or consumer. As such, the number of ICPs and volume of energy consumed has been combined for a cost allocator for business support costs.

4.1.5 Depreciation, taxation and return on investment

The depreciation expense relates to the annual estimated amount incurred, based on MLL's regulatory asset base. The taxation expense has been determined from the estimated revenue.

MLL has historically targeted an RoI lower than the weighted average cost of capital (WACC) rate determined by the Commerce Commission for non-exempt EDBs. The post-tax WACC rate for EBD's for the five-year period to 31 March 2020 (at the 67th percentile) was 6.43%. DY2021 was

⁹ The operational expenditure types are in Commerce Commission's 'Electricity Distribution Information Disclosure 2012'.

the first year of the new five-year DPP3 period, which has a post-tax WACC at the 67th percentile of 4.23%.

This regulated WACC for DPP3 is lower than MLL’s cost of capital, as MLL has zero debt and targets a 5% post-tax return on shareholders’ funds (pre-discount payment). In determining the forecast regulatory RoI “cost” for DY23, MLL has factored a post-tax 5% return.

MLL’s forecast DY23 pre-discount RoI is 5.1% (based on the forecast DY23 revenue), reducing to 1.2% when the forecast discount payment is allowed for. This is in line with previous years’ RoI, and well below the Commerce Commission’s determined WACC value for non-exempt EDBs, when assessed net of posted discounts.

MLL’s approach to targeted RoI is outlined further in section 7.1.

4.2 Network statistics by consumer group

Key network statistics for each consumer group is set out in Table 2. These statistics are used to assist in the allocation of regulatory costs to consumer groups. ICPs, billed units and kWh/ICP are based on forecast amounts for DY23. Capacity provided, peak demand, regional coincident peak demand (RCPD) and assets are based on existing available information.

Table 2 – Summary of key network statistics by consumer group

Consumer group	ICPs	RCPD demand (MW)*	MWh/ICP	Assets (%)
Residential standard	10,866	16.6	8.6	23.7%
Residential remote	2,214	1.5	3.9	14.7%
Residential low user	9,222	8.7	5.3	12.0%
General	3,178	12.7	24.1	26.1%
General remote	225	0.3	8.0	9.9%
Commercial and Industrial	129	18.8	1,106.6	8.4%
Irrigation	367	1.8	52.0	4.8%
Other (excl. MLL)	47	0.2	28.5	0.4%
TOTAL	26,247	60.6	-	100.0%

* Average from last three years

4.3 Allocated regulatory costs DY23

Table 3 provides a summary of the regulatory costs attributable to each consumer group based on the cost allocation methodology applied.

Table 3: Summary of costs (\$000) by cost component attributable to each consumer group

Cost type	Residential			General		Comm. & Ind.	Irrig.	Other	Total
	Non-remote	Remote	Low User	Non-remote	Remote				
Transmission interconnection	1,604	149	841	1,233	29	1,824	176	21	5,876
Transmission connection & NIC	181	17	89	178	4	322	133	2	926
Fees and levies	85	17	72	25	2	1	3	0	205
Network Ops	2,835	1,758	1,438	3,128	1,187	1,000	574	43	11,962
Business Support	1,594	261	1,165	775	32	902	153	13	4,895
Depreciation	2,275	1,411	1,154	2,510	953	803	461	34	9,600
Taxation Expense	579	104	321	498	15	556	83	16	2,172
Rol	2,753	1,707	1,396	3,037	1,153	971	557	41	11,616
TOTAL	11,720	5,391	6,374	11,224	3,369	6,200	2,113	165	46,555

Note that forecast miscellaneous revenue (\$0.7m) has been netted off for the amounts included here.

5. Price setting considerations

5.1 Prices overview

Revenue is typically recovered from consumer groups through a combination of fixed and variable prices. To better reflect MLL's costs of supplying consumers, MLL for DY23 has changed its pricing structure through increasing the fixed prices relative to variable, meaning that a greater share of revenue recovered from fixed prices.

Fixed prices are generally set in \$/day/connection, with the price varying based on the capacity supplied for the connection. There will be variances between consumer groups for this (e.g. Residential vs General), as the costs of supplying consumer groups can vary.

Variable prices are set in \$/kWh of energy consumed. This is generally a flat rate and not related to the time of use (consumption). Different prices are available for controlled for uncontrolled energy, with a night only rate (a form of time of use pricing) available for residential and general consumers. For irrigation consumers, the variable prices have traditionally been higher during winter months. This is a longstanding approach by MLL signalling that winter months are typically the time of year when network demand is highest. This price differential is being removed in DY23 as the drivers for this are no longer applicable. Irrigation consumers have a price differential for uncontrolled vs controlled irrigation supplies.

For Commercial and Industrial consumers, a peak demand-based price is the most significant price component. As these consumers have time of use metering, and their electricity demand is readily available, MLL can determine their maximum demand. A lower price is available during night-time (11pm to 7am) when network demand is relatively low. This is a form of time-of-use pricing.

The setting of prices across and within consumer groups is subject to several considerations, including existing/legacy prices (price restructuring and step changes may result in price shocks

for consumers, so MLL has maintained a degree of stability in the past by making incremental changes typically), pricing regions, and network capacity and demand for example.

5.2 Pricing regions

Electricity Authority pricing guidance¹⁰ suggests that “pricing regions” are identified to recognise substantial differences in economic costs to serve. For over a decade MLL has differentiated between remote and non-remote consumers, recognising that those outer-lying (remote) consumers generally required significant costs to maintain supply. As such, MLL sought (and obtained) an exemption to these consumers being eligible for a low user price plan, and MLL has also not paid out its annual discount payment to these consumers.

This, however, is not a pricing signal and was a way in which MLL recognised that the revenue received from these consumers was insufficient to cover the regulated costs of supplying them.

From 1 April 2021, MLL introduced higher daily fixed charges to residential remote consumers to signal that MLL incurred higher fixed costs to supply them, and to reduce the cross subsidisation from other consumer groups. DY23 sees a further increase to remote residential consumers prices relative to non-remote equivalents.

Similarly, MLL for DY23 has introduced remote General consumer prices plans. Fixed prices for these consumers are higher than those of their non-remote equivalents. Like the residential remote consumers, the General remote consumers cost significantly more to supply, and they typically consume lower amounts of electricity. MLL believes that setting a higher fixed daily price (on top of shifting the balance from variable to fixed, refer below) sends a more appropriate price signal to these consumers that reflects that the cost of supplying these connections is largely due to their remote location.

MLL does not have other consumer group types (e.g., irrigation or commercial and industrial) located in remote areas.

5.3 Price signalling

5.3.1 Fixed vs variable pricing

For DY23, MLL is generally increasing its fixed prices for consumers to better reflect the (generally) fixed cost of supplying consumers. Setting a higher fixed price better signals to consumers that MLL’s costs are fixed, and that consumers electricity consumption generally does not impact on MLL’s costs. This is particularly relevant in remote areas of MLL’s network, where electricity consumption is relatively low.

Consumers requiring additional capacity pay more for their daily fixed charge. This signals to consumers that MLL’s network costs are largely attributable to consumers capacity requirements, not consumption of electricity.

Applying higher fixed prices can also offset the potential reduction in revenue attributable to lower electricity consumption from small scale distributed generation installed on homes and businesses. Figure 1 illustrates the increased installed capacity of SSDG on MLL’s network in

¹⁰ <https://www.ea.govt.nz/assets/dms-assets/29/Distribution-Pricing-Practice-Note-2021-2nd-edition.pdf>

recent years. While currently the penetration levels of SSDG are not resulting in material revenue reduction for MLL, further penetration in future could. MLL has acted to address this through materially shifting the balance of pricing from variable to fixed for DY23.

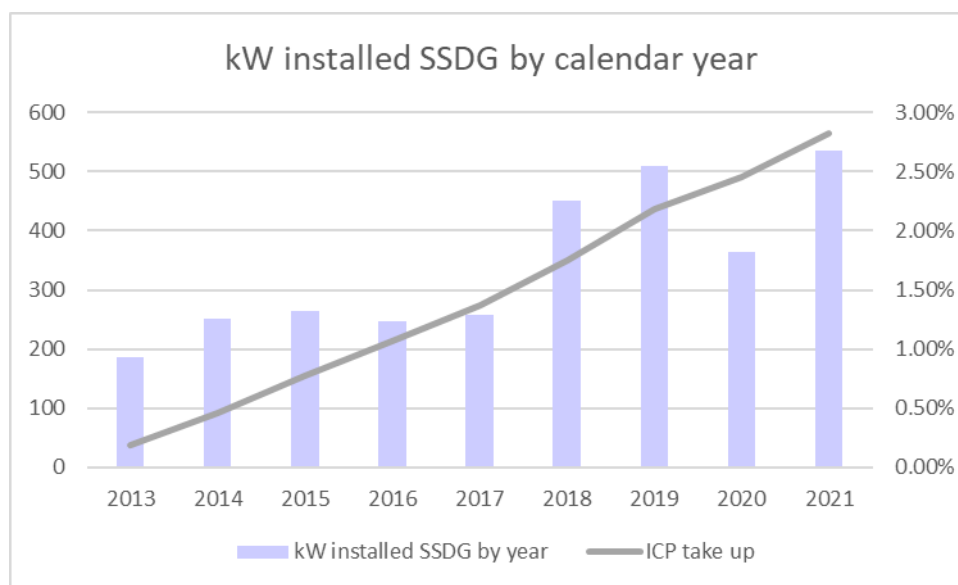


Figure 1: SSDG capacity (kW) installed by calendar year (source: EMI website)

5.3.2 Time of use pricing

MLL has existing time of use pricing for Commercial and Industrial consumers through a day and night (11pm to 7am) variable price differential. This has been in place for several years, and signals to these consumers that at times where there is relatively high availability of network capacity, that the consumer would pay less (with respect at least to MLL’s line delivery prices) than during daytime hours when the network demand was relatively high.

MLL has signalled in its DY22 pricing methodology that it would review the need for expanding time of use pricing to other consumer groups, such as residential and general consumers. MLL will not be applying time of use pricing to other consumer groups for DY23 but will again review this throughout DY23 and may introduce this for DY24. MLL is not experiencing network capacity constraints in general at present, and therefore does not see the need for introducing time of use pricing for DY23. However, with changes in network demand likely in the medium to long term, MLL will likely introduce time of use pricing for areas of the network that become constrained and/or for specific consumer groups.

5.3.3 Controlled vs uncontrolled energy prices

For Residential and General consumers, MLL applies a price differential for controlled vs uncontrolled energy. Controllable energy provides MLL with the ability to shed load, and by doing so, manage the peak demand on the network. MLL has generally utilised load control to manage the RCPD charge from Transpower, rather than for managing any local network constraints. However, as network demand increases over time (through general growth, industry decarbonising, and the adoption of electric vehicles), the need for load control to manage network constraints will likely become more important.

For an “average” domestic consumer, the difference (i.e., equivalent controlled units at controlled price tariff shifted to the uncontrolled price tariff) is approximately \$97 per annum.

This value is less than DY22 with a material shift in variable price to fixed. If this value was multiplied across all consumers whom use controllable load, the difference is estimated to be in the order of \$1m.

If MLL did not offer a controllable tariff, it estimates that this would add another approximately 10MW of load to the network at peak load, which could result in the need for significant network investment to provide additional capacity in affected areas.

MLL believes that the current price differential between uncontrolled and controlled energy is appropriate, as they signal to consumers that providing MLL with the ability to control load can offset the need for MLL to invest more in providing additional network capacity. However, if in future MLL's network approaches capacity constraints, then MLL will consider if there is a higher 'premium' on controllable energy and whether further price separation may be warranted.

5.3.4 Capacity increases

Where new connections require investment to provide additional network capacity (growth), increases are generally funded by the connecting consumers directly through capital contributions, or indirectly through a development contribution. The intent of this approach is that no existing consumers connected to MLL's network subsidise new consumers connecting to MLL's network. This is outlined in MLL's Capital Contributions Policy.¹¹

It is widely accepted that demand on electricity networks will increase in future years through, for example, the uptake of electric vehicles (EVs). In DY23, MLL is allowing those installing EV charging points at their premises, the opportunity to connect this to a controllable meter register. In doing so, consumers that do this will be eligible for the lower priced controllable tariff (including the night only option).

MLL is signalling to consumers, that where they allow MLL to control their EV electricity demand, the consumer will pay a lesser price for electricity consumed. MLL would then have the ability manage future increases in demand on its network through the operation of load control, in the same manner which it currently does from electrical load for hot water.

6. Target (forecast) revenue from prices

6.1 Target revenue overview

Table 4 provides a summary of target (forecast) revenue vs forecast regulatory costs by consumer group for DY23. Figure 2 then shows the breakdown in revenue by price type (fixed, variable, or capacity) and by consumer group. Figure 3 highlights the change in the revenue from fixed pricing type from DY22 to DY23. Note the distinction in fixed vs variable for the low fixed charge residential consumer group.

¹¹ Available on MLL's website <https://www.marlboroughlines.co.nz/About-us/Disclosures/Pricing.aspx>

Table 4: Forecast regulatory costs vs target revenue by consumers group for DY2023

Consumer group	Forecast revenue (\$000)	Forecast regulatory costs (\$000)	Difference (\$000)	ICPs
Residential (excl. low fixed charge)	12,511	11,734	778	10,866
Residential remote	2,222	5,344	-3,122	2,214
Residential low fixed charge	6,861	6,380	481	9,222
General	10,586	11,210	-625	3,178
General remote	312	3,324	-3,012	225
Commercial and Industrial	11,940	6,285	5,655	129
Irrigation	1,855	2,111	-256	367
Other	343	168	176	47
Total	46,631	46,555	75	26,247

Note that the above may not add to rounding, the figures do not allow for discount payments made to eligible consumers, that forecast miscellaneous revenue is excluded from forecast revenue above, and forecast regulatory costs have been netted down allowing for forecast miscellaneous revenue.

* Forecast revenue for Residential and Residential Remote approximated based on variable revenue price components 10, 12 and 18 which are grouped across both consumer price plans. Similarly, for General and General remote.

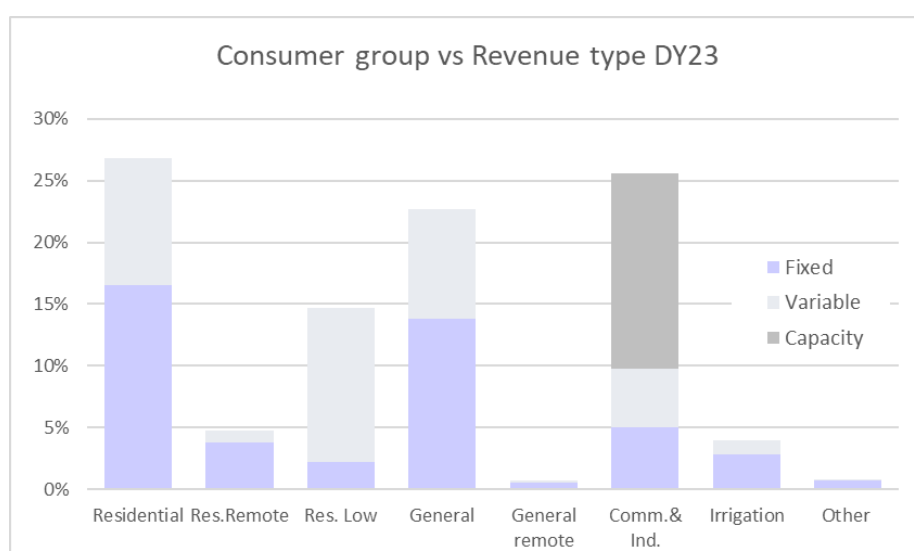


Figure 2 – Consumer group vs revenue type for DY23 forecast revenue.

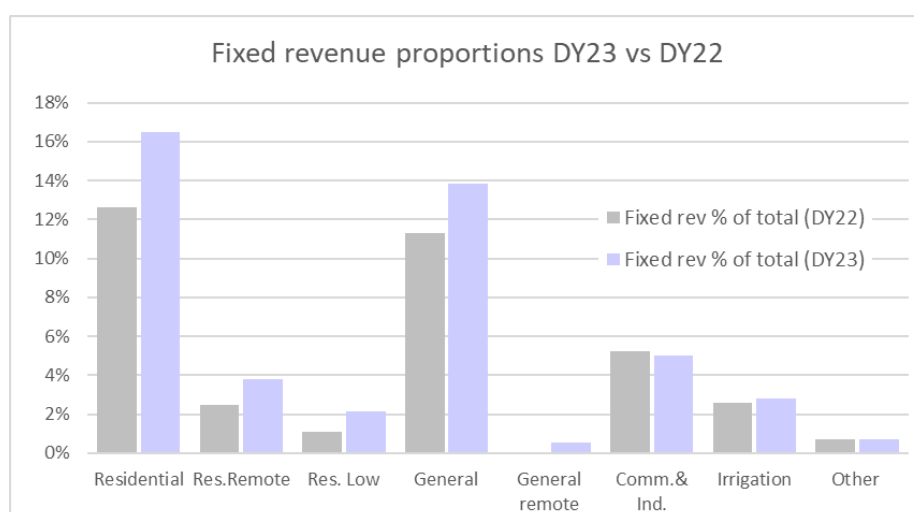


Figure 3 – Comparative increase in percentage of fixed revenue by consumer group, DY23 vs DY22

In accordance with Clause 2.4.3 (8) of Information Disclosure, the proportion of target revenue forecast to be collected through each price plan included in MLL's pricing schedule for the disclosure year, are set out in Appendix 3.

6.2 Non-standard contracts

MLL currently has one non-standard contract for the Waihopai hydropower station, which is connected to and distributes energy through MLL's network. The price is fixed under a contract put in place in 1999 when MLL sold the generation assets to Trustpower. Price changes for each disclosure year are recalculated based on CPI data and presented to Trustpower for review.

The target revenue for the year to 31 March 2023 is \$73,765 (excluding GST), noting that this amount will be confirmed once the final CPI rate to apply to DY22 prices has been determined.

MLL will consider non-standard contracts for consumers that do not readily meet the typical criteria of consumers making up the consumer groups outlined in section 3, or, if the connection is one that is deemed to be higher revenue risk to MLL, and/or that could impart significant additional cost on MLL.

If another non-standard contract was to be considered, MLL would set prices following detailed financial analysis including a discounted cash flow, with due consideration of revenue risk. MLL may consider other circumstances, at its discretion.

7. Distribution Pricing Roadmap (strategy)

MLL is cognisant of the requirements for more cost reflective pricing as well as (when appropriate) sending price signals to consumers.

MLL is also aware of the Electricity Authority's request for MLL to produce a distribution pricing 'roadmap', which effectively sets out MLL's pricing strategy for relevant stakeholders, such as electricity retailers and consumers. MLL first prepared a pricing roadmap in April 2017 and provided an updated roadmap and a progress update in the DY21 and DY22 pricing methodologies respectively.

This year's pricing sees a continuation of MLL's pricing reform, through:

- A material shift in the balance of variable to fixed prices. MLL's costs are generally fixed for each additional unit of usage and therefore shifting the balance of pricing to fixed is more cost reflective. As a proportion of total targeted fixed revenue, DY23 has increased to 44.8% from 36.0% from DY22 (refer to Figure 3).
- RCPD interconnection charges are treated as fixed, and have decreased by \$0.2m for DY23, but this only represents 0.4% of total revenue.
- The costs to supply MLL's remote consumers is relatively high, both in terms of the capital (assets) required to supply these consumers as well as ongoing operational costs, such as fault and vegetation management, and maintenance inspections (particularly in single wire earth return (SWER) networks which typically are in MLL's remote areas).

The following sub-sections provide an overview of MLL's pricing strategy, which in MLL's view, is essentially the roadmap towards continued distribution pricing reform that is appropriate for MLL and the consumers connected to its network.

The pricing roadmap (objectives and timeline summary) that was included in the DY21 Pricing Methodology is included in Section 7.3 and has been updated to reflect current status.

7.1 Pricing to allow an appropriate commercial return

One of the key strategic objectives of MLL's pricing is that an appropriate commercial return is made for MLL's shareholder, the Marlborough Electric Power Trust. An appropriate return is one that will consider:

- The target return on shareholder funds set in MLL's Statement of Corporate Intent;
- The pre-discount returns set by the Commerce Commission for non-exempt EDBs; and
- Smoothing across the end and beginning of five yearly regulatory periods. This is considered important to mitigate the potential for significant step changes across regulatory periods, and associated price volatility for consumers.

MLL is also duly aware of section 36 of the Energy Companies Act 1992, which requires that MLL, as an EDB, has the principal objective of operating as a successful business. MLL interprets this to mean that an appropriate return on its investment is therefore made. Making an appropriate return on its investment underpins MLL's pricing strategy.

7.2 Move towards more cost reflective pricing

MLL, subject to ongoing review of its pricing structure and prices, will continue to build on the significant reform work it has done over the last two pricing years, and continue with reforming its distribution pricing. This will primarily be done through reducing existing inter and intra consumer group cross subsidies, and through shifting the balance of prices from variable to fixed. MLL has made significant changes to be more cost reflective.

7.2.1 Variable to fixed (and ToU pricing)

As MLL's costs are generally fixed in nature, MLL has made a material shift in its DY23 prices from variable to fixed. MLL has carefully considered impacts on consumers of these price changes.

For prices to apply from 1 April 2022, for an "average" domestic consumer, the proportion of fixed revenue has increased from approximately 45.3% to 64.1%.

Similarly, of the total targeted revenue to recover during DY23, the fixed proportion is 45.2% which is an increase from 36.0% in DY22. Additionally, the revenue from the Commercial and Industrial consumers' capacity-based charge is approximately 15.8% (refer to Figure 2).

MLL is limited in its ability to recover revenue through fixed prices for those consumers on the low user residential price plan. Changes to the LFC regulations from 1 April 2022 will allow MLL to recover 30c/day from those consumers, from the currently allowed 15c/day.

7.2.1.1 ToU pricing

MLL considers that a variable price component is still appropriate, and during DY23 will further review the way in which this is applied (i.e. moving from a flat to a time (of day and/or time of year) based consumption variable price for those consumer groups where a time of use price option is not currently available (i.e., residential, general and irrigation consumers).

Many of New Zealand's 29 EDB networks have moved or are moving to ToU based pricing. As a provincial network, with minimal electric vehicle penetration, no significant network capacity constraints, and an existing effective time of use controlled night price plan as well as day/night price differentials for Commercial and Industrial consumers, MLL believes that the urgency to introduce more complete time of use pricing is currently not present and that it is better to observe outcomes from other EDBs who are implementing this pricing structure.

Of MLL's approximately 26,250 connections, approximately 70% are AMI/HHR (advanced metering/half hourly) metered with the balance non-half hourly (NHH).

7.2.1.2 Consideration for SSDG

Solar photovoltaic small-scale distributed generation (SSDG) is installed at approximately 2.8% of MLL's consumer connections as of December 2021. SSDG installations do not reduce MLL's costs of operating its business and managing the network. The reduction in electricity consumption at connections with SSDG, does reduce revenue generated from variable price components (as revenue for variable price components directly relates to the amount of electricity consumed). Shifting the balance of fixed to variable prices will help to negate this impact, through minimising cross subsidy from consumers without SSDG to those with SSDG.

However, with a large number of consumers with SSDG installed being eligible for the low user residential price plan, MLL's ability to negate this impact is somewhat limited by the LFC regulations, refer to section 7.2.1.

7.2.2 Location based pricing

Due to the nature of MLL's network, there are many consumers connected that are uneconomic to supply. Indeed, the variability in costs to supply an equivalent residential consumer (or other consumer type) in urban Blenheim, is vastly less than those in areas such as D'Urville Island, Forsyth Island, or the upper Wairau and Awatere Valleys.

Cost reflective pricing for MLL therefore should include an element of location-based pricing to offset the effective cross-subsidisation that occurs.

From 1 April 2021, MLL introduced a price differential between remote residential and non-remote residential consumer equivalents. For DY23, MLL has introduced General remote price plans to be more cost reflective which demonstrates continued progress in greater cost reflectivity.

7.2.3 Transmission cost pass through

MLL will pass through transmission costs directly to consumer groups, based on consumer groups consumption at coincident times of 100 USI peaks (rolling three-year average to smooth volatility). Further detail on how the RCPD allocations are determined is set out in section 4.1.1.1.

A new Transmission Pricing Methodology (TPM) may take effect from 1 April 2023. MLL will review its approach to transmission cost pass through when a new TPM is applied.

7.2.4 Alignment of Residential and General consumers

As part of its distribution pricing reform, MLL will further consider aligning the smaller (lesser capacity) general price plan consumers, to the equivalent residential price plans (with respect to the fixed price component).

7.2.5 Discount payments

MLL will continue to use discount payments (to eligible consumers, which excludes those in Remote areas) to demonstrate the benefits of consumer ownership. MLL intends to continue its policy of making discount payments to eligible consumers connected to its network.

For DY23, an eligible “average” domestic consumer would receive a discount payment of \$240.48 (including GST).

The amount of the discount payment received by each consumer is dependent on eligibility, the nature of the connection, the number of days connected, and, the amount of energy consumed across the qualifying discount payment period.














7.2.6 Impacts on consumers

MLL’s price changes carefully consider impacts on consumers. While the minor price increases being introduced for DY23 will apply to most consumers, the largest price increases will only impact a relatively small number of low consumption consumers, and/or those in remote areas.

7.3 Pricing reform timeline (indicative)

A summary of MLL’s distribution pricing reform timeline is presented in Table 5. This includes key milestones targeted for discrete activities.

Table 5: Update to DY2021 timeline for discrete distribution pricing reform activities

Objective from DY21 Pricing Methodology		Status	Comments
Location based pricing	1 April 2020 – Introduction of remote residential consumer price plan.		Remote residential price plans introduced on 1 April 2020.
	Throughout DY2021 – undertake economic assessment of ‘remote’ consumers, including potential impacts on consumers of price changes.		Analysis confirms significant under-recovery from remote consumers.
	Throughout DY2021 – formalise public strategy and communicate with consumers.		Customer Satisfaction Survey undertaken August 2021. Communications to accompany DY23 price changes to explain rationale for changes in local newspapers and website.
	1 April 2021 – confirm line delivery prices for DY2022 including price changes for remote consumers.		Price changes notified to retailers, published to newspapers, and effective from 1 April 2022.
	DY2022 to DY2024, target alignment (subject to further analysis) of remote residential prices with that of equivalent (capacity) general consumers prices.		General price plans introduced for DY23.
	DY2025 (to be confirmed), include remote General consumer price plan as per residential consumer equivalents.		Subject to further work, but for now, no change to objective.
Time of Use pricing	1 April 2021 – Commence discussions with electricity retailers regarding possibility of including time of use pricing option in pricing from 1 April 2022.		MLL is not introducing further time of use pricing in DY23 but will review this during DY23 with an eye to introducing it in DY24. MLL’s focus has been on addressing location based pricing.
	Reviewing findings from other EDBs’ experiences from introducing ToU pricing.		
	Engage with consumers, pending outcomes on discussions with retailers, to further determine appetite for time of use pricing and to assist with their understanding of this pricing approach.		
	1 April 2022 - Introduce time of use price option for consumers (subject to above outcomes).		
	DY2023, monitor uptake of TOU pricing and change in consumption behaviour of consumers.		
	1 April 2023, adjust TOU prices if and where appropriate following monitoring/analysis work.		
Fixed	As and when price changes are introduced, look to adjust prices such that fixed price components increase relative to variable price components.		Price changes for DY23 include a material shift from variable to fixed prices. Further review for DY24 prices will take place with further rebalancing possible.

 Objective/milestone achieved  Yet to be actioned  Objective/milestone partially complete and further work to do.

Appendix 1 – Information Disclosure Requirements

From Electricity Distribution Information Disclosure Determination 2012 (Consolidated April 2018).

2.4 PRICING AND RELATED INFORMATION

Disclosure of pricing methodologies

2.4.1 Every EDB must publicly disclose, before the start of each disclosure year, a pricing methodology which-

- (1) Describes the methodology, in accordance with clause 2.4.3, used to calculate the prices payable or to be payable. **Refer to section 4.**
- (2) Describes any changes in prices and target revenues. **Refer to section 1.2, 4 to 6 and [MLL's line delivery price schedule](#).**
- (3) Explains, in accordance with clause 2.4.5, the approach taken with respect to pricing in non-standard contracts and distributed generation (if any). **Refer to section 6.2.**
- (4) Explains whether, and if so how, the EDB has sought the views of consumers, including their expectations in terms of price and quality, and reflected those views in calculating the prices payable or to be payable. If the EDB has not sought the views of consumers, the reasons for not doing so must be disclosed. **Refer to section 2.**

2.4.3 Every disclosure under clause 2.4.1 must-

- (1) Include sufficient information and commentary to enable interested persons to understand how prices were set for each consumer group, including the assumptions and statistics used to determine prices for each consumer group. **Refer to section 4.**
- (2) Demonstrate the extent to which the pricing methodology is consistent with the pricing principles and explain the reasons for any inconsistency between the pricing methodology and the pricing principles. **Refer to Appendix 2 – Consistency with Pricing Principles.**
- (3) State the target revenue expected to be collected for the disclosure year to which the pricing methodology applies. **Refer to sections 1.2.1, 6 and Appendix 3 – Target revenue by price component.**
- (4) Where applicable, identify the key components of target revenue required to cover the costs and return on investment associated with the EDB's provision of electricity lines services. Disclosure must include the numerical value of each component. **Refer to sections 4 to 6.**
- (5) State the consumer groups for whom prices have been set, and describe-
 - (a) the rationale for grouping consumers in this way;
 - (b) the method and the criteria used by the EDB to allocate consumers to each of the consumer groups. **Refer to section 3.**
- (6) If prices have changed from prices disclosed for the immediately preceding disclosure year, explain the reasons for changes, and quantify the difference in respect of each of those reasons. **Refer to section 1.2 and [MLL's line delivery price schedule](#).**

(7) Where applicable, describe the method used by the EDB to allocate the target revenue among consumer groups, including the numerical values of the target revenue allocated to each consumer group, and the rationale for allocating it in this way. **Refer to section 4.**

(8) State the proportion of target revenue (if applicable) that is collected through each price component as publicly disclosed under clause 2.4.18. **Refer to section 4, 6 and Appendix 3 – Target revenue by price component.**

2.4.4 Every disclosure under clause 2.4.1 must, if the EDB has a pricing strategy-

(1) Explain the pricing strategy for the next 5 disclosure years (or as close to 5 years as the pricing strategy allows), including the current disclosure year for which prices are set. **Refer to section 7.**

(2) Explain how and why prices for each consumer group are expected to change as a result of the pricing strategy. **Refer to section 7.**

(3) If the pricing strategy has changed from the preceding disclosure year, identify the changes and explain the reasons for the changes. **Refer to section 7.**

2.4.5 Every disclosure under clause 2.4.1 must-

(1) Describe the approach to setting prices for non-standard contracts, including-

(a) the extent of non-standard contract use, including the number of ICPs represented by non-standard contracts and the value of target revenue expected to be collected from consumers subject to nonstandard contracts. **Refer to section 6.2.**

(b) how the EDB determines whether to use a non-standard contract, including any criteria used. **Refer to section 6.2.**

(c) any specific criteria or methodology used for determining prices for consumers subject to non-standard contracts and the extent to which these criteria or that methodology are consistent with the pricing principles. **Refer to section 6.2.**

(2) Describe the EDB's obligations and responsibilities (if any) to consumers subject to non-standard contracts in the event that the supply of electricity lines services to the consumer is interrupted. This description must explain-

(a) the extent of the differences in the relevant terms between standard contracts and non-standard contracts; **Not applicable.**

(b) any implications of this approach for determining prices for consumers subject to non-standard contracts; **Not applicable.**

(3) Describe the EDB's approach to developing prices for electricity distribution services provided to consumers that own distributed generation, including any payments made by the EDB to the owner of any distributed generation, and including the-

(a) prices; and

(b) value, structure and rationale for any payments to the owner of the distributed generation **Not applicable.**

Appendix 2 – Consistency with Pricing Principles

The Electricity Authority, will assess the consistency of MLL’s pricing and pricing methodology with the pricing principles through the publication of their distribution pricing scorecards, as part of its drive for EDB’s to reform their distribution pricing.

In considering the pricing principles, MLL has utilised the Electricity Authority’s “Distribution Pricing: Practice Note, Second Edition, 2021”.

The following provides a summary of the distribution pricing principles and MLL’s adherence to them.

A) Prices are to signal the economic costs of service provision, including by:
(i) being subsidy free (equal to or greater than avoidable costs, and less than or equal to standalone costs);

MLL understands that to satisfy this principle, the forecast total revenue for a consumer group should be subsidy free, i.e., fall between standalone and avoidable costs.

- Standalone costs are those that would solely be required to service any one of the consumer groups on its own (based on the network costs attributable to each consumer group as outlined in this Pricing Methodology – a non-network solution is impractical due to the spatial diversity of consumers within any consumer group); and
- Avoidable costs are estimated by considering how costs could reduce if electricity was not supplied to a consumer group.

MLL determined standalone and avoidable costs (and the subsidy free test) and provided detail in its DY22 pricing methodology referencing the Electricity Authority’s Distribution Pricing Practice Note¹². MLL considered consumer group-level analysis and illustrated that the subsidy free test is satisfied, with costs for each consumer group lying within the limits of avoidable and standalone costs.

(ii) reflecting the impacts of network use on economic costs;

MLL has price plans and pricing that reflects the impacts of network use on economic costs, including:

- Passing through of transmission charges from Transpower based on actual demand and consumption over periods when transmission charges are normally reflected;
- Lower prices for energy consumption that can be controlled by MLL;
- Night only energy consumption prices which are lower than other prices;
- Day and night price differentials for commercial and industrial consumers;
- Removal of the seasonal irrigation price differential;
- Shifting the balance of prices from variable to fixed, this better reflects the costs which are primarily fixed, and negates the potential future impact if there is higher SSDG penetration on the network;

¹² <https://www.ea.govt.nz/assets/dms-assets/25/25528Distribution-Pricing-Practice-Note-August-2019.pdf>

- A power factor price to encourage consumers to manage power factor (to prevent impacts on quality of supply and to optimise network capacity); and
- Different price plans based on the installed capacity (fusing) of connections and maximum demand prices for Commercial and Industrial consumers (also for irrigation consumers relating directly to irrigation pump size). Prices increase with maximum demand to act as a price signal to consumers that increasing maximum demand results (cumulatively) in increased network costs through the provision of additional capacity.

(iii) reflecting differences in network service provided to (or by) consumers

MLL's prices allow for consumers to elect for different service provisions, including:

- The option of having hot water and now from DY23 electrical vehicle chargers for example connected to a controlled (lower price) price;
- DY2021 introduced an uncontrolled irrigation price plan, giving irrigation consumers the option to elect a controlled vs uncontrolled price plan. MLL signals to irrigation consumers on the controlled price plan that it may elect to control their load if network demand is high, particularly if those times are coincident with high upper South Island transmission load; and
- Allows consumers to connect load to a night only energy price, lower than other alternative prices, giving them the option to shift (some of) their consumption to times of low network load.

(iv) encouraging efficient network alternatives

This pricing methodology has highlighted that SSDG installed on the network may not be efficient (at least from MLL's perspective), and as such, MLL will consider further shifting the balance of prices from variable to fixed to negate this inefficiency. SSDG (particularly solar) is considered inefficient (from an MLL network cost perspective) generally as it generates at times typically when network demand is not high.

The potential introduction of time of use pricing may encourage more efficient investments in SSDG, if for example the variable price component was considerably lower when SSDG (solar) generates, relative to peak demand periods (typically still early mornings and evenings over winter months).

The approach to passing on transmission RCPD charges and the maximum demand (capacity) price signals to consumers (especially commercial and industrial) that network alternatives could be considered to manage their peak demands at times coincident with network peaks. MLL notes though that this may change with the current review of the existing and proposal for a new Transmission Pricing Methodology by Transpower.

B) Where prices that signal economic costs would under-recover target revenues, the shortfall should be made up by prices that least distort network use.

Target revenue does not meet forecast costs for residential remote and general remote consumers. MLL has increased prices for these consumers to bridge that gap, and, has applied the increase to the fixed charge component as MLL considers that will be less distort network

use (noting that network usage can be very limited in the case of remote residential consumers, many of whom are holiday homes in the Marlborough Sounds and so too many general remote consumers, such as communications sites in the outer Marlborough Sounds).

Other consumer groups where there is anticipated to be revenue shortfall are for general and irrigation consumers. Price plans for these consumers relate to the installed capacity of the connection (i.e. kVA capacity bands for general and pump size (kW) for irrigation pumps installed), with higher prices for higher available capacity. MLL to least distort network usage and make up shortfall is increasing the fixed price component for these consumer groups

- C) Prices should be responsive to the requirements and circumstances of end users by allowing negotiation to:
- (i) reflect the economic value of services

MLL's standard prices are below standalone costs, as outlined earlier in this appendix. MLL can enter into non-standard contracts, if and where required, particularly if consumers would not connect on the basis of standard pricing.

MLL has no evidence to suggest that consumers are not connected (or are disconnecting) due to its standard prices.

- (ii) enable price/quality trade-offs

MLL has, in this pricing methodology, confirmed its intention to introduce time of use pricing for DY24 (subject to further review). This will give a price signal to consumers, allowing them to shift the timing of their electricity consumption – effectively a price/quality trade off.

Most of MLL's price plans offered are based around the capacity (kVA) available for connections, this is a price/quality trade off – allowing consumers to elect the capacity that they require, consistent with their needs but also their willingness to pay.

Prices for residential and general consumers also include options for controlled and uncontrolled energy (and also for irrigation consumers as of 1 April 2020), allowing consumers to choose to pay a higher price if they are willing to in order to have an uninterrupted supply of energy.

- D) Development of prices should be transparent and have regard to transaction costs, consumer impacts, and uptake incentives.

MLL publicly publishes its pricing methodology, line delivery price schedule, and a line delivery pricing guidelines document on an at least annual basis. Prior to confirming any structural changes to its pricing, MLL consults with electricity retailers trading on its network.

As has been outlined in this pricing methodology, MLL has engaged with consumers on distribution pricing to better understand consumers understanding of pricing, and their views on some pertinent distribution pricing matters relevant to MLL. By way of example, following irrigation consumer's feedback that they do not want to be controlled (MLL reminds irrigation consumers that the irrigation tariff is controllable ahead of irrigation season), MLL offered an uncontrolled irrigation price plan equivalent.

MLL's engagement with consumers has shown that consumers are generally satisfied with their electricity distribution prices, and the levels of service provided by MLL. There has also been broad support for MLL's approach to location-based pricing.

When making price changes, MLL carefully considers the impacts of price changes on consumers. For the DY23 prices, for each consumer price plan, MLL considered the price impacts on a low, average and high consumption consumer from within each price plan. Those consumers who will face the largest price increases, are generally those that MLL has been "under-recovering" from for many years and are low consumers of electricity – typically baches in the Marlborough Sounds, and communications sites for example. Typically, there are very low numbers (<50) of low consumption consumers that will be most affected by price changes.

As part of its distribution pricing reform, MLL will look to introduce time of use pricing. Assuming that materialises, MLL will look to the experiences of other EDBs to ensure that the pricing introduced is consistent where possible with EDB peers and will consult with retailers to ensure that any transaction costs incurred by retailers as a result of structural pricing changes are minimised where possible.

Appendix 3 – Target revenue by price component

Price plan	Price plan description	Price units	Target revenue (\$)	% of Total
DS15	Standard daily price up to 15kVA capacity	\$/con/day	5,231,397	11.21%
DS30	Standard daily price 16kVA to 30kVA	\$/con/day	1,734,831	3.72%
DT	Standard daily price 31kVA to 50kVa	\$/con/day	660,129	1.41%
DSR15	Standard daily price up to 15kVA remote	\$/con/day	1,546,645	3.31%
DSR30	Standard daily price 16kVA to 30kVA remote	\$/con/day	141,357	0.30%
DTR	Standard daily price 31kVA to 50kVA remote	\$/con/day	86,651	0.19%
10	Uncontrolled energy	\$/kWh	4,574,241	9.80%
12	Controlled energy	\$/kWh	641,365	1.37%
18	Night only energy	\$/kWh	47,413	0.10%
DL	Daily price up to 15kVA capacity	\$/kWh	1,009,819	2.16%
11	Uncontrolled energy	\$/kWh	4,443,346	9.52%
16	Controlled energy	\$/kWh	1,328,618	2.85%
17	Night only energy	\$/kWh	78,874	0.17%
NS	Daily fixed price up to 15kVA capacity	\$/con/day	763,442	1.64%
NH	Daily fixed price 16 to 30kVA	\$/con/day	569,238	1.22%
NT	Daily fixed price 31 to 45kVA	\$/con/day	2,449,534	5.25%
NSR	Standard daily price up to 15kVA remote	\$/con/day	150,311	0.32%
NHR	Standard daily price 16kVA to 30kVA remote	\$/con/day	35,095	0.08%
NTR	Standard daily price 31kVA to 50kVA remote	\$/con/day	74,895	0.16%
RT	Daily fixed price 46 to 70 kVA	\$/con/day	1,298,200	2.78%
RV	Daily fixed price 70 to 105kVA	\$/con/day	752,289	1.61%
RX	Daily fixed price 106 to 140kVA	\$/con/day	612,497	1.31%
23	Uncontrolled energy 0 to 45kVA	\$/kWh	2,208,164	4.73%
31	Uncontrolled energy 46 to 70kVA	\$/kWh	850,544	1.82%
40	Uncontrolled energy 70 to140 kVA	\$/kWh	1,070,047	2.29%
22	Controlled energy 0 to 140kVA	\$/kWh	54,640	0.12%
28	Night only energy 0 to 140kVA	\$/kWh	5,972	0.01%
20	20 hour controlled 0 to 45kVA CLOSED	\$/kWh	1,894	0.00%
30	20 hour controlled 46 to 70kVA CLOSED	\$/kWh	1,262	0.00%
US	Unmetered	\$/con/day	43,944	0.09%
TS	Temporary supply	\$/con/day	62,993	0.13%
71	Temporary supply energy	\$/kWh	6,747	0.01%
BF/BHM/BHC	Daily fixed price	\$/con/day	293,701	0.63%
51	Day energy LV	\$/kWh	1,642,124	3.52%
50	Night energy LV	\$/kWh	126,252	0.27%
61	Day energy HV	\$/kWh	408,300	0.87%
62	Night energy HV	\$/kWh	30,818	0.07%
AL	Capacity charge C&I	\$/kVA/day	5,859,700	12.55%
AM	Capacity charge HV ML equipment	\$/kVA/day	949,854	2.03%
AH	Capacity charge HV consumer owned	\$/kVA/day	590,023	1.26%
WL, WM, WH	Regional coincident peak demand	\$/kVA/day	1,821,912	4.01%
PM and PMU	Daily fixed price 7.5 to 23kW capacity	\$/con/day	224,210	0.48%
PK and PKU	Daily fixed price above 23kW capacity	\$/kW/day	852,568	1.82%
PH	Daily fixed price capacity CLOSED	\$/kVA/day	106,603	0.23%
96/97	Seasonal energy	\$/kWh	553,128	1.18%
80	SL energy	\$/kWh	14,273	0.03%
MDCFC	MDC/Transit fixed charge	\$/con/day	199,937	0.43%
PMFC	Port Marlborough fixed charge	\$/con/day	7,286	0.02%
RNZAF	RNZAF fixed charge	\$/con/day	3,730	0.01%
PSLT1/2	Private SL less than 150W fixed charge	\$/fitting/day	482	0.01%
PFT	ToU	\$/kVAr/day	217,189	0.47%
PFI	Non-ToU	\$/kVAr/day	118,514	0.25%
Waihopai	Non-standard contract for Waihopai Gen	\$/con/yr	73,765	0.16%
Total			46,630,764	100.00%

Appendix 4 – Copy of Directors’ Certification

Schedule 17 - Certification for Year-Beginning Disclosures

Asset Management Plan Update 2022 - 2032

Pursuant to Schedule 17
Clause 2.9.1

We, Philip Ian Robinson and Alexandra Monaghan Barton, being directors of Marlborough Lines Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- a) the following attached information of Marlborough Lines Limited prepared for the purposes of clauses 2.4.1, 2.6.1, 2.6.3, 2.6.6 and 2.7.2 of the Electricity Distribution Information Disclosure Determination 2012 in all material respects complies with that determination.
- b) The prospective financial or non-financial information included in the attached information has been measured on a basis consistent with regulatory requirements or recognised industry standards.
- c) The forecasts in Schedules 11a, 11b, 12a, 12b, 12c and 12d are based on objective and reasonable assumptions which both align with Marlborough Lines Limited’s corporate vision and strategy and are documented in retained records.

Signed by:



PI Robinson

23 March 2022

Date



AM Barton

23 March 2022