Pricing Methodology Disclosure 2025/26

24 February 2025

WEL Networks

Revision Overview

DATE	VERSION	CHANGES
28/2/13	1.0	Initial publication
27/2/14	2.0	New section on charge structure. Revisions to cost allocators; introduced new standard charge for residential and small-scale distributed generation customers; structural changes made to posted discount and merged customer groups for 400V customers with a fuse capacity above 160amps.
19/1/15	3.0	Revision to 'Customer Groups' section and associated illustration following changes in customer group terminology, criteria and structure; revision to cost allocators and associated tables in the 'Cost Model' section; Revision to 'Key Statistics and Assumptions', 'Price changes' and 'Consultation' section following 2015/16 price changes.
23/2/16	4.0	Revisions to section 6 to reflect the introduction of smart pricing and clarify the description of our price structure. Other minor revisions have been made throughout to adopt standard industry terms and improve readability.
23/2/17	5.0	Revision to section 6 to include the introduction of a customer nominated capacity charge and an excess demand charge for Large Customers. Update of WEL's pricing strategy in section 13 and the inclusion of WEL's Road Map for future pricing.
21/2/18	6.0	Update of Figure 1 - 'Customer groups' to reflect new structure and price categories. Section 7.2 'Posted Discount' removed. Section 13.1 'Changes to the Pricing Strategy' removed. Table 7 - 'WEL Future Pricing Road Map' removed.
20/2/19	7.0	Sections 4 and 14.2 to reflect no pricing structural changes.
18/2/20	8.0	Revisions to section: 3 to incorporate the new distribution pricing principles, 4, 5, and 6 to incorporate structural pricing changes, 11 to incorporate removal of SSDG price categories, 12 and 13 to outline consistency with new pricing principles, 14 to discuss most recent retailer consultation.
26/2/21	9.0	Revisions to sections: 4, 7, 9, and 13, and tables 3, 5, and 6. Incorporated the reintroduction of the discount.
28/2/22	10.0	Updates and revisions to sections: 4, 5, 7.2, 8, 9, 13.2, and 14.1, and tables 3, 4, 5, and 6. Incorporated WEL's Pricing Reform Roadmap.
20/2/23	11.0	Revisions to most sections. Major revisions include: incorporation of additional network background and constraints, incorporation of new allocations, incorporation of new TPM, update on target revenue setting methodology, alignment with Electricity Authority's pricing reform expectations, and incorporation of visual roadmaps.
23/2/24	12.0	Updates and revisions to sections: 4, 5.1, 7.2, 8, 9, 10, 14, 15, and 16.1 and tables: 3, 4, 5, and 6. Pricing Reform Roadmap Updated.
20/2/25	13.0	Updates and revisions to sections: 1, 2, 4 ,5.1, 6, 7.2, 8, 9, 10, 12, 14, , 16 and tables: 3, 4, 5 and 6. Pricing Reform Roadmap Updated.

Executive Summary

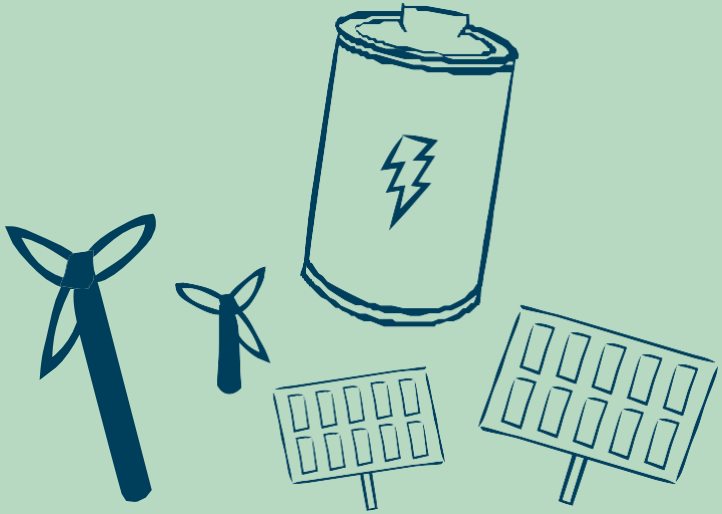
This Pricing Methodology sets out the approach used by WEL Networks Ltd. (WEL) to determine our price structure and set our prices for 2025/26. It has been prepared to meet the requirements of the Commerce Commission's *Commerce Act (Electricity Distribution Services Information Disclosure) Determination 2012*, and it has been prepared in accordance with the Electricity Authority's updated *Distribution Pricing: Practice Note v2.2 published in October 2022*. In determining our prices, WEL has also had regard to the requirements of the *Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004*, and the consultation requirements in the *Electricity Industry Participation Code 2010*.

WEL has set prices for the year beginning 1 April 2025 based on an allocation to customer groups of the costs of owning and operating its network. The customer groups determined by WEL are based on the level of service received by the customer, which is in turn determined by their demand profile and associated asset requirements. WEL uses the following criteria to distinguish between levels of service received by our customers:

- The voltage at which the customer is connected;
- The customer's fuse capacity;
- For small customers (connected at 400V, with a fuse capacity of less than 110kVA) the principal use of their property; and
- For a customer's principal place of residence, whether the customer has chosen their retailer's low user pricing plan.

Our cost allocation model uses cost drivers, such as annual energy consumption and the measure of anytime maximum demand, to allocate costs to customer groups. These allocators were chosen based on WEL's assessment of each customer group's influence on costs, such as investment, maintenance, and transmission charges. WEL has focused on matching an allocator to each of the cost categories in a manner that best reflects the Electricity Authority's pricing principle 'Prices signal the economic costs of supply', subject to the availability of information, administrative simplicity, and regulatory compliance.

While our cost allocation model is an important factor in setting prices, it is not simply a mechanical exercise of applying the model annually as this could lead to volatility in prices. Other factors that influence our approach to pricing include: ensuring customers do not experience excessive price shocks, ensuring revenue adequacy, and maintaining logical relationships between price categories. WEL also has a few customers with individual pricing agreements, reflecting the cost and benefit of assets used specifically by the customer.



Contents

1.	**BACKGROUND**	**5**
1.1	WEL Overview	5
1.2	Network Overview	6
1.3	Pricing Methodology Overview	7
2.	**DEFINITIONS**	**8**
3.	**OVERVIEW OF PRICING INFLUENCES**	**9**
3.1	Distribution Pricing Principles	10
4.	**CHANGES TO THE PREVIOUS PRICING METHODOLOGY**	**10**
4.1	Pricing Reform Update	10
5.	**CUSTOMER GROUPS**	**11**
5.1	Low Fixed Charge Tariff Regulations	13
6.	**CURRENT PRICE STRUCTURE**	**13**
7.	**COST ALLOCATION MODEL**	**14**
7.1	Method of Cost Allocation	14
7.2	Discount	17
8.	**KEY STATISTICS AND ASSUMPTIONS**	**17**
9.	**PRICE CHANGES**	**20**
9.1	Change in Target Revenue	20
10.	**NON-STANDARD CONTRACTS**	**21**
11.	**DISTRIBUTED GENERATION**	**21**
12.	**CONSISTENCY WITH THE PRICING PRINCIPLES**	**21**
13.	**PRICING STRATEGY**	**23**
13.1	Key Objectives of WEL's Pricing Strategy	23
14.	**PRICING REFORM ROADMAP**	**24**
14.1	Work Undertaken to Date	24
14.2	Ongoing and Future Work	25
15.	**PRICING REFORM – AUTHORITY'S FIVE FOCUS AREAS**	**26**
16.	**PRICING IMPACT AND FEEDBACK**	**28**
16.1	Customer Consultation	28
16.2	Retailer Consultation	28
16.3	Deprivation Analysis	29
17.	**CERTIFICATION**	**30**

1. Background

1.1. WEL Overview

WEL Networks is locally owned by a single shareholder: the WEL Energy Trust. The capital beneficiaries are the region's local councils: Hamilton City Council, Waikato District Council, and Waipa District Council. Being community owned, the Trust uses the income it receives to benefit the community that WEL serves.

WEL is committed to delivering on its statement of strategic intent to be "Leading Waikato's Energy Future". This is evidenced by our public disclosures and forward thinking corporate initiatives which deliver value and enable our communities to thrive.

Statement of Strategic Intent

Leading Waikato's Energy Future

Our Values

A Agile

We listen to ideas; we explore opportunities, and we adapt to changing situations with an open mind. When change is needed, we make sure we understand why, and we make it work. We are flexible and we respond professionally to change.

B Build the business

We make sure our day-to-day activity is sound while exploring ways to improve the way we work or things we do. We often ask, "is there a better way to do this?" and we investigate options.

C Care for each other, the customer and our assets

We work as a team across the business to do things the right way. We treat others with respect, listening to their needs so we can deliver a safe and reliable service to our communities.

D Do the right thing

We make decisions with integrity and when we can, we help others make the right decision for their situation. We are open, honest, and trustworthy. We speak up if we feel we should and we listen to others.

E Every Day - Home Safe

We lead by example to keep ourselves, our workmates, and our communities safe. We use the right equipment; we challenge unsafe acts, and we say no if we think it is not safe.

1. Background

1.2. Network Overview

The core business of WEL is the provision of electricity distribution services in the Waikato region. As an electricity distribution company, WEL owns and maintains the electricity network of lines, cables, substations, and associated infrastructure. Our network connects over 101,000 customers (a growing number of whom are also generators) to the national transmission and generation facilities and includes around 7,000 kilometres of lines and has an annual throughput of over 1,400 GWh. WEL owns, maintains, and operates over $750 million of electricity network infrastructure. Hamilton City is at the centre of our coverage area which extends to Maramarua in the north and across to the west coast. Our network also incorporates the townships of Huntly, Raglan, Te Kauwhata, and Ngāruawāhia.

As well as providing a distribution service to our traditional network area, WEL has competitively tendered for electricity distribution services in major subdivisions in New Zealand. We supply subdivisions in Auckland, Cambridge, and Warkworth.

Peak demand is one of the primary drivers of WEL's network development investment and our forecast of peak demand is a key input informing the expected timing for growth driven investment. We expect system demand to increase over the next ten years as shown in the GXP demand forecast (MVA) table below. Forecast constraints are indicated with (*).

GXP	Security	Firm Capacity	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Hamilton 11kV	N-1	44	32	33	34	35	37	38	39	41	42	45*
Hamilton 33kV	N-1	132	152*	156	161	167	173	180	187	197	207	220
Huntly 33kV	N-1	82	36	37	38	40	41	42	43	44	45	47
Te Kowhai 33kV	N-1	136	120	124	129	133	137*	141	146	151	156	163
System Peak (#)			**306**	**315**	**326**	**336**	**348**	**359**	**373**	**388**	**405**	**426**

- System Peak at 99.5% design percentile

*WEL's system peak demand forecast shows a need to augment the supply capacity at the Hamilton GXP. To manage this constraint, we are engaging with Transpower, while also reinforcing and reconfiguring the subtransmission network to transfer load to Te Kowhai and Huntly GXP's which have spare capacity. The forecasted constraints are addressed and managed through WEL's Asset Management Plan.

1. Background

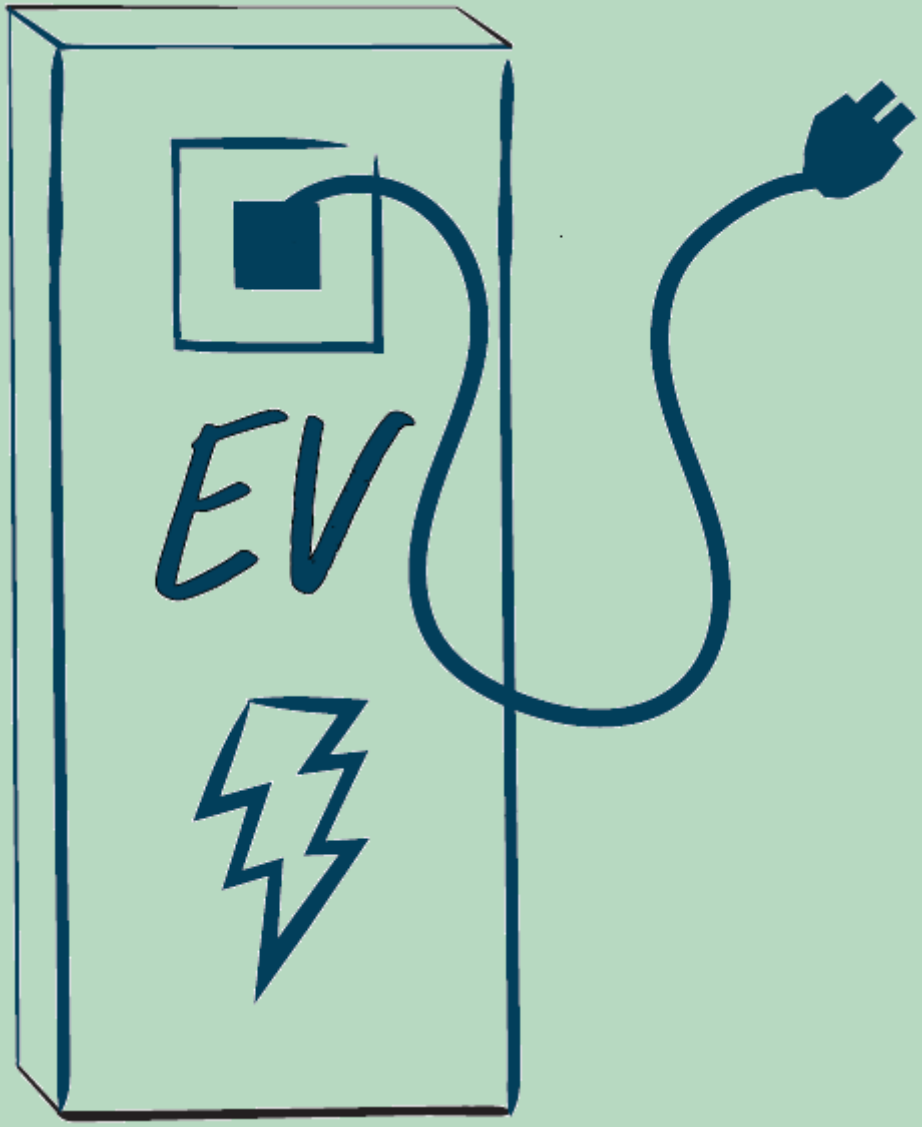
1.3. Pricing Methodology Overview

This Pricing Methodology sets out the approach used by WEL to determine our price structure and set our prices for 2025/26. It has been prepared to meet the requirements of the Commerce Commission's Commerce Act *(Electricity Distribution Services Information Disclosure) Determination 2012*, and it has been prepared in accordance with the Electricity Authority's updated *Distribution Pricing: Practice Note v2.2 October 2022*. In determining our prices, WEL has also had regard to the requirements of the Electricity *(Low Fixed Charge Tariff Option for Domestic Consumers)* Regulations 2004, and the consultation requirements in the *Electricity Industry Participation Code 2010 (the Code).*

The Commerce Commission's ID Determination requires WEL to publicly disclose, before the start of each financial year, a pricing methodology which:

- describes the methodology used to calculate the prices payable or to be payable (sections 6, 7 & 8);
- explains the rationale for customer groupings (section 5);
- describes any changes in prices and target revenues (sections 4, 8 & 9);
- explains the approach taken with respect to pricing in non-standard contracts and distributed generation (sections 10 & 11);
- describes the consistency of the approach taken with the pricing principles and explains WEL's pricing strategy (sections 12 & 13); and
- explains how the views of customers were sought, including their expectations in terms of price and quality, and reflected those views in calculating the prices payable or to be payable (section 16).

This document describes the allocation of costs, and the resulting structure and level of WEL's prices for electricity distribution and transmission services. These prices form only a part of overall electricity prices paid by customers to their electricity retailer. Queries about final consumer prices should be addressed to the applicable retailer.



2. Definitions

TERM	DEFINITION
AMI - Advanced metering infrastructure	A meter that records electricity used in half-hourly values (rather than a cumulative record). Advanced meters have communication features, eliminating the need for physical meter reading. Also known as a 'smart meter'.
AMD	Anytime Maximum Demand – the maximum demand of a customer or group of customers recorded at any time.
Code	The Electricity Industry Participation Code 2010
DPP	Default Price-quality Path – price-quality regulation set by the Commerce Commission for non-exempt suppliers of electricity lines services
EDB	Electricity Distribution Business
External network	An electricity network owned by WEL located outside WEL's traditional network, they are located in Auckland, Cambridge and Warkworth.
GWh	Gigawatt hour
GXP	Grid Exit Point – a point of connection to the transmission network
ICP	Installation Control Point – the customer's point of connection to WEL's network. There is generally a meter at each ICP.
ID Determination	Commerce Act (Electricity Distribution Services Information Disclosure) Determination 2012
kVA	Kilovolt ampere
kWh	Kilowatt hour
MWh	Megawatt hour
Parent network	The distribution network (owned by another EDB) to which WEL's external network is connected.
Pricing principles	The Electricity Authority's Distribution Pricing Principles
SSDG - Small scale distributed generation	Generation installation connected to the distribution network with a nameplate capacity of 10kW or less
TOU	Time of Use – consumption of electricity based on the time of consumption
TPM	Transmission Pricing Methodology
WACC	Weighted Average Cost of Capital

3. Overview of Pricing Influences

WEL's current cost allocation model is an important factor in setting prices; however, it is not simply a mechanical exercise of applying the modelled outcome annually as this could lead to volatility in prices. Other factors that influence our approach to pricing include: ensuring customers do not experience excessive price shocks, ensuring revenue adequacy, and maintaining logical relationships between price categories.

WEL maintains a robust Capital Contributions Policy which is used to economically model new and modified connection applications. This means customers pay their locational economic cost at the time of connection.

Given these considerations, the level of target revenue that is actually collected from a customer group will not necessarily be identical to the level of costs the model attributes to that group. It is WEL's intention that through the pricing revision each year WEL's prices and pricing structure will approximate the modelled revenue allocation, over time, in a way that is consistent with the pricing principles.

WEL has used the Authority's distribution pricing principles to form its pricing methodology. In section 12 we describe the extent to which we consider the resulting pricing methodology is consistent with the pricing principles.

3.1. Distribution Pricing Principles

Efficient distribution pricing is for the long-term benefit of consumers. Distribution pricing is important as it affects how consumers use electricity, how distributors and others manage load, when distributors invest in new (or replacement) poles and wires or network alternatives, and the timing, level and location of everyone's investments in new technology, such as distributed energy resources or demand management.

In 2019 the Electricity Authority published the distribution pricing principles below, to set clear expectations for efficient distribution prices.

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);

i. reflecting the impacts of network use on economic costs;

ii. reflecting differences in network service provided to (or by) consumers; and

iii. encouraging efficient network alternatives.

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.

c) Prices should be responsive to the requirements and circumstances of end users by allowing negotiation to:

i. reflect the economic value of services;

ii. enable price/quality trade-offs.

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

4. Changes to the Previous Pricing Methodology

The main change to this year's Pricing Methodology compare to the previous year, are outlined in the following section.

4.1. Pricing Reform Update

In 2025 we have largely focused on the DPP period model reset in order to forecast WEL's price path. WEL has also continued transitioning from variable to largely fixed or fixed like charges.

In 2024/25 instead of phasing out the middle of our three mass-market time-of-use periods, 'shoulder' pricing, we have pivoted to phasing out 'off-peak' pricing first. We recognised that off-peak pricing was having a more detrimental effect on distorting efficient network use than shoulder pricing. Once off-peak pricing has been phased out, we intend to transition back to phasing out shoulder pricing. This has been paused for the 2025/26 year to manage price shocks.

Section 14.2 goes into greater detail on our progress over the past year, and future intentions regarding pricing reform.

5. Customer Groups

WEL determines customer groups based on the level of service received by the customer. The criteria used for allocating customers to these groups are chosen as proxies for the service level and reflect groupings with distinct demand profiles and associated asset requirements:

- The voltage at which the customer is connected;
- The customer's fuse capacity;
- For small customers (connected at 400V, with a fuse capacity of less than 110kVA) the principal use of their property and whether they have installed generation capable of exporting into WEL's network; and
- For a customer's principal place of residence, whether the customer has chosen their retailer's low user pricing plan.

WEL considers that these criteria accurately reflect its cost drivers within regulatory constraints.

The following definitions distinguish mass market customers:

A ***residential customer*** (price category 1153/1154, 1153C/1154C) is a customer or small-scale distributed generator with a fuse capacity less than 110 kVA, a connection voltage of 400V or less, and that the connection is for the purpose of supplying electricity to premises that are used or intended for occupation principally as a place of residence, and excludes those premises described in section 5(c) to (k) of the Residential Tenancies Act 1986.

These criteria reflect the typical characteristics of a household; customers with larger fuse capacity or higher connection voltage typically require electricity for some other purpose than residential use.

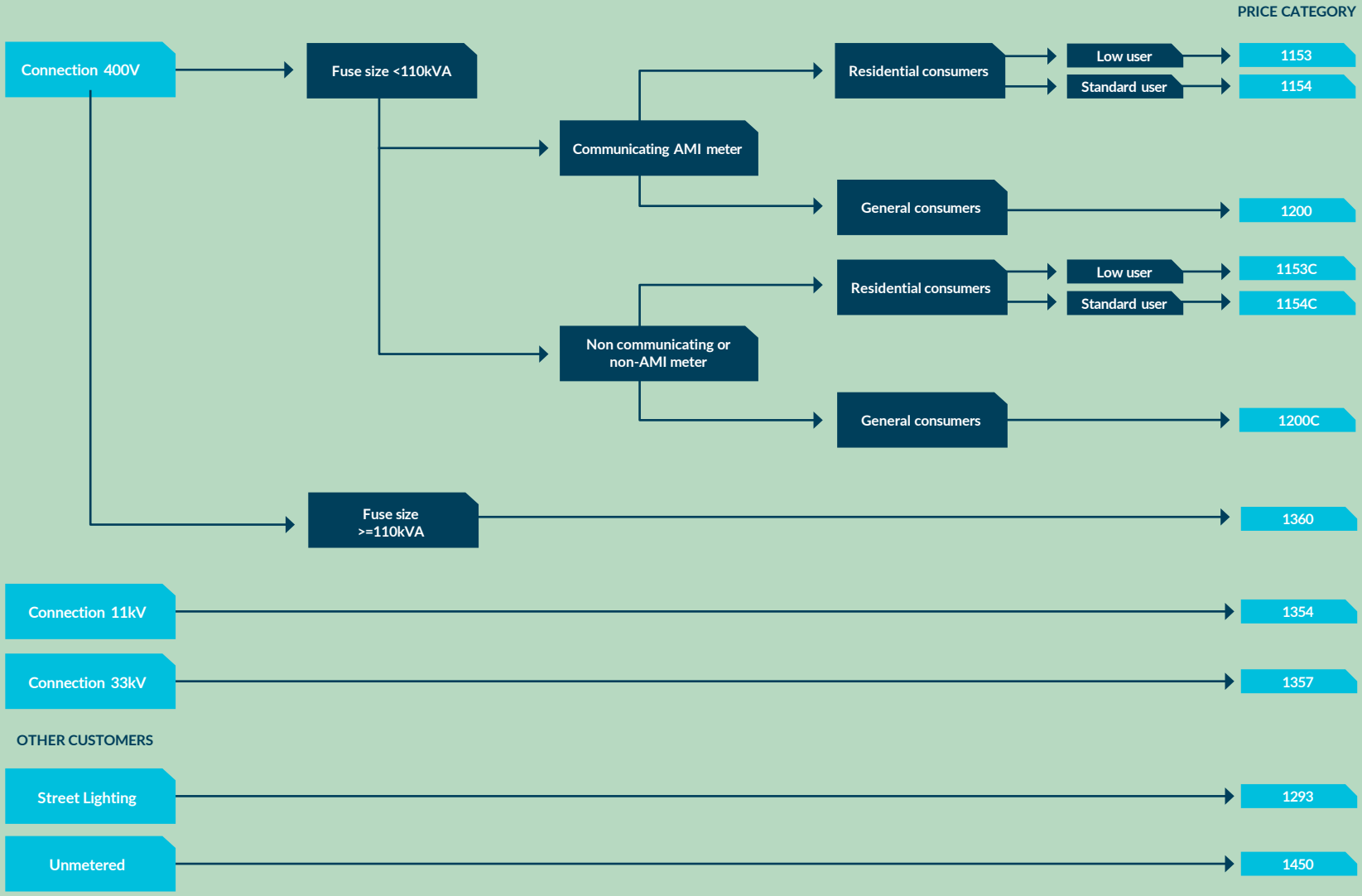
A ***general customer*** (price category 1200, 1200C) is a customer or small-scale distributor with a fuse capacity less than 110 kVA, connection voltage of 400V or less, and is not a residential customer.

A ***low user customer*** (price category 1153/1153C) is a residential or small-scale distributed generation customer who has nominated the retailer's low user pricing plan, and the premises must be the customer's principal place of residence. For the avoidance of doubt, eligibility for low user pricing options excludes holiday homes and buildings that are ancillary to a customer's principal place of residence.

A ***standard user*** plan (price category 1154/1154C) applies to all other residential (non-low user) and residential small scale distributed generation customers.

The diagram on the following page illustrates the characteristics of each customer group and shows how price categories have been derived:

FIGURE 1 - **CUSTOMER GROUPS**



5.1. Low Fixed Charge Tariff Regulations

The Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 outlines the fixed daily price which electricity distributors must offer residential customers who have opted for a low-user price category. Historically, this price was capped at no more than 15 cents per day (excluding GST). In December 2021, amendments were gazetted allowing for a gradual phase out of the LFC regulations. These amendments allow WEL to increase the fixed daily price, for LFC price categories, to not more than 75 cents per day (excluding GST) for the year beginning 1 April 2025.

WEL has standard fixed charge categories in addition to the low fixed charge price categories. The variable prices for customers on low fixed charge categories is such that an average customer consuming 8,000kWh pays no more in total per year on these options than the same customer would on any alternative option that is available to them.

It is a requirement of WEL's price group category criteria that an ICP must be a principal place of residence and the customer must also have nominated the retailer's corresponding low user price plan to be eligible for WEL's low fixed charge price categories.

6. Current Price Structure

WEL's current price structure was designed to reflect the historic economic costs of providing services to its customers. Recognising that the economic cost drivers of the network have changed over time, we have outlined the steps we are taking to align our price structure to these economic costs in our future roadmap (section 14.2). Our current structure recognises the varying patterns of consumption from each of the different groups of customers within the network. Some of the costs are fixed, that is they do not vary with the level of output in the short term and are based on the level of installed capacity; some costs vary depending on consumption patterns.

WEL's price structure is similarly split into fixed and variable prices. Fixed prices are levied on a per day basis. Variable prices are typically based on the volume of electricity used for mass market customers. For Large Customers, the average of the six highest periods of demand each month (during WEL's network peak time periods) is used as a variable charge and their nominated capacity as the primary fixed-like charge. These prices reflected the historical economic costs pertaining to the customer's time of consumption and demand profile.

WEL uses a selection of variable prices for each customer group based on the characteristics of the groups economic cost drivers:

- ***Uncontrolled Supply Prices:*** are prices that apply to electricity supply that is continuously available under normal operating circumstances. Prices may be time of day dependent. The price is multiplied by the volume of energy used, measured in kilowatt hours (kWh), in the corresponding time periods. This is applicable to anytime or across peak, shoulder and off-peak prices. Where prices are applied based on peak, shoulder and off-peak time periods, WEL offers lower prices for consumption when there is expected to be spare capacity on the network (i.e. off-peak).
- ***Controlled Supply Prices:*** are prices that apply to the electricity supply that is capable of being interrupted (switched off) by WEL using remote technology for up to eight hours a day. The price is multiplied by the volume of energy used, measured in kilowatt hours (kWh). The ability for WEL to reduce peaks by controlling load (i.e. switching off supply) is valuable to WEL, and this is reflected in lower prices for supply to controllable load. This type of supply is typically connected to hot water cylinders and other appliances nominated by the customer. To be eligible, this supply must be metered separately from any uncontrolled supply. Combined metered supplies (uncontrolled and controlled) will be charged at the uncontrolled price.
- ***Peak Demand Price:*** A price that is applied based on the average of the six highest recorded demand (kVA) periods by a Large Customer in six individual half hour periods during WEL's peak periods each month. There is a price for the winter months (1 May to 30 September) and a price for the summer months (1 October to 30 April).
- ***Reactive Energy Price:*** The reactive energy price is only applied to Large Customers and non-standard contract connections. It is charged on the volume of reactive energy (kVARh) used when the customer's power factor is less than 0.95 within a half hour time period. A low power factor requires a greater supply of reactive energy, which increases the need for network capacity.

6. Price Structure cont

- ***Capacity Price:*** A capacity price is applied to the nominated capacity (kVA) for Large Customers and non-standard contracts. Customers with higher capacities represent a larger requirement for investment in network assets to ensure the stability of the network. The capacity charge is designed to ensure equitable distribution of this extra investment cost.
- ***Excess Demand Price:*** An excess demand price is applied when a Large Customer exceeds their nominated capacity in any half hour during the billable month. The excess demand charge is to ensure customers nominate accurately and customers' charges reflect their fair use of the network.
- ***Transformer Rebate:*** A transformer rebate is paid to medium (11kV) and high voltage (33kV) customers who own their own transformer(s) to reflect the reduced cost to WEL to supply that customer. This rebate is applied based on the average of the customers six highest half hour periods (kVA) during WEL's peak time periods each and is represented as a rebate ($) per kVA per month.

7. Cost Allocation Model

The key purpose of the cost allocation and design model is to ensure that the prices for each customer group reflect the economic cost of serving that group. This section outlines this allocation process and the rationale for the choice of cost allocators.

The model allocates each cost category (Table 2) to customer groups based on the chosen allocator (Table 1). These costs are aggregated to give modelled revenue for each customer group. This is used to derive a set of model prices for each customer group (comprising fixed and variable prices). WEL uses these prices as the basis for final prices.

WEL reviews the price changes as indicated by the cost model against the pricing principles considering the undesirability of price shocks, the need to ensure revenue adequacy (and mitigate revenue risk) for WEL, and the desire to maintain logical relationships between price categories prior to settling on the final price changes.

The final prices and forecast volumes are then combined to derive target revenue for each customer group (Table 5).

7.1. Method of Cost Allocation

The choice and application of cost allocators involves a degree of judgment. The cost allocation and price design model allocates costs to customer groups based on WEL's assessment of customer influences on investment, maintenance, service, and Transpower costs. WEL also monitors prices of other EDBs to ensure that WEL's prices are broadly aligned with industry norms.

Utilisation of assets provides a useful basis for allocating many of our costs. Assets are allocated to different customer groups depending on their point of connection to the network. So, for example the low voltage asset costs are not allocated to high voltage customers.

WEL focuses on matching an allocator to each of its cost categories in a manner that best reflects the pricing principle that prices should reflect the economic costs of supply, subject to the availability of information, administrative simplicity, and regulatory constraints.

The table below describes the allocators that WEL uses in its cost allocation and price design model. Anytime maximum demand (AMD) is now our primary measure of asset utilisation. AMD provides information about the capacity of assets required by a specific customer group at any time.

TABLE 1 - **DESCRIPTION OF COST ALLOCATORS**

ALLOCATOR	DESCRIPTION	FORMULA
ENERGY	The annual consumption of all customers in that group as a proportion of the total.	$\frac{MWh_c}{MWh_{total}}$
AMD	Measures the anytime maximum demand (AMD) of a customer group as a proportion of the total. AMD may occur in different time periods for different customer groups. An allocation is made to customer groups based on the design capacity of the network.	$\frac{AMD_c}{AMD_{total}}$

NOTE: c = Customer Group

The table below outlines each cost category, the allocator used by WEL to allocate that cost to customer groups and the rationale for choosing that allocator. The allocator with the strongest relationship to cost causation has been used.

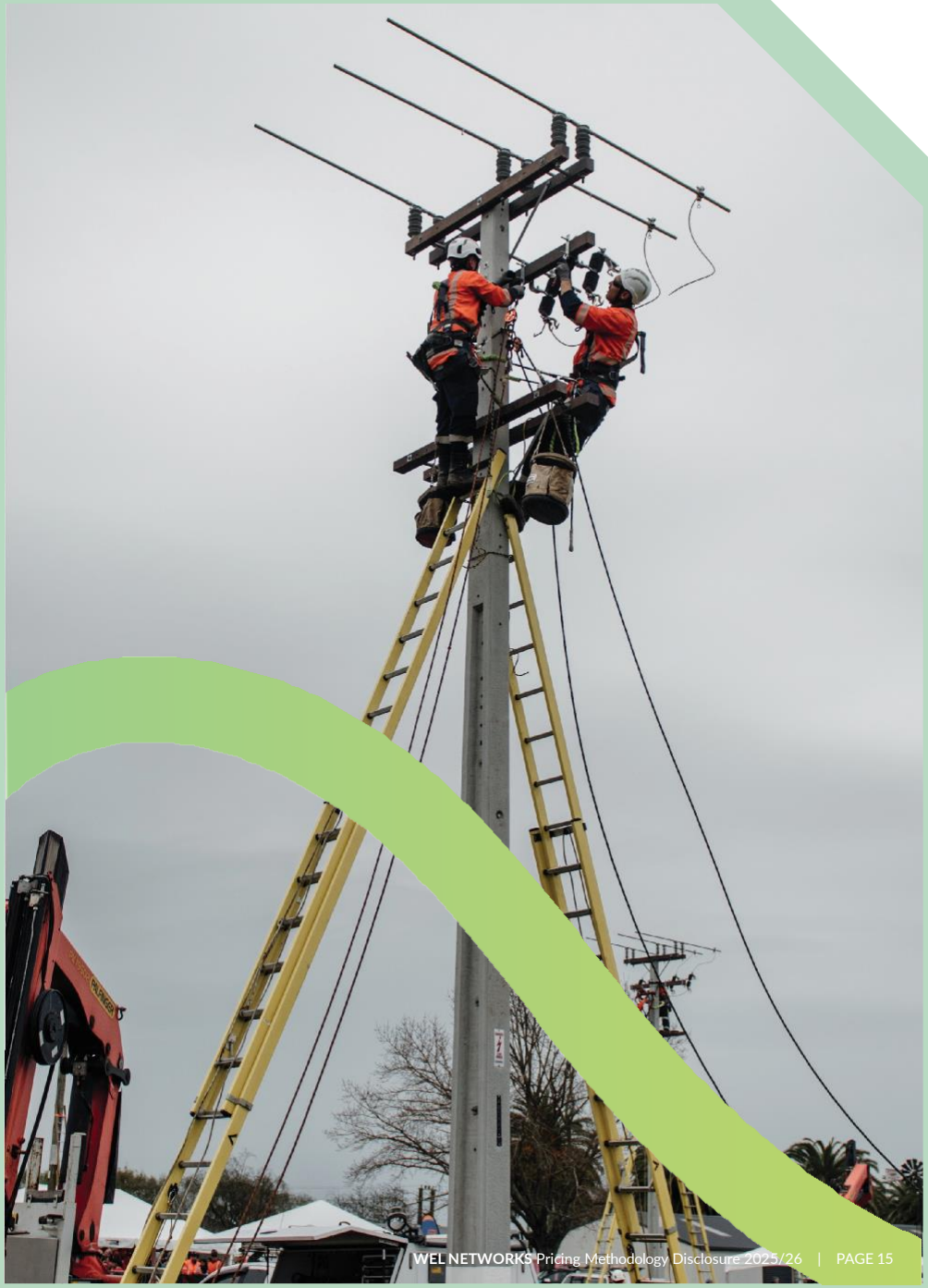


TABLE 2 - **RATIONALE FOR THE CHOICE OF COST ALLOCATOR FOR EACH KEY COMPONENT OF REVENUE**

KEY COMPONENT	ALLOCATOR USED IN COST MODEL	RATIONALE
Net profit after tax	AMD	Net profit after tax is allocated on the basis of the asset utilisation of each customer group (their anytime peak). This reflects the capacity of the assets employed, on which a return is sought.
Maintenance	AMD	WEL considers that the incidence of maintenance costs is best represented through customers' contribution towards the assets' overall utilisation. Maintenance costs are first attributed to the low, medium, and high voltage network, then the cost of each part of the network is allocated based on AMD.
Depreciation	AMD	Depreciation accounts for the cost of assets. These costs are therefore allocated based on asset utilisation by each customer group (their anytime peak). Depreciation costs are first attributed to the low, medium, and high voltage network, then the cost of each part of the network is allocated based on AMD.
Operating expenditure	AMD	WEL's operating expenditure includes staff and lease costs, printing, postage, rates, and motor vehicle expenses. These costs are allocated based on AMD as WEL's operating cost structure is largely fixed and is related to network capacity.
Tax & Interest	AMD	Allocated on the same basis as net profit after tax, as tax is directly related to profit.
Electricity Authority and Commerce Commission levies	Energy	These levies are based on the volume of energy distributed; this allocator therefore reflects the basis of these levies.
Transpower – transmission charges	AMD	In line with the guidance published by the Authority, we allocate transmission charges from the new TPM using historical AMD.

7.2. Discount

WEL operates an annual discount scheme. In terms of disclosure requirements, the discount must create a firm commitment by WEL, prior to the beginning of the annual pricing year, to paying a discount after that pricing year has ended. For transparency and compliance, WEL includes this commitment as part of our published Price Schedule and the Pricing Methodology disclosure.

The 'posted discount' methodology that has been adopted ensures WEL publishes a firm commitment to pay a nominated discount before the start of each pricing year.

The discount for the pricing year 1 April 2025 - 31 March 2026 is 9.1% of net lines revenue, up to a maximum of $12.814M (excluding GST). The discount will be calculated based on each eligible connection. To be considered eligible, a connection must be active and non-vacant as at 5pm 31 March 2026.

The discount will be calculated based on a percentage of each eligible connections' total lines charges for the 12 months from 1 March 2025 – 28 February 2026, subject to a maximum cap of $200 (excluding GST) per connection.

WEL is committed to pay a discount of 9.1% of net lines revenue, up to a maximum of $12.814M (excluding GST), based on a percentage of the previous 12 months of each connections' lines charges, up to a maximum cap of $200 (excluding GST) per connection.

The discount is forecast to be paid in April 2026.

8. Key Statistics and Assumptions

The tables below represent the breakdown of WEL's Target Revenue for 2025/26 into key cost components, by customer groups and by each of the price components as published in the 2025/26 Price Schedule.

During 2022 WEL investigated, evaluated, and finally adopted a new approach to setting target revenue. Having reviewed our target revenue setting methodology at the time, we found it to lack the maturity of other distributors, particularly those on default price-quality paths (DPPs). We were advised by industry experts to consider adopting the principle of financial capital maintenance (FCM) and the building blocks allowable revenue (BBAR) methodology which the Commerce Commission uses to determine the maximum allowable revenues of distributors which are not exempt from price-quality regulation.

We have populated the template models from the Commission's website with data from our Asset Management Plan (AMP) and other sources. As we believe the risk/cost of underinvestment for a community owned distributor is higher as we transition towards a net-zero carbon economy, WEL elected to set the weighted average cost of capital (WACC) at the 75th percentile.

The result of the adopted approach was a robust methodology aligned with the target revenue setting treatment which applies to DPP regulated distributors. While our previous approach was applied on an ex-post basis, our new approach to revenue setting provides for an ex-ante return which will achieve FCM.

During 2024, WEL has reset the revenue forecasting models based on the Commission's latest determination, with the new DPP period starting from 1 April 2025, in order to set the target revenue for 2025/26. WEL elected to set the target WACC at the 65th percentile, in line with the industry standard.

TABLE 3 - **TARGET REVENUE BY KEY COST COMPONENTS ($000)**

KEY COST COMPONENT	$000
Net profit after tax (NPAT)[1]	$24,502
Tax	$9,529
Interest	$1,978
Maintenance	$13,703
Depreciation	$28,222
Operating expenditure	$36,007
Transmission charges	$26,886
Electricity Authority and Commerce Commission levy	$600
Gross Revenue	**$154,241**
Discount	-$12,814
Net Target Revenue	**$141,427**

Note – The data in the tables above represent the information used at the time of setting the prices for 2025/26 pricing year. The table excludes Third Party Contributions.

1 NPAT is the net profit after the payment of interest and tax

TABLE 4 - **SHARE OF COST ALLOCATORS BY CUSTOMER GROUP**

CONNECTION	ENERGY	AMD	ICP
400V <110kVA	57.3%	77.0%	98.7%
- Residential	*(41.8%)*	*(51.3%)*	*(86.2%)*
- Non-residential	*(15.6%)*	*(25.7%)*	*(12.5%)*
400V >= 110kVA	18.8%	12.0%	0.7%
11kV	21.1%	9.7%	0.2%
33kV	2.2%	0.8%	0.0%
Streetlighting	0.6%	0.1%	0.1%
Unmetered	0.0%	0.4%	0.3%

Note – The allocators shown in the tables above are calculated using historic measurements.

TABLE 5 - **TARGET REVENUE BY PRICE COMPONENT AND CUSTOMER GROUP ($000)**

	TIME OF USE PRICING			CONDITIONAL PRICING			Low Voltage	Medium Voltage	High Voltage	Street lights	Unmetered	Non-standard contracts	Total	Proportion of Target Revenue
Price Component ($000)	Residential Low User	Residential Standard User	General	Residential Low User	Residential Standard User	General								
Fixed	13,749	25,166	11,766	258	852	1,530	1,282	277	6	1,772	34	194	56,886	40.2%
Uncontrolled Supply	-	-	-	769	592	1,890	-	-	-	-	6	-	3,257	2.3%
Controlled Supply	2,851	509	407	109	23	44	-	-	-	-	-	-	3,943	2.8%
Off-Peak	4,733	2,170	2,228	-	-	-	-	-	-	-	-	-	9,131	6.5%
Shoulder	9,796	5,333	8,309	-	-	-	-	-	-	-	-	-	23,438	16.6%
Peak	6,156	5,008	3,924	-	-	-	-	-	-	-	-	-	15,088	10.7%
Generation Export	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capacity	-	-	-	-	-	-	12,093	10,332	722	-	-	-	23,147	16.4%
Summer Peak	-	-	-	-	-	-	4,631	3,777	216	-	-	-	8,624	6.1%
Winter Peak	-	-	-	-	-	-	5,802	4,247	285	-	-	-	10,334	7.3%
Reactive	-	-	-	-	-	-	209	207	-		-	-	416	0.3%
Transformer rebate	-	-	-	-	-	-	-	-20	-3	-	-	-	-23	0.0%
Discount	-5,063	-5,213	-1,888	-87	-141	-209	-163	-35	-1	-7	-6	-0	-12,814	-9.1%
Total	**32,222**	**32,973**	**24,746**	**1,049**	**1,326**	**3,255**	**23,854**	**18,785**	**1,225**	**1,765**	**34**	**194**	**141,427**	**100%**

9. Price Changes

This section describes the key changes to prices between those that were applicable between 1 April 2024 and 31 March 2025, and those that apply from 1 April 2025. The rationale for these changes is provided along with a measure of the significance of the change by consumer group below.

The following changes to WEL's network prices are effective 1 April 2025:

- Low user plans (1153 & 1153C) - Fixed daily pricing increased to $0.75 per day, variable pricing increased to maintain compliance with LFC regulations
- Standard plans (1154 & 1154C) - Fixed daily pricing increased to $1.87 per day, variable pricing increased to maintain compliance with LFC regulations
- General plans (1200 & 1200C) - Fixed daily pricing increased to $2.91 per day, variable pricing remained unchanged
- Large capacity plans (1360, 1354 & 1357) - Capacity pricing increased to $0.2940 per kVA per day, Excess Demand pricing increased to $1.4700 per kVA per day, Summer and Winter Peak Demand pricing remained unchanged

All 2025/26 price changes have been made to ensure that WEL recovers our calculated allowable revenue and to increase the recovery of our fixed costs with fixed charges in line with the Authority's expectations.

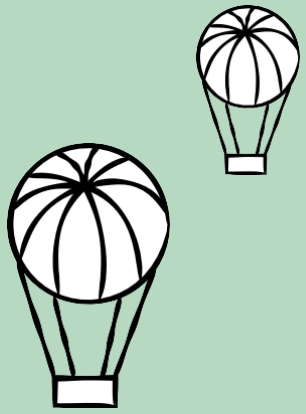


TABLE 6 - **AVERAGE PRICE CHANGES BY CONSUMER GROUP**

CONNECTION	PRICE CHANGE
400V <110 kVA	15.9%
- Residential	15.9%
- Non-residential	16.0%
400V >=110kVA	15.2%
11kV	16.5%
33kV	18.5%
Street lighting	15.9%
Unmetered	15.9%
Non-standard	4.8%

Table 6 indicates the 2025/26 price increases (in percentage terms) for each customer group.

9.1. Change in Target Revenue

WEL is forecasting target revenue to increase by 15.9% in 2025/26 compared to the 2024/25 budget. This reflects an overall 15.7% increase in network prices, along with increased growth experienced during the 2024/25 year and forecasted consumption and ICP growth for 2025/26.

10. Non-standard Contracts

Asset or customer-specific pricing is available to large customers on a case-by-case basis. We currently have a few customers (3 ICPs) on non-standard customer-specific pricing agreement. WEL may negotiate pricing arrangements that reflect the customer-specific cost of supply to ensure the pricing is non-distortionary, or where there is a risk of an uneconomic bypass.

Asset-specific pricing may be available for large or unique connections or those that may require a considerable capital contribution to enable the connection. WEL may negotiate with the individual customer to determine a price that is economically equivalent to the capital contribution that would otherwise be required, an approach that allows the customer to pay for the asset over a longer period that better reflects the value that they derive from it. WEL may further consider whether it may be appropriate to set specific cheaper lines charges for a large customer connection and require a portion of the connection costs to be paid upfront.

This approach is consistent with the pricing principles as the prices reflect: the economic cost of service (principle a), and is responsive to the requirements and circumstances of end users (principle c).

WEL does not offer non-standard terms on service interruption to any customers.

11. Distributed Generation

WEL has a range of distributed generation (DG) connected to its network from residential solar installations up to grid-scale windfarms. Applications to connect distributed generation are treated in accordance with Part 6 of the Code. During the past 12 months, WEL has experienced another significant increase in the quantity, and especially the size, of DG applications to connect to the network. The assessment process for large-scale DG applications has revealed that Part 6 is no longer fit-for-purpose; WEL continues to use regulatory consultations to highlight the shortcomings of Part 6 to the Authority.

WEL has established price codes for exported generation for most price categories (exported generation is not relevant for streetlighting or unmetered connections). These price codes are set to zero dollars per kWh and are used primarily to monitor the quantity of generation being exported into the network.

12. Consistency with the Pricing Principles

WEL's pricing methodology is based on its interpretation of the Authority's pricing principles and other factors outlined in Section 3. We have highlighted through the methodology, where and how the pricing principles have influenced the choices WEL has made. This section sets out the Authority's principles, reiterates WEL's interpretation and application of them, and outlines the extent to which the price design and cost allocation methodology are consistent (or inconsistent) with the pricing principles. WEL's purpose in simplifying the pricing principles is to aid our customers' understanding. This simplified statement of the principles is not intended to reduce their scope in any way.

(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);

ii. reflecting the impacts of network use on economic costs;

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

iv. encouraging efficient network alternatives.

WEL has simplified this principle to 'prices signal economic costs of supply'. We interpret this to mean that:

- WEL's prices should reflect the level of service available, including the capacity and interruptibility of the customer's connection and the associated demand on the network which are the primary drivers of WEL's costs. The cost allocators have been chosen on the basis that they are a good reflection of this pricing principle. WEL uses anytime maximum demand (capacity) and consumption measures as cost allocators (see section 7.1) and these are the basis of WEL's variable prices.

The incremental cost of a customer group is the cost of the additional capacity required to serve that group given that all other customers on the network are already being served. Incremental costs provide a lower bound to prices as WEL would be better off to stop supplying customers who are not meeting their incremental cost. A price below incremental cost also encourages an inefficiently high level of consumption. In times of spare capacity on the network short-run average incremental cost is close to zero.

WEL is working to improve our alignment with this principle. Our future roadmap (section 14.2) outlines our plan and timeframe for transitioning from our simple cost allocation approach, to a more mature economic cost recovery methodology based on the long-run marginal cost of supply.

(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.

WEL has simplified this principle to 'shortfalls in target revenue should be made up from prices that least distort network use'. This principle is intended recover residual costs (to make up target revenue) from fixed charges (or other non-distortionary charges) after variable charges have recovered the economic costs of connections. While historically our pricing has been poor in this area, we are now making progress. For 2025/26 the increase in WACC which largely contributed to the price increases, we are achieving mainly through increases to fixed daily, or capacity charges. Previously, low fixed charge regulations hampered our ability to make progress in this area for residential customer groups, but we are fully utilising the phase-out schedule. Our future roadmap (section 14.2) indicates how we will continue to build on our process until our pricing is fully aligned with this pricing principle.

(c) Prices should be responsive to the requirements and circumstances of end users by allowing negotiation to:

  i. reflect the economic value of services; and

  ii. enable price/quality trade-offs.

WEL's simplified statement of this principle is that 'prices should be responsive to stakeholder requirements and circumstances'. Where a new connection requires a large capital investment, WEL may negotiate an asset-specific price with the customer. This non-standard arrangement allows the customer to pay for the asset over a period that reflects the value they derive from it, and is consistent with this pricing principle. WEL's price structure also reflects the economic value of services for mass market customers by offering lower prices for controllable load. We will continue to work with our customers to investigate ways of enabling price/quality trade-offs in order to better align with this pricing principle.

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

WEL considers that to achieve "pricing development which is transparent" stakeholders should know WEL's strategies, price design, cost allocation methodologies, and any price changes in advance of them applying, and should be able to easily identify the price(s) that apply to individual consumers. WEL considers that the publication of this document and our price schedules contributes to this. WEL is committed to continuing to improve our communication of our pricing design to stakeholders.

WEL has chosen to unbundle its costs into broad categories, and use a limited number of allocators to allocate the cost categories to customer groups. This ensures that our approach is relatively easy to understand, and administrative and transaction costs are kept in check, reflecting this principle.

A notable aspect of this pricing methodology is the adoption of targeted and glide path (i.e. phased) adjustments. WEL considers this approach to be consistent with the principle, as it assesses consumer impacts before implementing any changes.

WEL works with retailers to ensure alignment of pricing structures and incentives are maintained.

13. Pricing Strategy

WEL's pricing strategy (originally developed in 2012) was updated in 2016 to more closely reflect WEL's future direction for pricing whilst still showing our commitment to innovation and improving our pricing structure to reflect the economic value of services and create customer benefits; it is:

Prices and price structure changes shall incorporate WEL's Pricing Principles and improve cost reflectivity whilst considering customer impact. Prices should provide consumers with options, enhancing utilisation of new technologies and efficient use of the electricity system. WEL is committed to customer and stakeholder engagement including consultation and education.

WEL will continue to monitor its price strategy and its application to the changing market conditions and consumer needs.

13.1. Key Objectives of WEL's Pricing Strategy

Key objectives of WEL's Pricing Strategy are listed below; these objectives are consistent with the pricing principles.

1. **Cost-Reflective Pricing**: ensure that pricing and pricing design reflect the cost drivers of supply to individual consumer groups e.g. increase the utilisation of capacity, time of use or demand based charges over time subject to public education and communication plans. This is consistent with signalling the economic cost of service provision (principle a);

2. **Clear Pricing Structure**: pricing should be simple and easy to understand by customers and accessible to new traders. This is consistent with transparent pricing development (principle d) and promotes retail competition in WEL's network;

3. **Customer Focus**: engagement with customers including consultation and education on pricing and pricing plans. The management of price shocks in the transition to new price structures. Negotiation to customer specific circumstances. This is consistent with responsiveness to end users requirements (principle c); and

4. **Incentivise Efficient Adoption of Network Alternatives**: pricing and price structures should signal the economic cost of supply to encourage the efficient adoption of new technologies. This is consistent with signalling the economic cost of service provision (principle a & d).

WEL will continue to monitor its price strategy and its application to the changing market conditions and consumer needs.

14. Pricing Reform Roadmap

14.1. Work Undertaken to Date

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Voluntary "opt-in" TOU for mass market	Implemented	In effect			Retired						
Mandatory TOU for new mass market			Implemented	In effect	Retired						
Mandatory TOU for all mass market					Implemented	In effect					
Capacity charges for large customers				Implemented	In effect						
Phase out variable kWh for large customers				Implemented	In progress	Complete					
Phase out low fixed charge (LFC) option								Implemented	In progress		

In April 2016 WEL implemented mandatory TOU pricing for new ICPs on Residential, General and SSDG price plans, referred to as 'Smart Pricing'. WEL's Smart Pricing consisted of three time periods (Peak, Shoulder, and Off-Peak) with peak timeframes aligning to WEL's system peak times.

During 2017 WEL undertook customer focus groups and consulted with Retailers on potential future pricing options (detailed in the ENA's New Pricing Options for Electricity Distributors) for Residential, General and SSDG customers. Of the future options given, Time of Use was preferred as it was transparent, understandable, and actionable. WEL advised Retailers in December 2017 of the transition of mass market ICP's onto Time of Use pricing. A default rate was also implemented (for a limited time) as some retailers were unable to provide time banded data. For Large Commercial customers WEL changed peak charges to be based on KVA not KW and introduced capacity charge and excess demand charges through reducing kWh charges with the view to eventually remove them.

In 2019, WEL undertook a retailer consultation to update and simplify the pricing schedule. The result was to discontinue separate SSDG (1250, 1251, 1250C, and 1251C) price categories and to migrate those ICPs onto the appropriate remaining price categories (1153, 1154, 1200, 1153C, 1154C, and 1200C). In order to maintain visibility of exported generation from SSDG, exported generation price codes were been added to most remaining price categories.

Between 2017 and 2021, kWh charges for Large Commercial customers were phased out. This was in line with our assessment of the key drivers of the cost to serve this customer group.

From April 2022, we begun to phase out the LFC option by increasing the fixed daily price by $0.15 each year. This will conclude in 2027, when the option will be phased out entirely.

14. Pricing Reform Roadmap

14.2. Ongoing and Future Work

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Transition from TOU to targeted price signals	Implemented	In progress				Complete	Monitor and review		
Transition from largely variable to largely fixed charges	Implemented	In progress					Complete	Monitor and review	
Update allocation methodology	Complete	Monitor and review			Implement	Monitor and review			
Phase out low fixed charge (LFC) option	In progress				Complete				
Review Pricing Strategy	Complete	Monitor and review							
Transition from cost allocation to economic cost recovery model	In progress			Implement	Monitor and review				

We have identified that the peak, shoulder, and off-peak TOU pricing structure is no longer fit for purpose. While these rates signalled the economic cost of consumption under the previous TPM, they now represent a price signal without a rationale. For the 2024/25 we began to phase out off-peak rates first in out transition to an economic cost recovery model, however this was paused for 2025/26 year. We will look to resume the phase out of our off peak rates in the 2026/27 pricing year subject to price shocks and unless there is congestion requiring a targeted price signal.

With the beginning of the new DPP period and an increase to the industry standard WACC to 7.1%, WEL took the opportunity to continue focusing on transitioning from largely variable to largely fixed charges. The accompanying increase to the allowable revenue for the 2025/26 pricing year has been largely passed through the fixed charges.

The cost allocation methodology was significantly updated for the 2023/24 pricing year to align with the new TPM and better reflect the principles of cost-reflective pricing. We intend to conduct a thorough review of this again in 2027/28 to ensure that it is achieving the results we intended.

WEL has elected to increase fixed charges for LFC eligible customers in line with the phase out path. We intend to continue to increase the fixed charges in line with the phase out path and retire the LFC category entirely in 2027 once this option is available to us. At this point, residential price categories are planned to be amalgamated together.

A review of our Pricing Strategy found it remained fit-for-purpose. This will be reassessed once the Authority's distribution pricing reform programme is concluded.

Previously we published our intention to transition towards an economic cost recovery methodology, based on the long-run marginal cost (LRMC) of supply, during 2023/24. However, as the Authority began raising the prospect of regulatory intervention in this area during 2023, we paused our LRMC work until we have greater regulatory certainty from the Authority.

In 2024 the Authority released a consultation on connection pricing reform. Whilst WEL's connection pricing is largely aligned to the proposed changes, the Long Term reform amendments, if enacted, will require WEL to further update our pricing methodology to incorporate these into our pricing reform roadmap.

15. Pricing Reform – Authority's Five Focus Areas

In September 2022, the Authority published an open letter to distributors outlining five areas they will be focusing on. We have outlined our progress and future intentions in regard to the five focus areas below.

15.1. Focus One

Distributors' roadmaps responding to future network congestion

This is an area WEL improved on in 2023/24. After we identified a near-term constraint on the Hamilton GXP, solutions were already and put in motion to alleviate the constraint. Further work is ongoing to understand how best to recover these costs. In addition to broader network constraints, we will continue to investigate local, low voltage congestion (particularly in relation to electric vehicles) and how we are best to send price signals to manage or alleviate it.

15.2. Focus Two

Distributors' response to any significant first mover disadvantage (FMD) issues facing customers seeking to connect to their networks (new and expanded connections)

WEL maintains a robust Capital Contribution Policy (CCP) and accompanying model which work in unison with our distribution pricing. One of the key features of our CCP and model is the philosophy of assessing not only the upfront investment cost to facilitate a new connection, but also the lifetime revenue we expect to gain from the new connection, and the lifetime operational expenditure to provide the new connection. The two major features of our approach which mitigate the FMD risk are:

- **Future upstream investment allocation**. Each assessed new connection is given an allocation towards future upstream investment depending on the connection voltage they are requesting (e.g. a residential connection would have a small allocation for future low voltage reinforcement, distribution transformer upgrade, etc. A large commercial customer on the other hand would not be allocated future upstream investment cost for any assets below the voltage they are connected at, 11kV for instance). This approach mitigates the financial impact of a single customer becoming the tipping point and necessitating significant network reinforcement.
- **Shared assets are considered network upgrades**. When a new connection application requires network reinforcement, WEL's designers look at whether the new or upgraded assets will be dedicated to the applying customer or shared between many customers. If they are shared between other new or existing customers, the cost is not attributed to the applying customer, and is instead funded from the prior upstream investment allocations.

15.3. Focus Three

The extent to which distributors are following the Authority's guidance on pass through of new transmission charges

We continue to make good progress aligning WEL's approach on pass through of transmission charges with the guidance published by the Authority, though the full effect will take time to align. We updated our allocation methodology to allocate transmission charges under the new TPM to each customer group's contribution towards anytime maximum demand (AMD). Once each customer group's allocation of transmission costs is known, we have endeavoured to recover those costs via fixed (or fixed-like) charges to individual customers. This will take time to fully implement as we are limited to what we may recover from fixed charges from residential customers by low fixed charge regulations and must manage annual price shocks for all other customer groups.

15. Pricing Reform – Authority's Five Focus Areas

15.4. Focus Four

Whether distributors are increasing their use of fixed charges to match the phase out path of the low fixed charge (LFC) tariff regulations

WEL has elected to increase fixed charges for LFC eligible customers in line with the phase out path. We intend to continue to increase the fixed charges in line with the phase out path and retire the LFC category entirely in 2027, once this option is available to us. The phase out has allowed us to continue to decrease the variable kWh charges we set for LFC eligible price categories. In order to expedite the transition to greater recovery of fixed costs with fixed charges, we also increased the fixed daily charge of our standard (non-LFC) residential price categories this year. Our intention is to eventually amalgamate the LFC and standard residential price categories together and then differentiate pricing on the basis of differentiated service (e.g. greater connection capacity, connection balanced across multiple phases, etc).

15.5. Focus Five

Distributors avoiding, or transitioning away from, recovery of costs that are fixed in nature through use-based charges, such as charges based on a customer's Anytime Maximum Demand (AMD)

As highlighted in 15.3, WEL is continuing to transition away from recovery of fixed costs, with variable charges. This will continue to be managed within the confines of regulation and price shock relativity. We do not use AMD as a basis for charges, but we use it extensively for allocation of costs to each customer group. For large customers (those connected at a capacity greater than or equal to 110kVA), we utilise nominated capacity charges as the primary fixed-like charge. While we acknowledge that this charge is not truly fixed (as it is able to be modified once in a 12-month period at a customer's request), we had to balance the operational risk of transitioning to an installed capacity measure. It is felt that using installed capacity would have the unintended consequence of greatly increasing the number of customers requesting physical upgrades/downgrades in supply. This would put unnecessary strain on our customer initiated works team and field delivery partners' workloads.

16. Pricing Impact and Feedback

16.1. Customer Consultation

WEL has a strong customer focus as we are owned 100% by the WEL Energy Trust, on behalf of the community. In addition to the WEL Energy Trust representing the views and interests of customers, WEL regularly consults with major customers and periodically conducts surveys of customers' expectations on its pricing and quality of service. The survey results are a key input into both WEL's Asset Management Plan (AMP) and our Pricing Methodology.

WEL engaged an independent market research organisation to undertake a customer survey at the start of 2025.

The key findings from the most recent customer survey were that the majority of customers (98%) are satisfied with the current level of reliability of supply. Only 21% of customers surveyed would like to see further improvement in reliability of supply, however only 31% (of the 21%) would be willing to pay more for it. For context, 38% of respondents had experienced a supply interruption in the previous 12 months.

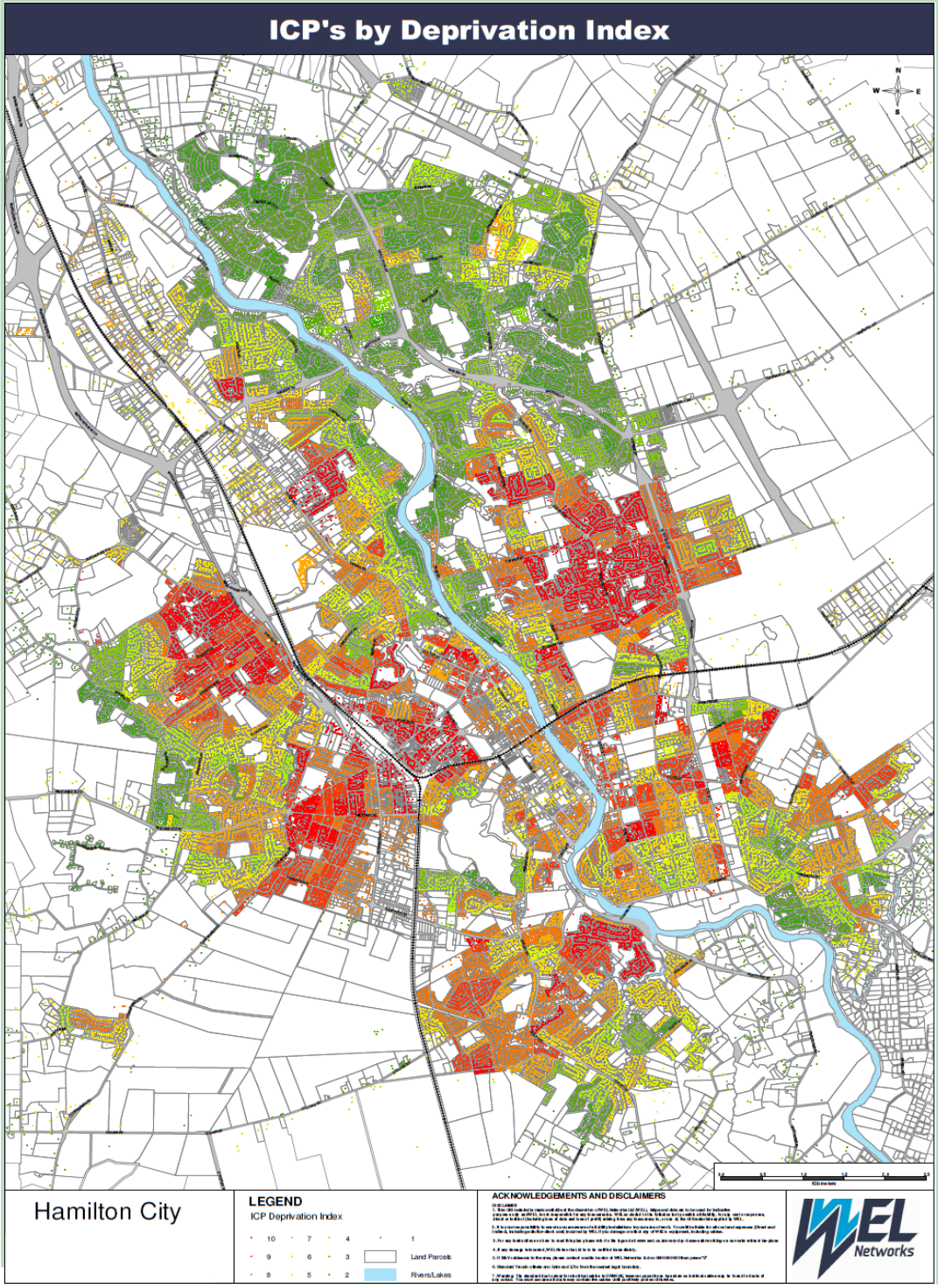
95% of customers surveyed believed their reliability was the same or better over the preceding 12 month period. 40% believe under 60 minutes is an acceptable unplanned outage duration. Respondents were evenly split when asked if they preferred more interruptions of a shorter duration or fewer interruptions of a longer duration.

When given the opportunity to provide any other feedback, many respondents were very complimentary of their experiences with our field crews and customer care team. The major area of improvement requested continued to be improved communication of unscheduled interruptions, and the estimated restoration times during an interruption. Respondents were evenly split between preferring scheduled outages to take place during business hours or overnight.

16.2. Retailer Consultation

Part II of the Default Distributor Agreement (DDA) between WEL and retailers requires WEL to consult with retailers prior to making a change to our price structure. No structural changes were proposed this year, and as such, no retailer consultation was undertaken.

Even when retailer consultation is not undertaken, we work proactively with all retailers operating on our network to assist with accurate messaging of distribution price changes.



16.3. Deprivation Analysis

To better understand the impact of our pricing reform on our customer base, we have overlaid mesh-block deprivation index data from the New Zealand Census over our geographic information system (GIS). Together with granular smart meter data from our own WEL smart boxes (which gather data from approximately 70,000 connections), we have been able to test how different pricing or allocations would affect those customer in WEL's most deprived areas.

We successfully deployed the deprivation analysis tool in 2017 when we were considering making time-of-use charges mandatory for mass market customers. The deprivation analysis tool showed conclusively that those ICPs in the areas of highest deprivation (deprivation index 9 & 10), would on average see a minor overall reduction in annual lines charges compared to traditional pricing. We also found that connections in areas experiencing the least deprivation (deprivation index 1 & 2), would on average see a minor overall increase in annual lines charges compared to traditional pricing.

This analysis provided us the reassurance to introduce mandatory time-of-use pricing for mass-market price categories.

As we progress on our pricing reform journey and new data becomes available, we will continue to update and utilise the deprivation analysis tool. WEL has been able reference the deprivation analysis to assess the impact of rebalancing prices and allocations on our most vulnerable customer groups. Where the results show the potential change would result in significant hardship for vulnerable customer groups, we can reassess and may elect to phase the changes in over a longer period.

17. Certification

Schedule 17 – Certification for Year-beginning Disclosures

Pursuant to clause 2.9.1 of the Electricity Distribution Information Disclosure Determination 2012.

We, Barry Harris and Carolyn Steele , being directors of WEL Networks certify that, having made all reasonable enquiry, to the best of our knowledge:

a) The following attached information of WEL Networks prepared for the purposes of clause 2.4.1 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.

BARRY HARRIS
Chair

CAROLYN STEELE
Director

Date: 20 February 2025