

MainPower Price Consultation Summary

MainPower is one of 29 electricity distribution businesses in New Zealand that are required to comply with Electricity Authority and Commerce Commission rules governing how prices are set. These rules require electricity distribution businesses to consult with their communities and customers regarding pricing methodologies. In April 2016, MainPower completed stage one of a consultation project with its community on various possible pricing structures. The survey proved highly valuable in enabling MainPower to gain an indication of which pricing approaches might better meet the needs of customers and the community at large. Here are some of the key findings of that research.

Price Structures

- | **Fixed Price:** Customers are charged the same daily charge for use of the network, irrespective of the volume of electricity they use or the time that they use it.
- | **Volume:** Customers are charged on the amount of electricity they use, irrespective of when they use it.
- | **Time Of Use:** Customers are charged a different rate at different times of the day. This typically means you pay less during off-peak times and more during peak times.
- | **Peak Consumption:** Customers are charged based on their maximum level of electricity consumption on any day of their billing cycle regardless of what they use on days where they did not reach this maximum.

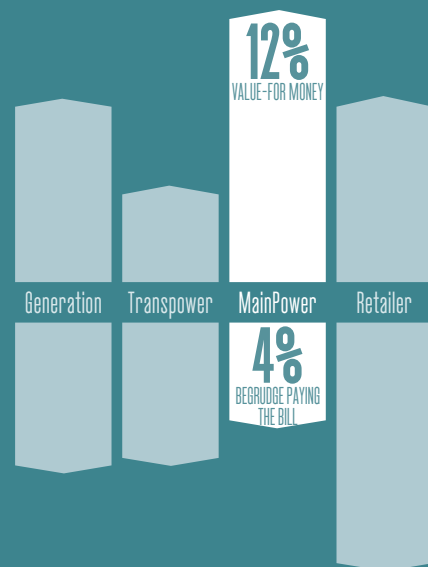
Survey sample

1446
PARTICIPANTS

94% RESIDENTIAL
6% BUSINESS

12,829 customers were asked to participate in an online survey about price structures and 1446 responded providing a margin of error of +/-2.5%.

Attitudes to power bill



More customers think that MainPower is value-for-money than other suppliers in the supply chain. Fewer customers begrudge paying the MainPower bill than the other suppliers bills.

What is your preferred price structure?



Residential customers with higher monthly bills preferred Fixed Price and Time Of Use more than Volume and Peak Consumption. Residents with lower monthly bills preferred Volume and Time Of Use more than the other two options. Peak Consumption is the least preferred option and Volume and Time Of Use are the most preferred.

Key benefits sought and downsides to avoid in a price structure



The key benefit nearly half of respondents are looking for is a tailored* approach, followed by a price structure that supports efficiency and fairness. The main downsides customers want to avoid from a pricing structure are electricity costing more, followed by a structure that is not tailored and hard to understand. Customers were least concerned about others benefiting more than themselves, although 15% do want fairness for all.

Comments

Based on the comments section in the survey, customers want a price structure that will work best for their living circumstances and will save them money. Secondary is a desire for fairness. Peak Consumption is regarded as the least fair option and Volume as the most fair, followed by Fixed Price. Time Of Use was considered an antiquated approach by many, and an inconvenience in terms of trying to find ways to adjust ones living to benefit from it. People requested that the price structures be kept simple and easy to understand, so that they could find ways to save money. There was also a desire to have bespoke pricing, or to be able to tailor a pricing structure to suit an individual household by using a combination of all four pricing methods. The ultimate goal for most people seems to be to find ways to reduce their power bill, without having to cook dinner at 3am, or live in a cold house over winter.

How does each pricing structure stack up against the other?

EASIEST TO UNDERSTAND	SEEMS FAIR	IS MOST APPEALING	WILL USE LESS POWER
88% Time Of Use	74% Volume	57% Volume	34% Volume
WILL USE MORE POWER	WILL COST MORE	WILL SAVE ME MONEY	LIKE PRICE STRUCTURE
16% Fixed Price	51% Peak	35% Time Of Use	45% Volume

Volume pricing is seen as offering the greatest benefits to customers, including being seen as fair, appealing, likely to result in more efficient use of power, and the most liked. Time Of Use pricing stood out for the benefits of being easy to understand and appealing because it is likely to save the customer money. Peak Consumption and Fixed Price structures are viewed less desirable as customers see them as likely to result in higher power use and costing the consumer more money.

There were strong themes around social good and quite a number of comments about people on low incomes huddled in front of heaters to stay warm while power companies profit. There were equally as many comments about the cost of electricity, and how the price 'just keeps going up'.

When weighing up all the comments, Peak Consumption is by far the least desirable pricing structure and also the least understood, and Volume seems to nudge out in front of Fixed Price as the most preferred approach.