

Horizon Networks – Keeping our community switched on

The electricity industry in general is entering an exciting period of growth driven by the reducing costs of solar photovoltaic, battery storage and electric vehicles which will transform how we price for our services going forward. Horizon Networks is in a unique position to facilitate the uptake and growth of these emerging technologies and as such, we are reviewing the way we set our prices going forward.

In accordance with the expectations set out by the Electricity Authority in October 2016, Horizon Networks is currently undertaking a review of future pricing structures in order to provide greater transparency that allows for improved consumer choice. In addition, future pricing structures will be transparent, fit-for-purpose in order to be workable for Retailers to pass on our charges as we intend to customers, and better reflect our costs to operate, maintain and invest in the network such that we are able to meet consumers' needs.

In April 2017, Horizon Networks published a road map for future price reform, to deliver service based and cost reflective pricing. (<http://www.horizonnetworks.nz/information-disclosure-regulation>).

Horizon Networks has been progressing plans in accordance with our road map over the past year with an update published during November 2017. During that time the industry, led by the Electricity Networks Association (ENA), has been actively engaging with members on a number of work streams that are designed to provide as close as practical the desired pricing reforms.

Horizon Networks has been contributing to these industry initiatives including:

- Memberships in a number of the working groups including the Regulatory Working Group, Distribution Pricing Working Group, Smart Technology Working Group, and the Technical Implementation Working Group. These groups meet regularly to progress industry matters, including standardisation and consistency across members pricing, terminology and especially with definitions and components of pricing and services; and

Nov 2018 Update

- During the latter part of 2017 Horizon Networks consulted with Retailers and Meter Equipment Providers to discuss possible price reforms, such as what types of prices are more likely to be passed through to consumers. The feedback received was very valuable and will be incorporated into planning of future pricing.
- In the first quarter of 2018 Horizon Networks engaged SIL Research to complete the bi-annual quality survey and included additional questions relating to the future pricing reforms. The survey has proved to be highly valuable in enabling the Eastern Bay of Plenty consumers an opportunity to provide feedback to Horizon Networks in order to gain early indications on how the Community considers issues such as -
 - how electricity is provided and maintained;
 - individual usage of power and ability to change usage patterns particularly at peak times;
 - the various pricing options available; and
 - emerging technology and potential timeframes for investment.
- Horizon Networks approached several Retailers to request sample smart meter half hour metering data. This data will assist Horizon Network to undertake modeling of new price strategy scenarios. The Retailers were very supportive of this initiative and committed to supplying data to assist Horizon Networks with five retailers providing data.
- Horizon Networks has been working with Sapere Research Group to reassess the long run marginal cost for inclusion in a new cost of supply model. Together with the development of a new pricing model and the development of a new pricing model to incorporate the new structures. A review of the long run marginal cost for inclusion in a new cost of supply model.

FUTURE PRICING ROADMAP UPDATE – MAY 2019

has been undertaken with an RFP prepared and forwarded to potential suppliers. We are currently waiting on feedback for the proposals.

May 2019 Update

Horizon Networks has engaged Wellington based Axos Systems Limited to implement a new billing system based on the outcome of the RFP process, which was approved by the Horizon Networks Board in May 2019. The billing solution implementation plan is currently being developed with Axos Systems Limited with a proposed date to go live scheduled for December 2019.

Horizon Networks visited nine retailers during February and March 2019 as a continuation of the 2017 consultations on future pricing trials and current industry initiatives. The feedback received from the Retailers visited was one of encouragement regarding Horizon Networks' Roadmap including feedback received on key questions that were asked in advance that covered a broad spectrum of industry issues.

Two Retailers indicated that they were very keen to engage on pricing trials, with another Retailer indicating that their capability to work with Horizon Networks had been consumed by a commitment to work with two other Distributors. The remaining Retailers have requested that Horizon Networks keep the communication lines open as the trial process develops.

Discussions are scheduled to continue in early June 2019 to explore the practicalities of working with the two Retailers and how the information flow can be structured to capture pricing outcomes from the pricing trials in order to consult with affected stakeholders.

The focus of activity moving forwards can be viewed in the below table:

HORIZON NETWORKS FUTURE PRICING ROADMAP MILESTONES		
Key Tasks	Comments / Current Work Stream	Target Completion Dates
Data sourcing	<ul style="list-style-type: none"> Horizon Networks requested meter data from Stakeholders during June 2018 using the ERANZ recommended data request form. Final data received mid-September from Retailers for analysis. 	Completed September 2018
System evaluation	<ul style="list-style-type: none"> Review future system requirements, including analysis of current system constraints and issues that need to be solved prior to implementing future pricing strategy. The current system has been evaluated with RFP's forwarded to prospective suppliers. 	Completed November 2018
Pricing Trials	Consult with Retailers regarding future price trials during 2019/20.	Completed March 2019
System evaluation	<ul style="list-style-type: none"> Complete evaluation of systems matching needs to requirements. 	Completed April 2019
Data analysis to assess customer impacts	<ul style="list-style-type: none"> Review and analyses outcomes of pricing options based on historical data. 	Completed June 2019

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Key Tasks	Comments / Current Work Stream	Target Completion Dates
Cost of supply Model / Pricing Model	<ul style="list-style-type: none"> Explore Long Run Marginal Cost approach to future pricing. Update Cost of Supply and Pricing Models to accommodate potential future pricing changes. 	June 2019
Pricing Trials	<ul style="list-style-type: none"> Engage with two Retailers regarding pricing trials including developing linkages to consumer feedback. 	June 2019
Pricing Model	<ul style="list-style-type: none"> Update Cost of Supply and Pricing Models to accommodate potential future pricing changes. 	August 2019
System implementation / changes	<ul style="list-style-type: none"> System changes implemented and in place in preparation for future pricing trials. 	July - September 2019
Pricing Trials	<ul style="list-style-type: none"> Trial future pricing structures in consultation with stakeholders. 	October - November 2019
Axos System (Go live) for monthly billing	<ul style="list-style-type: none"> Transition from inhouse billing engine to Axos Systems for Monthly billing 	December 2019
Data analysis to assess outcomes from pricing trials	<ul style="list-style-type: none"> Review and analyse outcomes from pricing trials. 	December 2019
Pricing Trials	<ul style="list-style-type: none"> Determine possible price outcomes for pricing trials. 	February 2020
Refine Pathway	<ul style="list-style-type: none"> Refine pricing reform plan to reflect progress to date. 	April 2020
Pricing Trials	<ul style="list-style-type: none"> Trial future pricing structures in consultation with stakeholders. 	May - June 2020
Data analysis to assess customer impacts	<ul style="list-style-type: none"> Review and analyse outcomes from pricing trials. 	September - August 2020

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HORIZON NETWORKS FUTURE PRICING ROADMAP MILESTONES		
Key Tasks	Comments / Current Work Stream	Target Completion Dates
Refine Pathway	<ul style="list-style-type: none"> Refine pricing reform plan to reflect progress to date. Consult with retailers on pricing structures 	October 2020
Future pricing implementation planning	<ul style="list-style-type: none"> Develop implementation and transition arrangements. 	November 2020
Develop future pricing documents and communication	<ul style="list-style-type: none"> Work with Retailers and stakeholders to ensure documentation and communication for future pricing is understood. 	November 2020
Set future prices	<ul style="list-style-type: none"> Set prices under the future pricing structure for the pricing year beginning 1 April 2021. 	December 2020
Future pricing Go-Live	<ul style="list-style-type: none"> Go-Live – implementation of future pricing structure to commence. 	April 2021
Review future pricing changes	<ul style="list-style-type: none"> Ongoing review of progress towards achieving pricing objectives. 	September 2021

For further information regarding this document, please contact us at **commercial@hegroup.nz** or **0800 HORIZON (0800 467 496)**

