

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 at a high level 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 new price structures and the development of a new pricing model to incorporate the new structures.
- A review of billing system requirements has been undertaken with an RFP prepared and forwarded to potential suppliers. We are currently waiting on feedback for the proposals.

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 (21/6/2018) using the ERANZ recommended data request form. • Final data received mid-September from Retailers for analysis. 	June 2018 Completed Sept 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. 	September 2018 Completed Nov 2018
Data analysis to assess customer impacts	<ul style="list-style-type: none"> • Review and analyses outcomes of pricing options based on historical data. 	December 2018
Refine Pathway	<ul style="list-style-type: none"> • Refine pricing reform plan to reflect progress to date. 	December 2018
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. 	December 2018
System evaluation	<ul style="list-style-type: none"> • Complete evaluation of systems matching needs to requirements. 	December 2018
Pricing Trials	<ul style="list-style-type: none"> • Consult with Retailers regarding future price trials during 2019/20. 	February 2019
System implementation / changes	<ul style="list-style-type: none"> • System changes implemented and in place in preparation for future pricing trials. 	March 2019
Refine Pathway	<ul style="list-style-type: none"> • Refine pricing reform plan to reflect progress to date. 	May 2019

HORIZON NETWORKS FUTURE PRICING ROADMAP MILESTONES

Key Tasks	Comments / Current Work Stream	Target Completion Dates
Pricing Trials	<ul style="list-style-type: none"> Determine possible price outcomes for pricing trials. 	June 2019
Pricing Trials	<ul style="list-style-type: none"> Trial future pricing structures in consultation with stakeholders. 	September 2019
Refine Pathway	<ul style="list-style-type: none"> Refine pricing reform plan to reflect progress to date. 	November 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. 	March 2020
Refine Pathway	<ul style="list-style-type: none"> Refine pricing reform plan to reflect progress to date. 	May 2020
Pricing Trials	<ul style="list-style-type: none"> Trial future pricing structures in consultation with stakeholders. 	June 2020
Data analysis to assess customer impacts	<ul style="list-style-type: none"> Review and analyse outcomes from pricing trials. 	September 2020
Refine Pathway	<ul style="list-style-type: none"> Refine pricing reform plan to reflect progress to date. Consult with retailers on pricing structures 	November 2020
Future pricing implementation planning	<ul style="list-style-type: none"> Develop implementation and transition arrangements. 	December 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. 	December 2020

HORIZON NETWORKS FUTURE PRICING ROADMAP MILESTONES

Key Tasks	Comments / Current Work Stream	Target Completion Dates
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)

YOUR FEEDBACK IS IMPORTANT TO US

As we consider the best way forward for distribution pricing, your feedback remains important to us. With the shift towards greater industry coordination, will keep you posted via regular updates. We will also be conducting Horizon Networks specific consumer research when the time is right and will be sure to keep you in the loop as opportunities to have your say.