

Horizon Networks

Future Pricing Roadmap

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

In accordance with the expectations set out by the Electricity Authority, Horizon Networks will be 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.

Over the next few years we will be undertaking a variety of work streams that will need to be supported by the various stakeholders within the industry in particular the Retailers as we progress through this process. There are a number of considerations and prospective changes that we need to investigate, analyse, assess and then consult with you as our stakeholders to determine the best roadmap so as to continue our journey together for the supply of electricity line services.

Some of the considerations for us as part of this review include (but not limited to) the following -

1. The impact of the changing use of grid-supplied electricity due to emerging technologies, such as solar photovoltaic, battery storage, and electric vehicles.
2. The changes in the Commerce Commission's price-quality regulation, with effect from 1 April 2020.
3. The changes in Transpower's transmission pricing methodology, expected to be implemented from 1 April 2020.
4. The Electricity Authority's review of the distribution pricing principles currently scheduled for July-August 2017.
5. The Electricity Authority's guidance on how it will interpret aspects of the low fixed charge regulations which may allow wider use of capacity-based pricing.
6. The Electricity Authority's views on disclosures relating to distributors participating and providing value added services to consumers.

Because the size of the task is not yet known, given the significant number of stakeholders involved, we are publishing a high level overview of Horizon Network's Future Pricing Review Road Map as follows. It is intended that we will report on a periodic basis as we progress with these plans.

Horizon Networks Future Pricing Roadmap

Roadmap Stages	Activities	Timeline (calendar year)				Resource requirements
		2017 Q2	2017 Q3	2017 Q4	2018 onwards	
1. Initiate pricing reform						
Discovery	Undertake, early modelling	X				EDB
Define overall objectives for reform	Set overall goals	X				EDB
Develop strategy to deliver reform	Develop ideas on how to go ahead	X				EDB
Communicate	Prepare and publish future pricing roadmap		X			EDB / Retailers
Identify challenges	eg, Consider billing systems, smart meter tech, accessing data, cost-benefit analysis		X			EDB / Retailers
Establish high level plan	Gain commitment to reform, agree plan, allocate resources		X			EDB
Gather basic data	Survey customers, market analytics, consult peers		X			EDB / Coalition
Consult retailers	Socialise ideas & plans with retailers		X			EDB / Retailers
Define pathway	Prepare final strategic pricing plan			X		EDB
Alignment	Compare plan with other EDB's, form coalitions			X		
2. Plan changes in more detail						
Develop detailed plans, including:	Identify issues/prepare detailed pricing reform plans					EDB
- customer interactions	Establish research program and focus groups				X	EDB / Retailers
- pricing trials to test ideas	Conduct in-market testing				X	EDB
- data analysis to assess customer impacts	Narrow down preferred options and test market impacts				X	EDB
- implementation and transition arrangements	Identify what will drive success				X	EDB
- feedback loops and issues resolution	Develop processes to account for stakeholder views				X	EDB / Retailers
- communication	Educate customers about change				X	EDB / Retailers
- regulatory compliance	Check plan meets regulatory expectations				X	EDB
- system changes					X	EDB
3. Go Live						
					X	EDB / Retailers
4. Manage roll out of new pricing options						
Develop transition strategies	Incentivise and manage take-up over time				X	EDB
Adopt risk management approach	Identify and manage risks to markets, customers, EDBs				X	EDB
Review progress and make adjustments	Actively consider progress towards outcomes over time				X	EDB
Ongoing customer interactions	Monitor customer responses and manage as required				X	EDB / Retailers