

## Horizon Networks – Keeping our community switched on

The electricity industry is going through an exciting period of change driven by the uptake of solar photovoltaic, battery storage and electric vehicles which will transform how we price for our services going forward. Horizon Networks will 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 Electricity Authority's expectations, Horizon Networks is reviewing its pricing structures in order to provide greater transparency to allow for improved consumer choices. Future pricing plans will be transparent, to allow electricity Retailers to pass on our charges to consumers, to 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 roadmap for the 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 roadmap with regular updates published. During this period the industry, led by the Electricity Networks Association, has been engaging with its members to provide a practical approach to the pricing reform.

### May 2020 Update

The transition to the new billing system commenced early August 2019. The new billing system went live on 1 December 2019. Horizon Networks ensured the accuracy of the new billing system by running the previous billing system in parallel which was then phased out by end of March 2020. The switch to the new billing system was an important milestone in moving towards a cost-reflective and more flexible pricing structure as required by the Electricity Authority.

Consistent with the roadmap, Horizon Networks was well underway to get the new pricing structure implemented by 1 April 2021 when the Country was impacted by the global novel coronavirus (Covid 19) pandemic that resulted in the Government moving the country into Alert Level 4 lockdown. The pandemic has had a significant impact on Horizon Networks' projected time planning. Horizon Networks has assessed the effect caused by COVID-19 on the pricing reform project and the consequence of the lockdown has resulted in the pricing reform's proposed being delayed from 1 April 2021 to 1 April 2022 for the following reasons:

- Horizon Networks can't ensure a meaningful consultation process with retailers and consumers under the COVID-19 restrictions that limit the ability to hold public meetings; and
- There is a risk that participation during the consultation process may be low due to the business interruption and impact on individuals arising from COVID-19.

Accordingly, the plan moving forwards has been revised and 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"> <li>Horizon Networks requested meter data from Stakeholders during June 2018 using the ERANZ recommended data request form.</li> <li>Final data received mid-September from Retailers for analysis.</li> </ul>	Completed September 2018
System evaluation	<ul style="list-style-type: none"> <li>Review future system requirements, including analysis of current system constraints and issues that need to be solved prior to implementing future pricing strategy.</li> <li>The current system has been evaluated with RFP's forwarded to prospective suppliers.</li> </ul>	Completed November 2018
Pricing Trials	<ul style="list-style-type: none"> <li>Consult with Retailers regarding future price trials during 2019/20.</li> </ul>	Completed March 2019
System evaluation	<ul style="list-style-type: none"> <li>Complete evaluation of systems matching needs to requirements.</li> </ul>	Completed April 2019
Data analysis to assess customer impacts	<ul style="list-style-type: none"> <li>Review and analyses outcomes of pricing options based on historical data.</li> </ul>	Completed June 2019
Cost of supply Model / Pricing Model	<ul style="list-style-type: none"> <li>Explore Long Run Marginal Cost approach to future pricing.</li> <li>Update Cost of Supply and Pricing Models to accommodate potential future pricing changes.</li> </ul>	Completed June 2019
Pricing Trials	<ul style="list-style-type: none"> <li>Engage with two Retailers regarding pricing trials including developing linkages to consumer feedback.</li> </ul>	Completed June 2019
Pricing Model	<ul style="list-style-type: none"> <li>Update Cost of Supply and Pricing Models to accommodate potential future pricing changes.</li> </ul>	Completed August 2019
System implementation / changes	<ul style="list-style-type: none"> <li>System changes implemented and in place in preparation for future pricing trials.</li> </ul>	Completed December 2019
Axos System (Go live) for monthly billing	<ul style="list-style-type: none"> <li>Transition to a new billing system for Monthly billing</li> </ul>	Completed December 2019

HORIZON NETWORKS FUTURE PRICING ROADMAP MILESTONES

Key Tasks	Comments / Current Work Stream	Target Completion Dates
Pricing Trials	<ul style="list-style-type: none"> <li>• Trial future pricing structures in consultation with stakeholders (retailers and consumers).</li> </ul>	July-August 2020
Data analysis to assess outcomes from pricing trials	<ul style="list-style-type: none"> <li>• Review and analyse outcomes from pricing trials. Share relevant results with stakeholders</li> </ul>	September 2020
Internal Pricing Trials	<ul style="list-style-type: none"> <li>• Determine possible price outcomes for pricing trials.</li> </ul>	October 2020
Pricing Trials	<ul style="list-style-type: none"> <li>• Trial future pricing structures in consultation with retailers, consumers and commercial customers.</li> </ul>	February-March 2021
Data analysis to assess customer impacts	<ul style="list-style-type: none"> <li>• Review and analyse outcomes from pricing trials.</li> </ul>	April 2021
Refine Pathway	<ul style="list-style-type: none"> <li>• Refine pricing reform plan to reflect progress to date.</li> <li>• Consult with retailers on pricing structures</li> <li>• Decide on pricing structure</li> </ul>	May 2021
Education and communication	<ul style="list-style-type: none"> <li>• Communicate new pricing structures and transition arrangements to stakeholders. Provide retailers and consumers with easy to understand information.</li> </ul>	May-July 2021
Finalise prices for 2022	<ul style="list-style-type: none"> <li>• Set prices under the future pricing structure for the pricing year beginning 1 April 2022.</li> </ul>	December 2021
Pricing Go-Live	<ul style="list-style-type: none"> <li>• Pricing structure effective.</li> </ul>	April 2022
Review future pricing changes	<ul style="list-style-type: none"> <li>• Ongoing review of progress towards achieving pricing objectives pricing principles.</li> </ul>	September 2022



For further information regarding this document, please contact us at  
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