

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 vehicle 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 going to review 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 and during the past six months 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 most recently the Technical Pricing 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
- Contributing to the pricing guidance paper by the ENA published August 2017. (<http://ena.org.nz/news-and-events/news/final-pricing-guidance-report-published/>).

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

HORIZON NETWORKS FUTURE PRICING ROADMAP MILESTONES		
Key Tasks	Comments / Current Work Stream	Target Completion Dates
Consultation	<ul style="list-style-type: none"> • This task incorporates ongoing contact, discussions and awareness of what is happening across the industry including; other Distributors, ENA, and Electricity Retailers of New Zealand (ERANZ). • Meetings have been established to commence consultation with Retailers and Metering Equipment Providers trading with Horizon Networks to socialise our ideas for the future and engage in robust, considered debate, raising issues and potential solutions, while being focused on achieving clear and transparent outcomes. • To facilitate these discussions a brief consultation paper has been circulated to all involved. • A key output from this consultation is to define and further plan our next steps in the pricing reform project with initial consumer consultation planned for early in 2018. 	<p>Ongoing</p> <p>December 2017</p> <p>March 2018</p>

FUTURE PRICING ROADMAP UPDATE – NOVEMBER 2017

HORIZON NETWORKS FUTURE PRICING ROADMAP MILESTONES		
Key Tasks	Comments / Current Work Stream	Target Completion Dates
Refine pathway	Refine current pricing reform plan and roadmap to reflect consultation feedback.	April 2018
Develop detailed plan for change	Develop and define further work packages required to meet our overall objectives.	June 2018
System evaluation	Review future system requirements, including analysis of current system constraints and issues that need to be solved prior to us implementing a new pricing strategy.	June 2018
Cost of supply model	Update our cost of supply pricing model to reflect any reformed pricing options.	June 2018
Internal Pricing Model trials	Trail new pricing structures in consultation with stakeholders. These trials may use either dummy sample invoices or real life invoices (yet to be determined).	March 2019
Data analysis to assess customer impacts	Investigate how the change in pricing structures will impact on customers across the range of products and consumption use with the aim to minimise rate shocks as far as possible.	March 2019
System implementation / changes	System changes implemented and in place in preparation for pricing reform changes being rolled out.	June 2019
Communicate plans and consultation	Ensure communication continues throughout the pre-roll out period, where feedback continues to be received and pricing outcomes are refined.	December 2019
Develop new pricing documents and communication	Work with Retailers and stakeholders to ensure documentation and communication for the new pricing is understood.	December 2019
Set prices	Set prices under the new pricing structure for the pricing year beginning 1 April 2020.	December 2019
Go live	New pricing structure to commence.	April 2020
Review progress	Monitor customer responses and manage as required.	Ongoing

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.



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