



PRICING ROADMAP

1 APRIL 2021





In early 2021, we developed a new pricing strategy that we plan to implement over coming years.

We have developed two roadmaps:

1. Near-term – focussed on the 12 months to April 2023
2. Longer-term – showing the full transition to target pricing structures and levels



A. Refine allocation to pricing areas – this is an early priority that addresses an area of heightened community interest. Allocating costs to pricing areas will remain the first step in our annual pricing process, so we can make refinements independently of implementing CRP



B. Develop economic cost estimates – to implement CRP we need sound estimates of the long-run marginal cost of supply (LRMC) in each of our pricing areas. This will be a new input to pricing based on engineering studies. We can begin reform with placeholder estimates, but will need to refine these as we progress toward full implementation



C. Reform pricing structures – for smaller customers, we think time-of-use (TOU) pricing is the best structure. Each pricing area should have peak periods that target times of investment pressure. We can put a mild form of TOU in place early (ahead of rebalancing the fixed, off-peak, and peak components). For larger customers, we want to consult on whether a more dynamic structure may be appropriate.



D. Enhance controllability discounts – we provide discounted prices now for managed hot water and space heating. We will need to align the design of these discounts with our new approach and would like to explore how we can make them available for managed electric vehicles (and possibly other technologies) in future.



E. Simplify cost allocation within pricing areas – much of the complexity in our current pricing arrangements comes from the way we allocate costs to load groups. As we move to full implementation, we want to explore a simpler approach complemented by more complete analysis of the subsidy-free range.



F. Implement gradually and carefully – we want to avoid unnecessarily exacerbating the bill pressure our customers already face as we implement our CPP work. Implementing pricing reform gradually and carefully will help us achieve this goal while still being able to realise the longer-term benefits of CRP.

Near-term (RY22) roadmap



RY23 package

- Refine how **opex** allocated to pricing areas
 - first phase
 - further refinement
- Refine how **capex** allocated to pricing areas
 - RAB models
 - alternatives
- Consult** and implement
 - stakeholder consultation
 - decisions for RY2023 implementation
 - implement

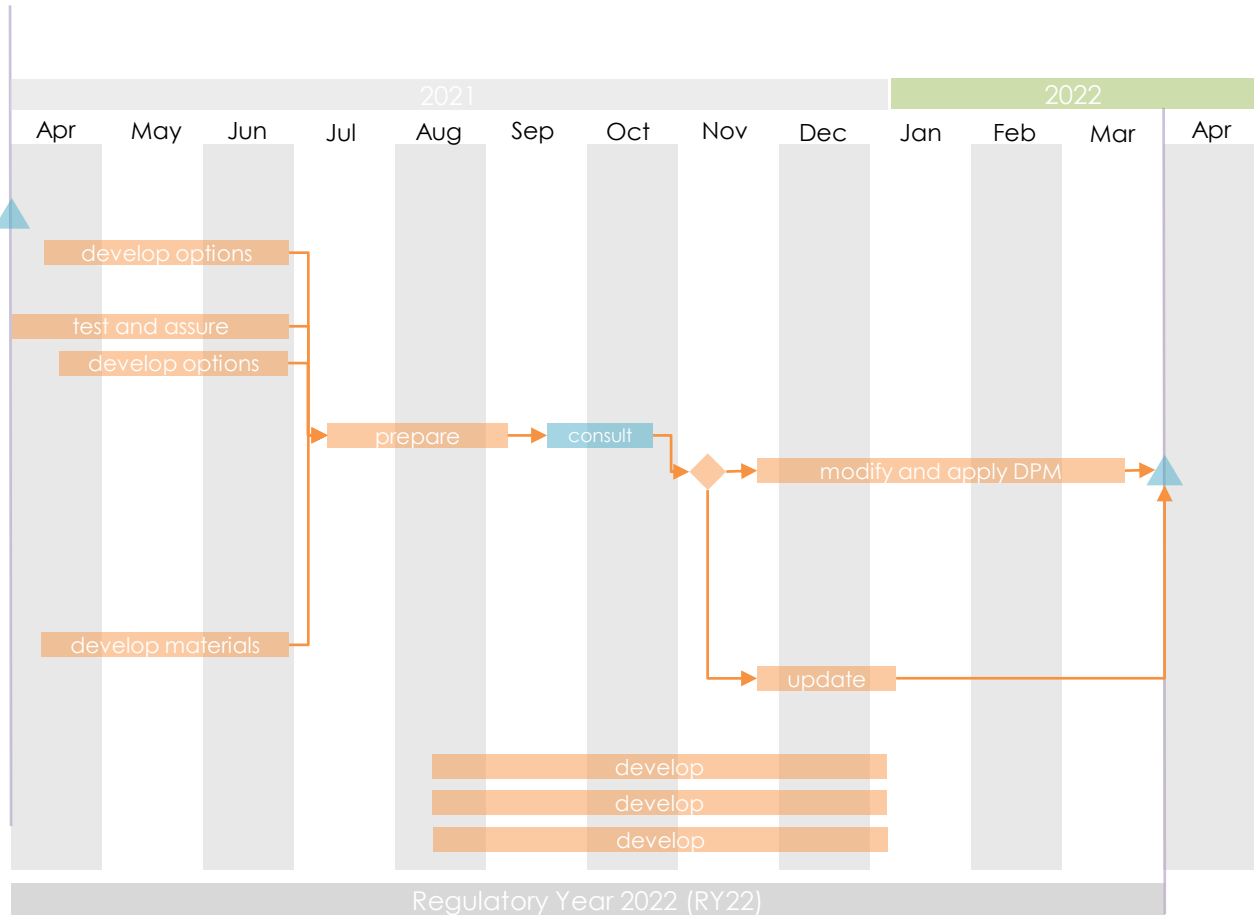
Validate **strategy**

- consult with customers on our pricing strategy
- update and confirm strategy as applicable

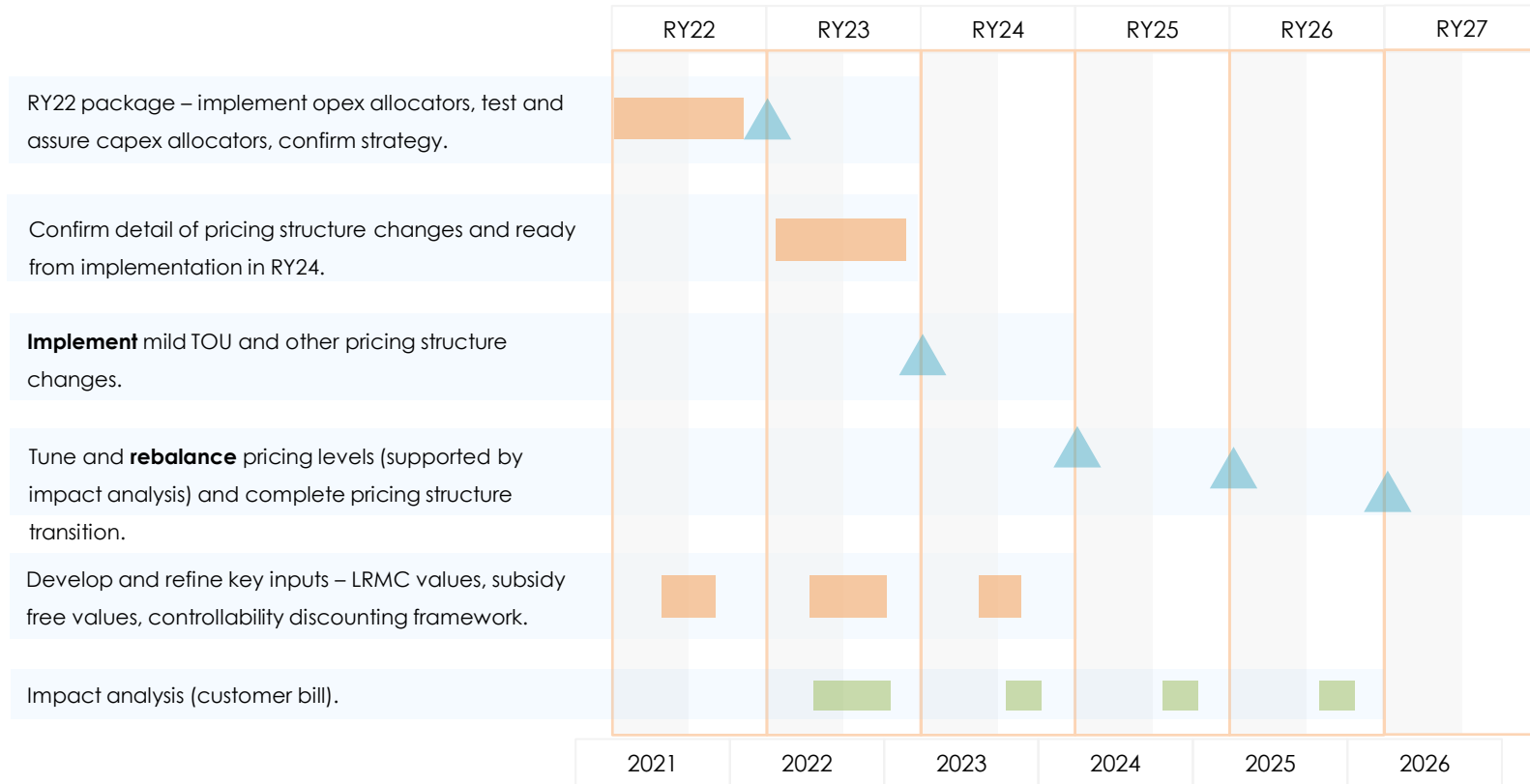
Prepare for future years

- confirm LRM methodology
- confirm subsidy-free methodology
- develop controllability approach

- ◆ Decision point
- ▲ Implementation point
- Orange = internal; Blue = external



Longer-term roadmap





Resourcing

We will primarily use internal resources for pricing development, complemented with specialist expert advice as and when needed.



Consultation

Consistent with our strategy, we aim to implement change gradually and carefully.

Consultation and engagement is a key part of this and is crucial for informing us and our customers.

We intend to engage directly with retailers, key stakeholders and our customer advisory panel. We will also prepare a consultation document to help solicit feedback from electricity customers.

