

29 March 2019

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Attention James Stevenson-Wallace

Dear James

### **Update on progress towards pricing reform**

This is MainPower New Zealand Limited's April 2019 update on progress towards implementing more cost reflective and service based pricing.

In our last update we advised that we were working with business intelligence experts to develop a cost of supply data warehouse to enable the analysis of network costs at an asset and ICP level. Locational and customer profile data layers assist in interpreting cost variations geographically as well as within and between customer groups. This piece of work has now been successfully completed. We demonstrated the cost of supply model to Electricity Authority staff when they visited MainPower in February this year.

Further to this our pricing model has also been finalised. The model has the functionality to run various pricing scenarios by adjusting the current pricing structure variables (ie fixed daily charges and variable kilowatt hour charges). It is our intention to next identify a range of pricing options that we wish to evaluate, including the options identified in the "More efficient distribution prices – what do they look like?" paper.

We have developed assessment criteria, which reflect the Authority's pricing principles as well as the information gathered from our earlier consultation with customers and customer engagement work undertaken by the Electricity Networks Association. We will use these criteria in our consideration of pricing options.

We intend to have identified a pricing structure by August and will undertake consultation with electricity retailers, customers and other stakeholders in the 4<sup>th</sup> quarter of 2019 with a view to implementing new pricing from 1 April 2020. During this time, we will also make any adaptations to internal systems necessary to implement the new pricing.

We will provide a detailed update of our progress in October this year.

Yours sincerely

A handwritten signature in black ink, appearing to read "Sarah Barnes". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Sarah Barnes  
Regulatory Manager