

## Electricity price changes effective 1 April 2022

Powerco’s network prices are increasing by around 6.6%<sup>1</sup> from 1 April 2022.

Table 1: Breakdown of price changes by component and Region

| Component    | Eastern  |               | Western | Overall |
|--------------|----------|---------------|---------|---------|
|              | Tauranga | Thames Valley |         |         |
| Distribution | 7.6%     | 10.3%         | 8.8%    | 8.8%    |
| Transmission | 1.0%     | 0.4%          | 2.1%    | 1.4%    |
| Overall      | 5.6%     | 7.0%          | 7.0%    | 6.6%    |

The distribution component makes up around 70% of the total network charge, and prices are increasing by an average of 8.8%.

Transmission and other third-party costs make up around 30% of the total network charge, and prices are increasing by an average of 1.4%.

The total network charge we pass to your retailer depends on how and when you use the network, as it is based on several components (eg fixed and variable). This network charge reflects the costs of providing distribution and transmission services to you, and can change from year to year.

### Average changes by region and consumer group

The price changes can vary between regions and between consumer groups. This reflects the different costs of supply and uses of the network within those regions and groups.

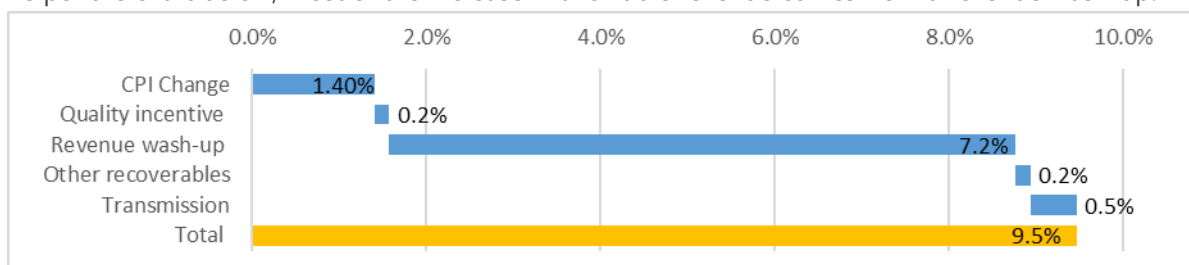
Table 2: Breakdown of price changes by Region and component

| Consumer Group | Eastern  |               | Western | Overall |
|----------------|----------|---------------|---------|---------|
|                | Tauranga | Thames Valley |         |         |
| Mass Market    | 6.4%     | 7.1%          | 9.3%    | 8.1%    |
| Commercial     | 6.3%     | 10.7%         | 4.4%    | 7.1%    |
| Industrial     | 2.3%     | 5.2%          | -4.8%   | 0.1%    |
| Overall        | 5.6%     | 7.0%          | 7.0%    | 6.6%    |

### Drivers of the changes

Our forecast allowable revenue for the year beginning 1 April 2022 is up by 13.0% compared to last year. We have opted to defer \$12.5 million of this to FY25, which reduces the increase to 9.5%. Due to forecast increases in usage, the overall price increase will be 6.6%.

As per the chart below, most of the increase in allowable revenue comes from a revenue wash-up:



<sup>1</sup>The 6.6% price change differs from the 7.7% figure referred to elsewhere on our website. 6.6% reflects the actual change in prices, while 7.7% reflects the average increase in charges due to higher volumes this year.

This washup largely relates to the early replacement of aged assets due to growth or reliability requirements, and is effectively the accelerated depreciation on those assets. It is referred to 'loss on disposal' in regulatory terms.

## Other changes to our pricing

### 1. The phasing out of Low Fixed Charge tariffs

The electricity low fixed-charge tariff option is being phased out by the Government over five years, starting from 1 April 2022. This change will re-balance the cost burden between high users and low users, as often the cost to supply energy is no different.

In line with this, the daily fixed charge for low user tariffs will rise from 15 cents per day to 30 cents per day from 1 April 2022. This increase will be revenue neutral on an overall basis, with variable rates dropping to offset the fixed rate increase, although other simultaneous changes will affect the actual rates.

### 2. Change in variable charge elements

- The night rate will increase, aligning it closer to the off-peak rate, reflecting that night usage is purely in off-peak hours.
- The all-inclusive rates will be aligned to our uncontrolled rates, to reflect the fact these meter types should be phased out, and do not provide sufficient information to warrant a discounted rate

### 3. Introducing a Price Category for Temporary Accommodation

We have introduced a Price Category targeting Temporary Accommodation, or holiday homes, in the Coromandel area.

These customers typically pay less through variable charges than a standard user, yet significantly contribute to the peaks in the region, which are driving increased investment.

The new V08 Price Category uses a higher fixed charge than the standard V06S, which enables more appropriate cost recovery, and Peak/Off-peak signals that will be tailored over time.

## Want to know more?

Further details of our pricing, and the changes implemented this year, can be found in our:

- Pricing Methodology
- Pricing Schedules
- Pricing Policy
- Pricing Roadmap

Any questions? Contact our Pricing team: [pricing@powerco.co.nz](mailto:pricing@powerco.co.nz). They'd love to hear from you.

