

PLAN FOR CUSTOMER-LED PRICING

Vector's helping to create a new energy future, in which pricing plays an important role. Vector is engaging with customers to ensure we deliver the pricing plans they want.

There is a danger that changes to pricing structures will satisfy economic theory but not customers (eg. complexity vs simplicity, predictability vs variability).

Pricing reform must have a high level of customer engagement and this is what Vector is committed to doing, including consultation with our 75% customer trust owner, Entrust.

Our plan is a living document and will evolve over time as we learn from our customers.



WE ARE WELL UNDERWAY WITH OUR CUSTOMER ENGAGEMENT

Our customer pricing engagement over the last two years shows:

- Customer preferences are varied (i.e. they want choice)
- Many customers are engaged with electricity pricing, albeit briefly
- 80% of customers preferred new pricing plans concepts over current pricing
- Real interest in the potential for technology to help manage their energy needs

Our customer pricing engagement programme is well progressed but there's a lot more work to do.

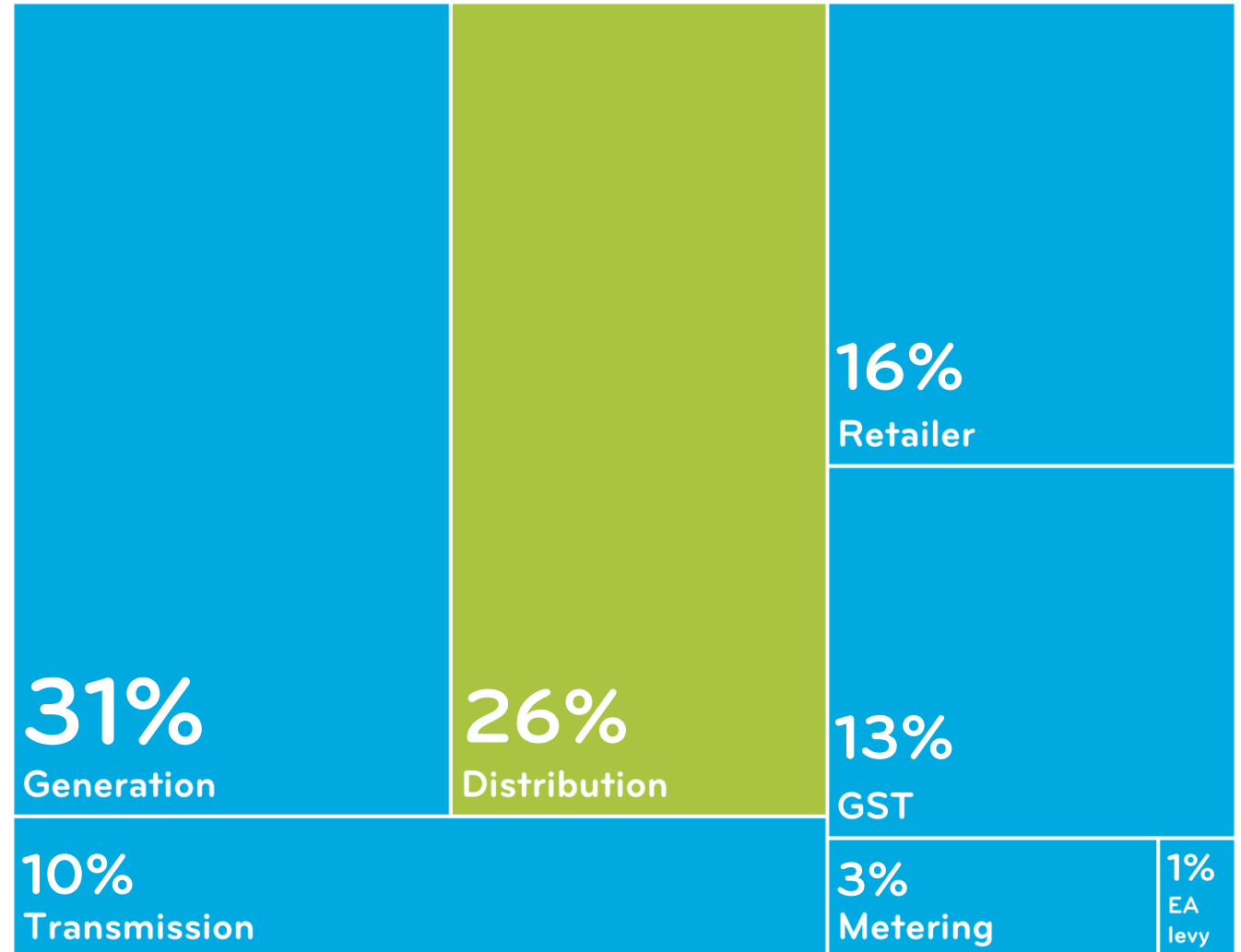


BILL BREAKDOWN

Distribution pricing makes up a relatively small portion of a customer's total electricity bill – around one-quarter. In Auckland, that's about \$39/month.

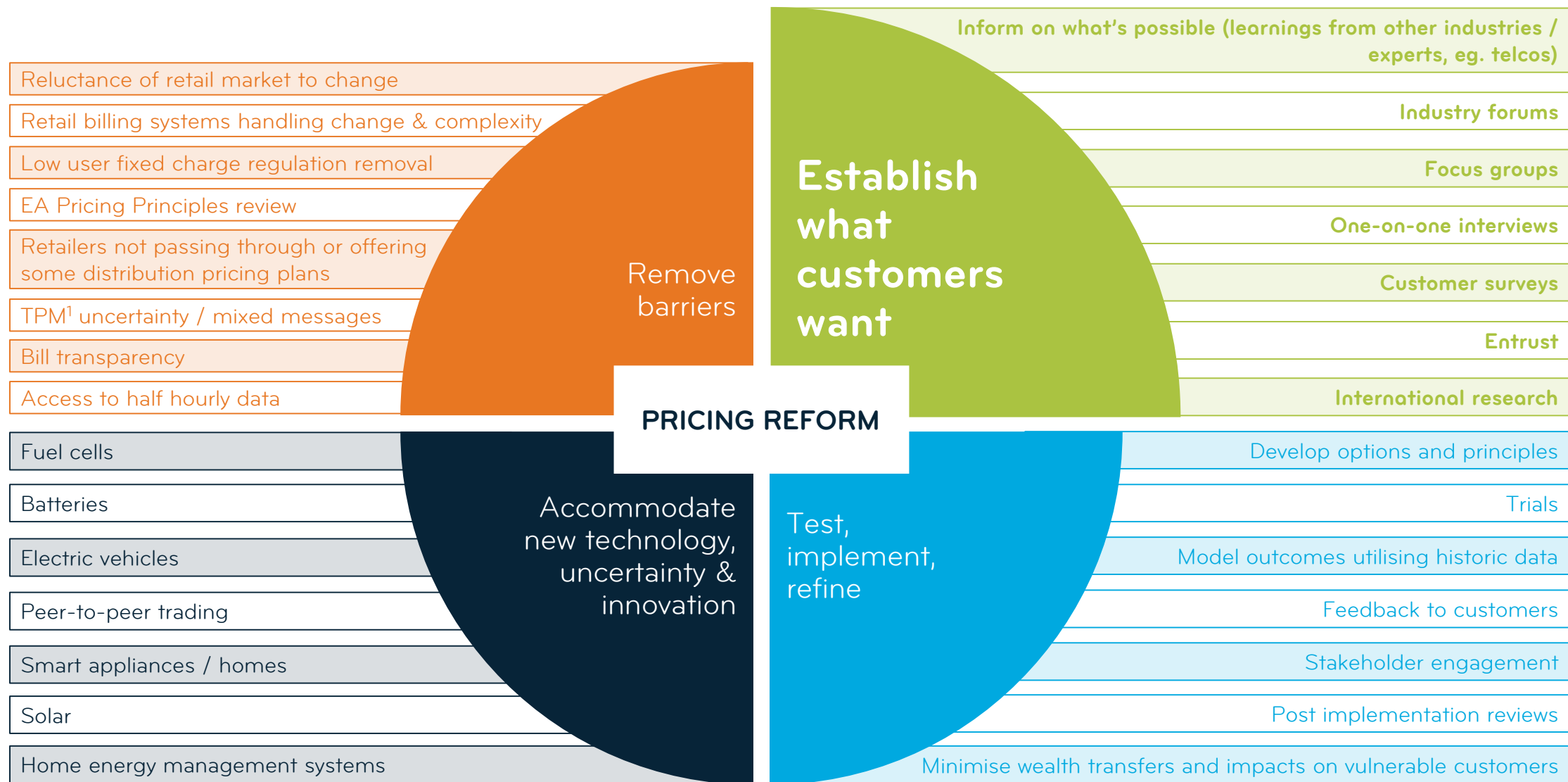
The Electricity Authority has placed much attention on distribution pricing reform but it is important to recognise the limited extent to which reform of a quarter of the bill (on its own) can benefit customers.

Breakdown of typical NZ residential electricity bill



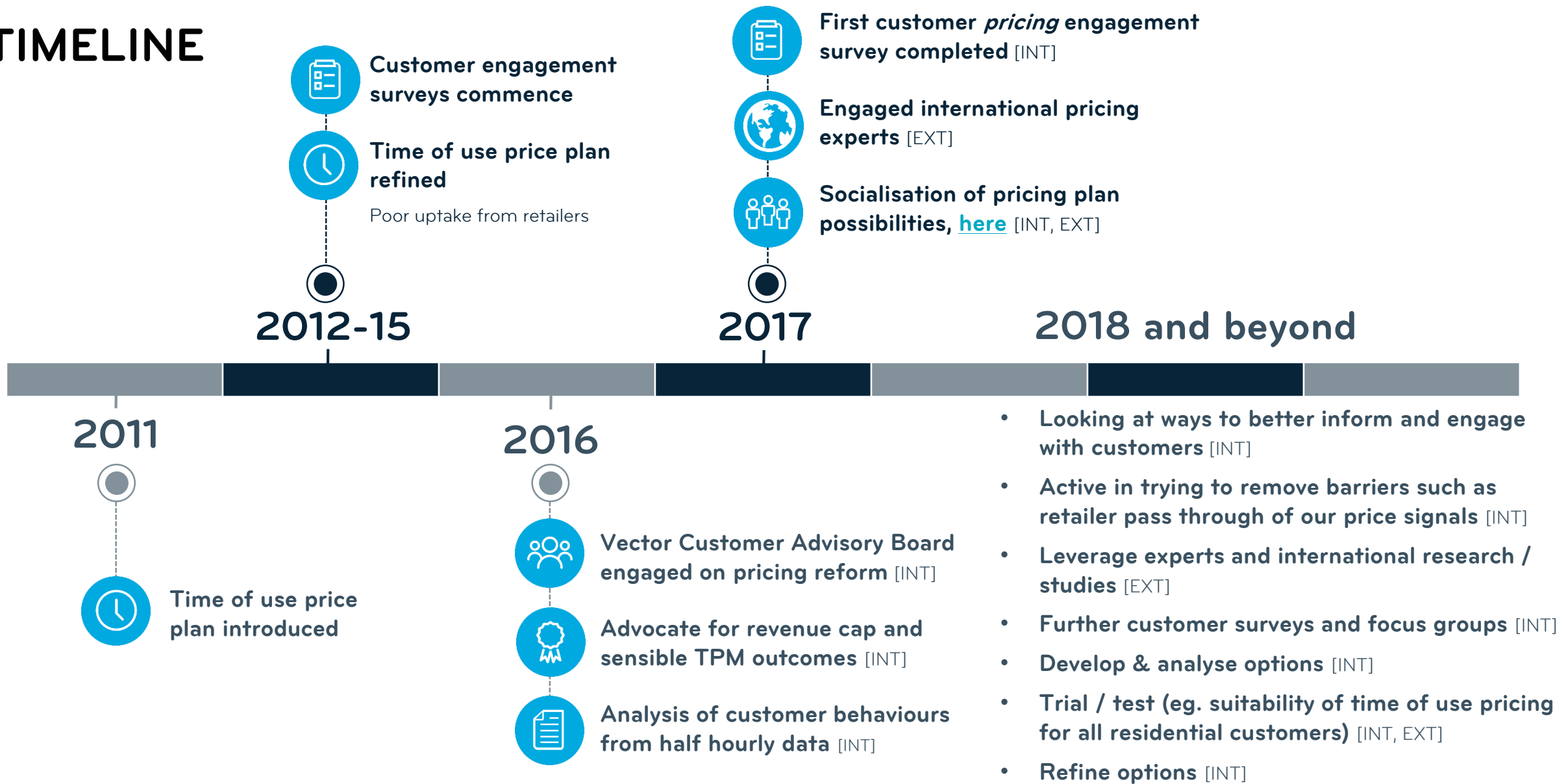
Source: Electricity Authority

THERE'S SIGNIFICANT COMPLEXITY IN A REVIEW OF PRICES



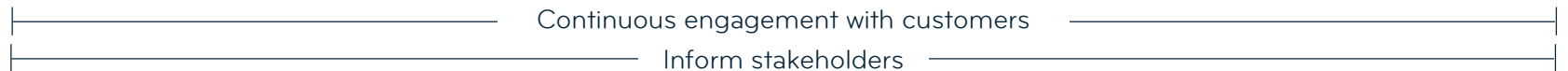
¹ Transmission Pricing Methodology

TIMELINE



Resourcing legend:

[INT] = internally-resourced
[EXT] = externally-resourced



DRAFT