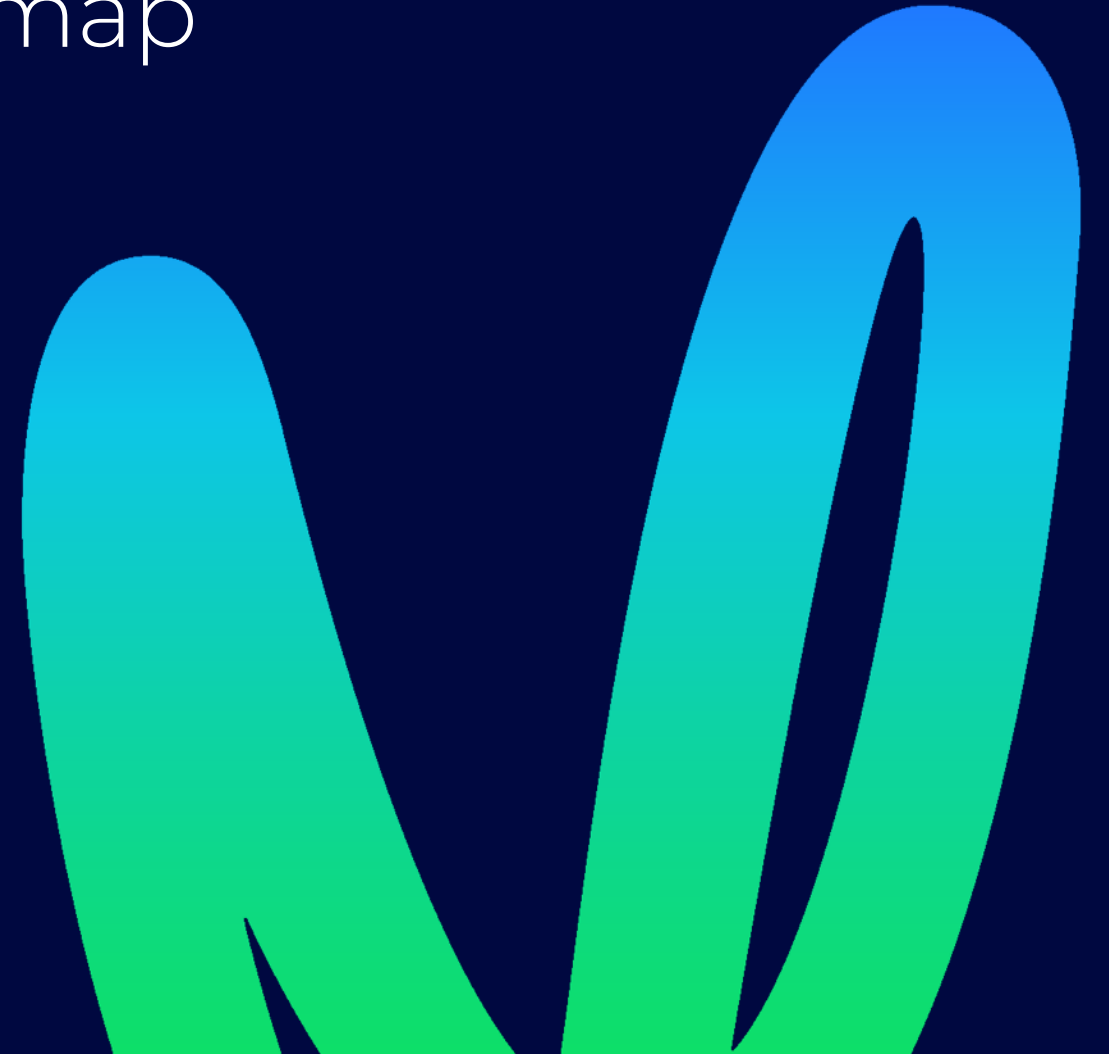


Distribution Pricing Roadmap

May 2022

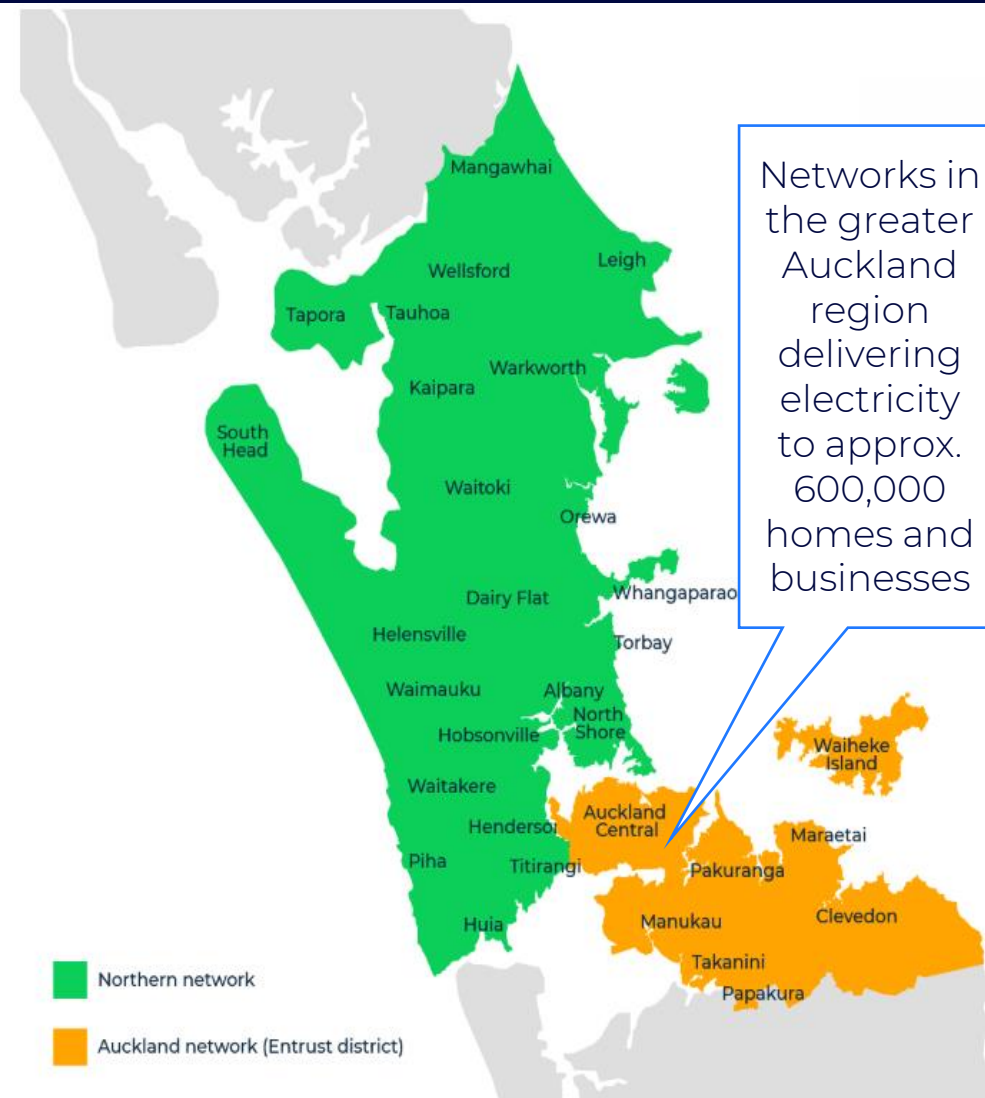


INTRODUCTION

Vector provides electricity lines services to customers via its electricity distribution network covering the Auckland region. Vector recovers the cost of providing electricity lines services to:

- existing customers through electricity distribution prices (lines charges), including published standard prices¹ and (in a limited number of circumstances) non-standard prices; and
- new or enhanced connections through capital contributions² (upfront one-off payment) as well as line charges.

Our electricity pricing roadmap sets out how we are evolving our prices to enable and deliver better outcomes for consumers. The roadmap is an evolving document and is updated periodically, but at least twice a year. Please note that this document does not contain our Pricing Methodology³ which is published every year alongside our pricing schedules.



¹ Pricing schedule available at <https://www.vector.co.nz/personal/electricity/about-our-network/pricing>

² Capital contribution policy available at <https://www.vector.co.nz/about-us/regulatory/disclosures-electricity/capital-contributions>

³ Pricing methodology available at <https://www.vector.co.nz/about-us/regulatory/disclosures-electricity/pricing-methodology>

PRICING APPROACH



Data driven analysis



Meet regulatory requirements including Electricity Authority's Pricing Principles



Ensure prices appropriately reflect costs to the system



Assessment of evolving technologies (i.e. Distribution Energy Resources)



Customer insights



Leverage international best practice



Industry engagement

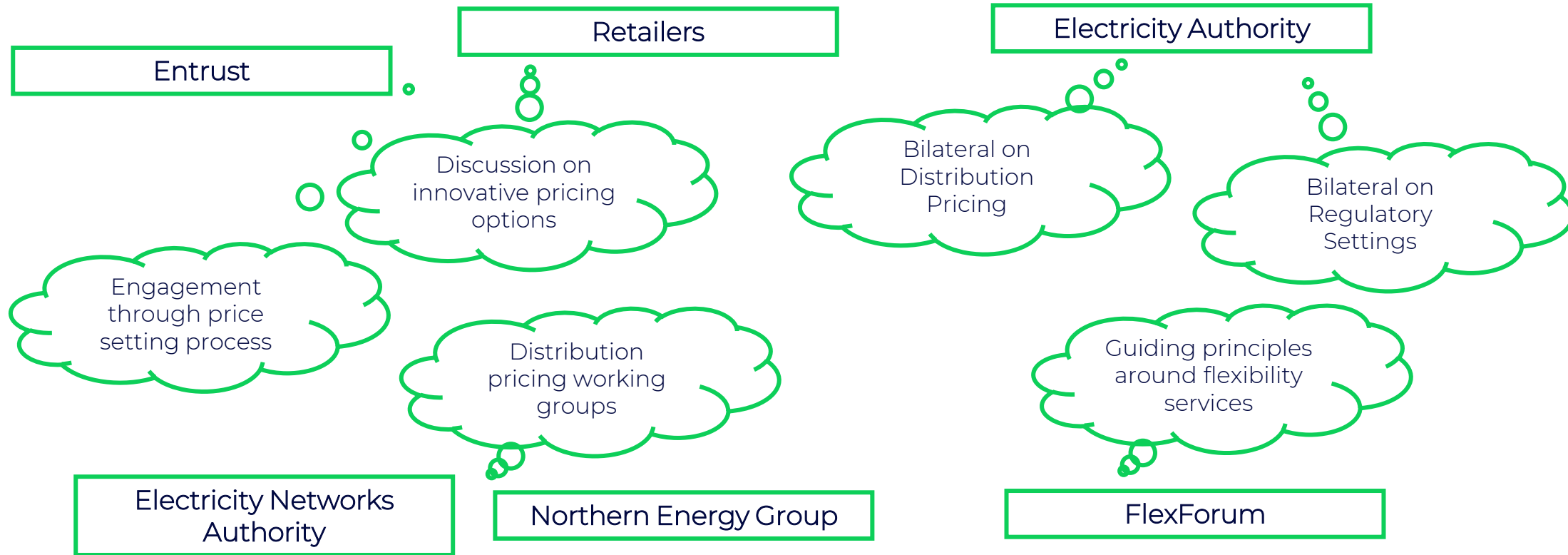


Stakeholder consultation (for e.g. retailers)



ENGAGEMENT

External



Internal

Executive + Board	Our Board of Directors is involved in the price setting process and is instrumental in shaping the vision for our pricing reform
EV Steering Committee	Our EV Steering Committee looks actively at our network's transition away from petrol and diesel cars – including the role pricing plays in this transformation
IM Review Steering Committee	Our Input Methodology (IM) Steering Committee reviews the Commerce Commission's regulatory framework including how decarbonisation sits within the settings which has a direct link to the EA's work on both regulatory settings and pricing



PRICING TIMELINE - REFORM and ALLOCATIONS

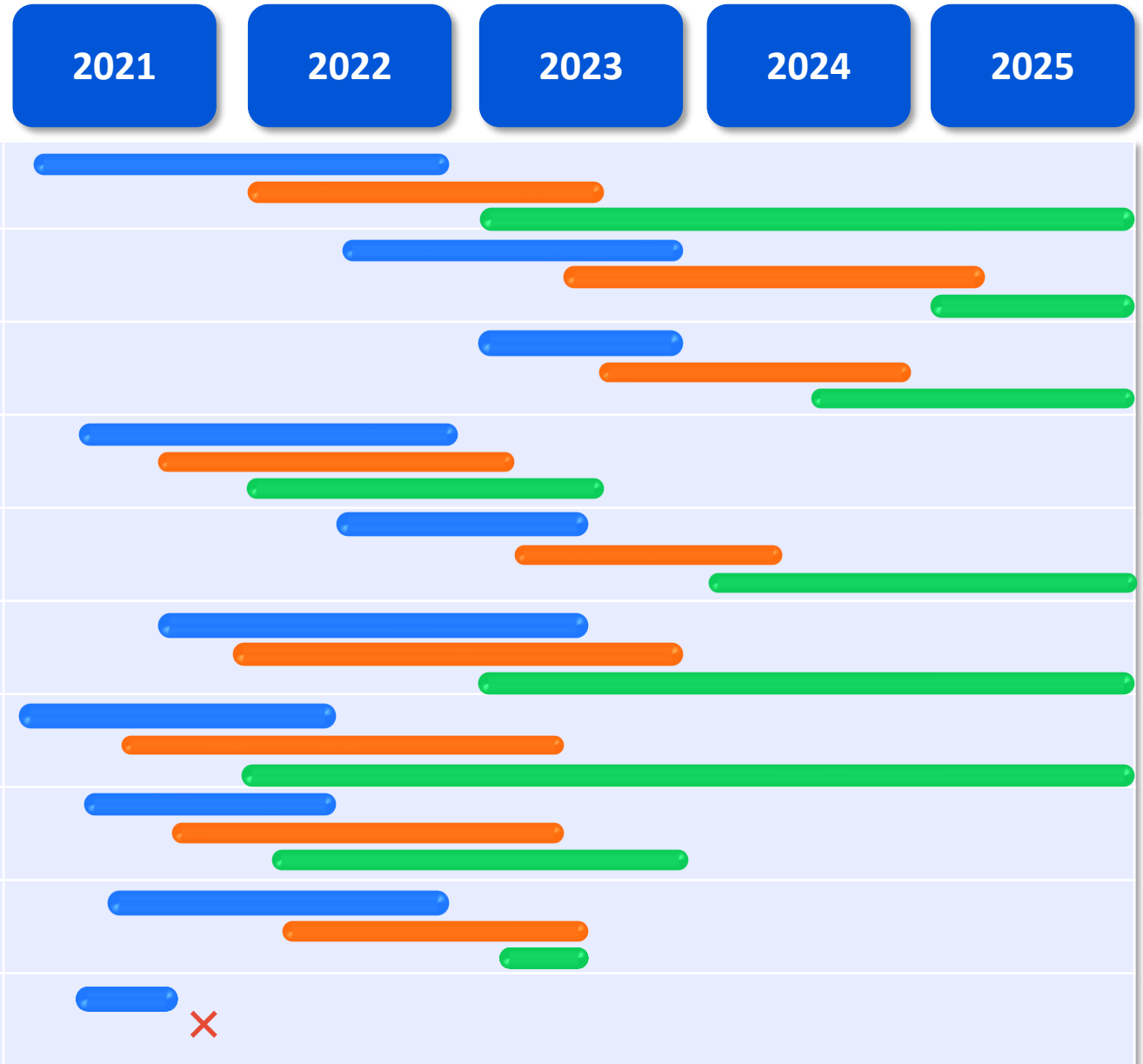
- Initiate (identify and review)
- Develop (test, analyse, consult)
- Manage (rollout, implement)
- Completed
- Cancelled



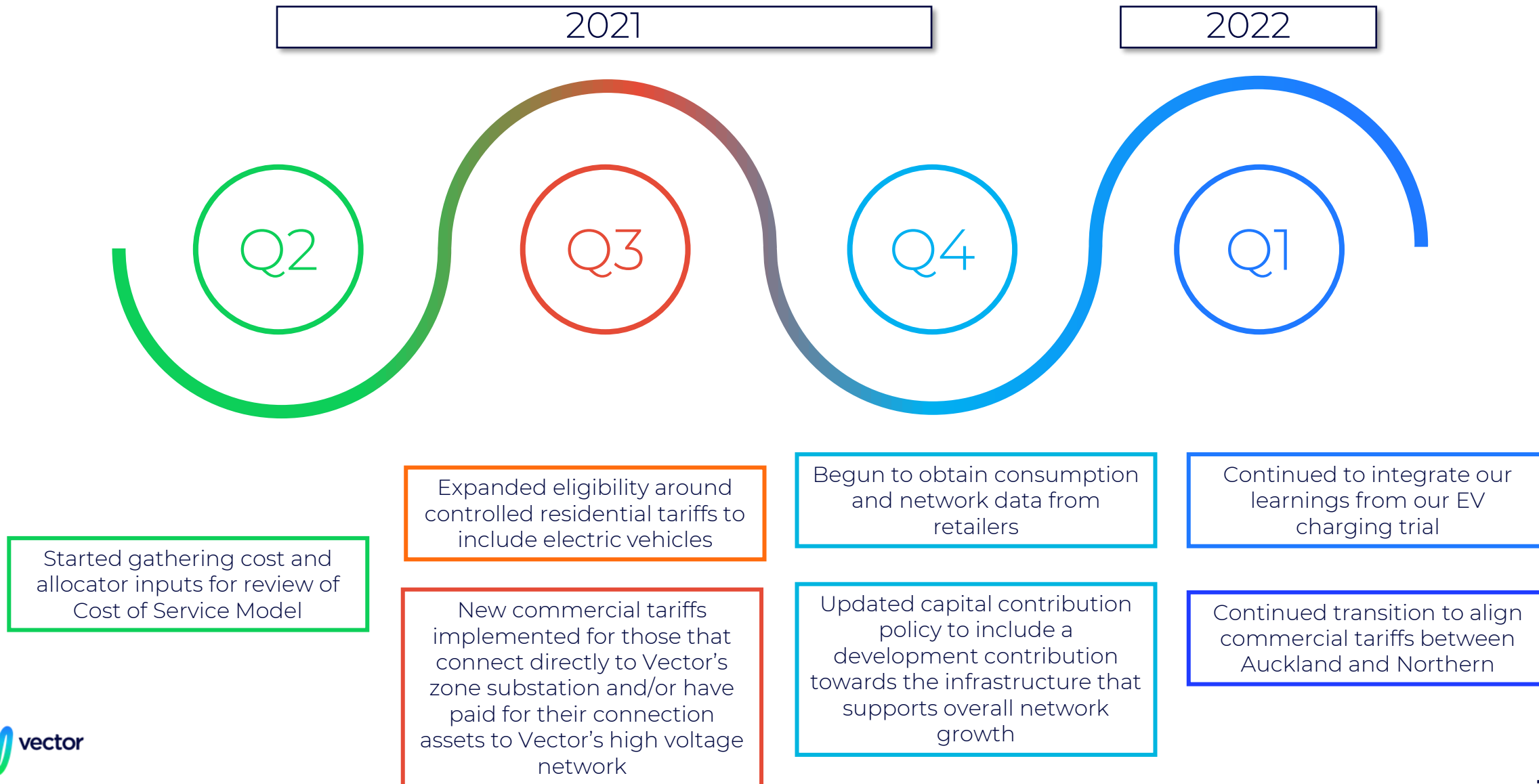


PRICING TIMELINE - TARIFFS

- Initiate (identify and review)
- Develop (test, analyse, consult)
- Manage (rollout, implement)
- Completed
- Cancelled



PROGRESS SINCE 2021 ROADMAP





KEY LEARNINGS

1

Consumption data

Obtaining the necessary consumption data has taken a significant effort and time which has potentially delayed some aspects of pricing reform including differentiating tariffs based on the data analysed.

2

Retailer engagement

We continue to learn from engagement with our retailers and in particular the issues they face with passing through network tariffs. Ensuring that our end consumers can benefit from innovative pricing options is a focus for Vector's pricing reform.

3

Injection pricing

Vector explored injection pricing to offset transmission line charges but this initiative was postponed due to uncertainty around the Transmission Pricing Methodology (TPM). We will pick this up once the decision is finalised and look at how Vector will signal transmission price in the future.

4

Electric vehicles

Vector continues to explore different ways to price specifically for DERs including EVs. Before we implement these type of reforms we are looking to test and trial first. We are already learning from our very own Smart EV Charging Trial (details of which are published in our latest Pricing Methodology⁴).



⁴ Pricing methodology available at <https://www.vector.co.nz/about-us/regulatory/disclosures-electricity/pricing-methodology>