

## Unison Price Change FAQ's – 2018

Please note that your electricity retailer sets the final price for consumers. Unison charges the retailer the costs of electricity distribution, and it is up to the retailer what amount they pass on to you, the customer. These questions and answers have been developed to provide general background information on our price changes.

Question	Answer
<b>How are Unison's prices changing in 2017/18?</b>	This year Unison will be reducing average overall line charges by 0.4 percent from 1 April 2018 (based on a weighted average across Hawke's Bay, Taupo and Rotorua). The decrease is a result of a reduction in transmission costs offsetting CPI increases in other network operating costs.
<b>How much are Unison's residential delivery charges increasing by?</b>	<p><b>Hawkes' Bay decrease</b> – there is an overall average decrease of 0.2 percent for residential delivery charges. For a typical household using around 8,000 kWh's per year, charges will decrease by \$4 per year if retailers pass this on in full.</p> <p><b>Rotorua and Taupo decrease</b> – an overall average decrease of 0.5 percent. For a typical household using around 8,000 kWh's per year, charges will decrease by \$8 per year if retailers pass this on in full.</p>
<b>Why does the amount vary between Hawke's Bay, Taupo and Rotorua?</b>	<p>As required by the Commerce Commission, each region's pricing is assessed independently to ensure no one region subsidises another.</p> <p>The value of network assets used to provide electricity services to end consumers differs between our two regions and this is reflected in pricing for each region.</p>
<b>Why are the charges decreasing?</b>	<p>Unison's delivery charges are made up of two components, which affect overall prices: distribution costs, and recoverable costs.</p> <p>This year distribution costs - Unison's network operating costs – have increased in line with the rise in the Consumer Price Index (CPI).</p> <p>However, the second component of our delivery charges - recoverable or pass-through costs – have decreased due to lower transmission costs charged to us by Transpower. This reduction is greater than the rise in CPI, leading to a slight decrease in charges overall.</p>
<b>What portion of my total electricity monthly bill represents Unison's charges?</b>	This can vary depending on the individual customer's electricity usage patterns. However, on average, for a low user residential customer, the total network component, including transmission charges, would represent about 36 percent of a customer's total monthly electricity bill.
<b>How is the Commerce Commission involved?</b>	<p>Because Unison is the sole provider of electricity network services, its prices are regulated by the Commerce Commission. Their legislative objective is to promote the long-term benefits of consumers by ensuring that regulated lines companies have incentives to invest and innovate, provide a quality of service to consumers, and are limited in their ability to earn excessive profits.</p> <p>They achieve many of these goals through the Default Price Path, which specifies:</p> <ul style="list-style-type: none"> <li>• the maximum prices/revenues that are allowed at the start of the regulatory period (ie starting prices)</li> <li>• the annual rate at which all EDBs' maximum allowed prices can increase (ie rate of change) - this is expressed in the form of 'CPI-X', meaning prices are restricted from increasing each year by more than the rate of inflation less a certain number of percentage points (termed an 'X-factor')</li> <li>• the minimum service quality standards that must be met.</li> </ul>

<p><b>How do Unison's charges compare with other lines companies?</b></p>	<p>All lines companies in New Zealand are regulated, which includes the 2015-20 default price-quality path. This determines how much revenue each lines company can collect. The Commerce Commission regulates to ensure fair and consistent treatment as far as possible across New Zealand.</p> <p>It is difficult to compare charges between lines companies because local factors affect our costs. A high-density network, like Vector in Auckland, will typically be cheaper because they have more customers per kilometer to share the costs over. Whereas, a lower density network like Buller Electricity which serves West Coast of the South Island, will always have higher costs because there are fewer customers per kilometer of lines.</p> <p>There are other factors at play too, like how much electricity is used per customer, and what level of reliability is provided by the network for example. Accordingly, only broad comparisons can be drawn.</p> <p>The Commerce Commission's Default Price Path takes account of these differences between networks while applying consistent principles to ensure as close a relativity between networks as is reasonable.</p>
<p><b>I am a large commercial consumer on Unison's network, how will I be affected by these price changes?</b></p>	<p>There has been little to no change for most commercial consumers. In Hawke's Bay, there is no change for any commercial consumers, while in Rotorua and Taupo there has been a slight change but this varies by consumer. Please refer to this year's price sheets for each region. For further information, please contact Unison Relationship Manager Danny Gough, on 06 873 9361 to discuss what impact this may have on your business electricity costs.</p>
<p><b>Do the price changes help offset costs associated with your other (Fibre/Contracting/ETEL) businesses?</b></p>	<p>No. They are separate business entities with separate profit and loss sheets. As such, their financial performance is not linked to Unison Networks.</p>
<p><b>Will the dividend increase to Hawke's Bay consumers?</b></p>	<p>Dividend pay-outs are determined by the Hawke's Bay Power Consumers Trust, which owns Unison Networks.</p> <p>Each year Unison pays out a dividend to the Trust, which, in turn, is available to the Trust for distribution to its shareholders, the electricity customers of Hawke's Bay.</p> <p>Unison's Statement of Corporate Intent sets out a commitment to sustainably increasing the level of dividend consistent with the investment in the network. The Trust may choose to use some of this payment to invest in projects such as undergrounding of electricity cables.</p> <p>The remainder of the profits retained by Unison are used to re-invest in the network.</p>