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Media release

**Service based pricing review released and an alternative methodology to be explored.**

On 6<sup>th</sup> September 2016, the TLC Board commenced an independent review of the service-based pricing approach that is currently in place. After 10 years of the current methodology being applied, it was felt that a full substantive review was warranted to provide a positive plan going forward for future pricing decisions.

Earlier this month The Lines Company Limited (TLC) Board received the final reports of the independent review. The report with accompanying Board overview statement is available on the Lines Company website [www.thelinescompany.co.nz/news/pricing-review](http://www.thelinescompany.co.nz/news/pricing-review).

The review has recommended a move away from the current approach which is based on a 'variable demand charge' to a 'variable time of use' charge, also referred to as 'Time Of Use' (TOU). Customers would be charged at different rates for different times of the day, a low peak rate, a shoulder rate and a higher rate during peak periods.

While the current system can be seen as a better way to recover the costs of network growth under service-based pricing, the review concludes that TOU would be a better fit based on the criteria outlined by the TLC Board in the review terms of reference.

The Company will now engage again with the community to talk through the findings of the review and the consequences of changing to such a system. The Board have retained Roger Sutton to head the that consultation process over the March to May 2017 period. Further details of community meetings will follow shortly from TLC.

Following that, the TLC Board will need to decide whether to change to TOU and if so, the design parameters and the timeline to do so.

"Given the tight regulations around pricing resets and the need to undertake a change process professionally, we would realistically be looking at 2018 before we could make a change of this magnitude," comments Mark Darrow, Chairman of the Board of directors for TLC.

"The TLC Board have received the review as a positive step forward and appreciate the significant contributions and feedback from the community, and thank Roger Sutton and Lynne Taylor and PwC for their diligence. We will now seek further feedback from customers and other stakeholders on the recommendations."

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