New Pricing Transition Discount Policy Rules

Introduction

The Lines Company Limited (TLC) wants to give customers time to understand the new pricing. So for the first 12 months (until 30 September 2019), we're offering a *new pricing transition discount*. No application from customers is required as TLC will automatically apply the discount to customer accounts after each assesment period if they qualify.

Many customers will be better off with the new pricing. However, it is still a big change and will be an adjustment for some. Because the new bill will be linked to how much energy a customer uses, customers may find that their line charges change, and may increase or decrease each month depending on energy usage.

Other documents and publications relating to the new pricing transition discount[1] are guides only; this document details the rules and takes precedence where something may be unclear in the guides.

Purpose and intention of the discount

The new pricing transition discount intends to help customers adjust from the old demand pricing to the new pricing. This is done by comparing a connection's old demand bill to the new pricing bills. The expectation is that a customer's use of a connection remains the same from the old demand pricing to the new pricing, i.e. a residential home under the old demand pricing remains a residential home under the new pricing.

We do anticipate, however, that a customer's use of energy may change because of the new pricing and because of different weather conditions. These changes are included in the intent of the policy.

However, the policy is not intended to provide transitional discounts to connections that have had a significant change of use. For example, a connection having old demand pricing based on a temporary builder's supply, and now an operational dairy cattle milking shed with the new pricing.

This document details the rules of the new pricing transition discount, where exclusions apply, or where we may apply an exception calculation, to determine a connection's new pricing transition discount, if any. This is to ensure fairness and to assist in this policy not introducing inequitable subsidies in our community.

[1] Helping you adjust brochure https://www.thelinescompany.co.nz/site/uploads/Brochures/Helping-you-adjust-our-new-pricing-discount.pdf; We're helping you adjust, New-Pricing-Transition-discount-worksheet https://www.thelinescompany.co.nz/site/uploads/Disclosures/Pricing/TransitionDiscount/New-Pricing-Transition-discount-worksheet.pdf

We reserve the right to withhold or adjustment discounts from the standard formula in the event we believe that the intent of the policy is not being met.

Customer rules

1. Customers must be an existing customer with the same connection on 1 October 2018, i.e. customers must have received an old demand bill and a new pricing bill for the same connection.

2. If a connection moves from one customer to another between 1 October 2018 and 30 September 2019, the new pricing transition discount will no longer be available to that connection from the date of transfer between customers.

3. New connections added to the TLC network after 1 October 2018 will not be eligible for the new pricing transition discount.

4. Connections which were 'vacant' or unoccupied, and customer's applied for and received the, now withdrawn, vacant property rebate, will have their connection considered based on the old demand bill and the new pricing discount calculation will not consider the rebate.

5. The discount will be refunded only to those who:
   a. were entitled to the discount and;
   b. no longer have any installations on our network and;
   c. have closed their account(s) with us and;
   d. to the value of the credit balance in the account.

6. TLC will conduct exception testing to help identify any connections where we believe the intent of the policy is not being met. If the exception testing identifies a connection, this connection may have the exception formula applied to calculate the new pricing transition discount.

   For example, exception testing may identify:
   a. Connections which were "vacant" or unoccupied during the old demand pricing assessment period (1 October 2016 to 30 September 2017), or a substantive portion of this period, and are now occupied;
   b. Connections which change consumer type. Consumer types are residential, dairy, temporary accommodation and general (which includes all other standard connections);
   c. Connections, where the old demand bill was estimated because obtaining metering information, was not possible.

   This list is not an exhaustive description of situations, but are examples where we may apply the exception formula.

7. The new pricing transition discount is calculated for customer connections four times from 1 October 2018 to 30 September 2019. The assessment periods are cumulative, and any applicable credits applied to customer accounts the month following completion of the assessment period. The credit may be applied the month after if we need more time to process information:

New pricing transition discount assessment period	Billing period[2]	Application to customer accounts[3]

[2] The new pricing transition discount is cumulative, and considers what a connection's bills have been since the commencement of the new pricing.
[3] TLC may apply the discount the following month.

1	1 October 2018 to 31 December 2018	January 2019 or February 2019
2	1 October 2018 to 31 March 2019	April 2019 or May 2019
3	1 October 2018 to 30 June 2019	July 2019 or August 2019
4	1 October 2018 to 30 September 2019	October 2019 or November 2019

8. This table summarises the basis of the new pricing discount, exclusions and exceptions that TLC will consider:

Credits released	Exception formula may be applied[4]	Not eligible
Where a connection falls within exception testing	Where a connection falls outside exception testing	• New connections • Connections that have moved between customers

Calculation rules

1. Confirm eligibility: A connection must have been with the same customer from the commencement of the new pricing, i.e. this is the same connection associated with the same customer number from 1 October 2018. New connections since 1 October 2018 are not eligible, and changes of connections between customers become ineligible from the date of transfer.

2. The basis of the new pricing transition discount is to compare a customer's connection's bills between the old demand pricing and the new pricing.

3. To establish the billing data for each assessment period for comparing old and new bills per connection:
    a. New pricing: the bills issued for each connection before the end of each assessment period, based on the bill date;

    b. Old demand pricing: August 2018 bill for most customers, or what the demand bill would have been if the connection was between August 2018 and September 2018 for each connection:
        i. Converted to an annualised daily charge by multiplying by 12 months and dividing by 365 days;
        ii. Multiplying the result above by the number of billing days for each assessment period for new pricing.

4. Billing days per assessment period (number of days):
    a. New pricing: the actual number of days billed before the end of each assessment period for each connection as specified on the relevant bills;
    b. Old demand pricing: the same number of days billed under new pricing for each assessment period for each connection.

5. Customer charges per billing assessment period ($):
    a. New pricing: the total amount billed per assessment period, including GST, assuming prompt payment discount fully taken up;

[4] Refer to Calculation rules for exception testing.

   b. Old demand pricing: the total amount billed, including GST, assuming prompt payment discount fully taken up derived using the method described above.

6. Credit calculation:
   a. Assessment period 1: customer charges for new pricing, less customer charges for old demand pricing multiplied by 120%, where greater than $0;
   b. Assessment periods 2, 3 and 4: customer charges for new pricing, less customer charges for old pricing multiplied by 120%, less any credits applied from previous assessment periods, where greater than $0.

7. TLC conducted screening for assessment period 1, and has further developed and implemented exception testing for assessment periods 2, 3 and 4. This is to help apply the policy as intended and documented. The exception test identifies where a connection may have the exception formula applied. *The exception formula does not apply to eligible customer connections of known 'demand managers' under the old demand pricing*.

8. Screening, exception testing, exception formula and exception credit:
   a. First assessment period:
      i. Initial screening: Credit > $500
      ii. Secondary screening: Connection's old demand charge being less than 1 standard deviation of the average of the connection's new pricing group and capacity, i.e. Dairy 70 kVA, Temporary Accommodation 15 kVA, etc.

   b. Second and subsequent assessment periods:
      i. Exception test: Connection's old demand charge being less than 1 standard deviation of the average of the connection's new pricing group and capacity, i.e. Dairy 70 kVA, Temporary Accommodation 15 kVA, etc.;
      ii. Exception formula: The connection's old demand bill replaced by the average of the connection's new pricing group and capacity less 1 standard deviation;
      iii. Exception credit: Credit calculated for eligible connections upon the 'update' of the old demand bill.