

Amendment to Settlement Agreement

PARTIES

Commerce Commission, a body corporate established under section 8 of the Commerce Act 1986 (**Commission**)

and

Horizon Energy Distribution Limited, a company incorporated under the Companies Act 1993 and having its registered office at 52 Commerce Street, Whakatane, New Zealand (**Horizon**)

Interpretation

1. Terms used in this amendment to the settlement agreement, that are used in the settlement agreement dated 3 September 2014 (the **settlement agreement**), have the meaning given in the settlement agreement.

Background

2. On 3 September 2014, the Commission and Horizon entered into a settlement agreement to resolve Horizon's breach of its Price Path for the 2012 assessment period.
3. The settlement agreement provides for remediation of the breach by Horizon via pricing reductions for the 2016 assessment period and, if required, for the 2017 assessment period.
4. Clause 4 of the settlement agreement requires Horizon to ensure that its notional revenue for the 2016 assessment period is less than its allowable notional revenue under the DPP Determination 2015 by at least \$727,934.
5. Horizon has demonstrated to the Commission that it has factored the amount of \$727,934 into its pricing for the 2016 assessment period, as was required by clause 5 of the settlement agreement.
6. Clause 9 of the settlement agreement requires Horizon, if its notional revenue is not at least \$200,000 less than its allowable notional revenue for the 2015 assessment period, to ensure that its notional revenue is less than its allowable notional revenue for the 2017 assessment period as calculated under the DPP Determination 2015, by at least the amount of X, where X is calculated as follows:

$$X = (200,000 - (ANR_{2015} - NR_{2015})) \times 0.33 \times 1.0458^2$$

7. Horizon now anticipates that its notional revenue for the 2015 assessment period will be approximately \$175,000 less than its allowable notional revenue, rather than \$200,000 less (**anticipated shortfall**), and that it will accordingly have to reduce its notional revenue for the 2017 assessment period, as provided for in clause 9 of the settlement agreement.
8. Horizon wishes to remediate the additional amount arising from the anticipated shortfall, in the 2016 assessment period, rather than in the 2017 assessment period.
9. Horizon has proposed providing an additional amount within its prices for the 2016 assessment period, so that its anticipated notional revenue is less than its allowable notional revenue by at least \$737,934, being the \$727,934 required under clause 4 of the settlement agreement, plus an additional reduction in its 2016 notional revenue of \$10,000.
10. Horizon and the Commission agree to amend the settlement agreement as set out in paragraphs 11 to 14, in order to provide for remediation of the additional amount arising from the anticipated shortfall, in the 2016 assessment period.

Agreed Amendments

11. Horizon will demonstrate to the Commission by 6 March 2015, that it has factored an additional reduction of \$10,000 into its pricing for the 2016 assessment period, over and above the \$727,934 it has already factored into its pricing for the 2016 assessment period.
12. Horizon will be deemed to have met the obligation set out in paragraph 11 when the Commission confirms this in writing to Horizon no later than 13 March 2015, such confirmation not to be unreasonably withheld.
13. Subject to clause 8 of the settlement agreement, Horizon will be deemed to have met its obligations in clauses 9 and 10 of the settlement agreement where:
 - 13.1 the Commission has given the confirmation referred to in paragraph 12; and
 - 13.2 Horizon's notional revenue for the 2016 assessment period is less than its allowable notional revenue by at least the amount of \$727,934 plus Y, where Y is calculated as follows:
$$Y = (200,000 - (ANR_{2015} - NR_{2015})) \times 0.33 \times 1.0458$$
Y cannot exceed \$69,023.

14. If Y is greater than Z, where Z is the lesser of:

14.1 \$10,000; or

14.2 ANR₂₀₁₆ - NR₂₀₁₆-727,934

then Horizon's obligation under clauses 9 and 10 of the settlement agreement will continue in respect of the amount $(Y - Z) \times 1.0458$.

Dated this 2 day of March 2015.

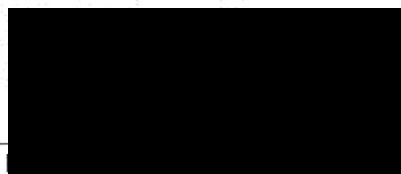
EXECUTED on the date first written above:

Signed by and on behalf of **Commerce Commission**



Susan Janice Begg
Name

Signed by and on behalf of **Horizon Energy Distribution Limited**



Ajay Anand
Name

