

16 December 2024

The Electricity Authority
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Wellington 6143

Via email: connection.feedback@ea.govt.nz

To whom it may concern:

Trust Horizon welcomes the opportunity to provide feedback on the Electricity Authority's (EA's) consultations on:

- Network Connections Project – Stage One
- Distribution Connection Pricing Proposed Code Amendment.

Our feedback on both submissions is combined into this single response.

Trust Horizon is a local Charitable Trust with investments that include 100% ownership of Horizon Networks (Horizon Energy Distribution Limited).

By way of background to our submission Trust Horizon first began back in 1994. Originally named the Bay of Plenty Electricity Consumer Trust, it was formed with the goal of keeping a portion of the local electricity company under community ownership.

In 2000, the Trust was renamed the Eastern Bay Energy Trust (EBET). In 2015, the Trust obtained 100% ownership of Horizon Energy Group, which includes the lines company that distributes electricity to homes and businesses throughout the Eastern Bay of Plenty (population 52,000). The Trust has distributed over \$50M to worthwhile energy-related causes in the District since inception to assist the community with energy use, hardship, efficiency and transition.

Trust Horizon owns one of the twenty New Zealand EDBs that are Trust owned – either in part or full. It is the dominant ownership model. Trust owned EDBs supply electricity to over one and a half million customers and collectively have over \$9 billion in network assets. Crucially these networks are owned by their customers which ensures they can strike an appropriate balance between affordability of prices to current customers and investing in an increasingly critical piece of community infrastructure for future generations.

By virtue of their ownership model trust owned networks are naturally incentivised to act in the best interests of their customers both current and new. We are active in our communities – our profits are returned to our community and we are significant employers in our region.

We support in general the submissions by Energy Trusts of New Zealand (ETNZ), Electricity Networks Aotearoa (ENA) and the Electricity Engineers Association (EEA). Rather than repeat their points in full we have chosen to concentrate our feedback on the key matters proposed that affect our community. Where there are any differences between the points raised in this letter and those in other submissions the points outlined below take precedence.

We are concerned that the proposed changes are designed to favour a small number of connecting parties over others and that these changes will result in increased charges and risk to existing customers.

More time is needed to fully consider the implications

Firstly, and most importantly, we urge the EA to slow down this process. It is being implemented with undue haste. Mistakes and missteps will be borne by our community in the form of higher prices and increased risk.

The level of change proposed is overly complex. We acknowledge connection processes, including pricing practices, could be improved and we support initiatives that result in faster, more efficient, and cheaper connection processes. We believe there are simpler solutions than what is proposed that would achieve similar outcomes, for example including agreed changes in the Distribution Pricing Principles.

We do not support changes to the Code that are designed to standardize processes for the benefit of a small number of new customers to the detriment of existing customers and may result in unintended consequences that will be slow/difficult to rectify. Our role, and that of our network company, is to be even-handed and ensure all customers – current and future – are treated fairly.

Imposing high-level guiderails risks delivering equitable outcomes

The EA's proposed changes fail to recognize that networks have an obligation to treat all customers equitably. Any subsidization (including early exit of a load from the network) of new connections is borne by increased charges to existing customers. It is not clear that the EA has analysed the impact of loads exiting or timing issues between payments and growth capital recognition under its proposals. If it hasn't it should urgently do so to ensure a balanced and reasoned debate.

The proposed restrictions/assumptions are likely to impact negatively on existing customers in three ways:

1. They are unlikely to have new customers pay a fair charge to join the network meaning existing customers will pay the shortfall.
2. Existing customers will be forced to take on stranding risk on new speculative connections that historically networks would have ringfenced to the investment. A real example is Pike River mine. Westpower made Pike River pay for this connection in full and upfront. Had they not done so the people of the West Coast would still be paying for it, and potentially crippling local economic growth.

3. The increased analysis, compliance and administration of the raft of proposed changes will result in increased costs. The EA openly acknowledges this in the consultation documents. While it would be logical to reflect these to new customers it is unlikely that these costs will be able to be fully recovered, leaving existing customers to pick up the shortfall.

Obligation to Supply will distort competition

The proposed changes create an explicit obligation to supply new loads. This was acknowledged by the EA on their webinar of 11 November. This obligation was removed by statute at the start of the deregulation of the sector in the 1990's. Reinstatement of this obligation should not be done through lesser and more opaque methods. Furthermore, reinstating the obligation to connect and dictating the terms (including price) on which this is done is tantamount to forced investment and severely reduces/distorts competition with alternative energy solutions.

To be clear we are not suggesting networks will resort to wholesale refusal to connect, but forcing networks to connect customers under any circumstances and at any given location is unacceptable.

Better Regulatory process is needed

There are many instances within the proposed changes that point to poor regulatory process. We have included some of the more material ones below as examples.

An obvious case in point is the potential for a non-exempt network to find itself limited in its ability to recover revenue for new connections via a combination of its revenue limit and a constraint on capital contributions. It should not rest with the affected party to try and find a way through a problem created by incompatibility between the DPP and connection code regulations. There is no reason that the EA cannot provide regulatory certainty ahead of the change and it should do so.

The use of an arbitrarily determined reliance limit set at a collective average value is not good practice. All networks are different and should be treated as such. The framework the Commerce Commission uses for non-exempt networks reflects this. Networks are set maximum allowable revenues based on their past and future investment profiles and can also seek customized arrangements if necessary. It is easy to foresee future situations where networks will be constrained by the reliance limit through no choice of their own. Network growth capex and customer contributions are not as tightly time-linked as implied in the consultation document. What is needed is a robust process to arrive at the right outcomes for each network and accounts for timing differences, and not a subjective and arbitrary limit that requires networks to apply for exemptions they may not get.

The consultation makes numerous references to capacity rights. Networks sell access not capacity. With new connections and upgrades a maximum capacity limit is provided to reduce the likelihood assets become over-loaded and their expected life is compromised. Capacity rights imply ownership, capacity guarantees and readily controllable point to point flows. This does not apply to electricity networks and should not be embedded in the code.

Slowing the consultation process down would allow the EA time to address the above issues.

Note we have not reviewed the draft code within the consultation. Given the above fundamental issues with the proposals we feel it is premature to do so at this point in time. We therefore reserve the right to provide feedback on any draft code at an appropriate stage in the process.

Should you wish to discuss any of the points raised above please feel free to contact me on [REDACTED] We ask that any interest in this be coordinated through ETNZ.

Yours sincerely

