

24 January 2025

Electricity Authority
Level 7 AON Centre
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By email: connection.feedback@ea.govt.nz

Horizon Energy Distribution Limited (Horizon Networks) cross-submission on Distribution Connection Pricing Consultation

1. Thank you for giving us the opportunity to cross-submit on the Distribution Connection Pricing Consultation. We understand the cross-submission process is designed to give submitters an opportunity to comment on points raised in other submitters' submissions.
2. Horizon Networks is a small trust-owned Electricity Distribution Business (EDB) serving over 25,000 consumers in the Eastern Bay of Plenty region. As a trust-owned EDB, we have a strong consumer focus and seek to benefit both our Shareholder Trust Horizon and the communities we serve.
3. In reviewing the submissions on the Distribution Connection Pricing Consultation, it is clear that there is an opportunity for the Electricity Authority to refine and update the basis for the proposed changes to help submitters provide informed feedback.
4. Horizon Networks cross-submission focuses on non-EDB submissions. Despite this focus, Horizon Networks supports the ENA and other EDB submissions on connection pricing.
5. In this cross-submission Horizon Networks wishes to emphasise the following:
 - Submitters are confused because the consultation did not provide a basic framework to evaluate efficient connection pricing.
 - The main issue is not the connection charges, but rather the lack of transparency in how these charges are determined.
 - The Electricity Authority has determined that consumers will be worse off.

Submitters are confused because the consultation did not provide a basic framework to evaluate efficient connection pricing

6. Horizon Networks notes that many submitters found the consultation paper and proposed amendments confusing, and at times the proposed Code amendments did not align with the proposal in the consultation paper.
7. On page 1 of its submission, Meridian Energy states:

As we found the consultation paper relatively complex and confusing, it's unclear whether the proposed Code changes will deliver the outcomes envisaged by the Authority's proposals.
8. On pages 1 and 2 of its submission, Drive Electric (and its consultant Sapere) state:

After carefully going through the Authority's distribution connection pricing proposal, Sapere is not clear on exactly what the Authority is proposing. Sapere have also gone through the proposed Code amendments and have distilled what they think would be interpreted from those amendments on a 'plain English' basis. Comments on pricing provided are based on this interpretation. However, the proposed Code amendments are ambiguous. Sapere have established their interpretation of the Code amendments, but others are possible, and they are unable to reconcile the Code wording to the Authority's proposal document.
9. From these direct statements, and the varying interpretations of the proposal contained within submissions Horizon Networks considers it clear that submitters are confused regarding the proposal and as a result this is not an informed consultation.

10. Horizon Networks considers it essential that the Electricity Authority provide enough information to enable the person consulted to be adequately informed so as to be able to make an intelligent and useful response.¹
11. From the comments made in submissions, it is clear that submitters are confused about the proposals including if the proposed Code amendments will deliver the outcomes envisaged.
12. Horizon Networks believes this confusion is caused by a lack of a foundational framework or basis from which to assess the proposals. This results in submitters applying their own framework and assessing proposals against an internal criterion.
13. For example, Horizon Networks has assessed the proposals against the distribution pricing principles, including the principle that “Prices are to signal the economic costs of service provision, including by: being subsidy-free (equal to or greater than avoidable costs, and less than or equal to standalone costs)”.
14. While Horizon Networks agrees with Drive Electric’s recommendations²:
 - *That the Authority rewrite the proposal to be clearer on the exact fast track proposals*
 - *Edit the Code amendments to that the unambiguously describe what is intended*
 - *Reissue the consultation*
15. We believe a critical step to take before actioning these recommendations is to develop and consult on a framework against which distribution and connection pricing proposals can be assessed. These would have the same purpose as the distribution pricing principles issued by the Electricity Authority and would form the basis from which ‘good’ connection pricing is assessed.
16. Any proposed regulatory intervention can then be linked back to the framework to clearly, and simply explain why the proposed regulatory intervention will be for the long-term benefit of consumers. This can help ensure submitters understand the proposal and how it links to ‘good’ connection pricing so they can make informed, intelligent submissions.
17. **Horizon Networks Recommends:** The Electricity Authority ‘reset’ the connection pricing proposal, and:
 - Develop and consult on a framework that sets out what ‘good’ connection pricing should be assessed against.
 - Rewrite the proposal to be clearer on the exact fast track proposals and link these proposals back to the framework for ‘good’ connection pricing.
 - Edit the Code amendments to that the unambiguously describe what is intended.
 - Reissue the consultation.

The main issue is not the connection charges, but rather the lack of transparency in how these charges are determined.

18. Horizon Networks notes that a theme from non-EDB submitters is not that connection charges are too high or too low, but that connection charges are not transparent.
19. This results in a lack of understanding from connecting parties that EDB connection charges are efficient and cost reflective.
20. In its submission, BP states:

Connections will have different costs in different locations but there is a low level of transparency on the costs and how they are calculated.
21. In its submission, ChargeNet states:

There are significant inconsistencies among distributors in setting and communicating connection charges.
22. Both BP and EECA provide evidence of variability by location with BP evidence covering all of New Zealand and the EECA evidence only covering Hawkes Bay (the Centralines, Unison and Firstlight networks).

¹ <https://lac.org.nz/guidelines/legislation-guidelines-2021-edition/new-powers-and-entities-2/chapter-19>

² Drive Electric submission, page 2

23. This evidence lacks the context for each connection, including what investment the network needs to make in order to supply the required capacity. It is likely that these prices are cost-reflective, but without a standardised quote with sufficient detail, it can be difficult to identify what is driving the difference in connection costs.
24. Horizon Networks agrees with Contact Energy's statement in response to Q9:
We would expect the Network to be transparent about:
1. *which assets are customer-specific and*
 2. *which assets will be included in the Pioneer scheme*
 3. *which assets would be excluded i.e. those assets that provide a benefit to the wider network and would be capitalised by the Network into their RAB.*
25. Horizon Networks provides a standardised quote template that we consider meets many of these requirements. Horizon Networks quotes include:
- A reference to supporting documents, such as site visits, customer plans, design standards, AS/NZS 3000:2007 wiring rules, and available records of existing infrastructure in the vicinity of the site.
 - Description of the work that is covered by the quote.
 - Description of the work not covered by the quote.
 - A price breakdown as follows:
 - i. Customer-owned assets (assets required, that will remain owned by the customer)
 - ii. Customer vested assets (assets required that will be vested to the network)
 - iii. Network connection fees (application, livening fee)
 - iv. Infrastructure development contribution (also known as the network capacity costing. Based on published rates)³.
 - v. Any contribution made by Horizon Networks to cover the cost of the customer's connection assets.
 - A note that Horizon Networks may undertake other planned construction work (funded by the network) in conjunction with this job to minimise the power interruption.
26. This allows the connecting party to identify the different components of the quote and understand what is driving the total cost to connect, and how much of that connection cost they will be paying for.
27. Horizon Networks supports work to standardise the layout and content of connection quotes. This will help connecting parties compare quotes and understand the drivers that result in locational differences in connection costs.
28. Horizon Networks also acknowledges improving transparency and understanding of connection quotes is a collaborative effort, that should be consumer centric. The information in the quote needs to meet the connecting party's needs.
29. To achieve this, we recommend EDBs, interested connecting parties, the ENA and the Electricity Authority form a working group to understand connecting parties' needs and develop a standardised template that can be used by all EDBs.
30. A connecting party-focused, standardised template will address the current transparency issues being raised and improve trust that the costs the connecting party face, reflect the costs the EDB is facing to make that connection.
31. **Horizon Networks Recommends:** The Electricity Authority support a working group to develop a standardised connection charge template to address connection pricing transparency issues. This should be done well ahead of any decisions to regulate, so it can be used to inform and clearly identify where connection pricing is not cost-reflective.

³ Horizon Networks does not currently publish a breakdown of how the infrastructure development contribution is calculated but is clear that this charge is \$150 per kVA (min 10kVA for a domestic dwelling).

The Electricity Authority has determined that consumers will be worse off

32. While not officially part of the consultation paper, the Electricity Authority published a set of FAQs regarding the connection pricing consultation.
33. Horizon Networks submission did not consider these FAQs as they were not referenced in the consultation paper, so Horizon Networks is submitting on this additional information as part of this cross-submission.
34. FAQ 2 states:
 2. *What is the impact on households and businesses already connected to the network?*

Over time, we expect these proposals would reduce charges for consumers as the efficiency of connection arrangements increases and utilisation of the networks improves.

In the short term, one of the proposals would prevent some lines companies with a very high reliance on capital contributions from increasing their connection charges even further. This may mean those lines companies increase their on-going charges for consumers instead.

Although the impact will vary between lines companies, we estimate the impact for the most affected residential consumers to initially be relatively small – about \$0.71 extra per month from April 2026 through to March 2030.
35. Horizon Networks reads this response to mean that electricity consumers will be worse off if the Electricity Authority's proposal is implemented as proposed.
36. Any quantification of impacts should form part of the cost-benefit analysis within the consultation paper.
37. We also note that the estimated impact of \$0.71 per consumer per month seems low. This is especially true given the significant investment required to provide dedicated connection assets for new sites and demand for upgrades to existing connections.
38. Horizon Networks recognises that under economic theory the \$0.71 per consumer per month cost is a cross-subsidy, where consumers are subsidising connecting parties, so any cost-benefit needs to consider the efficiency impacts of this outcome.
39. The true economic cost of requiring consumers to subsidise new connections should be quantified and communicated so consumers, connecting parties and stakeholders can make informed submissions.
40. **Horizon Networks Recommends:** As part of the reissued consultation, the Electricity Authority clearly defines and provides examples across all EDB's of the actual problem/issue it is trying to solve, including a full cost-benefit analysis to help ensure submitters, including consumers, understand the impact the proposal will have on them so they can make informed submissions.

In conclusion, the Electricity Authority should refresh and reissue this consultation

41. Horizon Networks recognises that connection pricing is complex and contentious. Connection pricing can have the same level and complexity and consumer impact as a price-path reset. This means a single, ambiguous consultation paper is insufficient to drive an informed, consumer-centric outcome.
42. Horizon Networks is optimistic that the Electricity Authority can draw from this consultation process the confusion and concern resulting from the current proposed reforms and look at following a revised approach in achieving a consumer-centric solution that will drive an enduring shift towards efficient connection pricing.

Yours Sincerely

Regulatory Manager

HORIZON ENERGY DISTRIBUTION LIMITED