

5 October 2023

Commerce Commission
44 The Terrace
Wellington, 6140

By email: infrastructure.regulation@comcom.govt.nz

Horizon Energy Distribution Limited (Horizon Networks) cross-submission on “EDB Targeted ID Review (2024)”

1. Thank you for providing us the opportunity to make a cross-submission on “EDB Targeted ID Review (2024)”.
2. We understand the cross-submission process is designed to give submitters an opportunity to comment on points raised in submissions by other submitters.
3. 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.
4. In reviewing the submissions on *EDB Targeted ID Review (2024)* it is clear that there is an opportunity to improve the decision-making process to ensure that decisions are realistic and meaningful, for both EDBs and interested parties.
5. Horizon Networks wishes to highlight that many of the submissions raise issues with the draft decision, or support for the draft decision appear to be based on an incorrect understanding of how to achieve the requirements, and what outcomes the additional disclosures are intended to achieve.
6. This lack of a shared understanding means that interested parties and EDBs do not know what the changes are intending to achieve, and how these changes will be achieved, increasing the likelihood of inefficient outcomes, frustration from interested parties due to poorly targeted information and frustration from EDBs from increasing levels of regulatory burden that don't have a clear purpose or reason.
7. In this cross-submission Horizon Networks wishes the emphasise the following:
 - Proposals need to be linked to outcomes and use cases.
 - Outcomes need to be workshopped to identify practical solutions.
 - Solutions need to be evaluated against costs and allowances.
8. Horizon Networks believes that what is missing is an additional step in the decision-making process, where between policy development and draft decision the design and purpose of solutions are worked through with stakeholders to ensure the outcomes meaningful to interested parties, practical for EDBs and affordable for the sector.
9. **Horizon Networks Recommends:** The Commerce Commission include a detailed decision engagement step, where the draft solutions are tabled and tested prior to a formal draft decision being published. Working with stakeholders prior to a draft decision can help ensure that the Commerce Commission is proposing solutions that interested parties can use, and that EDBs can deliver.

Proposals need to be linked to outcomes and use cases

10. Effective implementation of changes can only be achieved when the organisations providing the information understand what it is for, and how the information is expected to be used.
11. It is clear from submissions that many EDBs do not understand why they need to provide the additional information, and how it could be used by interested parties.
12. The lack of understanding is covered in several submissions.
13. This includes an apparent lack of understanding from interested parties supporting the proposal:

On page 3 of its submission, Meridian Energy states:

Meridian is also highly supportive of the changes to information disclosure requirements to ensure stakeholders can better compare and analyse EDBs' prices, including the ability to assess cost reflective pricing.

14. However, Horizon Networks understanding of the proposed additional disclosures is that no further pricing information is provided, instead it is information on what has been billed by price code, both by revenue and by billed quantities. Horizon Networks suspect that Meridian Energy had not yet developed a use case for the proposed additional disclosure information, and its support is limited to the concept of improving access to pricing information. This is suspicion is reinforced by subsequent statements made by Meridian Energy that focus on connection pricing, an area that is not covered by the draft decision.
15. It is also clear that EDBs do not understand how the information will be used by interested parties, which makes it difficult to ensure that EDBs are providing meaningful information in disclosures.

In paragraph 7 of its submission, Aurora Energy states:

Aurora Energy is concerned that some of the proposed changes to information disclosure will add costs with little discernible long-term benefit to consumers.

In paragraph 11 of its submission, Vector question the use of the data and how it is providing value:

We are keen to understand who and how this data is already being used from Schedule 12b, to assess whether the new information proposed to be captured will be of value.

16. Horizon Networks agrees that it is not clear why some of the changes are being made and how these changes will be used by interested parties. This makes it difficult for EDBs to develop solutions that can meet both the wording of the requirement, and the underlying intent of the requirement.
17. Horizon Networks supports the Wellington Electricity submission, and the proposed principles to assess whether the proposed changes meet the purpose of the IDs and whether the changes would provide material benefits.
18. Relevant to this element of our cross-submission is the principle: **Do the new measures reflect what customers want?**
19. **Horizon Networks Recommends:** The Commerce Commission clearly articulate how the additional disclosures will be used by interested parties to better meet the purpose of Part 4 of the Act. This could include hypothetical use cases that show how this information will allow interested parties to make better decisions.

Outcomes need to be workshopped to identify practical solutions

20. Solutions are most effective when there is collaboration in their design. This can help ensure that all steps in the process are understood and any issues (including the timing needs of interested parties and EDBs) are identified taken into account before the solution is designed. By linking solutions back to an outcome, efficient methods of delivering that outcome can be identified.
21. It is clear from submissions that not all of the proposed decisions are practical, both in terms of what is being asked, and in terms of the timeframes the Commerce Commission is giving EDBs to implement changes.

Submissions indicate the proposed solutions are not practical

22. Horizon Networks supports submission from EDBs.

Unison and Central Lines raise the issue of practicality on the first page of their submission (audit requirements), including the additional cost burden it places on EDBs when engaging with auditors:

Audit requirements raise questions of practicality and utility of an accountant reviewing the information.

...

It should also be kept in mind that there is a significant resourcing cost for EDBs going back and forth with auditors on impractical requirements, in addition to the increased cost of audit.

The ENA (page 5, against amendment D6) has clearly highlighted how real-world practicalities impact EDB's ability to provide meaningful information for interested parties:

Such realworld practicalities highlight the problems that arise from attempting to introduce arbitrary connection types.

23. It is clear from submissions that some of the practical implications of the draft decision were not worked through with stakeholders before the draft decision was made.

Submissions support that the proposed timing is not practical

24. Horizon Networks supports submissions from EDBs, including Aurora, Electra, Network Waitaki, Northpower and The Lines Company regarding the practicality of the timeframes to implement changes to meet the new requirements.

Northpower most clearly articulates this concern in its submission:

The timing and cost of introducing some of these new systems and processes, as the final decision is not due until Q1 2024. This is likely to cause material issues with data recording and collation and it is important that EDBs have time to prepare their systems and processes.

25. Horizon Networks endorses this statement and believes that placing unrealistic timeframes for the creation and disclosure of information encourages inefficient 'band-aid' solutions and behaviour by EDBs in order to remain compliant.

Submissions support practical, post development but pre-decision engagement

26. The underlying issue appears to be that stakeholders are not part of the 'detailed solution development' process. As a result, stakeholders do not know how to implement the detailed changes proposed by the Commerce Commission, and do not understand how the new information will be used by interested parties.

27. Meaningful two-way dialogue regarding potential solutions is essential to ensuring there are practical solutions.

28. Horizon Networks supports Vectors statement in its submission (paragraph 9):

It would have been a more practical approach to tease out crucial issues ahead of jumping straight into a consultation process.

29. As recommended in paragraph 9, Horizon Networks believes that pre detailed decision engagement can help ensure that the design of the decision is practical and takes into account the needs of interested parties, and the needs of EDBs who will be tasked with delivering the new information.

Solutions need to be evaluated against costs and allowances

30. Regulatory burden is an accepted feature of regulated industries, and the annual changes to information disclosure regime create a small but incremental cost to EDBs for each new disclosure and process.

31. As noted by Vector and Wellington Electricity, changes need to be evaluated against the alternatives (including not making the change) to ensure there is a net positive benefit, and where this is a cost being placed on price quality regulated EDBs the Commerce Commission also provides additional allowances to recognise that this additional work has not been allowed for in the EDBs price path.

32. Horizon Networks considers the principles proposed by Wellington Electricity summarise this very well.

Is the benefit provided by the information greater than the cost?

Do we understand the cost of providing additional information and will regulatory allowances be first adjusted to provide the additional funding needed?

33. Horizon Networks recognises that in many cases, quantitative benefit analysis may not be practical, but supports the Commerce Commission articulating the qualitative benefits of the change, and providing change allowances for EDBs to be able to recover the incremental cost for the additional disclosure burden the Commerce Commission is placing on EDBs. A description of the types of benefits could be included as part of the use case information recommended earlier in this cross submission.

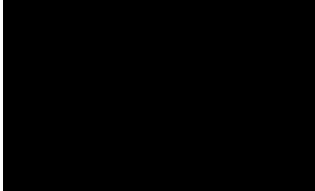
34. **Horizon Networks Recommends:** The Commerce Commission provide a qualitative benefit for each of the proposed changes to the disclosure regime.

In conclusion, the tone and content of submissions suggests there may be a problem with the underlying policy development process

35. Horizon Networks recognises that the Commerce Commission has been proactive and effective when engaging with stakeholders during the issues identification phases of some of its consultations. However, this approach has not extended to the solution development phase and is resulting in decisions that are at times inefficient, impractical, and not achievable in the timeframes provided.

36. Horizon Networks is optimistic that the Commerce Commission can draw from this experience and cross-submission to better engage with stakeholders so that well informed and understood decisions can be made in the future.

Yours Sincerely



Jonathon Staite
Regulatory Manager



HORIZON ENERGY DISTRIBUTION LIMITED