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Commerce Commission
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Horizon Energy Distribution Limited (Horizon Networks) submission on *Targeted Information Disclosure Review (2024)*

1. Thank you for providing us the opportunity to make a submission on *Targeted Information Disclosure Review (2024)*.
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. We recognise that the environment that EDBs operate in is constantly changing, with consumer and shareholder expectations of performance, decarbonisation, climate change, resilience planning and expectations around asset management driving the need for additional disclosure requirements. These additional requirements should provide a meaningful and low-cost way of delivering insights into how EDBs are addressing the varying stakeholder expectations.
4. In principle, Horizon Networks supports increased disclosure where there is a net consumer benefit however, we have concerns regarding the practical implementation of some of the requirements as currently drafted.
5. In addition to supporting the submission from the ENA, we have identified five areas where the requirements need to be improved to better deliver on the Commerce Commission's goal of allowing stakeholders to assess if outcomes are broadly consistent with what is expected in a competitive market.[1]

    - The August 2024 deadline for reporting D5 and D6 is not practical
    - D6: The standardised connection type reporting requirements do not align with the purpose of Part 4
    - AM6: Vegetation management reporting does not consider practical limitations
    - D3: Network constraint reporting changes mean EDBs will need to develop a 20-year AMP
    - D3: Geospatial boundary requirements are unclear

The August 2024 deadline for reporting D5 and D6 is not practical

6. The targeted information disclosure regime includes two changes that will require EDBs to retrospectively report on activities from 1 April 2023 in order to comply. These are:

    - D5 – Work and investment on flexibility resources (non-traditional solutions)
    - D6 - Standardised pricing components including transmission costs

[1] Clause 52 the Commerce Act sets the purpose of Part 4 of the Commerce Act as:
The purpose of this Part is to promote the long-term benefit of consumers in markets referred to in section 52 by promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services—
(a) have incentives to innovate and to invest, including in replacement, upgraded, and new assets; and
(b) have incentives to improve efficiency and provide services at a quality that reflects consumer demands; and
(c) share with consumers the benefits of efficiency gains in the supply of the regulated goods or services, including through lower prices; and
(d) are limited in their ability to extract excessive profits

7. Horizon Networks considers these requirements are examples of retrospective regulation as they will require EDBs to have set up, collect and report information from 1 April 2023, when a final decision will not be made until the end of the 2023 calendar year at the earliest.
8. As noted in our 31 August 2022 submission on *Targeted Information Disclosure Review – Electricity Distribution Businesses Draft decisions paper – Tranche 1*,[2] while EDBs may have the information, the information is unlikely to be captured in an efficient manner that will stand up to scrutiny. As a result:
   - there is manual re-work required to put the information into a form where it can be reported in the disclosures
   - there are challenges in demonstrating these manual processes are robust enough to satisfy auditors
9. Horizon Networks recognises that the Commerce Commission has considered the timing of disclosure requirements within its decision paper and notes that the Commerce Commission considers these specific requirements will not be too burdensome to disclose in RY24.
10. Horizon Networks strongly disagrees that placing a retrospective data collection requirement for *D5 – Work and investment on flexibility resources (non-traditional solutions)* and *D6 - Standardised pricing components including transmission costs* is not burdensome.

The proposed retrospective data collection and reporting requirements are an unnecessary burden

11. In terms of *D5 – Work and investment on flexibility resources (non-traditional solutions),* in addition to the regulatory uncertainty and incentivising poor consumer outcomes this decision could have[3], separately reporting on non-traditional solutions provided by a third-party service supplier requires Horizon Networks to set up our financial systems to separately identify this expenditure from all other expenditure.
12. To comply with this obligation as drafted, Horizon Networks would need to manually review and reclassify all transactions since 1 April 2023 in order to identify and report non-traditional solutions provided by a third-party service supplier separate from other OPEX.
13. In terms of *D6 - Standardised pricing components including transmission costs,* in addition to the concerns that elements of this proposal are seeking to regulate the structure of EDB pricing and do not improve the information being disclosed [4] there are practical issues with requiring this information to be disclosed in RY24.
14. Horizon Networks does not currently collect some of the information required for disclosure such as meter category or if the connected consumer (which Horizon Networks does not have a contractual relationship with) is a residential consumer.
15. Reporting the details required by the Commerce Commission will be onerous and require Horizon Networks to develop systems and processes to collect and maintain consumer and metering information.[5]
16. Requiring EDBs to rebuild historic datasets and retrospectively change the way EDBs maintain, and report data is undesirable and creates regulatory uncertainty. This uncertainty means Horizon Networks cannot be certain that the way we are collecting and maintaining data now will be fit for purpose for the upcoming 2024 disclosures they were developed to comply with.
17. As noted in our 31 August 2022 submission *on Targeted Information Disclosure Review – Electricity Distribution Businesses Draft decisions paper – Tranche 1:*

    "If there is a desire to understand retrospective performance of the EDBs then existing data collection powers, not be subject to audit or director certification should be used, such as retrospective information requests under 53ZD of the Commerce Act."
18. Horizon Networks Recommends: The Commerce Commission amend the timing of disclosure requirements *for D5 – Work and investment on flexibility resources (non-traditional solutions)* and *D6 - Standardised pricing*

[2] https://comcom.govt.nz/__data/assets/pdf_file/0035/291869/Horizon-Networks-Submission-on-EDB-targeted-ID-review-draft-decision-paper-August-2022-4479912.1-.pdf

[3] See paragraphs 21 to 24

[4] Se paragraphs 31 to 39

[5] We note that information such as metering (both highest metering category and individual metering details, as populated by the metering equipment provider) and ANZSIC code (as populated by the retailer) are available from the electricity registry, however, the EDB has no control over this information, and we will not be able to demonstrate it is accurate enough to pass director scrutiny.

components including transmission costs to 31 August 2025 in order to give EDBs the time necessary to develop the systems and processes to comply and collect information from 1 April 2024.[6]

The draft decision appears to require further understanding of EDBs systems and processes

19. The statements made by the Commerce Commission regarding the amount of effort required to comply with the obligations, leaves Horizon Networks concerned that the Commerce Commission does not understand how our disclosure systems and processes work or what is required to set up our systems and processes to meet new obligations, to a level that can meet audit and director certification requirements.

20. Horizon Networks Recommends: Prior to issuing decisions, the Commerce Commission workshop potential solutions and timing with EDBs and affected stakeholders to ensure potential solutions and timeframes are achievable, practical and will provide meaningful information for stakeholders.

The draft decision may have unintended consequences

21. We also note that the Commerce Commission may not have considered the immediate impact its decisions (including this draft decision) will have on the behaviour of regulated entities.

22. For example, the draft decision D5 issued part-way through RY24, requiring separate reporting for non-traditional solutions from third-party service suppliers, for expenditure in RY24 (1 April 2023 – 31 March 2024) encourages EDBs who are not yet set up to comply in RY24 to avoid or defer this type of expenditure until RY25.

23. Incentivising regulated entities to temporarily avoid certain types of expenditure, so they can comply with retrospective information disclosure requirements is clearly undesirable and does not promote the purpose of Part 4 of the Act[7].

24. Horizon Networks is concerned that this draft decision risks undermining the market for non-traditional solutions from third-party service suppliers until RY25, when reporting systems can be in place to meet information disclosure requirements.

25. In addition to our concerns regarding the behaviour this draft decision incentivises, it is not clear if expenditure on non-traditional solutions not provided by third-party service suppliers should be disclosed. Horizon Networks would expect this information to be of use to interested parties.

D6: The standardised connection type reporting requirements do not align with the purpose of Part 4

26. In its draft decision on D6 *Standardised pricing components including transmission costs* the Commerce Commission has introduced standardised connection types and pricing components in Schedules 8(i) and (ii).

27. The Commerce Commission has also provided definitions for each standardised connection type and pricing component option.

28. Horizon Networks supports the standardisation of reporting and believes that disaggregating the distribution and transmission components at the level we currently disclose as well as the use of standardised price components can promote the purpose of Part 4 of the Act.

29. However, the prescriptive definitions for connection types suggest the need for an awareness of EDB pricing components. The draft decision risks poor consumer outcomes by requiring the release of information about some individual businesses' consumption and disaggregation of pricing using criteria at a level that does not improve the quality or usefulness of the information being disclosed.

30. Horizon Networks Recommends: The Commerce Commission does not proceed with the proposal to prescribe standardised connection type reporting, and instead works with EDBs and the Electricity Authority to identify how connection type standardisation can improve the information available to interested parties.

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[6] Depending on the date of the decision and changes required. Typically, EDBs should be given a minimum of six months to make relevant system and process changes before they need to start collecting and reporting new data for formal disclosure.

[7] Setting disclosure requirements without adequate time to practically implement necessary system and process changes undermines the incentives to innovate and to invest, including in replacement, upgraded, and new assets; and undermines incentives to improve efficiency and provide services at a quality that reflects consumer demands.

The draft standardised connections do not improve the information being disclosed

31. In Schedule 8(i) and (ii) the Commission is proposing that for each price category EDBs disclose the quantities and revenues by price category code, split by "standardised connection type".
32. The proposed standardised connection types are:
    - Residential (metering installation category 1)
    - Very small non-residential (metering installation category 1)
    - Small non-residential (metering installation category 2)
    - Medium non-residential (metering installation category 3)
    - Large non-residential (metering installation category 4)
    - Very large non-residential (metering installation category 5)
    - Unmetered connection
33. Requiring disaggregation of quantities and revenue by this 'meter category' criteria and residential / non-residential has the following key issues:
    - It is not useful to interested parties.
    - It relies on information EDBs do not hold and do not control.
    - It incentivises EDBs to price by meter category and type of customer instead of considering the cost to supply.

Disaggregation of quantities and revenue by meter category and customer type is not useful to interested parties

34. The proposed disaggregation will not improve interested parties understanding of pricing and will add unnecessary complexity.
35. At Horizon Networks, prices are set based on the capacity (in amps) and number of phases. This ranges from our 'standard' connection (single phase, 63 amp supply) through to our "Network maximum demand" connection, which (3 phase, anything over 100 amps).
36. The metering category is based on the voltage and supply current (in amps)[8]. A category 1 meter can handle up to 160 amps, meaning that all of our pricing categories can, under certain circumstances be metered by a category 1 metering installation.
37. As a result, separating pricing and quantities disclosures by metering category and customer type will not provide useful context for interested parties and risks disclosing individual businesses' consumption and distribution charges.
38. Using a snapshot of the "highest metering category" information in the registry[9], Horizon Networks expects it would need to report the following.

Type of Connection	Price Code	Meter Category	Number of ICPs
Standard Connections (1-phase) up to 63 amp connection	LUDR	1	3905
	LUDR-TOU	1	20
	LUDU	1	8107
	LUDU-TOU	1	47
	NDR	1	4611
	NDR-TOU	1	24
	NDU	1	5215
	NDU-TOU	1	31
	N2R	1	1530

[8] See Table 1 of Schedule 10.1 of the Electricity Industry Participation Code

[9] This information may not be accurate and is not held or controlled by Horizon Networks. It is the responsibility of the MEP to populate this information on the electricity registry. It also does not take into account how this information will change over the year or if there is more than one metering installation onsite.

Type of Connection	Price Code	Meter Category	Number of ICPs
Small (3 phase) up to 63 amp connection	N2R	2	6
	N2U	1	800
	N2U	2	5
Medium (3 phase) up to 100 amp connection	N3R	1	311
	N3R	2	9
	N3U	1	248
	N3U	2	17
Large (3-phase) over 100 amp connection [legacy price category]	N4R	1	9
	N4R	2	20
	N4U	1	13
	N4U	2	21
	N5R	1	1
	N5R	2	18
	N5U	1	3
	N5U	2	18
Large (3-phase) over 100 amp connection	NMDR	1	3
	NMDR	2	94
	NMDR	3	19
	NMDR	4	5
	NMDU	2	48
	NMDU	3	17
	NMDU	4	1
Major Customers	SPEC	1	1
	SPEC	2	2
	SPEC	3	3
	SPEC	4	7
	SPEC	5	5

39. Separating out pricing in Schedule 8 by meter category does not provide any additional useful information and will not allow stakeholders to more accurately analyse and better understand the performance of EDBs in the area of pricing, Horizon Networks believes this additional level of disaggregation adds unnecessary complexity and may in some cases result in EDBs disclosing individual consumers consumption and distribution charges.

Disaggregation of quantities and revenue by meter category and customer type relies on information that is not held or controlled by the EDB

40. Horizon Networks does not hold information or records regarding the metering installed onsite, or if the connection is residential / non-residential to a level of accuracy required for director certification purposes.

41. We acknowledge that there is information held in the registry, populated by the MEP (metering) and retailer (customer class) however this is regulated by the Electricity Authority and EDBs have no control over the accuracy of this information.

42. In terms of the customer class, while this information is on the registry as the ANSIC code, it will not provide the information required by the Commerce Commission because:

- The ANZISC code reflects the customer paying for electricity, not the use of the site.[10]
- The ANZISC code populated by the retailer is unlikely to be 100% accurate.

[10] See Clause 9(1)(k) of Schedule 11.1 of the Code. If the customer is a farm, but the use of the ICP is the farmer's house, then the retailer is required to populate an ANZIC code for the farm.

43. In terms of metering, as an EDB, Horizon Networks is not responsible for the provision of metering onsite. This is the obligation of the retailer, and their metering equipment provider (MEP). We could use the metering records in the registry, however, this relies on MEPs populating the information accurately and in a timely manner.

44. Horizon Networks does not support disaggregation of pricing by customer class and metering category as provided for in the draft decision and is concerned with the principle of this decision, namely that EDBs are going to be held responsible for the accuracy of information they do not hold, control or maintain.

Disaggregation of quantities and revenue by meter category and customer type incentivises EDBs to price by meter category and customer type

45. By setting the level of aggregation for reporting purposes to meter category and customer type, the Commerce Commission is incentivising EDBs to price by meter category and customer type. This is because it would reduce reporting costs, and complexity and align with the implied expectation set by Commerce Commissions in this decision that EDBs should price based on meter category and customer type.

46. This would result in high-capacity connections that only require CAT1 metering to be priced at the same as much lower-capacity connections, despite having a materially higher cost to serve.

47. This will also likely conflict with the Electricity Authority's distribution pricing reform workstream[11], which seeks to support efficient allocation of costs between consumer groups and pricing that signals the cost of using the network.

48. While the Commerce Commission has stated they are continuing to work closely with the Electricity Authority[12], it would be reassuring for the Commerce Commission and Electricity Authority to issue a joint statement regarding the regulation and disclosure of pricing information.

49. Horizon Networks Recommends: The Commerce Commission and Electricity Authority clarify how the proposed updates to reporting in Schedule 8(i) and (ii) align with the work on distribution pricing reform. This will help ensure EDBs develop pricing that can meet both the Commerce Commission and Electricity Authority's needs.[13]

50. We also note that the updates to Schedule 8(i) Billed Quantities by Price Component requires further understanding of distribution pricing. Each billed quantity has a transmission component and distribution component (for example for each day we may charge low users $0.35 for transmission and $0.10 for distribution). Requiring the quantities to be reported separately for distribution and transmission component of the quantity is resulting in the draft Commerce Commission template reporting an inaccurate total billed quantity.

Horizon Networks suggests minor changes to the standard price component

51. As noted in paragraph 28 in general, Horizon Networks supports disaggregating the distribution and transmission components as well as the proposed standardised price components.

52. Horizon Networks suggests the proposed standardised price components are updated to allow for fixed monthly charges. Additional standardised price components could include:

    - $/fixture/month – to accommodate streetlights and other load that is charged based on the number of fixtures per month.
    - $/month – to accommodate other load, such as telecommunication cabinets and major customers that are charged a fixed monthly fee.

AM6: Vegetation management reporting does not consider practical limitations

53. The Commerce Commission has decided to introduce disaggregated reporting for vegetation management. In many cases, the level of disaggregation required is unlikely to be auditable and relies on the subjective assessment of field staff.

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11 https://www.ea.govt.nz/projects/all/distribution-pricing/consultation/targeted-reform-of-distribution-pricing/

12 Paragraph 1.13 in the Targeted Information Disclosure Review 2024 draft decisions and reasons paper.

13 If it is the Commerce Commission's intention for EDBs to price based on meter category and type of customer connected, then this will require EDBs to restructure their pricing and shift away from the current cost-reflective approaches. Due to consultation and implementation requirements to align pricing with the proposed definitions this change would not be in place for at least two years (starting April 2026, for inclusion in disclosures provided in August 2027). As a result, if the Commerce Commission does proceed with this decision, the change should target the RY27 information disclosure.

Requiring disaggregated assessment of SAIDI and SAIFI by type of vegetation interruption in Schedule 10(ii) is not practical

54. The Commerce Commission is proposing to require EDBs to disclose vegetation interruptions into the causes of:
    - In-zone
    - Out-of-zone
    - Wind-borne debris
    - Related to inclement weather
    - Other
55. Horizon Networks is concerned that field staff will not be able to provide quality data while remaining focussed on ensuring consumers' power is promptly restored. While it may be simple to identify if an outage is vegetation-related, it can be difficult and subjective to determine if an outage was caused by an in-zone tree, an out-of-zone tree or if it meets the definition of 'inclement weather'[14]. This will result in delays to restoration, inconsistent classification of interruptions and a lack of traceable evidence that the correct criteria has been assigned.
56. The lack of consistent, traceable information will impact the auditability of this information and the work required by field staff to document the exact cause while still focusing on consumer needs.
57. Horizon Networks Recommends: The Commerce Commission simplify the breakdown of vegetation interruptions in Schedule 10(ii) to ensure that classification is clear, simple and auditable.

Requiring separation of vegetation management costs in Schedule 6b(i) is not practical

58. In Schedule 6b(i) the Commerce Commission requires EDBs to separate vegetation management costs into:
    - Assessment and notification costs
    - Felling or trimming vegetation – in-zone
    - Felling or trimming vegetation – out-of-zone
    - Other
59. The work required to manage vegetation is not separated into these costs, particularly when multiple trees are being felled or trimmed as part of a single job, some of which may be in-zone and some which may be out-of-zone.
60. It is also possible that where tree trimming is outsourced to a third party, costs such as felling and assessment are combined into one fee.
61. Horizon Networks Recommends: The Commerce Commission simplify the breakdown of vegetation management costs, so that tree felling and trimming is reported rather than splitting into in-zone and out-of-zone.

D3: Network constraint reporting changes mean EDBs will need to develop a 20-year AMP

62. In its decision the Commerce Commission is proposing substantial amendments to Schedule 12(b)(i), including adding the following requirements:
    - the current peak load period for a zone substation (i.e., the season current peak load occurred);
    - whether a zone substation is constrained or forecast to be constrained (i.e., by selecting a "Current constraint type" or "Forecast constraint type");
    - if a zone substation is currently or forecast to be constrained – the type of constraint (capacity or security), the primary cause of the constraint, the type of solution (where known) to address a constraint (e.g., through a demand response agreement with a large customer or aggregator), and how long any temporary solution is expected to be in place (current constraints only);
    - if a zone substation is not currently constrained, the available capacity before it becomes constrained;
    - forecast available capacity in 5 years and an approximate range of forecast available capacity in 10 and 20 years;
    - forecast peak load period and forecast security of supply classification in 5 and 10 years;

[14] The Cambridge Dictionary defines 'inclement' as *Inclement weather is unpleasant, especially with cold wind and rain.*

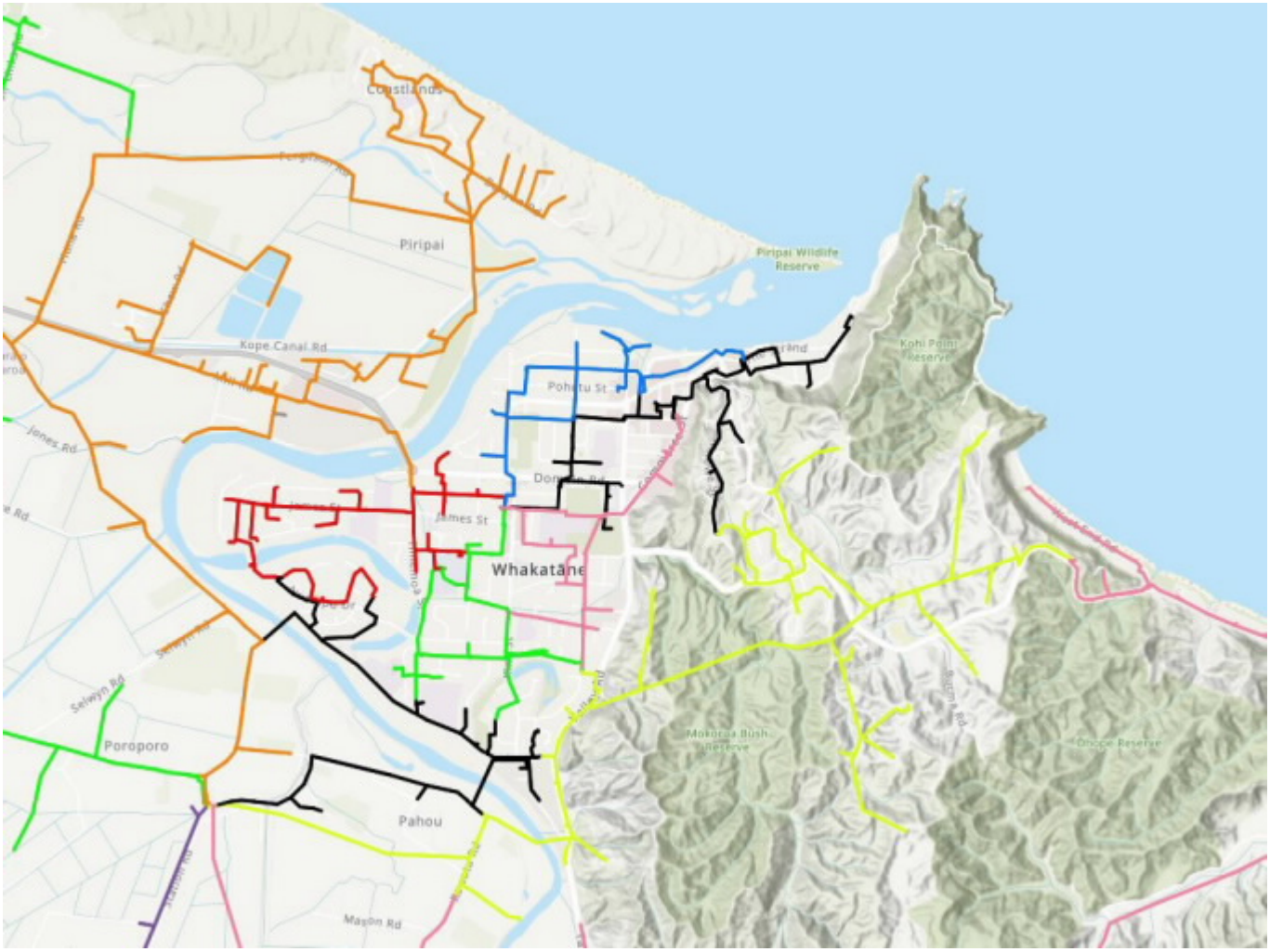
63. Horizon Networks is concerned that requiring disclosure of forecast available capacity up to 20 years will require extending the AMP from a 10-year horizon to a 20-year horizon. Looking at the changes in technology over the past 20 years, we do not think any 20-year forecast will be practical or meaningful, and disclosing a 20-year forecast may result in interested parties making poor business decisions based on inaccurate long-term forecasts.
64. A 10-year horizon, (updated annually) provides sufficient information to enable informed business decisions by the EDB and by interested parties.
65. Horizon Networks Recommends: The Commerce Commission limits all forecasts to the 10-year planning, consistent with existing AMP requirements.

There are technical challenges to reporting maximum available capacity and where Transpower is the source of the constraint

66. In addition to the concerns regarding the 20-year forecast of available capacity, Horizon Networks has two technical concerns regarding the draft decision:
    - It is not practical to provide a reasonable long-term forecast of the minimum available capacity.
    - Transpower should be reporting where the grid is the primary cause of a constraint.
67. The Commerce Commission is requiring EDBs to forecast both the minimum and maximum available capacity for each zone substation for the next 5, 10 and 20 years. Horizon Networks has been engaging with our major customers regarding their future development, including their intention for electrification. There is a high degree of uncertainty with these potential developments. Any changes in these potential developments by our customers could have a significant impact on the forecast of the minimum available capacity. Given these developments are not committed, can change as our customers explore electrification options and alternatives, and there is a high level of uncertainty in in the level of uptake of new technologies, it is not practical to provide a reasonable long-term forecast of the minimum available capacity.
68. The Commerce Commission is also requiring EDBs to disclose where Transpower is the primary cause of a constraint at a zone substation. It is not clear why EDBs should be disclosing Transpower constraints. Additionally, Transpower does not guarantee capacity, so the capacity of Transpower substations is shared across connected parties and as more parties connect to Transpower substations the capacity available to each party may change.
69. As a result, we believe that it is more appropriate for Transpower to report where there are constraints on its network.
70. Horizon Networks Recommends: The Commerce Commission does not require a long-term forecast of available capacity or the disclosure of Transpower caused constraints by EDBs.

D3: Geospatial boundary requirements are unclear

71. The Commerce Commission is proposing to require EDBs to disclose information about each of its zone substations in a commonly used geographical mapping format.
72. This information includes the boundary of the area it serves.
73. It is unclear what boundary the Commerce Commission is referring to, and if this boundary extends to the LV network. It is also unclear if the boundary should be a polygon encircling all properties and ICPs associated with each zone substation and feeder or if the Commerce Commission expects the boundary to be the extent of the feeders drawn as line features.
74. Horizon Networks supports the boundary being to the extent of the HV feeders drawn as line features. This information is readily available and will give interested parties the information they need. An example of this approach is below. Providing information on the HV network is sufficient to inform the interested parties that are interested in connecting large load or generation.
75. We also caution that while providing geographic information may provide benefits to prospective connecting parties, it does increase the risk that the information may be used maliciously.



76. Horizon Networks Recommends: The Commerce Commission clarify that the boundary referred to in clause 2.5.2A(4) is the HV boundary and not the LV boundary and specify the details required in the geospatial file are line features extending to the end of the HV network, identified by HV feeder and voltage.

In conclusion Horizon Networks supports the changes, but there are improvements that can be made

77. Horizon Networks supports the ENA submission and considers most of the proposed disclosure changes can be implemented, however, remains concerned with the timing of the new requirements, shift into the regulation of distribution pricing, the practicality of disaggregated vegetation management disclosure and the need to develop a 20-year AMP to support updated forecast requirements.

78. We remain optimistic that the Commerce Commission can address these issues so that timely, pragmatic and practical changes can be made to the information disclosure regime that supports the purpose of Part 4 and the needs of interested parties.

Yours Sincerely

[redacted]

Jonathon Staite
Regulatory Manager

[redacted]

HORIZON ENERGY DISTRIBUTION LIMITED