

31 January 2019

Dane Gunnell
Acting Manager, Price-Quality regulation
Commerce Commission
Wellington

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

Dear Dane

Re: Cross Submission on DPP RESET SUBMISSIONS on Issues Paper 15th November 2018

1. Introduction

Horizon Energy Distribution Limited (“Horizon Networks”) welcomes the opportunity to provide feedback to the Commerce Commission (“Commission”) on the submissions received on the issues paper; *Default price-quality paths for electricity distribution businesses from 1 April 2020*. Horizon Networks supports the recommendations in ENA’s two submissions, and where an alternative view is held by Horizon this has been covered in this cross submission by reference to the summary sections of the Part One and Part Two of the ENA submissions.

Part One

Step Allowances

Horizon Networks strongly supports consideration being given to making allowances for identifiable step changes in operating expenditure. Two potential examples of operating expenditure Horizon Networks considers are pending are:

- I. The costs to access low voltage data for network management from the MEP’s in conjunction with the retailer’s contractual agreements. Should amendments to the ID requirements include reporting on interruptions on low voltage (LV) lines, there will be a requirement to work with retailers to coordinate the regular supply of this data. Naturally Horizon Networks would seek not to incur additional costs that would be directly passed on to consumers, but that decision may be an output from the finalisation of the draft Default Distributor Agreement that is a current year workstream of the Electricity Authority (“EA”).
- II. The current EA program “It’s time to reform Distributor pricing” and the subsequent consultation paper on “More efficient distribution prices” dated 11 December will result in Horizon Networks investing in systems and processes that will meet the EA’s requirements for pricing reform. These costs are likely to be sizeable and currently do not form part of the baseline expenditure of Horizon Networks.

Part Two

Regulating Quality

3.4 Horizon Networks support a three out of five-year compliance standard for unplanned SAIDI and

SAIFI which in Horizon Networks' view would be more aligned to targeting consistent poor performance in a framework period and reducing the potential for false positives.

3.5a. Horizon Networks supports replacing the MED with the average daily value, on the basis that the average daily value is calculated from the 10-year reference data set by excluding MEDs.

3.7a. Whilst Horizon Networks have low volume in new connections the recommendation to introduce a measure for the average time taken to quote new connections would add a compliance cost that would not necessarily be of notable customer value.

3.10. Horizon Networks recommends that with the section 53ZD(e) request provided by EDB's during December 2018 there is an opportunity for the Commission to undertake further analysis based on the additional data available to inform and discuss the implications of any widening of the caps and collars band from one standard deviation to up to two standard deviations.

Please do not hesitate to contact the writer should you have any questions regarding the contents of this cross submission.

Yours faithfully



Nigel Hoare
Regulatory Manager
Horizon Energy Group