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Re: Consultation Paper-Transmission pricing review

Horizon Energy Distribution Limited ("Horizon Networks") welcomes the opportunity to provide feedback to the Electricity Authority ("EA") on the 2019 issues paper; *Transmission pricing review* ("TPM paper").

Horizon Networks supports the observations and recommendations in the Electricity Networks Association ("ENA") submission and equally we have our own points below in provided additional feedback on several questions within the TPM paper.

Horizon Networks is also a member of the TPM Group and supports the observations and recommendations in the TPM Group submission noting that the group engaged The Landau Group to provide an independent assessment of the TPM paper and if viable alternatives exist.

Horizon Networks notes the comments made that the current TPM allocation of interconnection charges by regional coincident peak demand (RCPD) *"does work in respect to the RCPD methodology albeit it is poorly targeted and too strong a signal of the value of peak usage of the grid"*.

Horizon Networks has observed in the most recent pricing year that the current TPM is prone to some skewing of outcomes that can occur on Horizon Networks' network. Such as when a large industrial customer who scheduled a shutdown and their demand reduction coincident to the LNI peaks occurred for a quarter of the 100 peaks. The impact on the change in allocation of costs year on year was material, a 22% drop in charges for the industrial customer which was redistributed to the remaining consumers on Horizon Networks' network.

Horizon Networks has noted by modifying the RCPD methodology perhaps using more peaks, (e.g. 200) this may assist with situations like the example provided above. Any extension to the number of peaks would likely reduce the impact down thereby smoothing this type of current distortion and ensuring a more consistent allocation of costs at the consumer level.

If ultimately the EA decide that a change in the RCPD methodology is required, Horizon Networks supports the ENA submission that the inclusion of a LRMC charge is recommended.

The ENA submission states *"the TPM proposal requires Transpower to demonstrate the need for a core locational price signal over and above that provided for in nodal pricing."*

ENA also state *"that the arguments in favour of a location specific LRMC charge were core to the Authority 2014 working paper on LRMC charges and would be surprised if Transpower did not argue strongly for the permanent inclusion of a LRMC charge."*

Horizon Network questions the EA's comments in 4.9 in respect to consumer benefits from more efficient grid use due to the growth in transmission alternatives and because *"the EA expects consumers in the*

mass market to become increasingly exposed to cost-reflective distribution pricing and real-time wholesale prices over time”

Horizon Networks considers the share of TPM costs both current and projected is unlikely to result in connected consumers becoming increasingly exposed to cost reflective pricing more so than what consumers are exposed to with Horizon Network’s current pricing.

This is due to Horizon Networks commencing the implementation towards cost reflective pricing several years ago and is well advanced towards a higher fixed daily charge for both components of distribution and transmission in line with a fixed cost business.

Horizon Network has advised the EA that the assumption for the treatment of the Aniwhenua Generation site as grid-connected is incorrect as Aniwhenua is physically connected to the Horizon Networks network. This generation should be treated as distributed generation, with the injection netted off, against Horizon Networks’ load in the calculation of Horizon Networks’ allocation of benefit-based charges in respect of the seven historical investments in Schedule 1 of the TPM paper.

Horizon Networks notes that the Aniwhenua generation will have no effect on Horizon Networks’ residual charges, as under the proposal, residual charges would be calculated on a “gross load” basis.

Horizon Networks notes that the additional generator (geothermal) connected within Horizon Networks distribution network at Kawerau nameplate TeAhiOMaui KA22 has been included in the existing modelling of the issues paper.

For clarification purposes only, Horizon Networks confirms that the generator situated at Matahina is directly connected to Transpower’s 110kV circuit.

Horizon Networks notes the indicative timeline in Figure 19 of the TPM paper which has a targeted date for implementation of 1 April 2024. As the TPM roadmap is a large piece of work and given the system changes required, Horizon Networks would encourage the EA to ensure appropriate time is factored in for Transpower to submit a draft TPM to the EA such that this can appropriately be factored into timing for all stakeholders.

Please do not hesitate to contact the writer on 07 3062972 should you have any questions regarding the contents of this submission.

Yours faithfully



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