

26 March 2025

Electricity Authority  
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By email: [taskforce@ea.govt.nz](mailto:taskforce@ea.govt.nz)

## **Horizon Energy Distribution Limited (Horizon Networks) submission on Requiring distributors to pay a rebate when consumers supply electricity at peak times (Energy Competition Task Force initiative 2A)**

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1. Thank you for providing us with the opportunity to provide feedback on Requiring distributors to pay a rebate when consumers supply electricity at peak times.
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. Horizon Networks supports the underlying principle that users of the network should be fairly rewarded for behaviour that reduces network costs. We appreciate the pragmatic approach the Electricity Authority has taken in considering a 'fit for purpose' regime that is flexible enough to meet
4. In addition to the response in Appendix A, we would like to emphasise that the proposed timeframes are unrealistic and do not consider the increasing regulatory burden being placed on participants.

### ***The proposed timeframes are unrealistic and do not consider the increasing regulatory burden being placed on participants***

5. The consultation paper stipulates that EDB's 2026 pricing methodologies, published prior to 1 April 2026 will need to be updated to meet any new Code requirements.
6. This timeframe is unrealistic for two key reasons:
  - It takes time to develop and consult on new price methodologies; and
  - The Electricity Authority is already signalling that EDBs may need to reform connection pricing by 1 April 2026, consuming the same internal resources that would be required to deliver use of system pricing reform.
7. Horizon Networks would like to remind the Electricity Authority that we are a small, trust-owned EDB. We rely on a small pool of highly skilled staff to support the day-to-day running of the business, meet existing obligations and implement regulator-imposed changes.
8. As it stands the numerous other pricing reform consultations released by the Electricity Authority over the past twelve months have resulted in conflicts of priority with work on the pricing reforms as signalled in our pricing methodology.
9. While regulator-mandated pricing changes continue to consume our limited resources, we are constrained to pursue other pricing reforms, including addressing the areas for reform signalled in the Electricity Authority's open letter dated 20 May 2024<sup>1</sup>.
10. The Electricity Authority needs to recognise small EDBs such as Horizon Networks are not resourced to rapidly implement multiple, complex elements of pricing reform in parallel with each other. The Electricity Authority's timeframes and expectations need to reflect the capabilities and resourcing within EDBs.

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<sup>1</sup> [https://www.ea.govt.nz/documents/4980/Open\\_letter\\_to\\_distributors\\_distribution\\_pricing\\_reform.pdf](https://www.ea.govt.nz/documents/4980/Open_letter_to_distributors_distribution_pricing_reform.pdf)

**It takes time to develop and consult on new price methodologies**

11. The pricing methodologies are an information disclosure requirement of the Commerce Commission<sup>2</sup>.
12. Before any material change is made to the pricing methodologies, EDBs need to:
  - Undertake robust, defensible analysis, to understand and explain how any changes to the pricing methodology will better meet business and stakeholder needs.
  - Consult with consumers and retailers on any changes to the methodologies used to calculate prices, including the addition or removal of price category codes.
13. In order for Horizon Networks to be able to identify and quantify where small-scale distributed generation (DG) is providing network benefits, we need access to HHR smart meter data. HHR data will give us the visibility we need to quantify where DG is providing network benefits.
14. Under the Electricity Task Force 2B and C proposals, we understand that retailers may be required to provide half-hour (HHR) metering data from 1 January 2026. We question if this timeframe is realistic.
15. In order to undertake meaningful analysis, we would need at least 12 months of HHR data.
16. As a result, meaningful analysis to inform payment to DGs could only start 12 months after we start receiving HHR data.
17. Once we have 12 months of HHR data it will take around six months to undertake the analysis and develop a new pricing proposal.
18. This proposal will then need to be integrated into a consultation package for retailers and a separate consultation package for consumers. These consultations will take at least three months to develop, consult and analyse responses.
19. Once the proposal is finalised following consultation, there will be additional time required to update the models and structures for pricing.
20. Once prices are finalised, we are required to provide consumers, retailers and our large customers with up to 40 business days' notice of the upcoming changes.
21. If the Electricity Authority is inclined to proceed with the proposal, and HHR meter data is made available from 1 January 2026, then we would suggest:
  - Analysis can start in after 12 months of HHR data is available.
  - Consultation could occur within the subsequent year.
  - Prices could be offered around two years from when HHR data is made available.

**The Electricity Authority is already signalling that there will be significant reform of connection pricing for 1 April 2026.**

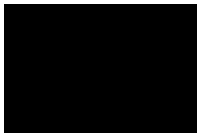
22. The Electricity Authority has already signalled that EDBs will likely be subject to connection pricing regulation from 1 April 2026.
23. One possible outcome of this reform is that EDBs will be required to develop models and set elements of connection charges at different levels to 2025.
24. If this occurs it will consume our limited internal resource, leaving very limited scope for other regulatory changes and pricing reform, including the pricing reform proposed in this consultation.
25. The Electricity Authority needs to carefully consider its priorities and set realistic timelines that prioritise the outcomes the regulator wants the most.
26. **Horizon Networks recommends:** The Electricity Authority work with participants to set realistic deadlines that consider the wider Electricity Authority and Commerce Commission work programmes and the ever-increasing regulatory burden on EDBs. We would expect this to include a prioritisation process that helps direct EDBs to focus on the changes that matter most to the regulators.

<sup>2</sup> Clause 2.4.1 of the *Electricity Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024*

*In conclusion, Horizon Networks supports the principle that users of the network should be fairly rewarded for behaviour that reduces network costs but is concerned that the proposed timeframes do not appreciate the work required to implement, and conflicting regulator priorities regarding pricing reform*

27. Horizon Networks supports the principle that users of the network should be fairly rewarded for behaviour that reduces network costs. This aligns with our current understanding of the distributed generation pricing principles.
28. With the information currently available, Horizon Networks has not identified any avoidable costs that can be attributed to generators. This could change if we have access to HHR meter data.
29. The work required to develop new prices is not trivial and needs to be prioritised within the wider programme of industry change and regulator-issued priorities. Within the known programme of work and signalled Electricity Authority and Commerce Commission, and assuming we have access to necessary data, Horizon Networks considers it could be realistic to have DG 'rebates' in place within the next three years.
30. We look forward to working with the Electricity Authority and Commerce Commission to reform pricing in a manner that benefits networks and consumers, at a pace that recognises the limited resources available within EDBs to meet the ever-increasing expectations of the regulators.

Yours Sincerely



Jonathon Staite  
Regulatory Manager

[Redacted line]

**HORIZON ENERGY DISTRIBUTION LIMITED**

## APPENDIX A: FORMAT FOR SUBMISSIONS

Questions	Comment
<b>Problem Definition</b>	
Q1. Do you agree with the problem definition above? Why, why not	<p>Horizon Networks understands that the problem definition is:</p> <p><i>existing distribution pricing arrangements do not provide an efficient incentive for mass-market customers with DG to inject at times and locations where this would provide network benefits</i></p> <p>Horizon Networks does not agree with this problem definition. The existing distribution pricing principles require:</p> <p><i>Charges to be based on recovery of reasonable costs incurred by distributor as a result of connecting the distributed generator and to comply with connection and operation standards within the distribution network, and must include consideration of any identifiable avoided or avoidable costs</i></p> <p>In 2023 Horizon Networks, as part of its distribution pricing roadmap, conducted an internal review of how all DG was contributing to incremental costs and avoided or avoidable costs.</p> <p>As part of this review, it was clear that for any given DG, costs could not be avoided unless the DG behaved in a way that consistently met network needs. The only way of achieving this was to have the DG contracted to provide network support services.</p> <p>Network upgrades (which the paper suggests can be deferred by DG), are designed to meet peak capacity. Unless it can be proven that the DG (or combination of DGs) is guaranteed to reduce 100% of the peaks, there is no network benefit, and no ability to reduce network costs by avoiding expenditure.<sup>3</sup></p> <p>Simply offering a volume-related price to DG where there is no guaranteed behaviour will create a cross-subsidy that increases the cost of electricity to consumers.</p> <p>As a result, we do not believe the existing pricing arrangements are not providing an efficient incentive, as in order for DG to be providing a network benefit it needs to be certainty that the DG will generate at the times it is needed.</p> <p>However, with access to better information, including HHR metering data it could be possible to gain more granular insights into where DG is contributing to incremental costs and avoided or avoidable costs.</p>
<b>Proposed solution: principles-based rebates</b>	

<sup>3</sup> Assuming this network has "N" security.

Questions	Comment
Q2. Do you agree with these principles? Why, why not?	<p>Horizon Networks does not agree that the “proposed principles for pricing injections from mass-market consumers” meet the definition of a principle.</p> <p>A principle is: <i>a basic idea or rule that explains or controls how something happens or works</i> <sup>4</sup></p> <p>Within the context of regulation, principles are fundamental guidelines that help ensure regulations are effective, fair, and efficient.</p> <p>For example, the distribution pricing principles include the principle that: <i>Prices are to signal the economic costs of service provision, including by:</i></p> <ul style="list-style-type: none"> <li>• <i>being subsidy free (equal to or greater than avoidable costs, and less than or equal to standalone costs);</i></li> <li>• <i>reflecting the impacts of network use on economic costs;</i></li> <li>• <i>reflecting differences in network service provided to (or by) consumers; and</i></li> <li>• <i>encouraging efficient network alternatives</i></li> </ul> <p>The “principles” proposed in Box 3 do not meet the definition of a principle and are instead a set of obligations that EDBs must follow.</p> <p>Horizon Networks believes that the underlying intent, and principle is that use of system charges for DG should <i>include consideration of any identifiable avoided or avoidable costs</i>.</p> <p>If the principle is that <i>use of system charges for DG should include consideration of any identifiable avoided or avoidable costs</i>, then Horizon Networks believes that the proposed obligations set out in Box 3 set out a process that is one way of consistently achieving this principle.</p>
Q3. Do you agree that the principles should only apply to mass-market consumers, or should they apply to larger consumers and generators also? Why, why not?	<p>Horizon Networks believes the underlying principle that <i>use of system charges for DG should include consideration of any identifiable avoided or avoidable costs</i> should apply to all DGs.</p> <p>However, as the paradigm and contracting arrangements for small-scale DG are very different from large-scale DG, it is appropriate for any prescriptive obligations to be solely targeted to small-scale DG.</p> <p>The small-scale DG relies on modelling a large number of disaggregated generators behaviours to identify how aggregate benefits are being achieved. Any individual generator may not support all peaks, but on-mass it is theoretically possible for small-scale DGs to provide a minimum level of guaranteed support.</p> <p>Large-scale DG has a more directly quantifiable impact that can be incentivised via contractual arrangements. As a result, the prescriptive</p>

<sup>4</sup> PRINCIPLE | English meaning - Cambridge Dictionary

Questions	Comment
	regulations proposed could work for small-scale DG but will not work for large-scale DG.
Q4. Do you agree the principles should apply to all mass-market DG, including inflexible generation (noting that the amount of rebate provided will still be based on the benefit the DG provides)?	<p>If the rebate can be provided based on the benefit the DG provides then yes, there is no harm in applying the principle that <i>use of system charges for DG should include consideration of any identifiable avoided or avoidable costs</i> to all mass-market DG.</p> <p>Horizon Networks note that a partial response is likely to have little or no impact, and it will not be possible to quantify the true benefit each DG provides ahead of time, so there will be a strong reliance on the requirement to account for the practicality of implementation when deciding how to meet this principle.</p>
Q5. Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not?	<p>Horizon Networks supports the use of guidance to help ensure EDBs implement solutions that are broadly consistent. Any guidance should be developed in collaboration with stakeholders.</p> <p>Horizon Networks notes that to start implementing any changes, guidance needs to be issued and finalised. This needs to be considered when determining implementation timelines.</p>
Q6. Are there any additional issues with the principles where guidance would be particularly helpful?	<p>Horizon Networks supports the direction of guidance that EDBs are not required to share 100% of the savings with generators (as is required under the current 'incremental benefit' distributed generation pricing principles). The creation of DG prices will be very complex, resource intensive and require approximations and metering data at a level of granularity Horizon Networks does not currently have. This makes it virtually impossible to set a perfectly accurate rebate level.</p> <p>Horizon Networks is concerned that similar to the Electricity Authority's proposed mandatory TOU pricing, retailers will not pass through price signals to consumers, resulting in a windfall gain for the retailers. Retailer pass-through should be part of the guidance and at a minimum retailer pass-through should be monitored to ensure that generators are receiving a signal for generating during peak periods.</p> <p>Horizon Networks is not convinced that creating a two-tier pricing system which rewards first-movers would provide a net benefit.</p>
Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code? Why, why not?	<p>Horizon Networks believes the Electricity Authority's work on the distribution pricing principles (which sit outside of the Code) has been successful in lifting all EDB's approach to pricing.</p> <p>Horizon Networks notes that the Commerce Commission requires the pricing methodology to demonstrate how it is consistent with the pricing principles and explain the reasons for any inconsistency between the pricing methodology and the pricing principles.</p> <p>For consistency, Horizon Networks believes that a similar approach should be taken for the regulation of DG 'rebates'.</p>
Q8. Do you agree with the proposed implementation timeline for this proposal? If not, please set out your preferred timeline and explain why that	No. We consider the Electricity Authority's portrayal of the timeframes is misleading and contradictory for two reasons:



Questions	Comment
is preferable.	<ul style="list-style-type: none"> <li>If the proposed Code amendment comes into force on 1 April 2026, it would not impact the 2026-27 pricing year, as pricing methodologies will have been set and published on or prior to 31 March 2026.</li> <li>The statement that the rules do not prohibit distributors from changing prices mid-year is misleading. EDBs are only permitted to change prices once a year, and as all EDBs have changed prices effective from 1 April 2025, the earliest the next price change can be is 1 April 2026.</li> </ul> <p>Additionally, the expectation that the pricing methodologies for 2026/27 will include payments to DG demonstrates a lack of understanding of the work required to establish new price categories, including the need to define the areas, quantify the benefits and consult in new codes for those areas.</p> <p>Horizon Networks does not currently receive HHR meter data for most of its mass-market ICPs, including ICPs with DG. As a result, we do not have the information required to quantify the benefits for 2026/27.</p> <p>Even if Horizon Networks did hold sufficient information, we can only change prices once a year and are expected consult with consumers and retailers regarding changes to the pricing methodology.</p> <p>Expecting Horizon Networks to be in a position to have a price category in place by 1 April 2026 would require Horizon Networks to:</p> <ol style="list-style-type: none"> <li>Have access to information it does not currently hold.</li> <li>Ignore its existing price setting and consultation obligations.</li> </ol>
Q9. Do you agree the proposal strikes the right balance between encouraging price-based flexibility and contracted flexibility? Why, why not?	<p>The proposal appears to be flexible enough to be able to strike the right balance between price-based flexibility and contracted flexibility.</p> <p>Contracted flexibility provides a guaranteed response, which justifies a premium above a price-based response that relies on a minimum assumed response.</p>
Q10. Do you agree the proposal will lead to relatively minor wealth transfers in the short term, and will lead to cost savings for all consumers in the longer term?	No comment.
<b>Alternative option: prescribed rebates</b>	
Q11. Do you agree that more prescriptive requirements to provide rebates will be less workable than a principles-based approach, and therefore should not be preferred? Why, why not?	Horizon Networks agrees that prescriptive requirements do not consider the unique characteristics within each network. Prescriptive regulations are more likely to result in inefficient outcomes that do not benefit consumers.
<b>Alternative option: consumption-linked injection tariffs</b>	
Q12. Do you agree that a consumption-linked injection tariff would not be sufficiently targeted, and therefore should not be preferred? Why, why not?	<p>Horizon Networks agrees that a consumption-linked injection price would not be sufficiently targeted.</p> <p>Consumption-linked prices include recovery of costs that are not linked to the deferral of investment, such as maintenance and business</p>

Questions	Comment
	support. Mirroring the consumption and injection price would result in DG being paid more than the value of the avoidable costs.
<p>Q13. If this approach was progressed, do you think:</p> <p>a) injection rebates should perfectly mirror consumption charges?</p> <p>b) there are sufficient safeguards in place that would allow distributors to avoid over-incentivising injection to the extent that it incurs additional network costs?</p>	<p>a) Injection rebates should not mirror consumption changes. As noted in our response to Q12, consumption charges recover the costs of providing assets at peak but also cover all other costs associated with running an EDB.</p> <p>b) No. This alternative proposal for a consumption-linked injection price would risk overcompensating generation. To fully avoid growth costs, EDBs would need the minimum guaranteed generation to match the network peaks. This means that the maximum expected generation would be significantly higher and risks over-paying generators and driving additional network costs to support the maximum expected generation.</p>
<b>Regulatory statement</b>	
Q14. Do you agree with the objective of the proposed amendment? If not, why not?	<p>Horizon Networks understands the objective is <i>to ensure distribution pricing for mass-market consumers with DG appropriately incentivises investment in and operation of DG when and where it provides network benefits by avoiding or deferring network costs</i></p> <p>Horizon Networks agrees that where DG is providing a quantifiable network benefit, this should be reflected in its distribution charges.</p>
Q15. Do you agree the benefits of the proposed amendment outweigh the costs?	<p>The benefits and costs provided are too speculative for Horizon Networks to determine if the benefits will outweigh the costs.</p> <p>As noted in our cover letter, the most important issue is the need for the Electricity Authority to set practical deadlines and consider the impact of the full suite of regulatory changes EDBs are working through.</p> <p>There is an opportunity cost in implementing this pricing reform too quickly. In addition to the costs of poorly implemented regulation, it also means other impactful pricing reforms (including Horizon's work on its pricing reform roadmap) are deferred, delayed or abandoned.</p>
Q16. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2010.	<p>Horizon Networks agrees the proposed amendment is preferable to other options presented in the consultation paper.</p> <p>Horizon Network considers a preferable alternative would be to incorporate the DG rebate pricing principles into the distribution pricing principles.</p> <p>This would achieve the same outcome as the Code change and allow consumer benefits to be realised while utilising existing information disclosure mechanisms.</p>
<b>Proposed amendment Code drafting</b>	
Q17. Do you have any comments on the drafting of the proposed amendment?	<p>It is not clear where in the Code this proposal would sit. As noted, we consider this may be better suited as an information disclosure requirement.</p> <p>Horizon Networks believes the drafting is flexible enough to allow for innovative solutions that meet network's needs.</p>