Horizon Networks

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Electricity Authority
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By email: distribution.pricing@ea.govt.nz

Horizon Energy Distribution Limited (Horizon Networks) submission on further reform of distribution connection pricing

1. Thank you for providing us with the opportunity to provide feedback on further reform of distribution connection pricing.
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 Electricity Authority's (Authority's) objective to promote efficient pricing that supports the long-term benefit of consumers through cost reflectivity, allocative efficiency, predictability, incentive alignment, consistency and transparency, and contestability[1].
4. Horizon Networks is concerned that the Authority has not clearly established evidence as to the scale, nature or basis of the problems the proposed connection pricing reforms are intended to address. The consultation material identifies theoretical concerns and outcomes but does not identify the extent to which existing connection pricing arrangements are producing inefficient, anti-competitive or consumer-harm outcomes. Nor does the consultation material provide specific examples demonstrating that anti-competitive conduct by EDBs exits or is a material and systemic issue requiring regulatory intervention. Before progressing significant reforms that may alter risk allocation, customer choice and contestability, Horizon Networks considers the Authority should clearly identify the behaviour it seeks to change, demonstrate the materiality of the problem, assess the costs and benefits of intervention, and consider whether targeted competition and transparency measures could achieve the desired outcomes without displacing existing competitive market mechanisms.
5. Horizon Networks is also concerned that some of the options identified in the issues paper may incentivise behaviours that undermine efficient pricing and long-term consumer benefit.
6. Specifically, the proposed allocation methodologies:
   - risk undermining competition for the provision of connection services; and
   - would shift greater financial responsibility for connection costs onto EDBs, incentivising EDBs to mitigate cost risk through increased control over connection asset investment decisions.
7. Of relevance is the Commerce Commission's 13 August 2026 letter to electricity networks regarding competition in connection works[2]. Horizon Networks supports the Commission's expectations that, wherever safe and practicable:
   - consumers should have a choice of provider for connection works,
   - EDBs should clearly identify contestable and non-contestable works; and
   - EDBs should apply transparent, non-discriminatory processes for approving and managing third-party providers.
8. Connection pricing reform needs to be developed with competition and consumer choice in mind, so that pricing regulation supports rather than replaces efficient competition in connection works.

[1] Paragraph 2.5 of *Further_Reform_of_Distribution_Connection_Pricing_-_Issues_Paper*
[2] Available at: https://www.comcom.govt.nz/news-and-media/news-and-events/2026/commerce-commission-sets-expectations-for-competition-in-electricity-connections/

Allocation of risk is a central principle that drives behaviour, and efficient outcomes

9. A key economic principle is the allocation of risk, and that risk should be borne by those best placed to manage the risk.

10. This is a fundamental concept within the Commerce Commission's Input Methodology decision-making framework[3].

    Allocation of risk: ideally, we allocate risks to suppliers or consumers depending on who is best placed to manage the risk, unless doing so would be inconsistent with section 52A. In line with section 52A(1)(a) and (b), appropriate risk allocation and, where relevant, appropriate compensation for the risks carried, maintains incentives to invest and promotes efficient behaviour;

11. Allocating risk to those who are best placed to manage the risk promotes efficient behaviour.

12. The Authority's proposed allocation methodology reforms should therefore be assessed not only on where costs are allocated, but also on how risks are allocated and the behaviours that allocation of risk is likely to encourage.

Behavioural impacts should be assessed explicitly.

13. Regulation is about influencing people's behaviour to improve outcomes for all New Zealanders.[4]

14. As a result, the key aspect of any regulation should be to consider how it will influence the behaviour of all stakeholders.

15. Horizon Networks considers it is fundamental to the reform of connection pricing that behavioural responses are assessed and communicated.

16. The allocation methodologies within the Issues Paper largely focus on the direct allocation of costs between connection applicants, EDBs and existing consumers. However, changes in risk allocation are also likely to influence the behaviour of EDBs, connection applicants and contractors.

17. These behavioural responses may have a greater impact on efficiency than any direct cost allocation. In particular, where risk is transferred to EDBs, EDBs can reasonably be expected to seek greater influence over the decisions that determine those costs. The Authority should therefore explicitly assess both the direct and indirect effects of allocation methodology reform.

18. Being explicit about the behaviours the regulator expects to incentivise through these changes will make the intended behavioural outcomes clear and reduce the likelihood that the Authority will need to introduce further regulation if unintended behavioural responses emerge.

Connecting parties are best placed to manage connection risk

19. Under Horizon Networks' customer-funded vested asset model, connection applicants procure their dedicated connection assets from an authorised provider.

20. This means that the connection applicant can:

    - determine whether projects proceed
    - determine timing
    - influence scope
    - select contractors
    - negotiate prices
    - decide design trade-offs

21. The connection applicant has the greatest practical ability to manage construction and procurement risk. They can choose between competing providers and delivery options, balancing both price and non-price attributes, and therefore are best placed to bear the risks associated with those decisions.

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[3] Commerce Commission Input-methodologies-2023-Decision-Making-Framework-paper-12-October-2022.pdf paragraph X24.2

[4] Quick-Guide-Regulation-in-New-Zealand.pdf

22. Where customers retain decision-making authority over these matters, allocating construction and procurement risk to customers reinforces efficient decision-making by ensuring that the party making the decision also bears the financial consequences of that decision.
23. This strong alignment between risk and the customers' ability to control the risk is a strength of Horizon Networks' vested asset model.

Requiring EDBs to fund vested assets is inconsistent with the regulatory frameworks that apply to distributors

24. Under the allocation methodology options contemplated in Table 3.2 of the Issues Paper, Horizon Networks would be required to make a payment to a connection applicant for assets that the applicant has specified, procured and had constructed. The Issues Paper recognises this consequence directly, noting that an allocation cap amounts to requiring distributors to contribute to financing new network assets, including by contributing to customer connection asset costs where applicable.
25. The amounts involved would be material for a distributor of Horizon Networks' size, both in relation to Horizon Networks' regulated capital programme and in relation to the revenue it recovers from the consumers it serves.
26. Horizon Networks does not raise this as a matter of commercial preference. Our concern is that a contribution requirement would produce outcomes that are inconsistent with the regulatory frameworks within which both the Authority and the Commerce Commission make decisions.
27. Horizon Networks is a non-exempt distributor subject to the default price-quality path. Any contribution Horizon Networks makes towards connection assets becomes regulated capital expenditure, recovered from all consumers through lines charges over the life of the asset. Costs that are presently borne in full by the connecting party would instead be spread across the wider consumer base over a period of decades. That is difficult to reconcile with the Authority's own objectives that connections should not be subsidised, and that connection charges should be cost-reflective.
28. The same requirement would place cost risk on the party least able to control it. Under the default price-quality path, Horizon Networks' capital expenditure is subject to a revenue allowance and to the incremental rolling incentive scheme. Horizon Networks would therefore bear a share of any difference between allowed and actual expenditure on assets whose scope, timing, contractor and price were all determined by the connection applicant. The Issues Paper acknowledges that under an in-kind contribution model the distributor does not have direct visibility of the cost of the works, and that obtaining consistent cost information from suppliers is practically difficult. The result is that Horizon Networks would be exposed to a regulatory efficiency incentive in relation to expenditure that it cannot verify, let alone manage.
29. That outcome is inconsistent with the risk allocation principle set out above. A requirement to fund customer connection assets would deliberately separate the decision from the financial consequences of the decision, which is contrary to the alignment that section 52A of the Commerce Act 1986 is directed towards, and the opposite of the incentive alignment objective the Authority has identified for connection pricing.
30. There is also a capital management consequence. Additional regulated capital expenditure must be funded in advance of recovery. For a small trust-owned distributor that constraint is more binding than it is for a large distributor, and it is not a constraint that a uniform allocation methodology applied across all distributors would recognise.
31. Horizon Networks notes the Authority's observation that some distributors already combine in-kind contributions with distributor contributions to costs, and that this does not appear to be a significant issue. In Horizon Networks' experience, the practicality of that combination depends on the scale of the distributor, the depth of the contestable contractor market on its network, and the proportion of its capital programme that connection assets represent. That the combination is workable for some distributors is not evidence that it is efficient, nor that it should be required of all distributors.
32. Horizon Networks therefore submits that the Authority should assess each allocation methodology option against its effect on the apportionment of cost between connection applicants and consumers generally, and against the interaction between any obligation to contribute to dedicated connection assets and the expenditure allowances and incentive mechanisms that apply under the default price-quality path, before concluding that a nationwide non-zero allocation factor improves efficiency.

Contestability drives strong efficiency incentives

33. Robust competition to supply equipment and works can provide a powerful mechanism for promoting efficient costs and should be considered alongside any proposal to regulate the allocation of the costs of connection assets.

34. Customers can compare suppliers, contractors can compete for work, and competitive pressure provides a direct mechanism for cost discipline.
35. The customer-funded vested asset model already subjects connection costs to market-based efficiency incentives through competition, customer choice and commercial negotiation. These incentives should not be assumed to be inferior to regulatory efficiency mechanisms.
36. Contestability must be supported by clear and transparent rules. Horizon Networks is actively working to improve competition on our network, including developing an external contractor management framework to improve the ability for new providers to undertake customer connection works on the network. This framework aligns with the expectations of the Commerce Commission's 13 August 2026 letter and is intended to clarify all aspects of the approval process including contestable and non-contestable work, accreditation and onboarding requirements, non-discrimination controls, access to network information, design review and approval processes, quality assurance, audit, performance monitoring, dispute pathways and offboarding arrangements.

The proposed reforms transfer risk in a way that will influence EDBs' decisions and undermine efficient pricing and long-term consumer benefit.

37. Several allocation methodology options contemplated in the Issues Paper would require EDBs and its current consumers to contribute towards connection assets or otherwise bear a greater proportion of connection cost risk.
38. Those options are set out in Table 3.2 of the Issues Paper: a standard connection process (B1), a standard allocation formula (B2), an allocation floor (B3), a change limit (B4), an allocation cap (B5), an allocation band (B6) and negative connection charges (B7). These options would in practice require Horizon Networks to contribute towards the cost of connection assets.
39. Horizon Networks submits that none of the options B1 to B7 should be applied to a distributor that can demonstrate competition for connection works, for the reasons set out below and in the recommendation at the end of this submission.
40. Conversely, where an EDB is exposed to risks arising from decisions made by others, it would be expected to seek greater visibility and influence over those decisions in order to manage its financial exposure.
41. As a result, transferring connection risk to EDBs incentivises EDBs to manage that risk.

Reallocating risk is likely to reallocate decision-making authority

42. Risk transfer leads to control transfer.
43. Where distributors become financially exposed to connection costs, they are likely to introduce additional governance, approval and assurance processes to manage that risk. While individually rational, these responses may increase transaction costs, extend delivery timeframes and reduce flexibility for connection applicants. These impacts should be considered alongside any expected efficiency benefits from increased distributor cost exposure.
44. If EDBs become more financially responsible for connection costs, they can reasonably be expected to seek greater influence over the factors that drive those costs, including:
    - whether projects proceed
    - timing
    - scope
    - selection of contractors
    - negotiation of prices
    - deciding design trade-offs
45. This is a logical response to financial exposure, and the incentives created by exposing EDBs to financial risk.
46. The Authority should therefore recognise that transferring financial risk to EDBs may also transfer practical decision-making authority away from connecting parties and towards EDBs.

Control transfer risks undermining contestability

47. If an EDB is exposed to financial risk, this may lead to greater control over the procurement process, and consequently a reduction in competitive procurement for connection services.
48. This can weaken contestability, which is ultimately the competitive pressure that drives efficiency and positive consumer outcomes.

49. There is a risk that allocation methodologies designed to strengthen regulatory incentives may unintentionally displace existing competitive incentives that are already delivering efficient connection procurement outcomes.

Regulatory incentives are not always more efficient than market incentives.

50. The Authority notes that under its proposals, EDBs will be more exposed to regulatory efficiency incentives and that this could strengthen incentives to manage connection costs[5].
51. Horizon Networks agrees that such incentives are important. However, regulatory incentives should not automatically be assumed to be superior to market-based incentives where customers have meaningful choice of supplier and procurement method.
52. Before taking action that risks undermining established connection markets, the Authority should assess whether market incentives can or already are delivering efficient outcomes.

The customer-funded vested asset model is an established solution to the connection pricing issues of cost reflectivity, allocative efficiency, predictability, incentive alignment, consistency and transparency, and contestability

53. Horizon Networks' customer-funded vested asset model:
    - allocates costs to the causers
    - allocates risk to beneficiaries
    - supports contestability
    - minimises cross-subsidisation
    - incentivises efficient procurement
54. These characteristics are consistent with the objectives outlined in the consultation paper as follows:
    - **Cost reflectivity** – Connection applicants directly fund the assets required to support their connection. This creates a direct relationship between the cost of the connection and the charge faced by the applicant.
    - **Allocative efficiency** – Applicants face the cost consequences of decisions relating to connection size, timing and design. This encourages efficient investment decisions and discourages over-specification.
    - **Predictability** – Applicants receive competitive market pricing before proceeding with the investment and can choose whether and when to proceed.
    - **Incentive alignment** – The party making procurement and design decisions bears the resulting costs. Risk, decision-making and financial responsibility remain aligned.
    - **Consistency and transparency** – Customers receive direct visibility of contractor pricing and procurement decisions. Costs are observable and can be tested through competitive procurement.
    - **Contestability** – The model allows multiple authorised providers to compete for connection works, creating market pressure to improve price and service quality.
55. The customer-funded vested asset model also satisfies the specific objectives the Authority has identified for allocation methodologies:
    - **Connections are not subsidised** – Because the connecting party funds the whole of the assets dedicated to its connection, connection charges necessarily sit at or above the subsidy-free level.
    - **Charges are cost-reflective** – The charge faced by the applicant is the price the applicant itself negotiated in a competitive market, for the works the applicant specified.
    - **Distributors are incentivised to optimise investment** – Horizon Networks remains responsible for shared network investment, where its own decisions and expenditure are already subject to default price-quality path incentives. Extending those incentives to dedicated connection assets procured by others adds exposure without adding control.

[5] Paragraph 3.49 of *Further_Reform_of_Distribution_Connection_Pricing_-_Issues_Paper*

- **Access seeker investment is not deterred by excessive cost or risk** – Applicants obtain competitive market pricing before committing to a connection and can test that pricing across multiple authorised providers.
- **The financing task is allocated efficiently** – Applicants finance the assets dedicated to their own use and may choose the funding approach that suits their project. Transferring that financing task onto a distributor's regulated asset base, and ultimately onto its wider consumer base, is unlikely to be the more efficient allocation.

56. Horizon Networks considers that a competitive, customer-funded vested asset model, and the outcomes it produces, aligns closely with, and in several respects already delivers, the Authority's stated connection pricing objectives.
57. Any action to reform connection pricing needs to preserve and enhance the benefits that competitive models already provide.
58. It is critical that any intervention is targeted at a demonstrated market failure, rather than replacing competitive mechanisms with a regulated solution that limits consumer choice and competition.

Horizon Networks strongly recommends allowing demonstrated competition as an alternative to a regulated allocation methodology

59. Horizon Networks notes that the Authority has expressed concerns regarding competition for connection services and that competition may not be readily achievable, and may never be achievable, in some locations[6].
60. Horizon Networks acknowledges these concerns particularly in markets that do not have strong growth and are not of scale or size to attract parties who will suffer from productivity risks and increase costs to deliver customer connection.
61. Rather than applying a single allocation methodology across all distributors, the Authority could adopt an outcomes-based approach. Where a distributor provides access to providers to compete for connection works, there is less need for regulatory risk transfer mechanisms designed to replicate competitive market outcomes.
62. This approach would allow regulatory effort to be focused on areas where competitive disciplines are weak, while preserving the benefits of contestable delivery models where competition is effective.
63. In other words, where competition exists, **use competition instead of regulation**.
64. Horizon Networks recommends: The Electricity Authority include a provision that allows networks where there is competition for connection services not to be required to contribute to the costs of the connection via the allocation methodology, on the basis that the management of the risks is best placed with the customer.
65. For a provision of this kind to be workable, the Authority will need a practical test focused on whether the distributor's processes and standards enable competition to develop and function, rather than requiring proof that a mature competitive market already exists in every network area[7]. This test should recognise that effective contestability depends on transparent approval processes, proportionate technical and safety standards, non-discrimination, equal access to relevant information, clear commercial terms and reasonable dispute and withdrawal processes.
66. To demonstrate that processes and standards allow competition to function, a distributor could be required to take practicable steps to support competition, and demonstrate alignment with the Commerce Commission's expectations, including:
    - publishing clear approval, accreditation and onboarding processes for providers seeking to undertake contestable connection works;
    - clearly identifying which connection works are contestable and non-contestable, and why;
    - applying technical standards, information access, design review, approval, audit, pricing and commercial processes on a transparent and non-discriminatory basis to all approved providers, including any related party or internal provider; and
    - not imposing artificial limits on the number of approved providers for contestable connection works, while retaining proportionate safety, competency and quality controls.

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[6] Paragraph 3.12 of *Further_Reform_of_Distribution_Connection_Pricing_-_Issues_Paper*

[7] This should align with the Commissions letter regarding competition in connection works, and section 36 of the Commerce Act.

67. Horizon Networks would support such a provision being accompanied by obligations to maintain these conditions. Where a distributor cannot demonstrate it is meeting the Commerce Commission's expectations, a regulated allocation methodology may be appropriate.
68. Where a distributor can demonstrate competition exists, regulation should not displace a market that is already delivering the outcomes the allocation methodology is intended to simulate.

In conclusion, connection pricing reform needs to incentivise connection applicant centric behaviour, consistent with competitive markets

69. Regulatory reforms change behaviour. They also drive additional implementation, administration and compliance costs. Horizon Networks considers the Authority should explicitly assess these costs, including changes to systems and processes, increased contractor management, accreditation, monitoring, audit, reporting and assurance activities. These costs are ultimately borne by consumers and should be considered alongside any expected benefits when determining whether a proposed intervention delivers a net long-term consumer benefit.
70. Connection pricing reform should be assessed not only on where costs are allocated, but also on how risks are allocated and the behaviours those risk allocations encourage.
71. Horizon Networks supports the Authority's objectives of cost reflectivity, allocative efficiency, predictability, incentive alignment, transparency and contestability.
72. In Horizon Networks' view, transferring connection risk to distributors is likely to encourage greater distributor oversight, governance and control of connection activities. While this may be a rational response to financial exposure, it may also weaken contestability, increase transaction costs and reduce customer choice.
73. The Authority should therefore explicitly assess these behavioural effects when evaluating allocation methodology options.
74. Where genuine competition for connection services can be demonstrated, Horizon Networks considers that competitive market disciplines should be recognised as an effective alternative to the proposed regulatory risk transfer mechanisms.
75. Requiring Horizon Networks to contribute to the cost of vested assets would move a material cost from the parties that cause it to consumers generally and would expose Horizon Networks to default price-quality path expenditure incentives in relation to costs determined by others. Horizon Networks submits that this outcome would be inconsistent with the Authority's objectives that connections should not be subsidised and that connection charges should be cost-reflective.

Yours sincerely

[redacted]

Jonathon Staite
Regulatory Manager

[redacted]

HORIZON ENERGY DISTRIBUTION LIMITED

APPENDIX A: FORMAT FOR SUBMISSIONS

Questions	Comment
Q1. Do you agree with the background and context summary above? Why, why not?	Most of the background is factually correct, however the Authority is conflating lines services (the transport of electricity) and connection services (the connection of new customers to the lines). The provision of lines services is a regulated monopoly, and revenue is regulated. The provision of connection services should be a contestable service that sits outside of the scope of lines services, however, may have a downstream impact as the EDB is required to manage that connection on an ongoing basis and may seek to recover costs associated with the consumption of capacity on the 'core network' from that new connection.
Q2. Is there additional background, evidence or context relevant to the issues covered in this paper?	Yes. Paragraph 2.7 should be updated to state: *Distributors recover the cost of providing services through two main funding sources:* *(a) The costs of providing lines services (the transport of electricity) are recovered through lines charges. These include operating costs, and the cost of financing assets (e.g. charges for depreciation, return on capital and tax). For non-exempt EDBs the amount the EDB may recover is governed by the Commerce Commission* *(b) The costs of adding new connections to the network are recovered via connection charges. These include administration fees and the costs of adding or upgrading the 'core network' to support the new connection.* *Assets that are dedicated to that customer to support the connection but* ***are not paid for by the network may be vested*** *to the network so the network can maintain that connection, however these* ***vested assets do not generate additional revenue for the network****.*
Q3. How should the Authority prioritise across possible options identified in this paper?	The Authority should develop and apply a "Decision Making Framework". The Commerce Commission's Input Methodologies Decision Making Framework[8] is a good starting reference. This will allow the Authority to: • Identify issues • Define problems • Identify and prioritise potential changes The framework would link to the Authority's objectives and the key economic principles relevant to the Authority's decision making.
Q4. Which options should have the highest or lowest priority, and why?	The highest priority should be given to options that promote • competition in, • reliable supply by; and • the efficient operation of the electricity industry for the long-term benefit of consumers.

[8] See: Input-methodologies-2023-Decision-Making-Framework-paper-12-October-2022.pdf and Fibre-input-methodologies-Decision-making-framework-paper-10-March-2026.pdf

Questions	Comment
	Horizon Networks supports the competitive markets for connection services, and the separation of regulated lines services from contestable customer connection works services. The highest priority should be given to growing competitive markets for connection services. Competitive markets for connection services, combined with targeted intervention regarding allocation of 'core network' costs will address the underlying potential problems that triggered the need for connection pricing reform. [9] These triggers and the ways they are being addressed include: **high transaction costs** – This can arise due to unclear or complex connection pricing policies, and due to the lack of consistency between networks – Already being addressed through the standardisation of the connection process and regulation of connection pricing policies. **overly high-cost allocation** – Already being addressed through regulation of network capacity costs (to cover 'core network' assets and upgrades) and can be addressed by allowing competition for customer connection assets. **weak (or no) incentive on distributors to ensure connection costs are efficient** – Already being addressed through regulation of network capacity costs (to cover 'core network' assets and upgrades), and the Commerce Commissions expectations regarding competition in connection works.[10] **weak (or no) incentive on distributors to ensure system growth costs are efficient.** – Already being addressed through regulation of network capacity costs **weak (or no) incentive on access seekers to ensure costs are efficient.** – Can be addressed through the Commerce Commissions expectations regarding competition in connection works. **weak incentives for parties to coordinate connection and associated system growth investment.** – Already being addressed through regulation of network capacity costs Horizon Networks considers a competitive connection service market, alongside existing or soon to be implemented regulation regarding connection processes and network capacity pricing will address the problems that have triggered network pricing reform.
Q5. Do you consider costing methodologies should be a priority for further reform, and do you have any evidence or analysis to support your view?	Horizon Networks considers the proposed costing methodologies A1 – A6 could improve transparency, and as a result connection applicant trust in the downstream 'core network' costs EDBs are allocating to connection applicants. Horizon Networks does not consider A7 is practical. The Code cannot impose obligations on any person other than an industry participant or a person acting on behalf of an industry participant. Placing an obligation on the EDB to collect information from a non-participant does not ensure that the information is complete and accurate. There are incentives on independent connection suppliers to

[9] https://www.ea.govt.nz/documents/3367/Issues_Paper_-_Target_reform_of_Distribution_Pricing.pdf paragraph 7.18
[10] https://www.comcom.govt.nz/news-and-media/news-and-events/2026/commerce-commission-sets-expectations-for-competition-in-electricity-connections/

Questions	Comment
	not provide this information to the EDB, or to provide incomplete or inaccurate information, and the EDB cannot verify its accuracy.
Q6. What are your views on the merits of the identified costing methodology options?	Horizon Networks agrees with the merits of A1 – A6.
Q7. Are there any other costing methodology options you think the Authority should consider?	We are not aware of any other costing methodology options that would address the problems identified.
Q8. Do you consider allocation methodologies should be a priority for further reform, and do you have any evidence or analysis to support your view?	Horizon Networks does not consider allocation methodologies should be prioritised where competition for customer connection works exists, or where an EDB can demonstrate that this processes and standards enable competition to develop and function. In those circumstances, competitive procurement, customer choice and the customer-funded vested asset model already provide strong incentives for efficient connection costs, cost reflectivity and appropriate allocation of risk. Horizon Networks accepts that allocation methodologies may be appropriate where the distributor controls procurement. However, allocation methodologies should be treated as a regulatory response to the absence of an environment that allows competition to develop and function, not as a substitute for competition where it exists or can be enabled. Any allocation methodology should therefore include an exemption or alternative compliance pathway for distributors that can demonstrate practical steps to enable and maintain fair, transparent and non-discriminatory competition for customer connection works. This approach will align the Authority's connection pricing reform with the Commerce Commission's expectations on competition in connection works.
Q9. How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?	The allocation objectives are: • *connections are not subsidised (i.e. charges are not below the neutral point)* • *connection charges are cost-reflective (i.e. charges vary with incremental cost)* • *distributors are incentivised to optimise investment* • *access seeker investment is not deterred by excessive cost or risk* • *the task of financing distribution assets is allocated efficiently.* Horizon Networks is not convinced that the proposed allocation methodologies will meet the allocation objectives and is concerned they will provide an arbitrary sharing of customer connection cost between the connection applicant and the EDB. Please refer to our cover letter, which outlines why a competitive connection market will deliver the allocation objectives in a fairer and more transparent way that any methodology to require EDBs to fund a portion of the connection costs. Please also refer to our cover letter regarding the unintended consequences the shifting of costs and risks may have on stakeholder behaviour.

Questions	Comment
Q10. Are there any other allocation methodology options you think the Authority should consider?	Yes. Please refer to our cover letter. Horizon Networks recommends allowing existing competition, and environments that allow competition to develop and function as an alternative to a regulated allocation methodology. We also recommend any reform is outcomes--based and focused on the behaviours the regulation will incentivise.
Q11. Are you aware of any issues relating to network development funding? Please provide examples, evidence or analysis where possible.	Horizon Networks is not aware of any existing issues associated with network development funding. EDBs have a long-term asset management plan that looks at network development for the next 10+ years. We are aware that significant connections or upgrades (relative to the size of the distributor) can make EDB funding the connection impractical, however existing connection pricing regulations allow EDBs to allocate that additional cost of upgrading the 'core network' to the connection applicant.
Q12. What options, if any, should the Authority consider for promoting efficient pricing for network development?	A non-exempt EDB's allowance for expenditure on network development is already regulated by the Commerce Commission, and exempt EDBs are subject to public voter scrutiny. The Network Capacity costing regulations can recover the costs associated with network development.
Q13. Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.	Horizon Networks is not aware of any issues related to network modification charges, and as noted these modifications are triggered by third parties (either the customer or another party such as a road developer). In each case the costs of the network modification are allocated to the requesting party, so existing consumers do not pay for changes they do not benefit from.
Q14. What options, if any, should the Authority consider for promoting efficient pricing for network modifications?	Consistent with the costing methodology approach, applicant trust may increase where there is increased transparency and consistency.
Q15. Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.	Horizon Networks is not aware of any issues related to the costs of connection downgrade or disconnection charges. Similar to network modifications these are triggered by a customer request and where physical work is required the costs are allocated to the customer.
Q16. What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?	Consistent with the costing methodology approach, applicant trust may increase where there is increased transparency and consistency.
Q17. Are you aware of any issues relating to continuance pricing? Please provide examples, evidence or analysis where possible.	Horizon Networks is aware that the current approach to allocating lines charges means that some connections that are uneconomic to supply must continue to be supplied. Typically, the uneconomic connections are very remote residential connections. This can result in a cross-subsidy between remote connections and other connections. Horizon Networks does not consider it is necessary or appropriate to provide specific examples in this submission but notes that storm damage and subsequent rebuild requirements can make the

Questions	Comment
	cost of maintaining supply to some remote connections materially higher than the revenue recovered from those connections.
Q18. Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.	Horizon Networks does not consider that continuance pricing methodologies should be a priority for further reform. While there is a cross-subsidy between remote connections and other connections, and economically, in aggregate consumers would benefit if EDBs did not need to maintain expensive, remote lines to rarely used connections, there is a risk of individual consumer harm for consumers that have historically relied on these expensive (for the network), remote connections.
Q19. What options, if any, should the Authority consider for promoting efficient continuance pricing?	Regulatory guidance and principles would promote efficient continuance pricing.
Q20. Are you aware of any issues relating to secondary network access? Please provide examples, evidence or analysis where possible.	Horizon Networks is not aware of specific secondary network access issues in its own network area that require comment in this submission. However, Horizon Networks agrees that secondary networks can contribute to connection pricing and access issues where they operate at scale or where a material volume of new connections is occurring. The relevant issue is not simply whether a network is classified as a secondary network; it is whether the level of connection activity creates a risk that inefficient or inconsistent access pricing could materially affect connection applicants and consumers.
Q21. Should secondary network access be a priority for further reform? Please provide reasons for your view.	Secondary network access should be considered as part of further reform, but only on a proportionate basis. Horizon Networks does not support imposing full connection pricing obligations on all secondary networks regardless of scale. A small private network with little or no connection activity presents a different risk from a secondary network that is routinely connecting new consumers or supporting significant development activity.
Q22. What options or approach, if any, should the Authority consider for addressing secondary network access issues?	The Authority should adopt a proportionate activity-based approach. Horizon Networks suggests that connection pricing obligations should apply, or at least be considered, where any network has a material level of connection activity. As an indicative threshold, any network with more than 100 new connection applications or new connections per year should be subject to closer scrutiny and potentially the same or similar connection pricing obligations as local networks. Networks below that level could be subject to lighter information-gathering obligations so the Authority can monitor whether greater oversight is warranted over time.
Q23. Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.	Horizon Networks does not require bonds or other post-commissioning financial security from connection applicants as part of its standard approach. Under Horizon Networks' vested asset model, the contractor or provider delivering the connection assets may require payment terms, deposits or other commercial security from the applicant, but those arrangements are between the applicant and the contractor rather than requirements imposed by Horizon Networks.
Q24. Should financial security requirements be a priority for further reform? Please provide reasons for your view.	Financial security requirements should not be a high priority for further reform, but the Authority should ensure any reforms do not unintentionally restrict ordinary commercial arrangements between connection applicants and their chosen contractor(s). If the Authority progresses allocation methodologies that require EDBs to fund a greater portion of connection costs, then financial security may become more

Questions	Comment
	important for EDBs because cost recovery and stranding risk would shift from the connection applicant to the wider consumer base.
Q25. What options or approach, if any, should the Authority consider for financial security requirements?	Any financial security framework should be principles-based and targeted at material risk. It should distinguish between security required by an EDB and ordinary contractor payment arrangements. It should also recognise that, under a vested asset model, the connection applicant and contractor are generally best placed to manage construction payment risk before assets are commissioned. Post-commissioning security should only be contemplated where there is material stranding risk, such as for atypical, remote or large connections where assets are unlikely to be reused if the connection is abandoned.
Q26. Do you have views on any other measures the Authority should put in place to address connection pricing methodology issues (including Appendix D issues relating to contestability, in-kind contributions, large connections, and real estate developments)?	Horizon Networks considers contestability is a critical mechanism to support efficient, connection applicant-centric pricing reform. The Authority should ensure connection pricing report supports the development of fair, transparent and non-discriminatory competition for customer connection works, rather than replacing competitive procurement with a regulated cost allocation. For in-kind contributions and vested assets, the Authority should avoid requirements that require EDBs to fund assets specified, procured and constructed by the applicant unless the distributor also has sufficient control over the relevant cost drivers. Where the applicant selects the provider, determines timing, influences scope and negotiates price, the applicant is generally best placed to manage construction and procurement risk. This principle also applies to real estate developments, which are often complex and typically involve developer-funded vested assets. Any reforms should preserve the ability for development-related connection assets to be funded by the connection applicant or developer and should not unintentionally shift development costs onto existing consumers through lines charges. Horizon Networks supports measures that improve contestability, including clearer distinction between contestable and non-contestable work, transparent accreditation and onboarding processes, equal access to relevant information, non-discrimination requirements, and proportionate technical and safety standards. These measures are more likely to promote efficient connection outcomes than requiring distributors to fund dedicated connection assets where they do not control the relevant cost drivers.
Q27. What measures, if any, should the Authority consider to ensure connection pricing methodology requirements are effective in practice?	The Authority should use a proportionate mix of guidance, templates, targeted information disclosure and self-certification. The most useful measures would be clear guidance on alignment with Commerce Commission expectations for competition in connection works, what good connection pricing methodologies look like, standard terminology, worked examples, and targeted assurance for high-impact inputs such as capacity rates and allocation settings. Compliance obligations should be proportionate to the level of connection activity and the risks being managed. In particular, the Authority should avoid treating all distributors and secondary networks in the same way. A network with a low volume of new connection applications annually may appropriately be subject to lighter requirements, while a network with activity above that level could be subject to greater scrutiny.

Questions	Comment
	This would allow the Authority to focus regulatory attention where the potential consumer impact is greatest, while avoiding unnecessary compliance costs for networks and secondary networks with limited connection activity.
Q28. How should the Authority monitor, review or update connection pricing methodology requirements to ensure they remain fit for purpose over time?	The Authority should monitor whether the requirements are improving the outcomes they are intended to promote: cost reflectivity, allocative efficiency, predictability, incentive alignment, transparency and contestability. Monitoring could include reviewing published methodologies, connection activity data, dispute trends, and evidence of alignment with the Commerce Commission's expectations regarding competition in connection works. Requirements should be reviewed periodically, with sufficient lead time before DPP resets where changes could affect distributor capital expenditure forecasts or revenue path assumptions.