

14 March 2023

Electricity Authority
Level 7 AON Centre
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Wellington, 6011

By email: policyconsult@ea.govt.nz

Horizon Energy Distribution Limited (Horizon Networks) submission on review of consultation and feedback processes

1. Thank you for providing us the opportunity to submit on review of consultation and feedback processes.
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. Like many EDBs Horizon focusses on its consumers and communities. This includes meaningful engagement across our businesses and brands.
4. Horizon Networks supports a fit-for-purpose consultation approach that considers the views of both industry and non-industry stakeholders.
5. Horizon Networks supports the idea of refreshing the Consultation Charter and establishing a group that can help represent the diverse range of stakeholders within the electricity industry but has concerns that some of the proposed changes will leave the Electricity Authority without an avenue to identify industry needs when developing Code amendment options and understanding how the industry can facilitate better consumer outcomes.
6. The downside of this approach can be seen in the Commerce Commission's tranche 1 of the targeted information disclosure review, where a draft decision was made that included elements that were physically impossible for EDBs to comply with and did not fully consider the industry processes and interactions established by the Electricity Authority.
7. Horizon Networks key concerns with the changes to the Electricity Authority consultation and feedback process are:
 - Removing advisory groups as the primary means for developing Code amendment options for significant and non-urgent matters leaves the Electricity Authority without a clear approach to identify what activities it should prioritise.
 - Giving greater rights to Transpower (both as an EA contracted MOSP and as a grid owner) creates a power imbalance that will likely lead to unequal consumer outcomes.
 - There is no mechanism for proposing or considering minor Code changes that will improve efficiency.

Advisory and technical groups give the Electricity Authority access to expertise it may not have in-house

8. Horizon Networks understands that advisory groups were established to give the Electricity Authority access to appropriate industry expertise to support efficient operation of New Zealand's electricity industry.
9. Advisory groups do this through:
 - Identifying inefficiencies and opportunities that their organisations are trying to implement to support New Zealand's future needs. Needs that may not be supported by current regulations, and
 - Providing insight into the practical implications of proposed policy changes and how the Electricity Authority can best achieve the consumer outcomes it has targeted.
10. Without access to this broad and deep industry expertise to bookend the policy process with issue identification and opportunities for practical implementation, the Electricity Authority risks missing opportunities for better consumer outcomes.
11. Advisory groups also provide an avenue for the industry to constructively communicate the need for changes to regulation that will help the Electricity Authority and industry achieve their shared goals. Without this avenue

organisations will likely seek use ad-hoc means of influencing the regulator and policy makers, which may lead to time consuming and uneven outcomes.

12. **Horizon Networks Recommends:** The role of advisory groups as an input into the policy development process is retained.

Transpower does not have unique expertise that means it is better positioned to propose Code amendments

13. Horizon Networks is concerned that the proposal to give Transpower (as both a Grid Owner and System Operator) a bespoke process for submitting Code amendment requests (CARs) will create an imbalanced approach where Transpower amendments are prioritised over wider industry needs.
14. Transpower holds two roles within the industry, firstly as a grid owner who owns the National Grid and secondly as the system operator market operation service provider (MOSP), operating New Zealand's power supply to balance supply and demand to deliver electricity to EDBs.
15. Like any MOSP, Transpower has a unique perspective into how its systems can be used to benefit New Zealand, and like all MOSP's Transpower interacts with many industry participants.
16. However, Horizon Networks disagrees that this is a unique position that is only held by Transpower. With appropriate funding for the MOSP, the Electricity Authority can use any MOSP to provide insights into their operation and the industry participants they interact with.
17. Additionally providing Transpower a bespoke process for being able to propose Code amendments is unnecessary for two reasons:
- As a MOSP the system operator has a commercial relationship with the Electricity Authority to deliver system operator services and like all MOSPs can use this relationship to help ensure the service it provides remains fit for purpose in the future.
 - As a grid owner, Transpower owns the national grid. Each grid owner's needs are essentially the same and it is unnecessary to treat Transpower any different from other participants that are responsible for delivering electricity to customers, such as EDBs.
18. The consultation raises concerns that Transpower's suggestions may not be able to be assessed by limited Electricity Authority resources and will require a more detailed assessment for Code amendments.
19. Horizon Networks notes this a detailed assessment should be the standard for Code amendments, and important, consumer outcome focussed Code amendments will not solely come from Transpower.
20. Horizon Networks suggest that as an alternative to giving Transpower a special avenue for amending the Code, the Electricity Authority should create a "Code Amendment Technical Working Group". This group could be made up of stakeholders (similar to the proposed EAAG) and its sole purpose would be to assess and triage Code amendment requests so that the Electricity Authority has all necessary information to make a final decision on what important changes could be incorporated into its work programme.
21. The Code Amendment Technical Working Group can help ensure the Electricity Authority is focusing on Code amendments that are most meaningful and impactful for stakeholders.
22. **Horizon Networks Recommends:** Transpower is not given any special treatment or powers to propose Code amendments that are not also available to other stakeholders and MOSPs.
23. **Horizon Networks Recommends:** The Electricity Authority create a "Code Amendment Technical Working Group" made up of stakeholders to support clarity and prioritisation of requested Code changes to help make best use of the Electricity Authority's limited resources to amend the Code.

The Electricity Authority needs to retain minor Code change mechanisms to improve efficiency

24. Horizon Networks understands the Electricity Authority is proposing to limit the scope of proposed CARs to only consider changes that improve clarity, reduce ambiguity or correct errors.
25. This limitation in scope means that most CARs will be administrative changes to address typographical errors or improve the wording to make the original intent clear.
26. This limitation in scope is a problem because the Code includes many sections that prescribe the process participants must follow, (such as for connections, metering, maintenance of registry information and data exchange to the reconciliation manager and other participants) and a simple regular review and maintenance of these processes through industry-initiated efficiency CARs will reduce the need for larger Electricity Authority led operational reviews.

27. For example, one of the most impactful and consumer focussed efficiency CARs was the Electricity Authority's 2021 decision to change the wording of the Code so that EDBs could update the pricing category code changes on the registry no later than 3 business days after the EDB and retailer agreed on the change.¹
28. This process improvement allows EDBs and retailers to meet consumer needs, and to be able to apply price category changes retrospectively where everyone (including the consumer, via the contract with the trader) agrees. This removed a regulatory barrier that was preventing EDBs and retailers from meeting consumers expectations, that they could contract for services and have the price apply from the date they agreed with the retailer.
29. This type of change is not material enough to justify a project within the Electricity Authority's work programme and is not covered by the proposed CAR scope so would become a lost opportunity and permanent source of frustration for the industry and consumers.
30. **Horizon Networks Recommends:** The Electricity Authority not limit the scope of CARs, and instead utilise a "Code Amendment Technical Working Group" to help the Electricity Authority assess and prioritise CARs so the best use is made of the Electricity Authority's limited resources.

Horizon Networks supports effective use of Electricity Authority resources to maintain and amend the Code

31. A key function that only the Electricity Authority can perform is maintaining the Code.
32. The industry and consumers expect the Electricity Authority to listen to operational issues with the Code (the 'grit in the wheels') and ensure the processes it prescribes in the Code remain fit for purpose.
33. Horizon Networks recognises that like the industry participants it regulates, the Electricity Authority has limited resources with which to achieve its goals. Goals that include navigating the challenges of meeting New Zealand's future energy needs.
34. However, it will be difficult to achieve long-term goals if the vehicle for delivering this change is not regularly maintained.

In conclusion, Horizon Networks supports the goals of the proposed changes, but not the wording or detailed outcomes

35. Horizon Networks supports the Electricity Authority in looking for ways to improve its consultation process and ensure consultation is fit for purpose, however the detailed changes outlined in the consultation are likely to lead to biased and inefficient outcomes that will not deliver long term benefits to consumers.
36. Horizon Networks remains optimistic that the Electricity Authority can consider the issues raised and navigate these challenges to achieve a refreshed, balanced, and inclusive consultation approach that will continue to support effective decision making by the regulator.

Yours Sincerely



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HORIZON ENERGY DISTRIBUTION LIMITED

¹ Ref#2019-01 <https://www.ea.govt.nz/assets/dms-assets/29/Code-review-programme-number-4-decision-paper.pdf>

Submission on Review of the consultation and feedback processes	
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Date:	14 March 2023
Question	Comment
Establishing a new advisory group Q1. For your preferred option, do you prefer option 1, 2, or 3?	From the options provided, Horizon Networks would suggest option 3 is the most practical. As the proposed group is focussed on providing pre-consultation feedback on established Electricity Authority priorities, being able to draw from a pool of members, who can then choose to engage on a specific topic will ensure focussed meaningful engagement.
Establishing a new advisory group Q2. Are there any key stakeholders that have been left out of these proposed options?	Key stakeholders that have been left out of the proposed options: <ul style="list-style-type: none"> • Government organisations the Electricity Authority policy needs to align with, such as the Commerce Commission, Infrastructure Commission and MBIE • Other regulated entities such as approved test houses, grid owners, embedded networks, FTR participants and traders in electricity derivatives • Specialist market segment representatives, such as DG owners/installers, flexibility traders and switching providers • Industry services such as Utilities Disputes, and market operation services providers
Establishing a new advisory group Q3. Do you have any comments on the proposed membership?	Given the focus of the group, Horizon Networks recommends that it be broad so that there is the opportunity to for individual organisations to support the elements of the Electricity Authority’s work programme that are meaningful to them.
Establishing a new advisory group Q4. Do you have an alternative suggestion? If so, please provide details.	Yes. Please refer to the recommendations in Horizon Networks covering correspondence.
Establishing a new advisory group Q5. Do you have any comments on the proposed changes to the draft documents in Appendices C and D?	Yes. Appendix C - Proposed amendment to the Advisory Groups Terms of Reference: Para 9.7 – limits advisory group recommendations to what the group is requested to comment on by the Electricity Authority. This will limit the ability for advisory groups to formally alert the Electricity Authority to issues that it is aware of and suggest solutions.

	<p>Appendix D - Proposed amendments to the Terms of Reference for the Security and Reliability Council and other advisory groups:</p> <p>Para 6.1 (h) – removed the requirement to regularly report to the CE on progress against its work plan. This removes a layer of accountability of the advisory group to meet its work plan.</p> <p>Para 7.2(b) and 7.4 – removed the ability for the group to help inform the Electricity Authority’s work programme. As noted in the covering correspondence this leaves the Electricity Authority without a way to know what is an issue for the industry to help inform its work programme.</p> <p>Para 14.2 (a) – redefined the scope to be to ‘provide advice in draft papers produced by the Electricity Authority’. This means the advisory group has no input at the start of the policy process to help define the problem the Electricity Authority is trying to solve.</p>
<p>Changes to the process for consulting on Documents Incorporated into the Code by Reference</p> <p>Q6. Do you agree with the overall assessment of the Code amendment proposal? If not, what alternative assessment would you make and why?</p>	<p>While the assessment is technically correct, the Electricity Authority has not asked any explicit questions regarding <i>Appendix B Proposed amendment to the consultation charter</i> or <i>Appendix D Proposed Code amendments</i>.</p> <p>Because feedback has not been sought on the drafting of these two items, it is less likely that the Electricity Authority will receive feedback on the drafting of these proposals. This creates a perception that the Electricity Authority is not open to changing the drafting of the proposed amendments.</p> <p>In terms of <i>Appendix D proposed Code amendments</i>, Horizon Networks questions why not all documents incorporated by reference has been included, to maximise the efficiency gains. For example, the FTR Allocation Plan and Clearing Managers Prudential methodology are incorporated by reference and could benefit from following a consistent approach to consultation and updates.</p> <p>In terms of <i>Appendix B proposed amendment to the consultation charter</i>, neither schedule 41 of the Act, or the consultation charter itself require the Electricity Authority to consult on its consultation charter.</p> <p>However, Horizon Networks considers the proposed consultation charter will undermine the efficient operation of the electricity industry through:</p> <ol style="list-style-type: none"> 1. a biased proposal process that favours Transpower amendments 2. removing the ability for people to make requests that can improve the efficient operation of the industry and deliver positive consumer outcomes. <p>As noted in our covering correspondence Horizon Networks opposes the proposed changes to the consultation charter and has set out an alternative approach to manage Code amendment requests (CARs) that will address the issue of limited Electricity Authority resources being available to consider CARs.</p>