

Horizon Networks – Distribution pricing scorecard 2023

Overall score: 4.2/5



Current state:

The methodology highlights essential pricing features, limited congestion pressures, modest growth, related investments, and variations in urban/rural supply costs. These elements are considered in the pricing structure. The analysis of pricing principles reveals a significant portion of costs being recovered through fixed charges, with the basic variable price providing minimal signals. Considering the network conditions discussed, this approach is generally suitable.

Strategy

Although the network is not experiencing significant load congestion currently, and it is argued that spare capacity exists now, Horizon’s focus on signalling in response to expected future congestion appears reasonable, together with consideration of future non-network solutions. Also, it is updating metering arrangements to progress tariff approaches. The current roadmap rightly contains specific activities for the next seven years around the review of distributed generation pricing, TPM pass-through and considering the review of TOU pricing. Horizon is moving to phase out legacy tariffs within a multi-year approach.

Key messages:

The Authority appreciates the ongoing efforts to transition from legacy tariffs and incorporate more cost-reflective pricing. We are pleased to see a decrease in the percentage of revenue recovered through AMD charges. We also encourage the inclusion of more customers on time-of-use tariffs. We welcome the low off-peak charge.

Outcomes:

We have observed that Horizon is recovering revenue through AMD charges, although this is only relatively low at 4% of total revenue. Currently, Horizon has few residential consumers on TOU pricing. The Authority acknowledges that there is a quantitative analysis linking network circumstances to peak signal strength.

The methodology contains a clear identification of consumer impacts and their management.

Regarding the five specific expectations of progress shared in September 2022 in the Open Letter:

- Focus area 1: Roadmaps responding to future network congestion: Horizon recognizes the future impacts of network congestion due to increased electrification. Although the network is not currently experiencing significant load congestion, TOU pricing helps to reflect the cost to serve domestic consumers and respond quickly to network demand changes.
- Focus Area 2: First mover disadvantage in new and expanded connections: The Capital Contribution Policy includes a refund process for subsequent connections using the same assets to address FMD issues.
- Focus Area 3: Pass-through of new transmission charges: TPM pass-through is consistent with Authority guidance.
- Focus Area 4: Phase-out of low fixed charge (LFC) regulations: Price methodology follows guidance for the phase-out of the LFC tariff.
- Focus Area 5: Recovery of fixed costs through use-based charges: There are demand charges for medium to large consumers. However, those have decreased a bit compared to last year prices.