

2 December 2021

Submissions

Electricity Authority
PO BOX 10-041
WELLINGTON

By email to: TPM@ea.govt.nz

TRANSMISSION PRICING METHODOLOGY

1. Horizon Energy Distribution Limited (“Horizon Networks”) welcomes the opportunity to submit on the Electricity Authority’s (“Authority”) *Transmission Pricing Methodology – Consultation Paper*, 8 October 2021 (“TPM Paper”).
2. Horizon Networks is concerned at the impact of the \$4.2M (120%) increase in transmission charges, as set out in the TPM Paper, on the consumers of the Eastern Bay of Plenty.
3. The Authority has provided in the TPM Paper the increase on Eastern Bay of Plenty consumers to be \$62 per annum for a typical household. This increase is amongst the highest of the all the Distributors in New Zealand.
4. This increase is of particular significance given the Eastern Bay of Plenty is one of the most socially deprived areas of New Zealand.
5. Horizon Networks suggests the proposed Transmission Pricing Methodology as set out in the TPM Paper, represents a fundamental amendment to the Transmission Rules. The current interconnection and HVDC charges will be rescinded and replaced with new, unavoidable, Benefit-Based and Residual Charges.
6. Horizon Networks is concerned that the majority of the \$4.2M arises from the application of the Residual Charge, which uses Anytime Maximum Demand (gross) to allocate revenue recovery, which does not take into account any Prudent Discount Agreement or corresponding Avoided Cost of Transmission (“ACOT”) payments that a Distributor has in place.
7. Horizon Networks has a Prudent Discount Agreement between Transpower, Southern Generation, and Trustpower relating to the notional embedding of Southern Generation’s Aniwhenua generation and Trustpower’s Matahina generation.
8. Horizon Network suggests the viability of the Prudent Discount Agreement and corresponding ACOT agreement is compromised with the proposed Transmission Pricing Methodology, as this represents a clear amendment in the Transmission Rules.
9. The approach of using Anytime Maximum Demand ignores local generation that is currently requiring ACOT of \$3.2M to be recovered from the Eastern Bay of Plenty

consumers. In effect under the Residual Charge, consumers of the Eastern Bay of Plenty are paying twice for these transmission costs. This is contradictory to the drivers and rationale for the changes to the Transmission Pricing Methodology.

10. Horizon Networks has the highest percentage (approximately 50%) of ACOT compared to total Transmission Costs of any Distributor in New Zealand. This high percentage of ACOT is due to the prevalence of significant local generation within the Eastern Bay of Plenty, in contrast to the relatively small population and scale of the network.
11. Horizon Networks acknowledges the Authority has made contact with Horizon Networks' Management, given the awareness of this ACOT issue resulting from the removal of the interconnection and HVDC charges, combined with application of the Residual Charge using Anytime Maximum Demand.
12. Horizon Networks has been made aware the Authority is intending to complete further consultation on ACOT during 2022. However, Horizon Networks suggests the timing of this consultation creates unnecessary ongoing uncertainty for Horizon Networks and the consumers of the Eastern Bay of Plenty.
13. Horizon Networks suggests the timeframe for the introduction of the proposed Transmission Pricing Methodology of April 2023 does not permit for meaningful consultation on ACOT to occur during 2022, without there being continued uncertainty right up to the point in which pricing for April 2023 would need to be finalised.
14. Horizon Networks requests the Authority provide greater direction at this point in time on the intended application of the Prudent Discount Agreement arrangement and ACOT going forward under the proposed Transmission Pricing Methodology.
15. Horizon Networks thanks the Authority for considering the feedback contained in this letter.

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