

HORIZON ENERGY DISTRIBUTION LIMITED

Default Price-Quality Path

Annual Price Setting Compliance Statement

1 April 2022 – 31 March 2023 Assessment Period

28 January 2022

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1. Introduction

Horizon Energy Distribution Limited (“Horizon Networks”) is subject to price-quality regulation under Part 4 of the Commerce Act 1986. The Commerce Commission has set a Default Price-Quality Path (DPP) which applies to Horizon Networks from 1 April 2020.

This price-setting compliance statement is published in accordance with clause 11.1 of the 2020 DPP Determination, and applies to the third assessment period, commencing 1 April 2022 and ending 31 March 2023.

2. Date prepared

This statement was prepared on 28 January 2022.

3. Statement of compliance

As demonstrated in Table 1 below, and consistent with clause 8.3 of the 2020 DPP Determination Horizon Networks has complied with the price path for the second assessment period.

Table 1

Compliance with price path RY23		
<i>Forecast revenue from prices must not exceed the lesser of: (a) the forecast allowable revenue for that assessment period; and (b) the amount determined in accordance with the following formula: the forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices).</i>		
Term	Description	Value (\$000)
Forecast revenue from prices (\$000)	<i>Forecast prices between 1 April 2022 and 31 March 2023 multiplied by forecast quantities for the period ending 31 March 2023</i>	32,877
Forecast allowable revenue (\$000)	<i>The sum of forecast net allowable revenue, forecast pass-through and recoverable costs, opening wash-up account balance and the pass-through balance allowance</i>	32,877
Maximum allowable forecast revenue from prices (\$000)	<i>Forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)</i>	36,449
Maximum allowable forecast revenue (\$000)	<i>The lesser of the forecast allowable revenue and maximum allowable forecast revenue from prices</i>	32,877
Compliance result	<i>Forecast revenue from prices ≤ forecast allowable revenue and maximum allowable forecast revenue from prices</i>	Compliant

Further information supporting forecast allowable revenue is included in Section 5 and Appendix A.

Further information supporting forecast revenue from prices is included in Section 6 and Appendix B.

Further information supporting maximum allowable forecast revenue is included in Section 7.

4. Director’s certification

A Director’s certificate in the form set out in Schedule 6 of the 2020 DPP Determination is included as Appendix C.

5. Forecast allowable revenue

Table 2 shows the derivation of forecast allowable revenue, consistent with the requirements of Schedule 1.5 of the 2020 DPP Determination.

Table 2

Forecast allowable revenue RY23		
Term	Description	Value (\$000)
Forecast net allowable revenue	<i>Forecast net allowable revenue as set out in Table 1.4.1 in Schedule 1.4 for the period ending 31 March 2023</i>	24,872
Forecast pass through costs	<i>Forecast pass-through costs and forecast recoverable costs</i>	406
Forecast recoverable costs	<i>Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount</i>	8,263
Opening wash-up account balance	<i>The opening wash-up account balance for the second assessment period of the DPP regulatory period is nil as set out in Schedule 1.7 (1)(a)</i>	(664)
Pass-through balance allowance	<i>(ePTB - pass-through balance) x (67th percentile estimate of post-tax WACC)^2</i>	-
Total		32,877

Appendix A shows the components of the forecast pass-through and recoverable costs, and the pass-through balance allowance.

The methodology to derive the forecasts of the pass-through and recoverable costs is documented in Appendix A.

6. Forecast revenue from prices

Table 3 shows forecast revenue from prices.

Table 3

Forecast revenue from prices RY23		
Term	Description	Value (\$000)
$\Sigma P_{2022/23} * Q_{2022/23}$	<i>Forecast prices between 1 April 2022 and 31 March 2023 multiplied by forecast quantities for the period ending 31 March 2023</i>	32,877

Appendix B shows the components of forecast revenue from prices.

The methodology to forecast the quantities associated with each price is documented in Appendix B.

7. Maximum allowable forecast revenue from prices

Table 4 shows the maximum allowable forecast revenue from prices, consistent with the requirements of clause 8.4 of the 2020 DPP Determination.

Table 4

Maximum allowable forecast revenue from prices RY23		
Term	Description	Value (\$000)
Forecast revenue from prices from previous assessment period	<i>Forecast prices between 1 April 2021 and 31 March 2022 multiplied by forecast quantities for the period ending 31 March 2022</i>	33,135
Limit on annual percentage increase in forecast revenue from prices		10%
Maximum allowable forecast revenue from prices	<i>Forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)</i>	36,449

Appendix A – Pass-through and recoverable costs

Forecast pass-through costs

Table 5

Forecast Pass-through Costs RY23		
Forecast pass-through costs	\$000	Forecasting methodology
Rates on system fixed assets	236	Prior years rates + 2% average increase
Commerce Act levies	41	Prior year levies + 2% increase estimated
Electricity Authority levies	112	Prior year levies + 1.5% increase estimated
Utilities Disputes levies	17	Prior year levies + 2% increase estimated
Total forecast pass-through costs	406	

Forecasting for rates are based on historical costs plus expected CPI or growth adjustments.

Forecast recoverable costs

Table 6

Forecast Recoverable Costs RY23		
Forecast recoverable costs	\$000	Forecasting methodology
IRIS incentive adjustment	249	As calculated IRIS for DPP3 Year 3
Transpower transmission charges	3,656	FY2022/23 new prices from Transpower Dec 2021
New investment contract charges	-	
System operator services charges	-	
Avoided transmission charges - purchased assets	738	FY2022/23 new prices from Transpower Dec 2021
Distributed generation allowance	3,449	FY2022/23 new prices from Transpower Dec 2021
Claw-back	-	
Catastrophic event allowance	-	
Extended reserves allowance	-	
Quality incentive adjustment	48	Incentive allowance from 31 March 2021
Capex wash-up adjustment	94	Capex wash-up adjustment calculated from forecast value of commissioned assets against actual value of commissioned assets
Transmission asset wash-up adjustment	-	
Reconsideration event allowance	-	
Quality standard variation engineers fee	-	
Urgent project allowance	-	
Revenue wash-up draw down amount	-	
Fire and emergency NZ levies	28	Prior year levies + CPI increase estimated
Innovation project allowance	-	
Total forecast recoverable costs	8,263	

Appendix B – Forecast prices and quantities

Table 8 shows the forecast prices and quantities for the forecast revenue from prices for the second assessment period.

Table 8

Forecast revenue from prices RY23				
Price Category	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
Low User Domestic - Urban	\$/kWh	0.08963	45,518,036	4,080
Low User Domestic - Urban	\$/ICP/day	0.30000	8,534	934
Low User Domestic - Urban - TOU	\$/ICP/day	0.30000	86	9
LUDU - TOU - Off-Peak	\$/kWh	0.07617	122,761	9
LUDU - TOU - Shoulder	\$/kWh	0.07617	136,554	10
LUDU - TOU - Peak	\$/kWh	0.10702	200,463	21
Low User Domestic - Rural	\$/kWh	0.08963	22,978,377	2,060
Low User Domestic - Rural	\$/ICP/day	0.30000	3,968	435
Low User Domestic - Rural - TOU	\$/ICP/day	0.30000	40	4
LUDR - TOU - Off-Peak	\$/kWh	0.07617	61,972	5
LUDR - TOU - Shoulder	\$/kWh	0.07617	68,935	5
LUDR - TOU - Peak	\$/kWh	0.10702	101,198	11
Standard User Domestic - Urban	\$/kWh	0.01638	37,639,189	617
Standard User Domestic - Urban	\$/ICP/day	1.90584	4,750	3,304
Std User Domestic User - Urban -TOU	\$/ICP/day	1.43927	48	25
NDU - TOU - Off-Peak	\$/kWh	0.02523	101,512	3
NDU - TOU - Shoulder	\$/kWh	0.02523	112,918	3
NDU - TOU - Peak	\$/kWh	0.05373	165,765	9
Standard User Domestic - Rural	\$/kWh	0.01638	36,576,230	599
Standard User Domestic - Rural	\$/ICP/day	1.90584	4,510	3,137
Std User Domestic User - Rural -TOU	\$/ICP/day	1.43927	46	24
NDR - TOU - Off-Peak	\$/kWh	0.02523	98,645	2
NDR - TOU - Shoulder	\$/kWh	0.02523	109,729	3
NDR - TOU - Peak	\$/kWh	0.05373	161,083	9
Under Verandah Lights	\$/day	0.86506	15	5
Electric Fences	\$/day	0.82458	5	2
Lanark	\$/month	-8.64	1	(0)
Street Lights	\$/light/month	5.61187	5,121	345
Telecom - PCM 24 Hour	\$/PCM/day	2.08954	56	43
Telecom - PCM Night	\$/PCM/month	27.31570	3	1
Capacity Group 2 - Urban	\$/kWh	0.03711	13,631,393	506
Capacity Group 2 - Urban	\$/ICP/day	2.11862	800	618
Capacity Group 2 - Rural	\$/kWh	0.06295	24,269,925	1,528
Capacity Group 2 - Rural	\$/ICP/day	3.30909	1,546	1,867
Capacity Group 3 - Urban	\$/kWh	0.04318	10,318,272	446
Capacity Group 3 - Urban	\$/ICP/day	5.56886	268	545
Capacity Group 3 - Rural	\$/kWh	0.04854	17,468,678	848
Capacity Group 3 - Rural	\$/ICP/day	8.92905	318	1,036
Capacity Group 4 - Urban	\$/kWh	0.05254	2,093,494	110
Capacity Group 4 - Urban	\$/ICP/day	12.10526	33	146
Capacity Group 4 - Rural	\$/kWh	0.05966	1,850,283	110
Capacity Group 4 - Rural	\$/ICP/day	13.82522	29	146
Capacity Group 5 - Urban	\$/kWh	0.04514	2,141,632	97
Capacity Group 5 - Urban	\$/kVA/day	0.09741	4,079	145
Capacity Group 5 - Rural	\$/kWh	0.08856	1,183,831	105
Capacity Group 5 - Rural	\$/kVA/day	0.10904	3,951	157
Network Maximum Demand - Variable	\$/kWh	0.02487	28,526,343	709
Network Maximum Demand - Capacity	\$/kVA/day	0.06449	18,835	443
Network Maximum Demand - Demand	\$/kW/day	0.17641	12,282	791
Network Maximum Demand - Variable	\$/kWh	0.02487	27,062,034	673
Network Maximum Demand - Capacity	\$/kVA/day	0.06449	30,115	709
Network Maximum Demand - Demand	\$/kW/day	0.17641	19,931	1,283
Major Industrial Non-Standard Customers				
Fonterra (BOPE)	\$/month	38,234	1	459
Fonterra Lipid & Distillery	\$/month	9,782	1	117
Asaleo Care (TP)	\$/month	75,916	1	911
Whakatane Mill (TP)	\$/month	125,029	1	1,500
Kaingarua Timberlands (TP)	\$/month	22,103	1	265
CHH - Kawerau (TP)	\$/month	37,649	1	452
Norske Skog Oxidation Ponds (TP)	\$/month	13,648	1	164
Sequal Investments	\$/month	16,557	1	199
Kawerau Dairy Ltd	\$/month	4,684	1	56
Fonterra Assets	\$/month	1,250	1	15
GDL Breaker Contract	\$/month	585	1	7
BOPE TG1 & TG2	\$/month	-	1	-
ΣP_{2022/23}*Q_{2022/23}				32,877

Forecast Quantities for the assessment period 31 March 2023

Horizon Networks considers the forecast quantities are reasonable.

	2019/2020	2020/2021	2021/2022	2022/2023
	Actual	Actual	Forecast	Forecast
Retail ICPs				
Low User	12,565	12,620	12,553	12,629
Standard Domestic	8,880	9,014	9,276	9,353
Capacity	3,055	3,047	3,037	3,035
Network maximum Demand	164	171	173	173
Special (UV, SL, EF, PG)	101	97	94	94
Total	24,765	24,949	25,133	25,283
YoY Change				
Low User	0.4%	-0.5%	0.6%	
Standard Domestic	1.5%	2.9%	0.8%	
Capacity	-0.3%	-0.3%	-0.1%	
Network maximum Demand	4.3%	1.2%	0.0%	
Special (UV, SL, EF, PG)	-4.0%	-3.1%	0.0%	
Total	0.7%	0.7%	0.6%	
Retail Consumption (Mwh)				
Low User	64,326	67,608	68,042	69,188
Standard Domestic	68,751	72,186	74,326	74,965
Capacity	72,834	69,247	72,309	72,958
Network maximum Demand	53,925	51,757	55,210	55,588
Special (UV, SL, EF, PG)	2,234	2,253	2,289	2,312
Total	262,070	263,052	272,176	275,011
YoY Change				
Low User	5.1%	0.6%	1.7%	
Standard Domestic	5.0%	3.0%	0.9%	
Capacity	-4.9%	4.4%	0.9%	
Network maximum Demand	-4.0%	6.7%	0.7%	
Special (UV, SL, EF, PG)	0.9%	1.6%	1.0%	
Total	0.4%	3.5%	1.0%	

Price Schedule for the assessment period ending 31 March 2023

HORIZON NETWORKS DELIVERY PRICE SCHEDULE EFFECTIVE FROM 1 APRIL 2022

Disclosure pursuant to requirements of the Electricity Distribution Information Disclosure Determination 2012. Horizon Energy Distribution Limited, trading as Horizon Networks, is the Eastern Bay of Plenty electricity distribution business that owns and operates the physical infrastructure (poles and lines) that deliver electricity to your property. Horizon Networks is not your electricity retailer. The prices charged by your retailer may be different to those charged by Horizon Networks to your retailer. Horizon Networks charges relate only to the cost of providing electricity distribution services. Turnsure about the pricing. Horizon Networks recommend that customers contact their usual retailer to get a better understanding about the process and the difference between Horizon Networks pricing and the retailer's pricing.

Price Category Code (1)	Price Category	Forecast Number of Installation Control Points (ICP) as at 1 April 2022	Price Component Code (2)	Description	Units	Delivery Price (3) (from 1 April 2022)	Distribution Price	Pass Through Price
DOMESTIC								
LUDU	Low User Domestic - Urban	8,569	HET001	Daily Fixed Charge	\$ / ICP / day	0.30000	0.01119	0.28881
			HET012	Consumption Charge	\$ / kWh	0.08963	0.08963	-
			HET132	Export Charge	\$ / kWh	-	-	-
LUDU-TOU	Low User Domestic - Urban - Time of Use	0	LUDU-TOU-FX	Daily Fixed charge	\$ / ICP / day	0.30000	0.01119	0.28881
			LUDU-TOU-OP	Time of Use Charge - off-peak	\$ / kWh	0.07617	0.07617	-
			LUDU-TOU-SH	Time of Use Charge - shoulder	\$ / kWh	0.07617	0.07617	-
			LUDU-TOU-PK	Time of Use Charge - peak	\$ / kWh	0.10702	0.10702	-
			LUDU-TOU-DG	Export Charge	\$ / kWh	-	-	-
			LUDU-TOU-DG	Export Charge	\$ / kWh	-	-	-
LUDR	Low User Domestic - Rural	3,984	HET003	Daily Fixed Charge	\$ / ICP / day	0.30000	0.01119	0.28881
			HET013	Consumption Charge	\$ / kWh	0.08963	0.08963	-
			HET133	Export Charge	\$ / kWh	-	-	-
LUDR-TOU	Low User Domestic - Rural - Time of Use	0	LUDR-TOU-FX	Daily Fixed charge	\$ / ICP / day	0.30000	0.01119	0.28881
			LUDR-TOU-OP	Time of Use Charge - off-peak	\$ / kWh	0.07617	0.07617	-
			LUDR-TOU-SH	Time of Use Charge - shoulder	\$ / kWh	0.07617	0.07617	-
			LUDR-TOU-PK	Time of Use Charge - peak	\$ / kWh	0.10702	0.10702	-
			LUDR-TOU-DG	Export Charge	\$ / kWh	-	-	-
			LUDR-TOU-DG	Export Charge	\$ / kWh	-	-	-
STANDARD								
NDU	Standard User - Urban	4,756	HET034	Daily Fixed Charge	\$ / ICP / day	1.90584	1.48332	0.42252
			HET054	Consumption Charge	\$ / kWh	0.01638	0.01638	-
			HET154	Export Charge	\$ / kWh	-	-	-
NDU-TOU	Standard User - Urban - Time of Use	0	NDU-TOU-FX	Daily Fixed charge	\$ / ICP / day	1.43927	1.01675	0.42252
			NDU-TOU-OP	Time of Use Charge - off-peak	\$ / kWh	0.02523	0.02523	-
			NDU-TOU-SH	Time of Use Charge - shoulder	\$ / kWh	0.02523	0.02523	-
			NDU-TOU-PK	Time of Use Charge - peak	\$ / kWh	0.05373	0.05373	-
			NDU-TOU-DG	Export Charge	\$ / kWh	-	-	-
			NDU-TOU-DG	Export Charge	\$ / kWh	-	-	-
NDR	Standard User - Rural	4,518	HET035	Daily Fixed Charge	\$ / ICP / day	1.90584	1.48332	0.42252
			HET055	Consumption Charge	\$ / kWh	0.01638	0.01638	-
			HET155	Export Charge	\$ / kWh	-	-	-
NDR-TOU	Standard User - Rural - Time of Use	0	NDR-TOU-FX	Daily Fixed charge	\$ / ICP / day	1.43927	1.01675	0.42252
			NDR-TOU-OP	Time of Use Charge - off-peak	\$ / kWh	0.02523	0.02523	-
			NDR-TOU-SH	Time of Use Charge - shoulder	\$ / kWh	0.02523	0.02523	-
			NDR-TOU-PK	Time of Use Charge - peak	\$ / kWh	0.05373	0.05373	-
			NDR-TOU-DG	Export Charge	\$ / kWh	-	-	-
			NDR-TOU-DG	Export Charge	\$ / kWh	-	-	-
GENERAL - SPECIALS								
LIV	Under Veranda Lights (not available for new connections)	15	HET009	Daily Fixed Charge	\$ / UV / day	0.86506	0.83700	0.02806
EF	Electric Fence (not available for new connections)	5	HET006	Daily Fixed Charge	\$ / EF / day	0.62458	0.79644	0.02814
SL	Street Lights	15	HET008	Consumption Charge	\$ / kWh	-	-	-
			HET131	Monthly Fixed Charge	\$ / light / month	5.61187	5.21064	0.40123
PCM 24	PCM 24 Hour	56	PCM24-FX	Daily Fixed Charge	\$ / fixture / day	2.08954	1.82549	0.26405
PCMN	PCM Night Only (not available for new connections)	3	HET117	Consumption Charge	\$ / kWh	-	-	-
PCMN	PCM Night Only (not available for new connections)	3	HET116	Monthly Fixed Charge	\$ / fixture / month	27.31570	24.40956	2.90614
GENERAL - CAPACITY GROUPS								
NDU	Capacity Group 2 (15-42 kVA) - Urban	796	HET017	Daily Fixed Charge	\$ / ICP / day	2.11862	1.11493	1.00369
			HET041	Consumption Charge	\$ / kWh	0.03711	0.03711	-
			HET141	Export Charge	\$ / kWh	-	-	-
NDR	Capacity Group 2 (15-42 kVA) - Rural	1,548	HET023	Daily Fixed Charge	\$ / ICP / day	3.30909	2.27756	1.03153
			HET045	Consumption Charge	\$ / kWh	0.05295	0.05295	-
			HET145	Export Charge	\$ / kWh	-	-	-
NDU	Capacity Group 3 (43-70 kVA) - Urban	268	HET018	Daily Fixed Charge	\$ / ICP / day	5.59586	2.74378	2.82308
			HET042	Consumption Charge	\$ / kWh	0.04318	0.04318	-
			HET142	Export Charge	\$ / kWh	-	-	-
NDR	Capacity Group 3 (43-70 kVA) - Rural	318	HET024	Daily Fixed Charge	\$ / ICP / day	8.52005	6.02708	2.90197
			HET047	Consumption Charge	\$ / kWh	0.04854	0.04854	-
			HET147	Export Charge	\$ / kWh	-	-	-
NDU	Capacity Group 4 (71-100 kVA) - Urban (not available for new connections)	34	HET019	Daily Fixed Charge	\$ / ICP / day	12.10526	7.13199	4.97327
			HET043	Consumption Charge	\$ / kWh	0.05254	0.05254	-
NDR	Capacity Group 4 (71-100 kVA) - Rural (not available for new connections)	30	HET025	Daily Fixed Charge	\$ / ICP / day	13.82522	8.71273	5.11249
			HET048	Consumption Charge	\$ / kWh	0.05966	0.05966	-
NDU	Capacity Group 5 (>100 kVA) - Urban (not available for new connections)	23	HET020	Daily Capacity Charge	\$ / kVA / day	0.06741	0.05721	0.04020
			HET044	Consumption Charge	\$ / kWh	0.04514	0.04514	-
NDR	Capacity Group 5 (>100 kVA) - Rural (not available for new connections)	20	HET026	Daily Capacity Charge	\$ / kVA / day	0.10904	0.07219	0.03685
			HET049	Consumption Charge	\$ / kWh	0.08856	0.08856	-
MEDIUM TO LARGE CONSUMERS								
NMDU	Network Maximum Demand - Urban	64	NMDU-KVA	Daily Capacity Charge	\$ / kVA / day	0.05449	0.04493	0.01956
			NMDU-KW	Daily Demand Charge	\$ / kW / day	0.17541	0.12290	0.05251
			NMDU-KWH	Consumption Charge	\$ / kWh	0.02487	0.02487	-
			NMDU-DG	Export Charge	\$ / kWh	-	-	-
			NMDR-KVA	Daily Capacity Charge	\$ / kVA / day	0.05449	0.04493	0.01956
NMDR	Network Maximum Demand - Rural	109	NMDR-KVA	Daily Capacity Charge	\$ / kVA / day	0.05449	0.04493	0.01956
			NMDR-KW	Daily Demand Charge	\$ / kW / day	0.17541	0.12290	0.05251
			NMDR-KWH	Consumption Charge	\$ / kWh	0.02487	0.02487	-
			NMDR-DG	Export Charge	\$ / kWh	-	-	-
			NMDR-DG	Export Charge	\$ / kWh	-	-	-
LARGE CONSUMERS								
SPEC	Individually priced consumers (4)	n.a.		Various	Various	n.a.	n.a.	n.a.

GENERAL NOTES
 (1) All prices include GST. Full details on our prices, are included in our Pricing Methodology available from our website www.horizonnetworks.co.nz. The delivery price is the total covering distribution, transmission and other "pass through" costs. For a breakdown of these components please refer to our Pricing Methodology.
 (2) Price Category codes used in the Electricity Regulation are inclusive of Horizon Networks fixed and variable price component codes.
 (3) Price Component codes, identified alongside each delivery price, should be used by Retailers in their Electricity Information Exchange Protocol (EIP) reporting to Horizon Networks.
 (4) Industrial prices for large consumers are user specific and are widely fixed.

Appendix C – Director’s certificate

I, Anthony de Farias being director of Horizon Energy Distribution Limited certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached annual price-setting compliance statement of Horizon Energy Distribution Limited, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* has been prepared in accordance with all relevant requirements, and all forecasts used in the calculations for forecast revenue from prices and forecast allowable revenue are reasonable.



Anthony de Farias

28 January 2022