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Horizon Energy Distribution Limited (Horizon Networks) feedback on open letter – local lines networks: achieving better outcomes for consumers now and in the future

1. Thank you for the opportunity to provide feedback on the Open letter – Local lines networks: achieving better outcomes for consumers now and in the future.
2. This submission should be read alongside Horizon Networks' 7 October 2026 submission to the Ministry of Business, Innovation and Employment (MBIE) on *Options to improve the efficiency of electricity distribution businesses*. The open letter and MBIE's discussion document share the objective of more efficient, transparent and future-ready EDBs, and many of the themes in this submission are common to both.
3. 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.

HORIZON NETWORKS SUPPORTS THE COMMISSION'S VISION FOR THE SECTOR

4. We support the Commerce Commission's (Commission's) vision for a sector where EDBs have the capacity, capability and incentives to deliver the fundamentals well and are prepared for a more highly electrified future.
5. We agree that EDBs should:
   - deliver core network operations well; and
   - have strong commercial arrangements in place; and
   - build capability for the future.
6. We also support the Commission leading a coordinated programme to make EDB efficiency and performance more visible to stakeholders.
7. We understand the Commission's open letter has been provided to commence a process of exploring options and ideas in advance of the DPP5 reset such that a collaborative approach is taken towards identifying areas of strategic importance for the industry ahead of the settings being considered for DPP5 and beyond.
8. Our concern is not with the vision or outcomes, but with how these outcomes may be translated into regulatory obligations and incentives.
9. The open letter signals a range of potential changes to capitalisation, allowances and incentives, some with material and long-lasting financial consequences. It does not yet set out the problem each change is intended to address, the evidence of consumer harm, or how each change would improve consumer outcomes.
10. Horizon Networks therefore asks the Commission to satisfy itself of four things before any change to RAB recognition, allowances or financial incentives is proposed:
    - that the problem is defined and the consumer harm quantified;
    - that the intervention is proportionate to, and targeted at, that harm;
    - that any changes have been assessed as part of the full package of Part 4 settings rather than in isolation; and

- that regulation remains neutral between ownership and delivery models.

11. A central theme of our submission is that differences in costs, practices, capability models, procurement approaches or ownership arrangements may identify matters for inquiry, but do not, without further analysis, establish inefficiency.
12. Regulation should therefore test the efficiency of the outcome achieved, rather than presume efficiency or inefficiency from the model adopted. To support this, regulation should remain flexible, proportionate and prospective.
13. The regulatory framework should specify the consumer outcomes[1] expected of EDBs, while allowing each EDB to demonstrate the most efficient means of achieving them.
14. An EDB should not be disadvantaged because it uses a different asset-management, procurement or capability model where that model achieves the same or better outcome for consumers at lower whole-of-life cost.

REGULATION SHOULD FOCUS ON OUTCOMES, NOT METHODS

Four principles should guide the work programme

15. As the Commission works through changes to the regulatory settings to achieve its vision, it should be guided by recognised principles of good regulatory practice.
16. Good regulatory decisions, like good policy advice, are underpinned by good evidence. The Government's expectations for policy advice make the point: "*Good policy advice is underpinned by good evidence. This means that the advice is informed by up-to-date data, contextual and other knowledge, people's experiences and research from New Zealand and overseas.*"[2]
17. Horizon Networks acknowledges that the Commission is already applying elements of this practice. Signalling its direction early through an open letter, inviting sector feedback and engaging with equipment suppliers are consistent with good regulatory stewardship, and provide a sound starting point for the work programme.
18. However, the open letter signals potential changes ahead of the evidence needed to support them. For example, the proposal to limit capitalisation to assets procured on a standardised specification appears to have been informed, at least in part views that some EDBs have 'bespoke' requirements that add cost. The letter does not establish that non-standard specifications are inefficient, what the cost to consumers is, or whether they reflect legitimate differences in network conditions that cannot be met any other way.
19. Concerns of this kind are a reason to investigate and gather evidence to support informed decision making; they are not, by themselves, a basis on which to regulate.
20. We encourage the Commission to use its work programme to build the evidence base before settling on any intervention, drawing on up-to-date data (including the information disclosure, asset management plan and price-quality compliance information the Commission already holds), contextual knowledge of each network's operating environment, the experience of EDBs, their field staff, consumers and suppliers, and research and regulatory practice from New Zealand and overseas.
21. This would allow the Commission to move from signalling possible changes to proposing changes that are demonstrably linked to an identified problem and supported by evidence that they will improve outcomes for consumers.[3]
22. Regulatory interventions should address a clearly identified consumer harm, be supported by evidence, and demonstrate a clear link to the Part 4 objective of promoting the long-term benefit of consumers. Measures should:

    - focus on outcomes rather than prescribed methods,
    - preserve flexibility for EDBs to respond to differing circumstances; and

[1] Horizon Networks considers *consumer outcomes* are the long-term price, reliability, resilience and service-quality and future-readiness outcomes that EDBs can reasonably influence through prudent and efficient investment and expenditure decisions

[2] https://www.dpmc.govt.nz/our-programmes/policy-project/policy-advice-themes/evidence-and-evaluation

[3] https://www.regulation.govt.nz/assets/Uploads/Government-Expectations-for-Good-Regulatory-Practice.pdf

- be implemented through a process of measurement, learning and improvement before financial consequences are contemplated.

23. Regulation that is proportionate, evidence-based and adaptable is more likely to improve consumer outcomes than regulation that prescribes uniform approaches or assumes that differing business models are evidence of inefficiency.

24. To support proportionate regulation focused on the purpose of Part 4 of the Commerce Act, Horizon Networks recommends that the Commission adopt the following principles, which reflect the Government's Expectations for Good Regulatory Practice.

Principle	Alignment with good regulatory practice[4]	Rationale
Regulate outcomes, don't prescribe methods	**Part A: Expectations for the design of regulatory systems** *is flexible enough to allow regulators to adapt their regulatory approach to the attitudes and needs of different regulated parties, and to allow those parties to adopt efficient or innovative approaches to meeting their regulatory obligations*	Good regulation should focus on the outcomes sought for consumers rather than prescribing specific technologies, certifications, business structures or delivery models. This encourages innovation, efficiency and continuous improvement while allowing regulated parties flexibility in how they achieve desired outcomes.
Diagnose, explain and refine before applying financial consequences	**Part B: Expectations for regulatory stewardship by government agencies** *The government expects regulatory agencies to work collaboratively to:* *monitor the ongoing performance and condition of a regulatory system and the regulatory environment in which it operates* … *use available monitoring and review information to proactively identify and assess, and then report or address, problems, vulnerabilities, and opportunities for improvement in the design and operation of that regulatory system*	Regulators should first understand whether an issue exists, establish reliable evidence, and work with regulated parties to improve performance before imposing penalties or financial consequences. Intervention should escalate only where justified by evidence and risk.
Demonstrate a clear link to Part 4 of the Commerce Act	**Part B: Expectations for regulatory stewardship by government agencies** *Before a substantive regulatory change is formally proposed, the government expects regulatory agencies to provide advice or assurance on the robustness of the proposed change, including by:* … *clearly identifying the nature and underlying cause of the policy or*	Good regulation begins with a clearly identified problem and a demonstrated need for intervention. Regulatory measures should be linked to statutory objectives, supported by evidence of consumer harm, and assessed for costs, benefits and unintended consequences.

[4] https://www.regulation.govt.nz/assets/Uploads/Government-Expectations-for-Good-Regulatory-Practice.pdf

	operational problem it needs to address… *undertaking systematic impact and risk analysis, including assessing alternative legislative and non-legislative policy options, and how the proposed change might interact or align with existing domestic and international requirements within this or related regulatory systems*	
Recognise context and preserve flexibility	*Good regulatory design and practice … must accommodate diversity in people and organisations.* **Part A: Expectations for the design of regulatory systems** *is flexible enough to allow regulators to adapt their regulatory approach to the attitudes and needs of different regulated parties…* *is proportionate, fair and equitable in the way it treats regulated parties*	Regulatory approaches should recognise differences in operating environments, risk profiles and business models. Flexibility helps ensure regulation is applied fairly, avoids one-size-fits-all solutions, and allows regulated entities to respond efficiently to local circumstances.

25. These principles are not exhaustive and reflect only the elements of the government's expectations for good regulatory practice that Horizon Networks considers the Commission needs to be upfront about as it looks to amend the regulatory settings to achieve its vision for the future.
26. Other expectations for good regulatory practice—such as considering comparable regulatory systems, addressing practical design, resourcing and timing issues, and aligning with related regulatory requirements—also remain important. However, they require less emphasis here because the Commission can demonstrate them more readily than the principles above.
27. Part 4 of the Commerce Act is designed to promote the long-term benefit of consumers. As part of applying the principles above, the Commission should identify
    - the consumer outcome that is deficient
    - the materiality of any resulting harm
    - whether the concern is sector-wide or more targeted; and
    - the specific gap in the existing regulatory framework.
28. Until this analysis is done, differences in costs, practices or organisational models identify matters for inquiry, not inefficiency.

The illustrative rule changes prescribe methods rather than outcomes

29. Under "what this might mean for our regulatory rules", the Commission's open letter sets out illustrative but prescriptive ways in which the regulatory regime could evolve to deliver its vision.
30. These include streamlined allowances and incentives for higher-quality asset-management practices, such as ISO 55000, and full capitalisation of new commissioned assets only where they are procured to a standardised specification through an "at scale" arrangement.

31. The Commission should specify the consumer outcomes and capabilities required, not prescribe a particular certification, technology, procurement model, organisational structure or ownership form.
32. Prescriptive methods can produce inefficient outcomes by rewarding compliance with a preferred process rather than the result achieved.
33. They may also prevent an EDB from adopting a cheaper, proportionate or innovative solution that is better suited to its network. An EDB should be able to demonstrate that an alternative method achieves the same or a better consumer outcome at lower whole-of-life cost.

Not every cost difference is inefficiency

34. The Commission should not presume inefficiency where costs arise from legitimate network circumstances, prudent decision-making, transition activities, innovative or collaborative delivery models, or matters outside an EDB's reasonable control.
35. The open letter suggests that the limitations of small scale should be borne by shareholders rather than consumers. However, scale is a network characteristic, not a measure of performance or efficiency.
36. The relevant question is whether an EDB selected an efficient means of delivering the required consumer outcome, having regard to the credible options available to it, including collaboration, contracting and shared services.
37. Before a cost is excluded from an allowance or borne by shareholders, the applicable expectation should have been clear in advance and the Commission should establish that the decision was inefficient, material, reasonably controllable and causally connected to consumer harm.

Procurement method should not be a condition of full capitalisation

38. Horizon Networks supports common specifications, joint procurement, group procurement and other collaborative models where they reduce whole-of-life costs or improve service outcomes. However, full capitalisation should not be conditional on use of a prescribed procurement structure.
39. Horizon Networks does not apply a single national standard specification across its network. We use standard, commercially available equipment and, where the market allows, source it from more than one supplier.
40. Very little of our equipment could be described as bespoke. Maintaining competitive tension between suppliers helps us manage cost, quality and delivery risk.
41. We agree that standardisation can deliver benefits. Fewer equipment types can reduce staff training requirements and the range of spares an EDB needs to hold, and common specifications can simplify procurement. However, achieving lower costs through a national standard is not as simple as the open letter suggests, and several challenges would need to be worked through first.
    - Competition and resilience: a common specification can concentrate demand, weaken supplier competition and increase exposure to common defects or supply disruption.
    - Local operating conditions: equipment suitable for most networks may not be suitable for coastal or geothermal environments.
    - Innovation and performance: mandating specific products can lock in today's technology and slow the adoption of improvements identified through field experience and supplier innovation.
42. These issues are not reasons to reject standardisation. They are design issues for the Commission and the sector to resolve, for example by standardising performance requirements rather than particular products or suppliers, allowing justified local variation, maintaining several qualified suppliers and testing whether common specifications reduce whole-of-life costs before linking them to RAB recognition.
43. Equipment diversity can reduce the overall cost to consumers by preserving procurement flexibility and strengthening resilience.
44. Prescribing how assets are procured, as well as which assets are procured, can also create incentives for inefficient outcomes and behaviours.
45. It is also worth being aware that different EDBs use different models to deliver the field services required to commission assets.

46. Some maintain in-house capability or use related-party arrangements under which the EDB pays the provider's underlying costs without a profit margin. Others competitively tender the work to an independent provider whose price may include a commercial margin.
47. Either model may be efficient: established internal capability can deliver lower costs, while an external provider may offer specialist capability, risk transfer or other benefits that justify its margin.
48. These differences can produce different commissioned asset values even where EDBs commission comparable assets efficiently.
49. The Commission should not use the reported cost of one model as a mechanical benchmark for another or make full RAB recognition conditional on a particular contracting process. Doing so could encourage an EDB to tender where that would increase consumer costs or disadvantage an EDB whose efficient third-party price exceeds the recorded cost of a comparable in-house or related-party model.
50. A process-based rule could also prevent full capitalisation where an EDB obtains an appropriate asset through a lower-cost local, bilateral or innovative arrangement, or must urgently procure equipment following an unexpected failure. In each case, a prudent decision could be treated as inefficient solely because the prescribed process was not followed.
51. The key regulatory test should be whether the asset and procurement decision were prudent and efficient, having regard to the circumstances, including total acquisition and whole-of-life cost, suitability, timing requirements, delivery and supply-chain risk, warranties, support, logistics, local conditions and the credible alternatives available at the time.

Approaches to testing prudent and efficient investment

52. Horizon Networks acknowledges that the default price-quality path is intended to provide a relatively low-cost means of setting price-quality paths. It does not involve the business-specific, in-depth audit, verification and evaluation associated with a customised price-quality path.
53. This creates a legitimate question for the Commission: how can it obtain reasonable assurance that EDB investment and expenditure decisions are prudent and efficient without imposing project-by-project scrutiny or prescribing the method by which assets must be specified, procured or delivered?
54. One option would be to **assess the quality and application of each EDB's investment decision-making framework**, rather than reassessing every individual decision.
55. Such a framework could require an EDB to demonstrate that it identifies the consumer or network need, considers credible alternatives, assesses whole-of-life cost and risk, and selects an approach that is reasonably expected to deliver the required outcome efficiently in the circumstances existing at the time.
56. The framework could include procurement principles or minimum expectations developed with the sector, while preserving flexibility for different network circumstances, delivery models and justified departures.
57. Compliance with the framework and minimum expectations could be supported by proportionate disclosure and independent assurance that the EDB's framework is appropriately designed and is being applied in practice. The frequency and scope of that assurance could reflect materiality, risk and material changes to the framework, rather than necessarily requiring a full annual review.
58. The Commission's existing treatment of related-party transactions provides a useful analogy. That regime combines rules for determining transaction values with disclosure, materiality thresholds and independent assurance.
59. A similar approach to independent assurance could provide confidence in an EDB's investment and procurement processes without requiring the Commission to approve each transaction or assume that only one procurement model can produce an efficient outcome.
60. The Government Procurement Rules provide a further example of how a common framework can promote disciplined consideration of public value, cost, quality, risk and market engagement while retaining flexibility over the procurement approach.
61. Together, these examples illustrate a possible alternative to a prescribed specification or "at scale" procurement arrangement: establish clear decision principles, require proportionate evidence that the principles are followed, and reserve more detailed scrutiny for material exceptions or identified risks.

Government procurement shows that efficiency and flexibility can coexist

62. The Government Procurement Rules show how a well-designed framework can promote efficient procurement while leaving agencies the flexibility to meet their own needs.
63. The rules focus on achieving public value rather than prescribing a single process. Small and large agencies can buy through all-of-government, common capability or syndicated contracts to capture the benefits of scale.
64. Where their needs are specific, agencies can run their own procurement, with technical specifications based on performance and functional requirements rather than prescribed designs.
65. In a genuine emergency, agencies can procure directly without open advertising.
66. A similar framework could allow EDBs to capture the benefits of collaborative and standardised procurement at scale, where these reduce costs to consumers, without making full capitalisation conditional on a particular procurement process.

Regulation should remain neutral between ownership and delivery models

67. The open letter encourages governors of smaller EDBs to review the merits of different ownership options objectively and invites views on how regulation can support sector aggregation.
68. Horizon Networks agrees that every EDB should actively consider how it can best capture scale-related efficiencies for its consumers.
69. Ownership consolidation is one way to achieve those efficiencies, but it is not the only way and should not be presumed to be the most efficient.
70. Common standards, joint procurement, shared services and other collaborative arrangements can deliver many of the same benefits without the transaction costs of a change in ownership, while preserving the local accountability and focus that communities may value.
71. Regulatory settings should therefore remain neutral between ownership and delivery models.
72. Allowances, capitalisation and incentives should reward the efficiency of the outcome achieved, not the structure through which it is achieved.
73. If the Commission introduces measures to reduce barriers to aggregation, such as capitalising aggregation transaction costs, it should give equivalent recognition to the efficient costs of establishing collaborative and shared-service arrangements, so that regulation does not favour one model over another.

FINANCIAL CONSEQUENCES REQUIRE EVIDENCE AND SYSTEM-WIDE ASSESSMENT

Reduced RAB recognition should require evidence of inefficiency

74. Horizon Networks supports strong commercial arrangements, including efficient pricing, flexibility and distribution system operation capability where these deliver consumer benefit.
75. However, requiring particular activities or capability models may not adequately recognise alternative and potentially more efficient ways of achieving the same outcomes, and may drive investment or operating behaviour that is not justified by local network need.
76. Reduced RAB recognition should not apply merely because an EDB adopted a different pricing, flexibility or capability model from a preferred approach, or because another EDB might have deferred a similar investment in materially different circumstances.
77. Any proposed reduction should require the Commerce Commission to demonstrate that the investment itself was inefficient, including that:
    - a credible lower-cost alternative was reasonably available;
    - the relevant circumstances were reasonably controllable;
    - the difference is material; and
    - the EDB had a fair opportunity to explain the decision and address any capability deficiency.
78. The decision should be assessed using the information reasonably available when the decision was made, rather than with hindsight after demand, technology or flexibility outcomes are known.

79. The Commission should also assess whether a reduction in RAB recognition would discourage timely electrification, resilience investment, experimentation or adoption of new technology.

Incentives and RAB recognition should be assessed as an integrated package

80. The open letter signals two ways in which commissioned assets may not enter the RAB at full value:
    - assets not procured on a standardised specification through an 'at scale' arrangement, and
    - non-point-load system growth expenditure where an EDB has not delivered meaningful flexibility incentives or lacks sufficient DSO capability.
81. These proposals should not be assessed in isolation. Their effect on investment depends on how they combine with other Part 4 settings, both existing and in development.
82. Limiting the value at which a prudently incurred asset enters the RAB has the same economic effect as lowering the allowed return on that asset: the EDB cannot expect to recover its efficient cost of capital on the full investment.
83. We note that the Commission has long set the WACC above the midpoint to reflect the potential asymmetric costs to consumers of setting it too low.
84. In its 2023 input methodology reviews, the Commission set the 65th percentile for EDBs but adopted the midpoint estimate for gas pipeline businesses.
85. The High Court allowed First Gas's appeal against that decision, finding an uplift to the 65th percentile materially better at promoting certainty under section 52R, and the Commission has since been granted leave to appeal to the Court of Appeal.[5]
86. Whatever the outcome of that appeal, it illustrates the point. Settings that reduce the expected return on investment, whether through the WACC percentile, partial capitalisation, IRIS outcomes, expenditure allowances or new compensation obligations, act cumulatively. Each may appear reasonable on its own, but together they can shift the balance between investing and not investing.
87. Where the expected return on a renewal, resilience or growth project falls below its cost of capital, the economically rational response may be to defer the work and accept a higher risk of outages, even where the investment would deliver the better outcome for consumers. This is not how Horizon Networks intends to manage its network.
88. It is a risk in the design of the incentives, and one the Commerce Commission should test for, because a regime that makes reduced reliability the lower-cost option will, over time, tend to produce it.
89. The Commission should test the cumulative effect of Part 4 settings to ensure they do not unintentionally make the deferral of efficient renewal, resilience or growth investment more attractive than undertaking it, undermine regulatory certainty, or weaken confidence in long-term investment.
90. In particular, before introducing stronger financial consequences, the Commission should assess the incentives already operating through Part 4. Price-quality paths, expenditure allowances, quality standards, information disclosure, treatment of commissioned assets and the incremental rolling incentive scheme already affect the costs and benefits borne by an EDB from expenditure and performance decisions.
91. Additional incentives should address a clearly identified gap and should not duplicate, conflict with or compound existing consequences.
92. Expenditure above or below an allowance is not itself evidence of inefficiency. A financial consequence should not be imposed twice for the same underlying failure, and incentives should not encourage deferral of prudent maintenance, resilience or capacity investment.
93. IRIS is already influencing expenditure decisions in DPP4 that will affect revenue in DPP5. Any new measure that interacts with expenditure should be assessed for competing incentives and unintended behavioural effects.
94. Where a potential inefficiency is identified, the Commission should first quantify it, discuss the result with the EDB and provide a reasonable opportunity to address it before imposing an additional financial consequence.

[5] First Gas Ltd v Commerce Commission [2026] NZHC 1224 (7 May 2026); First Gas Ltd v Commerce Commission [2026] NZHC 2463 (20 August 2026) (leave to appeal and stay pending appeal). See also https://www.comcom.govt.nz/regulated-industries/input-methodologies/input-methodologies-for-electricity-gas-and-airports/gas-pipelines-input-methodologies/

95. The same approach should apply to the proposed consequential-failure compensation regime. The Commission should first identify any gap in existing quality standards, statutory consumer protections, contractual remedies and enforcement settings.

96. Any new mechanism would require clear tests for causation, foreseeability, materiality and controllability; should distinguish inadequate capability from residual risk that remains despite prudent planning and investment; and should not impose multiple financial consequences for the same event.

97. Horizon Networks recommends that the Commerce Commission assess any proposed changes as part of the overall Part 4 framework rather than in isolation.

DPP5 timing should not create retrospective expectations

98. We note that the Commission intends to progress aspects of the work programme before DPP5.

99. Horizon Networks wants to emphasise the benefits of a robust design, consultation and testing to deliver enduring changes and regulatory certainty.

100. Changes to EDB incentives and revenue will have long-lasting consumer impacts and should not be implemented to an externally imposed timetable if the design, evidence and testing are not sufficiently mature.

101. Financial consequences should not apply until EDBs have had sufficient notice and a reasonable opportunity to establish the behaviours, systems and consumer outcomes the Commission expects.

102. An implementation and improvement period is essential so an EDB can adapt and the Commission can test whether the measure produces reliable, measurable consumer benefit under real-world conditions, including relevant contextual factors and equivalent delivery models.

103. We recommend a progressive, measured approach to achieving better outcomes for consumers now and in the future.

104. This approach should be staged and proportionate to the maturity of the evidence:

- **Define:** identify the consumer outcomes, alleged performance problems, existing Part 4 information and incentives, and genuine information gaps.
- **Measure and assess:** develop a limited set of contextualised measures, test definitions and data quality, provide results to affected EDBs, and allow correction and explanation before publication.
- **Improve:** publish sector-level findings, identify credible improvement opportunities, support collaboration and allow EDB-specific improvement pathways and delivery models.
- **Evaluate:** assess whether any material, controllable performance gap remains, quantify the consumer harm and likely benefit of intervention, and test interactions with existing incentives.
- **Consult on consequences:** only once the monitoring framework is in place, and there is a clear case for regulatory incentives and penalties, consult separately on intervention; apply it prospectively; and include materiality, causation and review safeguards.

105. This sequence is not intended to delay justified action. It is intended to ensure that any action improves consumer outcomes without displacing efficient or innovative solutions.

106. A staged approach also improves confidence in the regulatory framework. Stronger incentives and financial consequences are more likely to be accepted, effective and durable where the underlying evidence, assessment methodology and expected consumer benefits are transparent and well understood by stakeholders.

In conclusion, regulate for consumer outcomes

107. Horizon Networks supports the Commission's vision for the future of the sector.

108. However, before introducing financial incentives, penalties or limits on RAB recognition, the Commission should:

- clearly identify the consumer harm it is seeking to address;
- develop an evidence base;
- assess the interaction with existing Part 4 incentives;
- focus on consumer outcomes rather than prescribed methods;

- remain neutral between ownership and delivery models; and
- apply any new financial consequences prospectively, after a period of measurement and improvement.

109. Different business models, ownership structures, procurement approaches and capability arrangements can all deliver efficient outcomes for consumers.

110. Regulation should therefore **test the efficiency of the outcome** achieved, rather than presume efficiency or inefficiency from the model adopted.

111. To support this, regulation should remain **flexible, proportionate and prospective**.

112. The Commission's challenge is not to make EDBs look the same. It is to ensure consumers receive better outcomes. Regulation should therefore focus on outcomes, evidence and efficiency rather than organisational form, delivery model or prescribed methods.

Yours sincerely

[redacted]

Jonathon Staite
Regulatory Manager

[redacted]

HORIZON ENERGY DISTRIBUTION LIMITED

APPENDIX A: RESPONSES TO THE COMMISSION'S QUESTIONS

Question	Horizon Networks response
1. Is the proposed future-state focus appropriate?	Yes. Delivering core network operations well, maintaining strong commercial arrangements and building capability for the future are appropriate elements of good EDB performance. These should be expressed as consumer outcomes and capabilities rather than prescribed operating methods. The Commission should recognise equivalent and lower-cost means of delivering those outcomes, including contracted and shared-service models.
2. Are aspects inadequately addressed in the vision?	The vision should more expressly recognise long-term affordability, resilience and innovation as outcomes for consumers, and that EDBs can achieve them efficiently through different ownership and delivery models. Of note, consumer ownership can itself provide legitimate consumer focussed benefits, including local accountability, long-term stewardship and the ability to return value to communities. Those benefits should form part of the assessment of alternative ownership and delivery models rather than being treated as secondary to scale. Proportionality should also guide how the vision is translated into regulatory settings. The vision should also recognise the short-term costs associated with long-term efficiency: building digital, data, workforce and flexibility capability may require prudent expenditure before benefits are fully observable. Good performance should balance cost, quality, risk, resilience and future readiness rather than minimise one measure in isolation.
3. What should the industry priorities be, and how should they be evaluated?	**Industry priorities** Horizon Networks supports the Commission's focus on: • EDBs delivering core network operations well, • EDBs having strong commercial arrangements in place • EDBs building capability for the future. The priority should be to deliver the services current and future consumers need at efficient whole-of-life cost. Good performance is not necessarily the lowest expenditure, it is achieving the required outcome efficiently, taking account of safety, reliability, resilience, capacity needs, local context and risk over time. Prioritisation should be based on: • the scale and timing of consumer benefit, • the evidence of a potential cost or service gap, • the feasibility of improvement and the cost of assessment The Commission should begin with a limited number of material opportunities rather than attempt to assess every aspect of performance simultaneously. The appropriate order may differ between networks and change over time. Priorities should be informed by evidence of current and emerging consumer needs, drawing on service experience, connection enquiries, complaints and structured engagement about cost–service trade-offs, and reviewed as those needs change.

Question	Horizon Networks response
	As an initial priority we suggest focussing on **EDBs investment decision making frameworks**. This directly addresses the expenditure and capitalisation issues raised in the open letter and the alternative approach outlined in our cover letter. It would test how EDBs identify needs, assess credible alternatives and select prudent and efficient responses, without presuming that a particular procurement or delivery model is required. **Evaluating performance through monitoring and assurance** *Monitoring* As outlined in our cover letter, evaluation should combine visibility of expenditure and consumer outcomes with confidence in the efficiency of decision-making. Monitoring of outcomes should draw on existing information disclosures and asset management plans, with the Commission seeking additional information only where there is a defined assessment gap. Monitoring should meet interested party's information needs, explaining expenditure, service outcomes and trends, and their implications for long-term consumer costs. Monitoring can strengthen consumer confidence, support accountability and identify where improvement or further intervention may be required. Any monitoring framework should cover both exempt and price-quality-regulated EDBs and be developed separately from DPP financial incentives. Clear, accessible information on EDB performance can help strengthen consumer confidence. One option is a **concise public scorecard**, with ranking on comparably individual measures. However, EDBs should have an opportunity to correct errors and explain material differences before publication. Differences should identify matters for inquiry, not automatically establish inefficiency *Assurance* Proportionate independent assurance could assess whether an EDB's framework is appropriately designed and applied in practice to identify needs, assess credible alternatives and evaluate whole-of-life costs and risks when selecting how to meet those needs. Assurance can test whether the framework supports prudent and efficient decisions using procurement rules and information available and whether the framework and procurement rules are applied in practice. The scope and frequency of review should reflect materiality, risk and material changes to the framework, as outlined in our cover letter. **Assessment informs if further action is required** Consistent with our cover letter, the Commission should follow the sequence define; measure and assess; improve; evaluate; and consult on consequences.

Question	Horizon Networks response
	Where monitoring identifies deficiencies or opportunities to improve consumer outcomes through targeted regulation or financial penalties / incentives, EDBs should have a reasonable opportunity to address identified issues. Before proposing changes to RAB recognition, allowances or financial incentives, the Commission should satisfy the four conditions set out in our cover letter: define the problem and quantify consumer harm; target a proportionate response at that harm; assess the full package of Part 4 settings; and remain neutral between ownership and delivery models. Financial consequences should be consulted on separately and applied prospectively, with the materiality, causation and review safeguards described in our cover letter.
4. How should capability and Board-level metrics be assessed?	EDBs should determine capability requirements by reference to network circumstances, consumer needs, risk and the relative cost of internal, contracted and shared-service solutions. Horizon Networks assesses capability requirements through its asset management, risk management, business planning and governance processes. Capability decisions are informed by network needs, consumer outcomes, legal and regulatory obligations, emerging technologies, and the costs and benefits of alternative delivery approaches. As a result, capability development is undertaken according to demonstrated need and investment priorities, rather than on the assumption that every capability should be developed internally or at the same pace across all EDBs. A common set of Board-level outcome measures may improve transparency and provide useful sector-wide visibility. However, any framework should be developed collaboratively, focus on outcomes rather than governance structures, and allow equivalent measures where they provide comparable oversight An illustrative balanced set of measures could cover: • safety and critical asset risk; • reliability and resilience; • delivery of significant asset renewal and resilience programmes; • asset condition and data confidence; • network capacity utilisation and forecast constraints; • connection performance and customer experience; • delivery of expenditure programmes against plan, with explanation of material variances; • progress on pricing, flexibility and network visibility initiatives; • workforce capability and critical skill risks; • cyber security and business continuity maturity; and • affordability and customer impact indicators. Before introducing new reporting requirements, the Commission should identify whether suitable information is already available through asset management plans, information disclosure and price-quality reporting frameworks. The Commission should also recognise that effective governance does not require identical Board reporting. Differences in measures should not be interpreted as evidence of poor governance where Boards can demonstrate equivalent oversight

Question	Horizon Networks response
	of the outcomes being sought. Nor should the existence of a Board-level metric automatically result in a requirement for public disclosure
5. What is needed from regulators, regulation or legislation?	The existing Part 4 framework and Part 4 purpose that underpins it should remain the foundation for any future intervention. There is a need for regulatory certainty, aligned definitions and reporting across agencies, recovery of prudent and efficient transition costs, proportionate information-sharing arrangements and recognition of shared capability. Any changes to RAB recognition, allowances and incentives should be assessed together as a package of Part 4 settings rather than in isolation. The Commission should also coordinate closely with MBIE and the Electricity Authority on existing sector initiatives to minimise duplication and ensure regulatory efforts are complementary. Conversely, the Commission should deprioritise requirements that prescribe inputs or delivery methods, duplicate existing disclosures, seek information without a defined use or consumer benefit, or require information already available through asset management plans or price-quality reporting. Regulatory effort should continue to be directed towards improving consumer outcomes rather than increasing compliance activity for its own sake."
6. What timescales are feasible?	Timescales should follow the maturity of the evidence rather than predetermined regulatory milestones. A feasible pathway follows the staged approach set out in our submission: • define • measure and assess • improve • evaluate • consult on consequences The DPP5 timetable should not set the pace of change where policy design, evidence, definitions, modelling and testing are not yet sufficiently developed. Foundational elements including definitions and methodologies should be settled before new data is required. EDB implementation pathways will necessarily vary according to existing systems, investment cycles and local consumer needs The Commission should therefore allow for staged implementation and recognise internal, contracted, Group and shared-service capability models where these can deliver equivalent outcomes sooner or at lower cost.
7. How should smaller EDBs assess capability costs?	Scale is a network characteristic, not a performance measure. The relevant assessment is not whether a smaller EDB has replicated the capability of a larger EDB. Rather, it is whether the EDB can deliver the required consumer outcome through the most efficient available model. Assessment should compare the expected consumer benefit and risk reduction from addressing an identified capability gap with the whole-of-life costs of internal investment, contracting, collaboration, group arrangements and shared services. Where benefits are uncertain, staged investment or a shared solution may be more efficient than immediate standalone capability. Accordingly, a decision not to build capability internally should not be viewed as a deficiency where an EDB can demonstrate that a contracted, collaborative or shared-service arrangement delivers equivalent or better outcomes at a lower overall cost.

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	Regulatory assessment should therefore focus on capability outcomes, service quality, risk management and consumer impacts rather than the model used to deliver them.
8. What are the barriers to increased consolidation and standardisation?	Standardisation, collaboration, operational aggregation and ownership consolidation are distinct concepts and should not be treated as interchangeable. While each may offer benefits in particular circumstances, the efficient outcome will depend on the nature of the activity, network characteristics and consumer needs. Practical barriers to increased standardisation and collaboration include transition and transaction costs, inconsistent data and specifications, different asset bases and investment cycles, allocation of costs and benefits, access to capability and uncertainty regarding regulatory treatment and cost recovery. For network equipment and technical standards, national standardisation may deliver procurement efficiencies, simplify training requirements and improve interoperability. However national standardisation also carries risks. Concentrating demand among a limited number of suppliers may reduce competitive tension and increase supply-chain risk. A single specification may not be appropriate across all operating environments, including areas affected by coastal corrosion, geothermal sulphur or other local conditions. Prescriptive standards may also reduce innovation and slow the adoption of new and innovative products and technologies. In many cases, greater value may be achieved by standardising performance outcomes, data definitions and interfaces while allowing justified local variation in technical solutions. Maintaining multiple qualified suppliers and permitting departures where supported by cost-benefit analysis would preserve many of the benefits of standardisation while managing the associated risks. The Government Procurement Rules provide a useful example of a framework that promotes consistency and scale efficiencies while allowing agencies flexibility in how outcomes are achieved. The framework encourages agencies to leverage common capability arrangements and aggregated purchasing where benefits exist, while allowing alternative approaches where these better meet operational needs. This suggests that regulatory settings should focus on creating incentives and removing barriers to efficient collaboration, rather than mandating uniform solutions across all EDBs.
9. Are alternative approaches more impactful or easier to implement?	Yes. The Commission should generally prefer “low-regret” interventions such as staged information disclosure, contextualised dashboards, peer-group comparisons, targeted reviews, improvement plans and non-financial pilots before considering financial incentives and penalties. For asset management, a streamlined ISO-based pathway should recognise equivalent forms of evidence and assurance rather than requiring a single assessment methodology. Cost-per-ICP measures may provide useful diagnostic information but should be interpreted in context and not used as allowance-setting formulas Collaborative procurement outcomes may provide relevant comparative evidence of efficiency; however, the procurement method itself should not be a condition of full capitalisation or prudent expenditure recognition. Consistent with the Government Procurement Rules, regulatory settings should encourage collaborative and standardised approaches where these deliver value, while

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	allowing alternative approaches where they can achieve equivalent outcomes more efficiently. For pricing, flexibility and DSO capability, the Commission should specify the consumer and system outcomes sought and permit equivalent delivery models before considering any RAB, allowance or incentive consequences. Any 'consequential-failure' compensation regime should only be considered where a clear gap is identified in existing quality standards, consumer protections and contractual remedies. Any regime should incorporate robust safeguards, including clear causation, materiality thresholds, proportionality, controllability and protections against double-counting or overlapping regulatory mechanisms.
10. How should the Commission develop its work programme?	The Commission should develop its work programme through a coordinated and transparent sector process with clear objectives, decision criteria, milestones and governance arrangements. The process should involve interested stakeholders, (including EDBs, consumer representatives, industry bodies and relevant regulators), identify where existing information is sufficient, minimise duplicated information requests and recognise efficient and innovative delivery models, including shared-service and collaborative arrangements. Intervention should initially support improvement and sector learning. Consistent with the staged framework proposed in our cover letter, the Commission should first complete the **define** and **measure and assess** stages by publishing its diagnostic findings, the evidence supporting any identified performance gaps, and the expected consumer benefits from addressing them. The Commission should then provide EDBs with an opportunity to **improve** performance and allow sufficient time to **evaluate** the effectiveness of those improvements before **consulting** separately on any material changes to RAB recognition, expenditure allowances, quality standards, incentives or other financial consequences. Any financial consequences should represent a final step in the process, rather than a starting assumption. Where the Commission concludes that financial consequences are justified, they should be prospective, proportionate, evidence-based and linked to matters within an EDB's reasonable control.