

File Ref  
Our Ref: 319 LTR

04 December 2008

Levy Regulations Review  
Part 4 of the Commerce Act  
Energy and Communications Branch  
Ministry of Economic Development  
PO Box 1473  
WELLINGTON

**REGARDING: Submission on funding the Regulation of Electricity, Gas and Airports Sectors**

Dear Sir/Madam,

Horizon Energy supports the letter sent to the Ministry of Economic Development (MED) dated 14 November 2008 by PricewaterhouseCoopers.

We support the use of regulatory asset bases as a means to allocate costs amongst electricity lines businesses (ELBs) and we agree that potential changes to the derivation of the regulatory asset base may make this approach difficult to apply in the future. Should it not be possible to use regulatory asset values PricewaterhouseCoopers recommended the allocation of costs across ELBs using electricity supplied over the network.

Horizon Energy's unique customer base with 5 major industrial customers consuming over 50% of electricity supplied would result in the Company being allocated a disproportionate share of costs. For example based on 2008-09 charges Horizon Energy's share of costs would increase by approximately \$40,000 or 64%, the largest increase across all ELB's.

In our view, the use of this methodology without adjustment would result in the Company bearing a disproportionate cost of regulation. We encourage the MED to consider adjustments in the allocation approach should the electricity supplied methodology need to be applied.

Yours faithfully



Ajay Anand  
**CHIEF EXECUTIVE**