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Electricity Authority
PO Box 10041
Wellington
By email: connection.feedback@ea.govt.nz

Distribution Connection Pricing Consultation Cross Submission

1. Thank you for the opportunity to make a cross submission on the Consultation Paper “*Distribution connection pricing proposed Code amendment*”. This cross submission is not confidential and can be publicly disclosed.
2. Orion supports the ENA’s submission.

Regulatory clarity and direction

3. Orion cross submits that the Authority has a difficult task ahead to bring all stakeholders to the level of clarity and understanding necessary to ensure execution of its final intentions for connection pricing reform are effective and that unintended consequences are mitigated as far as reasonable. We strongly encourage the Authority to hold technical workshops on the mechanics of connection price setting to alleviate ambiguity and ensure the practical challenges in this space are clearly understood. Sapere’s submitted recommendation for the pricing proposal on behalf of Drive Electric echo our concerns “That the Authority rewrite the proposal to be clearer on the exact fast track proposals. Edit the Code amendments so that they unambiguously describe what is intended. Reissue the consultation.”¹
4. Orion cross submits that there is stakeholder uncertainty about the connection pricing proposals and Sapere clearly states this view in its submission “After carefully going through the Authority’s distribution connection pricing proposal we are not clear on exactly what the Authority is proposing.”² Regulatory certainty is paramount and we cross submit that the Authority needs to review its approach moving forward to ensure that its intentions are clearly understood and executable by EDBs.

¹ https://www.ea.govt.nz/documents/6231/Drive_Electric-DCP_Submissions_2024.pdf page 2

² https://www.ea.govt.nz/documents/6231/Drive_Electric-DCP_Submissions_2024.pdf page 5

5. Sapere on behalf of Drive Electric encourages the Authority to consider how its connection pricing reform integrates with connection processes. They emphasise that “no customer journey is described, and recommendations aren’t anchored around which part of the customer journey is being addressed which risks poor allocation of regulatory effort.”³ Orion cross submits that the ENA Future Network Forum is carrying out work that involves stakeholder development of customer journeys. Understanding what pricing tools and approaches should occur across the customer journey would help stakeholder understanding of the Authority’s proposals. For instance, posted network capacity rates could be a tool for providing early estimates to applicants in exploration or discovery phases, and be substituted for specific connection pricing once a concept design is signed off. This would support a right sized assessment of price versus capacity trade-off along the journey to an accepted connection agreement.
6. The NEG is concerned that the extent of intervention is not right sized given the majority of customers are being connected without undue concern “We believe that the proposed changes are heavy-handed and are tackling an issue that is perceived as much greater than that which currently exists.”⁴ Orion cross submits in agreement that the majority of our connections are effectively and efficiently processed for customers and note that to date we have only received 41 CPO applications (3 of which are greater than 300kVa connection capacity) out of the approximately ~4,000 to 6,000 load connections received annually.
7. Orion cross submits that the integration between connection process and connection pricing should not be overlooked, and we recommend that the Authority progress these two elements in unison moving forward. This is supported by a number of submitters submitting combined submissions for the two separate consultations.

Speed and Prudency

8. There is a general sentiment by submitters that the Authority should “slow down” and avoid undue haste. For instance, West Coast Electric Power Trust, along with a number of other distribution consumer representing Trusts submitted “Firstly, and most importantly, we urge the EA to slow down this process. It is being implemented with undue haste. Mistakes and missteps will only be borne by our existing customers in the form of higher prices and increased risk.”⁵
9. We agree with submitters that we want to avoid unintended consequences from a lack of problem definition and clarity from complex requirements that are not well understood.
10. We cross submit that the Authority should listen to this feedback and acknowledge it in their subsequent actions in continuation of this connection pricing project.

³ https://www.ea.govt.nz/documents/6231/Drive_Electric-DCP_Submissions_2024.pdf page 6

⁴ https://www.ea.govt.nz/documents/6248/NEG_-_DCP_submission_2024.pdf page 7

⁵ https://www.ea.govt.nz/documents/6274/West_Coast_Electric_Power_Trust_-_Combined_submission_2024.pdf page 3

Principles Based versus Rule Based

11. MEUG submitted that “We encourage the Authority to take a principles-based approach and make sure that the sector understands the exact problem being addressed, including the evidence of this problem. This would ensure any measures can be assessed for effectiveness and efficiency in resolving the actual problem. This would be a substantial change for some EDBs and its customers, so it is important to understand if there would be any unintended consequences.”⁶
12. We agree with MEUG’s submission and cross submit that the Authority should take a principles-based approach to this reform as there is a risk extensive rule-based approaches creates a lack of flexibility and ‘room to move’ or innovate for both the EDB and access seekers especially for larger and more complex connections and emerging technology.

Protecting Existing Consumers While Supporting Economic Investment of Access Seekers (Q4)

13. The Authority has a statutory object “to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity”.
14. We cross submit in agreement with submitters that made reference to the above statutory objective citing concern around the risk of unfairness to existing consumers from the Authority’s intended approach. A common consumer submission made said “Making me pay when a new business or housing developer wants to connect to the electricity network is unfair...”⁷
15. There was submitter sentiment that larger commercial access seekers have specific demand requirements of networks but have greater resources and ability to recoup connection costs and have commercial discussions, than domestic and small business consumers. For instance,
 - a) MEUG submitted “....consider that if new customers are not subject to the full cost of the connection, there would be less incentive to look at investigation options to reduce or smooth capacity requirements, through alternative/innovative measures such as solar PV, thermal storage or batteries.”⁸
 - b) BEC submitted that “While it is fair and necessary to uphold the principle that access seekers pay their own connection costs, the distribution of costs for network capacity upgrades can sometimes raise equity concerns and can render some projects economically unviable, especially in cases where wider network upgrades are required.”⁹

⁶ [https://www.ea.govt.nz/documents/6246/MEUG - DCP Submissions 2024.pdf](https://www.ea.govt.nz/documents/6246/MEUG_-_DCP_Submissions_2024.pdf) page 4

⁷ [https://www.ea.govt.nz/documents/6247/Name withheld on request - DCP submission 2024.pdf](https://www.ea.govt.nz/documents/6247/Name_withheld_on_request_-_DCP_submission_2024.pdf) page 1

⁸ [https://www.ea.govt.nz/documents/6246/MEUG - DCP Submissions 2024.pdf](https://www.ea.govt.nz/documents/6246/MEUG_-_DCP_Submissions_2024.pdf) page 4

⁹ [https://www.ea.govt.nz/documents/6279/BEC - DCP Submissions 2024 mj2hNGc.pdf](https://www.ea.govt.nz/documents/6279/BEC_-_DCP_Submissions_2024_mj2hNGc.pdf) page 2

- c) NEG submitted that “The vast majority of newcomers to the network are residential, and this group is effectively served by the status quo.....Commercial connections, including housing developments, data centres, and EV charge-point connections, have specific demands on a network and the best people to price and negotiate these connection charges are the EDBs and the network newcomers.”¹⁰
 - d) Fonterra submitted “we support beneficiary pays even if that is all the way to the GXP, if it’s the least cost minimum technical solution to deliver the capacity of connection requested.”¹¹
 - e) Scanpower submitted “We are concerned that the proposed changes are designed to favour a small number of connecting parties over others and that these changes will result in increased charges and risk to existing customers”¹²
16. We cross submit that the Authority should ensure its focus within the connection pricing project is centred on consumers and not access seekers. Access seekers especially in the larger more complex connection category are oftentimes not the final consumer and are also better placed to recoup their connection costs via commercial approaches e.g. residential and commercial developers. The more formulaic approach to connection pricing contemplated by the Authority if well-defined and executed should ensure access seekers and commercial customers are also treated fairly.
17. We cross submit that an important area the Authority should maintain oversight in its reform is the appropriateness of connecting applicants, especially those greater than 300kVa, paying the actual costs of their dedicated assets and proportionate contribution to any upstream augmentation their connection initiates. This is part of ensuring that costs are balanced between those that initiate connection work and existing customers.

Connection Costs and Enhancement

18. Orion cross submits in agreement with Sapere’s recommendation that “.... the Authority immediately modify the connection enhancement cost and network capacity cost to a full implementation of the network capacity charging method only for deep connection (the Australian method).”¹³, and that more time is taken in the reform and consultation process to work with EDBs to ensure understanding and effective implementation.
19. **Standardisation** – Orion cross submits that the size of the connections pricing issue should be reconsidered by the Authority in that the majority of EDB residential and small business customers often have price transparency already through posted contributions or fixed capital contributions. What the reform should focus on is the connection pricing approach for larger more complex connections. This sentiment is echoed in the following submissions,

¹⁰ [https://www.ea.govt.nz/documents/6248/NEG - DCP_submission_2024.pdf](https://www.ea.govt.nz/documents/6248/NEG_-_DCP_submission_2024.pdf) page 2

¹¹ [https://www.ea.govt.nz/documents/6240/Fonterra - DCP_Submissions_2024.pdf](https://www.ea.govt.nz/documents/6240/Fonterra_-_DCP_Submissions_2024.pdf) page 2

¹² [https://www.ea.govt.nz/documents/6262/Scanpower_Customer_Trust - combined_submission_2024.pdf](https://www.ea.govt.nz/documents/6262/Scanpower_Customer_Trust_-_combined_submission_2024.pdf) page 1

¹³ [https://www.ea.govt.nz/documents/6231/Drive_Electric- DCP_Submissions_2024.pdf](https://www.ea.govt.nz/documents/6231/Drive_Electric_-_DCP_Submissions_2024.pdf) page 18

- a) NEG submitted “When discussing the issue of standardised vs variable pricing with some of our customers, we heard they are in favour of some level of standardisation, but that this should not come at the expense of new users paying their fair share of connection costs. Some customers said that any new users that will have a distinct impact on the existing network, such as a new large site that will require increased capacity, must pay the real cost of these upgrades. Customers said that this was the fairest way to allocate these costs, and the NEG believes that achieving this fairness in cost allocation will only be possible if connection charges can be flexible to meet the real costs of any network upgrades that take place as a result of a new connection.”¹⁴
- b) Customers consulted by NEG also said, “As the CPOs will be profiting through the installation and ownership of these EV chargers, customers said that they should be willing to bear the initial connection costs as other commercial entities would.”¹⁵

Posted Network Capacity Rates

20. Orion cross submits that the Authority review its connection enhancement proposals with respect to the role of network capacity costs as there is confusion about when capacity costs should apply, at what part of the connection process they apply, and if they should apply at all. This is evident in submissions by others including:

- a) Sapere submits “You either charge incremental network upgrades explicitly, or you charge network charges that includes the marginal cost of new capacity, you don’t do both.”
Other submitters had views on marginal or incremental cost including,
- a) Entrust submitted “The approach the Authority is proposing to determine the “incremental cost” of supplying new connections could understate costs and result in higher charges for households and other existing customers. Charging new connections their incremental cost would not be theoretically optimal. This would result in households having to contribute more to the cost of electricity distribution. It is important new connection customers contribute fairly and proportionately to all network costs they benefit from.” “The definition of “incremental cost” the Authority has specified is vague at best” noting “Incremental cost is defined as “the capital cost of a connection plus the cost of specific operating arrangements if applicable” and asked questions about whether short or long run incremental cost should be applied.

¹⁴ <https://www.ea.govt.nz/documents/6248/NEG - DCP submission 2024.pdf> page 4

¹⁵ <https://www.ea.govt.nz/documents/6248/NEG - DCP submission 2024.pdf> page 5

- b) Northpower submitted “We agree in principle with the concept of calculating the unit cost of adding capacity at each network tier. However, there are challenges with implementation. The posted rates represent costs for diversified load, whereas connection applications are based on undiversified demand. This mismatch requires applying a diversity factor, which can vary significantly depending on customer type and network location. This may lead to inconsistencies in capacity costing for access seekers with similar demand. We suggest the Authority work with the Distribution Connection Pricing Technical Working Group (DCPTG) to develop a simple, consistent, and easily applicable methodology for calculating capacity rates. Such guidelines would encourage uniformity across distributors.”¹⁶
- c) Contact submitted “This [network capacity costs] will help access seekers make efficient decisions during the **planning stage** (emphasis added), as it will be easier to get a ball-park price of new connections for customers based on published rates.”¹⁷
- d) EECA submitted a question for the EA to consider “7.10 (b) What if posted rates materially exceed the minimum scheme?”¹⁸

21. Orion cross submits that the EA should convene a workshop with EDBs and interested stakeholders to explore the connection charge reconciliation pricing methodology, and calculation and use of network capacity costs with worked examples to help build understanding and surface practical issues.

Minimum Scheme

22. Generally, submitters supported the concept of a minimum scheme with some subject to provisos, questions and concerns in application as evidenced by the following with emphasis added by Orion to highlight any key points:

- a) Sapere submits “Despite the wording that any connection works must be the minimum relevant scheme cost, as the EDBs still determine what those connection works are and the minimum relevant scheme design is at their discretion, this is a meaningless addition.”¹⁹ Orion notes here that this is not unusual in other jurisdictions, for instance in the UK the definition for minimum scheme is “The Minimum Scheme is the scheme with the **lowest overall capital costs** (as estimated by the Electricity Distributor), solely to provide the required capacity.”²⁰

¹⁶ [https://www.ea.govt.nz/documents/6251/Northpower - DCP_submission_2024.pdf](https://www.ea.govt.nz/documents/6251/Northpower_-_DCP_submission_2024.pdf) page 2

¹⁷ [Contact Energy - DCP Submission_2024.pdf](https://www.ea.govt.nz/documents/6233/EECA_-_combined_submission_2024.pdf) page 3

¹⁸ [https://www.ea.govt.nz/documents/6233/EECA - combined_submission_2024.pdf](https://www.ea.govt.nz/documents/6233/EECA_-_combined_submission_2024.pdf) page 8

¹⁹ [https://www.ea.govt.nz/documents/6231/Drive Electric- DCP Submissions_2024.pdf](https://www.ea.govt.nz/documents/6231/Drive_Electric_-_DCP_Submissions_2024.pdf) page 18

²⁰ [https://www.energynetworks.org/assets/images/Publications/2024/240513-ena-electricity-\(connection-charges\)-regulations-guidance.pdf?1730589863](https://www.energynetworks.org/assets/images/Publications/2024/240513-ena-electricity-(connection-charges)-regulations-guidance.pdf?1730589863) page 26

- b) Wellington Electricity submitted in support of minimum scheme with caveats saying, “The minimum scheme, noting that it should be clear that a minimum scheme would still need to **meet minimum technical standards, including a security standard that is appropriate for the size and type of connection being sought.**”²¹
- c) WEL Networks submitted “WEL supports the use of a minimum scheme to provide customer choice and efficiency of pricing. WEL supports the connecting customer paying for a fair allocation of the network costs. WEL supports the exclusion of “standard rate” from the minimum scheme to allow for efficiencies in processing the applications, and ensuring when time is spent assessing the minimum schemes, it is spent on larger applications. **WEL would like the Authority to be aware that whilst the connecting party accepted the minimum scheme (e.g. a developer) the next customer on that property may not and this would need to be considered as an upgraded connection which may not lead to an efficient process.**”²²
- d) Incenta on behalf of Unison and Powerco submitted “we think the requirement for connection offers to reflect minimum requirements (and for **any party seeking a higher investment to pay for it**) is well justified”²³
- e) Fonterra submitted “Fonterra also supports the clear requirement of the EDBs to provide the least cost minimum technical solution design basis for costing.”²⁴
- f) Unison and Centralines submitted “**Minimum schemes should still meet minimum standards** of the distributors, especially if being developed by a non-network contractor.”²⁵ And go onto describe the **need for guidance using worked examples** providing some of their own.
- g) Meridian submitted its support but said “it is unclear whether this change will lead to reduced costs for applicants.”²⁶
- h) EECA submitted that drawbacks and costs had not been discussed and that “Possible drawbacks may include: • **Additional cost to distributor** to develop minimum scheme for each connection, and is this passed onto consumers? • **Limits to distributor capability/capacity already an issue**, how do these changes affect this?”²⁷

23. Orion cross submits that based on UK precedent that the following list of provisos should apply to a minimum scheme and that the Authority should consult the sector to understand if there are others,

²¹ https://www.ea.govt.nz/documents/6273/Wellington_Electricity_-_DCP_submission_2024_Redacted.pdf page 3

²² https://www.ea.govt.nz/documents/6272/WEL_Networks_-_DCP_submission_2024.pdf page 2

²³ https://www.ea.govt.nz/documents/6342/Unison_and_Powercos_joint_submission_-_Incenta_Report.pdf page 6

²⁴ https://www.ea.govt.nz/documents/6240/Fonterra_-_DCP_Submissions_2024.pdf page 1

²⁵ https://www.ea.govt.nz/documents/6344/Unison_and_Centralines_DCP_-_NCP_-_Submissions_2024.pdf page 11

²⁶ https://www.ea.govt.nz/documents/6245/Meridian_Energy_-_DCP_Submissions_2024.pdf page 2

²⁷ https://www.ea.govt.nz/documents/6233/EECA_-_combined_submission_2024.pdf page 7

- accepted industry standards, including the requirements of the EDBs Network Connection Standard and Security of Supply Standard;
 - the status and configuration of the Relevant Section of Network (RSN)²⁸;
 - the standard sizes and types of equipment currently used by the EDB on their Distribution System which shall be reasonable in all the circumstances;
 - maintaining our ability to minimise regulatory penalties associated with the Quality Standards Incentive and any guaranteed standards of performance
24. Orion cross submits, referring back to point 22a above, that the definition of minimum scheme is important. Minimum scheme sounds simple enough but there are nuances that customers need to understand. For instance, if we take the UK definition, minimum scheme does not mean the lowest cost to the connecting customer. It means the **lowest overall cost**. By way of illustration in the following example, even though Option 1 is cheaper for the customer, the EDB has to offer Option 2.

A Minimum Scheme example (UK)

An example will highlight this. A customer wants to connect a 10MW solar farm to a 33kV network. The DNO identifies that there are two options to connect the solar farm.

Option 1

- *Network extension works: Connect the solar farm to the nearest 33kV circuit – £0.5m*
- *Reinforcement works: Reinforce the 33kV circuit to prevent overloads – £1.5m*
- *Total cost: £2m*

Option 2

- *Network extension works: Connect the solar farm to the nearest substation – £1.5m*
- *Reinforcement works: None*
- *Total cost: £1.5m*

It is clear that Option 2 at £1.5m is a lower scheme cost than Option 1 at £2m. To comply with the requirement to implement the Minimum Scheme, the EDB has to proceed with Option 2.

However, Option 1 would actually be cheaper for the customer. This is because the customer would only pay part of the £1.5m reinforcement charge because of the way reinforcement charges are apportioned based on capacity.

²⁸ This refers to the typical equipment standard in place in an area of network where they differ to modern standards that might deploy new types of equipment. A New Zealand example could be a SWER network- in that area we wouldn't deploy modern design standards/equipment as this would extend the size and cost of the project and impact other supplies unduly.

25. Orion cross submits support for a minimum scheme however the Authority should do more work to consider what other detail are needed around the provisos, caveats and guidance required around the use of a minimum scheme to ensure consistent and transparent application by EDBs. We suggest that the EA convene a workshop with the ENA and leverage the Future Network Forum to surface up the detail needed to support this.

Standalone costs

26. Orion cross submits that the Authority should explore an appropriate view and calculation of standalone cost as Sapere submitted that “The most urgent thing the Authority should do is accept that its definition of standalone cost in its proposal paper is incorrect for regulated pricing purposes.”²⁹

Pioneer Scheme

27. Orion cross submits in agreement with submitters that proportionate regulation is important and appropriate for a pioneer scheme. This is to ensure that the cost of administering the scheme is proportionate to the problem that it’s addressing. Specifically, “the number of participants in the scheme will be limited to those connections with material customer contributions that are likely to be shared, in order to minimise the costs and complexity of administering it.”³⁰

28. Orion cross submits in agreement with that the “Threshold for the pioneer scheme should apply to the customer contribution towards the connection, not the gross cost of the connection – to ensure the cost and complexity of administering the scheme is proportionate to the problem it’s addressing.”³¹ The pioneer’s contribution towards the connection is not attributed to an EDBs regulatory asset base and is not being recovered from customers through the regulatory revenue.

29. Sapere on behalf of Drive Electric, and Powerco, submitted concerns on the Code amendment for ‘connection works cost’ and we cross submit that the Authority needs to review wording and definition in this area to improve clarity.

- a) Sapere submitted “unfortunately, the term ‘connection works’ is used instead of ‘network extension’ which means that the pioneer schemes can include upstream capacity upgrades. This is a prime example of the Authority’s confusing wording between various parts of the proposal and the proposed code amendment.”³²
- b) Powerco submitted “For clarity, the Code amendment should define “connection works cost” as “customer contribution towards connection works” to avoid the perverse result that the first subsequent pioneer pays proportionately less towards the connection than other applicants.”³³

²⁹ https://www.ea.govt.nz/documents/6231/Drive_Electric-DCP_Submissions_2024.pdf page 22

³⁰ https://www.ea.govt.nz/documents/6343/Powerco_DCP_-_Submissions_2024_i7uSvux.pdf page 12

³¹ https://www.ea.govt.nz/documents/6343/Powerco_DCP_-_Submissions_2024_i7uSvux.pdf page 7

³² https://www.ea.govt.nz/documents/6231/Drive_Electric-DCP_Submissions_2024.pdf page 21

³³ https://www.ea.govt.nz/documents/6343/Powerco_DCP_-_Submissions_2024_i7uSvux.pdf page 12

30. **Duration-** Orion cross submits that the Authority reconsider the proposed length of a pioneer scheme to ensure proportionate regulation. We recommend shortening the duration to 7 years and other submitters agree,

- a) Northpower submitted “We believe the proposed 10-year duration is unreasonable. It exceeds the standard accounting/tax record-keeping requirement of 7 years and is inconsistent with the 36-month duration for distributed generation under the "Repayment of Previously Funded Investment" provisions in Part 6. We suggest aligning the pioneer scheme duration with the existing requirements for distributed generation (36 months) or, at a minimum, limiting it to 7 years.”³⁴
- b) Unison and Centralines submitted “To align with financial record-keeping practices, we propose reducing the scheme’s duration to a maximum of 7 years. 5 years will however deliver a better balance between effectiveness and cost to administer.”³⁵

31. **Thresholds for application-** Orion cross submits that the administration and management of pioneer schemes can be burdensome and that setting the threshold at which a scheme applies to \$1,000 is too low. We suggest that the Authority reviews where the threshold should apply with EDBs. Orion cross submits in agreement with Powerco that applying the scheme above a customer contribution of \$30k is appropriate or as Northpower suggests that EDBs determine the threshold pursuant to their network characteristics and publish this in their connection and extension methodology. For instance, it may be appropriate to have different thresholds for rural overhead versus urban underground. Submitters had views on the threshold, for instance,

- a) Northpower submitted “We support the ENA’s recommendation that EDBs should have the ability to set the de minimis threshold for the use of Pioneer schemes on their networks..... We encourage the Authority to provide EDBs the flexibility to establish de minimis thresholds for Pioneer schemes, reflecting the unique characteristics of their networks and customer requirements.”³⁶
- b) Incenta submitted “– the proposed minimum amount of payment under the scheme of \$1,000 (in 2025 dollars) is lower than applies in Australia, where the equivalent lower limit is currently approximately \$1,500. We would note, however, that even with the lower payment limit at \$1,500 there may be little net benefit if there is a high level of manual operation required for the scheme (as should be envisaged).”³⁷
- c) Unison and Centralines submitted “We recommend that the scheme only apply to projects valued over \$100,000, where the customer has contributed at least \$30,000. Additionally, we suggest increasing the minimum payment threshold under the scheme.”³⁸

³⁴ [https://www.ea.govt.nz/documents/6251/Northpower - DCP_submission_2024.pdf](https://www.ea.govt.nz/documents/6251/Northpower_-_DCP_submission_2024.pdf) page 3

³⁵ [https://www.ea.govt.nz/documents/6344/Unison_and_Centralines_DCP - NCP - Submissions_2024.pdf](https://www.ea.govt.nz/documents/6344/Unison_and_Centralines_DCP_-_NCP_-_Submissions_2024.pdf) page 12

³⁶ [https://www.ea.govt.nz/documents/6251/Northpower - DCP_submission_2024.pdf](https://www.ea.govt.nz/documents/6251/Northpower_-_DCP_submission_2024.pdf) page 3

³⁷ [https://www.ea.govt.nz/documents/6342/Unison_and_Powercos_joint_submission - Incenta_Report.pdf](https://www.ea.govt.nz/documents/6342/Unison_and_Powercos_joint_submission_-_Incenta_Report.pdf) page 18

³⁸ [https://www.ea.govt.nz/documents/6344/Unison_and_Centralines_DCP - NCP - Submissions_2024.pdf](https://www.ea.govt.nz/documents/6344/Unison_and_Centralines_DCP_-_NCP_-_Submissions_2024.pdf) page 12

32. **Provisions where a pioneer no longer exists, is difficult to locate or should not apply-** Orion cross submits that the mobility of pioneers can be a challenge for administering a pioneer scheme as they can move away from the connection, cease to exist or be difficult to locate and the submissions below support this view. The Authority needs to make exit or sunset provisions for EDBs in these circumstances or consider whether the pioneer scheme is anchored to the connection location.

- a) Northpower submitted “The proposal does not address scenarios where pioneers no longer exist (e.g., liquidation, death). We suggest explicitly stating that no rebates will apply to pioneers that no longer exist.”³⁹
- b) Horizon submitted “Horizon Networks considers that the pioneer scheme rules should not apply where an EDB is not provided information regarding the value of the vested assets by the connecting party (initial beneficiary of the pioneer scheme).”⁴⁰
- c) Aurora submitted “In the unlikely event that a reapportionment of costs is required, it can be difficult to contact the correct recipient of the reapportionment. This is especially true if the original connecting party has on sold the property.”⁴¹

33. **Sequencing with other reforms-** Orion submits of the Authority’s proposals the introduction of a Pioneer Scheme should be delayed until the implementation of final connection pricing and process requirements. The Pioneer Scheme can be carved off as a separate and later project especially given that resource, systems and processes will need to be developed for many EDBs. This is supported by Sapere who “recommend that the pioneer scheme is supported in principle but that it is considered unworkable in the short term until connection enhancement costs are limited to only network extensions and consumer selected enhancements.”⁴²

Reliance Limits

34. On balance, submitters do not support applying a reliance limit. The sentiment of submitters includes,

- a) TransPower submitted that they “do not support introducing contribution caps arbitrarily as it will create other perverse incentives. Distributors face difference cost pressures depending on the areas in which they operate. Such caps could result in prospective new connections being discouraged to connect in certain areas or to specific distributors.”⁴³

³⁹ https://www.ea.govt.nz/documents/6251/Northpower_-_DCP_submission_2024.pdf page 3

⁴⁰ https://www.ea.govt.nz/documents/6243/Horizon_Energy_-_DCP_Submissions_2024.pdf page 22

⁴¹ https://www.ea.govt.nz/documents/6278/Aurora_Energy_-_combined_submission_2024_XT193n9.pdf page 14

⁴² https://www.ea.govt.nz/documents/6231/Drive_Electric_-_DCP_Submissions_2024.pdf page 10

⁴³ https://www.ea.govt.nz/documents/6265/Transpower_-_DCP_submission_2024.pdf page 1

- b) MEUG also had questions submitting “6. The only proposal that we do not support is the reliance limit of 47%. It is unclear what exact problem this proposal is intending to address, and whether it will achieve the results the Authority intends. We believe that greater evidence and discussion is required on this proposal, to ensure that it works as anticipated and does not see existing customers unfairly subsidising new connections or other unintended consequences. We believe a targeted workshop on this proposal would greatly aid stakeholder understanding and development of a more effective intervention.”⁴⁴
- c) Contact Energy submitted that “should the Authority proceed with the temporary measure of implementing reliance limits, pending stage 2 implementation, it may be more practical to set soft caps, whereby more active monitoring is triggered should those caps be exceeded.”⁴⁵
- d) EECA submitted that “It seems like a necessary precursor to introducing limits would be to understand the ‘efficient’ level of capital contribution and potential reasons for deviation from it in either direction. We should not assume that any particular approach is inefficient without evidence to support this.”⁴⁶
- e) Electra goes further in its submission stating that “As a concept, the notion is fraught with problems....For the avoidance of doubt, no distributor wants to be in the position that as the reliance limit is approached it is forced to make a different capital contribution decision than the prior well-considered ones. No customer should be in the position that because they ‘were early’ they have to pay the sensible connection cost, but those that follow get subsidised.”⁴⁷
- f) Northpower submits that “Approaching the reliance limit could encourage inefficient behaviour, such as accelerating capital expenditure or rejecting new connection requests to stay within the limit, which is not in the long-term interest of consumers.”⁴⁸
- g) Entrust submits that “The proposed cap would also expose households to additional network investment risk. If the new connection customer closes without fully paying for its connection, households and other consumers would end up paying the cost. The consultation paper from the Authority doesn’t mention this risk in its assessment of the proposals.”⁴⁹
- h) Powerco submits that they “...disagree with the proposed measured reliance limit and analysis as it’s a poor proxy for whether the efficiency and/or equity of connection prices have changed.”⁵⁰

⁴⁴ [https://www.ea.govt.nz/documents/6246/MEUG - DCP Submissions 2024.pdf](https://www.ea.govt.nz/documents/6246/MEUG_-_DCP_Submissions_2024.pdf) page 2

⁴⁵ [https://www.ea.govt.nz/documents/6227/Contact_Energy - DCP Submission 2024.pdf](https://www.ea.govt.nz/documents/6227/Contact_Energy_-_DCP_Submission_2024.pdf) page 6

⁴⁶ [https://www.ea.govt.nz/documents/6233/EECA - combined submission 2024.pdf](https://www.ea.govt.nz/documents/6233/EECA_-_combined_submission_2024.pdf) page 9

⁴⁷ [https://www.ea.govt.nz/documents/6234/ELECTRA - DCP Submissions 2024.pdf](https://www.ea.govt.nz/documents/6234/ELECTRA_-_DCP_Submissions_2024.pdf) page 3/4

⁴⁸ [https://www.ea.govt.nz/documents/6251/Northpower - DCP submission 2024.pdf](https://www.ea.govt.nz/documents/6251/Northpower_-_DCP_submission_2024.pdf) page 4

⁴⁹ [https://www.ea.govt.nz/documents/6237/Entrust Submission - DCP Submissions 2024.pdf](https://www.ea.govt.nz/documents/6237/Entrust_Submission_-_DCP_Submissions_2024.pdf) page 1

⁵⁰ [https://www.ea.govt.nz/documents/6343/Powerco DCP - Submissions 2024 i7uSvux.pdf](https://www.ea.govt.nz/documents/6343/Powerco_DCP_-_Submissions_2024_i7uSvux.pdf) page 4

35. Orion cross submits that the Authority's reliance limit proposal is not considered an efficient concept and will create unintended consequences for consumers. This proposal intention seems to be to manage capital contribution sharing to an annual fixed sharing threshold between a distributor and consumers on average. This reliance limit is artificial, and the Authority has not demonstrated that it is an efficient outcome. As submitted by others, the reliance limit in effect creates a last mover advantage or disadvantage as later applicants may be forced to the reliance limit, regardless of the outcome of any cost revenue assessment that might suggest a different contribution level is efficient, in order for the distributor to meet its information disclosure on reliance limit. Implementation of the connection charge reconciliation pricing methodology should create the efficiency and provide the assurance the Authority is looking for without the need for a reliance limit.
36. Orion cross submits that we do not support inclusion of a reliance limit. In our view the reliance limit is highly likely to distort efficiency of connection pricing, and the majority of submitters agree.

Obligation to connect

37. Orion cross submits that it does not agree with the EA's proposal to enforce an obligation to connect, and we provide two submission references below to demonstrate the genuine concern some submitters have with this proposal. If the EA is so concerned about economic connection pricing, then why obligate EDBs to connect to their network as there may be genuine circumstances at the threshold of standalone and incremental cost where an alternative to EDB supply by 'poles and wires' makes good sense for the customer or where the proposed connection location does not make economic sense for either or both parties. The Electricity Industry Act 2010 even contemplates that an EDB can for an existing connection "supply the place with electricity from an alternative source".⁵¹ The Commerce Commission should be well briefed on any proposal in this regard as Section 54V (4)(f) of the Electricity Industry Act also requires them to have regard to the continuance of supply obligation.
- a) The Lines Company submitted that "While it is uncommon for any EDB to refuse connecting a customer, this would likely occur when the connection was wholly uneconomic. Enforcing a requirement to connect (as proposed) with no mechanism to provide suitable security would again see EDBs and therefore other connected customers bearing the cost should the customer exit the network."⁵²

⁵¹ https://www.legislation.govt.nz/act/public/2010/0116/latest/DLM2634508.html?search=sw_096be8ed81df66da_obligation_25_se&p=1&sr=12 Section 105(2)(b). Noting: **supplying electricity from an alternative source** means supplying a place with electricity from a source other than a distributor's network, and includes, if necessary, supplying the associated line function services to deliver that electricity.

⁵² https://www.ea.govt.nz/documents/6264/The_Lines_Company_-_combined_submission_2024.pdf page 3

- b) Scanpower submitted “The proposed changes create an explicit obligation to supply new loads. This was acknowledged by the EA on their webinar of 11 November. This obligation was removed by statute at the start of the deregulation of the sector in the 1990's. Reinstatement of this obligation should not be done through lesser and more opaque methods. Furthermore, reinstating the obligation to connect and dictating the terms (including price) on which this is done is tantamount to forced investment. To be clear we are not suggesting networks will resort to wholesale refusal to connect, but forcing networks to connect customers under any circumstances is unacceptable.”⁵³

Compatibility with contestable connections

38. Orion cross submits that the Authority should ensure that its proposals and further work on connection pricing reform do not disincentivise contestability as this is beneficial to access seekers and consumers, and many EDBs have contestability within their connection procurement business models. This is supported by BEC who submitted that “Complete standardisation would limit contestability. The Authority’s proposals offer a good foundation towards achieving some standardisation without removing contestability.”⁵⁴
39. Orion cross submits that where a customer has a contestable choice of cost for their connection this may mean that the EDB does not have access to this information and we ask the Authority to clarify if the connection charge reconciliation pricing methodology is required in this instance if there is no network extension or shared network involved?

Other

40. CentrePort submitted that EDBs should be measured against asset utilisation.⁵⁵ Distributors currently provide load factor measures as part of Commerce Commission information disclosure. These are publicly available in the Commission’s annual performance summaries.⁵⁶

If you have any questions or queries on aspects of this submission which you would like to discuss, please feel free to contact us.

Yours sincerely,



Dayle Parris
Head of Regulatory and Commercial

⁵³ https://www.ea.govt.nz/documents/6262/Scanpower_Customer_Trust_-_combined_submission_2024.pdf page 2

⁵⁴ https://www.ea.govt.nz/documents/6279/BEC_-_DCP_Submissions_2024_mj2hNGc.pdf page 4

⁵⁵ https://www.ea.govt.nz/documents/6224/CentrePort_-_DCP_submission_2024.pdf page 2

⁵⁶ <https://comcom.govt.nz/regulated-industries/electricity-lines/electricity-distributor-performance-and-data/performance-summaries-for-electricity-distributors>