


21 October 2024

Adrienne Meikle
Chief Executive
Commerce Commission
Wellington

By email: 

Dear Adrienne,

Proposed amendments to the Electricity Industry Participation Code 2010 – Part 6 distributed generation and load and Part 6B connection pricing methodologies

The Electricity Authority will soon start consulting on proposed amendments to the Electricity Industry Participation Code 2010 (Code). The Authority is proposing to publish two consultation papers which address the access arrangements for parties connecting to distribution networks (the application process and pricing methodologies).

Staff have been liaising with Commerce Commission (Commission) staff as these proposals have been developed.

Amendments to Part 6 for distributed generation and introduction of application process for load.

The first paper concerns Part 6 of the Code and includes the following key amendments:

- Specifying an application process for the connection of load to distribution networks. The proposed amendments will have the effect of requiring distributors to approve load connection applications if the applicant meets the distributor's connection and operating standards.
- Amending the application process for the connection of distributed generation to distribution networks. The proposed amendments will not materially change the existing obligations on distributors under Part 6 but will provide more detail on the application process and the way that competing applications are approached.
- Requiring distributors to provide the Authority with information about applications to connect distributed generation and load (over a certain threshold) and publish a network connections pipeline to provide transparency of applications that are in progress across distribution networks.
- To support better access to networks, require distributors to provide greater detail on network capacity (where known) below zone substation level and on low voltage networks.

Introducing connection pricing methodologies into the Code

The second paper proposes the introduction of connection pricing methodologies to make distribution connection pricing more efficient. This is intended to be the beginning of a phased reform of pricing methodologies for connection pricing.

We consider that the phase one proposals deliver significant early progress, while laying the foundation for further reform under phase two. Under the proposed amendments, prices charged by distributors for new and enlarged connections must comply with the following pricing methodologies from 1 April 2026:

- connection enhancement cost requirement - prices must be determined with reference to a least-cost scheme, with enhancement costs (if any) allocated to the selecting party
- capacity cost requirements - upgrade contributions (if any) must be based on published rates and applied as network capacity headroom is consumed
- pioneer scheme requirement - extension costs must be partly refunded as other customers connect to those assets
- connection charge reconciliation requirement – the distributor must provide a breakdown of connection charges into incremental and network components using a standardised methodology
- reliance limits - restrictions on distributors' ability to amend methodologies to increase capital contributions (pending the phase two reform)

We are also proposing to extend and modify dispute resolution provisions for distributed generation to cover all connection pricing for all connection applicants.

Our consultation paper outlines some alternative options. These include a technical drafting alternative (where some requirements are framed as default contractual terms including dispute resolutions terms). We also outline alternative parameters for some of the pricing methodologies and the option of applying a subset of the package proposed.

We anticipate these amendments proposed across these two projects will, or are likely to, affect the Commission in performing its functions or exercising its powers regarding electricity lines services under Part 4 of the Commerce Act 1986.

If we request a reconsideration of the price-quality paths under section 54V of the Commerce Act, our initial expectation is that impacted distributors will use best endeavours to have this resolved with the Commission by November 2025 (for tariffs in April 2026). If this is not possible distributors have the option of applying for exemption from the application of Code requirements under section 11 of the Electricity Industry Act 2010. As indicated, we are keen to engage further with the Commission in order to understand their likely process and timeframes under section 54V of the Commerce Act for reconsiderations and redeterminations in these circumstances.

Overall, the Authority is seeking feedback from the Commission on these changes, noting the potential impact on the Commission and our responsibility to comply with section 54V of the Commerce Act 1986.

To allow the Commission to consider what feedback it might provide, I have attached, in confidence, the proposed consultation papers setting out the amendments and their rationale. Authority staff have been liaising with Commission staff about these amendments.

If the Commission needs further context or clarity on the amendments, please contact Daniel Griffiths, Manager Retail and Networks, Market Policy at [REDACTED] Katherine Hume-Pike, Principal Advisor at [REDACTED]

We would appreciate your response to this letter as soon as practicable, noting we are intending to consult on the proposed Code amendments before the end of October 2024.

Yours sincerely,

[REDACTED]

Sarah Gillies

Chief Executive

Cc: Andy Burgess, General Manager, Infrastructure Regulation.