20 December 2024

Electricity Authority
Via email: connection.feedback@ea.govt.nz

**Subject: Submission Response on Proposed Part 6 Code Amendments**

Please find attached ChargeNet's submission on the consultation into Part 6 of the Electricity Industry Participation Code 2010. This is an incredibly important consultation that can ultimately help determine the pace of electrification of the New Zealand economy.

ChargeNet is a leading Charge Point Operator, providing essential infrastructure for electric vehicle (EV) charging. Our interest in the proposed amendments stems from their potential impact on the EV charging infrastructure rollout and our ongoing operations.

ChargeNet endorses the Authority's proposals within the Network Connections Project. These proposals seek to enhance distribution network efficiency through more uniform and standardised connection processes, optimise existing infrastructure capacity and reducing connection barriers.

Connections to the electricity network are the cornerstone of job creation, wealth generation and an electrified economy, not gambles nor burdens. The current inconsistencies in connecting to the country's 29 EDBs is a major barrier to electrification that must be addressed. These proposed code amendments go some way towards addressing the existing inequality faced by nationwide businesses that are attempting to electrify our economy.

We welcome the proposed amendments to Part 6 and feel this consultation is a long overdue opportunity to rewrite some parts of the Code and prepare for the upcoming changes to the electricity network driven by low carbon technologies.

Additionally, ChargeNet recommends that the Authority explore the regulatory approach for technologies with dual functionality—specifically, those capable of both importing and exporting electricity to and from networks, such as battery energy storage systems and vehicle-to-grid enabled EV chargers. ChargeNet suggests that the Authority future-proof the proposals by harmonising processes for generation and load, as outlined in the consultation paper.

Our submission provides detail on where we think the review needs to go further – for example in relation to load thresholds – and we would value the opportunity to meet with the Authority and discuss the contents of this submission in detail.

Yours sincerely

[redacted]

Danusia Wypych
Chief Executive Officer
ChargeNet Limited

# Appendix A Format for submissions

| Submitter | ChargeNet Limited |
| --- | --- |

| Questions | Comments |
| --- | --- |
| Q1. Do you agree with the assessment of the current situation and context for connection pricing? What if any other significant factors should the Authority be considering? | ChargeNet agree that the current situation and context require action for amendments to connecting pricing practices.<br>Connections to the electricity network are fundamental to job creation, wealth generation, and an electrified economy, The current inconsistencies in connecting to the country's 29 EDBs present a significant barrier to electrification that must be resolved.<br>These proposed code amendments partially address the existing inequalities faced by nationwide businesses striving to electrify our economy.<br>Potential other factors when considering the reliance line is to consider the cost of capital for different organisations versus the risk of recovery of costs via variable charges over time.<br>ChargeNet has concerns that the EA may only be addressing access seekers modelled on a view that they would require a relatively static load. Charge Point Operators have annual loads that vary through time, and this can create a distortion where a CPO can overpay for a connection versus a static load customer. Consideration for the changing dimensions of connecting customers need to be applied to solutions. |
| Q2. Do you agree with the problem statement for connection pricing? | ChargeNet agrees with the problem statement.<br>There are significant inconsistencies among distributors in setting and communicating connection charges. This leads to higher costs for connecting parties and discourages new connections and network growth, which could have otherwise reduced costs for all users.<br>Additionally, there is inconsistent adoption of pricing structures and features that promote consistency and predictability.<br>Clear and transparent capital contribution policies are a long-term goal of the EA, with the aim of making all costs formulaic. |

| | |
|---|---|
| Q3. Do you have any comments on the Authority's proposed pathway to full reform? | ChargeNet fully supports the fast-track elements of the proposed pathway<br><br>It is important to the electrification of NZ to have more consistency as soon as possible.<br><br>ChargeNet has concerns that during the transition period, without supervision and oversight, benefits in consistency and balanced recovery may be countered if existing charging structures are adjusted to recover revenue. |
| Q4. Do you consider the proposed connection enhancement cost requirements would improve connection pricing efficiency and deliver a net benefit? | Yes. The proposed costs associated with enhancing connections will facilitate access to the most affordable solutions, including flexible connections for EV charging infrastructure.<br><br>However, this is predicated on the argument that a distributor does not make other offsetting changes to their capital contribution policy and costings. It would be disappointing to see distributors raising prices substantially on new installations prior to the rule change to capture a higher margin and somewhat defeating the objective of efficiency. |
| Q5. Are there variations to the proposed connection enhancement cost requirements you consider would materially improve the proposed Code amendment? | |
| Q6. Do you consider the proposed network capacity costing requirements would improve connection pricing efficiency and deliver a net benefit? | In theory, yes. However, ChargeNet is concerned that the flexibility the distributors have regarding the allocation of network charges could lead to cost recovery from over emphasis on network capacity charges. We would like to see the published rates from the distributors for network connection charges to be overseen by the Electricity Authority to ensure consistency and reasonableness across the country.<br><br>Furthermore, for access seekers the opaque nature of local network capacity makes it difficult for access seekers to determine if the cost allocated to them is fair and equitable.<br><br>Without oversight of the capacity availability, it is relatively easy for the cost benefits of streamlining the above processes to be eroded. |
| Q7. Are there variations to the proposed network capacity costing requirements you consider would materially improve the proposed Code amendment? | Within the code drafting careful consideration must be given to the upstream capacity charges and that they be applied in a fair and equitable manner. This should be contained in the code as a framework that can be commercially improved by downstream legislation. See comment below. |
| Q8. Do you consider the pioneer scheme pricing methodology would | ChargeNet has concerns that the Pioneer Scheme as proposed may not be relevant to sole asset users or could |

| | |
|---|---|
| improve connection pricing efficiency and deliver a net benefit? | materially disadvantage Access Seekers who have a growing load profile over time.<br><br>The scheme has merits and the benefits of using the scheme for an access seeker with a stable annual load profile, according to the research provided, creates a net neutral economic outcome whilst allowing for less upfront capital for the access seeker. There is a strong disadvantage to using the scheme if the annual load profile grows through time.<br><br>CPOs are access seekers with a growing load profile. EDB costing structures prevent stepwise asset investment over time or cost-effective upgrade and renewal cycles within ten-year time frames. ChargeNet observes and predicts that CPOs could be significantly disadvantaged by the pioneer scheme. With an increasing annual load profile, the net incremental revenue to the distributor will far exceed the upfront costs over a ten-year period.EDB's have the lifespan of the asset to recover costs, allowing for a fairer arrangement for connections with load growth. This approach considers the size of the growth and adjusts the incremental revenue, accordingly, delivering a neutral outcome similar to the stable model suggested in the consultation. |
| Q9. Are there variations to the proposed pioneer scheme pricing methodology you consider would materially improve the proposed Code amendment? | Need to be reassured that the reliance threshold will not be greater than listed in the proposal as any percentage increase effectively mitigates the benefits of the scheme for the access seekers. |
| Q10. Do you consider the cost reconciliation methodology would improve connection pricing efficiency and deliver a net benefit? | In theory Yes. However, the factors going into the calculation of net incremental revenue such as demand at the connection can be a cause for concern if understated. |
| Q11. Are there variations to the proposed cost reconciliation methodology you consider would materially improve the proposed Code amendment? | Increased visibility to access seekers of the proposed connections into an area. There is a case where the pioneer scheme could still over allocate costs to the first mover on the basis that the queue of local connections is known to the distributor but unknown to the access seeker. This prevents the access seeker from cooperating with near future connections to reduce costs of connection. |
| Q12. Do you consider the reliance limits would improve connection pricing efficiency and deliver a net benefit? | Yes. |
| Q13. Are there any variations to the proposed reliance limits you consider | A faster track to conformity across all distributors. The rationale for over or under allocation is a distributor issue and not an issue for the access seeker to be concerned with. If anything, exemptions should be removed as fast as |

| | |
|---|---|
| would materially improve the proposed Code amendment? | possible to enable access seekers to have a more uniform reliance limit across the country. |
| Q14. Do you consider the exemption application process (together with guidelines) can be used to achieve the right balance between improving connection pricing efficiency and managing transitional impacts on non-exempt distributors? | Yes |
| Q15. Do you consider the dispute resolution arrangements proposed (for both participants and non-participants) will provide the right incentives on distributors and connection applicants to resolve disputes about the application of pricing methodologies to connection charges and improve connection pricing efficiency and deliver a net benefit? | Yes. ChargeNet supports the dispute resolution process and in particular the good faith requirement on distributors which will provide a further incentive on distributors to apply the connection pricing methodologies and seek to reach early resolution with any connection application should a complaint be made. |
| Q16. Are there variations to the proposed dispute resolution arrangements you consider would materially improve the proposed Code amendment? | |
| Q17. Do you consider the alternative contractual terms option would be better than the approach in the proposed drafting attached to this paper? Please give reasons. | ChargeNet sees merit is using draft contractual terms rather than Code requirements as it enables technological change to be expressed via a living document rather than embedded into the Code and risk becoming outdated.<br><br>This approach would also allow for similar terms for both participants and non-participants and has been adopted before in the default transmissions and distribution agreements. We support the approach taken by clause 7.133 and 7.134 in the consultation. |
| ppeQ18. Do you think a sinking lid approach to reliance limits would be preferable to the proposed static limits approach described in sections 7.80 – 7.105? | ChargeNet supports the static limits approach and has concerns on the sinking lid approach.<br><br>The key objective in attempting to reach the 47% reliance limit is to encourage applications from both participants and non-participants to decarbonise the economy. A side effect is to either unduly benefit or disadvantage a network from having a national set reliance limit.<br><br>The calculations within the consultation suggest that using a static approach rather than a sinking lid approach creates a nominal difference compared to the incentive or benefit in encouraging new applicants to connect to the network earlier. |

| | |
|---|---|
| Q19. Do you think any element of the fast-track package should be omitted, or should begin later than the rest of the package? | ChargeNet supports the adoption of the packages of reforms together. |
| Q20. Are there other parameters you think the Authority should consider for the proposed connection pricing methodologies? If so, which ones and why? | ChargeNet is concerned about transition arrangements and would like to see oversight from the EA on connection charges being broadly similar to current levels in the transition to the Fast-Track approval. |
| Q21. Do you agree pricing methodologies should apply to LCC contracts? If not, please explain your rationale. | ChargeNet supports the proposal that pricing methodologies should apply to LCC contracts. |
| Q22. Do you agree the proposed requirements, other than reliance limits, can be applied satisfactorily to connections with vested assets? If not, please explain your rationale. | Yes. |
| Q23. Do you have any comments on the impact of reliance limits on incentives to increase prevalence of asset vesting? | |
| Q24. Do you agree the proposed methodologies are compatible with contestable connection works? If not, please explain your rationale. | At first glance it appears the EA proposal to include vested assets is a sound one as in theory it should increase incremental revenues and be a net benefit to the application, cost wise, under the new scheme proposals. |
| Q25. Do you agree that fast-track methodologies should not apply to embedded networks? If not, please explain your rationale. | ChargeNet cautiously supports the proposal and recognises that embedded networks have different obligations under the Code but needs more evidence that the 5GWh threshold is appropriate.<br><br>ChargeNet has concerns that the threshold for embedded networks is too high and it is quite possible that a connection with EV chargers and batteries would not be eligible for the fast track despite providing a clear benefit to management of peak time load on the network due to size restrictions.<br><br>The EA needs to consider what the correct threshold may be with ongoing technological developments in the use of energy storage. |
| Q26. Do you have any comments on the Authority's anticipated solution for longer-term reform? | ChargeNet's concern is that although the fast-track improvements are a step forward the Code amendments will still leave distributors with significant residual discretion as to how much cost they allocate to newcomers and how the pricing methodology for this allocation is carried out. |

| | |
|---|---|
| | ChargeNet strongly supports a more robust oversight of the pricing methodologies applied to the new proposals. |
| Q27. Are there other alternative means of achieving the objective you think the Authority should consider? | Not currently. |