



Genesis Energy Limited  
Level 6  
155 Fanshawe Street  
PO Box 90477  
Victoria St West  
Auckland 1142  
New Zealand

T. 09 580 2094

20 December 2024

**To:** The Electricity Authority

**Email:** [connection.feedback@ea.govt.nz](mailto:connection.feedback@ea.govt.nz)

### **Distribution connection pricing reforms – Genesis submission**

Genesis Energy Limited (**Genesis**) welcomes the opportunity to comment on the Electricity Authority's (**the Authority**) *Distribution connection pricing proposed Code amendment* consultation paper. Please find our responses to the consultation questions on page two.

Genesis supports the objectives of the Authority's proposals. As stated in the Statement of Government Policy to the Electricity Authority (GPS), electrification of the economy, particularly industry and transport, will require significant growth in renewable generation, and achieving this will require significant investment including into distribution networks. As noted in the GPS, it is critical that this investment is economically efficient, while ensuring network reliability, and efficient network pricing is critical to finding the lowest cost solution.

We agree with the Authority that inefficiently high connection charges could disincentivise or slow the pace of electrification, and that inefficiently low connection charges would unfairly increase costs for existing customers and result in them subsidising network growth. Consistent with the GPS, we agree the Authority as regulator has a role to play helping ensure cost recovery for network growth is rationalised and strikes an appropriate balance between new connecting parties and existing customers.

Yours sincerely,

A handwritten signature in black ink that reads "Mitchell Trezona-Lecomte".

Mitch Trezona-Lecomte

**Senior Advisor, Government Relations and Regulatory Affairs**

Questions	Comments
<p>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?</p>	<p>Yes, we agree with the Authority's assessment.</p>
<p>Q2. Do you agree with the problem statement for connection pricing?</p>	<p>Yes, we agree with the Authority's problem statement, specifically the need to increase transparency and consistency in network connection pricing practices, as well as the need to ensure costs are efficiently and fairly allocated among beneficiaries of network connections or upgrades. We agree the trend towards higher connection charges could dis-incentivise or slow the rate of electrification in a way that is contrary to the Government Policy Statement and could undermine New Zealand's goal of reaching net-zero emissions in 2050. We also agree cost allocation must be as efficient, fair and rational as possible, with cost recovery needing to strike the appropriate balance between new connecting parties and existing customers.</p>
<p>Q3. Do you have any comments on the Authority's proposed pathway to full reform?</p>	<p>We have no comments on the substance of the proposal at this stage, but we support the Authority progressing its full reform work programme.</p>
<p>Q4. Do you consider the proposed connection enhancement cost requirements would improve connection pricing efficiency and deliver a net benefit?</p>	<p>Genesis supports this proposal to require distributors to determine prices with reference to the least-cost scheme, based on the approach taken in the UK and Australia. This will give customers greater optionality and information as to the costs associated with their proposed connection and could help to lower costs and help achieve efficiencies when funding network growth.</p>
<p>Q6. Do you consider the proposed network capacity costing requirements would improve connection pricing efficiency and deliver a net benefit?</p>	<p>We agree with the Authority's proposed network capacity costing requirements, which would mean customers are charged based on capacity consumed rather than on a per-project basis. In principle this is fairer and should help alleviate upfront barriers to connection, by ensuring costs are spread more equitably and rationally among a larger customer base, consistent with the principle of users or beneficiaries pay, rather than falling exclusively to the new connector. It also avoids a situation where a potential new connection which triggers a need for extra capacity is expected to pay the full cost of building that extra capacity. Such a situation would be inequitable, potentially depress the demand for new electricity connections, and increase the cost of much needed electrification.</p>

<p>Q8. Do you consider the pioneer scheme pricing methodology would improve connection pricing efficiency and deliver a net benefit?</p>	<p>Genesis supports this proposal to help mitigate the 'first-mover' disadvantage. This approach should help ensure cost recovery for network upgrades is fairer and more rational by allowing recovery from all users or beneficiaries, rather than the full cost falling on first-movers. Such an approach should thereby help remove unnecessary barriers to electrification.</p>
<p>Q10. Do you consider the cost reconciliation methodology would improve connection pricing efficiency and deliver a net benefit?</p>	<p>Yes, Genesis supports this proposal. Requiring standardisation in the way incremental cost and revenue is calculated, and requiring publication of this information, will improve transparency and reduce barriers for prospective connection projects.</p>
<p>Q12. Do you consider the reliance limits would improve connection pricing efficiency and deliver a net benefit?</p>	<p>In principle, Genesis supports this proposal on the basis that network pricing should be as efficient as possible and appropriately allocate costs to users / beneficiaries of network upgrades. We agree that inefficiently high connection charges could create barriers to electrification, while inefficiently low connection charges could result in existing customers effectively subsidising network growth. We support the Authority's proposal on the basis that it will help ensure that cost recovery is rationalised and spread among the full base of customers (those who use or benefit from network upgrades). We note the trend towards greater reliance on upfront connection charges could exacerbate barriers to electrification in a way that is inconsistent with the Government Policy Statement.</p>
<p>Q26. Do you have any comments on the Authority's anticipated solution for longer-term reform?</p>	<p>Genesis supports the Authority progressing its longer-term reform work programme.</p>

