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14 December 2024

Submissions
Electricity Authority
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DISTRIBUTION CONNECTION PRICING CONSULTATION

Waitaki Power Trust welcomes the opportunity to provide our comments to the “Distribution Connection Pricing” consultation. We also generally support and agree with the submission by the Electricity Networks Association (ENA).

Attached are our responses to the detailed questions in the Electricity Authority (Authority) submission format. We appreciate the intent of the Authority with the proposed Code Amendment to improve the efficiency of distribution network connection pricing. We are nonetheless concerned about what we would characterise as a fast-paced and heavy-handed regulatory approach proposed for a “problem” that is not quantified and not supported by evidence or through case studies of problematic practices, or where access seekers were disadvantaged and if so how widespread it is among distributors.

We are concerned about the pioneer scheme, the identification of these schemes and the impact of the de minimis threshold on customers. The proposed Code amendments and requirements are complex, costly to implement and administratively burdensome. The cost associated with implementing these new requirements will be passed on to our consumers who will not realise any benefit from these changes. Connection pricing differing among EDBs is not surprising and forms part of each company’s overall strategy to achieve the objectives as set out by shareholders and management and forms a key part of the overall pricing strategies for an EDB.

We do not agree that variation in practices contribute to a range of problems, rather it reflects the uniqueness of companies and the parameters in which they operate.

In summary, we would like to stress that Waitaki Power Trust recognises, supports, and takes very seriously efficiency of connection pricing, or indeed any pricing. However, we implore the Authority not to resort to a heavy-handed form of regulation which requires a significant resource base to manage it, at significant cost and probable unintended consequences such as inequitable treatment of customers, with no obvious benefit to consumers.

Yours sincerely

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Appendix A Format for submissions

Submitter	Waitaki Power Trust
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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>We agree that connection pricing needs to be efficient and balance interests of newcomers and existing users. Our view is that wide variation of capital contribution policies among EDBs show that EDBs have different circumstances, customer basis, network configuration, urban/rural environment, growth prospects, and other network characteristics which logically leads to different approaches to capital contributions, pricing and network management.</p> <p>Appears to not consider cost-reflective pricing and the “user-pays” principle. For example, connection charges are an essential part of funding system growth investment which if not funded through capital contributions and connection levies would require funding from all other network users which is a ‘socialisation’ of costs and conflicts with the Authority’s principles of cost reflective pricing.</p> <p>Appears to not consider the cost, complexity and administration of new regulations – the cost which will ultimately be passed on to consumers.</p>
<p>Q2. Do you agree with the problem statement for connection pricing?</p>	<p>The problem statement starts with the point that current settings have led to some connection pricing inefficiencies. This appears to mean that it is not a widespread issue, but the solution is a proposal for heavy-handed regulation.</p> <p>An addition of a new connection should not make existing customers worse off either now or in the future.</p> <p>To implement all these new obligations will be complex, costly and resource intensive, expert consultant assistance will be required and this will be carried by our consumers for no obvious extra benefit.</p> <p>There has been no evidence that capital contributions have deterred investments. Where customers are faced with potentially high connection costs due to the location or nature of their new connection, networks should be open to consider alternative commercial terms without heavy-handed regulations.</p>

Q3. Do you have any comments on the Authority's proposed pathway to full reform?	No
Q4. Do you consider the proposed connection enhancement cost requirements would improve connection pricing efficiency and deliver a net benefit?	No comment
Q5. Are there variations to the proposed connection enhancement cost requirements you consider would materially improve the proposed Code amendment?	No comment
Q6. Do you consider the proposed network capacity costing requirements would improve connection pricing efficiency and deliver a net benefit?	No. Our consumers will need to pay for an expert consultant (independent engineer as proposed in cl. 7.28) to assist us. We question whether it is necessary to go to this level of complexity.
Q7. Are there variations to the proposed network capacity costing requirements you consider would materially improve the proposed Code amendment?	Yes, it could be simplified more, and we support the ENA submission
Q8. Do you consider the pioneer scheme pricing methodology would improve connection pricing efficiency and deliver a net benefit?	Principally, the majority of EDBs are already applying a similar mechanism (albeit much more simplistic) and hence we do not foresee that this more administratively burdensome and costly requirement will improve pricing.
Q9. Are there variations to the proposed pioneer scheme pricing methodology you consider would materially improve the proposed Code amendment?	Allow for the pioneer scheme to be identified in retrospect as it may not always be obvious where all pioneer schemes will be located. Reconsider the de minimis threshold level.
Q10. Do you consider the cost reconciliation methodology would improve connection pricing efficiency and deliver a net benefit?	No, it will not improve connection pricing efficiency. Instead it will create a costly administrative burden. Network Waitaki already provides quotes to consumers detailing all cost involved with a new connection or upgrade and it is therefore not clear how this reconciliation will provide more clarity to connection applicants. Our concern is if a large customer exits unexpectedly, and assets become stranded with no other customer connecting to those assets, it is our consumers who are left with the ongoing costs of connection with no benefit from them.
Q11. Are there variations to the proposed cost reconciliation	No comment

<p>methodology you consider would materially improve the proposed Code amendment?</p>	
<p>Q12. Do you consider the reliance limits would improve connection pricing efficiency and deliver a net benefit?</p>	<p>No, we do not consider that the “reliance limit” will improve connection pricing efficiency. It seems to be more a drive to reduce prices with no reference to efficiency.</p> <p>We acknowledge the intent by the Authority to prevent EDBs from increasing connection charges, but we note the downward trend in connection charges from 2025.</p> <p>Network Waitaki has not increased connection charges since 2021.</p> <p>Due to timing and size of investments there is not a one-to-one relationship between receipt of capital contributions and investment in the backbone of the network. Hence, during the years of large system growth investment capital contributions may fall within the limit and then there might be years with low system growth expenditure.</p> <p>What is the Authority expecting in this situation? Initiatives would be to find work arounds, either by reducing connection charges for access seekers in that year (or avoid connection until the following year) to stay under the “limit” and then increase the connection charge again the next year when system growth expenditure is expected to increase and capital contributions (at the higher rates) are within the reliance limit.</p> <p>In our view such a practice will not create an equitable situation between new connectors, the existing customer base and will introduce volatility in connection charges.</p>
<p>Q13. Are there any variations to the proposed reliance limits you consider would materially improve the proposed Code amendment?</p>	<p>Remove the limit EDBs can charge for new network connections and allow them to make a business case on a one-on-one basis.</p>
<p>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?</p>	<p>No comment</p>
<p>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</p>	<p>No comment</p>

pricing efficiency and deliver a net benefit?	
Q16. Are there variations to the proposed dispute resolution arrangements you consider would materially improve the proposed Code amendment?	No comment
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.	No, the alternative contractual terms would not change any of the measures but appears to add even more complexity
Q18. 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?	No comment
Q19. Do you think any element of the fast-track package should be omitted, or should begin later than the rest of the package?	<p>The reliance limit is based on an arbitrary value and should be omitted.</p> <p>Should the Authority feel strongly about including a limit it should consider a limit over a period (e.g. five years consistent with DPP4 or ten years) to avoid unintended consequences such as price volatility and inequity in connection pricing to access seekers to remain within the limit.</p> <p>Connection Charge reconciliation methodology should be omitted or postponed until such time that there is clarity on all the input parameters, e.g. balance point, bypass point calculations/formulas.</p>
Q20. Are there other parameters you think the Authority should consider for the proposed connection pricing methodologies? If so, which ones and why?	No comment
Q21. Do you agree pricing methodologies should apply to LCC contracts? If not, please explain your rationale.	No comment
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.	No comment
Q23. Do you have any comments on the impact of reliance limits on	Yes, it is possible that reliance limits could increase prevalence of asset vesting.

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.	No comment
Q25. Do you agree that fast-track methodologies should not apply to embedded networks? If not, please explain your rationale.	No comment
Q26. Do you have any comments on the Authority's anticipated solution for longer-term reform?	We are concerned about the heavy-handed regulation of connection pricing in both the fast-track and full reform solutions.
Q27. Are there other alternative means of achieving the objective you think the Authority should consider?	No comment