

Appendix A Format for submissions

Submitter	Mark Blandford, Westpower 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?	Partially agree. Some EDB's are charging additional fees (e.g. Upstream Development Charge) which is over and above the actual cost to connect to a network. Also there appears to be an elevated level of focus on one small group of commercial companies rather than focusing on what is best for Consumers (i.e. lower costs).
Q2. Do you agree with the problem statement for connection pricing?	No. The cost to connect should be 100% funded by parties who want to connect, but without any additional superfluous charges. Any less than that will result in Consumers indirectly subsidising those connecting. 5.1(b) Suggests that if new connection costs were reduced that this would benefit consumers with lower costs. Is there clear data that supports this position? Put simply, unless new connectors fund 100% of the cost to connect, then EDB's will be required to part fund this and those costs will be passed onto Consumers through higher distribution charges.
Q3. Do you have any comments on the Authority's proposed pathway to full reform?	6.2(b) Following the UK's CCCM model can be dangerous, as there are some industry comments that it is over-bureaucratic and over-bearing. We have a much smaller population in NZ so need to ensure that regulations are right-sized and fit for purpose and focussed on the real outcomes that benefit Consumers. This means we need more focus on simplification of the EA regulations, rather than adding more and more layers of complexity.
Q4. Do you consider the proposed connection enhancement cost requirements would improve connection pricing efficiency and deliver a net benefit?	7.6 Westpower already operates this way 7.10 (b) Every connection is unique in some way. Having to determine set connection prices will require some level of risk to be factored into the pricing so ultimately will increase the pricing. There is also an administrative cost for preparing these posted connection prices and the cost of doing so will ultimately be passed onto Consumers. 7.12 Benefits connectors – not EDB's nor Consumers.
Q5. Are there variations to the proposed connection enhancement cost requirements you consider	Yes. Keep it really simple and reduce the amount of code changes required. Allow EDB's to charge 100% of actual new connection costs, and don't allow additional charges. This will ensure

would materially improve the proposed Code amendment?	Consumers do not end up subsidising new connection costs.
Q6. Do you consider the proposed network capacity costing requirements would improve connection pricing efficiency and deliver a net benefit?	No. Having to predict what actual costs might be in 4 years' time will require some additional risk premium to be included in the pricing. This risk premium will either be paid for by the new connector or existing Consumers. What is proposed is adding more layers of complexity where a simplification approach is required.
Q7. Are there variations to the proposed network capacity costing requirements you consider would materially improve the proposed Code amendment?	As above – simplify.
Q8. Do you consider the pioneer scheme pricing methodology would improve connection pricing efficiency and deliver a net benefit?	Westpower already operates a 'Pioneer' scheme to prevent first mover disadvantage, so we support this in principle but need to see a more succinct proposal from the EA before making any further comment. The proposal document uses the word 'may' in several areas and is lacking supporting data, so therefore open to a wide range of interpretations.
Q9. Are there variations to the proposed pioneer scheme pricing methodology you consider would materially improve the proposed Code amendment?	
Q10. Do you consider the cost reconciliation methodology would improve connection pricing efficiency and deliver a net benefit?	No. What is included in the consultation is overly complex and it is very difficult to determine what the actual outcome will be. The calculation should be quite simply the actual cost for that connection.
Q11. Are there variations to the proposed cost reconciliation methodology you consider would materially improve the proposed Code amendment?	The calculation should be quite simply the actual cost for that connection.
Q12. Do you consider the reliance limits would improve connection pricing efficiency and deliver a net benefit?	No. This is an overly simplistic approach by calculating an average cost across the sector and applying this to all cases. Only being able to cover 47% of these costs ultimately mean the balance will be paid for EDBs and passed onto Consumers – which goes against the principles of what the Commission does (ie protect Consumers). Also if a new connector goes out of business before the balance of connection costs are recovered, the EDB will end up wearing the loss which again will be passed onto Consumers. The only one that will benefit is to those who are connecting, which in some cases could be viewed as corporate welfare paid for by Consumers.

<p>Q13. Are there any variations to the proposed reliance limits you consider would materially improve the proposed Code amendment?</p>	<p>Don't impose reliance limits – most legislation in NZ is based on the User Pays (ie new Connection) and these reliance limits go against this.</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 need for an exemption process if a simple model of new connector pays for 100% of actual connection costs. This is the most efficient way.</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 pricing efficiency and deliver a net benefit?</p>	<p>No - the EA is already overloaded and under resourced with no capacity to take on this responsibility.</p> <p>A new connecting consumer will connect if it is economically viable, and won't if it is not. There is no need for a dispute resolution process if all EDB's simply charge the actual true cost of the new connection without being subsidised by EDB's (and ultimately their consumers)</p>
<p>Q16. Are there variations to the proposed dispute resolution arrangements you consider would materially improve the proposed Code amendment?</p>	
<p>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.</p>	<p>No. See response in Q15 above for the reasons.</p>
<p>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?</p>	<p>Neither are desirable.</p> <p>The new connecting party should pay 100% of the new connections cost.</p>
<p>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>	<p>A pause should be placed on this entire consultation process until the concerns raised via the submission process can be carefully considered and the outcomes understood. I appreciate that pressure is being placed on the EA to deliver better outcomes for Consumers at a faster rate, but this (and along with the poorly implemented and rushed-through DDA changes) does not actually benefit Consumers – the proposed connection changes only benefits new connectors.</p>

<p>Q20. Are there other parameters you think the Authority should consider for the proposed connection pricing methodologies? If so, which ones and why?</p>	
<p>Q21. Do you agree pricing methodologies should apply to LCC contracts? If not, please explain your rationale.</p>	<p>No. Connecting large customer loads are very complex and require more infrastructure up front. To keep the model really simple, LCC connections should be treated the same (ie pay 100% of all new connection costs). Ongoing lines charges are used to maintain the Assets in the longer term which benefits the connecting customer – these lines charges should not be used to offset and subsidise new connection costs.</p> <p>7.145 (b) benefits the EA to collect data should not be a key consideration. The key consideration should be the cost impact to Consumers.</p>
<p>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.</p>	<p>No. DG's should be treated the same as a new connection. The EA regulations are currently lacking in protecting the Network (and therefore other Consumers) for uncontrolled DG installations that could damage Network infrastructure. The South Australian model on rules around DG should be adopted and mandated asap. This is a more critical issue than New Connections and DDA changes.</p> <p>7.149 There should be no obligation for EDB's to connect new customers. EDB's are in business, so should be able to refuse a new connection if it is not in the best interests of Consumers on that network. There is a current example of this in the Banking sector (BNZ versus Gloriavale) so the same rationale should be applied for EDB's.</p>
<p>Q23. Do you have any comments on the impact of reliance limits on incentives to increase prevalence of asset vesting?</p>	<p>This needs to be extended to include that where a Customer chooses to retain ownership of assets, that they are prevented from allowing other new connections to connect to their assets, unless they pass ownership over the EDB once it is confirmed the assets meeting EDB technical requirements.</p>
<p>Q24. Do you agree the proposed methodologies are compatible with contestable connection works? If not, please explain your rationale.</p>	<p>Westpower supports 3rd Parties undertaking work on the Network, on the proviso that they are qualified, have essential network specific competencies, and the components used are approved on that network.</p>
<p>Q25. Do you agree that fast-track methodologies should not apply to embedded networks? If not, please explain your rationale.</p>	<p>Yes</p>
<p>Q26. Do you have any comments on the Authority's anticipated solution for longer-term reform?</p>	<p>The key thing missing here is the absence of the objective to simplify and streamline all aspects of the code and to ensure that before any changes are made, supporting data and potential outcome scenarios are considered. All</p>

	changes must provide a clear and tangible benefit to Consumers.
Q27. Are there other alternative means of achieving the objective you think the Authority should consider?	<p>Put this proposal on hold.</p> <p>Replace with a with a simple user-pays approach to all new connections and remove the ability for those EDB's who are charging additional fees over and above the cost of connection.</p> <p>Do not introduce new or changes to regulations that result in consumers subsidising new connections or any other activities.</p>