

9 December 2024

The Electricity Authority
PO Box 10041
Wellington 6143

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

Scanpower Customer Trust welcomes the opportunity to provide feedback on the Electricity Authority's (EA's) consultations on:

- Network Connections Project – Stage One
- Distribution Connection Pricing Proposed Code Amendment.

Our feedback on both submissions is combined into this single response.

Our Trust name is Scanpower Customer Trust. We are an electricity trust who owns 100% shares in Scanpower Ltd on behalf of its customers. Scanpower Ltd covers the Northern Tararua district of approximately 2,100 square kilometres.

Scanpower Customer Trust owns one of the twenty New Zealand EDBs that are Trust owned – either in part or full. It is the dominant ownership model. Trust owned EDBs supply electricity to over one and a half million customers and collectively have over \$9 billion in network assets. Crucially these networks are owned by their customers which ensures they can strike an appropriate balance between affordability of prices to current customers and investing in an increasingly critical piece of community infrastructure for future generations.

By virtue of their ownership model trust owned networks are naturally incentivised to act in the best interest of their customers. We are active in our communities – our profits are returned to our customers, we provide local sponsorships and community initiatives and we are significant employers in our region.

Scanpower Customer Trust support in general the submissions by Energy Trusts of New Zealand (ETNZ), Electricity Networks Aotearoa (ENA) and the Electricity Engineers Association (EEA). Rather than repeat their points in full we have chosen to concentrate our feedback on the key matters that affect our customers and beneficiaries. Where there are any differences between the points raised in this letter and those in other submissions the points outlined below take precedence.

We are concerned that the proposed changes are designed to favour a small number of connecting parties over others and that these changes will result in increased charges and risk to existing customers.

Please Slow Down

Firstly, and most importantly, we urge the EA to slow down this process. It is being implemented with undue haste. Mistakes and missteps will only be borne by our existing customers in the form of higher prices and increased risk.

The level of change proposed is overly complex. We acknowledge connection processes, including pricing practices, could be improved and we support initiatives that result in faster, more efficient, and cheaper connection processes. We believe there are simpler solutions than what is proposed, and we would be happy to work alongside the EA to achieve this objective if the changes benefit all customers and there is a clear and realistic process to implement the change.

We do not support changes to existing processes that are designed to standardize processes for the benefit of a small number of customers to the detriment of many. Our role, and that of our network company, is to be evenhanded and ensure all customers – current and future – are treated fairly.

Equity is Paramount

The EA fails to recognize that networks have an obligation to treat all customers equitably. Any subsidization of new connections is borne by increased charges to existing customers. It is not clear that the EA has canvassed this matter with existing customers. If it hasn't it should urgently do so to ensure a balanced and reasoned debate.

The proposed changes are likely to impact negatively on existing customers in three ways:

1. They are unlikely to have new customers pay a fair charge to join the network meaning existing customers will pay the shortfall.
2. Existing customers will be forced to take on stranding risk on new speculative connections that historically networks would have ringfenced to the investment. A real example is Pike River mine. Westpower made Pike River pay for this connection in full and upfront. Had they not done so the people of the West Coast would still be paying for it.
3. The increased compliance load to administer the raft of proposed changes will result in increased costs. The EA openly acknowledges this in the consultation documents. While it would be logical to reflect these to new customers it is unlikely that these costs will be able to be fully recovered, leaving existing customers to pick up the shortfall.

Obligation to Supply is Forced Investment

The proposed changes create an explicit obligation to supply new loads. This was acknowledged by the EA on their webinar of 11 November. This obligation was removed by statute at the start of the deregulation of the sector in the 1990's. Reinstatement of this obligation should not be done through lesser and more opaque methods. Furthermore, reinstating the obligation to connect and dictating the terms (including price) on which this is done is tantamount to forced investment.

To be clear we are not suggesting networks will resort to wholesale refusal to connect, but forcing networks to connect customers under any circumstances is unacceptable.

Better Regulatory Process is Needed

There are many instances within the proposed changes that point to poor regulatory process. We have included some of the more material ones below as examples.

An obvious case in point is the potential for a non-exempt network to find itself limited in its ability to recover revenue for new connections via a combination of its revenue limit and a constraint on capital contributions. It should not rest with the affected party to try and find a way through a problem created by the inability of two regulators to collectively determine a solution. There is no reason that the EA cannot provide regulatory certainty ahead of the change and it should do so.

The use of an arbitrarily determined reliance limit set at an average value is not good practice. All networks are different and should be treated as such. The framework the Commerce Commission uses for non-exempt networks reflects this. Networks are set maximum allowable revenues based on their past and future investment profiles and can also seek customized arrangements if necessary. It is easy to foresee future situations where networks will be constrained by the reliance limit through no choice of their own. Network growth capex and customer contributions are not as tightly linked as implied in the consultation document. What is needed is a robust process to arrive at the right outcomes for each network not a subjective limit that requires networks to apply for exemptions they may not get.

The consultation makes numerous references to capacity rights. Networks sell access not capacity. With new connections and upgrades they provide a maximum capacity limit within an agreed timeframe. Capacity rights imply ownership and with ownership comes the perception of having something that is tradeable. This is dangerous territory, and this should not be embedded in the code.

Slowing this process down would allow the EA time to address the above issues.

1. We agree with all the points made in the ETNZ submission template; the proposed new regulations do indeed unfairly transfer cost and risk to existing customers through the subsidization of new connections.
2. Conversely new connecting customers would receive a windfall subsidy (represented by a credit against the cost of connecting). This is hard to swallow, particularly when it is a large corporate like Tesla or BP whose connection costs are very high (e.g. \$350,000 for an EV charging station) and whose future revenue contribution is unknown (e.g. what if hydrogen vehicles displace electric vehicles).
3. Reintroducing the obligation to supply (by stealth) is also unfair on us. Why should we be compelled to invest in building/paying for assets specifically attributable to one new customer if we don't want to? Under the proposed regs, if a developer wanted to put in a ten lot subdivision (say) in Woodville, we would be up to finance probably \$100,000 of work for a large transformer etc. – if the lots never sell, or take a long time to sell, we could end up getting no return on that investment (the cost of which is borne by the existing customer base).

4. It is definitely happening too quickly. This whole thing is motivated by EV Charging Station developers bleating to the Government about the infrastructure cost of connecting what are massive electrical loads. The Government in turn, has publicly committed to 10,000 charging stations being in place by 2030 (even though there is no evidence at all that this is the right number of stations), so is doggedly trying to make this happen.

We have not reviewed the draft code within the consultation. Given the many questions that are likely to be raised around how the EA intends to implement its plans we feel it is premature to do so at this point in time. If the EA were to implement the draft code without any change it would surely point to a lack of intent to consult openly. We therefore reserve the right to provide feedback on this at an appropriate stage in this process.

Should you wish to discuss any of the points raised above please feel free to contact me on **[contact details]**. We would welcome the EA being present at any forums we hold to hear the views of current customers. We ask that any interest in this be coordinated through ETNZ.

Yours sincerely

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