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Firstlight network

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Delivered via email to **connection.feedback@ea.govt.nz**

Distribution connection pricing proposed Code amendment

Firstlight Network (Firstlight, we) welcomes the opportunity to submit on the Electricity Authority's consultation on the Distribution Connection Pricing proposed Code Amendment.

We support the intent and direction for connection pricing reform

Overall, Firstlight supports the intent of improving connection pricing and agrees that improvements are possible through addressing inefficiencies, moving towards more consistent pricing approaches, and increasing transparency. Most of the suggestions in the Authority's consultation paper are in principle welcomed and we support.

Firstlight has already signalled our intent to move towards a pricing structure that relies less on up-front capital contributions. In our 2024 Asset Management Plan Update we stated (at section 3.3.1) that "Firstlight Network aims to bring its capital contribution policy in line with other EDBs that currently impose lower capital contribution requirements, where customers contribute less than 100% upfront".

The main challenge that we face in making these signalled changes is the need to focus our capital expenditure on bolstering the security and resilience of the network. Our region has recently experienced a series of adverse weather events, including Cyclone Gabrielle, which has created the need to remediate a number of assets and increase our resilience to future weather events. The recent DPP reset decision did not provide the funding we estimated is required to do both this work and facilitate future growth, and we are therefore reviewing our expenditure forecasts to evaluate how best to respond.

We believe that other regulatory approaches could be explored before mandating changes

While we support the direction of reform, we are concerned with the use of code changes to mandate approaches where opportunities exist for the Authority to work collaboratively with industry. We appreciate the need to move at pace, but successful reform needs to ensure there is a balance to achieve durable and efficient outcomes.

Our journey towards more cost-reflective distribution pricing through the Authority's scorecards and guidance and pricing notes for example, have resulted in improvements. Our engagement with the Authority over the past few years we believe has yielded desirable outcomes in this area. We think a similar approach may have been implemented in this case for connection pricing.

We are concerned that the mandated code changes would also bring exemption applications for the Authority, which we would see as a last resort. It suggests through the language in the consultation paper that exemptions would be easily available. This is an undesirable outcome for everyone athis it would seem to increase the costs to consumers.

This submissions seeks clarification on two of the proposals to understand how they are workable in Firstlight's situation where we use the vested assets approach to customer contributions. These clarifications are in the areas of Capacity Rates and Reliance Limit methodologies. This is explained in detail further in Appendix A.

Firstlight is a member of Electricity Networks Aotearoa (ENA). Firstlight supports the ENA's submission.

Contact details

Firstlight would welcome the opportunity to meet with the Authority to discuss any points we have raised in our submission. To arrange this meeting or if you have any questions, please contact me on 027 259 2059 or via email at [redacted]

Yours sincerely

[redacted]

Nathan Astwood
Commercial Manager
Firstlight Network

Appendix A:

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?	In principle agree with the assessment. We want to increase transparency and ensure consistency across EDB's where applicable.
Q2. Do you agree with the problem statement for connection pricing?	Agree in principle. Connection pricing should be as consistent as possible across EDBs and should generally seek to enable electrification.
Q3. Do you have any comments on the Authority's proposed pathway to full reform?	Support in principle the overarching objective and Firstlight want to progress to the position of full reform in a timely manner. The pathway to full reform in our view could have been achieved through a collaborative process with guidance between the Authority and key stakeholders. Learning from the fast track reforms will be an important milestone when considering full reform.
Q4. Do you consider the proposed connection enhancement cost requirements would improve connection pricing efficiency and deliver a net benefit?	Agree in principle
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?	Unclear if the proposed requirements would achieve efficiency. Holding rates for four years could arguably achieve sub-optimal outcomes. We are keen to understand how the network capacity costing requirements will work in practice for networks (like Firstlight) that use a vested assets approach.
Q7. Are there variations to the proposed network capacity costing requirements you consider would materially improve the proposed Code amendment?	Would suggest a rates review every two years to take into account any material change.
Q8. Do you consider the pioneer scheme pricing methodology would improve connection pricing efficiency and deliver a net benefit?	Agree that a pioneer scheme would provide a net benefit. We currently utilise a rebates scheme at Firstlight to remove the first mover disadvantage as disclosed in our Capital Contributions Policy. We look forward to working further to enhance this scheme to the benefit of consumers. We are concerned that administering a pioneer scheme could impose additional costs, potentially impacting on the net benefit delivered from the scheme.
Q9. Are there variations to the proposed pioneer scheme pricing methodology you consider would	The pioneer scheme could be applied subject to an administation fee.

Questions	Comments
materially improve the proposed Code amendment?	Give EDBs the flexibility to select the appropriate length of term.
Q10. Do you consider the cost reconciliation methodology would improve connection pricing efficiency and deliver a net benefit?	Agree that the cost reconciliation methodology would improve transparency across EDB's and deliver the net benefits for connection applicants.
Q11. Are there variations to the proposed cost reconciliation methodology you consider would materially improve the proposed Code amendment?	No comment
Q12. Do you consider the reliance limits would improve connection pricing efficiency and deliver a net benefit?	Disagree that the implementation of reliance limits would result in efficient pricing. If the limit was reached, in order to maintain the limit we may have no choice but to cross-subsidise among consumers. We require further guidance and clarification on how the reliance limits are practical to Firstlight's circumstances. We don't believe in our situation the reliance limits are achievable and we will have no choice but to seek exemptions. Firstlight uses a vested assets approach where connection applicants seek access to the network through a network approved contractor. This is a competitive process where network approved contractors have the ability to provide quotes for the connection works. As stated above, this also hinders the ability to implement set rates where we are not directly engaged with the connection applicant.
Q13. Are there any variations to the proposed reliance limits you consider would materially improve the proposed Code amendment?	No comment
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?	Support the use of the exemption application process as long as it is not burdensome.
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?	Agree in principle
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	No comment

Questions	Comments
proposed drafting attached to this paper? Please give reasons.	
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?	We need to understand how the reliance limits works in practice with our situation.
Q19. Do you think any element of the fast-track package should be omitted, or should begin later than the rest of the package?	We want to achieve a balanced reform where the outcomes are carefully considered. We believe the reliance limits implementation should be reconsidered.
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.	Disagree due to the bespoke nature of such contracts. There is sufficient expertise with both parties to negotiate appropriate terms and conditions.
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.	Agree in principle.
Q23. Do you have any comments on the impact of reliance limits on incentives to increase prevalence of asset vesting?	Need to ensure that the exemptions process is able to deal with the impact on reliance limits (if implemented)
Q24. Do you agree the proposed methodologies are compatible with contestable connection works? If not, please explain your rationale.	We apply this process currently and see benefits with giving the connection applicant choice with approved contractors. We need to work with the Authority on how this application stated in Table 7.4 applies with our situation.
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 look forward to working with the Authority on this continuing journey towards full reform.
Q27. Are there other alternative means of achieving the objective you think the Authority should consider?	We signalled at the body of the submission that a collaborative approach in place of a code change would have been welcomed. We believe this approach would have achieved a more balanced outcome.