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Electricity Authority
Te Mana Hiko

By email: consultation.feedback@ea.govt.nz

Tēnā koutou

DISTRIBUTION CONNECTIONS: PRICING PROPOSED CODE AMENDMENT AND CONNECTION PROCESS STAGE 1

Unison Networks Limited (**Unison**) and Centralines Limited (**Centralines**) are electricity distribution businesses affected by the Electricity Authority's (**Authority**) distribution connection pricing proposed Code amendment, and Stage 1 distribution connection process proposals.

Unison and Centralines acknowledge the Authority's statutory objectives including 'promoting the efficient operation of the electricity industry for the long-term benefit of consumers',¹ and its concerns about current industry practice. To ensure robust feedback, Unison co-commissioned a report from Incenta Economic Consulting alongside Powerco, who has submitted it. We refer to and support its findings.

Downscale and evaluate together

We encourage the proposals to be evaluated together. These substantive changes to industry practices must not create inefficiencies and unjustifiable costs for distributors and their consumers. This submission therefore relates to both the pricing and process consultations so that there is an integrated consideration of the efficiency and effectiveness of the suite of proposals.

We support some proposals or recommend improvements. We also recommend delaying or downscaling the proposals to improve the efficiency, effectiveness and proportionality of the proposals and reduce harm. A selective and cohesive set of proposals can achieve the Authority's objectives with foreseeable and balanced impacts.

Balance the proposals to avoid harm

We accept that access seekers will obtain a benefit from more consistency across New Zealand. This benefit must be robustly balanced against the cost of reform to distributors and ultimately their existing consumers.

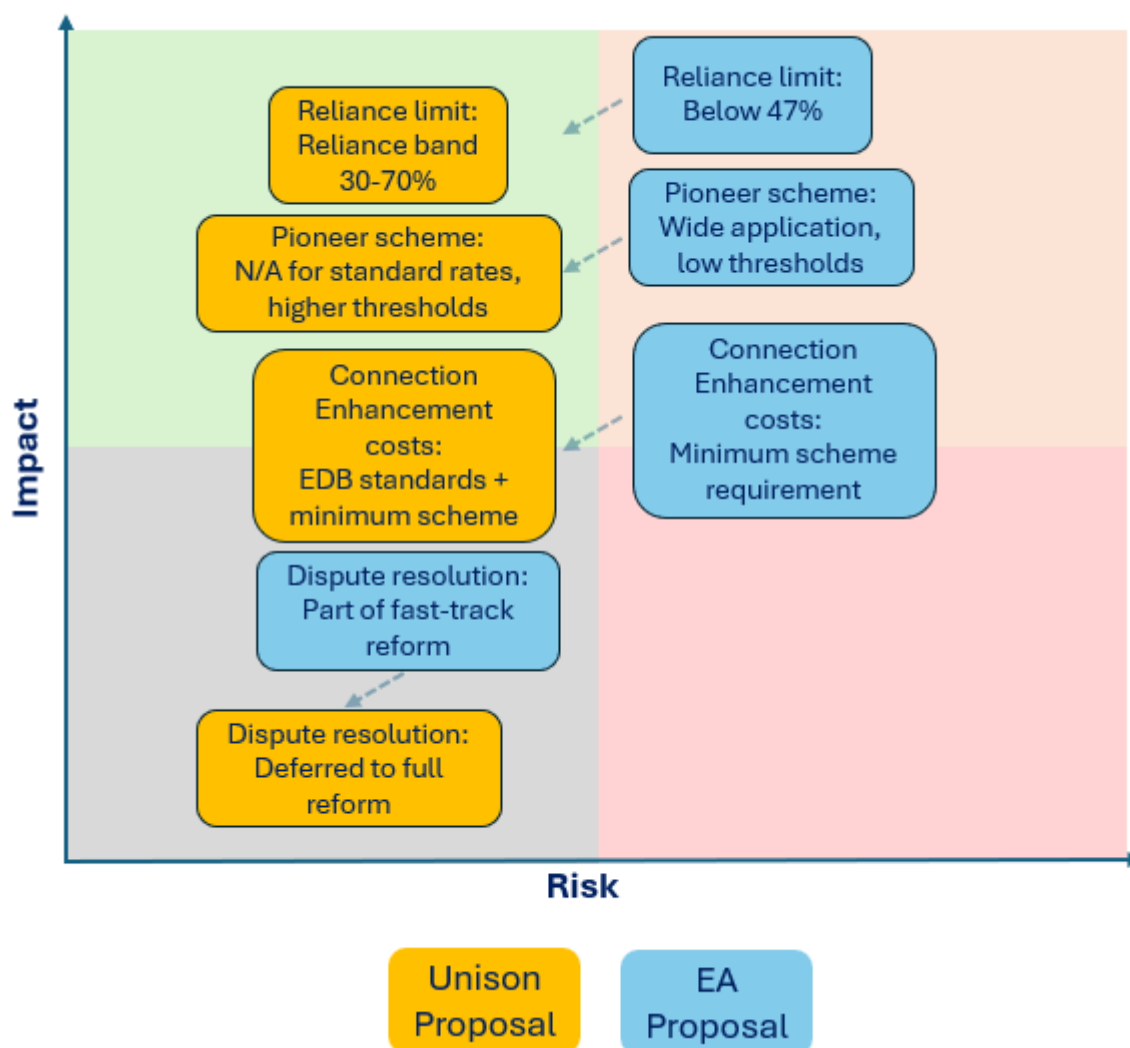
¹ Electricity Industry Act 2010, s 15(1).

We support efficient pricing outcomes for all consumers and proportionate and balanced regulation. The higher risk proposals (the reliance limit, a widely applied pioneer scheme, and stringent load connection proposals) will cause material inefficiencies to distributors grappling with complex system requirements and new obligations that come with minimal benefit to consumers or present perverse incentives to manipulate otherwise efficient behaviour.

The Authority also propose some efficient and effective proposals we consider will materially improve consistency and efficiency for access seekers, removing the justification for higher risk proposals.

Our evaluation of the pricing proposals is illustrated below with how our recommendations provide balance by reducing the risk/harm of individual proposals.

Improved pricing proposals: equivalent impact and reduced risk



In summary:

- Some of the proposals carry an elevated risk and are a **heavy-handed** response to the issues identified.
- The pricing proposals **displace the Authority's principles based regulatory approach** to distribution pricing (**Pricing Principles**) and choice to retain minimal oversight of capital contributions.
- The move to rules-based regulation for connection pricing sits uncomfortably with:
 - the effective and efficient movement of distribution pricing through guidance and scorecards; and
 - the current Part 4, Commerce Act 1986 price quality regime which widely penalised non-exempt distributors for connection and system growth in DPP3.
- While there are some effective and efficient mechanisms within the suite of both pricing and process proposals, the consultations also include inefficient proposals and 'overlap'.²
- A **least regrets approach** is consistent with the Authority's objectives including to assist distributors to facilitate a decarbonised economy on the path to net zero.
- We propose that **more balanced fast track measures** are appropriate to minimise harm and enable the Authority to evaluate the cost benefit of heavy-handed proposals with more evidence.
- We recommend **the Pricing Principles** include:
 - mitigating first mover disadvantage; and
 - capital contributions must consider net incremental cost over the life of the asset.

We strongly support the Electricity Networks Aotearoa's (**ENA**) submission including its emphasis on:

- principles-based regulation being a safer route to empowering distributors to flex and innovate; and
- insufficient evidence provided with the consultation to demonstrate rules are more appropriate for connection pricing while a principles-based approach applies to line charge pricing.

The reliance limit has a high risk of harm

Acknowledging the Authority's intention to promote competition and protect consumers, we strongly believe the reliance limit should be removed. The economic rationale of efficient connection pricing relies on the net incremental cost methodology - not an arbitrary limit.

We are concerned that:

- there is no sound economic rationale;³
- it will undermine individually efficient connection charges which are legitimately 'lumpy' due to peaks and troughs in project types throughout a regulatory period; and
- due to other proposals, there is no other policy support. For example, it bears no weight on the Authority instructing the Commission to reopen the price-quality path. It is foreseeable and appears accepted that the net incremental cost methodology will

² Incenta's report, see section 2.2.7 non-pricing measure, pg 17.

³ Incenta Economic Consulting, *Electricity Authority's consultation on price and non-price aspects of customer connections* (Powerco and Unison), section 2.2.5; and Frontier Economics, *Efficient pricing of distribution network connections* (ENA), section [5.2.3].

materially impact the adequacy of some non-exempt distributors' revenue entitlements and allowances in DPP4.

Recommendations

We recommend the Authority **downscale the fast-track proposals for pricing and process.**

More evidence, specialist industry input and economic analysis is required to protect consumers and the industry from expensive and inefficient consequences. The Authority, and access seekers, however, can receive the benefit of consistency and efficiency through higher impact, lower risk proposals.

Broadly, it appears the Authority appears to be trying to restore more balance between the strength of the Commission's incentives in the price path regime or potential (and legitimate) commercial risks including financeability, and the guidance provided by the Pricing Principles.

To achieve balance, we recommend:

- improving the Pricing Principles clear application to capital contributions, including annual monitoring;
- obtaining more information to evaluate and assess proportionately, efficiency and effectiveness; and
- promoting more certainty for distributors to attract more investment, including through green financing options which may reduce financeability concerns and support the energy transition.

At a minimum, the Authority must **remove the reliance limit**, make the pioneer scheme fit-for-purpose, and reduce the burden of the load connection proposals.

An efficient and effective downscaled suite of proposals

Our experience is pricing reduces the case for process change

Implementing a proportionate, principles-based approach to connection pricing will deliver more efficient connection outcomes, reducing the need for immediate and significant new regulations for connection processes (as supported by Incenta).⁴

We acknowledge the concerns of two particular groups of customers in recent years: public EV charge point operators (**CPOs**); and solar generation projects (as opposed to roof top solar).

These parties are important in NZ's decarbonisation journey. We agree distributors must adapt or develop new processes that adequately address the needs of these parties. These needs differ in many respects from traditional connecting parties, such as commercial or industrial customers, or residential and commercial property developers.

Unison's traditional parties have mostly been satisfied with their experiences, reflected in feedback by most of Unison's connection customers. Most issues raised are with pricing, where the customer is responsible for establishing works, or about access to competing contractors. We have over time listened to the process and pricing issues faced by customers and made

⁴ See footnote 2.

changes to address these, most notably extending the incremental cost approach to standard access costs using published connection fees, and per lot subdivision reticulation rates. We continue to listen, consider and revise in response to concerns raised. Broadly, our adaptations have been well received by the range of customers including electricians, end consumers, and property developers. This experience, based on applying the pricing principles to capital contributions, is why Unison and Centralines continue to support principles-based regulation to achieve the Authority's objectives and achieve nationally consistent and efficient connection outcomes.

For CPOs and solar generation projects, their distinctive new needs arise from their business models that require finding cost effective locations (land availability, network capacity, and connection cost). This means these customers undertake 'prospecting', often requesting connection capacity and costs for several potential sites being evaluated.

Traditional approaches to connection enquiries by distributors are designed to fully scope customer requirements and develop robust connection and network upgrade solutions to protect the network (and existing customers), and ensure accurate costs form the basis of connection agreements and required works. This serves traditional customers well, but is a costly and a slow approach that 'overserves' the requirements of these 'prospectors'.

Target the problem

If fast track connection reforms are progressed, Unison and Centralines recommend that the Authority limits focus on the issues arising from CPOs and solar generation projects and target the problem proportionately. This is less likely to risk unintended adverse outcomes for existing connection customers, which can be carefully considered through targeted proposals.

We recommend three additional measures to compliment the publication of network hosting capacity for load and generation added to Information Disclosures in 2025:

- A standardised estimating process, that includes the information required and standard application fees.
- Distributor set connection processes, with reasonable and transparent expectations and variations.⁵
- A principle-based approach to connection pricing that includes transparent and standardised costs for network capacity/growth/augmentation.

Deemed approval should be limited to small capacity connections as is currently the case for DG connections that connect under the Part 1 pathway. These are the only connection type that the current Part 6 allows for deemed approval after a prescribed timeframe. Larger connections can have a significant impact, and cost to connect. Deemed approval drives these costs onto the distributor and subsequently existing customers.

If justifiable, any mandatory timeframes introduced can adequately be addressed through request for extension mechanisms including process for approving/declining, and if necessary, dispute resolution processes, or breaches of the Code – this is the case for the current Part 6 which in the experience for Unison and its DG customers is largely effective.

⁵ Incenta's report, pg 17.

Inefficient cost and burdensome requirements

Unison and Centralines question the value of the publication of queues as it will not reflect processing priority, or network capacity, in the case of most connection applications. It will add significant system and administrative processing costs. Our experience is that each customer connection has a unique lifecycle more often driven by the customers own project and business dynamics.

We find that taking a parallel approach in processing connections means we can be responsive, progressing multiple projects concurrently in line with customers' expectations. The only situation where queuing would add value is for larger connections, especially where there is limited capacity (usually high voltage capacity). This is especially the case for embedded generation greater than 1 MW which can challenge network hosting capacity. Queue visibility would create transparency for existing and potential applicants in these circumstances. We suggest limiting connections of at least 1 MVA (load) and 1 MW for generation with locations limited to the substation or GXP upstream of the connection.

There may be merit in exploring more standardised connections terms for load as these are currently partly regulated and proscribed through the Default Distributor Agreement and partly locally determined in network connection standards. This work could be part of a wider workstream that looks at connection in the context of an evolving distribution system with increasing connection of DER and CER, and growing use of flexibility. This should also consider DER standards, static and dynamic operating envelopes, flexibility products, services, specifications, terms and conditions.

Accessing smart meter data is an urgent priority

The proposed measures can support more consistent delivery of improved outcomes across the sector, as well as further enhance connection efficiency. We observe that some of these proposals have a strong interdependency with access to smart meters data – for example hosting capacity, static and dynamic operating envelopes. As previously raised with the Authority, this data is not available on commercially reasonable terms, due to the market power that rests with MEP's who have exclusive ownership of data at any given ICP. We note that the Authority did not deliver its proposed consultation on 'pay as you go terms for data access' in 2024 as originally planned. We strongly encourage the Authority to urgently address this workstream which is a key enabler of many of the outcomes it is seeking for more consistent and efficient connections.

Table of summarised recommendations

We summarise key fast-track proposals below against recommended changes and considerations for full reform. This aims to advance are more balanced suite of proposals that is a more proportionate intermediary step. With quick progress because of fast track, the Authority can use well gathered evidence to inform its full reform.

Fast track	Recommendation
Pricing	
Pricing Principles	Add: <ul style="list-style-type: none"> mitigating first mover disadvantage; and applying a net incremental cost methodology to connection requests.
Connection cost enhancement requirement	To avoid 'under-scoped' design requirements that cost existing consumers more in the future, the distributor must be able to set the design standards (in accordance with good industry practice, including on a least cost life cycle basis).
Capacity costing requirement	Add locational capacity (urban suburb and rural rates) to improve cost reflectivity.
Pioneer scheme requirement	Exclude standardised rates, raise the threshold to minimise the administrative burden and ensure it is justified where required, and reduce the timeframe to five years.
Connection charge reconciliation requirement	Exclude standardised rates from individual reconciliations. Set standard rates annually in pricing methodology.
Reliance limit	Disproportionate and high risk constraint. Remove.
Reliance range	Provide an adequate range to mitigate the risks caused by lumpy expenditure
Dispute resolution	Appropriate to delay until full reform following high impact proposals of: <ul style="list-style-type: none"> mitigating first mover disadvantage; and net incremental cost methodology.
Exemption guidance	Important to promote certainty.
Process	
Non pricing measures for distributed generation (DG) including automatic approval	Unnecessary. With evidence consider improvements for access seekers following both fast track proposals and new Information Disclosure capacity map requirements.
Maximise information disclosure (alongside fast track pricing proposals)	Proportionate, lower cost and lower risk mechanism to obtain visibility and incentivise improvement
Non pricing measures for load connections (all)	Disproportionate and burdensome alongside pricing proposals in fast track. With more information, proportionately and efficiency will be more easily delivered. ⁶
Load: Automatic approval	Unnecessary.
Distributor sets, measures, and complies with its policy	Transparent and certain policy for processing connection requests set by the distributor alongside target timelines and how extensions are managed, requirements to keep applicants informed. Information Disclosures can be used to disclose compliance. ⁷

⁶ Specific overlap between pricing and non-pricing proposals addressed in Incenta's report, see section 2.2.7 Non-pricing measures, page 17: Publishing information on available network capacity and create and provide information on the queues of load customers (for capacity); and removing first mover disadvantage to eliminate 'last straw' pricing for network augmentation and disadvantages (through pioneer scheme).

⁷ Ibid, para 46.

Full reform

With downscaled proposals, the Authority must reconsider the cost benefit analyses. More industry data may assist the Authority to improve their visibility and understanding of current practices and ensure reform does not exacerbate the perceived problems or create new problems.

If required 'call in' capital contribution policies

The consultation indicates the varied approaches across the industry, particularly in respect of applying the net incremental cost methodology and pioneer schemes. The Pricing Principles can promote consistency for applicants with specificity added to promote competition, efficiency and protect small business consumers.

If the Authority considers that removing the reliance limit leaves a risk of non-conformance, we suggest a more targeted proposal is developed directed at policies and practices of concern. Work with those distributors and their customers to improve overall outcomes.

It is better for all consumers that the **least additional cost is put on the industry** to improve overall outcomes.

Interface between the Code amendment and DPP4

We recognise the challenge between the regimes and working within the incentives embedded in the existing Default Price Quality Path 4 Determination (**DPP4**) issued by the Commerce Commission. DPP3 was newly challenging for distributors absorbing growth, inflation, higher costs of debt and impacts of a pandemic and severe weather events. Ensuring the revenue entitlements of non-exempt distributors can **efficiently flex** to cater to connection growth, without penalty, will improve the electrification of New Zealand. However, we also recognise the tension for the Commission creating strong enough incentives to promote the innovation and efficiency of distributors.

This swift and substantial set of proposals do not easy to align with the Code Amendment Principles. Those acknowledge **the importance of certainty to investment** in the electricity industry (noting the Commerce Act's Input Methodologies are also statutorily required to promote certainty). In practice, some of the proposals appear reactive, and without robust economic justification. With higher risk proposals included, the subsequent impact on price quality regulated (non-exempt) distributors is to reduce certainty of revenue and costs over the period. This unnecessarily risks deterring investment and slowing down innovation as distributors grapple with burdensome requirements, increasing costs and unintended consequences.

We support the Authority directing the Commission to reopen DPP4 for distributors materially impacted by its Code amendment, as intended by s 54V of the Commerce Act.

Whether a distributor is materially impacted should be a matter between the Commission and the distributor, based on the distributor's asset management forecasting quantifying the impact (as opposed to the Authority's opinion).

Parliament envisaged that the Authority would be transparent and direct the Commission to reopen the price-path where it is aware a Code amendment will have a material impact. The nature and scale of the proposals, and the Authority's analysis (including CEPA's report) demonstrate a material impact on some distributors. The missing link appears to be certainty about how the Commission will process and respond to a s 54V direction. It is in the long-term interests of consumers under both governing statutes (Electricity Industry Act 2010 and Commerce Act 1986) to provide distributors with more certainty on the s 54V process.

While outside the Authority's scope, to adequately balance incentives across the two regimes, we continue to see value in two proposals that distributors put forward to the Commission during the Input Methodologies and DPP4 reset:

- removing IRIS from connection capex (to 'neutralise') under or overspends for customer initiated work that is outside of the distributor's control; and
- Use it or Lose it Allowances for connection capex (enabling the allowance to grow or shrink based on the number of actual connections experienced in the period).

In response to the Authority's pricing submission template, see: **Appendix One** with answers to the Code Amendment Pricing Proposals.

We look forward to considering submissions from customers and distributors to consider through the cross submission process.

Ngā mihi nui

Rachael Balasingam / Tomas Kocar
REGULATORY MANAGER / PRINCIPAL REGULATORY ADVISOR

Appendix A: Code Amendment Pricing Proposals Answers

Submitter	
Unison Networks Limited Centralines 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?	<p>Unison and Centralines acknowledge the significant variation in approaches among distributors. However, the increased reliance on capital contributions is primarily driven by rising connection costs—such as material price increases (which the Commission recognised by introducing additional cost escalators) and traffic management requirements—rather than changes in distributors' capital contribution policies.</p> <p>The Authority should exercise caution in artificially suppressing the percentage of reliance on capital contributions by introducing a reliance limit, as this could negatively impact existing customers during an affordability crisis.</p>
Q2. Do you agree with the problem statement for connection pricing?	<p>We agree that the variation in approaches among distributors can complicate the connection process and financial planning for applicants. However, the increase in capital contribution reliance over time does not necessarily indicate a reduction in pricing efficiency, as suggested.</p> <p>That said, the issue of first-mover disadvantage warrants attention, particularly as distributors face localised capacity limits in an increasing number of areas within their networks.</p>
Q3. Do you have any comments on the Authority's proposed pathway to full reform?	<p>Principle-based regulation would minimise perverse outcomes of hard thresholds proposed pathway.</p> <p>A permitted capital contributions range (rather than limit) based on net incremental costs approach could deliver a workable pathway for distributors and could achieve a national solution.</p>
Q4. Do you consider the proposed connection enhancement cost requirements would improve connection pricing efficiency and deliver a net benefit?	<p>Unison and Centralines support that the proposed minimum scheme and minimum flexible schemes will give consumers access to lower-cost solutions and will result in customers only paying for necessary enhancements.</p> <p>We recommend distributors should still retain some control over circumstances/ conditions offered to applicant to avoid situations as outlined in Incenta Economic Consulting report (p.13, § 30) where real estate developers in Australia reduced connection costs by implementing demand side measures (in this case, limits to household demand), but not</p>

	properly communicated these measures to subsequent purchases, and the distributors in question has had to subsequently augment the network.
Q5. Are there variations to the proposed connection enhancement cost requirements you consider would materially improve the proposed Code amendment?	<p>Minimum schemes should still meet minimum standards of the distributors, especially if being developed by a non-network contractor.</p> <p>Explore implementing load-shedding agreements with customers to increase network capacity without costly upgrades as an alternative to minimum scheme and minimum flexible scheme.</p> <p>Incorporate worked examples into guidance documents to address scenarios like:</p> <ul style="list-style-type: none"> • Determining the least-cost minimum scheme when significant engineering design work is needed. • Cases where a customer's minimum requirements are ambiguous. • Situations where network reconfiguration optimises multiple objectives.
Q6. Do you consider the proposed network capacity costing requirements would improve connection pricing efficiency and deliver a net benefit?	<p>Unison currently employs standardised costing for connections of similar size and supports the proposed approach, or a comparable method such as capacity costing, for use across all distributors.</p> <p>Unison has received positive feedback from customers over the years, who enjoy the simplicity and predictability with regards to standard connection charges. This approach is straightforward for access seekers to understand, it is easy to administer, and it eliminates the need for pioneer scheme rebates—a concern for distributors due to its administrative complexity and associated costs.</p>
Q7. Are there variations to the proposed network capacity costing requirements you consider would materially improve the proposed Code amendment?	<p>Distributors should be able to revise rates annually. While the current proposal ensures stability, it may fail to reflect significant changes in input costs (e.g. material or labour price inflation).</p> <p>The mentioned application of different rates for urban, suburban and rural areas would improve the cost efficiency as there are often significant difference in costs depending on location of connections.</p>
Q8. Do you consider the pioneer scheme pricing methodology would improve connection pricing efficiency	<p>Pioneer schemes do improve pricing efficiency and remove first mover disadvantage. This is however mostly delivering benefits mostly in limited situations such as rural contexts.</p> <p>To deliver a net benefit, there might be some adjustments necessary to lower the cost of administering the scheme.</p>

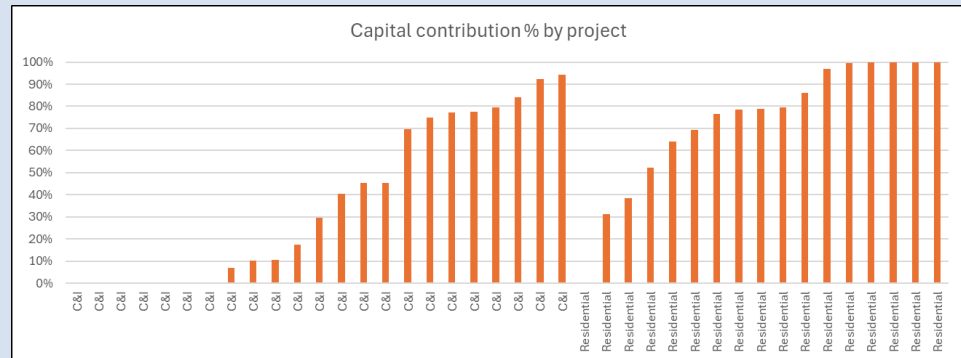
and deliver a net benefit?	
Q9. Are there variations to the proposed pioneer scheme pricing methodology you consider would materially improve the proposed Code amendment?	<p>The Pioneer scheme should not apply to connections that have paid standard capacity rates (e.g., residential subdivision developers). Instead, it should be limited to large connections where standard rates do not apply, and the customer has made a significant contribution.</p> <p>We recommend that the scheme only apply to projects valued over \$100,000, where the customer has contributed at least \$30,000. Additionally, we suggest increasing the minimum payment threshold under the scheme.</p> <p>To align with financial record-keeping practices, we propose reducing the scheme’s duration to a maximum of 7 years. 5 years will however deliver a better balance between effectiveness and cost to administer.</p>
Q10. Do you consider the cost reconciliation methodology would improve connection pricing efficiency and deliver a net benefit?	<p>We support the requirement to produce cost reconciliation on request to a customer. Since we calculate the connection charge based on net incremental costs already, this would not result in additional cost to the business and would improve transparency across the sector.</p>
Q11. Are there variations to the proposed cost reconciliation methodology you consider would materially improve the proposed Code amendment?	<p>We propose a variation to the proposed reconciliation methodology, where distinct reconciliation approaches apply to two separate groups of connections:</p> <ol style="list-style-type: none"> 1. Connections based on standard rates: This includes connections of a similar type or those charged standard capacity rates. 2. Connections where standard rates do not apply: This category encompasses large connections or standard connections where the actual cost is significantly higher (to be defined as a specific percentage and/or dollar value) than the charge calculated using the standard rate. <p>For Category 1 (standard rates), reconciliation would be published annually along with the standard rates.</p> <p>For Category 2, the cost reconciliation methodology would primarily be based on the actual incremental project costs. Standard rates within the individual calculations would be applied based on system growth cost forecast, using the Long-Range Marginal Cost (LRMC) approach.</p>

Q12. Do you consider the reliance limits would improve connection pricing efficiency and deliver a net benefit?

The introduction of a reliance limit would not improve connection pricing efficiency.

An analysis of 40 random commercial & industrial (C&I) and residential projects (see table below) totalling \$12m in cost demonstrates that calculated customer capital contribution percentage varies significantly by project depending on the project cost and the present value of revenue stream.

To mandate a capital contribution reliance limit, could result in reducing pricing efficiency and lead to cross-subsidisation of new connections by existing customers.



Q13. Are there any variations to the proposed reliance limits you consider would materially improve the proposed Code amendment?

Rather than mandating a reliance limit, a reliance range would result in a better outcome as reliance on capital contributions percentage will vary based on annual system growth investment phasing (often “lumpy”) and mix of connections projects (you could have a year with significant costly project(s)).

Unison														
Capital Contributions	FY19	FY20	FY21	FY22	FY23	Average FY21-23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Average FY19-30
Consumer connection	12,219	15,097	12,866	16,616	26,825	18,769	28,261	30,015	21,932	20,336	26,415	25,176	27,211	21,914
Capital Contributions	5,695	8,066	6,675	7,006	8,199	7,293	12,722	25,522	22,773	17,877	27,834	23,639	25,977	15,999
System Growth	485	340	71	1,408	1,047	842	6,857	17,378	15,603	22,456	24,815	26,613	41,387	13,205
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CapCon %	45%	52%	52%	39%	29%	37%	36%	54%	61%	42%	54%	46%	38%	46%

Centralines														
Capital Contributions	FY19	FY20	FY21	FY22	FY23	Average FY21-23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Average FY19-30
Consumer connection	1,088	1,789	1,911	2,290	2,151	2,117	1,951	1,500	1,570	1,601	1,633	1,666	1,699	1,737
Capital Contributions	548	854	1,417	1,064	1,499	1,327	1,083	1,000	1,047	1,067	1,089	1,110	1,133	1,077
System Growth	30	181	16	288	543	282	618	4,675	1,240	213	-	44	419	689
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CapCon %	49%	43%	74%	41%	56%	55%	43%	16%	37%	59%	67%	65%	53%	44%

The above analysis of projects and the above tables showing forecast and historic figures for Unison and Centralines suggest a band of 30-70% would be a workable alternative to the current proposal.

While the multi-year average for both networks is below the EA’s proposed 47%, there are year-on-year fluctuations mostly driven by system growth forecast phasing.

Q14. Do you consider the exemption application process (together with guidelines)

A well-structured exemption process is desirable; however, we would prefer the Authority to adopt an approach that minimises the need for many distributors to apply for exemptions, such as a reliance band.

<p>can be used to achieve the right balance between improving connection pricing efficiency and managing transitional impacts on non-exempt distributors?</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>A dispute resolution process can help improve connection pricing efficiency; however, we recommend prioritising the education of connection applicants before launching the process.</p> <p>Many initial complaints under a new methodology are likely to stem from a lack of understanding and could be resolved through clear explanations alone.</p>
<p>Q16. Are there variations to the proposed dispute resolution arrangements you consider would materially improve the proposed Code amendment?</p>	<p>We recommend deferring the proposed dispute resolution arrangements until the full reform has been implemented. This would allow the fast-track changes to settle into business processes and give distributors the opportunity to launch education campaigns on the pricing principles.</p> <p>If the dispute resolution process is retained, the guidance provided to the rulings panel needs refinement. For instance, it should specify that the reliance limit should be disregarded by the panel when determining a dispute, as it is not applicable to an individual connection.</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 comment.</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>As noted in response to Q13, the reliance limit can result in undesirable outcomes by driving inefficient connection pricing. A sinking lid approach could still push the capital contribution reliance percentage below the neutral point, leading to existing customers bearing the cost of cross-subsidising new connections.</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>Introduction of a Dispute resolution process can be delayed until full reform to allow for the changes to settle and educational material to be published and digested by the public and prospective applicants.</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>We recommend that connections charged at standard rates should be exempt from individual connection reconciliation and the pioneer scheme:</p> <ul style="list-style-type: none"> • Cost reconciliation for standard rates is not applicable. • The pioneer scheme for connections charged based on standard rates is not applicable. • Cost reconciliation for standard rates should be published annually. <p>For calculating the individual project net incremental cost of connection, the expected life for commercial connections' revenue determination should remain at the discretion of the distributors. A 15-year period may be too risky for some industries, with the associated risk ultimately being carried by existing customers.</p>

	Conversely, EV charging stations may warrant a longer expected life in the revenue calculation due to lower perceived risk.
Q21. Do you agree pricing methodologies should apply to LCC contracts? If not, please explain your rationale.	<p>Pricing for bilateral agreements should be based on economic principles rather than generic prescriptive rules. Large connections often have unique parameters that need to be considered, and as long as both parties agree, no regulation should be necessary.</p> <p>LCCs are exempt from the DPP revenue allowance, meaning the distributors owner bears the risk from these arrangements. Therefore, a prescribed methodology should not be imposed on contracts related to these connections.</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>While the proposed methodology requirements should apply equally to vested assets, distributors may not agree with the cost of a connection built by a non-network contractor, or they may find that the quality does not meet network standards for asset acceptance into network ownership.</p> <p>Clear guidance on the vesting process is needed to ensure the lowest possible cost for the connection applicant and the network owner, while still maintaining the required distribution network standards.</p>
Q23. Do you have any comments on the impact of reliance limits on incentives to increase prevalence of asset vesting?	<p>Vested assets are essentially 100% capital contributions, with the key difference being how they are recorded in the Information Disclosures. This creates challenges in accurately measuring the capital contribution reliance percentage, as vested assets are currently not included in customer connections or system growth capex.</p> <p>To ensure the accuracy of capital contribution reliance percentage, connection vested assets should be recorded as connection capex for the purposes of the capital contribution reliance percentage, with the corresponding 100% amount included under capital contribution. Vested assets that are not connection assets should be excluded from the calculation of the capital contribution reliance percentage.</p> <p>Under the current proposal, vested assets may be used to bypass the proposed capital contribution reliance limit.</p>
Q24. Do you agree the proposed methodologies are compatible with contestable connection	<p>The proposed methodologies can be compatible with contestable connections work. However, in the case of vested assets (for connection assets built by a third party), the connection applicant is unlikely to receive a network contribution towards their connection.</p> <p>To address this, the process will need to be clearly defined if distributors are to contribute to contestable works that are based on efficient costs.</p>

works? If not, please explain your rationale.	
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?	<p>It is not clear there is enough economic rationale behind the application of balance point usage, therefore tightening discretion around application of this particular method is not supported.</p> <p>Longer-term reform should focus on:</p> <ul style="list-style-type: none"> • aligning methodologies across the distributors, • allowing valid network specific variations to net incremental cost calculations • creating a predictable environment for access seekers to connect to network across the country • encourage the use of standard rates, which will promote economic principles and simultaneously predictability and administrative efficiency • mitigate material first mover disadvantage by a well targeted scheme • protect equally the existing customers and connection applicants
Q27. Are there other alternative means of achieving the objective you think the Authority should consider?	<p>Clearly defined connection pricing principles and expectations for distributors to adhere to it and aim for a capital contribution reliance band as an interim measure during DPP4.</p> <p>Call in on distributors sitting outside the reliance band and assess mandating these guidelines in readiness for DPP5.</p>