

24 January 2025

Electricity Authority  
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## **Re: Cross-Submission on the distribution connection pricing proposed code amended**

Counties Energy Limited (CEL) welcomes the opportunity for a cross-submission on the Electricity Authority's Distribution connection pricing proposed Code amendment.

As mentioned in our submission, CEL supports many of the proposals put forward by the EA. On reviewing the submissions from other parties CEL did note common themes regarding non-representation of customers who pay contribution charges, lack of support for the reliance limit and incorrect assertions regarding decarbonisation. These points are covered in detail below.

### **Submissions not representative of customers**

The submissions the EA received did not reflect EDB customers that pay connection charges. These customers are predominately developers but there were also no submissions from secondly major customer groups such as rural connections, small infill developers and commercial connection upgrades. CPO and major industrials, who do pay connection charges and did submit, represent only a fraction of a percentage of national new connections now and into the future.

To quantify who is paying connection charges for new ICPs CEL analysed around 1,200 new ICP connections on CEL's network over a 12-month period to 30 November 2024. This determined that roughly 85% of new ICPs were in urban subdivisions, 5% were in small rural subdivisions and 10% single customer connections (where the customer is likely to pay the ongoing line charges). From this work, and experience in other EDBs and industries, we believe that at least 70% to 80% of new connections in New Zealand<sup>1</sup> are paid for by developers and no developer submitted on the EA proposals.

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<sup>1</sup> In New Zealand 85% to 90% of households and businesses are in urban areas and this would be reflected in new connection growth that is dominated by Auckland and then secondary major urban areas. Local council planning dictates that this growth is managed and that new sections are sold with utilities in place.



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The reason why developers have not submitted is most likely because the cost of electricity reticulation to a standard residential or commercial section is a minor development cost being likely around 2% to 4% of the section cost (much like telecommunication subdivision reticulation is a minor per lot cost). The cost of forming the roads and purchasing the land are the material development costs.

Consequently, changes to EDB connection charges will have no measurable impact on national ICP connection volumes and locations, with new ICP connections driven by council planning rules and section demand. Power supply is not a consideration because the cost is not material and developers for nearly all developments will take for granted that they can obtain a power connection and reticulate their development<sup>2</sup>.

### **No reasoned support for the reliance limit**

CEL noted that there was very little support for the reliance limit furthermore there was even opposition to the reliance limit from end customers MEUG, BP and Fonterra<sup>3</sup>. Unlike developers the connection charges can be significant for these customers when investing in a large industrial plant or public fast EV charger.

CEL's experience with large power users and CPOs is that they often work within a budget and prefer to pay the connection charges upfront rather than recovery through higher ongoing line charges. This occurred last year in negotiations for a large transport decarbonisation connection, where the customer opted to pay higher upfront connections in return for lower ongoing line charges over a 10-year agreement (this included a 10-year agreement on their line prices<sup>4</sup>).

Regarding contracts, there were several submissions that noted the need for EDBs to have the flexibility to negotiate commercial terms rather than being dictated in the Electricity Industry Participation Code. This is certainly the case for CPOs and large industrial connections, where there is financial gain for both parties to work together to determine the best outcome. For example, reduced line or connection charges in return for the customer providing flexible demand during peak demand periods.

### **Decarbonisation implications**

CEL would disagree with an underlying assertion in many submissions that decarbonisation means large numbers of new ICP connections. CEL's experience from decarbonisation proposals (heavy transport, grid scale batteries, hydrogen), as well as talking to its customers about their plans, and

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<sup>2</sup> We believe that this is reflected in the financial investment analysis that developers undertake, where they will assume a cost of electricity reticulation.

<sup>3</sup> While gentailers did support the reliance limit CEL believes that their understanding of network connections will be limited because they do not pay the connection charges, are not party to the customer contract for new connection work, are not involved in the engineering design and overall are not involved in any way (i.e. developers have no relationship with an electricity retailer). Once a building is ready to be lived the customer's retailer involvement is required to order the electrical inspection, hanging the meter and livening of the connection (i.e. no network related infrastructure charge).

<sup>4</sup> Fixed distribution prices subject to CPI escalation and an agreed methodology to pass through Transpower charges.

undertaking pilots on residential smart EV charger demand orchestration is that nearly all residential and commercial customers can use their existing connection capacity to charge their EVs or switch from gas to electricity. Only a fraction of a percentage of existing ICPs are industrial customers requiring decarbonisation of process heating and similarly only a fraction of new ICPs are involved in fast EV charging stations<sup>5</sup> or heavy transport charging stations.

Decarbonisation impact of EVs has been analysed by CEL, with the support of consulting firm WSP. This work determined that residential EV charging would firstly overload EDB LV distribution transformers (and associated LV infrastructure), with secondary overloading on high voltage feeders. These costs would need to be recovered through standard line charges and there is no ability to recover these costs through connection charges because there is no requirement for existing houses to upgrade supply (e.g. additional phases wired into the house). This also lays out the business case for an EDB to develop capabilities of a DSO to utilise flexibility orchestration services (e.g. flexible connections and mass residential EV Charging demand orchestration) to avoid new and upgraded connection requirements.

Counties Energy would be happy to discuss any aspect of this submission.

Yours sincerely

General Manager Commercial

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<sup>5</sup> As would be expected given that the percentage of petrol station ICPs are a fraction of a percentage of total ICPs.