IEGA

INDEPENDENT ELECTRICITY GENERATORS ASSOCIATION

24 January 2025

Submissions
Electricity Authority
P O Box 10041
Wellington 6143

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

Dear Allen and team,

Re: CROSS SUBMISSION: Network connections project: Stage one amendments

The Independent Electricity Generators Association Inc. (IEGA) appreciates the opportunity to make this cross submission on the Electricity Authority's (Authority) proposed changes to the distribution network connection process for distributed generation and related other changes to Part 6 of the Code.[1]

Further consultation

There is a high level of interest in the Authority's proposals and submissions have provided the Authority with some evidence of current practices and regulatory impediments. In general, the IEGA supports a cross-submission process, which is good regulatory practice. Cross-submissions should provide additional feedback that assists the Authority in redefining its proposals. The IEGA strongly submits that the Authority undertake a second round of consultation (involving all stakeholders) before making any final decisions in relation to these stage one amendments.

Cross-submission comments

Thresholds

The IEGA recommended adopting an industry wide classification of what constitutes a low, medium or high complexity connection application and adopting a connection application process based on these categories of complexity.

Orion provided a useful list of all the technical studies it does / might undertake.[2] This list could be the basis of the start of a conversation about classifying connections based on complexity. The IEGA

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[1] The Committee has signed off this submission on behalf of members.

[2] Appendix B page 26 of their submission

acknowledges that all of these studies might be needed for a highly complex generation connections, but a subset would only be relevant for assessing less complex new connections.

Vector strongly supports classifying applications as 'simple' and 'complex'.[3] "*Many high-capacity connections can be quite simple to enable, and vice versa*." Vector already uses this classification and provides detail about how it works.[4] Vector highlights that this approach delivers more efficient outcomes: *"using simple and complex distinctions … ensures that only more complex connections face more complex processes and simple connections are processed more quickly and efficiently reducing delays and administrative burdens and costs – effectively enabling a 'horses for courses' approach."*

Drive Electric recommended a fast-track process for homogeneous load types that could equally apply to generation connection applications. Wellington Electricity said it would apply its own process for complex applications that fall in the 'large' process. Other EDBs suggested a regulated process not apply to larger 5MW+ generation projects.

The Code can still require EDBs to publish information on their load and generation pipeline by inserting a capacity value instead of referring to connection Process 3 and 5.[5] This gives the Authority more flexibility to select or change this value. Many EDBs commented that a threshold of 300kW is too low for managing a pipeline. Requirements for a pipeline could start with a, say, 1MW/1MVA threshold with the usefulness of this level of information assessed over time.

A number of submitters outline reasons why using maximum export power as the threshold basis creates issues. The IEGA's recommendation for a complexity threshold eliminates the need to decide on a particular capacity measure.

If the Authority continues to favour a capacity-based threshold then:

- Wellington Electricity also submitted its more logical the lower limit be 15kW than the current 10kW
- there are numerous suggestions about different thresholds with wide support for a 1MW upper limit for the 'medium' Appendix 2 and Appendix 4 processes.[6] SEANZ point out that this aligns with treatment of distributed generation in other parts of the Code.[7]

The IEGA submits that there is substantial worthwhile feedback on the topic of the threshold for connection application processes that warrants thorough investigation by the Authority and further consultation.

Timeframes

Feedback on proposed timeframes appears divided between: applicants consider the timeframes are too long; EDBs consider timeframes are too short. The IEGA notes that some EBDs submitted that

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[3] Paragraph 28 (page 4) of Vector's cover letter makes it clear they are proposing this classification for generation and load connections. Vector is recommending EDBs establish their own methodologies for classifying complexity. Para 28 page 4 of their submission.

[4] In answer to question G) Page 13-15 of their submission

[5] The Authority claim the capacity threshold is an advantage in relation to disclosing EDBs pipelines (paragraph 5.25 in the consultation paper). Clauses 6.3(4) and 6.3A

[6] Including Meridian, Drive Electric, Manawa, SEANZ, PowerCo, NewPower

[7] In answer to question B) page 1 of their submission

imposition of a rigid process and timeframes may delay processing and be more inefficient than their current approach.

An application process based on complexity would be simple, fast and potentially automated for simple applications. These applications could be processed within days or at the most 3 weeks. This will mean EDBs can focus their resources on assessing complex connection applications – within timeframes that might be no more than those proposed for Process 3 - and preferably less so that the maximum time is 12 months. Applicants would be aware their connection is complex and understand detailed investigations are required. A complexity approach better manages expectations and is more efficient.

The IEGA supports Orion's proposed Code changes to clarify that timeframes commence when an EDB receives a completed application form.

The IEGA notes numerous other submitters requested EDBs' discretion to have extensions be limited to one (and not two) extensions at any point in the process and the length of any extension be reduced.

Orion and other EDBs recommended adopting Ofgem's "clock start/stop/pause approach". We have not investigated this approach, but it may be a more efficient for complex connections. The IEGA submits the Authority:

- should consider Ofgem's approach in detail
- must consult with all stakeholders if the Authority is tending towards adopting this approach
- should remove any provisions relating to 'extensions' if this approach is adopted.

Prioritisation of Final applications

Numerous EDBs and the ENA support the IEGA's position that EDBs should not be asked to prioritise applications on the basis of their own interpretation of achieving the most "long-term benefit for consumers".[8] Its not so clear what other submitters recommended to replace this but the IEGA's strong preference remains that any discretion the EDB has to apply to final applications should be based on the purpose statement of Part 6 - to enable connection of distributed generation and load when the connection is consistent with connection and operation standards. An EDB has the expertise to determine a connection is consistent with connection and operation standards.

Numerous submitters commented that the requirement to provide evidence of a project investment decision during the final application is unworkable. The IEGA agrees – a revised approach to this issue should form part of the further consultation round we request.

Confidentiality provisions

The IEGA's concern about the confidentiality provisions is mirrored by other submitters.[9] The Authority must review the proposed Code in relation to both the detail that might be disclosed[10] and

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[8] In Process 2 and 4
[9] Including Fonterra, AirNZ, MEUG, ChargeNet, Genesis Energy
[10] Generation investment is a competitive market. The Authority should clarify that detailed location information (eg GPS coordinates) about new generation connections will not be publicly disclosed

the process. Our suggested solution to the process issue is to amend the Code to require EDBs to consult applicants about the information that should remain confidential.

Application fees

The IEGA agrees that regulated application fees for each stage should apply. Lodestone has proposed a $/capacity fee for initial, interim and final applications with the substantially higher final application fee being reimbursed by the EDB to the applicant on a staged basis if/as the generation plant is commissioned. We understand their proposed structure is to provide an economic incentive to progress 'ready' projects to final application and construction (and weed out speculative projects that may be hoarding network capacity). Payment of the final application fee would secure capacity. This economic incentive should be sufficient to mean that the milestones approach proposed in the Code is no longer relevant. However, we also support a cap on the final application fee so that the fee is reasonable in relation to the cost of the actual connection for generation capacity up to 5MW.

The IEGA suggests the Authority thoroughly review Lodestone's fee proposal and consult on any subsequent proposals.

Queuing and prioritisation management policy

There appears to be universal agreement that the industry (rather than the Authority) develop a queuing and management policy. The 'industry' should include a range of stakeholders (and not be limited to EDBs).

Information on network capacity and connection pipeline

The IEGA agrees that information on available network capacity is critical from the beginning of a connection applicant's journey. This information is dynamic – altered over time by commissioning of new load or generation and during a day by network conditions. At a minimum a connection applicant should be able to receive capacity information from EDBs at any point in the process.

We acknowledge PowerNet's suggestion of "*providing capacity values as indicative rather than fixed. This acknowledges network variability and guides applicants on capacity availability without unrealistic expectations. It allows distributors to offer actionable data while adapting to changes in network dynamics. Expecting precise values may lead to misinterpretation and frustration due to inherent limitations and the dynamic nature of the electricity network. We recommend that the EA works with the EEA to create guidelines for defining, interpreting, and calculating MV and distribution transformer capacity for public use*". Indicative information is better than no information.

The IEGA supports a phased approach to improving transparency of network capacity. Distributors should be incentivised to improve the information they collect on network usage and how capacity information is made available to customers – this information has value for EDBs for network management as well as for connection applicants. For some EDBs their first priority might be the low voltage network while for others the priority should be quality information about the medium and

high voltage parts of the network.[11] In addition, the Authority should progress work that minimises the cost for EDBs in collecting and publishing this information.[12]

The IEGA's initial submission discussed the fact that EDBs are likely considering load and generation connection applications from unrelated parties at the same time. The IEGA believes that treating these applications as siloed will not result in the most optimal use of network capacity. Diversity of new load and generation will impact network utilisation. A connection process has the potential to impact / encourage flexibility.

Fonterra makes a similar point *"There are costs and benefits to both DG developers and load end users if EDBs use their knowledge of the total connection requests in their pipeline to optimise the final network design. This can be achieved by bringing the parties together and co-designing the network changes."*

The IEGA recommends the Authority address the questions raised in our initial submission and consider how EDBs can be required to review applications from generation and load as complementary.

Information on connection pipeline

The connection pipeline will provide high level information about upcoming use of network capacity. The IEGA suggests pipeline information should initially be published for 'complex' connection applications. Network capacity constraints (current or potential) is likely to be a criterion for classifying an application as complex because it will require more detailed network studies. If a size threshold is to be used the published pipeline should be for generation plant greater than 1MW.

We agree with EDBs that the benefit versus cost of keeping track of 'simple' generation connection applications that are more or less business as usual and much higher volume is not clear.

Conflicts of interest

While other submitters have not commented on the conflict of interest issue raised by the IEGA, we continue to believe this is a live issue. Our recommendation is that the Code be amended to require equal treatment of all applications so that if there is evidence that an EDB's generation application is getting preferential treatment a breach claim can be made.[13]

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[11] Depending on the urban/rural nature of the network, the information the EDB already has / discloses, predominant application types etc.

[12] For example, some EDBs point to the EA's progress in ensuring distributors access to smart meter data being an impediment. Also, it may be more cost effective to develop a national approach to geospatial data than having each EDB developing its own mechanisms for collecting and publishing timely network capacity information that is inconsistent across EDBs.

[13] This is particularly important when an EDB is below the threshold as a 'connected generator' for arm's length and corporate separation rules (especially as this threshold is likely to increase in the near-term).

Concluding remarks

As discussed at the start of this submission, the IEGA request further consultation on the Authority's redefined proposals resulting from consideration of submissions and cross-submissions. This consultation should include a robust cost benefit analysis of the proposals.

The IEGA supports the Authority's aim *"Through the proposals in this paper, the Authority wants to improve the efficiency of connecting to networks and upgrading existing connections. The overall process should be easier, faster, more equitable and more consistent across distribution networks."*[14]

Overall, the proposed Code changes introduce significant new processes and obligations – which might improve consistency across distribution networks. It is less clear the proposals result in a process that is "easier" and "faster".

We suggest there is the option for the Authority to stage progress with different aspects of the proposals – prioritising topics where the Authority provides more detail that benefits clearly outweigh costs. From the perspective of investors in commercial scale generation plant connected to distribution networks, our priorities would be:

    i.   introducing a fast-track process for connections with low complexity to speed up connection of new generation capacity to relieve NZ's tight supply situation

    ii.   improving the availability and communication of network capacity information (pipeline information is a subset of this) – from the initial enquiry phase through the rest of the process

    iii.   regulating (shorter) timeframes for each step of the application process

    iv.   an economic or financial mechanism that supports / encourages firm (non-speculative) final applications to minimise capacity hoarding

    v.   processes or information that improves utilisation of existing network infrastructure and dynamic capacity – such as considering new generation and load applications as complementary.

We would welcome the opportunity to discuss this submission with you.

Yours sincerely

Chair

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[14] Page 2 of consultation paper