

Submission by



to the

**Electricity Authority**

on

**Distribution connection pricing proposed Code amendment & Network connections project – stage one**

20 December 2024

**– A BUSINESSNZ AND BUSINESSNZ ENERGY COUNCIL (BEC) SUBMISSION –**  
**DISTRIBUTION CONNECTION PRICING PROPOSED CODE & NETWORK CONNECTIONS**  
**PROJECT – STAGE ONE**

**Executive Summary**

1. The BusinessNZ Energy Council (BEC)<sup>1</sup> is a cross-section of leading energy-sector business, government and research organisations taking a leading role in creating a sustainable, equitable and secure energy future. BEC represents the World Energy Council in New Zealand. BEC is a brand of BusinessNZ, New Zealand’s largest business advocacy body.
2. We appreciate the opportunity to provide feedback on the Electricity Authority’s consultation documents titled *Network connection project: stage one amendments* and *Distribution connection pricing proposed Code amendment*.
3. **We support the Authority’s efforts to standardise and streamline network connection processes across Electricity Distribution Businesses (EDBs)**, as it will facilitate timely electrification as we decarbonise, for example by accelerating the deployment of public electric vehicle (EV) chargers for example and ensure consistency with distributed generation. However, concerns remain about the impact on EDBs, particularly smaller ones, which may face increased costs and resource diversion due to regulation.
4. Improving transparency and visibility of network constraints is crucial for efficient decision-making and cost management. Better access to data and open pricing methodologies will allow parties to estimate costs accurately before applying. **We support the Authority’s proposals to enhance data access** and support their efforts to improve EDBs’ understanding of low voltage networks through better access to smart meter data.
5. **We support the Authority’s efforts to better standardise pricing structures**, addressing the current complexity, inconsistency, and sometimes lack of transparency. This move will benefit customers, particularly those deploying EV charging points. However, it’s essential to balance standardisation with retaining a degree of contestability among distributors to encourage competitive offers. The Authority’s proposals strike a good balance between standardisation and maintaining contestability.
6. Providing flexibility in regulation is vital to foster innovation in bespoke commercial arrangements between distributors and connecting parties. High upfront capital contributions are a significant barrier to electrification, impacting economic opportunities. While it is fair and necessary to uphold the principle that access seekers pay their own connection costs, the distribution of costs for network capacity upgrades can sometimes raise equity concerns and can render some projects economically unviable, especially in cases where wider network upgrades are required.
7. Finally, while the Authority’s proposals for Pioneer Schemes aim to reduce the first mover disadvantage, there are concerns about access seekers’ confidence in timely rebates and the administrative burden on distributors. Overall, while the proposals are a positive step, there is uncertainty about their sufficiency in supporting the Government’s goal of deploying 10,000 EV

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<sup>1</sup> More about BEC in Appendix One

chargers and aligning with recent policy statements on efficient network connections for electrifying transport and industrial process heat.

### **Comments on Network Connections Project – Stage One**

8. **We support the Authority's efforts for more standardisation and consistency in network connection processes across EDBs.** Clearer guidelines for connections, through more streamlined connection approvals, procedures and technical specifications. We support action taken by the Authority to reduce timelines associated with network connections. This is a step in the right direction to help speed up applications for connecting infrastructure and is consistent with the Government's intended goal to accelerate the deployment of public electric vehicle (EV) chargers across New Zealand. Introducing minimum standards for load applications also ensures consistency with distributed generation under Part 6 of the Code.
9. More consistency between load and distributed generation is supported. However, we seek clarity on the Authority's reasoning for extending the Part 6 requirement to connect parties – currently applicable to the approval of distributed generation applications – to include applications for load connections. Distributors question whether this change is necessary, as there is no evident issue of EDBs denying connection requests from access seekers. However, implementing this requirement does not appear to have any significant drawbacks.
10. More standardisation of application processes through regulation will affect EDB's resources and capability, diverting resources from other parts of the business to process applications faster. This is particularly the case for smaller EDBs that may find it more difficult to comply with regulation. EDBs must therefore be sufficiently resourced as a result to meet this requirement. Inevitably, consumers will face this cost.
11. Minimum standards on the number of days an application must be processed may create a perverse outcome where standards are seen as targets. EDBs may process applications closer to the minimum standard rather than much earlier. This is a possible risk but remains unsubstantiated. Yet overall, setting minimum standards on the days an application must be processed may address the inefficiency faced by lengthy delays experienced by connecting parties.
12. Rather than imposing a rigid deadline for application completion, which is a blunt instrument for accelerating the process, the Authority could explore alternative measures. For instance, as Transpower does, networks might require access seekers to pay a deposit. This would help distinguish between more mature projects that are ready to develop and those which remain in earlier stages. This approach ensures that more serious applicants are prioritised, while speculators do not clog the queue.
13. Alternatively, network connection applications could be prioritised based on the achievement of specific milestones. If certain requirements and thresholds are not met, parties could be moved down the queue.
14. Despite minimum standards on application processes being a step in the right direction, connecting parties voice that the application process for connecting distributed generation or load is not the main barrier slowing their plans or providing significant cost constraints. Before submitting a formal application, connecting parties often struggle to receive adequate information to identify the most optimal and appropriate connection point on the network.

15. The lack of transparency and visibility of network constraints makes it challenging for access seekers to identify suitable locations. From a systems perspective, this leads to inefficient decision making, driving up costs unnecessarily while hampering efforts to electrify, which ultimately hinders New Zealand's ability to meet its emissions reduction targets. Access seekers require a high degree of confidence and certainty that their chosen location is suitable and financially viable, as the cost of applying alone can range between \$10,000 to \$100,000, according to access seekers.
16. Better access to data on the extent and location of network constraints, as well as open access to pricing methodologies, will enable parties to more accurately estimate both the upfront and ongoing costs on their own, providing the confidence required before initiating a sometimes-costly application process. We are pleased the proposals encourage EDBs to improve data access and make more information available.
17. Conceptually speaking, a public and open digital tool with a geospatial user interface seems to be the most appropriate model for displaying capacity data and other relevant information to access seekers. It is currently not clear how the Authority's proposals could encourage investment in digitalising this common and open tool. However, we recognise that the level of granularity provided may not always be practical and would inevitably come with its own corresponding costs.
18. As noted in the paper, distributors are transitioning to a better understanding of their low voltage networks. Improving distributors access to smart meter data is crucial and the Authority's efforts to support this goal are strongly endorsed.

#### **Comments on Distribution Connection Pricing Proposed Code**

19. **We support the Authority's efforts to promote greater standardisation in pricing structures faced by access seekers.** Current pricing structures among New Zealand's distributors are complex, inconsistent and lack transparency. Greater standardisation would be especially beneficial for customers, particularly those deploying EV charging points across the country.
20. This standardisation must however balance with upholding a degree of contestability among distributors. Regulation should leave room to retain autonomy to provide better competitive offers, provided they are priced efficiently without unfairly imposing costs on existing customers, and incentivise or disincentivise different connections. Even though distribution networks are a natural monopoly, some competition between different areas is beneficial. Distributors could offer better prices to entice connecting parties to their network. Complete standardisation would limit contestability. The Authority's proposals offer a good foundation towards achieving some standardisation without removing contestability.
21. Providing for flexibility when regulating for more standardisation is also important. Too much standardisation through rigid and inflexible regulation could risk and stunt innovation in the development of bespoke commercial arrangements between distributors and connecting parties. These types of flexible and bespoke commercial arrangements are essential for ensuring networks become smarter and more dynamic in the future.
22. This will benefit the entire system through more efficiency and a reduced need for more poles, wires, and peaking generation. An example of this is through the development of flexible connections, as witnessed with Vector and Auckland Transport's e-bus charging, showing value in managing DER and ensuring efficient network use while minimising costs for consumers. Provided

that access seekers and EDBs can agree terms bilaterally, regulations should aim to provide a backstop against the abuse of monopoly power.

23. As outlined in the Authority's consultation paper, the value of upfront capital contributions has increased over time. We agree with the Authority that higher upfront charges have the effect of disincentivising new connections. This provides a barrier to efforts to electrify, both in terms of electrifying commercial and industrial processes as well the roll out of public electric vehicle charging infrastructure as part of the Government target of 10,000 by 2030.
24. Some access seekers have determined many projects to be economically unviable due to high upfront connection and ongoing line charges. We emphasise that is warranted, and in fact vital, that connecting parties pay for the costs involved in connecting their asset, be it a premises or charging point. This is equitable as they remain the main benefactors of the connection, upholding the user pay principle of internalising the cost of the benefits received. We are pleased the Authority's proposals uphold this principle, ensuring access seekers pay all their own connection costs through a combination of upfront and ongoing connection charges.
25. As highlighted by the Authority, there remains a pertinent equity issue about how costs resulting upstream or downstream from a new connection are allocated. In some instances, connecting parties pay not only the cost of their own connection but also pay for the wider costs associated with upgrading network capacity beyond the connecting parties' impact. As a result, costs disproportionately fall upon the new access seeker, making many projects economically unviable.
26. The Authority's proposal to prevent lines companies from further raising their connection prices will come at a cost to existing customers. Some distributors will be impacted differently due to different ownership structures and differences in the growth of new connections across the country. This is particularly true in Auckland, which is experiencing a high growth of new connections from housing developments.
27. Connection pricing is essentially a decision between whether the new connector should bear all costs, including wider system costs, or only its own costs shared by all consumers involves trade-offs. Setting capital contributions too low risks inefficient subsidisation. This raises equity concerns about whether it is fair and reasonable for a large connecting party to share costs with others on the network if the threshold is set too low. Conversely, if contributions are set too high, it creates a significant barrier to new connections, with the access seeker disproportionately facing the higher cost. This trade-off needs to be considered in the context of broader objectives.
28. We believe this issue warrants attention, especially in light of the broader goal of electrification. High upfront capital contributions pose a significant barrier to electrification and the new economic opportunities it brings. Addressing this concern is also crucial, as new distributed generation projects have the potential to provide system-wide benefits. These projects can reduce reliance on fossil fuels, lower emissions, and enhance system resilience.
29. We recognise that proposals in the paper targeted towards limiting the ability of EDBs to charge upfront capital contributions may result in some distributors needing to recover this reduction through ongoing lines charges on the same connecting parties and upon other consumers. There is also uncertainty regarding how these proposals will impact EDBs' recently set price paths and whether some may require the initiation of a reopener process. This creates uncertainty for distributors, as they are unsure if their price paths will be adjusted accordingly.

30. The Authority's proposals may also lead to actual or self-imposed financiability issues for some EDBs whose ownership structures make it challenging to source and finance capital or increase their debt levels. If these EDBs cannot charge higher contributions, they will be concerned about their ability to fund new connections. The Authority should take this concern seriously. It should also be noted that some customers may prefer to pay a higher upfront contribution to receive certainty. Regulating a limit on upfront contributions may diminish choice. This enhances the case for regulation providing a backstop against the abuse of monopoly power if EDBs and access seekers cannot agree to terms.
31. Lower upfront contributions can mean a heightened risk of not being able to recover the cost of a connection if the asset becomes stranded due to a business failure. This cost will fall upon other customers on the network. For example, if an EV charging business defaults, the additional capacity may become stranded, and a replacement customer may never eventuate. In this case, the additional capacity installed for the EV charging point cannot be easily switched to accommodate another user. This may lead to inefficient investment decisions at the cost of the wider network.
32. The paper also outlines proposals such as a minimum-cost design scheme, ensuring customers pay no more than necessary, and a flexible scheme, with a lower cost design to reduce capacity provided it is acceptable to the distributor. As outlined in the document, both schemes provide optionality for access seekers, while providing for more consistency and alignment between all distribution businesses. This is supported.
33. However, it is important to note that some customers may neither need nor want to scope and design a minimum scheme. In the case of a flexible scheme, problems could arise when the initial connecting customer departs. The new customer may inherit the flexible scheme without realising it is a flexible connection. This poses a practical barrier for EDBs in managing new relationships and ensuring transparency about the network connection with the new customer.
34. We note that the Authority's proposed requirement for Pioneer Schemes across all EDBs may provide several challenges. Some distributors have voiced their effectiveness, while others have disputed their ability to effectively combat the first mover disadvantage. We agree with the latter view. Transferring rebates to the first mover when subsequent users connect to shared infrastructure would help reduce the final cost burden upon the connecting party. However, we question whether access seekers would have adequate confidence and certainty that other parties would connect or do so within a reasonable timeframe.
35. First movers may hesitate because of the uncertainty around how long they might have to wait or when they will receive their rebate. Administratively, this proposal would be burdensome on distributors, with EDBs becoming middlemen between two parties. There are questions about how this would work practically, who would hold the funds in the meantime and manage the two relationships, especially as long stretches of time may pass between the first mover and the subsequent connecting parties.
36. Overall, when considering the broader perspective, there is uncertainty about whether the Authority's proposals are sufficient to support the Government's goal of deploying 10,000 EV chargers. Additionally, it is unclear whether these proposals fully align with the Government's recent Policy Statement, which also calls for network connections that enable efficient investment in electrifying transport and industrial process heat.

37. For example, networks' discretion in applying network capacity chargers for upstream infrastructure from new connections may still result in large inconsistencies. This could continue to maintain large barriers to efforts to electrify. Without mechanisms to enforce standardisation, there is a risk of significant inconsistencies across distributors continuing. This could lead to the continuation of delays and unpredictability in connecting pricing.

## **Appendix One - Background information on BusinessNZ Energy Council**

### **About the BusinessNZ Energy Council**



The [BusinessNZ Energy Council \(BEC\)](#) is a group of New Zealand energy organisations taking on a leading role in creating an affordable, reliable, and sustainable energy system for New Zealand. The BEC is a division of BusinessNZ, New Zealand's largest business advocacy group and the New Zealand Member Committee of the [World Energy Council \(WEC\)](#). The BEC offers a unique opportunity to shape the New Zealand's energy-system with business leaders, government, and research as well as access to global thinking on energy issues via our involvement with WEC.

### **About the World Energy Council**

The World Energy Council is an independent global organisation that promotes an affordable, reliable and sustainable energy system for all. It is comprised of over 100 member countries. The Council provides impartial information on critical issues that affect society's well-being such as climate change mitigation strategies; energy efficiency; renewable energies; nuclear power; clean coal technologies; rural electrification; energy access; regional integration; urbanisation; geopolitics; innovation; finance; human capital; governance; resilience; hydrogen; storage; digitalisation; mobility; cooling; heating; behaviour change; scenarios; and transition leadership.

### **About the BusinessNZ**

[BusinessNZ](#) is New Zealand's largest business advocacy body, representing:

- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods
- Regional business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Employers Otago Southland](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy. In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).



[www.businessnz.org.nz](http://www.businessnz.org.nz)