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Cross submission on Distribution connection pricing proposed Code amendment

24 January 2025

1 Submission and contact details

Consultation	Cross-submission on Distribution connection pricing proposed Code amendment
Submitted to	Electricity Authority
Submission address	connection.feedback@ea.govt.nz
Date submitted	24 January 2025
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2 Confidential information

There is no confidential information provided in this cross-submission. This cross-submission can be publicly disclosed.

3 Consultation Response

Wellington Electricity Lines Limited (**WELL**) welcomes the opportunity to provide a cross-submission on the Electricity Authority's (**EA**) consultation '*Distribution connection pricing proposed Code amendment*' (the paper).

Upon review of the numerous submissions made to the EA, WELL views the following to be of particular importance:

1. **Lack of clarity around the problem statement.** Many of the submissions indicate confusion and/or disagreement with the problem statement. We view the broad range of views and recommendations seen across submissions as further support for a lack of clarity. The fast-track proposals also appear to have jumped to solutions without providing sufficient analysis or support for the problem statement. Sapere, Axiom Economics, Houston Kemp Economics, and Frontier Economics all call attention to this lack of support. We would support a consultation that involves all relevant stakeholders to better understand where the true issues lie before defining a problem statement to base regulation upon.

2. **Lack of support for reliance limits.** Very few submissions supported the introduction of reliance limits. Many have noted that the reliance limits are not based on sound economic principles. For example, MEUG “does not support the proposed introduction of a reliance limit methodology, that seeks to put restrictions on distributors’ ability to amend methodologies to increase capital contributions”¹. We consider that the introduction of reliance limits will create artificial constraints on pricing which are likely to lead to uneconomic outcomes for both existing and new customers.
3. **Timeline for proposals and full reform.** A number of submissions stated that the EA may be rushing the reform. An example of this was Sapere’s expert report for Drive Electric. While we don’t support all of Sapere’s report, we note that Sapere requested a full rewrite and reissue of the proposals, indicating that they are “unable to reconcile the Code wording to the Authority’s proposal document”². In our view this response also emphasises the lack of clarity around the problem statement noted above.
4. **There are good economic reasons for connection price variations.** Some submitters, such as BP³ and Meridian⁴, have presented wide variations in connection prices. The analysis presented, however, is overly simplistic. Connection pricing is complex and is driven by a number of different variables that can justify such variations (including by way of example location of the connection, the distance from the existing network, the available capacity within the network near the point of connection). For pricing to be cost reflective, it is highly likely that connection costs can differ markedly from one site to another. Forcing a uniform connection cost across all connections, even within one network, would certainly lead to cross subsidisation of new connections from existing users and lead to uneconomic outcomes. If a standard connection cost has to be applied at any site, then the capacity will vary (as capacity will vary along the length of the network) and a customer may not have access to the capacity it needs for its purposes. This of course could be managed with a more dynamic approach to connection agreements or operating envelopes being applied to maintain network security for existing connected users.

Access seekers and related organisations have for the most part supported a user-pays approach to new connections and do not have the expectation that existing consumers should

¹ MEUG, <https://www.ea.govt.nz/documents/6246/MEUG - DCP Submissions 2024.pdf>, page 3

² Sapere, https://www.ea.govt.nz/documents/6231/Drive_Electric- DCP Submissions 2024.pdf, pages ii-iii

³ BP, https://www.ea.govt.nz/documents/6276/BP_NZ - Combined submission 2024 17niT4n.pdf, page 2

⁴ Meridian, https://www.ea.govt.nz/documents/6245/Meridian_Energy - DCP Submissions 2024.pdf, page 2

have to cross-subsidise those costs. More work needs to be done by the EA to prove that the proposed new connection pricing is in fact inefficient.

4 Closing

WELL appreciates the opportunity to provide a cross-submission on the Electricity Authority's consultation paper '*Distribution connection pricing proposed Code amendment*'. If you have further questions regarding any aspect of our cross-submission, please contact _____ Commercial and Regulatory Analyst, at