

24 January 2025

Electricity Authority
PO Box 10041
Wellington 6143

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

Dear Katherine, Allen and teams,

Cross-submission to the Electricity Authority (Authority) on *Distribution connection pricing proposed Code amendment and Network connections project: stage one*

We thank the Authority for the opportunity to review and comment on other submissions as part of this process. We acknowledge that this is not standard practice for Authority consultation processes and are grateful for its inclusion in the distribution connection pricing ('DCP' or 'pricing' consult) and network connections project ('NCP' or 'process' consult) consultations. We would welcome the Authority to consider including cross-submission periods in more of its consultation processes in future.

ENA is the industry membership body that represents the 29 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses (refer Appendix A for list of members). EDBs employ 10,000 people, deliver energy to more than two million homes and businesses and have spent or invested \$8 billion in the last five years. ENA harnesses members' collective expertise to promote safe, reliable and affordable power for our members' customers.

Executive summary

There were some strong views both in favour of and opposed to the Authority proposals, and submissions by access seekers, consumers and related organisations provided further useful and varied insight.

We consider there to be four main themes from the submissions:

1. Lack of clear problem definition leads to diversity of submission points

A lack of evidence and clear framing for the problem definition, for both the connection pricing and connection process consultation, has led to a wide variance in positions put forward by submitters. This suggests to ENA that there is no clear basis to determine how the Authority's proposals address the problem, and therefore submitters have found it difficult to judge if the proposals hit the mark or not.

For example, some submitters have stated that the Authority's timescales for connection application processes are far too short, others state that they are far too long. It is not clear from these submissions the basis for these assessments, other than the obviously different

preferences of EDBs and access-seekers. From this, we infer that it has proven very difficult for submitters to objectively judge whether the Authority proposals address the problem, in the absence of clear evidence for, and description of, what the problem is.

Proposed solution: ENA recommends that the Authority reconsider its approach of introducing strict Code requirements for network connection pricing and process – at least for the immediate future. Instead, possibly as an interim measure, either:

- i. Revert to a principles-based approach for both connection pricing and processes and allow industry to develop the specific mechanisms, thresholds and timescales etc to reflect these. This would be consistent with the Authority’s approach to distribution pricing, which is proving to be successful.
- ii. Establish a more workshop-like approach (as per MEUG’s suggestion¹) to working with the industry to define mechanisms, thresholds and timescales, etc that better reflect the needs of industry and access-seekers.

Either of these approaches would allow the Authority and industry to have greater confidence that the specific measures being introduced will adequately address the real challenges that access-seekers face. This will allow time for the Authority to gather more robust evidence (e.g. consistent and robust data on EDB connection application processing timescales) to inform the design of any further interventions, if deemed necessary.

2. **The problem seems to be confusion / lack of consistency in billing and quotes** so connecting parties can understand what is driving the different costs to connect. A standardised quote / bill template could address the majority of the concerns and provide the transparency that connecting parties need to understand the costs of connecting, and who is paying for the connection.

Proposed solution: Leverage the work already being done by the Streamlining Connection Programme² with regards connection journey mapping and a consistent glossary of terms. Develop this into a standardised quotation template as an alternative fast-track solution. This can be developed as a joint industry effort, getting all EDBs and key connection stakeholders in a room to understand and meet connecting parties’ information needs.

3. **Take a deeper consultation and engagement approach.** There has been a lot of confusion and different interpretations regarding the proposals and underlying regulatory practice. The proposals appear to have jumped straight to solutions, without detailed analysis of, and giving stakeholders a clear understanding of, the problems. This is resulting in messaging to ‘slow down’ and more clearly consider and articulate the costs and benefits of the solutions.

¹ MEUG, [MEUG - DCP Submissions 2024.pdf](#), page 4

² The Streamlining Connections Programme reflects a combination of the work by the Authority on regulatory requirements, the Electricity Engineers’ Association (EEA) on standardisation of technical requirements and the ENA in relation to best practice processes. The ENA work is being delivered through the Future Networks Forum Connections Journey Mapping project. Deliverables within the scope of this project are already designed to enhance the access seeker experience when connecting to distribution networks, including development of a standard glossary of terms to be applied consistently across EDBs, aligning process steps and developing self-service capabilities to access information to aid with connection planning.

The scale of the proposed changes is not trivial and, for pricing, is in the same ballpark as a price reset. As a result, taking a similar approach to a price reset may be beneficial:

- i. Firstly, review previously developed best-practice pricing frameworks and consider how they apply now to connection pricing.
- ii. Secondly, develop and agree a framework of robust economic principles and guidelines for what an efficient level of upfront contributions is and define this in terms of what good pricing looks like, and the behaviours that are fundamental to good pricing.³
- iii. Thirdly, assess current practice, e.g. highlighting if an EDB's approach to connection pricing is not efficient. An assessment will also identify whether any inefficiencies identified are isolated or whether wholesale regulation is justified. This will inform what kind of behaviour changes are required, and the interventions that may achieve these behaviour changes.
- iv. Fourthly, consult on changes that will change EDB behaviour in the relevant manner, linking back to how this fits within the framework and definition of efficient connection pricing.

Proposed solution: 'Reset' the DCP consultation and consult on a framework to define what efficient connection pricing looks like and the behaviours that are fundamental to efficient pricing. This can help bring stakeholders together to develop a shared understanding of what efficient connection pricing is. Apply a similar approach to the NCP consultation.

- 4. The Authority has stated that consumers will be worse off.** In the Q&A, the Authority stated that the cost of their proposals to residential consumers is approximately \$0.71 per month to at least March 2030.⁴ (A cross-subsidy to connecting parties?) We do not think it is appropriate to increase costs to consumers in this way without first being really clear and evidence-based in the assessment of the current problem with the status quo.

Proposed solution: The Authority develop a revised consultation (which may be after the framework is developed). This consultation could include a comprehensive, economic cost-benefit analysis that can demonstrate that placing additional costs on consumers is in their long-term benefit and aligns with the Authority's statutory objective. This could be done as part of the full reform development. However, the Authority should apply caution in its application of fast-track measures in the meantime to avoid the unintended consequences highlighted in many of the submissions.

³ We understand that the Authority has developed distribution pricing principles in the past, but these were not apparent throughout this consultation process. It would be useful to join up these principles to clarify how they retain consistency of application.

⁴ Electricity Authority, [Distribution connection pricing proposed Code amendment | Our consultations | Our projects | Electricity Authority](#), FAQ 2: "What is the impact on households and businesses already connected to the network?", accessed 13/01/2025

Seeking consistency and transparency

In most cases, access seekers and related organisations have been clear in their submissions that they support a user-pays approach to new connections. They have stated that access seekers are willing to pay for their new connections and do not believe that existing consumers should cross-subsidise those costs.

However, the root of their concerns appears to be that they are confused by the inconsistency of new connection pricing and processes across the country and are therefore not confident that the charges being applied to them are fair and reasonable.

Likewise, there seems to be a significant diversity of views from submitters on the appropriate application thresholds (both for distributed generation (DG) and load connections) and timescales to process these. We think this points to a clear need for further careful consideration of many of the settings in these proposals, before strict regulation is imposed via the Code.

The first steps should be to understand the status quo better to determine whether both connection pricing and processes are in fact inefficient, or whether the problem lies more in shortcomings in communication and a lack of transparency.

Our members, the EDBs, are very grateful for the feedback provided through this submission process. We are keen to work with access seekers to ensure that we can provide costing information in a way that better suits their needs, and to work in a consistent and predictable manner in the processing of connection applications.

To that end, ENA supports MEUG's suggestion of a workshop – or even a series of workshops.⁵ ENA looks forward to more collaboration with access seekers to better understand the problems each party are facing and how we can work together to provide greater clarity and understanding.

Fonterra, Contact and EECA, amongst others, have provided useful examples in their submissions of what they would like to see included in a breakdown of costs. Bolstered by further 1:1 access seeker engagement and broader workshops, ENA believes we can help facilitate a template with standardised layout, terminology and content for quoting new connections that could substantially address many of the problems identified by access seekers. This will help connecting parties compare quotes and understand the drivers that result in locational or project-specific differences in connection costs. It could ensure that the full costs are broken down, regardless of treatment as 'capital contributions', 'vested assets' or any other label.

ENA recommends that we proceed with working with the industry to develop a connection pricing template in parallel to the Authority resetting its own process around connection pricing and processes, as suggested in recommendations 3 and 4, and discussed further below. This would ensure that access seekers see benefits, regardless of the outcome of this consultation process.

Concerns raised over the Authority's process, principles and evidence

From our reading of the DCP submissions, half of the non-EDB submitters have been concerned about the Authority's process, consistency of application of principles or evidence-basis for the proposals. When ENA and EDBs are included, there are approximately 70% of submitters expressing

⁵ MEUG, [MEUG - DCP Submissions 2024.pdf](#), page 4

concerns. Many submitters on the NCP also raise concerns around the lack of evidence base and non-existent cost-benefit analysis (CBA).

In addition, all five of the external consultants engaged for the DCP consult, on behalf of both EDBs and access seekers, have raised concerns around the Authority's process or problem statement.

Drive Electric has been a significant advocate for the regulation of connection pricing and processes on behalf of their CPO members. Their expert consultant, Sapere, has been perhaps the most critical of the Authority's processes in their submission. Their recommendation is for a complete rewrite and reissue of the proposals.⁶ This suggests that further clarification is needed from the Authority on matters of detail such as reliance limits, connection thresholds and timescales, etc. It would therefore be prudent to either redraft the proposed regulations to be more flexible in the face of this uncertainty (e.g. less prescriptive, more principles-based) or further engage with industry and access-seekers to arrive at specific regulations with greater confidence of their appropriateness.

Sapere, Axiom Economics, Houston Kemp Economics and Frontier Economics all highlight the lack of evidence in support of the Authority's proposals. As Houston Kemp put it: "absent from every aspect of the Authority's problem definition is empirical evidence of any inefficiency."⁷

Incenta and Sapere both also highlight the potential overlap between the pricing and process papers and how more attention should be placed on their alignment and co-development. Whilst Sapere's language is much stronger around the "scant reference"⁸ between the two papers and how they should be developed more closely together, Incenta provides some examples of where measures in one negate the value of measures in the other,⁹ which could further call into question net benefit assessments of the proposed amendments in each paper.

Build solid foundations for future regulation

The recent Regulatory Standards Bill (RSB) consultation¹⁰ and its associated submissions outline some sound principles for good regulatory practice, which the Authority could consider. We also note that whilst the RSB is still subject to consultation prior to any final drafting and implementation, it does leverage government guidelines already in existence, including "Government expectations for good regulatory practice" from 2017 and "Starting out with regulatory stewardship: a resource" from 2022.¹¹

Within their recent submission on the RSB, BusinessNZ made this assessment:

"Before opting for a regulatory approach, the nature of 'the problem' should first be fully understood - who is affected by it, the costs of taking action and who will bear those costs. Regulatory intervention, because of its cost, should generally be a last resort only when all other cost-effective approaches have been exhausted. In order to justify government intervention, there must be a clear case of market failure and the failure must be significant.

Given that markets are generally faster at self-correcting than governments are at intervening, the onus of proof should be on a Government to prove beyond reasonable doubt that the

⁶ Sapere, [Drive Electric- DCP Submissions 2024.pdf](#), pages 5-6

⁷ Houston Kemp Economics, [Vector - DCP and NCP submission 2024.pdf](#), page 84

⁸ Sapere, [Drive Electric- DCP Submissions 2024.pdf](#), pages 5

⁹ Incenta, [Unison and Powercos joint submission - Incenta Report.pdf](#), paragraph 47

¹⁰ Ministry for Regulation, [Have-your-say-on-the-proposed-Regulatory-Standards-Bill-final.pdf](#)

¹¹ Ministry for Regulation, [Regulatory stewardship | Ministry for Regulation](#), accessed 12 January 2025

benefits of intervention will exceed the cost, including the cost of any unintended outcomes (such as non-compliance).

Regulators generally have strong incentives to minimise their own risk by imposing higher standards than might arguably be justified. Because they do not bear the costs associated with their decisions (costs will ultimately fall on consumers), they may well over-regulate rather than take into account or adequately consider the cost/quality trade-offs consumers would be willing to make.

BusinessNZ is disappointed that too often papers and discussion documents start off by not asking the fundamental question, “Is there a problem?” before considering any change to regulatory practices.”¹²

As noted by most submitters on the Authority’s DCP and NCP consultations, there are doubts around the robustness of the Authority’s problem definitions, which in turn creates doubts around the suitability of any proposed solutions. For DCP, Houston Kemp say “almost all these potential inefficiencies trace back to the Authority’s preconception that connection charges are currently ‘too high’¹³ [underlining emphasis added].

Axiom Economics summarise the situation as “robust solutions require robust problem definition” and go on to say that the Authority’s problem statement is “flawed” and that there is “no clear link between problem and proposed solution.”¹⁴ The perceived flaws their report outlines, includes, but is not limited to:

- A purely theoretical analysis, “with no empirical evidence provided to substantiate the claim that connection rates are being constrained to inefficiently low levels.”¹⁵
- A lack of clarity around why “radical pricing reforms would be the optimal solution.”¹⁶

Houston Kemp also conclude that “in our opinion, regulatory intervention justified by reference to casual, in-principle observation, absent any evidence of inefficiency, falls significantly short of establishing grounds for material regulatory intervention by reference to the Authority’s statutory objective.”¹⁷

It is noteworthy that if even those access seekers that these proposals are purportedly designed to help are not convinced the Authority’s proposals will bring about the intended improvements, then the Authority has failed to demonstrate “beyond reasonable doubt that the benefits of intervention will exceed the cost.”¹⁸

We therefore recommend that prior to reissuing a consultation, the Authority establish a clear, evidence-based problem statement and a framework on which to base efficient connection pricing and process principles, as outlined above. Any proposed regulatory intervention can then be linked back to the framework to clearly and simply explain why the proposed regulatory intervention will be for the long-term benefit of consumers.

¹² BusinessNZ, [250113-Draft-Proposed-Regulatory-Standards-Bill-Submission.pdf](#), pages 4-5

¹³ Houston Kemp Economics, [Vector - DCP and NCP submission 2024.pdf](#), page 72

¹⁴ Axiom Economics, [Vector - DCP and NCP submission 2024.pdf](#), page 44 and 49

¹⁵ Axiom Economics, [Vector - DCP and NCP submission 2024.pdf](#), page 45

¹⁶ Axiom Economics, [Vector - DCP and NCP submission 2024.pdf](#), page 45

¹⁷ Houston Kemp Economics, [Vector - DCP and NCP submission 2024.pdf](#), page 84

¹⁸ BusinessNZ, [250113-Draft-Proposed-Regulatory-Standards-Bill-Submission.pdf](#), pages 4-5

We understand that the Authority is unlikely to be supportive of a ‘stop and reassess’ approach. However, we also remind the Authority of its principles in section 4 of the Authority’s recently reviewed Consultation Charter.¹⁹ Principle 3 states:

“Preference for small-scale ‘trial and error’ options: The Authority will prefer options that are initially small-scale, and flexible, scalable and relatively easily reversible with relatively low value transfers associated with doing so. The Authority will monitor the implemented option and reject, refine or expand that solution in accordance with the results from the monitoring.”²⁰

Principle 3 is to be used “where analysis demonstrates a clear benefit to a Code amendment proposal, but there is no clear best option in terms of a solution.”²¹ Subject to comments on Principle 1 below, this could be seen to be the case with the proposed connection pricing Code amendment – in the absence of quantified CBA for regulations, there is a risk of adverse unintended consequences where regulations are not proportionate to benefits.

Given many have submitted on the lack of a quantified CBA, and the lack of an analysis of costs of the proposed amendments, in general, it is also clear that Principle 2 has not been met.²² Arguably, with this lack of evidence base, and the wide range of submitter views, Principle 1 appears not to have been met either, where the Authority commits that it “will only consider amending the Code when there is a clear case to do so” [emphasis added].²³

Any fast track measures the Authority continues to want to adopt prior to a full reworking of its consultation should therefore be limited to non-Code affecting guidelines and principles only. This would also mitigate some of the issues identified in the section below, as well as aligning better with Principle 7, which commits to a preference for non-prescriptive options.

The need for further consultation

As noted in our original submission, we did not review the Code amendments, as we felt it was premature to do so. We note that a high proportion of other submitters explicitly made the same caveat in their own submissions. We expressed a recommendation for the Authority to confirm their policy decisions and then reconsult on the technical drafting of the changes prior to codifying or gazetting them.

Sapere did review the Code amendments as part of their work on behalf of Drive Electric and their submission comments raise significant red flags. They refer to how they are “unable to reconcile the Code wording to the Authority’s proposal document.”²⁴ They go on to say that “the wording is so confusing that we have had to change our view on what the proposal intends and what the code amendment states many times.”²⁵

¹⁹ We note that this Charter is dated 27 February 2024 and therefore we assume these principles have recently been reviewed and confirmed as current relevant guiding principles for the Authority’s work

²⁰ Electricity Authority, Consultation Charter, [Consultation Charter 2024.pdf](#), page 3

²¹ Electricity Authority, Consultation Charter, [Consultation Charter 2024.pdf](#), page 3

²² Principle 2 states: “Costs and benefits are summarised: The Authority is required to include with any Code amendment proposal an evaluation of the costs and benefits of the proposed amendment. The Authority will also include a summary of this evaluation.” Electricity Authority, Consultation Charter, [Consultation Charter 2024.pdf](#), page 3

²³ Electricity Authority, Consultation Charter, [Consultation Charter 2024.pdf](#), page 3

²⁴ Sapere, [Drive Electric- DCP Submissions 2024.pdf](#), page 5

²⁵ Sapere, [Drive Electric- DCP Submissions 2024.pdf](#), page 27

Several of their interpretations of the Authority's proposals and the intent behind them is very contrary to our own reading of the proposal documents. It is perhaps because of this ambiguity and the extra insight they have from reviewing the Code amendments, that such different interpretations are arising.

For example, Sapere states "this has meant that the Authority's short-term focus is on costs being too low."²⁶ Our interpretation of the Authority's paper, as referenced in our original submission, is the opposite. We feel the Authority's paper focuses on bringing down what it feels are excessively high costs, whilst overlooking what are potentially inefficiently low costs at the other end of the spectrum. This appears supported by the Authority's Q&A response on the website that, despite some EDBs showing zero capital contributions in the Authority's charts, "we have not seen a trend of lower reliance on capital contributions so do not see [a minimum reliance level] as an issue at present."²⁷

Meridian made similar comments: "As we found the consultation paper relatively complex and confusing, it's unclear whether the proposed Code changes will deliver the outcomes envisaged by the Authority's proposals."²⁸

If industry experts are taking away completely opposite interpretations of the Authority's proposals and problem statements, then it suggests there is a significant problem with the Authority's papers and proposals that needs rectifying prior to any further decision-making. It also suggests that the current ambiguous consults are insufficient to meet the requirements of an informed consultation and a further consultation on any amendments is required prior to finalising policy decisions.

Commitment to protecting domestic and small business consumers

The Authority states under its strategic outcomes: "We want to achieve a secure and resilient, efficient and affordable energy system that protects domestic and small business consumers and improves long-term outcomes for all consumers and New Zealand."²⁹

The Authority has also stated that the distribution connection pricing proposals will impact residential consumers by increasing their bills by \$0.71 per month from April 2026 to March 2030.³⁰

Whilst the Authority also states that it expected the proposals to be in the long-term best interests of consumers, it has been unable to demonstrate this in its proposals. So, currently the only quantifiable evidence the Authority has presented is that the average consumer will be negatively impacted by the proposals until at least March 2030. As Axiom Economics put it, "the welfare calculus is incomplete."³¹

This combines with the concerns raised by access seekers in their submissions that the Authority has not been clear on its problem statements and therefore the proposed solutions are not expected to

²⁶ Sapere, [Drive Electric- DCP Submissions 2024.pdf](#), page 27

²⁷ Electricity Authority, [Distribution connection pricing proposed Code amendment | Our consultations | Our projects | Electricity Authority](#), FAQ 7: "Why haven't you proposed a minimum reliance level?", accessed 13/01/2025

²⁸ Meridian Energy, [Meridian Energy - DCP Submissions 2024.pdf](#), page 1

²⁹ Electricity Authority, [Our strategy and priorities | Electricity Authority](#), accessed 13/01/2025

³⁰ Electricity Authority, [Distribution connection pricing proposed Code amendment | Our consultations | Our projects | Electricity Authority](#), FAQ 2: "What is the impact on households and businesses already connected to the network?", accessed 13/01/2025

³¹ Axiom Economics, [Vector - DCP and NCP submission 2024.pdf](#), page 52

generate the benefits to access seekers that the Authority anticipates. Given the expected flow on cost increase to consumers (as stated by the Authority themselves), at a time when they are already facing large cost increases due to the recent DPP4 decision, it is important the Authority ensures that the benefits of regulation outweigh the costs – something it has thus far failed to do.

Next steps

We have focused the body of this cross-submission on our key points. However, we also include further important cross-submission points and themes within Appendices B and C that we encourage the Authority to consider.

We acknowledge that the volume and range of views and recommendations presented in the submissions are likely to make the Authority's next steps very difficult to work through. However, we encourage the Authority to consider how the volume and variety of submission points demonstrates that the problem and the solution are not sufficiently clear to progress in their current state.

Where there is significant diversity of submitter views, and no clear rationale for that diversity, it may be prudent to pause the introduction of strict regulations (and associated compliance requirements) currently proposed and move to a more flexible, or even principles-based, approach - at least in the interim. This will give time for the Authority to work with industry and access-seekers to gather evidence and carry out further, detailed consultation, to ensure if strict requirements are imposed via regulation that they are fit for purpose.

ENA and its members are keen to work with the Authority and our access seekers to better understand the problems being faced and collectively work towards the most effective and efficient solutions for all parties.

If you have any questions about ENA's submission please contact Gemma Pascall, Regulatory Manager () or Richard Le Gros, Policy and Innovation Manager ().

Yours sincerely

Gemma Pascall

Regulatory Manager

Richard Le Gros

Policy and Innovation Manager

Appendix A: ENA Members

Electricity Networks Aotearoa makes this submission along with the support of its members, listed below:

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- Electra
- EA Networks
- Firstlight Network
- Horizon Networks
- Mainpower
- Marlborough Lines
- Nelson Electricity
- Network Tasman
- Network Waitaki
- Northpower
- Orion New Zealand
- Powerco
- PowerNet (which manages The Power Company, Electricity Invercargill, OtagoNet and Lakeland Network)
- Scanpower
- Top Energy
- The Lines Company
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower

Appendix B: Further *distribution connection pricing proposed Code amendment cross-submission* points for consideration

Reliance limits

One of the most problematic of the Authority's fast-track proposals appears to be that of the reliance limits. Only a handful of submitters support this proposal compared to the vast majority that either explicitly or implicitly oppose the limits. The objections largely come from a place of understanding that they are "not supported by the evidence or sound economic principles."³²

MEUG, for example, "cannot support reliance limits based on evidence presented" and thinks that the limits go against a user-pays principle and risk socialising connection costs across all consumers.³³

We support that view and request that the Authority remove reliance limits from their fast-track measures, or at the most, apply Contact Energy's suggestion of "soft caps, whereby more active monitoring is triggered should those caps be exceeded"³⁴ or Incenta's suggestion that "the Authority could simply require EDBs to not change their capital contribution policies in a way that leads to a material increase in connection prices, except where this has been done to implement the measures implemented by the Authority."³⁵

Our alternative proposal of consistent itemised quote templates would ensure transparency during the fast-track period and would highlight if any inefficient policy or methodology changes were made by EDBs.

Network capacity costing requirements

We support EECA's suggestion that within the network capacity charging proposal, the wording is changed to reflect that costs should be based on forecast/anticipated headroom expected to be consumed.³⁶

Minimum scheme and flexibility

With regards the flexibility aspects of the minimum scheme, we draw attention to the remarks made by Incenta:

"We note, however, that EDBs would need to retain some control over the circumstances or conditions under which such options are offered. We have had examples in Australia where real estate developers have reduced connection costs by implementing demand side measures (in

³² Frontier Economics, [ENA - DCP Submissions 2024.pdf](#), page 38

³³ MEUG, [MEUG - DCP Submissions 2024.pdf](#), page 4

³⁴ Contact Energy, [Contact Energy - DCP Submission 2024.pdf](#), page 7

³⁵ Incenta, [Unison and Powercos joint submission - Incenta Report.pdf](#), paragraph 39a

³⁶ EECA, [EECA - combined submission 2024.pdf](#), page 8

this case, limits to household demand), but not properly communicated these measures to subsequent purchases, and the EDB in question has had to subsequently augment the network.”³⁷

This provides further evidence in respect of concerns we raised in our own original submission.

Balance point

There appear to be very conflicting views of the economic principles around the ‘balance point’ and whether this is a useful reference point in the context of connection pricing. It seems some of the challenge is that it is a confusing concept. We support suggestions from the likes of Contact, who recommend the Authority could be more explicit about what is or isn’t appropriate for upfront charging.³⁸ This goes back to our third key recommendation about being clear on what efficient connection pricing looks like.

Reconciliation and revenue risk

Several submitters refer to the risk that proposed revenue offset mechanisms pass unnecessary risk onto consumers, should access seekers not deliver anticipated revenue over the life of their connections. Many of the consumer trusts reference the example of Pike River, whose failure would have significantly impacted consumer prices, had they not been required to pay for their connection upfront.

Some of the expert reports also suggest examples where certain connection types are perhaps less suited to this approach and should be excluded, such as agreements with developers, or high volume standard residential connections.

We support suggestions in submissions that offer EDBs more discretion to make risk assessments in the calculation of expected revenue to ensure risks remain with the access seeker. Houston Kemp references the Australian system, where the Australian Energy Regulator (AER) permits prepayments and financial guarantees to mitigate risk, explaining that:

“Securities fees, whether by prepayment or financial guarantee, help to insure DNSPs [distributed network service providers] against the risk of failing to collect the total estimated incremental revenue associated with a connection offer. In the absence of a security scheme, if the DNSP does not collect the total estimated incremental revenue, then the shortfall would eventually be recovered through higher network tariffs to all other network users.”³⁹

Houston Kemp observe that the Authority makes no reference in their consultation documents to the “significant risk” to consumers from the incremental revenue proposals.

We encourage the Authority to give this more consideration in the next consultation and directly address measures to mitigate this risk for consumers.

³⁷ Incenta, [Unison and Powercos joint submission - Incenta Report.pdf](#), paragraph 30

³⁸ Contact Energy, [Contact Energy - DCP Submission 2024.pdf](#), page 4

³⁹ Houston Kemp Economics, [Vector - DCP and NCP submission 2024.pdf](#), page 106

Fast-track v full reform

We think it is particularly important that information gathered from any fast-track measures be used to inform full reform developments, but equally important, that any fast-track measures rushed through, particularly in light of the discussions above, do not become ‘approved or implemented by default’ into the full reform.

There are enough questions raised through the submissions, for example, to highlight uncertainty around the specifics of the reconciliation requirement that it should not be assumed that upon full reform, any fast-track reconciliation disclosure become a mandatory pricing methodology without the Authority providing much further quantitative evidence to support the problem definition and to ensure that the right solutions are being implemented.

Should the Authority reject our suggestion of an alternative disclosure (standard itemised quote templates) and proceed with their proposed reconciliation, we encourage the Authority to be explicit that this reconciliation is for informational purposes only under the fast-track, is not enforceable as a methodology and will be comprehensively reviewed and reconsidered as part of the full reform measures.

Many valid reasons for price variations

We understand BP⁴⁰ and Meridian’s⁴¹ intentions by showing different connection prices for what they deem to be the same connections. However, we note that there are many variables in connection pricing, including length from existing network infrastructure and local network capacity, which might justify variations in connection prices. Such simplified comparisons should be used with caution in analyses. Our proposed industry-led standard quote template could however include enough variables to make comparisons more meaningful.

Competition and contestability

“If the Authority’s objective is to promote competition in the provision of connection services, in line with its statutory objective, it would be best served by options that place distributors and third party providers on an equal footing when bidding for connection projects.”⁴²

There are mixed views on whether the proposals are compatible with contestability. EECA highlights that “some of the technical requirements (e.g. ‘minimum schemes’) could potentially create barriers if the required methodology is complex or not transparent.”⁴³

Questions are also raised as to whether there should be a consistent approach to connection pricing, regardless of which network is being connected to, transmission or distribution.⁴⁴

We encourage the Authority to further consider and directly address these issues in a subsequent consultation paper.

⁴⁰ BP, [BP_NZ - Combined submission 2024.pdf](#), page 2

⁴¹ Meridian, [Meridian Energy - DCP Submissions 2024.pdf](#), page 2

⁴² Houston Kemp Economics, [Vector - DCP and NCP submission 2024.pdf](#), page 108

⁴³ EECA, [EECA - combined submission 2024.pdf](#), page 4

⁴⁴ ETNZ, [ETNZ - DCP Submissions 2024.pdf](#), page 5

Scarce resources and alternatives to regulation

EECA also highlight the potential risks of diverting scarce resources to deliver regulatory changes, rather than better serving consumers in other ways.⁴⁵

As the Authority has prepared the pricing and process consultations separately, it doesn't feel that a collective view of the impact on resource across the sector has been factored into its net benefits assessment. Although, as EECA (and others) also rightly highlight, the Authority has not presented "discussion of possible/likely drawbacks and costs, which makes it difficult to comment on the net benefits of the proposal."⁴⁶

BusinessNZ also remind us that "regulatory intervention, because of its cost, should generally be a last resort only when all other cost-effective approaches have been exhausted."⁴⁷ As noted through our alternative recommendations in the body of this cross-submission, there are potential solutions that would deliver quick win benefits to access seekers that do not require the 'heavy handed' approach of jumping straight to regulations.

We urge the Authority to reconsider their preference for jumping straight to Code amendments and regulation, which risk increasing costs and diverting resources, whilst (based on the submission feedback) not delivering the benefits the Authority intends.

Secondary networks

We, along with several other submitters, are unclear on how these proposals would apply to different types of secondary networks. We encourage the Authority to consider which networks should and should not be subject to the proposed measures and then set out these thoughts in a further targeted consultation.

It is potentially telling when an embedded network claims "the issues that these regulatory changes are trying to address don't exist in embedded networks,"⁴⁸ whereas customers of embedded networks think it's "vital" they be included in scope⁴⁹ and Utilities Disputes Limited also urge the Authority to be clear in relation to secondary networks.⁵⁰

Further consultation

We support several other submitters who refer to the need for further consultation and robust discussion prior to full reform, as well as MEUG's⁵¹ suggestion of a workshop after the cross-submission period.

We originally recommended a 'technical consultation' be added into the process to allow for a separate process to review Code changes and more practical implementation matters once policy decisions have been decided on.

⁴⁵ EECA, [EECA - combined submission 2024.pdf](#), page 5

⁴⁶ EECA, [EECA - combined submission 2024.pdf](#), page 2

⁴⁷ BusinessNZ, [250113-Draft-Proposed-Regulatory-Standards-Bill-Submission.pdf](#), pages 4-5

⁴⁸ Tenco, [Tenco Distribution Connection Pricing Consultation 17Dec2024 Redacted.pdf](#), page 10

⁴⁹ Retyna, [Retyna - Combined submission 2024.pdf](#), page 3

⁵⁰ UDL, [UDL - combined submission 2024.pdf](#), page 1

⁵¹ MEUG, [MEUG - DCP Submissions 2024.pdf](#), page 4

However, in light of various submission comments questioning the problem statement, proposed solutions, confusing proposals and inconsistencies identified, we feel a further consultation on the revised policy proposals is required prior to a technical consultation.

In addition to Sapere's broad criticisms of inconsistencies between the consultation paper and the Code amendments referred to above, Orion have also noted a difference in the basic definition of 'connection charge' between the consultation paper (2.8c) and the Code amendments (6B.13(1)).⁵² If there isn't even internal consistency in the definition of the 'thing' to be regulated, this requires urgent attention in the next consultation.

Quality data benefits

We support advocacy for EDBs to have better access to smart meter data.⁵³

⁵² Orion, [Orion - DCP Submissions 2024.pdf](#), page 2

⁵³ [Rewiring Aotearoa, Rewiring Aotearoa - DCP submission 2024.pdf](#), page 2

Appendix C: Further *network connections project: stage one amendments* cross-submission points for consideration

Proposed thresholds for both medium and large DG and load connection processes

There is a wide range of views from submitters on the appropriate thresholds for both medium and large DG and load connection processes. For example, the IEGA submitted: “In our view the new thresholds are arbitrary” and “The IEGA recommends a connection application approach based on a New Zealand wide categorisation of complexity will create efficiencies in the application process for connecting distributed generation and load”.⁵⁴

The Authority has not provided clear evidence in its proposals to describe what the current performance of the distribution sector is, in terms of processing network connections. It is therefore difficult for both EDBs and access-seekers to form a view on what the correct connection thresholds and timescales should be to achieve the intended uplift in performance. We believe this lack of evidence is one of the reasons for the wide variation of responses we’ve seen on these proposals from submitters. We also believe it is an indication that the Authority appears not to have appropriately calibrated the thresholds it proposes in the consultation. In addition, many submitters pointed out that DG and load connections are not analogous and as such should be treated quite separately in terms of thresholds and timescales.

ENA suggests that the Authority should refrain from introducing its connection processes (threshold and timescales) in their current form – at least as an interim measure while better understanding of the issues and potential solutions is developed. It should instead consider how the proposals could be amended to better reflect the needs of the industry, including both EDBs and access-seekers. We suggest two possible approaches to the Authority:

- i. Revert to a principles-based approach for how medium and large DG and load connections should be defined and allow industry to develop the specific thresholds to reflect this. This could include defining connection processes (for either DG or load) based on their relative complexity, rather than their ‘size’ in a kVA or MW rating.
- ii. Establish a workshop-like approach to working with the industry to define thresholds that better reflect the needs and realities of different types of connection.

Related to this, there is a prevalent view from submitters that the Authority has set the threshold for medium load connections too low. For example, EA Networks submitted: “EA Networks does not support a separate and more involved process for medium load applications. ...This size of connection application is considered very much business-as-usual, and the application of a highly defined process may have to opposite [sic] effect of slowing down processing of straightforward connection applications.”⁵⁵

⁵⁴ IEGA, [IEGA submission - Network connections project 20Dec24.pdf](#), page 2, 2nd para.

⁵⁵ EA Networks, [EA Networks - Network connections project.pdf](#), page 4, section G.

ENA recommends that, if the Authority makes no other changes to its proposals, at a minimum the threshold for medium load connections should be increased, and the large load thresholds changed correspondingly.

Proposed timescales for both medium and large DG and load connection processes are too short, not based upon evidence or referenced to problem definition and inflexible

Many EDBs submitted to the Authority that the timeframes proposed for processing connection applications (of whatever sort) were too short and/or too inflexible to appropriately recognise the significant variation in complexity that can exist in connection applications. For example, Orion submitted: “The requirement to hold final applications for 20 business days to ensure that no competing requests are received, the mandatory third-party notifications, and the complex interplay of technical studies make the proposed timeframes impractical.”⁵⁶ Similarly, Counties Energy submitted (regarding proposed large load connections): “The proposed interim to final application period of 90 days may not be sufficient for these larger customers.”⁵⁷ Other EDBs made similar comments in relation to the timescales of other sections of the proposals.

To address this general concern, ENA recommends that the Authority adopt the proposal from our submission whereby EDBs would only need to meet an overall performance level (in terms of meeting regulated connection timescales) for a certain proportion of applications per year. This could still be set relatively high to begin with (e.g. 90%-95%) and the Authority can monitor sector performance over time and adjust as necessary. This approach would provide some flexibility to EDBs in conforming to a new and (for New Zealand) novel regime and would also provide some scope to accommodate significant complex connection applications which arise from time to time.

Alternatively, the Authority could pause from imposing regulated connection processing timescales in the Code and instead establish a principles-based approach, which provides flexibility for EDBs to develop (and adhere to) self-determined processing timescales that nevertheless meet the principles the Authority has set.

Concerns around the scope of proposed ‘connections pipeline’ information

Several submitters have suggested that the proposal for EDBs to publish connections pipelines be more narrowly scoped than what the Authority proposes. These submissions are driven variously by:

- Concerns around the burden that gathering and publishing connections information would impose on EDBs. For example, EA Networks submitted “EA Networks would caution against

⁵⁶ Orion, [Orion Submission - Network connections project - Stage one amendments.pdf](#), page 2, section 6b.

⁵⁷ Counties Energy, [Counties Energy - Network connections project - stage one amendment submission form.pdf](#), page 3, section H.

requiring administrative intensive maintenance of the proposed pipeline of DG and large load network connections requirements, particularly if that is to an auditable standard.”⁵⁸

- Concerns around the commercial confidentiality of DG and load connections. For example, IEGA submitted: “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.”⁵⁹
- Concerns around the extent to which a connections pipeline will provide value to access-seekers and not inadvertently be misleading. For example, Aurora Energy submitted: “We encourage access seekers to contact us to discuss their connection, rather than risk drawing inaccurate conclusions from a pipeline.”⁶⁰

ENA recommends the Authority engage with industry and access-seekers, via the workshop mechanisms proposed earlier in this submission, to refine (reduce) the scope of connections pipeline in its proposals. At a minimum, we suggest that the Authority reduce the scope of the connections pipeline to just DG connections, at least initially, and revisit the scope at some future date once further information is available.

⁵⁸ EA Networks, [EA Networks - Network connections project.pdf](#), page 5, section L.

⁵⁹ IEGA, [IEGA submission - Network connections project_20Dec24.pdf](#), page 5, second bullet.

⁶⁰ Aurora Energy, [Aurora Energy Submission - Network.pdf](#), page 8, section L.