
Network connections project: stage one amendments

Northpower Submission to the Electricity Authority

Northpower

Introduction

Northpower appreciates the opportunity to provide feedback to the Electricity Authority (**Authority**) on *Network connections project: stage one amendments*.

Northpower is a consumer trust-owned company, our electricity distribution business connects consumers to our electricity network in the Whangārei and Kaipara districts, operating and maintaining a network servicing more than 62,500 connected customers.

Northpower is currently experiencing a significant increase in distributed generation connection applications within our region. In response, we have adopted a collaborative approach to address challenges such as competing applications and network congestion. This includes working closely with customers to resolve workability issues by contracting outside of Part 6 regulations and establishing mutually satisfactory connection agreements.

Our commitment to enabling renewable energy in our region is unwavering. However, we are equally dedicated to maintaining an appropriate balance between attracting load, supporting decarbonisation efforts, and ensuring affordability for all our customers.

Executive Summary

Northpower appreciates the Authority's initiatives to review Part 6 to ensure it is future-ready and its collaboration with the ENA on co-creating connection solutions.

We support ENA's submission that the introduction of an obligation to connect load customers is inappropriate and a significant departure from core policy settings established by primary legislation. EDBs must maintain independence and control over core network management issues such as whether to accept new infrastructure or new load connections. We currently exercise this judgement carefully and reasonably and do not agree that it is a problem requiring legislative intervention and certainly not via the Code.

We also raise the following concerns with the Authority's proposal:

- **Timeframes to approve connections:** misunderstands the underlying 'problem', could result in absurd 'decline' decisions and will likely unintentionally favour certain types of generation. We suggest the addition of a comprehensive stop/start regime reflected in other jurisdictions.
- **Requiring evidence of project investment decision:** does not appear to reflect commercial/governance practices and could undermine larger generation investment. We propose that, if the Authority insists on regulating this, it could expressly enable a condition that approval is subject to "Final Investment Decision" being given or waived within a reasonable timeframe.
- **Regulated/prescribed terms** are difficult to understand including:
 - the interaction with both connection and ongoing distribution service covered by the DDA.
 - not addressing payment obligations and the right to interrupt or disconnect for non-payment.
- **Costs of assessing applications:** in practice, for large complex distributed generation connection, the actual costs of assessments often significantly exceed

application fees specified in Part 6. If the connection process does not enable actual cost pass through, then existing load customers will pay for those costs.

We encourage the Authority to address these issues to ensure the proposed amendments achieve their intended outcomes effectively and equitably.

Obligation to connect load

We agree with the ENA's submission that introducing an obligation to connect load customers represents a significant shift from the foundational principles established during the sector's primary legislative reforms in the early 1990s.

As a community-owned EDB, we are committed to serving our communities and connecting consumers to our network wherever feasible.

However, there are rare situations where such connections may be uneconomic, create unreasonable impacts on the network or its overall performance, and could result in inequitable cross-subsidisation by existing customers. For instance, connecting a residential customer at the edge of the network, far from the nearest point of capacity, across land requiring significant ongoing easement charges or in places that offend community values, would incur higher ongoing maintenance costs or undermine community and consumer interests. These costs are effectively borne by all customers, despite the disparity in economic viability between urban and remote connections.

We consider that it is appropriate for EDBs' to maintain their ability to accept or decline load connections including in cases where such connections are demonstrably uneconomic or would result in an undue financial burden on existing customers. This flexibility is essential to ensure equitable and sustainable network operation.

Timeframes to approve connections

We consider the current Code provisions to be adequate, setting a timeframe but also enabling extensions, if reasonable.

In our view, if there is a problem, the underlying problem is that the timeframes in the Code are unrealistic. The proposal does not directly acknowledge the factors affecting decision timeframes or that complex generation often requires close collaboration between applicants and EDBs and instead assumes one party, or the other, is responsible for delay.

We consider that, if the Code is not carefully drafted, it will result in certain applications achieving success over others, which might drive an unintended priority in relation to fuel types or generation plant size.

However, if the Authority considers that there is an evidenced and justified basis to amend the Code to provide less flexibility, we make the following comments:

- We acknowledge the draft proposal's intention to allow the total timeframe to pause if distributors require missing information from distributed generators and resume once the information is provided. However, we believe this approach is overly generic and does not adequately address scenarios outside of distributors' reasonable control.

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- Real issues we face which contribute to delay include restraints on in-house resource to manage applications which do not present themselves in a steady stream across any given period (and instead often reach critical points at the same time), extremely limited availability of external consultants to backfill such resource or to perform technical studies or design connections, facilitation with or between multiple applicants to create efficient or mutually beneficial outcomes. These are all genuine examples of issues that can impact the ability to meet the specified timeframes. These challenges are not accounted for under the current proposal.
 - Without amendment, the proposal might present EDBs with an unsatisfactory option to decline an application rather than approve one that is not ready for approval or to approve an application without full and proper due diligence rather than face disputes and litigation over an alleged failure to approve.

We recommend the Authority considers adopting a more nuanced framework, similar to the rules developed by Ofgem in the UK. Ofgem's "clock start/stop/pause" provisions outlined in its connection guidance provide a robust example of a workable solution that accommodates various real-world scenarios.

We encourage the Authority to review Ofgem's guidance

(https://www.ofgem.gov.uk/sites/default/files/docs/2010/09/connections-gsop-guidance-sept_0809.pdf) and incorporate it into Part 6 of the Code.

Requiring evidence of project investment decision

We are concerned about the practicality of Clause 12.3(c) of Appendix 3 in Schedule 6.1, which requires distributed generators to provide evidence of a project investment decision when making the final application.

We are not aware from our experience of any problem to which this proposal would target and resolve.

In practice, this requirement may be unworkable for some distributed generators, as they often follow standard governance or commercial practices that rely on receiving final application approval from distributors, customised agreement on key terms and conditional agreement along an entire supply chain, before obtaining a project investment decision. This creates a circular dependency that could hinder project progress.

Further, the provision might:

- discourage investment by ruling out developers who don't have the flexibility to adapt to inflexible regulation that contradicts their established governance or commercial practices.
- favour smaller projects over larger generation projects.
- favour certain fuel types which have lower investment complexity.

We suggest revising this clause to allow greater flexibility. For example, evidence of a project investment decision could instead be required as part of the connection agreement stage as a condition to connect, where it is more appropriate and aligns with practical workflows for distributed generators.

Interaction between regulated/prescribed terms for load and the DDA

We have concerns regarding the unclear interaction between the regulated and prescribed terms for load under Part 6 and the existing Default Distributor Agreement (DDA).

For example, the regulated and prescribed terms include provisions that would typically appear either in a connection agreement (for conveyance-only services) or be addressed in the DDA, such as the requirement for access to premises. This provision, which retailers are obligated to include in their customer contracts on behalf of EDBs, highlights an unresolved overlap between the DDA and the new terms.

We strongly encourage the Authority to clarify the interaction between these terms and the existing DDA. This clarification will help to ensure practical implementation and reduce confusion. It is also crucial to avoid introducing new arrangements that overlap with existing frameworks, as this could lead to unnecessary complexity in applying the rules.

Payment obligation in regulated and prescribed terms

We are concerned that both the current and proposed regulated and prescribed terms for distributed generation (DG) and load lack an express payment obligation and do not grant distributors the right to interrupt or disconnect for non-payment. This omission appears to be an oversight and presents an opportunity for correction during this review process.

We recommend that the right to interrupt or disconnect for non-payment be explicitly included in the regulated and prescribed terms. This right should also extend to cases where there is a change in ownership of generation or load, and unpaid charges (for distribution services or construction work) remain owed by the previous owner.

New owners or applicants should not be allowed to exercise the right to connect under Part 6 on regulated or prescribed terms until outstanding amounts have been settled. Without this provision, distributors risk bearing the financial losses associated with insolvency of a previous owner, effectively socialising those losses among other customers. Meanwhile, new owners purchasing generation or load assets out of insolvency could gain an unwarranted windfall at customers' expense.

Costs of assessing applications

We acknowledge the Authority's recent CPI updates to application fees specified in Part 6. However, we believe these updates are insufficient.

In practice, for large and complex DG connections, the actual costs of assessments often significantly exceed the fees specified in Part 6. This is because such connections typically require complex design work and detailed studies, which often involve engaging external experts.

To address this gap, we currently manage these situations through separate service agreements with customers to recover the additional costs. This approach ensures that existing customers are not cross-subsidising the costs of new connections and is beneficial generally, because it allows for close collaboration between the parties on complex projects that would otherwise involve awkward and stilted application and response interactions.

We encourage the Authority to formally recognise this issue and amend Part 6 to enable distributors to recover all reasonable costs associated with assessing large and complex DG connections. This is critical to protect existing customers on the network and ensure there is no unintended cross-subsidy.



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