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Submission on Further Reform of Distribution Connection Pricing

To: Electricity Authority Te Mana Hiko
From: Fletcher Residential Limited
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Introduction

Fletcher Residential Limited (**FRL**) welcomes the opportunity to provide feedback on the Electricity Authority's consultation on the further reform of distribution connection pricing.

FRL is one of New Zealand's largest residential developers and home builders, delivering master-planned communities, apartments, terraced housing and standalone homes across Auckland and Canterbury locations. Timely, cost-effective and predictable electricity connections are critical to housing delivery, affordability and the broader economic development objectives of New Zealand.

We support the Authority's overall objective of making connection pricing methodologies more transparent, consistent and efficient, while ensuring connection pricing better reflects underlying costs. We agree that reform should help reduce barriers to new connections and support network investment required to accommodate population growth and electrification.

From a developer perspective, three outcomes are particularly important:

1. Cost competitiveness
2. Transparency and predictability
3. High levels of customer service and responsiveness

We encourage the Authority to ensure these principles remain central to the next phase of reform.

Key Theme 1: Cost Competitiveness is Essential for Housing Affordability

Electricity connection costs are ultimately borne by homeowners, apartment purchasers, tenants and consumers. Significant increases in connection charges directly affect housing affordability and can adversely impact the viability of new housing developments.

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FRL supports connection pricing frameworks that:

- Reflect efficient and prudent underlying costs.
- Prevent over-recovery by distributors.
- Encourage distributors to seek efficient delivery solutions.
- Promote competition wherever possible in network design and construction.

Developers frequently experience substantial variability in connection costs between projects and between distribution service areas. While some variation is expected due to network conditions, excessive differences can create uncertainty and undermine confidence in investment decisions.

FRL pays distribution businesses significant sums each year through connection charges, network extension costs, and development contributions to enable new residential developments to connect to the electricity network. Given the scale of these payments, there is increasing concern that the costs imposed are not always transparent, contestable, or demonstrably aligned with the value delivered to consumers and developers. In many cases, developers have limited ability to challenge costs, seek alternative providers, or assess whether charges are fair and reasonable, resulting in outcomes that can appear inconsistent with the principles of efficiency, value for money, and customer choice. Greater transparency, competition, and accountability in the provision of connection services would help ensure that charges more accurately reflect the work undertaken and deliver better outcomes for consumers ultimately bearing these costs through the price of new homes.

There remains concern that the allocation of upstream network reinforcement costs is not sufficiently transparent, predictable, or proportionate to the actual growth generated by a specific development. In some cases, the costs attributed to a new project appear to reflect the need to address existing network constraints or historic underinvestment, rather than solely the incremental demand specifically created by that development.

While FRL recognises the need to contribute fairly to growth-related infrastructure, there is a perception that the first project to trigger a network upgrade can be required to bear a disproportionate share of costs that will ultimately benefit a much wider catchment and future users of the network. A more equitable approach would be to allocate regional growth and capacity expansion costs across the broader customer base or through mechanisms that allow costs to be shared amongst future developments that benefit from the investment. Greater transparency around cost allocation methodologies and the distinction between growth-related investment and network renewal would also help improve confidence in the fairness and reasonableness of connection charges.

The Authority should continue pursuing reforms that:

- Improve cost discipline.
- Strengthen benchmarking and comparability across distributors.
- Increase scrutiny of non-contestable connection activities.
- Encourage innovation in connection delivery.

Particularly in growth areas such as Auckland, development contributes significantly to increasing network utilisation and spreading fixed network costs across a larger customer base. Connection pricing settings should therefore balance the legitimate costs of network enhancement with the broader benefits that growth brings to existing and future consumers. Currently developers are paying high connection charges for broader network investment that benefits future users as opposed to just the incremental costs that their development creates.

Key Theme 2: Greater Transparency and Predictability are Needed

Transparency of pricing is one of the most significant challenges facing developers seeking network connections.

Too often, FRL receives quotations or cost estimates with limited visibility of:

- The underlying cost drivers.
- The allocation methodology used.
- The assumptions regarding future network capacity requirements.
- Alternative connection options that may be available.

Variability of connection costs is an industry wide issue and the pricing methodology for both new connections costs and the allocation of network upgrade costs is from clear and transparent. FRL strongly supports the Authority's objective of increasing transparency and consistency in connection pricing methodologies.

We recommend distributors be required to provide:

Detailed Cost Breakdowns

Connection offers should clearly identify:

- Network extension costs.
- Network reinforcement or augmentation costs.
- Customer-specific costs.
- Shared infrastructure costs.

- Any contribution assumptions and cost allocation methodology.

Standardised Reporting

The Authority should consider standardised disclosure requirements that enable customers to compare approaches across distribution businesses.

Transparent Quotations Needed

Applicants should be able to understand:

- Why costs have been allocated to the project.
- Whether costs are contestable or non-contestable.
- What alternatives may reduce costs.
- The process for challenging or reviewing cost allocations.

Post-Project Reconciliation

Developers should receive transparent reconciliations of estimated versus actual costs where charges are based on forecasts.

Improved transparency will reduce disputes, increase confidence in the process and help improve investment decisions.

Key Theme 3: Service Levels Matter

While pricing reform is vitally important, FRL believes service quality deserves consideration also. Too often timeframes for connections are uncertain and delays are common. For residential developments, delays in electricity connections can:

- Delay construction programmes.
- Delay title issuance and settlements.
- Increase financing costs.
- Reduce housing supply.
- Create material project delivery risks.

In our experience, service performance can vary significantly between distributors and between projects.

We encourage the Authority to explore whether stronger obligations are needed regarding:

Response Timeframes

Clear service standards should apply for:

- Initial enquiries.
- Network assessments.
- Budget estimates.
- Formal connection offers.
- Design approvals.
- Final connection completion and certification (i.e. final sign off of the connection by distribution business to enable the subdivision s224c to be applied for and processed by the local authority). Timeframes for final certification can be drawn out, are variable and uncertain, even though it is the distribution business certify their own connection install.

Status Reporting

Applicants should have access to regular updates and clear visibility of project status, responsibilities and outstanding actions.

Escalation Processes

Developers should have access to transparent and timely escalation pathways where delays occur.

Performance Disclosure

Consideration should be given to public reporting of connection service metrics, including:

- Average response times and service levels.
- Quotation turnaround times.
- Delivery timeframes.
- Certification timeframes (i.e. final sign off by the distribution business).
- Customer satisfaction measures.

Greater transparency around service performance would incentivise continuous improvement and assist customers in understanding expected delivery timelines.

Contestability Should Be Expanded Where Appropriate

FRL strongly supports the Authority's consideration of contestability arrangements relating to services, equipment and construction associated with new connections. FRL and its contractors are very experienced in safely undertaking large scale development and civil works across multiple locations. This includes safely installing the ducting for Chorus and other utility networks. In that respect we submit there are no reasons why appropriately trained contractors cannot safely undertake civils works, and install ducting, inactive cabinets, lines and equipment installs. The livening, testing and certification of those installs into the network can then be completed by the distribution company.

To support competition and improve customer outcomes, consumers and developers should, where safe and practicable, be able to choose their preferred provider for electricity connection works (excepting for livening, testing and certification of the new connection to the live network) rather than being required to only use the local distribution network company. This choice allows customers to compare pricing, timeliness, and service levels between providers. Network owners should make these options transparent and readily available. Currently the local distribution network operators are natural monopolies, as the only providers of their services. There is no competition for customers to turn to if they are dissatisfied with costs or service.

Consumers and developers should be able to choose from competing qualified providers for electricity connection works and have confidence that all providers are competing on a level playing field. Distribution businesses should not give preferential treatment to their own contracting arms or affiliated civils business units. Approved third-party providers should receive the same information, at the same time, and on the same terms as any network-affiliated provider. Clear non-discrimination policies should be in place to ensure fair competition, helping consumers benefit from better service, lower costs, and improved delivery timeframes. Capital contribution policies should also be neutral and should not create advantages for network-affiliated providers.

Where safety and network integrity can be maintained, contestability can:

- Improve efficiency.
- Reduce costs.
- Increase innovation.
- Improve delivery timeframes.
- Provide customers with greater choice.

We encourage the Authority to identify areas where non-contestable arrangements may be unnecessarily limiting competition and contributing to higher connection costs.

Distribution businesses should retain responsibility for network safety and operational standards, but customers should have greater flexibility to procure competitive delivery solutions where feasible.

Supporting Growth and Electrification

New Zealand faces significant growth in electricity demand driven by:

- Population growth, particularly in the main cities, which in turn is driving the need for the delivery of infrastructure, residential, industrial/business premises, schools and other social infrastructure.
- Transport electrification.
- Building electrification.
- Technological change.
- Distributed energy resources.

Connection frameworks must support, rather than impede, investment in new homes and communities. Developers such as FRL invest significant capital in paying for connections. Growth areas require connection processes that are:

- Efficient.
- Timely.
- Predictable.
- Scalable.

The reforms should ensure distributors have appropriate incentives to facilitate growth and plan proactively for future network demand rather than relying on project-by-project solutions.

Conclusion

Fletcher Residential supports the Electricity Authority's continuing programme of distribution connection pricing reform. As the Authority progresses toward proposed Code amendments, we encourage it to prioritise:

1. Cost competitiveness and efficient pricing outcomes.
2. Greater transparency and consistency in connection charging methodologies.
3. Improved customer service standards and accountability for connection delivery and certification.
4. Expanded contestability where it can reduce costs and improve outcomes.
5. Connection arrangements that support housing delivery, growth and electrification.

The connection process is a critical component of residential development. Well-designed reforms have the potential to lower uncertainty, reduce costs, improve customer experience and ultimately support the delivery of much-needed housing across New Zealand.

Fletcher Residential would welcome the opportunity to discuss these matters further with the Authority.

Submitted by:

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