# Further reform of distribution connection pricing – issues paper

## Introduction

Mercury welcomes the opportunity to comment on the Electricity Authority's issues paper covering analysis and options for further reform of distribution connection pricing.

Mercury supports reform that improves consistency, transparency and predictability in connection pricing. As electrification accelerates, connection pricing arrangements become increasingly important because they influence how quickly and efficiently new customers, technologies and investments can electrify. We see value in a more consistent national framework that reduces unnecessary complexity and barriers to investment while providing distributors and investors with greater certainty.

## Mercury's overall position is that connection pricing should be assessed in the broader context of New Zealand's energy transition

The electricity sector is moving from a period characterised by relatively flat demand and incremental investment to a period of substantial investment in new infrastructure, increased electrification of transport and process heat, growth in distributed energy resources, and the connection of new loads and technologies.

In this context, connection pricing frameworks should not only focus on efficient cost allocation, but also on supporting the efficient development of the future electricity system and the long-term interests of consumers.

## Connection pricing should support efficient electrification

While cost allocation remains important, there is a risk that excessive focus on short-term cost recovery could understate the wider benefits of electrification and the opportunity cost of delayed or foregone investment.

Mercury encourages the Authority to continue assessing proposed reforms through the lens of supporting economically beneficial electrification and long-term consumer welfare. Timely electrification and connection growth should be balanced with efficient cost recovery.

## Consistency and predictability are increasingly important

Mercury agrees with the Authority's assessment that there is significant variation across distributors in connection pricing approaches. This can create unnecessary complexity and uncertainty for customers seeking access to distribution networks.

As connection activity increases and more customers seek to invest across multiple distribution networks, consistency and predictability will become increasingly important. Mercury's view is that there is value in greater standardisation of connection pricing approaches, definitions and processes.

A more consistent national framework can help reduce unnecessary complexity, improve investment certainty and lower transaction costs for customers seeking access to distribution networks.

## The regulatory framework should support growth and innovation

Future network arrangements should be capable of supporting:

- Increasing electricity demand;
- Distributed energy resources;
- Battery storage;
- Electric vehicle charging infrastructure;
- Flexible connections; and
- Future technologies and business models.

Mercury encourages the Authority to ensure connection pricing arrangements remain adaptable to technological change and do not favour traditional network solutions over cheaper and more innovative alternatives. Pricing frameworks should support the efficient use of batteries, distributed resources, flexible connections and demand-side solutions where these can defer or reduce the need for network investment.

## Regulation should provide confidence for both investors and consumers

The issues paper identifies concerns regarding inconsistency, transparency and pricing approaches across distributors. Mercury supports reforms that improve transparency, provide greater confidence in pricing outcomes and promote more predictable investment signals. As connection pricing becomes increasingly important to electrification, economic growth and decarbonisation, there is merit in a more consistent national framework that provides confidence for both network users and distributors. This would provide clear expectations and more consistent outcomes across the sector.

## Conclusion and final remarks

Mercury supports the Authority's review of connection pricing arrangements and agrees that the framework should evolve to reflect the changing needs of New Zealand's electricity system.

In considering future reforms, Mercury encourages the Authority to maintain a focus on the broader objectives of supporting electrification, enabling investment, improving consistency and predictability, and ensuring the regulatory framework remains fit for a more dynamic and rapidly growing electricity sector.

Nothing in this submission is confidential and it can be released in full. Mercury is happy to discuss any aspect of this submission.

Naku noa, nā

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