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By email: distribution.pricing@ea.govt.nz

Connection pricing further reform

Meridian Energy welcomes the opportunity to provide feedback on the Electricity Authority's consultation on options for further reform of distribution connection pricing.

Meridian is very supportive of the Authority bringing connection pricing into its regulatory scope, as well as the Authority's continuing focus on distribution pricing more broadly. Distribution pricing will have a very direct impact on electrification build out over the next decade.

We have had the benefit of reading the ERGANZ submission and support that submission. We have limited our own submission to a smaller number of Meridian-specific observations that supplement, rather than repeat, the ERGANZ position. In particular, Meridian's perspective is informed by its role:

- as a charge point operator (**CPO**), where connection pricing can materially affect the economics, timing, and scalability of EV charging infrastructure investment; and
- in supporting customers with electrification projects, where we encounter the network connection barriers facing our customers.

Centrality of allocation to both connection and use-of-system costs (lines charges)

Meridian believes that the value of capacity, flexibility, and efficient network augmentation is still to be fully realised, and that doing so depends heavily on the signals created by ongoing network tariffs (i.e. lines charges) as well as connection charges. Efficient connection pricing should be considered alongside efficient network pricing, and we agree with the Authority's consideration of allocative issues in the paper. Further connection pricing reform should be coordinated with work on distribution pricing and flexibility markets (i.e. capacity-sensitive and time-differentiated network pricing) to ensure consistent signals regarding capacity utilisation and peak demand. The Authority should ensure that changes to the connection pricing framework are consistent with (and ideally enable) future evolution toward more cost-reflective network tariff structures.

For EV charging infrastructure investments (which are assessed over a long time horizon), efficient outcomes depend on both the initial connection charge and the ongoing pricing signals faced by the operator. Capacity-based and time-varying tariffs create incentives to manage charging demand away from constrained periods and defer network investment – this enables smart utilisation of the network to the benefit of drivers and EDBs alike. Allocation methodologies are critical for ensuring that pricing is efficient on both the connection costs and tariff aspects of the investment decision facing a new connection. In Meridian’s view, the standard connection methodology (B1) and standard allocation formula (B2) options are central to the issues in the paper and distribution pricing more generally and should therefore be of highest priority.

Pricing approaches should reflect practical nuances where possible

As noted above, connection charges and ongoing network tariffs are an integrated package for electrification projects such as EV charging. Such projects may initially require relatively modest capacity, grow over time, and be capable of reducing or shifting demand during constrained periods. Connection and tariff options should recognise those characteristics rather than assuming that nameplate capacity translates directly into coincident peak demand. Customers should be able to agree staged or flexible capacity arrangements, with both upfront charges and ongoing tariffs reflecting the capacity actually required and any flexible operation by the customer.

This is particularly important because the same network capacity can otherwise be reflected in multiple charging mechanisms. An applicant may contribute upfront towards network augmentation through connection charges, while also facing ongoing capacity-based network tariffs which bake in recovery of costs of expansion which is no longer specifically required. Similar issues can arise where distributors apply conservative assumptions about future demand or diversity, resulting in both connection charges and ongoing tariffs being based on capacity that is unlikely to be utilised during network peaks. The Authority should ensure that connection pricing and network tariff frameworks operate cohesively and do not create outcomes where customers effectively pay more than an efficient share of the costs associated with network capacity.

For EV charging infrastructure, these issues are particularly acute. Public charging networks can often manage demand, stagger charging sessions, or accept flexible operating conditions that reduce their contribution to network constraints. However, they are frequently assessed and charged on the basis of their maximum theoretical capacity rather than their expected contribution to peak demand. This can result in both upfront connection charges and ongoing lines charges that materially overstate the costs imposed on the network, undermining otherwise efficient electrification investments

Ongoing monitoring of distribution pricing

Finally, Meridian encourages the Authority to be active in ensuring distribution pricing reforms are delivering the outcomes intended. The Authority could for example monitor practical measures via disclosures: such as performance indicators for the purposes of comparative benchmarking (e.g. quoting times, deployment costs and timeframes), network capacity information, and the availability and uptake of flexible connection arrangements. There may be scope to consider these sorts of aims as part of a renewed scorecard. Meridian's experience is that the fast-track measures have not yet delivered material efficiency gains. Despite an increasingly “flexible-friendly” regulatory framework and numerous requests, Meridian has never been offered a flexible connection for a charge point. The Authority should therefore maintain a strong focus on outcomes and be prepared to intervene where reforms are not producing the intended benefits in practice.

Responses to consultation questions

Meridian supports the comments in the ERGANZ submission. We have limited our own comments to Meridian-specific observations that supplement ERGANZ comment.

Questions	Comments
Q1. Do you agree with the background and context summary above? Why, why not?	No specific comment.
Q2. Is there additional background, evidence or context relevant to the issues covered in this paper?	Whilst we are very supportive of the fast track measures, Meridian’s experience is that the gains are yet to be seen in the industry. We have for example never been offered a flexible connection for a charge point.

Questions	Comments
Q3. How should the Authority prioritise across possible options identified in this paper?	Like ERGANZ, Meridian suggests that options be prioritised in the order the Authority presents factors in paragraph 2.26: by the DPP5 linkage, then by dependency, then by the option's impact (assuming its benefits outweigh its costs). We also acknowledge that the administrative burden on EDBs should be considered as part of the costs of an option. Less administratively burdensome options which are easier to implement will be more effective than options which EDBs struggle to comply with or engage with. The cumulative burden of new reforms should not be ignored either. It is in the whole industry's interests for EDBs to successfully engage with pricing reform.
Q4. Which options should have the highest or lowest priority, and why?	No specific comment – we expressly support the order outlined by ERGANZ.
Q5. Do you consider costing methodologies should be a priority for further reform, and do you have any evidence or analysis to support your view?	No specific comment.
Q6. What are your views on the merits of the identified costing methodology options?	No specific comment – we expressly support the comments made by ERGANZ.
Q7. Are there any other costing methodology options you think the Authority should consider?	We support the three further options made by ERGANZ.
Q8. Do you consider allocation methodologies should be a priority for further reform, and do you have any evidence or analysis to support your view?	We agree with ERGANZ that allocation methodology is the highest priority topic in the paper. It is central to the question of distribution pricing.
Q9. How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?	We support the comments made by ERGANZ.
Q10. Are there any other allocation methodology options you think the Authority should consider?	We support the comments made by ERGANZ.

Questions	Comments
Q11. Are you aware of any issues relating to network development funding? Please provide examples, evidence or analysis where possible.	No specific comment.
Q12. What options, if any, should the Authority consider for promoting efficient pricing for network development?	No specific comment.
Q13. Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.	No specific comment.
Q14. What options, if any, should the Authority consider for promoting efficient pricing for network modifications?	No specific comment.
Q15. Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.	We support the comments made by ERGANZ regarding the risk of customers being penalised for freeing up flexibility and capacity. Customers should not be charged for an EDBs lost lines charges because their downgrade has freed up capacity the EDB can now offer to another flexible connection.
Q16. What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?	No specific comment.
Q17. Are you aware of any issues relating to continuance pricing? Please provide examples, evidence or analysis where possible.	No specific comment.
Q18. Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.	We do not think this should be a priority. We support the comments made be ERGANZ.

Questions	Comments
Q19. What options, if any, should the Authority consider for promoting efficient continuance pricing?	No specific comment.
Q20. Are you aware of any issues relating to secondary network access? Please provide examples, evidence or analysis where possible.	No specific comment.
Q21. Should secondary network access be a priority for further reform? Please provide reasons for your view.	No specific comment.
Q22. What options or approach, if any, should the Authority consider for addressing secondary network access issues?	No specific comment.
Q23. Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.	No specific comment.
Q24. Should financial security requirements be a priority for further reform? Please provide reasons for your view.	No specific comment.
Q25. What options or approach, if any, should the Authority consider for financial security requirements?	We support the comments made by ERGANZ.
Q26. Do you have views on any other measures the Authority should put in place to address connection pricing methodology issues (including Appendix D issues relating to contestability, in-kind contributions, large connections, and real estate developments)?	We support the comments made by ERGANZ.

Questions	Comments
Q27. What measures, if any, should the Authority consider to ensure connection pricing methodology requirements are effective in practice?	We support the comments made by ERGANZ.
Q28. How should the Authority monitor, review or update connection pricing methodology requirements to ensure they remain fit for purpose over time?	We support the comments made by ERGANZ.

Concluding comments

Nothing in this submission is commercially sensitive.

Nāku noa, nā

[redacted]

James France
Principal Regulatory Advisor