UDINZ Submission to Electricity Authority Te Mana Hiko on Further Reform of Distribution Connection Pricing

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UDINZ Submission Electricity Authority Te Mana Hiko on Further Reform of Distribution Connection Pricing issues paper

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About the Submitter

The Urban Development Institute of New Zealand (UDINZ) was formed in 2019 and was officially launched in 2020. It has a national board and currently has three chapters respectively in the Auckland, Wellington and Canterbury regions.

It has in excess of 205 (predominantly organisational) members from across the development ecosystem.

UDINZ was formed with the intention of bridging the gap between the public and private sectors and the various disciplines working in urban development so as to remove barriers to quality urban development. We do this by bringing insights and industry together for the benefit of people and communities.

The intention is to share knowledge, international best practice and new technologies and increase transparency across the system to reduce uncertainty for all that are part of development processes.

The objective is resilient, sustainable and healthy communities for all in Aotearoa.

Around 86% of New Zealanders live in urban areas, but there is little consensus about what makes a "sense of place" in those communities. There are many contributing factors. UDINZ focuses on issues that its members broadly agree are relevant and compelling and in relation to which UDINZ can effect change. It aims to lead the development of an "NZ Inc" approach.

UDINZ:

- Defines and advocates for a new urban development paradigm for Aotearoa New Zealand working at a system level;
- Provides an environment for the sector to work together including with central and local government agencies to build relationships and understanding that reduce uncertainty and increase consistency between policy jurisdictions, as well as aligning policy and implementation;
- Runs events that bring the sector together to showcase best practice and discuss issues;
- Facilitates collaboration around best practice-connecting and coordinating people working in urban development;
- Builds knowledge through provision of data, evidence-based research and domestic and international learning as well as case studies demonstrating different approaches and best practice; and
- Provides and supports talent development and training in areas particular to the advancement of good urban development.

Matters being consulted on

This submission responds to the Electricity Authority Te Mana Hiko consultation on further reform of Distribution Connection Pricing issues paper.

The Electricity Authority is reviewing connection pricing arrangements to assess whether current settings support efficient, transparent and predictable connections to electricity networks.

The review is focused on how connection costs are allocated and recovered, whether pricing signals promote efficient investment, and whether current arrangements create unnecessary barriers for new developments and network users.

The Authority notes that connection pricing can have a significant influence on the cost, timing and viability of development projects. Efficient pricing can reduce barriers to connection and support efficient network investment, while clear pricing arrangements help customers understand what they are paying for.

As part of the review, the Authority is seeking feedback on whether customers have:

- Experienced connection charges that appeared to represent poor value for money or were higher than expected.
- Been able to understand connection quotes, including what charges related to and how they were calculated.
- Had construction costs or risks allocated to them in ways they considered unreasonable, or experienced situations where connection works could have been better optimised to reduce costs.

The consultation also seeks views on several specific aspects of connection pricing and network investment.

Network Development
The Authority is considering where the boundary should lie between costs that are directly attributable to a new connection and costs that represent broader network development. This includes questions about how the costs of extending networks into new areas, increasing network capacity or security, and investing in systems that support future connections or more efficient network utilisation should be recovered.

Network Modifications
The review also considers charges for network modifications that are not new connections or connection upgrades. Examples include relocating poles or transformers, undergrounding service lines, and moving network assets to accommodate roading projects or other forms of development. The Authority is seeking views on how the costs of these modifications should be allocated and recovered.

Contestability
The Authority is examining whether current connection pricing arrangements support effective competition in the supply of connection works and equipment. This includes considering the extent to which customers can choose alternative providers for connection design, equipment supply, and construction services, and whether existing arrangements limit competitive outcomes

Real Estate Development Projects
A particular area of focus is the treatment of development projects where connections are constructed by developers for subsequent sale to end users. This includes consideration of pioneer schemes, the treatment of uptake risk and uncertainty, and the interaction between electricity connections and broader development works.

The Authority recognises that developers often coordinate electricity, water, telecommunications and transport infrastructure and may seek efficiencies through activities such as shared trenching and integrated infrastructure delivery.

Secondary Networks
The consultation considers the role of secondary network operators, which are currently exempt from many Electricity Industry Participation Code requirements, including connection pricing rules. The Authority is seeking views on whether these arrangements remain appropriate, particularly where secondary networks are used within large developments, new communities or subdivisions in place of distributor-owned reticulation networks.

Financial Security Requirements
The Authority is also reviewing the use of financial security arrangements, such as bonds, bank guarantees and escrow arrangements. The consultation seeks feedback on whether these mechanisms appropriately manage risk or whether they create unnecessary costs and barriers for customers seeking network connections.

Cost Recovery and Pricing Methodologies
More broadly, the Authority is examining the methodologies distributors use to recover connection costs and the incentives those methodologies create. This includes whether current arrangements encourage efficient delivery of connection works and whether customers receive sufficient transparency regarding charges.

Issues identified through stakeholder feedback include potential concerns regarding risk allocation, the justification of margins and charges, overall connection costs, optimisation of works programmes, transparency of pricing decisions, and the tendency for connection requirements to be over-specified.

Examples raised include high costs associated with civil works and traffic management requirements, missed opportunities to install infrastructure while trenches are already open, and connection designs that give insufficient consideration to cost-quality trade-offs and value-for-money outcomes.

Overall, the consultation is seeking to determine whether current connection pricing arrangements appropriately balance efficiency, transparency, competition, risk allocation and investment incentives, and whether changes are needed to better support network customers and new development.

Overarching - "in principle" comments

Executive Summary
Perspectives do differ but this submission seek to aggregate and anonymise the sentiment of UDINZ members participating in discussion on the matters being consulted on.

1. Delays in Utility Connections and Information Provision
Several participants reported significant delays in receiving:

- Design quotes
- Connection quotes
- Approvals for one-off works
- Responses from network providers

These delays were described as affecting project programmes and causing uncertainty for developers.

2. Unexpected and Escalating Connection Costs
Participants noted that:

- Final connection costs were often substantially higher than initial expectations.
- Additional costs emerged later in the process.
- Traffic management and other unforeseen requirements increased project budgets.
- Cost increases were frequently passed directly to customers.

3. Lack of Cost Transparency
Developers expressed concern that:

- It is difficult to understand how connection charges are calculated.
- Pricing varies considerably between regions and providers.
- There is limited opportunity to challenge costs once quotes are issued.
- More transparency is needed around the components of connection charges.

4. Perceived "Double Charging" Through Development Contributions

A recurring concern was that developers may be paying twice:

- Once for infrastructure directly serving their development.
- Again through broader development or capacity-related contributions.

Participants questioned whether charges appropriately distinguish between assets required solely for a development and assets that will benefit future users as well.

5. Limited Competition in Network Delivery
Participants argued that:

- Utility providers often rely on a small number of preferred contractors.
- Competitive pricing is difficult to achieve.
- Existing arrangements can create barriers for alternative providers.
- Greater contestability could reduce costs and improve outcomes.

6. Rapid Growth in Connection Costs
One participant noted that connection costs had increased dramatically over time, citing examples where costs per lot had risen significantly compared with previous years. Concerns were raised that pricing had become excessive and required stronger competitive pressure.

7. Procurement and Supply Chain Efficiency
Suggestions were made that savings might be achievable through:

- Alternative procurement approaches.
- Earlier purchasing commitments.
- Greater access to international supply markets for equipment and materials.

Participants questioned whether current procurement practices are delivering the best value.

8. Fair Allocation of Network Upgrade Costs
Discussion touched on whether:

- Large electricity users should bear an appropriate share of network investment costs.
- The costs of future network capacity are being allocated fairly across all beneficiaries.

9. Future-Proofing of Electricity Infrastructure
Participants questioned:

- Whether current subdivision infrastructure designs are aligned with future electricity demand.
- Whether networks may be over-specifying some requirements.
- How changing technologies and energy-use patterns should influence future network planning.

10. Flexible Connections and Demand Management
There was interest in:

- Flexible connection options.
- Smarter management of electricity demand.
- Reducing peak loads through technology and demand-response approaches.

The view was that these approaches could lower both ongoing network costs and development-related charges.

11. Strategic Planning of Transmission Infrastructure
Participants also raised broader concerns about:

- Long-term planning of major transmission assets.
- The impact of transmission corridors on development land.
- Whether future upgrades and relocations should be funded more broadly rather than falling solely on individual developments.

Overall themes

The discussion consistently centred on four broad themes:

1. Connection delays and process inefficiencies
2. High and increasing connection costs
3. Insufficient transparency and competition
4. The need for better long-term planning and fairer cost allocation across the electricity network

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