

Network connections project & Distribution connection pricing

Submission on the Electricity Authority's
Consultation Papers

20 December 2024

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1. INTRODUCTION

1.1. PRELIMINARY

1. We welcome the opportunity to submit our views in response to the Electricity Authority's (the Authority's) consultation papers – "Network connections project: stage one amendments" and "Distribution connection pricing proposed Code amendment".
2. Section 1.2 of this document provides a summary of the key aspects of our feedback, with responses to the submission questions provided in Appendix A and Appendix B.
3. No part of our submission is confidential.

1.2. GENERAL COMMENTS

Affordability impacts need to be more carefully considered by the Authority

4. Aurora Energy recognises the important role that the distribution sector has in supporting New Zealand's emissions objectives through the enabling of electrification. We are also mindful of our role in serving our communities and are acutely aware of the current affordability challenges facing many households and businesses. We believe further cost benefit analysis needs to be done by the Authority before proceeding to ensure the proposed changes are necessary, and do not benefit a relatively small group of new connecting customers at the expense of adding costs to existing consumers.
5. We believe that connecting new customers and load to our existing network can reduce affordability pressures through increased economies of scale, provided that new connections cover the incremental costs of connection. It is through this lens that we consider new connections and the related capital contributions.
6. We welcome changes that will improve the efficiency of connecting new customers to our network, but we note our connection processes and pricing approach have evolved over time to reflect the unique market conditions in our region and best meet the needs of our consumers. We are wary that if poorly targeted, the proposed changes to standardise processes could either add costs to connecting parties or divert resources away from working directly on customer solutions. We acknowledge the benefits analysis provided by CEPA, but we believe the analysis has significantly understated the additional ongoing transaction costs involved in implementing the proposed changes.
7. There are some inescapable truths of the Authority's proposed changes that need to be openly acknowledged:
 - Changes to connection processes, such as requirements to publish roadmaps, monitor timelines, and administer pioneer schemes will add cost to distributors' operations. In an environment where resources are already optimised this will require additional FTE and/or

system upgrades. These costs will need to either, be passed directly onto new connecting customers or socialised amongst existing customers. For context, we estimate that the cost of these changes could add an additional \$100 - \$200 for each new ICP connected to our network.

- Any increase in the level of distributor capital contributions will lead to increase in lines charges for existing customers, at least in the short-term. It is important to recognise that it is in the short-term where the affordability challenges of the electrification transition are expected to be most acute, due to the already large step change in infrastructure investments being socialised among existing customers.
- The connecting party is often not the same party that will be paying the ongoing lines charges. For example, in the case of a residential subdivision, the developer will be the recipient of a distributor capital contribution, but the ongoing lines charges will be the responsibility of the household that purchases the section from the developer. We question whether, in practice, higher capital contributions are passed through to the end consumer in the form of reduced section prices.

8. The additional costs of the proposed changes need to be justified by quantifiable benefits. The impact to consumers is too significant to rely on a qualitative assessment based on economic theory. We question whether there are real world examples of network bypass caused by uneconomic connection pricing practices. This has not been demonstrated in the consultation material and, given the impact of the proposed changes, in our view, is important for the Authority to identify and consider when undertaking robust cost-benefit analysis.

Proposed changes to connection pricing do not address the root cause

9. We agree with the Authority's assessment that the level of capital contributions made by distributors has been declining in recent years. We believe this is because distributors are incentivised to manage total capital expenditure (capex) within regulatory allowances set by the Commerce Commission (the Commission). If distributors overspend their regulatory allowances, they face penalties through the Incremental Rolling Incentive Scheme (IRIS) and potentially funding constraints if revenue allowances are insufficient to service additional debt. The trend towards electrification, increasing consumer connections, and the recent high-inflation environment have combined to put upward pressure on distributors' capital spend. Reducing the level of capital contributions is one of the few levers available to distributors to minimise the impact of the IRIS mechanism.
10. We feel the root cause of the declining level of capital contributions could be better addressed by:
- More appropriate capex allowances and efficient reopener processes implemented in DPP4.
 - The Authority working collaboratively with the Commission to remove barriers to distributor funding of capital contributions. This could be achieved by excluding consumer connections from the IRIS mechanism.

Distributors face competition for new connections

11. It is important that the Authority recognises that distributors do not exist in a pure monopoly environment when it comes to connecting new customers to their networks. Distributors can face competition either directly from other distribution networks, embedded network operators, and/or alternative off-grid solutions. The Authority needs to take care to protect these competitive tensions by:

- Exempting commercially sensitive information from disclosure requirements. In some instances, the publication of pricing calculations, connection pipelines, and capacity maps could be detrimental to competition.
- Treating all distributors and embedded network operators equally. All parties should be required to meet the same level of regulatory disclosures to ensure that no one enjoys a competitive advantage.

Appendix A. CONSULTATION QUESTIONS – NETWORK CONNECTIONS PROJECT

PROPOSAL A QUESTIONS: AMEND THE APPLICATION PROCESSES FOR LARGER-CAPACITY DG APPLICATIONS

A) What are your thoughts on the proposal to replace nameplate capacity with maximum export power?

In practice, we believe this change will have a minimal impact on the way distributors assess DG applications.

B) Do you support the proposed Process 2 for medium DG (>10kW and <300kW), including the proposed requirements and timeframes? What are your thoughts on the proposed size threshold? What other changes would you make to the medium DG application process, if any?

The introduction of a new category for ‘medium’ sized DG applications is sensible. Regarding timelines, we believe distributors should have grounds for exemption from timeline requirements if multiple applications are received in a short period.

The strict application of timeline requirements may require distributors to resource at the level required to meet the peak level of applications. This is unlikely to be efficient in a labour market where specialist engineers are in high demand.

C) Do you support the proposed Process 3 for large DG applications (≥300kW), including the proposed requirements and timeframes? What are your thoughts on the proposed size thresholds? What other changes would you make to the large DG application process, if any?

We support the Authority’s approach of defining separate processes based on the size of the application. This approach is less ambiguous than alternative definitions based on the complexity of the connection.

As per our response to B) above, we believe that exemptions to the timelines should apply if there is a sudden increase in the number of applications received.

D) Do you think the Authority should apply any of the proposed changes for large DG to medium DG applications also?

We support the Authority’s proposal to prioritise applications in terms of the long-term benefits to consumers.

E) What are your thoughts on industry developing the detailed policies to complement the Code changes proposed in this paper?

We support the Authority's proposal to allow the industry to determine appropriate policies to support the Code changes.

F) What are your thoughts on the Authority's summary of capacity rights allocation?

We have no comments at this time.

PROPOSAL B QUESTIONS: ADD APPLICATION PROCESSES FOR LARGER-CAPACITY LOAD

G) For Process 3 for medium load (>69kVA and <300kVA) applications:

Do you support the proposed process and why?

What are your thoughts on the proposed requirements, size thresholds and timeframes?

What changes would you make to the medium-load application process, if any?

In principle, we support the promotion of more consistency across the industry. However, we have concerns that the proposed application processes will add cost and delays to existing processes and have a detrimental impact on new connection customers.

We are also concerned that the introduction of more formalised requirements will encourage distributors to be more standardised in their delivery of new connections, to the detriment of consumers. New Zealand's distribution sector is undergoing a period of rapid change and new connections are becoming increasingly complex. New customers are considering flexible load arrangements, differing levels of supply security, and the adoption of new technologies such as solar and batteries. We are working more closely with our customers to find solutions that meet their needs and promote efficient use of the electricity network.

It should be noted that distributors are already inherently motivated to connect new customers and load as efficiently as possible. New connections provide distributors with additional lines charges in the short-term and in the longer-term funding new connections provides increased revenues through growth of the regulated asset base (RAB). The introduction of load application processes may provide more clarity for customers who are connecting in multiple regions across New Zealand, but they are unlikely to improve the responsiveness and efficiency of connections at a regional level. We consider that the number of customers connecting across multiple regions is small, relative to the number of customers that only connect within the region, therefore the proposed response is disproportionate.

H) For Process 5 for large load ($\geq 300\text{kVA}$) applications:

Do you support the proposed process and why?

What are your thoughts on the proposed requirements, size thresholds and timeframes?

What changes would you make to the large load application process, if any?

As per our comments in G) above, we are concerned that the introduction of new processes could slow down the connection process and provide worse outcomes for connecting parties.

If the Authority is intent on implementing a process for large load applications, we suggest an appropriate threshold would be 750 kVA.

I) Do you think the Authority should apply any of the proposed changes for large load to medium-load applications also? If so, which ones and why?

Using different processes for medium and large connections is appropriate, albeit the threshold for large connections should be higher as per our response in H).

J) What are your thoughts on the Authority's summary of capacity rights allocation?

We have no comments at this time.

K) What else does the Authority need to consider beyond the proposals in this paper and why?

The Authority needs to clearly articulate the problem that is trying to be solved with these proposed changes and provide evidence that there is a widespread problem with current connection practices. We note that there is a Utilities Disputes Limited (UDL) service available for consumers who are unhappy with the service they receive. To our knowledge, there has not been a significant number of issues raised through this process.

PROPOSAL C QUESTIONS: REQUIRE DISTRIBUTORS TO PUBLISH A 'NETWORK CONNECTIONS PIPELINE' FOR LARGE-CAPACITY DG AND LOAD, AND PROVIDE INFORMATION ON THIS PIPELINE TO THE AUTHORITY

L) Do you support the proposed network connections pipeline, why, why not? What changes would you make, if any? What are your thoughts on the scope of the information to be published?

We do not support the publication of a network connections pipeline for the following reasons:

1. It is unclear how the publication of a pipeline will help access seekers. We anticipate that most parties looking to connect to a network will be most interested in the length of time to connect. We encourage access seekers to contact us to discuss their connection, rather than risk drawing inaccurate conclusions from a pipeline.

2. It will be challenging to keep a pipeline accurate and current on a website. Our concern is that the effort required to maintain a pipeline will divert resources from providing more meaningful direct customer engagement.
3. We have concerns about maintaining access seekers confidentiality if we are required to publish a pipeline. While customer names could be withheld, it is often possible to infer the connecting customer by the location and size of the connection.
4. The requirement to publish a connection pipeline is not appropriate for distributors operating in a competitive market. The connection pipeline is akin to the publication of a sales pipeline and may contain information that is commercially sensitive to the distributor.

M) What are your thoughts on the proposal for distributors to provide information directly to the Authority on an ongoing basis?

This is an unnecessary requirement. If information is required to be published then it is already available to all parties, including the Authority.

PROPOSAL D QUESTIONS: REQUIRE DISTRIBUTORS TO PROVIDE MORE INFORMATION ON NETWORK CAPACITY

N) What do you think of the proposal to publish more information on network capacity? What challenges do you see with providing the data? What changes would you make, if any?

Similar to our response to question L), we are concerned that this requirement will divert resources away from supporting access seekers directly. Capacity data requires specialist knowledge to interpret, and it is not clear to us that the publication of capacity data will aid most access seekers. We consider that direct consumer engagement will result in better outcomes for customers and distributors.

The consultation paper cites the example of Charge Point Operators seeking available capacity to avoid having to pay for expensive network upgrades. This issue does not exist for networks where the distributor does not seek customer contributions towards upstream network reinforcement. Accordingly, distributors who fund upstream investments should be exempted from this requirement.

O) What are your thoughts on the scope and granularity of the information to be published?

We are concerned that distributors could be required to publish a wide range of technical data, that will not be understood by most connecting parties. We believe it is more efficient to provide data upon request, so that it can be presented with context and an understanding of the intended use of the data.

PROPOSAL E QUESTIONS: UPDATE THE REGULATED TERMS FOR DG

P) What are your thoughts on the proposed changes to the regulated terms?

We have no comments on this topic.

PROPOSAL F QUESTIONS: ADD REGULATED AND PRESCRIBED TERMS FOR LOAD APPLICATIONS AND AMEND DISPUTE RESOLUTION REQUIREMENTS

Q) What are your thoughts on the proposed regulated and prescribed terms for load? What changes would you make, if any?

It is unclear to us what problem this proposal is trying to solve. As the consultation paper notes, connections are currently overseen by UDL, which to our knowledge is working well. We expect that the Authority will be able to provide actual examples of where the current approach is not working.

R) What are your views on the proposed dispute resolution changes for Part 6? In what ways could dispute resolution be further improved? What are your thoughts on the alternative options to deliver dispute resolution discussed in this paper? Do you have any feedback on the 20-business day timeframe proposed?

It is not clear to us why a new dispute resolution process is required. The existing UDL process works well. This proposal could add confusion to the role and responsibilities of the UDL and will likely lead to a duplication of costs.

S) Do you consider the alternative contractual terms option discussed in this paper (and in the Distribution connection pricing consultation paper) would be better than the proposal without contractual terms? What are your thoughts on the other alternative options referred to?

We have no comments at this time.

PROPOSAL G QUESTIONS: INCREASE RECORD-KEEPING REQUIREMENTS FOR DISTRIBUTORS

T) Do you support the proposal to increase the record-keeping requirements for distributors and why? What changes would you make, if any?

We have no comments at this time.

PROPOSAL H QUESTIONS: INTRODUCE NEW PART 1 DEFINITIONS AND AMEND EXISTING DEFINITIONS (PART 1 ONLY)

U) What are your thoughts on the proposed new definitions and amended definitions for Part 1 of the Code? What changes would you make, if any?

We have no comments at this time.

V) What other terms do you think the Authority should define and what definitions do you propose for those terms?

We have no comments at this time.

PROPOSAL I QUESTION: MAKE MINOR AND INCIDENTAL AMENDMENTS TO PART 6

W) What are your thoughts on the proposed minor and incidental changes to Part 6? What minor and incidental changes has the Authority missed and what changes would you make, if any?

We have no comments at this time.

TRANSITIONAL ARRANGEMENT QUESTIONS

X) What are your thoughts on the transitional arrangements for the proposals in this paper? Submitters can consider individual proposals when responding to this question.

We have no comments at this time.

Y) What proposals do you consider the most important? How long do you think is needed to implement these?

Our preference is for the DG Code changes to be prioritised.

CODE DRAFTING QUESTION

Z) Do you have comment on the Authority's drafting of the proposed Code changes? What changes would you make, if any?

We have no comments at this time.

Appendix B. CONSULTATION

QUESTIONS – DISTRIBUTION CONNECTION PRICING

Q1. Do you agree with the assessment of the current situation and context for connection pricing? What if any other significant factors should the Authority be considering?

We agree that more consistency across the industry could make it easier for connecting parties, however we are concerned that increased regulations and compliance will add to supplier costs and may slow-down the connection process. To ensure this does not happen we urge the Authority to be clearer about the problems they are aiming to solve and ensure that these problems exist in practice, rather than in theory. The Authority needs to perform a robust quantitative cost benefit analysis to ensure that the proposed changes will not add to the affordability challenges of consumers.

We agree that the rate of capital contributions across the industry is increasing, but this does not necessarily mean that connection pricing is inefficient. We believe that the most likely reason for increasing capital contributions is a result of the Commission's price-quality regime and is best addressed through changes to the price-quality regime, such as a removal of consumer connections from the IRIS mechanism.

Q2. Do you agree with the problem statement for connection pricing?

The Authority's problem definition outlines five perceived aspects of pricing inefficiencies. We comment on each of the five aspects below:

- (a) We fundamentally disagree that a trend towards higher connection charges is evidence of economic inefficiency. The Authority's subsidy free test in the Pricing Principles already provides a sound basis for assessing economic efficiency by requiring costs to be greater than the incremental costs of connection, and less than or equal to the network bypass cost. Adherence to the subsidy free test should be all that is required to ensure that both existing customers and new connecting customers benefit from being part of the network.

We disagree that the trend towards higher connection charges is evidence of weakening distributor efficiency incentives. In fact, we consider the current application of the IRIS mechanism to consumer connection capex is a case of distributor incentives working against what the Authority considers efficient connection pricing. We believe the Authority would be better served by working with the Commission to achieve get regulatory alignment.

- (b) We agree in principle that inconsistent connection practices across the industry could theoretically lead to increased costs for parties connecting across multiple regions. However, we question how often this occurs in practice. We believe the Authority needs to conduct robust quantitative cost benefit analysis to ensure that the costs of distributor compliance do not exceed the benefits to connecting parties before embarking on changes to the regulatory framework.

- (c) We agree that pricing structures and practices could be improved across the industry. We encourage the Authority to publish guidance about their preferred connection practices and allow the industry time to adapt. This approach has worked well for encouraging cost-reflective pricing and is likely to lead to better outcomes than reverting to regulation as a first step.
- (d) We share the Authority's concern with the practice of inefficiently low connection charges that result in cross-subsidisation from existing customers. This practice is especially concerning in areas where there is competition for new connections between distributors or distributors and embedded network operators.
- (e) We agree with the Authority's definition of wealth transfers that can occur when capital contribution policies change. Maintaining consistency of contributions (within the subsidy free-range) is an essential consideration for a fair and efficient capital contribution policy.

Q3. Do you have any comments on the Authority's proposed pathway to full reform?

Consistent with our previous comments, we are concerned that the proposed pathway to full reform could introduce significant additional costs to distributors which will ultimately flow through to consumers. Before proceeding any further we ask the Authority to reflect upon the material problems impacting the industry and undertake quantitative cost benefit analysis to support the proposals.

A more informed cost benefit analysis may highlight the areas of reform that should be prioritised as well as eliminating costly areas of reform that will have little consumer benefit.

Q4. Do you consider the proposed connection enhancement cost requirements would improve connection pricing efficiency and deliver a net benefit?

We would like the Authority to confirm our understanding that the proposed connection enhancement cost requirements are only applicable to distributors that require customer contributions towards upstream system growth costs. Our expectation is distributors that fully fund system growth investments will be exempt from this requirement.

Q5. Are there variations to the proposed connection enhancement cost requirements you consider would materially improve the proposed Code amendment?

We have no comments at this time.

Q6. Do you consider the proposed network capacity costing requirements would improve connection pricing efficiency and deliver a net benefit?

We ask that the Authority explicitly exempts distributors that fully fund upstream system growth from this proposed requirement to ensure costs are not imposed on networks that will not benefit.

Q7. Are there variations to the proposed network capacity costing requirements you consider would materially improve the proposed Code amendment?

The Authority's proposal appears to suggest the use of historic investment costs as the basis for calculating capacity costing rates. This is a departure from the cost reflective pricing approach that distributors are being encouraged to use for setting

distribution tariffs. For example, distributors are increasingly using long-run marginal costs based on future upgrade costs to set peak Time-of-Use tariffs. It would be beneficial for the Authority to clearly explain their rationale for the two different approaches.

Q8. Do you consider the pioneer scheme pricing methodology would improve connection pricing efficiency and deliver a net benefit?

No, we do not support the introduction of a pioneer scheme because the administrative costs of managing pioneer schemes outweigh the benefits.

Aurora Energy chose to remove our pioneer scheme from our Capital Contributions Policy in 2021, because it was inefficient to administer. It is worth noting that in the two-years prior to the removal of the scheme we processed one, low-value reappportionment, and since the removal of the clause we have had no feedback from customers that have been deterred from connecting to the network because of a 'First-mover disadvantage'.

In practice, pioneer schemes are complex to administer because:

- It is often difficult to identify when a reappportionment charge may be applicable. Identification requires detailed record keeping and administrative effort to cross-reference GIS locations against historic connection dates.
- In the unlikely event that a reappportionment of costs is required, it can be difficult to contact the correct recipient of the reappportionment. This is especially true if the original connecting party has on sold the property.
- The calculation of the reappportionment itself is complex and requires a detailed understanding of the individual connection characteristics.

We have considered whether these additional administrative costs could be recovered directly from the connecting party that benefits from the reappportionment. However, this approach does not reflect that significant administration costs are incurred in assessing connections that do not ultimately result in a reappportionment payment. In Aurora Energy's case, it is quite possible that this process does not result in any customers receiving a reappportionment benefit, so the costs would need to be recovered from all new connections.

We are concerned that the Authority has overstated the benefits of this scheme. We believe that it is rare for a First Mover Disadvantage to be a barrier to new connections, especially for distributors that fully fund upstream system growth costs.

Q9. Are there variations to the proposed pioneer scheme pricing methodology you consider would materially improve the proposed Code amendment?

As outlined in our response to Q8, we believe the instances of First Mover Disadvantage are rare in practice. If the Authority is insistent on introducing a pioneer scheme, we believe the scheme should be triggered by consumer application and considered on a case-by-case basis.

Q10. Do you consider the cost reconciliation methodology would improve connection pricing efficiency and deliver a net benefit?

We broadly agree with the Authority's cost reconciliation methodology. However, we disagree with the Authority's view in 7.63(d) that connection charges between the 'balance point' and the 'bypass point' can be inefficient. We consider that connection charges in this range are economically efficient, albeit they potentially lead to inequities between existing customers and new connecting parties.

The requirement to disclose the reconciliation if requested by a connection applicant is problematic, especially in instances where distributors are competing for new connections. The proposal may require distributors to disclose commercially sensitive information and would be akin to a grocery retailer being required to disclose their costs and margins to shoppers.

While it is easy to think of distributors operating in a monopoly environment, this is often not true in practice. Distributors can face competition from other distributors, third-party embedded network operators, and off-grid alternatives.

Q11. Are there variations to the proposed cost reconciliation methodology you consider would materially improve the proposed Code amendment?

We think distributors should be able to adjust the incremental revenue component of the calculation for all passthrough and recoverable costs, not just transmission charges. This will provide a fairer reflection of distributors costs.

Q12. Do you consider the reliance limits would improve connection pricing efficiency and deliver a net benefit?

We fundamentally disagree with the Authority's reliance limits proposal. As outlined in our response to Q2, the level of capital contributions is not a measure of economic efficiency. The proposed reliance limits need to be entirely removed from the fast-track reforms because they have no economic basis, and the Authority has not demonstrated the changes will provide a collective benefit to consumers.

To ensure the best outcome for customers, we think it is more important for distributors to price within the subsidy free range and maintain the ability to make changes to their capital contributions policy to respond to changing market dynamics, consumer preferences and technology innovations.

Q13. Are there any variations to the proposed reliance limits you consider would materially improve the proposed Code amendment?

As outlined in our response to Q12, the reliance limits should be removed from the fast-track reform process.

Q14. Do you consider the exemption application process (together with guidelines) can be used to achieve the right balance between improving connection pricing efficiency and managing transitional impacts on non-exempt distributors?

We are pleased that the Authority has recognised the impact of price-quality path regulation on distributors' ability to fund new connections. This demonstrates that the two arms of regulation are in conflict. The Commission's price-quality path settings, specifically the IRIS mechanism, is creating a disincentive for distributors to fund consumer connections. This appears to be one of the prime issues that the Authority is trying to remedy through this consultation.

It seems the Authority should be taking the obvious first step of working together with the Commission to align policy settings before imposing administrative complexity and costs on distributors that will ultimately be passed through to consumers.

We encourage the Authority to work with the Commission to remove consumer connection capex from the IRIS mechanism permanently, or at the very least provide an exemption during the DPP4 transition period.

Q15. Do you consider the dispute resolution arrangements proposed (for both participants and non-participants) will provide the right incentives on distributors and connection applicants to resolve disputes about the application of pricing methodologies to connection charges and improve connection pricing efficiency and deliver a net benefit?

We are unclear about the benefits of replicating a process that already exists with the UDL. Is there a problem with the current mechanism that needs to be remedied?

Q16. Are there variations to the proposed dispute resolution arrangements you consider would materially improve the proposed Code amendment?

We do not have any issues with the proposed dispute resolution arrangements, but as outlined in Q15 we believe this is essentially a duplication of an existing process.

Q17. Do you consider the alternative contractual terms option would be better than the approach in the proposed drafting attached to this paper? Please give reasons.

We have no comments at this time.

Q18. Do you think a sinking lid approach to reliance limits would be preferable to the proposed static limits approach described in sections 7.80 – 7.105?

As outlined in Q12, we fundamentally disagree with the proposal to set reliance limits because they do not promote economic efficiency. If the intent of the reliance limits is to ensure inter-generational equity, then it is paramount that these reliance limits are individually set for each distributor at a rate that reflects historic contribution levels. This maintains a consistent balance between upfront connection costs and ongoing lines charges.

Moving to a standardised reliance limit across the country is illogical because ongoing lines charges are set at a regional distributor level. A standardised reliance limit will therefore exacerbate inter-generational equity issues rather than solve them.

Q19. Do you think any element of the fast-track package should be omitted, or should begin later than the rest of the package?

We believe the fast-track package should be deferred, so the Authority can refine their problem statement and conduct robust quantitative cost benefit analysis.

Q20. Are there other parameters you think the Authority should consider for the proposed connection pricing methodologies? If so, which ones and why?

Some distributors are already using similar economic models to calculate capital contributions, with differing revenue lives and methods for allocating opex that reflect the individual characteristics of their networks.

To ensure consistency and equity we think distributors should have flexibility to deviate from the proposed parameters, provided the deviations are transparently published and explained in their Capital Contribution Policies.

Q21. Do you agree pricing methodologies should apply to LCC contracts? If not, please explain your rationale.

No. LCC contracts are subject to negotiation between the connecting party and the distributor and will likely include a bespoke non-standard lines charge. We anticipate that these agreements will involve a direct trade-off between upfront connection costs and ongoing lines charges. For example, a connecting party with access to low-cost financing may well prefer to fully fund the cost of connection in lieu of reduced ongoing lines charges.

Q22. Do you agree the proposed requirements, other than reliance limits, can be applied satisfactorily to connections with vested assets? If not, please explain your rationale.

We have no comments at this time.

Q23. Do you have any comments on the impact of reliance limits on incentives to increase prevalence of asset vesting?

We have no comments at this time.

Q24. Do you agree the proposed methodologies are compatible with contestable connection works? If not, please explain your rationale.

We agree that the proposed methodologies are compatible with contestable connection works.

We consider that distributors that allow contestable works already promote efficient connection pricing, and the benefits of the proposed methodologies will be less for those distributors. We encourage the Authority to reflect these differences in their benefits analysis.

Q25. Do you agree that fast-track methodologies should not apply to embedded networks? If not, please explain your rationale.

We believe the fast-track methodologies need to be applied consistently to all networks to avoid the risk of distorting competition. In essence, embedded networks compete with distributors as an alternative to a direct network connection.

Q26. Do you have any comments on the Authority's anticipated solution for longer-term reform?

The Authority needs to conduct quantitative cost benefit analysis before proceeding with longer-term reform.

Q27. Are there other alternative means of achieving the objective you think the Authority should consider?

We consider there are better ways for the Authority to achieve its objectives without imposing additional costs on both connecting parties and existing consumers. The Authority has successfully used a guidance and reporting approach to distribution pricing reform and should replicate this for connection pricing.

Specifically, we believe the Authority should:

1. Work collaboratively with the Commission to remove the disincentives that are impacting the level of capital contributions made by distributors.
2. Issue guidance that confirms the Authority's views on best-practice connection practices.
3. Provide feedback and report on distributors practices via the pricing scorecard.