

Fonterra Cross-submission on the Electricity Authority Connection Pricing and Network Connections project

January 2025

Fonterra welcomes the opportunity to comment on the Electricity Authority consultations on the Connections Pricing and Network connections project. We trust that this submission will provide constructive feedback into the review process.

Fonterra supports the proposed code amendments that aim to make new or changed distribution connections simpler and affordable at lowest cost possible to support the decarbonisation of New Zealand.

Fonterra is unique in New Zealand as we are a major electricity user at 1.2GWh per year from our 27 sites in 18 of the electricity distribution business (EDBs) areas, with the remainder of the 8 EDBs hosting our Farm Source retail stores and fresh milk hubs.

We have seen significant differences in EDB processes for new or changed connections and the contractual arrangements to achieve these. These differences add significant cost and effort, for example to ensure that Fonterra is not being unfairly disadvantaged in the contractual terms.

Comments on the points raised by submitters to the Connection pricing consultation:

- As a Major Electricity Users Group (MEUG) member we support the points that they raise in their cross-submissions.
- Fonterra supports the EA's work in this area and does not think it is being rushed as we are making significant connection upgrades every year now as part of our decarbonisation journey.
- Fonterra supports the submitters who indicated alignment to causer pays and no cross subsidising which is consistent with the Transpower TPM methodology.
- As Fonterra typically funds our connection requirements at above 47%, if the EDB WACC is greater than Fonterra's WACC, we do not see any benefit in artificially limiting the amount of capital contribution as this will also eliminate cross subsidising.
- We support a clear cost of upgrade attributed to a causer to assist in utilisation of alternative solutions i.e. battery storage or demand response, as a method to reduce capital requirements;
- We agree on the need for clear regulatory rules that stop assets that were paid for by capital contribution from entering RAB.
- We agree that the Pioneer capacity scheme length needs agreement of parties.
- We disagree with the view that EDBs aren't monopolies when it comes to new connections, as they typically hold the preferred road corridor access and GXP. This puts them at a significant advantage versus the cost of greenfield bypass options.
- We believe the EA should develop a standard way to calculate the capital contribution residual line charges and WACC alignment for exempt EDBs, as they are typically using higher WACCs than non-exempt EDBs and differing R&M percentages. They also have a capital recovery line charge and a capital replacement (depreciation) line charge but no clear expectation that these two cost will go to zero once assets are paid for and fully depreciated.

- We disagree with the EDBs' view that they do not have an obligation to supply. They do have an obligation to provide a valid cost to supply from which the requester can use to make a financial decision.

Comments on the Network Connections Project

- We support submitters who indicated that there needs to be a process to ensure projects are not stalled that prevent others from moving up the priority list.
- Fonterra disagrees with the position of many EDBs that publishing network capacity information and/or connection pipeline will not aid those seeking access. Fonterra has had to spend our own funds to gain insight into individual EDB capacities to allow prioritisation of site changes based on expected size of capital spend required.
- Fonterra does not support EDBs' position on the requirement for a framework. We are engaging with many EDBs and we are seeing significant variance in connection capacity increase processes, time responsiveness and expected costs like WACC, repairs and maintenance charges and depreciation/capital recover rates separate from upfront capital contributions.
- We support New Power's suggestion for accelerated decision timelines to stop EDBs' slow walking connection requests.
- Fonterra does not support ENA and therefore EDBs' view that they have no obligation to connect load and that they should not be forced to connect load.
- We support the geospatial based disclosure of capacity information as Fonterra has had to engage consultants to conduct this work on our behalf for nearly all our manufacturing sites. The capacity information should also be time based and not based on anytime minimum i.e. static, as the milk processing season is typically countercyclical to the normal winter peak demand pressure on capacity. To this end we support the meridian suggestion that this information be accessible electronically.

We welcome further engagement on our submission.