

## **Minutes of the Distribution Connection Pricing Technical Group Meeting 3**

**Held on 8 August 2024, 9AM - 4PM  
Electricity Authority office**

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**Members present:** Catherine Marks (Chair), Tim Hewitt (observer), Simon Shen, Jon Stone, Richard Sharp, Tarryn Butcher, Steven Cooper, Howard Wood, Sam Steele, Stephen Peterson, Alex Nisbet, Dani Bayly

**Apologies:** Nathan Astwood

**Attendees:** Katherine Hume-Pike (Electricity Authority), Ross Parry (Concept Consulting), Briana Yee (Electricity Authority)

The Chair opened the meeting at 9:05am.

### **1. Attendance and apologies**

- 1.1. The Chair welcomed members to the third meeting of the Distribution Connection Pricing Technical Group (DCPTG). A quorum was established.
- 1.2. The Chair noted apologies from Nathan Astwood.
- 1.3. The Chair presented the meeting agenda and the objectives for the session.

### **2. Guest speaker**

- 2.1. The Chair introduced Lynne Taylor, Executive Director at PwC New Zealand. The presentation and points of discussion included:
  - (a) Background and information on the Commerce Commission's Part 4 regulatory regime as it relates to electricity distribution businesses
  - (b) How the regulatory asset base (RAB) is set and its role in regulated revenue caps
  - (c) Financial incentives within the regime including the incremental rolling incentive scheme

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- (d) Flexibility mechanisms within the regime that provide for uncertainty such as reopeners, customised price-quality paths, and the large connection contract mechanism
- (e) Overview of information disclosures.

**Action 3.1:** The Authority will circulate PwC's presentation slides to the Group.

*Lynne Taylor left the meeting at 10:12am.*

### 3. Reflections

- 3.1. DCPTG members and attendees reflected on the last meeting. Common themes included:
  - (a) Members were keen to see clear rationale and principles underpinning the case for regulating connection pricing methodologies.
  - (b) Appreciation for the diversity of experience and perspectives in the Group.
  - (c) Acknowledgement of the complexity of the issues and practical application within proposed timeframes, particularly considering differences in economic incentives across distributors.
  - (d) Opportunities for quick wins through standardisation of terminology and documents and streamlining connection processes.
  - (e) Maintaining the fundamental distinction between deep and shallow connection charges as options are developed.

### 4. Timelines for reform

- 4.1. Ross provided an update on proposed timelines for reform. Members discussed potential trade-offs between different timelines and what transition could look like.
- 4.2. Members and attendees discussed the rationale for connection pricing reform. This included realising wider benefits that can come from increased transparency and standardisation and futureproofing the regulatory regime.

### 5. Examining the nature of the problem

- 5.1. Ross and Katherine led a discussion re-examining the nature of the problem, focusing on the aspects of connection charges that are of regulatory interest rather than just high upfront charges. The initial problem definition was introduced in the first meeting.

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- 5.2. Common themes discussed included aspects of connection charges (changes, level and structure), impact of diversity of approaches, prudential risk, and contestability. There was also interest in retailers' views of the problem.

## 6. Feedback from subgroups

- 6.1. DCPTG subgroups led a discussion on proposed reform options, assessing practical implementation and design.

*The meeting broke for lunch at 12:40pm and reconvened at 1:10pm.*

- 6.2. The discussion on proposed reform options continued. The discussion covered sensitive and confidential material.

**Action 3.2:** The Authority will circulate the link to the UK's Ofgem worked examples.

**Action 3.3:** The Authority will draft brief explanatory notes on the proposed reform options for members.

**Action 3.4:** Subgroups will continue to discuss proposed options and develop worked examples.

## 7. Transition issues

- 7.1. Ross led a brief discussion on timing of reform in relation to distributors' regulatory and business cycles.

- 7.2. Members provided feedback on sequencing internal business change and transition options.

## 8. Next meeting

- 8.1. The Authority confirmed that the next meeting will be held in September, with the time, date and venue to be confirmed.

**Action 3.5:** The Authority will confirm the time, date and venue for the next meeting in September and notify members.

- 8.2. The meeting closed at 3:39pm.

## 9. Summary of action points

	Action	Who	When
3.1	The Authority will circulate PwC's presentation slides to the Group.	Authority	13/8/24

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3.2	The Authority will circulate the link to the UK's Ofgem worked examples.	Authority	13/8/24
3.3	The Authority will draft explanatory notes on the proposed reform components for members.	Authority	30/8/24
3.4	Subgroups will continue to discuss proposed options and develop worked examples.	DCPTG	10/9/24
3.5	The Authority will confirm the time, date and venue for the next meeting in September and notify members.	Authority	23/8/24

Confirming that the Group has approved that the meeting minutes are a true and correct record.

Dated this 13<sup>th</sup> day of September 2024.

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Catherine Marks

**Chair**