

20 December 2024

Electricity Authority
PO Box 10041
Wellington
By email: connection.feedback@ea.govt.nz

Distribution Connection Pricing Consultation

1. Thank you for the opportunity to make a submission on the Consultation Paper "*Distribution connection pricing proposed Code amendment*". This submission is not confidential and can be publicly disclosed.
2. Orion supports the ENA's submission.
3. Management and charging for connections is a core transactional function for distributors. Orion currently connects around 4,000 new connections each year. For additional detail on connection applications processed by Orion see Orion's submission to the Authority's connection process consultation.
4. The degree of contestability of connection services across distributors may vary. It is important context for the Authority's understanding of connection management and charging efficiency within New Zealand. It is unclear the extent to which the Authority has sought to evidence understanding of contestability from distributors, and to what extent the Authority's proposals may incentivise or disincentivise contestability.
5. Orion has four independent connection agents. Customers can use any of these for final connection, and for any connection work, along with our other larger service providers, generally related to the more standard (high volume) connections. If augmentation is required Orion will generally coordinate with the customer's connection agent.
6. Orion has five existing larger service providers including Connetics (Orion owned). Four of these have contractual bounds of service for connection work (extension and augmentation), and commercial viability of service providers is important in reference to the volume of work in our region.

7. For non-standard connections (more complex) and where cost share occurs between Orion and the customer (capital contributions) we tender and take the lowest conforming tender and this determines best value for the customer, and who does the work.
8. Any work on the customer side of the boundary can be done by any contractor of the customer's choosing.
9. Where a design and commission is required (large complex job) the customer can go direct to service provider(s) for a price e.g. independent of Orion.
10. Orion's connection management on average means 95% of our connection applications do reach approval and connection.
11. Orion submits that the definition of connection charge at point (c) includes any connection fees or pioneer scheme contributions, whereas connection charge under 6B.13(1) specifically excludes connection fees or pioneer scheme contributions. We submit that point (c) in the definition of connection charge be removed as it does not seem appropriate to include administrative connection processing fees, special technical studies or pioneer scheme matters in the consideration of the physical connection charge definition or calculation. The Authority appears to agree with this given their direction under 6B.13(1).
12. Orion submits that further clarity is required in respect of the minimum scheme concept and we provide comment in our answers to the Authority's specific question on this.
13. We set out below more detailed comments in response to the Authority's specific questions.
14. If you have any questions or queries on aspects of this submission which you would like to discuss, please contact Dayle Parris, Head of Regulatory and Commercial, on 03 363 9898 or via email dayle.parris@oriongroup.co.nz.

Yours sincerely,

Dayle Parris
Head of Regulatory and Commercial

Appendix A: Format for Submissions

Submitter	Orion
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Questions	Comments
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 in principle that there is a need for better consistency and transparency of distributors approaches to connection charging however the Authority has provided little evidence of a widespread issue with customer outcomes across the breath of connections distributors process each year.
Q2. Do you agree with the problem statement for connection pricing?	Agree in principle, but we note that very little empirical evidence of problems leading to inefficiency is provided.
Q3. Do you have any comments on the Authority's proposed pathway to full reform?	The Authority should first assess if the fast-track reforms are sufficient and effective before proceeding with full reform. Equally, to the extent that elements of the fast-track reforms are stepping stones to the full reform, the Authority needs to explain in more detail how it expects the full reform agenda to promote efficiency and competition before proceeding with those fast-track elements.

<p>Q4. Do you consider the proposed connection enhancement cost requirements would improve connection pricing efficiency and deliver a net benefit?</p>	<p>We agree in principle with the proposed changes as they support the "causer pays" principle and would enhance standardisation in connection pricing. Additionally, they also improve transparency and align incentives for connection enhancements.</p> <p>If distributors charge for customer-selected enhancements: connection charges may increase for applicants proceeding with enhancements, but this will be consistent with the "causer pays" principle.</p> <p>If enhancement costs are bundled into distributor funded charges: connection charges for applicants may decrease, and the costs would be recovered over time. However, this could also result in fewer distributor-selected enhancements being built, as the cost recovery model may limit the number of enhancements a distributor is able to undertake, with available revenue and funding potentially diverted to this activity through prioritisation decision making e.g. toward funding connection and away from other Commerce Commission categories</p> <p>We agree that connection applicants will have better visibility of the least-cost connection options: including flexible connection alternatives. Transparency in pricing and the availability of flexible options will allow applicants to make more informed decisions, potentially leading to more cost-effective solutions and encouraging the uptake of flexible connection choices.</p> <p>We note that there are costs associated with demonstrating the "minimum scheme".</p> <p>Minimum Flexi Scheme</p> <p>Regarding the determination of the relevant minimum scheme (RMS) cost, the current guidance permits a reduction in the RMS if the applicant chooses a "flexible connection" (as defined). However, there is no clear guidance on how to calculate the "discount" associated with such a flexible connection. We would welcome further clarification on how the cost of a minimum flexible scheme should be determined, including any methodology for calculating the discount or adjustment to the posted connection charges under the RMS. For example, could a discount be applied to the overall RMS cost, or alternatively a specific discount to each cost component as appropriate, as illustrated below:</p>
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Relevant Minimum Scheme Costs:		\$
Cost 1		100
Cost 2		200
Cost 3		300
Total RMS cost		600
<i>less</i> Reduction for Flexible Connection (overall 'discount' basis):		
% reduction	10%	-60
Total Connection Charge		540
OR:		
Relevant Minimum Scheme Costs:		\$
Cost 1		100
Cost 2		200
Cost 3		300
Total RMS cost		600
<i>less</i> Reduction for Flexible Connection (specific 'discount' basis):		
Reduced standard - cost 1		-10
Reduced standard - cost 2		0
Reduced standard - cost 3		-50
Total Connection Charge		540

There is limited guidance on how to determine the cost of a minimum flexi scheme. In our view, the discount would ideally be based upon the cost savings associated with the ability to manage a customer's import or export of electricity (e.g., through real time control), in the part of the network they are connecting.

Any discounts will ultimately need to be tailored to the circumstances of the network in the area the applicant wants to connect. In this context, it would be helpful to have more clarification around the Authority's view of how the minimum flexible scheme would apply¹.

Q5. Are there variations to No comment.

¹ The examples provided at para 7.7 of the consultation paper relate to instances where the distributor does not need to factor in demand from the connection when making network capacity upgrades due to a contractual agreement in place (and so the distributor may save on costs associated with upgrading the network capacity). Para 7.14 of the consultation paper suggests the Authority believes this flexibility will be useful for process heat conversions and EV charging infrastructure.

<p>the proposed connection enhancement cost requirements you consider would materially improve the proposed Code amendment?</p>	
<p>Q6. Do you consider the proposed network capacity costing requirements would improve connection pricing efficiency and deliver a net benefit?</p>	<p>Agree in principle but further clarification is required from the Authority on the following points:</p> <p>1. Capacity Costing</p> <p>The current definition of nominal capacity increment ("an amount of added capacity commensurate with the assumptions used to derive a posted capacity rate") is somewhat unclear. We would appreciate a more precise definition, with some examples of nominal capacity increments and posted capacity rates.</p> <p>Our understanding is that the nominal capacity increment refers to the additional capacity required as a result of a typical connection upgrade, which should align with the posted capacity rates for the five network tiers. These increments would be determined at the same time as the establishment of the posted capacity rates. Essentially, we view this as a "typical" capacity upgrade available within the relevant network tier. Could you confirm if our interpretation is correct?</p> <p>2. Publication of Nominal Capacity Increments and Posted Capacity Rates</p> <p>We seek further clarification on whether there is an obligation to publish nominal capacity increments alongside the posted capacity rates, as referenced in Code Sections 6B.6(1)(a) and 6B.6(1)(b). Specifically, Section 6B.6(1)(b) mentions the publication of nominal capacity increments under 6B.6(1)(b), but Section 6B.6(1)(a) does not explicitly state a requirement to determine these increments. Additionally, Section 6B.6(1)(b) prohibits the revision of nominal capacity increments for the current year, while Section 6B.6(1)(a) does not impose an obligation to determine these increments. We have noted this inconsistency and would appreciate further clarification.</p> <p>There is also some ambiguity regarding the network tiers, network costing zones, and posted capacity rates in the proposed Code amendments. Based on our review of the proposed amendments and the consultation paper, our interpretation is as follows (with particular reference to paragraph 7.23 of the consultation paper and 6B.6 of the Code):</p>

- The proposed Code amendments require a list of published posted capacity rates for each network tier.
- If a distributor believes that it faces different costs in different parts of its network, it could present separate lists of published posted capacity rates for each costing zone.
- Costing zones could be defined by criteria such as (urban/suburban/rural), (overhead/underground), or any other delineation that the distributor considers most relevant for its network

We are unclear whether the network tiers and costing zones are mutually exclusive or stand-alone.

Mutually Exclusive

Posted Capacity Rates	\$
Tier 1	10
Tier 2	20
Tier 3	30
Tier 4	40
Tier 5	50
Costing Zone 1	10
Costing Zone 2	20

Costing Zone by Tier

Combined Posted Capacity Rates	\$
Tier 1/ Costing Zone 1	20
Tier 2/ Costing Zone 1	30
Tier 3/ Costing Zone 1	40
Tier 4/ Costing Zone 1	50
Tier 5/ Costing Zone 1	60
Tier 1/ Costing Zone 2	30
Tier 2/ Costing Zone 2	40
Tier 3/ Costing Zone 2	50
Tier 4/ Costing Zone 2	60
Tier 5/ Costing Zone 2	70

If we have 5 network tiers and 2 network costing zones for example, do we require 7 posted capacity rates i.e. 5+2 (Mutually Exclusive), or 10 posted capacity rates i.e. 5x2 (Costing Zone by Tier).

Do we need to determine nominal capacity increments for all network tiers?

- Paragraph 7.30(b) of the consultation paper, in combination with clause 6B.6(2), appears to suggest that network capacity increments are only relevant for the upper network tiers

	<p>(i.e. distribution substations and low voltage main network tiers are specifically excluded), at least in respect of the 80 per cent threshold test.</p> <p>What is the reasoning for not being allowed to revise the posted capacity rates and nominal capacity increments for the first 2 years, and having to publish 5 years of rates, when we update our asset management plan and pricing on a yearly cycle?</p> <p>In the consultation document it mentions (at paragraph 7.30(d), page 42) that posted rates may be updated to correct errors; however, this does not seem to be addressed in the draft Code. We would suggest clarity on what would constitute an error that you could correct and that the Code clause 6B.6(1)(b) is updated to reflect the intention.</p> <p>In the definition of posted connection charge and posted extension rate both are being referred to as published by the distributor whereas the definition of posted capacity rate doesn't refer to being published. The intention seems to be that posted capacity rates should be published as well in 6B.6(2). We would request consistency in the definitions.</p>
<p>Q7. Are there variations to the proposed network capacity costing requirements you consider would materially improve the proposed Code amendment?</p>	<p>We would appreciate further clarity in the definitions of posted capacity rates and nominal capacity increments in the Code, along with some examples of how these would appear. See our response to Q6 for further detail.</p>
<p>Q8. Do you consider the pioneer scheme pricing methodology would improve connection pricing efficiency</p>	<p>We support the intent of the Authority with regards to a pioneer scheme as it is a cost sharing arrangement for the benefit of the customer(s) who have funded the development and construction of asset(s) connected to the network.</p> <p>We do have concerns regarding potential inefficiencies associated with distributors having to develop a large number of bespoke pioneer schemes, particularly if the limits and timing are not clearly defined.</p> <ul style="list-style-type: none"> • To ensure distributors can effectively manage the potential volume of pioneer scheme(s), we propose that distributors include a general pioneer scheme in their connection methodologies. • Can a connection applicant and distributor agree to opt out of a pioneer scheme?

and deliver a net benefit?

- We propose a 7-year timeframe instead of 10, aligning with other jurisdictions, and accepted record keeping timeframes for financial records. Additionally, we recommend that the Authority clarify that if the property is sold within the seven-year period, the scheme will transfer to the new owner.
- A de minimis threshold should strike a balance between administrative efficiency, fairness, and the typical costs of network extensions. It should also reflect market conditions, as network extension costs can vary significantly between regions, being more expensive in some areas and less so in others. As such, setting a fixed monetary value may not be the most appropriate approach. We submit consideration of allowing each distributor to set their own de minimis threshold for a pioneer scheme and publish this in their connection methodology. This may better reflect regional differences.

We request further clarity and guidance on the following scenarios, particularly regarding the entitlement of developers to access a Pioneer Scheme for extension assets they have funded:

- **Independent Service Provider Extensions:** When an independent service provider carries out an extension and the distributor is unaware of the associated costs, how should the distributor calculate the value of the assets?
- **Extensions Built to Higher Standards or Capacities:** If the distributor requires an extension to be built to a higher standard or capacity than required by the customer (excluding a developer), the original customer should only pay for the extension at the standard necessary for their connection service. Is it the case that only the extension required for the original customer's standard of service should be subject to the Pioneer Scheme e.g. not the portion for the higher standard?
- **Customer Requests for Higher Standards or Capacities:** If an original customer requests a connection to be constructed to a higher standard or capacity than the least-cost technically acceptable standard, is it the case that only the cost to construct the connection to the least-cost standard should be subject to the Pioneer Scheme?
- **Extensions for Developers:** If a distribution network service provider necessitates an extension to be constructed to higher standards or greater capacity than required by a typical real estate developer, and subsequently imposes a capital contribution for network augmentation due to anticipated load growth, should such an extension still fall under the Pioneer Scheme?

We also support the proposal to have a vested **Pioneer Scheme** to ensure infrastructure is built and maintained fairly and sustainably, balancing developers' and users' needs, however some consideration and guidance is required:

- **Eligibility:** the scheme would normally apply to developers who contribute towards infrastructure development in respect of a network extension only but may also apply to other entities funding network extensions.
- **Extent of Reimbursement:** Developers may receive a portion of their investment back when subsequent pioneers connect to **an extension** funded by the developer whereby other users benefit from that infrastructure. The exact terms of reimbursement (such as the percentage or timeframe) would depend on the specific regulations or guidelines which should be in place

	<ul style="list-style-type: none"> • Implementation and Administration: Effective administration to ensure that the scheme operates transparently and fairly. • Timelines: There should be clear rules regarding how costs are shared, how reimbursements are calculated, and the duration of the scheme. <p>Guidance and examples of how vesting amounts should be calculated would be helpful.</p>
<p>Q9. Are there variations to the proposed pioneer scheme pricing methodology you consider would materially improve the proposed Code amendment?</p>	<p>Refer to answers to Q8.</p>
<p>Q10. Do you consider the cost reconciliation methodology would improve connection pricing efficiency and deliver a net benefit?</p>	<p>In principle, we believe that implementing a reconciliation methodology would enhance transparency, accountability, and fairness in pricing by accurately aligning costs with expenditures, however the costs and benefits of estimating actual costs for each individual connection needs to be considered e.g. posted connection charges as a way of reducing costs but still maintaining a level of transparency. A reconciliation methodology may help to reduce instances of overcharging or undercharging and may help to develop a more equitable process for all parties involved. Additionally, the information provided through the reconciliation would likely support better decision-making in some cases by policymakers, distributors and customers.</p> <p>However, we request that the Authority provide clearer guidance on when the reconciliation account should be applied. Specifically, should it be applied to every connection, including those under the minimum scheme or posted connection rates, or only to connections involving extension, enhancement and/or capacity costs?</p> <p>The proposed Code amendments, including the formulae restated below, raise several questions/clarifications regarding the reconciliation methodology that we would like further guidance on:</p> $\text{Connection Charge} = (\text{Incremental Cost} - \text{Incremental Revenue}) + \text{Network Contribution}$ $\text{Incremental Cost} = \text{EC} + \text{CSE} + \text{NCC} + \text{ITC}$

(EC is the extension cost of the relevant minimum scheme, CSE is the customer selected enhancement costs, if any, NCC is the network capacity cost, and ITC is the incremental transmission cost)

- Based on our testing of the reconciliation requirement, it seems likely that the network contribution will always equal incremental revenue, given the other proposed code amendments. This is because other proposed code amendments mean that CC will be based on IC (subject to the point below regarding posted connection charges). Can the Authority confirm whether this is how the reconciliation is intended to work?
- Given the other proposed code amendments discussed earlier, NCC is based on posted capacity rates. Posted connection charges may also be used in many cases instead of calculating the minimum scheme for each connection (e.g., as mentioned in paragraph 7.10 of the consultation paper). However, it is unclear how the incremental cost formula should be applied if posted connection charges are used – the current formula seems to assume that the minimum scheme has been calculated. We would appreciate clarification on this point.
- Further, Paragraph 7.74(c) of the consultation paper states that distributors must include the "estimated cost of network extension" in the incremental cost. It would be helpful to understand from the Authority how this relates to the incremental cost formula above, how it relates to the minimum scheme, and how it operates if posted connection charges are used.
- It is unclear in 6B.13(3) whether, in the determination of incremental revenue, discounting to present value should be applied to before-tax or after-tax future revenues. More clarity would be useful here as the difference between pre-tax and post-tax incremental revenues is significant, and there may be a lot of complexity in determining the incremental tax effect of the connection.
- It is unclear to us what the intention of 6B.13(4) is, which allows for further adjustment of the amounts of the CC, IC and IR in subclause (1) and (2) to recognise differences in the timing of cashflows. Cashflow timing and discounting appears to have been dealt with under 6B.13(3)(c) by using a standard present value calculation approach, at least in terms of incremental revenue determination. Further guidance would be useful here.
- The consultation paper, at paragraph 7.69(c) (page 48), indicates that the Authority will be introducing a requirement on distributors to report on quoted connection charges by consumer group. We seek clarification as to whether consumer groups will be prescribed or whether they will be determined by the Distributor. This will assist in assessing whether there are any changes required to existing customer categories used within our systems or whether existing customer types or tariff classes consistent with pricing methodologies will be sufficient.

Furthermore, our understanding is that the proposed reconciliation test is not intended to impose a constraint on the connection charge (at least not within the scope of the fast-track reforms), but rather to identify the network contribution.

We note that the network contribution is simply defined as the difference between the net incremental cost (IC – IR) and the connection charge, as reflected in the formula under 6B.13(1). Based upon this we are unclear whether the best presentation of the reconciliation is to show the build-up of connection charges (CC) or as an alternative the build-up of Network cost contribution (NC). **Refer to the connection charge reconciliation presentation examples provided in the table following this section.** Further guidance would be useful here.

We note that the definition of connection charge at point (c) includes any connection fees or pioneer scheme contributions, whereas connection charge under 6B.13(1) specifically excludes connection fees or pioneer scheme contributions. We submit that point (c) in the definition of connection charge be removed as it does not seem appropriate to include administrative connection processing fees, special technical studies or pioneer scheme matters in the consideration of the physical connection charge definition or calculation. The Authority appears to agree with this given their direction under 6B.13(1).

Lastly, we believe that the definition of "revenue" for calculating incremental revenue needs to be clearly outlined to avoid any ambiguity in the process. For example, incremental revenue is determined under 6B.13(3)(a) as "revenue from electricity lines services" which has the same meaning as section 54C of the Commerce Act 1986. Further clarity would be useful to confirm or otherwise that transmission charges and pass-through costs are to be excluded, so that only revenues from distribution charges are included in the calculation of incremental revenue.

Connection Charge Reconciliation Presentation Examples

Reconciliation Presentation Example 1

Incremental Cost Estimate (IC):

Extension cost of the relevant minimum scheme (EC)	100	<i>From costing</i>
Customer-selected enhancement costs (CSE)	100	<i>From costing</i>
Network capacity costs (NCC)	100	<i>From costing</i>
Incremental transmission cost (ITC)	0	
Total Incremental Cost Estimate (IC)		300

Incremental Revenue Estimate (IR):

Present value of future revenues	300	
Incremental operational expenditure adjustment	-30	
Total Incremental Revenue Estimate (IR)		270 <i>Same as NC</i>

Net Incremental Cost Estimate (IC-IR) 30

Network Cost Contribution (NC) (i.e. (CC - (IC-IR))) 270 *Same as IR*

Connection Charges (CC) 300 *From costing*

Reconciliation Presentation Example 2		
Incremental Cost Estimate (IC):		
Extension cost of the relevant minimum scheme (EC)	100	<i>From costing</i>
Customer-selected enhancement costs (CSE)	100	<i>From costing</i>
Network capacity costs (NCC)	100	<i>From costing</i>
Incremental transmission cost (ITC)	<u>0</u>	
Total Incremental Cost Estimate (IC)		300
Incremental Revenue Estimate (IR):		
Present value of future revenues	300	
Incremental operational expenditure adjustment	<u>-30</u>	
Total Incremental Revenue Estimate (IR)		270 <i>Same as NC</i>
Net Incremental Cost Estimate (IC-IR)		30
Connection Charges (CC)		300 <i>From costing</i>
Network Cost Contribution (NC) (i.e. (CC - (IC-IR)))		270 <i>Same as IR</i>

<p>Q11. Are there variations to the proposed cost reconciliation methodology you consider would materially improve the proposed Code amendment?</p>	<p>No comment.</p>
<p>Q12. Do you consider the reliance limits would improve connection pricing efficiency and deliver a net benefit?</p>	<p>While we support the objective of enhancing connection pricing efficiency, we are of the opinion that the current proposal may not be the most effective method to achieve the intended goals.</p> <p>We recommend revisiting the proposal and suggest that the Authority needs to more clearly explain how the reliance limits address inefficiency concerns and consider the long-term interests of both existing and new consumers.</p>

	<p>We also suggest the wording in 6B.7(2) is redrafted to specifically state 'whichever is higher' - the 31 March 2024 capital contribution reliance or 47% (as appears to be the intention according to pg.5 of the consultation paper).</p> <p>Orion would support a call in approach where distributors are required to engage with the Authority and obtain approval before making any material changes to their policies and/or methodologies. This approach would better align with the intent of fast-track changes instead of the suggested reliance limit.</p>
<p>Q13. Are there any variations to the proposed reliance limits you consider would materially improve the proposed Code amendment?</p>	<p>No comment.</p>
<p>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?</p>	<p>We believe that the exemption application process, along with accompanying guidelines, would assist in achieving a balance between improving connection pricing efficiency and managing transitional impacts on non-exempt distributors.</p> <p>We also recommend that the Authority provide clear assurance that it will support distributors' applications and, where necessary, engage with the Commerce Commission to review the matter under section 54.</p> <p>This will help ensure a fair and consistent approach, particularly during the transition phase.</p>
<p>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</p>	<p>We agree in principle that the disputes clauses should be reviewed and aligned. However, we were unable to locate a definition for "dispute" within the Code.</p> <p>After reviewing the proposed changes in both the part 6 and part 6B consultation papers, we have observed that the drafting does not appear to be consistent. We recommend that the dispute clause be thoroughly reviewed to ensure clarity and alignment across the documents.</p>

<p>of pricing methodologies to connection charges and improve connection pricing efficiency and deliver a net benefit?</p>	
<p>Q16. Are there variations to the proposed dispute resolution arrangements you consider would materially improve the proposed Code amendment?</p>	<p>No comment.</p>
<p>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.</p>	<p>Please refer to Orion’s submission on network connections.</p>
<p>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?</p>	<p>We set out in our answer to question 12, above, that while we support the objective of enhancing connection pricing efficiency, we are of the opinion that the reliance limits proposal may not be the most effective method to achieve the intended goals.</p> <p>Accordingly, we do not consider that either the static limits or sinking lid approach would promote efficiency.</p> <p>Therefore, the question of which approach is preferable, in our view, is a question of which approach is least disruptive to consumers and promotes equity between new and existing consumers.</p>

In our view, the sinking lid approach would be preferable, given that it reduces disruptions, particularly to existing consumers, associated with sharp changes in pricing.

We provide a summary of considerations in respect of sinking lid versus static limits below.

Sinking Lid	Static Limits
Flexibility vs. Stability	
Allows for gradually reducing reliance limits over time, offering more flexibility.	Ensures consistency, with limits fixed unless altered by policymakers.
Incentives for Long-term Planning	
Encourage distributors to seek alternative funding or cost-saving strategies over time.	May discourage seeking additional revenue sources or cost efficiencies if the set limit is sufficient temporarily.
Public and developer Reactions	
Are uncertain for future investments; however, reducing costs over time may support new long-term developments.	This approach provides certainty and enables developers to plan their costs without worrying about potential changes to future contribution limits.
Economic Impact and Fairness	
Could better ensure sustainable infrastructure financing in the long term.	May lead to increased reliance on development contributions for extended periods, which could be considered inequitable if infrastructure costs increase substantially over time.

Q19. Do you think any element of the fast-track package should be omitted, or should

We submit in support of removing the provisions for Dispute Resolution and Minimum Flexi-Scheme from the fast-track proposal and delay until full reform.

<p>begin later than the rest of the package?</p>	
<p>Q20. Are there other parameters you think the Authority should consider for the proposed connection pricing methodologies? If so, which ones and why?</p>	<p>No comment.</p>
<p>Q21. Do you agree pricing methodologies should apply to LCC contracts? If not, please explain your rationale.</p>	<p>Our first observation was that there is no consistency around the threshold of a LCC or the definition</p> <ul style="list-style-type: none"> • LCC is already defined in the Commission’s Input Methodology (IM) with a threshold of 5MVA. • The connection process consultation has a LCC as anything greater than 69kVA • Orion has a LCC price / consumer category with a threshold of 4MW rural and 10 MW urban² (pg25 Orion’s Pricing Methodology) <p>In principle we do not agree that connection pricing methodologies should apply to LCC (Large Capacity Contracts) contracts for the following reasons:</p> <ol style="list-style-type: none"> 1. The complexity of LCC connections: These connections involve intricate details and using a standard pricing methodology may not fully capture the intended long-term costs and value associated with these contracts. 2. Insufficient cost recovery of life cycle costs: A standard pricing approach may not fully capture the complete life cycle costs and associated risks, which are integral to LCC contracts. 3. Long-term value consideration: LCC contracts prioritise long-term value rather than initial connection costs. A conventional pricing model that emphasises upfront costs may not align with the strategic objectives, which focus on achieving long-term operational and financial advantages. 4. The necessity for flexibility: Long-term commercial contracts require adaptability to respond to changing circumstances over time. Standardized pricing models tend to be rigid and may not address evolving needs adequately. 5. Shared risk over time: The risk-sharing component of LCC contracts extends over the life of the connection.

² www.oriongroup.co.nz/assets/Our-story/Pricing/Orion-pricing-methodology-2024.pdf

<p>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.</p>	<p>Agree in principle provided that distributors have access to the information.</p>
<p>Q23. Do you have any comments on the impact of reliance limits on incentives to increase prevalence of asset vesting?</p>	<p>No comment.</p>
<p>Q24. Do you agree the proposed methodologies are compatible with contestable connection works? If not, please explain your rationale.</p>	<p>While we agree in principle, we would like to highlight that this aspect has not been a primary focus of the consultation. Therefore, we question whether the process aligns with the objective of fostering competition through contestable connection works. If it does not, there is a concern that it could potentially undermine the competitive nature of the sector.</p> <p>Further, while the impacts of the fast-track reforms on competition may be insignificant, we are concerned that the full reforms proposed by the Authority would not promote competition, given that connection pricing at the 'neutral point' (as defined by the Authority in its consultation paper) is unlikely to allow third parties to be competitive.</p>
<p>Q25. Do you agree that fast-track methodologies should not apply to embedded networks? If not, please explain your rationale.</p>	<p>Orion submits that the Authority should consider its Guidelines for Metering, Reconciliation, and Registry Arrangements for Secondary Networks when contemplating if embedded networks are excluded from fast-track methodologies, especially in consideration of pioneer schemes for secondary network extensions.</p>
<p>Q26. Do you have any comments on the Authority's anticipated</p>	<p>Orion would like to see more details regarding the full reform proposals for connection pricing and to understand why the Authority expects them to promote efficiency and competition before commenting further.</p>

<p>solution for longer-term reform?</p>	<p>Orion supports the Authority’s aim of enhancing connection pricing efficiency along with the proposed amendments to Part 6. However, we would appreciate further clarity and guidance on the following points to ensure smooth implementation and alignment.</p> <p>The proposed amendments to Part 6 will update the connection requirements for distributed generation. The Authority should clarify how these changes will specifically impact load connections compared to distributed generation. Differentiating between the two, especially regarding timelines, obligations, and responsibilities, will help distributors implement the changes effectively.</p> <p>The introduction of an obligation for distributors to connect load under certain conditions and requirements is recognized. More specific guidance on these conditions and requirements is requested. For instance, clarification on what constitutes “certain conditions” and how they will be assessed or enforced would be helpful. Additionally, information on whether these obligations will be linked to specific performance or quality standards is sought. A clearer definition in this area will assist in managing expectations and ensuring compliance.</p> <p>The relationship between connection pricing methodologies and the Part 6 proposals is essential for understanding load connection pricing structures. We seek clarification on how the proposed methodologies will align with new Part 6 obligations. Additionally, questions arise about incorporating amendments into Part 6B at the final decision stage, like distributed generation connections. Clarification on whether the final Part 6 and Part 6B reforms will include pricing principles alongside non-price terms, and how this will ensure consistency and transparency for distributors, would be helpful.</p>
<p>Q27. Are there other alternative means of achieving the objective you think the Authority should consider?</p>	<p>No comment.</p>