

24 January 2025

Electricity Authority

via e-mail: [connection.feedback@ea.govt.nz](mailto:connection.feedback@ea.govt.nz)

## **Cross-submission on two consultations: Distribution connection pricing proposed Code amendment, and Network Connections Project – stage one**

---

### **Introduction**

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net zero carbon emissions by 2050.
2. This cross-submission responds to earlier submissions on the Electricity Authority's ('the Authority') two consultations: Distribution connection pricing proposed Code amendment, and Network connections projects – stage one.
3. Our interests in these consultations lie in the ability of the regulatory system to provide the best possible environment for investment that can deliver energy security and affordability.

### **Key messages**

4. We support the Authority's efforts to improve network connection pricing and processes. This includes enhancing access to data, so that market participants like Electricity Distribution Businesses ('EDBs') can more accurately and efficiently weigh up their investment options, innovate more easily and flexibly, and increase capacity for the grid.
5. However, like most other submitters, we think care must be taken to ensure any resulting regulation is proportionate and light-touch so that it does not impede flexibility and agility in the market, nor unduly impact healthy competition.

6. We recently submitted our views on good regulatory principles to the Ministry for Regulation.<sup>1</sup> We repeat the sentiment of those in context of these consultations.
7. The Authority's work on connection pricing and processes relates to a small but important piece of the energy system. All parts of the system need to work together so that energy flows to where it is needed. We would like to see some examples from the Authority of how the proposals will help. We think Electric Vehicle (EV) charging would make a good illustration.

## Submission

### ***Energy sector regulation is hugely important for productivity***

8. Energy is the lifeblood of the economy. It is essential that we can safely, reliably, and affordably meet our energy needs while increasing our productivity and economic wellbeing. Effective and efficient regulation for energy is essential to this being possible.
9. Electricity is the *product* of energy, also referred to as fuel. It comes from a range of sources (or fuels), and they are all needed and valuable in their unique ways. Even a modest decline in energy capacity can have far reaching impacts on electricity supply, as we witnessed last winter with gas and coal both playing a vital role in keeping the lights on (with around 80PJs of unmet demand<sup>2</sup>).
10. New Zealand requires significant growth in generation, especially in renewables but also in gas and related infrastructure. Achieving this investment relies on fit for purpose rules and regulations so that opportunities to invest are revealed throughout the entire supply chain, including connections into distribution networks. There must be clear linkages and flows of information between sellers and buyers.
11. You can read about the impacts of good and poor energy regulation in our recent submission on the [proposed Regulatory Standards Bill](#). You can also read our [note on least-cost transition to a low emissions economy](#).
12. Good regulation of the distribution part of the system should inform and release investment in new generation and connections. The value of this needs to be seen across the full system, from generation, distribution and connections. If done well, regulation of the connections end of the system could benefit customers, New Zealand's economy and help prevent energy shortfalls and high prices that can lead to blackouts and deindustrialisation.

---

1 Our submission is available online here: <https://www.energyresources.org.nz/dmsdocument/download/319>

2 For context 1 PJ is equivalent to around the electricity to power 40,000 homes, and this energy deficit is more than our largest gas producer (indeed New Zealand's largest *energy* producer) produces in an entire year.

13. We support high-quality regulation that provides clear signals for investment that can deliver energy security and affordability while also reducing emissions.

### ***Submitters have a range of views***

14. This cross-submission responds to submissions received by the Authority in December 2024. The submissions canvas a broad spectrum of interests and ideas from energy producers, suppliers, distributors and retailers.
15. The diversity of views illustrates the varying degrees of impacts that the proposals could produce, in different ways, at different parts of the supply chain. It is a prime example of where regulation will need to be light touch – targeted to where it is needed and no more. There is a real risk of unintended consequences if the Authority opts for heavy-handed, bluntly applied regulation.
16. Some of our members are among those supporting the proposals. However, we note that there is also opposition to the proposals. This is mostly aimed at fears of overly-prescriptive, rushed and wide-reaching regulation being imposed.

### ***Our views on the proposals***

17. We support the Authority's objectives for this work as they align with the objectives in the [Statement of Government Policy to the Electricity Authority](#) and with the interests of customers and market participants.
18. We think it is important to address the problems identified, such as high upfront costs deterring new entrants from connecting to distribution lines, and first-mover disadvantages. We agree that there is not a lot of visibility of parties waiting to connect to the distribution lines or their reasons for delaying. While unknown, these parties are likely to offer innovative solutions to increase capacity for the grid and assist with our transition to a low carbon economy.
19. We are supportive of light-touch, least cost regulation to improve the efficiency and speed of application processes, and transparency of pricing, if justified by a cost- benefit analysis.

### ***Comments on improving pricing structures***

20. We support the Authority's proposals to improve and standardise pricing structures. We agree with submitters that there has been a lack of transparency and a need to address the inconsistencies in current pricing structures. We believe the proposals strike a good balance between standardising and retaining sufficient competition between providers.
21. We anticipate an increase in flexible and customised arrangements between distributors and connecting parties, new entrants and further market integration in the future. These proposals will need to enhance market access to these rather than hinder them.

### ***Comments on improving network connection processes***

22. We support the Authority's efforts to standardise and streamline network connection process across EDBs. This work will help to inform and release investment in innovation and could speed up opportunities to reduce carbon emissions.
23. We also support the proposals to enhance data access to improve transparency and visibility of network constraints. If done right, this could lead to more accuracy, competition, and hopefully lower prices.
24. However, we are concerned that regulation could be badly designed and implemented leading to higher costs and competition issues for EDBs. For that reason, we recommend a light-touch, least cost approach to standardising these processes.

### **Concluding comments**

25. We welcome steps to improve distribution and connectivity of electricity and the Authority's proposals appear to have broad support from stakeholders. However, care must be taken to avoid unintended consequences for EDBs and smaller businesses for whom these proposals will be a crucial part of their investment decisions.
26. We thank the Authority for this opportunity to engage and we welcome the opportunity to discuss our feedback further.