wellington electricity™

Submission on Code Amendment Omnibus three

4 June 2024

1 Submission and contact details

Consultation	Submission on Code Amendment Omnibus Three
Submitted to	Electricity Authority
Submission address	policyconsult@ea.govt.nz
Date submitted	4 June 2024
Submitter	Chloe Sparks
Contact	Chloe Sparks, Economic Regulation and Pricing Specialist
Email	chloe.sparks@welectricity.co.nz
Phone	021 243 6339

2 Confidential information

There is no confidential information provided in this submission. This submission can be publicly disclosed.

3 Introduction

Wellington Electricity Lines Limited (**WELL**) welcomes the opportunity to submit on the third Code Amendment Omnibus (**the paper**). WELL supports the use of the Code Amendment Omnibus to make efficient regulatory changes and bundle similar issues together in one consultation. Consolidating multiple regulatory topics encourages industry collaboration and engagement, without requiring substantial resources to participate. Our submission can be read as supplementary to Electricity Network Association's (**ENA**) submission.

4 Consultation Questions

Question	WELL Comment
Q1.1. Do you have any comments on the omnibus format or suggestions to improve the omnibus format?	No, WELL likes the use of the omnibus to make swift regulatory changes that are not overly resource-intensive. This Omnibus is particularly useful because it focuses on one area of concern – distributed generations (DG).

Q2.1. Do you support the Authority's proposal to inflation adjust the fees in Schedule 6.5?	Yes, we support the proposal to adjust fees by inflation. However, WELL still believes that the change does not fully reflect the costs EDBs incur for DG applications and that DG connections are becoming complex to assess. Further comments on fee adjustments are elaborated below.
Q2.2. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010	Yes, we agree this is the best interim solution and it is better than waiting for the full review of alternative options as long as the EA maintains momentum and fast-tracks the review of alternative options. This is elaborated on below.
Q2.3. Do you agree with the analysis presented in this Regulatory Statement? If not, why not?	WELL agrees that the proposed amendment is consistent with the Authority's objective for long term benefit of customers because it will reduce the size of cost shortfall paid for by other customers. Mandated pricing does not encourage DG connectors to minimize their costs and therefore is not the most efficient option.
Q3.1. Do you support the Authority's proposal to expand the DG fields in the registry using a two-level structure as described above?	Yes, we support the additional DG fields provided in the registry for greater visibility, and implementing it in two stages. There are further challenges expanded on below.
Q3.2. Do you agree with the transition plan and a six-month transition period?	WELL disagrees with the timeline for this change. Based on previous work done on these systems, there is not sufficient time to amend internal processes and IT functionality within 6 months of the decision. WELL's billing systems will require time to make bespoke changes. The changes are not general systems changes that other networks can then apply.
Q3.3. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.	Yes, WELL agree that the proposed amendment is preferable to the other options. The other options would require substantial new costs for participants. However, the option to provide information for monitoring under the Electricity Industry Act would mean better accountability on the people (electricians/retailers) conducting the installations and greater accuracy of data and visibility (the primary goal).

Q3.4. Do you agree with the analysis presented in this Regulatory Statement? If not, why not?	WELL agrees the analysis represents the regulatory statement for the long term benefit of customers.

5 Further changes required

5.1 Industry labour index

The proposed 'general' labour cost index (LCI) could be replaced with an industry specific LCI to reflect that electricity industry has experienced different labour cost changes than other parts of the economy. Majority of the work spent on DG applications is completed by engineers and the interim change is simple, but closer in line with the actual costs EDBs incur.

5.2 System changes outweigh inflation adjustment

WELL has done some preliminary cost calculations and based on other system changes of a similar nature, we believe the system change required to capture the additional DG information fields proposed and input this to the Registry could cost between $50k – 100k per EDB. Changes like this need to be factored into the EA's wider review of application fees because the additional inflation adjustment of $30/application is minor in comparison to the growing costs EDBs are incurring to manage DG connections. The increase in application fees will barely fund the additional IT system changes.

5.3 Alternative options

WELL is satisfied with the proposal to make small changes now before conducting a 'thorough review of fees and amend accordingly', on the caveat that the thorough review is not delayed and is still a priority. EDBs have been advocating for changes to fees for the last two years and we want to ensure momentum is not lost by applying this inflation adjusted 'bandaid'.

WELL would like the EA to consider removing mandated DG application pricing in its entirety when they conduct their thorough review. The process is becoming more complex and this needs to be cost reflective. Mandated pricing is economically inefficient because it does not encourage DG connectors to minimize costs. There is currently repetitive back and forth between DG connectors and EDBs, which often wastes time and requires rework. Non-mandated pricing will encourage more efficiency because people connecting DG will be incentivized to reduce the back and forth with EDBs to minimize costs.

In future, mandated pricing will not distinguish the growing complexity between application costs at stage two ('expanding DG generation fields in the registry'). This is when the scope includes other types of DER. This is due to a change in consumer needs and setup of these services. For example, the change in consumer technologies will mean a greater variety of installation combinations that customers may choose between and greater engineering consideration for EDBs. Customers need to be funding the costs that they drive and not relying on a price ceiling to cater to all situations.

5.4 Compliance costs

Another factor for the EA to consider when conducting a thorough review is that costs do not reflect any form of monitoring or checking DG connections are compliant with their application conditions. EDBs are not resourced or funded to provide this level of service and there is a large reliance on installers following the specifications that have been submitted in the applications.

Electricians and DG installers should have a greater responsibility to maintain compliance and energy safety. The EA should contemplate methods that guarantee installation of DG/DER are aligned with the application and information provided to the registry. It might be worthwhile to consider that EDBs operate this service in the review of future costs. In our answer to the consultation questions above, we have highlighted that the new fields provided to the registry are also impacted by this issue. For example, EDBs cannot enforce compliance with the maximum export limit they impose when approving an application. There could be an area of inaccuracy in the data submitted to the registry. We believe there should be more accountability of the retailer to maintain export limits as this is directly related to the default distributor agreement (DDA).

There is a similar challenge concerning DG disconnections. There is not always a notification to EDBs that a DG has been disconnected and this could be falsely reducing the headroom available on parts of the network where new DG connections could be supplied. As DG connections and DER installations grow, this will become a bottleneck if the data is not accurate enough.

6 Conclusion

Distribution generation (DG) costs and DER visibility are important issues being experienced by EDBs and DG connectors that need to be resolved. The proposals in this consultation show minor progress in both areas but do not allow for the changes required to fully recognize costs. WELL is encouraged that there will continue to be progress in this area. Any future work of DER visibility and change required for EDBs will most like incur greater costs and EDBs need an efficient method of charging

these costs, ensuring energy safety, and providing accurate data to the registry. We stress to the EA that momentum is essential to not fall behind again as has resulted in the current state of these issues.