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Commerce Commission PO BOX 2351 Wellington 6140

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Expenditure forecasting by electricity distribution businesses and areas of focus for the 2025 default price-quality path reset

Introduction

This feedback has been prepared by Top Energy Limited (TEL) in response to the Commerce Commission's request for feedback on expenditure forecasting by electricity distribution businesses and areas of focus for the 2025 default price-quality path reset.

Response to specific questions

Confidence in forecast requ	uirements
Question 1	How are EDBs obtaining confidence in establishing the requirements they are forecasting to meet, including but not limited to demand, resilience, and reliability?
	Top Energy has delivered well against its prior AMP expenditure forecasts and places significant effort on compiling these to provide clarity on future investment and funding requirements. Top Energy expects the incremental consumer demand on the network to increase with the growth of the population in the supply area. We expect this to naturally lead to an increase in subdivision
	demand and connection requests. This would cover both green field and brown field developments. We look for signals from the council town planners and guidance on growth patterns together with our own monitoring of network demand at our substations.
	We expect decarbonisation to drive step changes in capacity uptake for all sectors of industry and need to be ready to address those changes in energy consumption from gas to electricity. However, decarbonisation coupled with the population growth could have an accelerative and an extra multiplication factor to the load growth.

Top Energy expects the incremental consumer demand on the network to increase at a faster rate than in the last decade due, not only to increases in the number of EVs and charging stations, but also to increased subdivision demand. However, the location and timing of this additional demand is still uncertain, which makes it difficult to plan for, however we will be setting trigger points to keep abreast of growth so we can pre-empt investment over time.
Governmental changes to planning legislation to encourage more home building, especially infill housing in existing urban areas, and greenhouse targets will drive electricity growth and is difficult to plan for. Again, information and insights from council town planners are an important input.
The key input around our resilience related investment will be data and information on the performance and condition of our assets. The climate plays a big part as severe changes in weather patterns has affected our network. Improved data capture and fault cause analysis currently being undertaken and developed will assist in ensuring that investment is made in appropriate areas to maximise the resilience of the network.

Step changes and scenarios	
Question 2	Are there specific events or metrics that can be forecast and then observed that indicate that a step change in expenditure is required or an alternate scenario is playing out?
Response	The different scenarios in step change expenditure will be driven by government legislation, namely decarbonisation targets together with EV uptake. E.g. a targeted date for non-supply of gas would be a significant driver. Internal trigger points for EV growth set against existing network capacity will also be important. This has been successfully used for rooftop solar growth in our area. A key indicator or dependency to Top Energy's expenditure is the willingness and ability of its consumers to finance the expenditure,
	a fine balance between network capacity and consumer affordability. There are no large industries in the area that will turn into significant new block loads because of the electrification of existing processes, as existing heat requirements are provided by biomass fired boilers. The most significant short-term impact of decarbonisation is the demand for the connection of solar farms, particularly in the north
	of our supply area. This demand has now exceeded the capacity of our 110kV line, (which has sufficient capacity to supply twice the

agreements to the full extent of this transmission capacity. Connection of further solar farms will require a second 110kV line, how this will be funded by the users still needs to be determined.
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Confidence in expenditure plan	
Question 3	How are EDBs obtaining confidence that their proposed expenditure plan is the most effective and efficient solution for the forecast level of demand, resilience requirements, and reliability levels?
Response	From FYE 2011, the focus on network development has been on increasing the capacity and resilience of the sub transmission network. This has now been developed to the point where the sub transmission network has sufficient capacity to meet the needs of consumers well into the medium term, except for a known need to reinforce supply capacity into the Kerikeri area in the next 5-10 years.
	The driver for any uncertainty will be the level of impact decarbonisation will have on our network peak loads. Legislation will be required to manage EV's in particular, to help mitigate step changes in design and investment to manage the peaks.
	Investigations into non network solutions are ongoing including a trial we are conducting of a battery storage unit. EDB's do require greater confidence in non-network solutions and as the technologies will continue to develop and progress to a point where they will become a more viable alternative. LV visibility achieved through an ongoing inspection programme and the recent investment in our ADMS and other intelligent systems will be great tools help with the timing of network investments.
	We believe continuous industry engagement and a standardised approach to these issues helps provide confidence in our expenditure plans. Top Energy engages the services of external consultants that provide guidance and verification in preparing our AMP. Top Energy also engages with other networks on procurement and international supply chain matters to ensure appropriate pricing of equipment that affect our expenditure plans.

Deliverability	
Question 4	How are EDBs getting confidence that their expenditure plans are deliverable, particularly if they involve a significant increase from historic levels?
Response	Top Energy engages with other networks on procurement and international supply chain matters to ensure appropriate pricing and delivery of equipment as supply chains can negatively affect our expenditure plans. Top Energy engages with external contractors to execute works as required, especially in specialist areas. We also plan to increase our inhouse contracting staff levels to align with the forward work programme.
	Regarding network expenditure, one of the most pressing needs for Top Energy improving the reliability of the 11kV distribution network and the capex forecast in the 2023 AMP will focus on improving the resilience of this part of the network through an acceleration in the rate at which assets are replaced to reduce the number of faults. We plan to signal significant investments in step changes in the AMP and budget accordingly. Significant new connections will result in asset renewal/ replacement works funding the capacity related projects. We would also take a staged approach to executing works to ensure both categories of works get attention over a stretched-out period. Our indicator on achievement will be an improvement on SAIDI, limited to no constraints on the network and meeting delivery goals around execution of works and the needs of our consumers.

Yours sincerely



Russell Shaw Chief Executive Top Energy Ltd