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Tēnā koe,

Powerco's cross-submission on EDB DPP4 issues paper

Powerco Limited (Powerco) welcomes the opportunity to provide feedback on views submitted in relation to the Commerce Commission's issues paper, "Default price-quality paths for electricity distribution businesses from 1 April 2025."

Our feedback is provided in Attachment 1. If you have any questions about this submission, please contact Nathan Hill ([redacted]).

Nāku noa, nā,

[redacted]

Stuart Dickson
General Manager, Customer
POWERCO

Attachment 1: Powerco’s response to submissions on the DPP4 issues paper

Topic	Powerco’s response
How can the DPP contribute to improving and expediting the connection of electric vehicle charge points.	**The challenge** We understand the challenges faced by electric vehicle (EV) charge point operators (CPOs) in deploying charging infrastructure, as highlighted in Drive Electric's submission. Dealing with 29 EDBs, each with its own processes and practices, presents significant difficulties. However, the current issues encountered by CPOs, such as the costs associated with distribution network connections, the length of time involved, and the disparities in costs and procedures among EDBs, pose challenges the DPP cannot easily address. We do not agree with Drive Electric's proposed solution, which suggests regulating EDB processes, timeliness, cost-based charges, and capital contributions policies for consistency. EDBs have valid reasons for variations in their processes, timeliness, charges, and capital contributions policies related to EV charge point connections. This diversity is attributed to the distinctive nature of each EDB as a unique business entity, influenced by factors such as location, customer density, geography, funding mechanisms, cost drivers, procurement methods, and individual supplier relationships. Implementing regulations that mandate uniform processes and practices across all EDBs would overlook these distinctive characteristics. **The role of capital contributions** Drive Electric's submission suggests excusing CPOs from paying capital contributions, stating: *“CPO preferences here are that the risks and incentives around connection capex be carried by the party that is best placed to manage them. If capital contributions are retained as part of the network connection landscape, however, then the approach to their estimation should be consistent across EDBs, reflect efficient costs and account for the revenue contribution that the connecting customer will make into the future.”* We understand the desire to remove upfront capital contributions, particularly considering the government's commitment to deploying 10,000 public chargers for electric vehicles. Achieving such widespread deployment may require financial support or subsidies, especially if it precedes market demand. However, we believe that eliminating capital contributions for CPOs is not the method for providing financial support. Such an approach would ignore the role and benefits of capital contributions.

Topic	Powerco's response
	The capital contribution requirement plays a crucial role in addressing the risk associated with long-term cost recovery. The possibility of overbuilding EV charging infrastructure or new technologies replacing EV's creates a potential risk of shifting a higher proportion of cost recovery to non-EV consumers. Imposing an upfront capital contribution helps address this risk by mitigating the potential socialisation with non-EV customers. It also ensures that non-EV customers are not burdened with subsidising EV customers and helps mitigate the costs associated with demand uncertainty and other associated unknown costs. Additionally, there are concerns about whether exemptions should be granted for specific decarbonisation investments. **How can the DPP contribute to improving and expediting the connection of charge points?** We think this is primarily a matter of ensuring EDB expenditure allowances allow for EDBs to increase resourcing for application and design processes, and proactive purchase of equipment ahead of demand. This would enable EDBs to manage increased connection volumes at a higher pace. **Could a mechanism similar to the new IM large-connection approach be applied to EV charging?** While we see potential merit in this approach, it's important to note that CPOs encompass both large (1-5MW) and small (<1MW) connections, and the challenges Drive Electric has raised apply to both. The challenge lies in finding a solution that addresses delays for various connection sizes, as opposed to a mechanism that primarily targets large-scale charge points.
Quality standards proposed by the Electricity Authority (EA) in their review of the Default Distribution Agreement (DDA)	Wellington Electricity's submission highlights the Electricity Authority's proposal to introduce new quality standards in its review of the Default Distribution Agreement and recommends that quality standards be exclusively applied through the Commerce Commission's price-quality path. We strongly support this suggestion, and in our view, this is the intent of the legislation. Having two regulators set quality standards for EDBs introduces the risk of competing incentives. As observed by Wellington, constraining quality standards and quality incentives to the price-quality path will not only ensure that customers are happy to fund a higher level of quality but also ensure that EDBs receive adequate expenditure allowances to deliver the required quality of service.
The role of Government in managing consumer bill impacts	The ERANZ submission suggests that if the consumer bill impacts become significant enough to require policy interventions, such interventions should be developed independently by the relevant policymakers in government.

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	We support this view. Welfare falls within the government's mandate. Part 4 of the Commerce Act directs the Commerce Commission to ensure that regulated businesses are incentivised to innovate, invest, and meet customers' quality demands, while being restricted in their ability to earn excessive profits. The Electricity Authority focuses on promoting competition, reliable supply, and the efficient operation in the electricity sector. Notably, neither regulator has an explicit welfare or affordability mandate.
Opex step change process	Vector's submission has sought increased clarity from the Commission on the timing and procedures for EDBs to apply for an opex step change, as well as the information to be provided. We support Vector's request, as this information will significantly aid EDBs in preparing step-change evidence. Moreover, we stress the importance of the Commission allocating sufficient time and resources to the review and assessment of opex step changes. This reset is the most important thus far for determining the appropriate opex base, step, and trend. Consequently, it should undergo a more rigorous and thorough inquiry compared to previous resets.
Review of the Innovation allowance	A number of EDB's have called for a review of the Innovation Project Allowance mechanism. We agree with the need for such an examination. We support Vector's recommendations concerning the scope, budget, timing of funding, EDB contribution, and recovery, as we believe these adjustments would enhance the overall design of the scheme.