
Capital Contribution Policy

Contents

1.0	Purpose	1
2.0	Scope	1
3.0	Definitions	2
4.0	Pricing principles and considerations	2
5.0	Process	3
6.0	Ownership of electrical assets	4
6.1	Residential urban low voltage connections up to 100A	5
6.2	City and township subdivision development	5
6.3	Standard connection	7
6.4	Non-standard connections	8
6.5	Other requirements	8
7.0	Counties Power’s contribution	8
8.0	Augmentation of system	9
9.0	Private networks	9
10.0	Network congestion	10
11.0	General	10
	Appendix A: Methods of installations	11
	Appendix B: Private networks	12
	Appendix C: Capital contribution schedules	13
	Schedule C1: Urban low voltage connections – customer contribution	13
	Schedule C2: Counties Power contribution	13
	Schedule C3: Standard life of key assets	13

1.0 Purpose

In Clause 2.4.6 of the Electricity Distribution Information Disclosure Determination 2012, the Commerce Commission requires that the current methodology for the calculation of capital contributions be disclosed. This document provides the commercial terms for new connections and extensions to the Counties Power network. Counties Power reserves the right to review customer connection projects and associated capital contributions on a case-by-case basis.

2.0 Scope

This document covers the following:

- Pricing method
- The assessment of capital contributions for connections or extensions
- The general assessment of capital contributions for subdivisions reticulation
- Standard categories of connections or extensions and exceptions

Capital Contribution Policy

- Policy on shared services.

3.0 Definitions

- **Augmentation:** Work to enhance the distribution network or increase its capacity to distribute electricity. These enhancements are to meet projected system demand, and maintain network performance in accordance with the applicable acts and regulations.
- **Capital contribution:** An amount paid by a customer for the construction of assets or enhancement of the network at the time of the construction or enhancement.
- **High voltage metering:** Metering of an ICP provided with electricity supply at high voltage.
- **ICP:** An installation control point is the energy retailer's metering and isolation point and has an associated unique number that identifies it as an individual power connection on a New Zealand electricity network.
- **NCP:** The network connection point is the nearest location in the Counties Power network, such as an overhead line pole or link pillar, that can supply a customer.
- **POC:** The point of connection is the point where a customer's supply is physically connected to Counties Power's network. Generally, this will be the fuse, switch, or circuit breaker located in the road reserve, at the NCP.
- **Rural:** Area as designated by local councils.
- **Shared network:** Part of the system where more than one consumer receives power.
- **Urban:** Area as designated by local councils.

4.0 Pricing principles and considerations

- Prices are set to provide sufficient revenue to cover Counties Power's costs, including network development, pass-through and recoverable costs as well as the cost of capital and other economic considerations.
- A proactive approach is taken to avoid problems related to reliability and quality of supply by monitoring the impact on network efficiency and maximum demand and establishing maximum load performance standards.
- Price-averaging is applied over large groups of connections and assets in urban or rural areas because it is impractical and costly to calculate each individual connection.

Capital Contribution Policy

- As the network expands and is reinforced, assets are often shared to gain the benefits of greater utilisation amongst customers.
- Standard pricing and related terms apply for broad categories of new connections and extensions.
- Where connection terms do not fit standard categories, Counties Power will consider each connection on an individual basis including where a connection has a large load, the location is physically distant or environmentally unacceptable or otherwise.
- All newly established ICPs are treated as new connections even where the new ICP replaces a previously decommissioned ICP.
- The addition of a new connection should not make existing consumers worse off either now or in the future.
- All newly established ICPs must adhere to Counties Power Network Connection and Network Demarcation Standards.

5.0 Process

In determining a customer's contribution to reticulate power and connection to a site, the customer will be required to provide all the necessary information to enable a detailed design, construction plan, and estimation of consumption and demand for the project. Customers must also satisfy all obligations and comply with all requirements relating to easements and vegetation. To ensure a fit for purpose solution is provided, we will take into account:

- Customer's load/demand requirements.
- Specific customer requirements (dedicated solution).
- Non-standard customer requirements.
- The available network capacity at the POC.
- Any upstream network augmentation required to meet the customer's load and projected system load.
- Any security of supply (N-1) requirements.

It determines whether the proposal is a:

- Residential urban low voltage connection.
- City and township subdivision development.
- Standard connection.

Capital Contribution Policy

- Non-standard connection.

The capital contribution for a residential urban, low voltage connection is priced at a standard unit rate (standard capital contribution) depending on the connection type and location.

In the case of other projects, in some cases the required works could include an extension of the network (including network reinforcement). Counties Power will provide a high level estimate of the:

- Total cost of the project, and
- Capital contribution to be paid by the customer.

If the customer decides to proceed to the detailed design stage and pays the required non-refundable design deposit:

- A detailed design will be completed, and
- A quote will be provided to the customer. It will detail the
 - (i) Scope of works to be undertaken.
 - (ii) Capital contribution required to be paid by the customer.

In accepting the project design and quoted price, the customer enters into a contract with Counties Power. This means the customer agrees to pay the capital contribution towards the project.

For non-standard projects, Counties Power may determine a line function services agreement (LFSA) is required with the customer. This agreement may include a termination payment schedule to protect Counties Power's future revenue associated with the customer connection project.

These charges and payment schedule are determined based on the level of investment and applicable cost of capital of the project.

6.0 Ownership of electrical assets

- Network extensions and connection equipment which are located between the NCP and the POC, or which are located on public property, or which are paid for by Counties Power, remain the property of Counties Power irrespective of any contribution made by a customer.
- Appendix A shows the various ways that the customer can be connected and Appendix B shows the connection of private networks.
- Counties Power does not contribute to assets downstream from the POC and customers are responsible for maintenance and replacement of private-owned assets.

Capital Contribution Policy

- Section 7 further elaborates on the requirements of private networks.

The following sections detail the connection categories for new connections and extensions.

6.1 Residential urban low voltage connections up to 100A

- This category covers the majority of new connections which are individual connections within urban areas. The policy provides a straight-forward process under which Counties Power is responsible for providing the new connection and the customer makes a capital contribution toward network costs.
- Applies to new connections within urban residential, commercial or industrial areas (as designated by the relevant council authority), within 30m of the existing reticulation or NCP, and with a supply capacity of up to 3 x 100 amps (fuse rating) except:
 - unmetered and/or public utility connections (such as advertising displays, street lights or traffic lights)
 - builder's temporary supply.
- Counties Power's contribution will cover the design work, arrange and pay for all high voltage and low voltage extensions to its network and will carry out any upstream network reinforcement necessary to accommodate the new connection. Counties Power will supply and install the service protective fitting and connect (and/or terminate) the customer's electrical installation.
- The customer shall pay a capital contribution towards the cost of assets that Counties Power provides or already has in place. The capital contribution is payable to Counties Power, as shown in schedule C1 in appendix C attached. Capital contributions are categorised by:
 - number of phases
 - residential or commercial type
 - whether a road crossing is required to the property.
- Customers are also responsible for the installation and maintenance of their own electrical installation of line or cable from the POC to their premises; such maintenance includes clearance of vegetation from their service lines.
- This capital contribution requirement does not apply for connections already established in new subdivision developments under section 6.2 below.

6.2 City and township subdivision development

- As with other infrastructure within new subdivisions, the developer is responsible for providing electrical reticulation to service the new properties.

Capital Contribution Policy

Counties Power may partially pay for and purchase this new reticulation and allow it to be connected to its network on the basis described in this section.

- All small to medium connections within new subdivision developments consisting of over five lots, which require new electrical reticulation within a non-reticulated roading corridor to supply multiple new connections must:
 - be immediately adjacent to existing urban or rural township areas within Counties Power's distribution network
 - be within urban/township residential, commercial or industrial areas as designated by the relevant council authority
 - have connections requiring a supply capacity of up to 3 x 100 amps each (fuse rating).
- Subject to the electrical system meeting Counties Power's specifications and being installed by a contractor approved by Counties Power and based on construction to Counties Power's standard specification, Counties Power will:
 - provide high voltage switchgear (circuit breakers, fuses) and distribution transformers
 - provide specifications for the high and low voltage network
 - carry out any necessary upstream network reinforcement
 - supply the service fuse and connect individual customers' service lines
 - by way of purchasing the extension to Counties Power's network, contribute to the installation costs of high voltage assets that Counties Power possesses, the full installed cost of other standard high voltage assets and contribute an amount towards the developer's costs as per schedule C2 attached.

Counties Power will take ownership of the installation upstream when completed and will be responsible for future repairs and maintenance. (This excludes any on-property installations after the POC.)

- The developer's capital contribution will:
 - pay for the design costs for the extension to meet the specifications provided by Counties Power
 - provide all civil works (e.g. trenching, reinstatement, foundations and ducting)
 - provide or obtain the necessary land or easements for the installation of any electrical asset at no cost to Counties Power

Capital Contribution Policy

- pay for all low voltage assets (cable, link boxes, boundary boxes)
 - ensure all electrical installations are approved by a registered electrical inspector prior to supply connection
 - cover the cost of any assets or construction which the developer elects to install which exceeds Counties Power's standard specifications
 - remove any redundant network assets.
- New connections created through development of subdivisions are not subject to the per connection contribution described in 6.1 above.

6.3 Standard connection

For standard connections, additional assets required will be charged at actual cost according to the following terms. Standard connections fall mainly into the following categories:

- **Rural connections:** Rural connections including irrigation connections are generally less economic to supply and often require a more significant extension of Counties Power's network. Counties Power will scope the works required and arrange to select the most competitive contractor knowledgeable of the system to carry out the extension work.
 - **Large electricity users** (connections that require capacity of larger than three phase, up to 100 amps per phase): Users whose developments fall into this category are required to share the cost of providing new electricity assets required on a proportionate basis.
- Counties Power's will:
 - provide specifications for the high and low voltage network, where relevant
 - supply the service fuse and connect individual customers service lines
 - may contribute an amount towards the costs as per qualifying conditions in section 7 and as outlined in schedule C2 attached.
 - The customer shall provide a one-off capital contribution to Counties Power toward the cost of supplying and connecting line/cable services and assets that Counties Power provides or already has in place, depending on the location of the ICP. The customer will:
 - pay for the design costs for the extension to meet the specifications provided by Counties Power
 - pay for the costs of any low voltage and/or high voltage systems and services to connect to Counties Power network

Capital Contribution Policy

- hire an independent contractor to provide all civil works within their premises, where necessary (e.g. trenching, reinstatement, foundations and ducting)
- provide or obtain the necessary land or easements for the installation of any electrical asset at no cost to Counties Power.
- For areas where network assets can potentially be shared with other future consumers, any contribution paid in accordance with section 6.3.3 that may be reimbursed (reimbursement amount) shall be defined explicitly in the capital contribution released to the customer. The share of development costs upstream will be determined based on the customer's expected future electricity use, future beneficiaries and the cost of providing the new network requirements. The details are elaborated in section 7.2.

6.4 Non-standard connections

In certain circumstances, Counties Power's published standard prices may not adequately reflect the actual costs of supplying a consumer or address the commercial risks associated with supplying that consumer. In these circumstances Counties Power use a line function service agreement (LFSA). The LFSA allows for tailored pricing and commercial arrangements to be established between Counties Power and customers. This ensures that customised or unusual circumstances are addressed only for those consumers that they effect.

Consumers may be assessed for non-standard terms or pricing if the consumer's point of connection capacity is greater than or equal to 2 MVA. For those consumers with a required capacity greater than or equal to 2 MVA, the installation of high voltage metering will also be required.

6.5 Other requirements

The following requests will be dealt with individually, and any additional assets and services resulting from these requests will be charged at actual costs:

- Installation of temporary connections or builders' temporary supplies
- Requests for changes to the route or configuration of Counties Power's network
- Requests for an extension of capacity of an existing installation.

7.0 Counties Power's contribution

- Counties Power will pay a capital contribution to zone 1 urban areas with greater than 50 lots. This category covers areas where there is rapid growth and there are lower than average build costs due to a higher density of connections.

Capital Contribution Policy

- **Zone 1 urban areas applies to** new connections in high growth urban areas within the Auckland Rural Urban Boundary (e.g. Pukekohe, southern areas of Papakura, and Hingaia) and Pokeno.
- **Counties Power's contribution:** a \$540 subsidy per lot will be provided by Counties Power.
- **Customer's capital contribution:** To be determined on a case-by-case basis during the initial scope and quote phase.
- Counties Power will only pay the capital contribution where Counties Power has reticulated the network.

8.0 Augmentation of system

Where Counties Power determines augmentation is advantageous to Counties Power, Counties Power will:

- Identify the level of benefits, and
- Determine an appropriate cost split between Counties Power and the customer.

9.0 Private networks

- A private network is a customer-owned network where the service line or cable leaves Counties Power's network (at the NCP) on a public road, into the area which may serve one or more customers and where the route does not return to a public road.
- A number of customers' premises may be connected to Counties Power's network at a single NCP as shown in appendix B. Downstream from the NCP, this is a private network and is jointly owned by each of the other customers connected to the private network (unless there is an agreement to the contrary, with the other private network customers).
- Each owner of a private network is responsible for the maintenance and replacement of the private network, and for vegetation control (trimming or cutting of trees interfering with the network).
- If Counties Power is called out to do any work (including the installation of any new connection) on a private network, Counties Power will:
 - charge the customer requesting the work
 - have authority over the works carried out by private network owners such as the scheduling of works and/or switching of the network at the NCP.

Capital Contribution Policy

10.0 Network congestion

- Connections in rural areas and communities often require substantial electrical infrastructure on a per customer basis.
- A levy may apply for new rural connections for feeders supplying rural ICPs, especially remote ICPs, where there exists congestion and future capital expenditure is required to upgrade the feeder.

11.0 General

- Prior to going live, the customer shall ensure that the installation from the POC is certified by a registered electrical inspector.
- This policy is effective for all capital contributions released by Counties Power on or after 1 October 2018.

a

Appendix A: Methods of installations

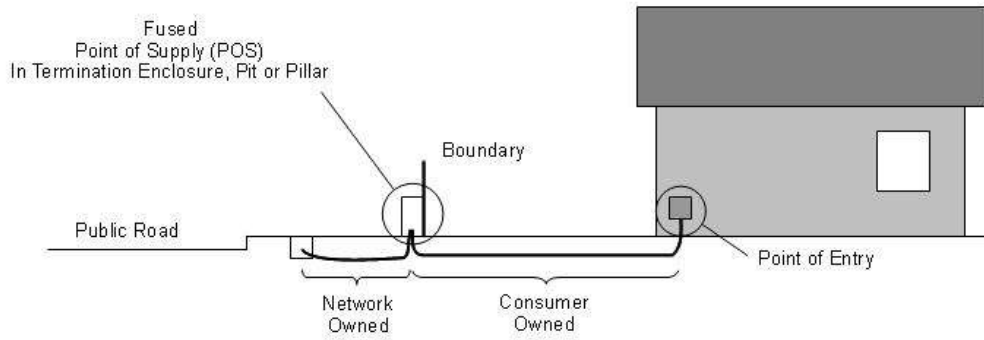


Figure 1 – underground mains

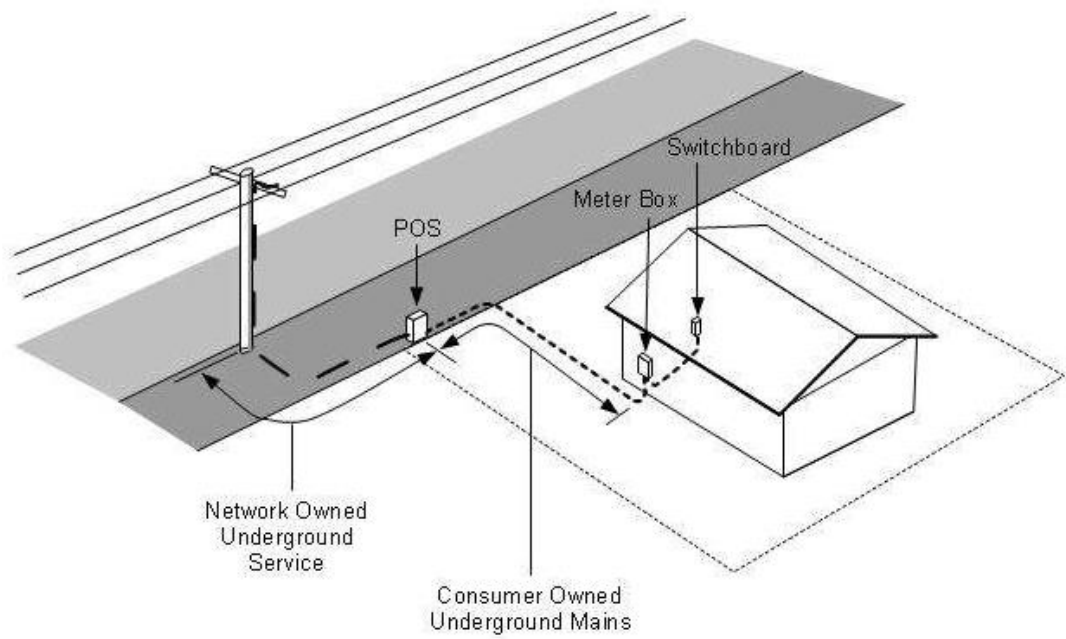
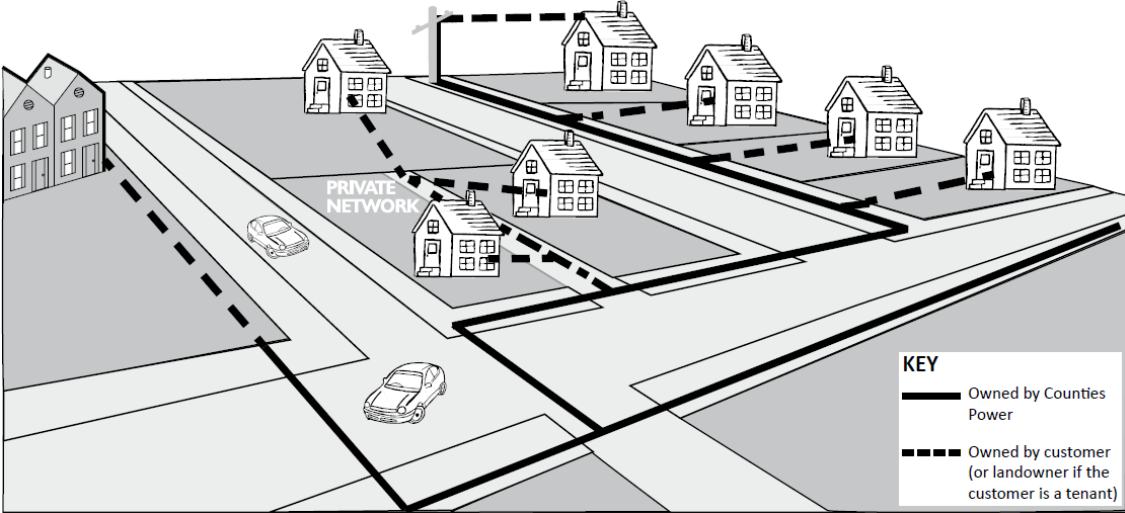


Figure 2 – LV underground supply via distribution pillar

Appendix B: Private networks



Capital Contribution Policy

Appendix C: Capital contribution schedules

Schedule C1: Urban low voltage connections – customer contribution

Required capacity (fuse rating)	Capital contribution per connection (excluding GST)	
	Residential	Commercial/ Industrial
Single phase, up to 63 amps	\$650	\$1,300
Two or three phase, up to 100 amps per phase	\$800	\$1,500
Additional per road crossing	\$500	\$500
<p>*Example</p> <p>An urban residential customer requires a three phase supply; the connection point is 28m away from the nearest network service point and the cable crosses a road.</p> <p>The contribution will consist of:</p> <p>Three phase, up to 100 amps per phase: \$800</p> <p>plus one road crossing \$500</p> <p>Total contribution \$1,300</p>		

Schedule C2: Counties Power contribution

Required capacity	LV contribution per connection (excluding GST)
<p>Subdivisions greater than 50 lots within the high growth areas set out within Auckland's Rural Urban Boundary and the Waikato District Council's Pokeno Structure plan.</p> <p>This contribution is only available where Counties Power has reticulated the power within the development.</p>	\$540

Schedule C3: Standard life of key assets

Description	Standard life in years (excluding GST)
Distribution transformer	45
Overhead line using concrete poles	60
Overhead line using wood poles	45
Underground cable (XLPE)	45