

Capital Contributions Policy

Purpose and scope

The aim of the Capital Contributions Policy is to ensure that customers contribute towards the capital cost of the network arising from new connections or connection upgrades.

The purpose of this policy is to provide an outline of Waipa Networks Limited ("Waipa Networks") approach to charging for contributions towards capital works, including:

- The process to be followed in new customer connections;
- Guidance for network upgrades where a capital contribution may or may not be required;
- Provide guidance on the methodology for calculating capital contributions; and
- The approach for capital contribution refunds.

Introduction

Waipa Networks' capital contributions policy is that new customers must pay the attributable costs of connections to the network. Network line charges should ordinarily cover the cost of operations, maintenance and renewal of the network and organic growth, not the stepped development of new capacity. When new customers pay a capital contribution for a new or upgraded connection, this reduces the burden on existing customers.

The Policy

1 Capital contributions

What is a capital contribution?

When a customer connection, either new or existing, requires a Network extension, upgrade, or reconfiguration then there is a cost in carrying this out. A capital contribution is the amount Waipa Networks requires from the customer towards the cost of the work. In most cases this will be the full cost of carrying out the required work. The principle behind this charge is that Waipa Networks believes that the cost of the work should be borne by the party requesting the work rather than the customer base as a whole.

How are the costs calculated?

From time to time Waipa Networks reviews its charge out rates for labour, mileage, and materials (including margin). The capital contribution amount is based on the charge out rates applicable at the time the quote is issued. The quote will expire after 30 days, and should the quote be accepted after the expiry date or a revised quote is

requested then the charge out rates and material costs will be based on whatever is current at the time of the revision. Capital contributions are required to be paid in full prior to work commencing. Quoting fees apply for all capital contributions and these are detailed on our website.

Who owns the equipment?

Although the customer pays a capital contribution, Waipa Networks retains ownership of the installed equipment. Waipa Networks will be responsible for the maintenance of the equipment once commissioned.

Who is permitted to supply and install equipment?

Only Waipa Networks is permitted to supply and install equipment for capital works.

New connections

District Councils in our reticulation area have requirements as per their district plans and resource consent process. In some cases, the district council require that subdividing owner(s) or developer(s) must provide an electrical *network connection point* to the boundary or frontage of every lot. In other cases, the district council requires that it is possible to supply every lot with electricity, but not require the supply to be installed before the subdivision is consented.

An underground fuse pillar is normally situated on the common boundary of two Lots and this provides the *network connection point* for both Lots or alternatively a *network connection point* can be from an existing pole on the road frontage of a Lot.

Capital contributions are the full costs incurred in establishing a *network connection point* to the boundary of any Lot, including the installation cost of a transformer if required, but excluding the cost of the transformer asset itself (this cost is met by Waipa Networks combined with a *Network Development Fee*). Installation costs are often individual to the circumstance and will be detailed in the capital contribution quote provided.

Any new works that are within a public road reserve or cross through one or more Lots to supply other Lots will be vested to Waipa Networks. They will become part of the *Network* and be maintained by Waipa Networks.

A *capital contribution* quotation is provided to the developer after receiving a registered surveyor's subdivisional scheme plan which shows the total number of lots being created, their dimensions, and any proposed new roads.

This *capital contribution* amount is required to be paid in full and in advance before any works associated with the reticulation to the boundaries of each subdivisional Lot is commenced.

Any easements and associated costs are the responsibility of the developer.

The design of reticulation must comply with the Waipa Networks Design Manual and Network Connection Standards.

Upgrades to existing connections

A *capital contribution* may be required if electricity supply requirements mean Waipa Networks is required to upgrade its equipment (for example, an upgraded pillar, fusing, transformer capacity or a higher rated cable). This will be assessed on a case-by-case basis, and can depend on factors such as the number of customers supplied by that equipment, and any scheduled works/upgrades Waipa Networks already has planned.

Allocation of capital contributions / refunds

When more than one customer wishes to connect at the same time then the *capital contribution* is shared equally among them.

Once a *capital contribution* has been paid by a customer(s) any additional customers that wish to connect off that same portion of network must pay a proportion of the cost of the portion of network (less amortisation) to Waipa Networks who will refund this amount to the original customer(s). Costs are amortised over a ten-year period.

This procedure is illustrated by the following example:

- Customer A requires a \$25,000 *Network* extension to supply their installation and being the only customer to be supplied by that line at the time he/she must pay the full amount.
- A year later Customer B wishes to connect off that line. The line after one year is now worth \$22,500 (\$25,000 less \$2,500 or one year's amortisation). The cost of the line will now be split equally between two customers and we will charge Customer B \$11,250 to connect and refund this amount to Customer A.
- Another year later Customer C and Customer D wish to connect. The line is now two years old and worth \$20,000. As there are now four customers using the line they are responsible for \$5,000 each. We would charge Customer C and Customer D \$10,000 (\$5,000 each) and refund half to Customer A and half to Customer B.
- And so on until 10 years has passed (and the line has been fully amortised) and any customers connecting after that will not be required to pay a contribution, nor will there be any refunds.

If a property is entitled to a *capital contribution* refund and that property has since been sold and has a new registered owner, then the payment will be made to that new registered owner.

Waipa Networks will make all reasonable attempts to contact the current owner of a property entitled to a *capital contribution* refund. If contact is unable to be made then that portion of the refund will be held by Waipa Networks until such time the owner makes contact with the Company. However, if the owner has still not claimed a held refund by the time the line has been fully amortised then the refund will be void and the funds are retained by Waipa Networks.

2 New connections

For customers seeking a new connection to our *Network* (e.g., to supply a new house, cowshed, etc.) the process is as follows:

- 1) An application for Network Connection is required. For any greenfield sites or new multi-lot subdivisions this process begins by contacting our Projects

Planning Team to discuss the project. For any individual connections where Network infrastructure already exists an Application for Network Connection form is completed and submitted to our Customer Services team.

- 2) Applications are assessed to determine if a *Network* extension, upgrade, reconfiguration or other capital work is required. If this is the case, a *capital contribution* and *network development fee* are usually required as a condition of approval. For information regarding the *network development fee* see Section 4 below.
- 3) An *ICP number* is generated for each new connection application and payment of a new connection application administration fee is required. The fee must be paid before an application can be approved and covers the cost of processing the application and carrying out an initial site visit;
- 4) Once approved, the Application for Network Connection is forwarded to the customer's nominated *electricity retailer*, and
- 5) The *electricity retailer* will register the connection details in their system and organise for meters to be installed, inspected, and the connection livened.

Notes:

- A new connection cannot be livened unless approval has been given by both Waipa Networks and an *electricity retailer*.
- Each new connection should have an individual service line and connection point to the *Network*. Special approval may be given for new connections with a shared service line dependent on the individual circumstances.

3 Existing connection upgrade considerations

If Customers are operating beyond the capacity of their existing connection they must complete an Application for Network Connection. The new load will be assessed to determine if any reconfiguration or increase in *Network* capacity is required to facilitate the upgrade. A capital contribution (see below) may be required in some circumstances and again, dependent on the circumstances, a *network development fee* (refer Section 4 below).

Guidance regarding the circumstances where a capital contribution may or may not be required is as follows:

- A new dwelling or building requiring electrical connection where capacity including fusing already exists will only require payment of the New Connection Application administration fee;
- Where a transformer/conductor/cable is less than 90% loaded to capacity and the new connection will cause the transformer to exceed its full load capacity, the customer will need to make a capital contribution to upgrade the relevant asset;
- Where a transformer/conductor/cable is already loaded beyond 90% of capacity and the new connection will exceed the capacity of the relevant asset, Waipa Networks will meet the cost of the upgrade;
- Where a subdivision has already made provision for supply to a lot (e.g. by providing fuses in a low voltage pillar) but earlier connections have taken those fuses up, Waipa Networks will meet the cost of providing the required LV fuse(s) by an appropriate method. This does not cover situations where infill housing or new connections are requested that were not envisaged by the original subdivision, those connections will require a capital contribution for any network extension required; and

- New subdivision designs will provide for two low voltage fuses per lot in urban situations and three low voltage fuses per lot in rural situations. If more fuses are required by individual connections then a capital contribution will be sought for the additional network extension work.

4 Network Development Fee

In the event of a new connection to the network or significant increase in load for an existing connection, a fee will be charged to take into account the impact this increased load has on the upstream capacity of the network. This will be calculated as a set fee based on the incremental capacity requirement arising from the new connection or load increase for existing customers. This rate shall be reviewed and reset annually (if required).

5 Connection of distribution generation

Waipa Networks welcomes inquiries regarding distributed generation.

6 Embedded Networks

If a customer chooses to:

- take supply directly at 11kV, and
- provide and maintain their own transformer and substation, and/or
- operate their own embedded network.

All assets not owned by Waipa Networks but connected to Waipa Networks' network must be maintained in accordance with Waipa Networks Network Connection Standards. If ownership of any new reticulation resides with any other party, Waipa Networks will provide, and charge for, the reticulated assets installed up to the Network Connection Point.

Embedded networks will be metered at 11kV. The customer is responsible for ensuring, together with their electricity retailer, that compliant metering and current transformers (CTs) are provided and maintained. These must be in accordance with the Electricity Industry Participation Code.

When an electrical supply is provided to an embedded network Waipa Networks is not the distribution service provider within the embedded network. Waipa Networks must be provided with evidence of a long-term contractual arrangement for continuity and maintenance of supply within the embedded network including any fault response and load control considerations.

7 Alignment with pricing principles

Waipa Networks' capital contributions policy is consistent with the Distribution Pricing Principles published by the Electricity Authority in June 2019.

8 Complaints and disputes

Waipa Networks will maintain an internal complaints resolution process in accordance with the Utilities Disputes Limited complaints scheme.

9 Fees

All fees mentioned in the policy are detailed on our website www.waipanetworks.co.nz.

References

- Waipa Networks Design Manual
- Network Connection Standards
- Utilities Disputes Limited Complaints Scheme
- Waipa Networks Pricing Methodology
- Electricity Authority Pricing Principles

Document information

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1.0	Original document – extract from Networks Connections Standards	Customer Services Manager	Network Asset Manager	01 Feb 2013	Feb 2015
1.01	Paragraphs/flow chart removed	Customer Connections Supervisor	Network Asset Manager	10 Feb 2015	Feb 2017
2.0	Addition of administration fee, circumstances when capital contributions are required	Network Asset Manager	Chief Executive	05 Apr 2018	Apr 2020
3.0	Review – network capacity fee added	Corporate Services Manager	Finance & Audit Committee	Dec 2021	Dec 2023
3.1	Updated following feedback from Finance & Audit Committee and PwC	Corporate Services Manager	Board	Feb 2022	Dec 2023