

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, connection upgrades or alterations.

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

- Guidance for network upgrades or alterations 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.
- The application of a Connection Fee to ensure new connections and upgrades contribute to upstream demand costs.

This policy is published in accordance with Section 2.4.6 of the Commerce Commission's 'Electricity Distribution Information Disclosure Determination 2012'.

Introduction

Waipā Networks' Capital Contributions Policy is that new customers must pay the attributable costs of connections to the network. Delivery prices 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 altered connection, this reduces the burden on existing customers.

Although this Capital Contributions Policy covers all costs and fees associated with a new, upgraded or altered connection, the term 'capital contribution' when used in the body of the policy refers to the costs associated with physical works distinct from any other applicable fees unless otherwise stated.

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 there is a cost in carrying this out. This includes any physical works plus also the upstream costs associated with an increase in demand on the Network. A capital contribution is the amount Waipā Networks requires from the customer towards the cost of the physical works. In most cases a Connection Fee is also payable to contribute towards

the upstream costs associated (refer section 2). The principle behind these charges is that Waipā Networks believes the cost of the work should be borne by the party initiating the work rather than the customer base as a whole.

What costs are included in a capital contribution?

Costs consist of labour, mileage, materials and any external costs such as traffic management and surveying. From time to time, Waipā Networks reviews its charge-out rates for labour, mileage, and materials (including margin). The capital contribution costs are calculated using 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.

The calculation of the Connection Fee is covered in Section 2.

When will a capital contribution be charged and paid?

Please refer to our *Terms and Conditions For Capital Contributions* as published on our website: www.waipanetworks.co.nz

Who owns the equipment?

Although the customer pays a capital contribution, Waipā Networks retains ownership of the installed equipment. Waipā Networks will be responsible for the future inspection, maintenance, repair and end-of-life replacement of the equipment once commissioned.

Who is permitted to supply and install equipment?

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

What circumstances typically require payment of a capital contribution?

Guidance regarding the circumstances (not exhaustive) 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 not require a capital contribution to be paid;
- Where a transformer/conductor/cable is less than 90% loaded to capacity and the new or upgraded 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 or upgraded connection will exceed the capacity of the relevant asset, a capital contribution will not be required unless the total kVA once upgraded would be equal to or greater than 70 kVA.;
- 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, Waipā 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.
- All new connections must pay a Connection Fee (refer section 2), regardless of whether a capital contribution is required.
- Any upgraded connection where a capital contribution is required must also pay a Connection Fee (refer section 2 for how this is calculated).

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 Waipā Networks who will refund this amount to the original customer(s). Costs are amortised over a 5-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 they must pay the full amount.
- A year later Customer B wishes to connect off that line. The line after one year is now worth \$20,000 (\$25,000 less \$5,000 or one year's amortisation). The cost of the line will now be split equally between two customers and we will charge Customer B \$10,000 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 \$15,000. As there are now four customers using the line they are responsible for \$3,750 each. We would charge Customer C and Customer D \$7,500 (\$3,750 each) and refund half to Customer A and half to Customer B.
- And so on until 5 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.

Waipā 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 Waipā 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 Waipā Networks.

2 Connection Fee

What is a Connection Fee?

A Connection Fee is a charge per ICP for any new or upgraded customer connection point and is designed to ensure these connections contribute to the upstream costs of the additional demand on our network. This fee is in addition to any capital contribution payable. The amount payable depends on whether an ICP is classed as Standard or Non-Standard. This fee applies to all ICP applications received from 13 March 2023 onwards.

How is the Connection Fee calculated?

Waipā Networks currently calculates Connection Fees using the value of its Regulatory Asset Base (RAB) and the number of commissioned ICPs on the Network.

The **Standard Connection Fee** figure is calculated as *(RAB value - Non-Network Asset value) / No of ICPs x 50%*. This fee applies to any ICP where anticipated maximum demand is less than 70 kVA.

The **Non-Standard Connection Fee** is calculated as *Standard Connection Fee / 70 x Anticipated Maximum kVA*. This fee applies to any ICP where anticipated maximum demand is 70 kVA or higher, and/or the connection is 3-phase 160A or higher.

Note – where a Connection Fee is required for an existing ICP due to an upgrade (see section 4) *Anticipated Maximum kVA* is replaced in the formula with *(Anticipated New Maximum kVA – Existing Maximum kVA)*.

The Connection Fees at introduction were calculated based on RAB value and No of ICPs for the 2021/22 financial year. These are published on our website and will be updated from time to time.

When will a Connection Fee be charged and paid?

Please refer to the Get Connected section of our website, and our *Network Connection Standards*, for details on the new connections process and timing of the Connection Fee.

For upgrades, a Connection Fee quote is included as part of a capital contribution quote.

3 Other Fees

Quote Fee

Providing a quote for capital contribution works takes considerable resource to prepare and in some instances quotes are provided for work or options that ultimately do not proceed. Waipā Networks charges a Quote Fee to ensure these costs are recovered whether or not a capital contribution job proceeds. This fee is offset against the job costs should the quote be accepted within 6 months of issue.

Administration Fee

An administration fee is applicable for all new connections and upgrades and is payable upon receipt of an application form. This fee covers the assessment of an application, an initial site visit, and administrative costs such as requirements under Part 11 of the Electricity Industry Participation Code.

Current fees are listed on our website.

See Appendix 1 for a matrix of common scenarios and the fees applicable as part of the connections process.

3 Subdivisions – specific requirements

The new connections process is broadly covered in our *Network Connection Standards* document. This section contains information specifically relating to subdivisions and capital contributions.

Subdivisions

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 for subdivisions 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 Waipā Networks). Installation costs are often individual to the circumstance and will be detailed in the capital contribution quote provided. They do not cover any contribution to upstream costs and these are outlined in section 2 above.

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 Waipā Networks. They will become part of the Network and maintained by Waipā 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.

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

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

4 Existing connection upgrades

A capital contribution may be required if electricity supply requirements mean Waipā Networks is required to upgrade or alter its equipment (for example, an upgraded pillar, fusing, transformer capacity or a higher rated cable, or to relocate works). 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 Waipā Networks already has planned.

A network connection (change to existing connection) application form should be completed as the first step, indicating the requirements for the new load. 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 may be required in some circumstances, and again, dependent on the circumstances, a Connection Fee. Refer Appendix 1 for common scenarios.

5 Alterations

Alterations such as shifting or relocating lines (including from overhead to underground) do not incur a Connection Fee if there is no associated increase in load. Where there is some measurable benefit to Waipā Networks we may reduce the capital contribution required however this will be assessed case by case.

6 Connection of distribution generation

Waipā Networks welcomes inquiries regarding distributed generation. Please visit our website to view our Distributed Generation Policy.

7 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 Waipā Networks but connected to Waipā Networks' network must be maintained in accordance with Waipā Networks Network Connection Standards. If ownership of any new reticulation resides with any other party, Waipā 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 Waipā Networks is not the distribution service provider within the embedded network. Waipā 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.

8 Alignment with pricing principles

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

9 Complaints and disputes

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

10 Terms & Conditions

Capital Contribution transactions are governed by Terms & Conditions which can be viewed on our website: www.waipanetworks.co.nz

References

- Waipā Networks Design Manual
- Network Connection Standards
- Utilities Disputes Limited Complaints Scheme
- Waipā Networks Pricing Methodology
- Waipā Networks Distributed Generation Policy
- Terms and Conditions For Capital Contributions
- Electricity Authority Pricing Principles

Appendix 1: Connections Matrix

The following provides a matrix of common scenarios and the fees applicable as part of the connections process.

Connection Type	Scenario	Admin Fee Payable?	Connection Fee Payable?	Quote Fee Payable?	Capital Contribution Payable?
New Connections	Standard / Capital Works NOT required.	Yes	Yes - Standard	No	No
	Standard / Capital Works ARE required.	Yes	Yes - Standard	Yes	Yes - Quote issued for Capital Works only.
	70kVA+ / Capital Works NOT required.	Yes	Yes - Non-Standard based on anticipated kVA.	No	No - Quote issued for Connection Fee only.
	70 kVA+ / Capital Works ARE required.	Yes	Yes - Non-Standard based on anticipated kVA.	Yes	Yes - Quote issued for Capital Works and Connection Fee.
Existing Connection	Increase in load / Capital Works NOT required.	Yes	No	No	No
	Increase in load / Capital Works ARE required.	Yes	Yes - Non-standard based on anticipated additional KVA.	Yes	Yes - Quote issued for Capital Works and Connection Fee.
	Network reconfiguration or relocation.	No	No	Yes	Yes - Quote issued for Capital Works only.
	ICP split or ICP Replacement / NO increase in load / Capital Works are NOT required.	Yes - per new ICP.	No	No	No

	ICP split or ICP Replacement / NO increase in load / Capital Works are ARE required.	Yes - per new ICP.	No	Yes	Yes - Quote issued for Capital Works only.
	ICP split or ICP Replacement / Increase in load / Capital Works are ARE required.	Yes - per new ICP.	Yes - Non-standard based on anticipated additional KVA.	Yes	Yes - Quote issued for Capital Works and Connection Fee.
	ICP split or ICP Replacement / Increase in load / Capital Works are NOT required.	Yes - per new ICP.	Yes - Non-standard based on anticipated additional KVA.	No	No - Quote issued for Connection Fee only.

Document information

	Information
Document ID:	N/A
Document version:	3.2
File name	Capital contributions Policy
Policy author	Head of Finance & Commercial
Date policy created:	01 February 2013
Approved by:	Board
Date approved:	March 2023
Date policy published:	March 2023
Review date:	April 2024

Document history

Version	Modification	Prepared by	Approved by	Date	Next review date
1.0	Original document – extract from Networks Connections Standards	K Watson	L Goddard	01 Feb 2013	Feb 2015
1.01	Paragraphs/flow chart removed	B Gray	L Goddard	10 Feb 2015	Feb 2017
2.0	Addition of administration fee, circumstances when capital contributions are required	P Armstrong	A Fletcher	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
3.2	Updated for Connection Fee. Various other updates.	Head of Finance & Commercial	Board	Mar 2023	Mar 2024

Distribution list:

Position
Senior Leadership Team
Managers