

Capital Contribution Policy

Te Kaupapahere mō te Kōpare Tōpū

Purpose

This policy defines when a Capital Contribution may be required from a Customer to facilitate a new, upgraded or modified connection to The Lines Company Network.

Overview

We understand that access to reliable, cost effective electricity is an essential enabler to customer wellbeing and regional economic growth. This policy applies to all new or upgraded connections.

Capital contributions cover the cost of extending or upgrading the Network to deliver supply to the Point of Connection requested by the customer.

Where you request a connection to our Network, and we approve this connection, investment may be required in assets to supply electricity to you. This may be in the form of assets dedicated to you, or assets that supply multiple customers (new or existing shared assets), but which require further investment to facilitate supply to you.

In all cases new or upgraded connections require approval by us. We reserve the right to decline a new or upgraded connection where this poses safety or technical risk at unacceptable levels, or we deem the construction or ongoing maintenance costs would be uneconomic.

Investment in shared assets is generally only able to be made in large increments and often needs to be made in advance of when it may be used to ensure the quality and reliability of supply to existing customers.

Costs of new, or of upgrades to existing, connections may be shared where there are network benefits to the upgrade. Where the upgrade is for the sole benefit of you, then you may be required to pay for the entirety of the upgrade.

To ensure existing customers do not cross-subsidise investment that is not otherwise required for the benefit of the Network, we may require a Capital Contribution from any customer requesting the new or upgraded connection which results in an increase in electrical supply.

If a capital contribution is required by TLC, it will be used to meet the cost of assets that are required to support your connection, including upstream assets, or to provide a refund to customers that have paid for the assets (under this policy), that will be used by You. In all cases, once construction is complete and verified by us as compliant with our Network Code, all assets before the Point of Connection must be vested in The Lines Company prior to livening. Once livened, our Standard Terms and Conditions apply to the connection.

We reserve the right to vary the terms and conditions in this policy, on a case-by-case basis at our discretion.

Residential Connections

This section covers connections where the primary use of the installation is a place of residence (including holiday homes), up to a maximum capacity of 15kVA. Where a residential Connection has been created and paid for as part of a Subdivision (New Subdivisions) under this Capital Contribution Policy, no further capital contribution will apply.

Single New Connection < 10m to Low Voltage Reticulation

This connection type applies to all single residential connections where there is low voltage reticulation within 10 metres of the proposed Point of Supply, up to a maximum capacity of 15kVA.

We will provide new residential connections at a fixed price as detailed below:

- Single Phase Connection \$300 + GST
- Two or Three Phase Connection \$600 + GST

Prices cover all required equipment on our Network up to and including the service fuse at the Point of Connection.

You are responsible for the supply and installation of equipment required to connect your installation to the Point of Connection. Connection of your consumer mains and any relevant inspection and livening costs are also additional to these costs.

Single New Connection > 10m to Low Voltage Reticulation

This connection type applies to all single residential connections where low voltage reticulation *is not* available within 10 metres of the proposed Point of Supply, up to a maximum capacity of 15kVA.

We will provide, free of charge, any new distribution transformers needed to accommodate the new connection.

You are responsible for the cost of:

- Installation of any transformers provided by us. This includes associated transformer earthing.
- Supply and installation of all other equipment required to connect your installation to the Point of Connection.

Work to accommodate the new connection may be completed by us, or, if you wish, a contractor we have approved to work on the Network. Where work is completed by a contractor, we may require site inspections during construction to verify the work is being completed in accordance with our Network Code.

Connection of your consumer mains and any relevant inspection and livening costs are also additional to these costs.

Upgrades to existing connections

Where an upgrade to capacity requested for a residential connection triggers the need to upgrade existing Network infrastructure, we will cover the cost of the upgrade of the existing Network infrastructure, provided the overall capacity of the residential connection is not more than 15kVA.

If construction of new Network infrastructure is also required to facilitate your requested upgrade, you are required to meet the cost of the new infrastructure (excluding the supply of distribution transformers).

You will need to cover the cost of any upgrades to your consumer mains, connection of new consumer mains to our network, inspection, and livening costs.

New Subdivisions

This connection type applies to Subdivisions of two or more sections located adjacent to each other.

There are many variables associated with the connection of new Subdivisions, therefore we will assess the cost of connecting new Subdivisions on a case-by-case basis.

For new Subdivisions, we will provide, free of charge, all distribution transformers required to supply electricity to the Subdivision.

You are responsible for all other costs of high and low voltage reticulation and earthing systems (including any investment required in shared assets) to provide electricity to the customer Point of Connection within the Subdivision.

The design of the Subdivision must be in accordance with The Lines Company's Network Code and be approved by us prior to the commencement of construction. Where we complete a design for the subdivision a charge will apply. The cost of the design will be confirmed with you prior to commencement.

Construction of the Subdivision reticulation may be completed by us, or a contractor we have approved to work on the Network. Where work is completed by a contractor, we may require site inspections during construction to verify the work is being completed in accordance with our Network Code.

All other Connections

This connection type applies to any connection not elsewhere identified in this policy, including commercial and industrial connections, relocations, modifications, and upgrades to existing connections.

The cost of all other new or upgraded connections including direct and upstream asset costs will be met 100% by the customer requesting it.

The wide range of connection requirements means it is not possible to provide a standard price schedule for these connection categories, therefore each new request will be priced individually. Depending on the complexity of the connection, we may require the customer to fund the design work to allow us to provide accurate pricing.

If the connection uses assets that are subject to a capital contribution refund under this policy, the customer will also be required to contribute to the refund in addition to the cost of any new assets.

Ongoing Lines Charges

We fund the development and operation of our core network through a mixture of retained earnings and debt. Lines charges fund this investment and are payable by all customers in line with our pricing methodology and published pricing schedules, regardless of whether customers have made a capital contribution or not.

We can provide an indication of ongoing lines charges if requested by you, with your Capital Contribution connection proposal to assist in your decision making.

Where your new or upgraded connection does not meet one of our standard pricing plans, we may negotiate a separate connection contract for lines charges with you.

Capital Contribution Refund

If a second or subsequent customer wishes to connect to assets subject to this policy, they must contribute.

A capital contribution refund is available for five years from the commissioning date of the asset(s).

- Refunds are only available for assets over \$10k in value.
- The refund will be calculated based on the ratio of the requested capacity of the second or subsequent connection(s) and the original installed capacity of the asset(s).
- Refunds will be based on the original cost of the commissioned asset(s) with no adjustments.
- The refund will be paid to the owner of the land of the customer who made the original capital contribution within three months of receipt by us. If the land has changed or changes ownership, the refund will be made to the current owner / occupier, not the customer who made the original contribution.
- Capital Contributions are not refundable in the event of an asset failure as the cost of repair or replacement will be met by TLC.

- Capital Contribution refunds will be assessed under the Capital Contribution Policy in place at the time the assets were commissioned.

An example of second and subsequent contributions and refunds is provided in the Appendix.

Additional Information

Payment of Capital Contribution Charges

All charges are payable by you prior to your installation being livened. Fees do not include connection of customer assets to the Point of Connection.

Customer Equipment up to the Point of Connection

The Customer is responsible for the cost of supply and installation of their equipment up to the Point of Connection (e.g. consumer mains).

Property rights

All property rights required for the installation or upgrade of assets are to be provided free of charge by the customer unless agreed otherwise by us, including unrestricted access to the assets in the form of appropriate easements in our favour allowing for maintenance, fault response and asset management activities.

Ownership and Maintenance of Assets

All assets installed up to and including the Point of Connection to the customer will be owned and maintained by The Lines Company following installation.

Transformers provided by Us

Where we provide a transformer free of charge under this policy, it must be connected to lines owned by Us. If the Customer wishes to own the high voltage lines supplying their Installation, they must also pay for (and will own) the transformer. In this case the transformer may be purchased from Us.

Alignment with Electricity Authority Pricing Principles

We are required to demonstrate the alignment of this policy with the Electricity Authority's Distribution Pricing Principles (2019), which are as follows:

- a) Prices are to signal the economic costs of service provision, including by:
 - i. being subsidy free (equal to or greater than avoidable costs, and less than or equal to standalone costs);
 - ii. reflecting the impacts of network use on economic costs;
 - iii. reflecting differences in network service provided to (or by) consumers; and
 - iv. encouraging efficient network alternatives.
- b) Where prices that signal economic costs would under-recover target revenues, the shortfall should be made up by prices that least distort network use.
- c) Prices should be responsive to the requirements and circumstances of end users by allowing negotiation to:
 - i. reflect the economic value of services; and
 - ii. enable price/quality trade-offs.
- d) Development of prices should be transparent and have regard to transaction costs, consumer impacts, and uptake incentives.

We consider the Capital Contributions Policy is consistent with the Distribution Pricing Principles in the following ways:

- Capital Contributions are calculated in a manner that covers the shortfall between the expected revenue from a connection and the long run marginal cost of providing that connection. This signals the economic price of providing the connection and is consistent with principle a).
- Uneconomic bypass is discouraged as the Capital Contribution will be less than the stand-alone cost of providing the connection. Alternative technologies/means of providing the connection are considered during the application process and we encourage the use of these alternatives where they are safe, economic, and technically viable. This meets the requirements of principle b).
- This Capital Contributions Policy sets out the methodology used to calculate Capital Contributions providing a transparent approach that is applied to all customers, consistent with principles c) and d).
- Any Capital Contributions received do not form part of The Lines Company's regulated asset base and no return on the value of these contributions will be recovered by The Lines Company's charges.

Definitions

Capital Contribution: Capital funding required from the customer in order for The Lines Company to be able to provide the connection or undertake the requested work and to achieve an economic rate of return on the project or projects.

Customer, You: A party (person, persons, company, corporation or other legal entity) who deals with The Lines Company. This includes sub-dividers, developers and connection owners.

Network: Electrical distribution assets (e.g. lines, cables, transformers, fuse pillars and switchgear) owned and operated by The Lines Company for the purpose of distributing electricity to Customers.

Network Code: The Lines Company Code or Distribution Standards as published at:

<https://www.thelinescompany.co.nz/forms/>

Point of Connection: The Point of Connection (POC) is the point where electrical connection is made between your installation and our Network.

Point of Supply: As defined in Section 5.3 of the Network Code

Subdivision: Any division of property or sections that requires approval from a regulatory body.

The Lines Company, Us: The Lines Company Limited

Uneconomic Bypass: Will occur when new connection charges are high enough to drive customers to seek alternative connection options and the alternative option bears costs for the customer but does not reduce costs to the same magnitude for the Network.

Definitions not otherwise provided in this policy may be referenced in our Standard Terms or Network Code.

Appendix – Capital Contribution Refund Example

A new connection of 1000kVA is provided to Customer 1 at a cost of \$100,000. Customer 2 wishes to connect a 200kVA load to those assets two years after commissioning.

The calculation of Customer 2's contribution to these assets, and therefore the refund available to Customer 1 is as follows:

Customer 1 Capital Contribution	\$100,000
Installed Capacity	1,000 kVA
Customer 2 Capacity	200 kVA
Calculation	$(200\text{kVA}/1000\text{ kVA}) * \$100,000$
Customer 2 Contribution/Customer 1 Refund	\$20,000

Customer 3 wishes to connect 300kVA to those assets four years after commissioning. The calculation of Customer 3's contribution to these assets and the refund to Customer 1 is detailed below:

Customer 1 Capital Contribution	\$100,000
Installed Capacity	1,000 kVA
Customer 3 Capacity	300 kVA
Calculation	$(300\text{kVA}/1000\text{ kVA}) * \$100,000$
Customer 3 Contribution/Customer 1 Refund	\$30,000

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