

# Network Extensions and Upgrades Policy

*Effective from 1 March 2013 and Pursuant to Section 2.4.6 and 2.4.8 of the Electricity Distribution Information Disclosure Determination 2012 (the IDD)*

## Introduction

Electra is required by section 2.4.6 of the IDD to describe the circumstances and methodology that it uses to determine capital contributions. This is required where a distributor determines the amount of capital contribution or obtains information from another person who determines the amount of a capital contribution on its behalf (i.e. a contractor)<sup>1</sup>.

Capital contributions are defined as:

*"...Money or the monetary value of other considerations charged to or received from consumers or other parties for the purposes of asset construction or enhancement..."<sup>2</sup>*

Electra's policy is to *not* charge capital contributions. Rather, customers wishing to connect to Electra's network (e.g. developers) are expected to fully fund any extensions and upgrades to the network. These are to be undertaken using an approved contractor. Each party is required to either vest the assets in Electra or retain ownership themselves, in which case the Assets must be certified as being safe to connect to the network. Accordingly, no capital contributions are received by Electra.

This policy means that the requirements of sections 2.4.6 and 2.4.8 of the IDD do not apply to Electra. Nevertheless, we have set out below our requirements for network extensions and upgrades to assist current and future stakeholders.

This policy has been worded simply to assist people in understanding its content and implications for them. Please contact the Electra Network Development team for further information if required.

## Definitions

Definitions used in the policy are explained below:

|                 |  |
|-----------------|--|
| <b>Assets</b>   | The fittings and fixtures used to convey electricity from Electra's network to the <b>NCP</b> . They usually consist of the poles, wires, transformers, switchgear, underground cables, etc. |
| <b>Customer</b> | The person or body corporate requiring the extension or upgrade.   |
| <b>Easement</b> | A legal right of way or similar right over another's land.   |
| <b>ICP</b>      | The ICP is the unique number given to each Network Connection Point.   |
| <b>IDD</b>      | Electricity Distribution Information Disclosure Determination 2012   |
| <b>NCP</b>      | The NCP is the Network Connection Point at which ownership of the power line Assets transfers to consumers from Electra. Service fuses usually, but not always, signify the NCP.             |

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<sup>1</sup> section 2.4.8 of the IDD

<sup>2</sup> With reference to section 1.4 of the Electricity Distribution Services Input Methodologies Determination 2012

## **Funding and Ownership Policy**

As a general principle the Customer will pay for new and upgraded Assets, including additional 11kV and 400V power lines/cables, along with the supply and installation of transformers as necessary to meet the required electrical load so that it does not affect the quality of supply to existing customers.

The Customer is required to either:

- (1) Engage and pay an approved contractor for all of the costs of providing the Assets and vest the Assets with Electra; or
- (2) Retain ownership of the constructed Assets and provide appropriate certification that the Assets are safe to connect to the Electra network.

Electra will take responsibility for the long-term operation, renewal, and management of vested Assets.

Assets not vested in Electra are the property of the Customer and the ongoing operation, maintenance and replacement of them remains the sole responsibility of the Customer.

## **Use of Approved contractors**

The Customer must engage and pay an approved contractor for all of the costs associated with providing and installing the Assets.

There are several line-contracting companies currently approved to undertake work on Electra's network. A list of these line-contracting companies is available on our web site: [www.electra.co.nz](http://www.electra.co.nz).

Any of the approved contractors can quote for work providing they are able to meet the conditions set out for the proposed work, i.e., the magnitude, shutdown times, live line work, etc.

## **Specification**

Electra will review and approve the technical design for all Assets to be vested to Electra.

## **Easements**

Easements must be registered for any Assets transferred to Electra where they are located on private property. A written undertaking by the Customer to obtain the easement will be sufficient to enable living of the Assets. The Customer retains ownership responsibility until the easement is completed.

## **Capacity Reassessment**

Where the capacity of new assets is found by the new consumer to be excessive and a lesser capacity (kVA demand) is adequate, Electra will refund the value of any recoverable Assets (usually only transformers) no longer required and released from service. The consumer will be responsible for downgrading costs.

## **Re-energisation of ICPs**

Where an existing ICP has been disconnected, Electra will allow reconnection of the ICP at the consumer's request without additional requirements provided less than six months has lapsed since the original disconnection.

After the six-month period has lapsed Electra may

- Remove the redundant network Assets; and/or
- Reallocate any spare capacity available to other consumers.

In either case, if additional capacity is required at the original ICP site it will be treated as an application for a new supply.

## Basis of our approach

Under Section 2.4.6(1)(c) of the IDD, distributors must describe the extent to which their capital contributions policy is consistent with the distribution pricing principles developed by the Electricity Authority. Electra does not charge capital contributions meaning the pricing principles are not relevant. However, our approach achieves the following outcomes consistent with these principles:

- The requirement for Customers to fund the full cost of any extensions and upgrades ensures that each customer funds at least the incremental costs associated with these assets. Customers must also pay for shared costs as part of distribution charges.
- Our approach appropriately signals future investment costs and available service capacity on Electra's network as consumers must fund the full incremental cost of connecting to the network,
- The specification of Assets is left to the Customer, albeit subject to Electra's approval (i.e. for vested assets) or to certification that the assets are safe to connect (i.e. where Assets are not vested). Costs for extension and upgrade assets are as agreed between the customer and their chosen contractor. Customers are therefore free to make price/quality trade-offs which align with their demands and requirements.
- As part of the design and scoping phase, Customers will be able to compare the total cost of connecting to the network (including in relation to Asset, ongoing operations and maintenance costs, and distribution tariffs) and assess these against a range of viable network bypass options (i.e. alternative fuels/networks).
- Electra's approach is simple and transparent and has not changed for some time promoting certainty for new customers.

Please refer to our pricing methodology on our website for further discussion on the pricing principles as they relate to distribution prices.

## Further Information

Further information on connecting to Electra's network can be found in the frequently asked questions section of our website under the heading [How do I arrange electricity supply to my new house?](#) For further information or clarification contact:

**Electra Limited**  
Cnr Bristol and Exeter Streets  
PO Box 244  
Levin 5540  
Freephone 0800 353 287  
[enquiries@electra.co.nz](mailto:enquiries@electra.co.nz)