



SCANPOWER
ELECTRICITY NETWORKS

Scanpower Limited

Capital Contributions Policy

effective 1 April 2024

Tēnā koe mō te pānui tēnei tuhinga

Scanpower Limited (Scanpower) owns and operates electricity distribution assets that deliver electricity to homes, businesses, and industrial customers across the Northern Taranaki region of New Zealand. We have been serving our community for almost 100 years, covering a geographic area of 2,500 square kilometres and supplying over 6,800 connections with electricity in a safe, reliable, and affordable manner. We connect to the national electricity transmission grid operated by Transpower at the Woodville and Dannevirke substations.

We are trust owned through the Scanpower Customer Trust, which holds the shares in Scanpower on behalf of all customers connected to our network. Our trustees are elected triennially to represent all connected customers' interests and drive the company's direction via a Statement of Corporate Intent.

Policy Purpose Statement

This policy sets out Scanpower's requirements for the payment of capital contributions by customers who initiate requests that result in us having to undertake capital work on our electricity distribution network.

Capital contributions are amounts payable arising in association with the capital costs for works to be undertaken on our network, including:

- new connections
- connection alterations
- capacity upgrades
- asset relocations
- conversion of overhead conductors to underground services.

This policy has been disclosed—

- A. in accordance with section 2.4.6 of the Electricity Distribution Information Disclosure Determination ([ID Determination](#)) administered by the [Commerce Commission](#) (the Commission); and
- B. in alignment with the Distribution [Pricing Principles](#) and the Distribution Pricing: Practice Note, Second Edition v 2.2, 2022 (the [Practice Note](#)) administered by the [Electricity Authority](#) (the Authority).

Policy Principles

We set our line charges annually to recover the costs to serve under normal operating and maintenance conditions, which includes the replacement of assets that have reached the end of their service life. Our line charges are not set to recover the costs of customer-initiated works, such as those associated with new connections, connection alterations, capacity

upgrades, asset relocations, and the conversion of overhead conductors to underground services.

We believe it fair that customers requesting capital works for their own benefit meet the costs of that investment through the payment of a capital contribution. In calculating the value of capital contributions, we endeavour to determine the costs directly attributable to the capital works requested, no more and no less. We take this approach to avoid ‘first-mover disadvantage’ and ‘free rider’ scenarios.

First-mover disadvantage can occur when a customer who is the first to establish a new connection (or is the exacerbator for a network alteration) is required to pay a capital contribution for the construction of assets beyond the costs attributable to their connection. That is, pay the capital costs for works that will benefit other customers, both existing and future.

We agree with the Authority’s position that first movers should have neither advantage nor disadvantage compared to other customers. Accordingly, where a network alteration or new connection is designed and constructed with anticipatory capacity, or there is a reasonable likelihood that future customers may utilise and benefit from it, we will:

- fund the anticipatory capacity; and
- allocate a subsequent capital contribution to any future customer commensurate with the level of service being provisioned.

We take this approach to avoid the need for rebates or refunds to the first mover by charging an appropriate capital contribution in the first instance. In the event that subsequent and reasonably unforeseen movers connect, we will seek to keep the first mover whole.

Scanpower will own assets associated with the capital contribution, and the payment of a capital contribution does not confer ownership of the assets to the customer.

Consumer vs Customer

We use the terms ‘consumer’ and ‘customer’ interchangeably throughout this policy. A ‘consumer’ means any person who is supplied, or applies to be supplied, with electricity other than for resupply, as per clause 5 of the Electricity Industry Act 2010. The term reflects that the electricity retailer, rather than us, has a contractual relationship with the end user for the supply of electricity.

However, when a person applies for a network alteration or new connection, they do have a contractual relationship with us to complete the capital works. In this context, we refer to the person as a ‘customer’.

A person who wants to alter their connection or establish a new connection to our network can be our customer, consumer or both simultaneously. To address this inherent multi-relationship, throughout this policy, we have used the terms consumer and customer in the context most relevant to the relationship we have with that person at that time.

Table of Contents

Tēnā koe mō te pānui tēnei tuhinga.....	2
Policy Purpose Statement.....	2
Policy Principles	2
Consumer vs Customer	3
1. Policy Overview	5
1.1 Objectives.....	5
1.2 Alignment to the Pricing Principles.....	5
2. Connecting to the Scanpower Network	6
2.2 Installation of meters	8
2.3 Customers’ can utilise the services of Authorised Persons	8
3. Calculation of a Capital Contribution	8
4. Distributed Generation.....	8
5. Unmetered supply	9
7. Disputes process.....	9

1. Policy Overview

1.1 Objectives

We have developed this Capital Contributions Policy to meet four primary objectives.

- (a) Avoid disbenefits to customers, both existing and future, by having an appropriate policy in place that reflects the economic costs of network alterations and new connections to our network.
- (b) Create a benefit for customers by encouraging customers who want network alterations and new connections to contribute towards the recovery of shared costs and assets via our line charges.
- (c) Determine the economic costs of providing network alterations or a new connection using an incremental cost approach that identifies the full costs attributable to the new connection in a manner that is fair and reasonable.
- (d) Incentivise existing and new connections to use our network efficiently and disincentivise inefficient construction, e.g., discourage gold plating the network.

1.2 Alignment to the Pricing Principles

Our approach to Capital Contributions described in this policy aligns with the Authority’s Pricing Principles.

<p>(a) Prices are to signal the economic costs of service provision, including by:</p> <ul style="list-style-type: none"> (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; (iv) encourage efficient network alternatives
<p>Principle (a) is met as the customer funds the incremental costs of the network alteration or new connection. Accordingly, customers do not subsidise or contribute to the network alteration or new connections except that there is a shared network benefit derived from the new or additional assets.</p>
<p>(b) Where prices that signal economic cost would under-recover target revenues, the shortfall should be made up by prices that least distort network use.</p>
<p>Principle (b) is met as the network alteration or new connections contribute to and benefit from the overall existing and future shared assets through our line charges, which seek to recover operation and management costs through cost-reflective and efficient prices to benefit all connected customers, both existing and future.</p>

<p>(c) Prices should be responsive to the requirements and circumstances of end-users, allowing negotiation to:</p> <ul style="list-style-type: none"> (i) reflect the economic value of services, and (ii) enable price/quality trade-offs.
<p>Principle (c) is met as we only supply the network alteration and new connections as agreed with and required by the connecting party at the level of service they expect at the price they are willing to pay.</p>
<p>(d) Price development should be transparent and consider transaction costs, consumer impacts, and uptake incentives.</p>
<p>Principle (d) is met as we assess all network alterations and new connections to ensure that cost recovery is transparent, fair, reasonable, and dependable.</p>

2. Connecting to the Scanpower Network

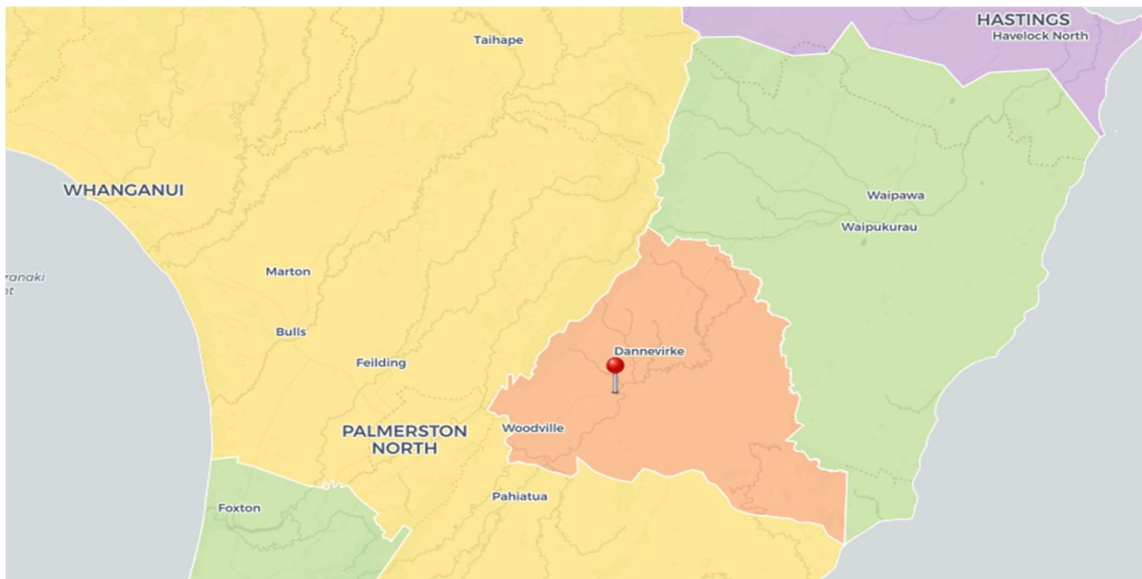
Customers connect to our network through an installation control point (ICP). We require all customers to connect their premises to our network through an ICP. The customer entirely funds the cost of establishing the ICP and may contribute to augmenting the network where their network alteration or new connection exceeds the existing capacity of the network or erodes the headroom over our threshold of 75%.

There are four simple steps to requesting a network alteration or establishing a new connection to our network.

Step 1 — Establish which network the customer wants to connect to

We service the Northern Tararua district, as shown in Figure 1. We can alter a connection that exists on our network or establish a new connection that is within our service area.

Figure 1: Map of our network servicing the Northern Tararua



Customers who are not located on our network should contact their local electricity network company. The Electricity Networks Association [map](#) can help customers find out who their local network company is.

Customers who are moving properties (e.g., into a new rental or purchasing a new house) are likely to have an existing installation connection point (ICP) at the property. An ICP is a unique identifier to an individual power connection. The ICP plays a crucial role in understanding how the property is connected to our network.

Consumers with an existing ICP do not need us and instead need to contact their preferred retailer. Their retailer will provide the customer with the ICP number at that connection and will arrange to have the power connected.

Step 2 — Engage the Scanpower Network team

Customers who want to alter their existing connection or establish a new connection can contact us via our [Contact Form](#) at any time or call us at 0800 80 8039 during business hours.

We will collect some basic information, including contact details and the connection address. If the connection does not have an address, we will need the Lot or Deposited Plan (DP) number of the property title.

A Scanpower project manager will assess the customer's requirements, design a suitable power supply, and provide a quote to complete the work. Once accepted, we will issue the customer with a new ICP number and schedule the work to be completed.

Step 3 — Contact your retailer.

For a new connection, the customer will need to nominate an electricity retailer. The retailer will arrange for the installation of a meter along with an agreement to pay for electricity use at the new ICP. The retailer will need to know the ICP number and the address of the property (see step 2 above).

Electricity retailing is a competitive market. Customers can choose which retailer they buy their electricity from. Consumer NZ runs Powerswitch, a free, independent service that compares electricity and gas prices and helps customers determine the cheapest pricing plan. More information on switching retailers can be found at www.powerswitch.org.nz

Step 4 — Scanpower livens the connection

The customer's electrician will need to notify us when the internal wiring at the property is completed, and the property is ready to connect to our network. Once we receive a copy of the Certificate of Compliance and Record of Inspection, we will then connect and liven the connection. The customers' retailer (see step 3 above) will send a contractor to install the meter (this usually happens the same day).

2.2 Installation of meters

Except in extremely rare cases where an unmetered connection is assessed as being appropriate, we require all connections on our network to be metered.

A meter measures the flow of electricity across the ICP, both for billing purposes and to access other services (e.g., network planning). The customers' nominated retailer is responsible for appointing the meter equipment provider (MEP) and providing metering services.

As we are not responsible for metering, this policy does not cover charges for new and replacement metering installations.

2.3 Customers' can utilise the services of Authorised Persons

Customers can utilise the services of a suitably qualified contractor to our network, provided the person is an Authorised Person and meets our prescribed standards. More information about how to connect to our network can be found on our website at <https://scanpower.co.nz/get-connected/>

3. Calculation of a Capital Contribution

Customers wishing to connect to the network for the first time or requiring other capital work to be undertaken on their behalf such as capacity upgrades or asset relocations, will be required to pay a capital contribution towards the cost of that work.

The amount to be paid is not a fixed sum (Scanpower does not have a standard schedule of capital contribution rates) and is determined on a case-by-case basis according to the specifics of the work requested and set at a level commensurate with the level of service / capacity being provisioned.

So as to avoid any first-mover disadvantage, if any anticipatory capacity is incorporated into the works design, Scanpower will fund that surplus capacity (i.e. deduct the cost of the anticipatory capacity from the capital contribution) and allocate those costs, on a pro rata basis, to any future customers wishing to connect / make use of it.

4. Distributed Generation

This policy does not apply to distributed generation (DG) connections seeking to connect to our network under Part 6 of the Electricity Participation Code 2010 (the [Code](#)).

We support the development of safe and reliable distributed generation onto our network. Guidelines for the connection of distributed generation to our network are available upon request or may be downloaded via our company website.

5. Unmetered Supplies

In certain circumstances, when it is considered impractical to read or maintain a meter or metering equipment that could be highly susceptible to damage, we may accept an unmetered supply. Connections eligible for unmetered supply are typically low and steady uniform loads, where consumption can be estimated with some degree of accuracy, e.g., streetlights, bus shelters, or traffic monitoring equipment.

We must approve all unmetered loads and allocate an ICP where applicable. This ensures suitable traceability of the connection and adherence to the Code. Connection of an unmetered supply is conditional on acceptance by the customers' nominated retailer.

6. Disputes process

We value continuous improvement, and if we have failed to provide the expected level of service and support, we would like to hear from you. We are committed to treating complaints seriously and reaching resolutions as quickly and fairly as possible.

A quick chat with a staff member is often required to resolve your concern. Call us on weekdays at 0800 80 80 39 between 8 am - 5 pm. We endeavour to resolve all formal complaints within 20 days. More information on our complaints process can be found on our website at www.scanpower.co.nz/contact

If we do not resolve your complaint to your satisfaction, you can contact Utilities Disputes at 0800 22 33 40 or go to www.utilitiesdisputes.co.nz

We are a member of the Utilities Disputes Scheme, a free and independent service for resolving complaints about utility providers.

