

Capital Contribution Policy for New Load and Network Extensions – Marlborough Lines

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1. Glossary of Terms

Capital Contribution	Refers to the total amount payable by a Customer associated with the connection of a New Load (or a modification to an existing load). See 4.4
Electrical Installation	'Electrical Installation' is defined in Section 2 of the Electricity Act 1992 but generally refers to those assets within the customer's property boundary.
Electrical 'Works'	Electrical 'works' are as defined in Section 2 of the Electricity Act 1992 but generally refers to those network assets on the network side of the customer's property boundary. They also include Vested Network Extensions which in some circumstances are located inside the customer's property boundary.
MLL	Marlborough Lines Limited
Network Development Levy	The Network Development Levy is a scheduled Marlborough Lines charge applied to all New Loads. See section 5
Network Extensions	Network Extensions are new 'works' necessary to achieve connection between the distribution network and the Customer Connection Assets. In some circumstances Network Extensions will have to be located within private property boundaries and be secured by easements in favour of Marlborough Lines.
New Load	Is any new load or increase in capacity of any existing load, refer to section 2.2
Rail Crossing Levy	Is a one off levy which covers the ongoing annual charges payable to NZ Rail to allow any new crossings of the railway lines. See 4.9
Remote area Surcharge	Is an additional charge levied on new loads within uneconomic areas. See section 6
Subdivision Rebate	Is a rebate applied to subdivisions – see section 7
Transformer Credit	Is a credit applied when a customer upgrades an existing transformer and pays for the new transformer – see section 4.8
Urban	refers to the zones identified as urban or township in the relevant Resource management Plan.

2. Purpose

- 2.1 This document is for individuals, businesses or organisations that want to connect a new load to Marlborough Lines' distribution network. It details Marlborough Lines Capital Contribution Policy that will apply to any new load.
- 2.2 What is a new load? 'New load' refers to any proposed:
- New connections to the network (note 2.3)
 - New subdivisions/developments to be connected to the network
 - Increase in capacity required at an existing connection
- 2.3 The connection of a residential installation within a subdivision where the Developer has provided the required assets and paid all Capital Contributions in full is NOT treated as 'New Load', i.e. it does not attract any further Capital Contributions.
- 2.4 This document has been prepared to provide consumers with clear guidance on MLL's policies and rationale for those policies. It is publicly disclosed in accordance with Commerce Commission requirements.

3. Introduction

- 3.1 Marlborough Lines owns and operates the electricity distribution network in the Marlborough Area and distributes power to around 25,000 residential and commercial consumer connections. Marlborough Lines is owned by a consumer trust – the Marlborough Electric Power Trust. The area supplied includes the provincial centre of Blenheim and the smaller towns of Picton, Havelock, Seddon and Ward.
- 3.2 The network also extends to a number of very isolated areas (including the Marlborough Sounds), that pose unique challenges for electricity supply. Unlike many other regional networks the company has a single point of supply from the National Grid to the Grid Exit Point (GXP) in Blenheim. Relative to its size the Marlborough Network has an extensive sub-transmission system. There are 16 zone substations on the Marlborough Network with the most recent addition being Cloudy Bay (completed in March 2013).
- 3.3 In order to carry out its objectives Marlborough Lines must ensure that public safety is protected at all times and that it maintains a safe and reliable electricity distribution network. It also has a responsibility to reflect the economic costs of its delivery service.
- 3.4 When individuals, businesses or organisations want to add new load to the network Marlborough Lines evaluates that request against certain considerations, such as its need to ensure that it makes decisions that are economically prudent and for the benefit of all consumers on its network.
- 3.5 Marlborough Lines endeavours to make new capacity available wherever possible provided it can be supplied on a reasonable economic basis. There may be some instances where connection of new loads to the network would be imprudent e.g. because it is completely uneconomic or impractical in technical terms.

3.6 Marlborough Lines is prepared to consider ownership and operation of any extension along with the associated distribution transformer, provided that the work:

- is carried out by competent Contractors; and
- Meets Marlborough Lines' Network Design and Construction Standards and relevant electricity regulations; and
- Is funded by an appropriate Capital Contribution from the consumer.
- Is not part of an electrical installation

4. Policy

4.1 Parties requiring New loads will be responsible for arranging, paying for and maintaining all parts of their electrical installation. This generally includes all assets dedicated to supplying electricity located within the installation property boundary.

4.2 All New loads will fund any new extensions to the Network or upgrades to the existing Network required to supply their electrical load.

4.3 All New Loads must pay the required Capital Contribution to Marlborough Lines in full before the assets can be connected and supply obtained.

4.4 The Capital Contribution consists of a Network Development Levy for all areas plus a Remote Area Surcharge charge for the remote and uneconomic sections less the Subdivision Rebate, if applicable. If the new line crosses a Railway Line, a Rail Crossing levy will also be charged. This is based on the charges levied by the Railway Line owner.

4.5 The consumer shall, where required, provide an easement to Marlborough Lines to allow ongoing operation and maintenance of the associated assets. In addition, where any network extension crosses other privately owned land prior to entering the customer's property, easements must be obtained prior to the line being connected to the network. In this case, Marlborough Lines prefers that the easements be registered under Marlborough Lines' name and that Marlborough Lines take over ownership of that section of the line.

4.6 All other costs relating to the extension of Marlborough Lines' network will be paid for by the consumer prior to any assets being handed over to Marlborough Lines. Marlborough Lines may require proof that all contractors have been paid and that the consumer is in a position to transfer ownership of unencumbered assets to Marlborough Lines.

4.7 Where the network extension results in additional benefits to the Marlborough Lines Network (for instance in terms of network security), Marlborough Lines may choose, at its sole discretion, to fund a portion of the extension cost.

4.8 Where the New load requires an upgrade in transformer capacity and the cost of the transformer is being met by the consumer, a credit for the existing transformer will be applied to the Network Development Levy. The value of the credit for the transformer will be based on the current purchase price of a similar transformer. Marlborough Lines shall ensure that any New loads wanting to connect to network line extensions previously funded by original

consumers compensate the original parties (or their successors where ownership has changed) for the shared line component.

- 4.8..1 The amount of compensation will be based on the value of the assets which will be then be shared amongst the users as though they had all been connected at the time of the original connection.
- 4.8..2 The maximum term that shall be applied in this case shall not extend more than five years past when the initial extension is livened. This does not apply to connections within a subdivision.
- 4.9 New connection applications which involve building a network extension that crosses a railway line will be required to pay a rail crossing levy charge upfront and prior to the livening of the connection. This levy is currently set at ten times the expected annual rail crossing charge from NZ Rail (or its successors) at the time of application.
- 4.10 This policy fully aligns with the pricing principles in Marlborough Lines' Pricing Methodology, including being subsidy free, having regard to the level of available service capacity and signalling the impact of additional usage on future investment costs.
- 4.11 All costs or prices outlined in this policy are GST exclusive.

5. Network Development Levy

- 5.1 All New Loads are required to pay a one-off Network Development Levy.
- 5.2 For new loads that have a total capacity provided that exceeds 150kVA the amount of the levy may be different from the formula outlined below and will be based on an individual economic analysis by MLL. The individual economic analysis will take into account the costs caused by and attributable to the proposed new load, the present value of future net line charge revenue and any known benefit that Marlborough Lines or other consumers may derive for the planned expenditure.
- 5.3 In other instances the value of the levy in each instance depends on the size and remoteness of the connection and therefore reflects an approximation of the costs of providing and upgrading the existing upstream assets.
- 5.4 The Network Development Levy is based on the transformer capacity provided and the distance (measured along the 11kV line) from MLL's 33/11kV Substations.
- 5.5 For areas supplied by Renwick, Leefield, Woodbourne, Spring Creek, Riverlands or Blenheim zone substations:

The rates are \$0.7/kVA + \$2.70 per kVA per km for 1st 5km and \$4.10 per kVA per km for the remaining distance.

For example for a New Load requiring a 30 kVA transformer located 6km from the Renwick Substation,

The charge would be $30*0.7+5*2.7*30+(6-5)*4.1*30 = \549.00

5.6 For areas supplied by Picton¹, Havelock and Seddon zone substations,

The rates are \$5.1/kVA + \$5.4 per kVA per km for 1st 5km and \$8.20 per kVA per km for the remaining distance.

For example for a New Load requiring a 30 kVA transformer located 6km from the Picton Substation,

The charge would be $30*5.1+5*5.4*30+(6-5)*8.2*30 = \$1,209.00$

5.7 For areas supplied by the Linkwater, Rai Valley, Ward and Picton² zone substations,

The rates are as \$9.5/kVA + \$8.2 per kVA per km for 1st 5km and \$12.30 per kVA per km for the remaining distance.

For example for a New Load requiring a 30 kVA transformer located 6km from the Linkwater Substation,

The charge would be $30*9.5+5*8.2*30+(6-5)*12.3*30 = \$1,884.00$

Note that new loads in these areas may also include a remote area surcharge.

5.8 The minimum Network Development Levy for Subdivisions where the Developer is not providing or funding any additional transformer capacity is \$1,500.00 per section.

5.9 The minimum Network Development Levy for Subdivisions where the Developer is providing or funding any additional transformer capacity is \$850 per section(\$500 or \$715 net of the subdivision rebate if applicable) .

5.10 In all cases the minimum Network Development Levy for New Load is \$150.

6. Remote Area Surcharge

6.1 This is a one off levy which reflects the relatively high costs of installing and maintaining assets in areas that are remote and/or have difficult access of Marlborough. The levy applies to all new connections within the areas shown in the Remote Area map – see <http://www.marlboroughlines.co.nz/Documents/Remote-areas-map-pdf.aspx>

6.2 The Remote Area Surcharge is levied for each new connection at \$3,000.

¹ Note – this relates to the ‘urban’ Picton areas, remote areas are indicated by the area map. See <http://www.marlboroughlines.co.nz/Documents/Remote-areas-map-pdf.aspx>.

² Note – this refers to remote areas fed by the Picton Zone Substation. For determining which costing methodology your site falls into (i.e. remote vs non-remote), refer to the area map.

7. Subdivision Rebate

- 7.1 The Subdivision Rebate only applies to new residential subdivisions of greater than 5 sections in urban areas. For clarity, it is \$0.00 for all industrial/commercial subdivisions, all rural subdivisions and all subdivisions in Remote areas.
- 7.2 Where the Developer provides the transformer capacity, a Subdivision Rebate of \$350 per section or lot is applied.
- 7.3 Where the Developer utilises existing transformer capacity, a Subdivision Rebate of \$135 per section or lot is applied.