



CAPITAL CONTRIBUTIONS POLICY

1 JULY 2021

Aurora
ENERGY

Table of Contents

1.	INTRODUCTION.....	3
1.1	Purpose	3
1.2	Context.....	3
1.3	Scope.....	3
1.4	Definitions.....	4
1.5	Acronyms	4
2.	CONNECTIONS TO AN EXISTING CONNECTION POINT.....	5
3.	CONSTRUCTION OF NEW OR UPGRADED CONNECTION POINTS.....	6
3.1	Subdivisions	6
3.2	Other Connections	7
4.	STRATEGIC DEVELOPMENTS	8
5.	REAPPORTIONMENT.....	8
5.1	Historic Policy and Transition.....	8
5.2	New Policy.....	8
6.	ROTABLE PLANT	9
7.	TEMPORARY CONNECTIONS	9
8.	MOVING WORKS	9
8.1	Cost Responsibility.....	9
8.2	Moving Works in the Road Reserve	10
8.3	Landowner or Occupier Requests	10
8.4	Other Requests.....	10
8.5	Form of Requests.....	10
9.	ELECTIVE REPLACEMENT OF OVERHEAD SERVICE LINES.....	11
10.	GST AND PAYMENT	11
10.1	GST	11
10.2	Payment.....	11
11.	CONTRACT AGREEMENTS	11
12.	EXPLANATION OF CAPITAL CONTRIBUTION CHARGES.....	12
13.	APPLICATION OF PRICING PRINCIPLES.....	12
13.1	Pricing principles	12
14.	INDEPENDENT CONTRACTOR STATEMENT	14
15.	RECORDS	14
	APPENDIX A. – ROTABLE PLANT VALUES.....	15

1. INTRODUCTION

1.1 PURPOSE

- 1 This document details how contributions toward the capital cost of establishing new and upgraded connections are determined.

1.2 CONTEXT

- 2 Aurora's network is continually growing, driven by new connections and upgrades to existing connections. We believe it is important to establish a funding policy for capital contributions that is fair to both existing customers and new customers.
- 3 The purpose of requiring a new Customer to pay a capital contribution, where new investment is required, is to ensure that existing Customers are not exposed to the full cost of funding that new investment (from which they will generally receive no benefit). Aurora Energy and its predecessors have required capital contributions for many decades, and many existing Customers have paid, directly or indirectly, capital contributions when they first connected to the network. It would represent an inequitable wealth transfer from existing Customers to new Customers if Aurora was to retire its capital contribution policy.
- 4 A capital contribution represents a reduction in the net capital invested and, as such, assets are recorded in the regulatory asset base at the cost of investment less the value of the capital contribution received. In this way, only the net value of investment ultimately flows through to line charge prices. Further, Aurora's customised price-quality path, set by the Commerce Commission on 31 March 2021, contains expenditure allowances that include the effect of capital contributions.

1.3 SCOPE

- 5 This standard applies to customer-initiated work where:
 - I. An extension of the network is required to supply a new connection, or a series of new connections (e.g., a subdivision);
 - II. Existing assets are upgraded for the sole benefit of one consumer; or
 - III. Customers require Aurora's assets to be relocated.
- 6 For clarification, this standard does not apply to:
 - I. Expenditure to provide additional general capacity in the network;
 - II. Expenditure to maintain existing security of supply;
 - III. Asset replacements and renewals; or
 - IV. A Customer's installation assets, as defined in the Network Connection Standard (AE-CC01-S).

1.4 DEFINITIONS

Aspect	Definition
Authorised Contractor	means a contractor that is approved by Aurora to work on its distribution network, and to design and construct additions to the network.
Capital Contribution	Means a payment made by the Customer toward the capital cost of new or upgraded connections and/or asset relocations.
Customer	means the person, or organisation, for whom Aurora will provide the new or upgraded connection. The term Customer is to be read synonymously with the terms “consumer”, “developer” or “subdivider” that may be in use in other policy documents.
Controlling Authority	has the meaning given in section 33(4) of the Electricity Act 1992.
Maximum Investment Value	means the maximum investment Aurora is prepared to make in a new or upgraded connection.
Point of Supply	has the meaning given in section 2(3) of the Electricity Act 1992.
Urban	means developed areas that are not zoned rural in the relevant Local Authority District Plan.
Rural	Means areas zoned rural (including rural residential) in the relevant Local Authority District Plan.

1.5 ACRONYMS

Short Form	Long Form
CIW	Customer-initiated work
EDB	Electricity distribution business
MIV	Maximum investment value
POS	Point of Supply

2. CONNECTIONS TO AN EXISTING CONNECTION POINT

- 7 Connecting an installation to an existing connection point generally involves connecting the Customer’s mains cable to a service pillar or the overhead network; however, there may be instances when additional low voltage fuse holders are required.
- 8 As the Customer’s mains cable does not become a network asset, Aurora’s contribution toward the final connection to the network is limited to funding activities associated with verifying that the Customer’s installation is safe to connect and recording relevant technical information.
- 9 Aurora will contribute a maximum fixed amount toward connections to an existing POS, as noted in Table 1. All other costs are payable by the Customer to the Authorised Contractor performing the connection.

Table 1: Maximum investment value for connection to an existing POS

Activity	MIV
Underground connection to service pillar	\$60
Underground connection to overhead system	\$60
Install additional low voltage fuse holder (each)	\$100

3. CONSTRUCTION OF NEW OR UPGRADED CONNECTION POINTS

- 10 Work of this type includes:
- Subdivisions (residential, commercial, or light industrial); and
 - Other connections.

3.1 SUBDIVISIONS

- 11 Subdivisions involve providing connection points for one or more parcels of land. Subdivisions generally do not involve immediate connections to dwellings or buildings, as the created land parcels normally require service infrastructure to be in place before titles are issued, following which the subdivision lots are marketed for sale.
- 12 Residential subdivisions are generally designed for standard low-capacity connections (single phase 63A) but may be up to 41kVA (three phase 63A) in some circumstances. Commercial and light industrial subdivisions generally range from 41kVA (three phase 63A) to 69kVA (three phase 100A).
- 13 For subdivisions, Aurora determines its contribution based on the connection capacity per lot that the subdivision is designed for. Aurora will contribute a maximum fixed amount toward new connections as noted in Table 2.

Table 2: Maximum investment value (MIV) for subdivisions

Subdivision capacity	MIV
15kVA (1/63A)	\$1,800
41kVA (3/63A)	\$2,700
69kVA (3/63A)	\$4,050

Notes

- Aurora’s contribution will be the lesser of the construction cost of the entire subdivision, or the number of subdivision lots times the MIV specified in table 3.
- Where the construction cost of the subdivision exceeds the MIV, the difference is payable by the Customer as a Capital Contribution.
- Where the subdivision is designed to a standard connection capacity, as defined in the Network Connection Standard (AE-CC01-S), that is not listed in 3, the next lowest connection capacity shall be used.
- Where large subdivisions are staged, each stage will be considered separately, and funding approved at the time each stage is progressed.

3.2 OTHER CONNECTIONS

- 14 For other connections to the network, Aurora determines its contribution based on the size of the new connection. This approach ensures that Aurora does not fund uneconomic network connections, and customers are provided with an incentive to pursue efficient and cost-effective connection solutions.
- 15 Aurora will contribute a maximum fixed amount toward new connections, as noted in Table 3.

Table 3: Maximum investment value (MIV) for other connections

Connection capacity	MIV
15kVA (1/63A)	\$6,000
41kVA (3/63A)	\$7,000
69kVA (3/100A)	\$8,000
103kVA (3/150A)	\$12,500
138kVA (3/200A)	\$16,500
173kVA (3/250A)	\$19,500
207kVA (3/300A)	\$22,000
276kVA (3/400A)	\$26,500
300 kVA	\$39,000
500 kVA	\$42,000
750kVA	\$45,000

Notes

- Aurora’s contribution will be the lesser of the capital cost of connection, and the MIV specified in table 4.
- Where multiple connections are involved in a CIW project (e.g., an on-farm irrigation scheme), the MIV for each connection is added to get the total project MIV.
- Where there are multiple connections on one lot and supplied from a common POS (e.g., unit titled developments), the total capacity of the new connections will be added to determine the MIV.
- Where the CIW project involves a connection upgrade, the MIV will be calculated by subtracting the MIV of the existing connection capacity from the MIV of the upgraded connection capacity.
- Where the construction cost of the new connection exceeds the MIV, the difference is payable by the Customer as a Capital Contribution.
- Where a standard connection capacity, as defined in the Network Connection Standard (AE-CC01-S) is not listed in Table 3, the next lowest connection capacity shall be used.

4. STRATEGIC DEVELOPMENTS

- 16 Strategic developments are projects where Aurora determines that alternative Capital Contribution and/or contracting arrangements may be required. The determination of a CIW project as strategic is solely at Aurora’s discretion, but may include developments where:
- 17 the connection capacity of a single proposed connection point is greater than 750kVA; or
- 18 there is a risk of uneconomic bypass.
- 19 Capital contributions will be calculated, and other consideration determined, in a similar manner to standard CIW projects; however, Aurora may, at its sole discretion, apply a tailored investment value that reflects the strategic nature of the project.

5. REAPPORTIONMENT

5.1 HISTORIC POLICY AND TRANSITION

- 20 Aurora historically administered a reapportionment process, which applied when a new connection would utilise assets for which other Customers had made a capital contribution within the previous five years.
- 21 Where reapportionment applied, the historic cost of the assets, depreciated at 20% p.a. straight line, would be reapportioned between the affected Customers based on connection capacity. The additional Customers would pay a reapportionment charge to Aurora, which would then be reimbursed to the present owners of the premises that contributed toward the assets.
- 22 The reapportionment did not apply to assets funded by subdividers, including multi-tenanted buildings and apartments.
- 23 Aurora will not administer reapportionments for new developments approved after 1 July 2021. A transition approach will be maintained for developments connected within the preceding five years, if eligible.

5.2 NEW POLICY

- 24 Aurora will assess new connections and, where it considers (acting reasonably) there is a likelihood in the short-term of addition connections to the assets toward which a Customer will be required to make a capital contribution, may make additional investment above the MIV that recognises that possibility and compensates the Customer accordingly.
- 25 Such consideration will generally be limited to low or high voltage backbone feeder circuits installed within road reserve. ‘Express feeders’ which, owing to capacity requirements, are dedicated to one customer will be excluded from consideration as there is no prospect of those assets being shared.

6. ROTABLE PLANT

- 26 Some projects involve displacement of assets and their return to stock for future re-use (rotatable plant). In that event, Aurora will provide a credit toward the capital cost of the new or upgraded connection, based on the depreciated replacement cost of the returned plant, as scheduled in Appendix 1.
- 27 Aurora may, at its sole discretion, direct a contractor to use stock equipment rather than purchase a new unit. The value of a stock transformer will be accounted for in Aurora's MIV for the project, in order to maintain competitive neutrality among contractors and equity across CIW projects.

7. TEMPORARY CONNECTIONS

- 28 In accordance with section 17.4 of the Network Connection Standard (AE-CC01-S), costs associated with the provision and removal of temporary connections are to be borne by the Customer.
- 29 New assets required to enable the temporary connection are wholly funded by the Customer and will remain their property following removal. If sufficient stocks are available, Aurora may provide a rental transformer for the duration of the temporary supply, which will have the effect of reducing the Customer's costs.
- 30 Where Customer funded temporary assets subsequently form part of a permanent connection, Aurora may, subject to the requirements of this standard and satisfactory evidence of value, procure the assets from the Customer or otherwise include the value of those assets in capital funding calculations for the permanent connection.

8. MOVING WORKS

8.1 COST RESPONSIBILITY

- 31 Except as specifically provided for in this standard, the full cost of moving works, including the cost of creating any necessary easements, is payable by the requestor. No claim by or against the requestor for betterment shall be allowed.
- 32 Where the nature of the moving works projects requires the assets to be reconfigured (a typical example is underground conversions), the moved assets will be constructed to Aurora's prevailing standards, and any incidental betterment that occurs will not be funded by Aurora.

8.1.1 End-of-Life Poles

- 33 Where a request for moving works affects poles that Aurora has determined are approaching end-of-life (condition grade 0 – 2), Aurora will invest \$7,200 per pole to the moving works project.

8.2 MOVING WORKS IN THE ROAD RESERVE

34 Section 32 of the Electricity Act 1992 (the Act) provides that a local authority or other body or person having jurisdiction over a road may at any time, by notice in writing, require Aurora to relocate its works.

35 Except for a requirement by a Controlling Authority, normal cost responsibility provisions apply, as set out in section 8.1, above.

8.2.1 Controlling Authority Cost Allocation

36 Section 33 of the Act specifies the allocation of costs where a Controlling Authority requires works to be moved.

37 Where Aurora elects to reconstruct the works to specifications different to the original; for example, replace an overhead line with underground cable, Aurora will pay for all the additional costs that arise from the changed specification. Similarly, where Aurora elects to install additional works, Aurora will pay for all the additional costs that arise from installation of the additional works.

38 Where the Controlling Authority elects or requires reconstruction to specifications different to the original, including underground conversion, the Controlling Authority will pay for all the additional costs that arise from the changed specification.

39 Note that, because of the Infrastructure (Amendments Relating to Utilities Access) Act 2010, local authorities no longer have Controlling Authority status and the cost share arrangement in section 33 of the Electricity Act 1992 does not apply. Local authority requests to move works in the road reserve are treated on a causer pays basis.

8.3 LANDOWNER OR OCCUPIER REQUESTS

40 Section 35 of the Act allows landowners or occupiers to request the movement of works on private land. Aurora may not unreasonably withhold approval for the relocation; however, Aurora may set reasonable conditions for moving the works.

8.4 OTHER REQUESTS

41 Network owners have no legal obligation to move works in the road reserve at the request of private individuals. Movement will be permitted, however, providing that it is technically feasible and will not adversely affect system reliability or increase on-going maintenance costs.

8.5 FORM OF REQUESTS

42 Controlling authorities relying on Section 32 of the Act shall give formal notice of the requirement to move works. Notice shall be forwarded to:

The CIW Manager
Aurora Energy Limited
PO Box 5140
DUNEDIN 9058

43 All other requests for Aurora to move works may be initiated through an Aurora approved contractor.

9. ELECTIVE REPLACEMENT OF OVERHEAD SERVICE LINES

- 44 Because service lines are owned by the Customer from the POS, most of the cost of service line replacement rests with the Customer. However, in the case of overhead service lines, Aurora is responsible for that portion of the service line from the POS back to the distribution pole which, on average, generally does not exceed 10% of the total length.
- 45 Aurora will contribute to elective replacement of overhead service lines, as shown in Table 4. The replacement line will be neutral-screened cable.

Table 4: Maximum investment value (MIV) for elective overhead service line replacements

Service line capacity	Aurora investment
1 phase 63A	\$75
2 phase 63A	\$100
3 phase 63A	\$115
1 phase 100A	\$90
2 phase 100A	\$115
3 phase 100A	\$130

10. GST AND PAYMENT

10.1 GST

- 46 All amounts stated in the policy exclude goods and service tax.

10.2 PAYMENT

- 47 Payment of capital contributions must be made before livening will take place. Where a capacity upgrade requires a capital contribution, the capital contribution must be paid before the upgrade is commenced.

11. CONTRACT AGREEMENTS

- 48 Customers will be required to enter into contract agreements for the provision of new and upgraded assets, including relocations. The contract agreements describe the final ownership of the new or modified assets, along with the respective obligations of Aurora, the customer and, where required, the contractor.

12. EXPLANATION OF CAPITAL CONTRIBUTION CHARGES

- 49 Aurora commits to providing a reasonable explanation regarding the components of specific capital contribution charges and how they were determined, within 10 working days of receiving a reasonable request from a Customer.

13. APPLICATION OF PRICING PRINCIPLES

- 50 The Electricity Authority (the Authority) has determined a set of pricing principles that are designed to guide distribution pricing by businesses like Aurora. These principles have been incorporated, by reference, into the Commerce Commission's Electricity Information Disclosure Determination 2012. Under the Determination, Aurora is required to provide a description of the extent to which this capital contributions policy is consistent with relevant pricing principles.
- 51 Aurora provides a detailed overview of the Authority's pricing principles and provides statements of conformity in its Use-of-System Pricing Methodology (available from the Information Disclosure section of the Aurora website – www.auroraenergy.co.nz).
- 52 The pricing principles are designed to guide EDBs in the derivation of prices that will recover the efficient costs of providing electricity distributions services. They were not intended to guide EDBs in developing policies or methodologies for determining capital contributions.
- 53 Historically, Aurora's customers have paid capital contributions when connecting to the network. When a capital contribution is paid for a new connection, the value of connection assets entering the regulatory asset base (upon which line charges are partly derived) is discounted by the value of the capital contribution received. If Aurora discontinued its capital contribution policy, then existing customers who have previously paid capital contributions themselves would substantially bear the burden of connecting new customers.

13.1 PRICING PRINCIPLES

- (a) Prices are to signal the economic costs of service provision, including by:
being subsidy free (equal to or greater than avoidable costs, and less than or equal to standalone costs);
reflecting the impacts of network use on economic costs;
reflecting differences in network service provided to (or by) consumers; and
encouraging efficient network alternatives.

- 54 Aurora’s Capital Contribution Policy signals the costs of service provision by:
- [i] **being subsidy free** – Aurora’s contributions towards new subdivisions and other connections (sections 3.2 and 3.3) are set at the lesser of the published MIV and the actual standalone capital costs of connection. New connections result in revenue that is greater than the avoidable costs of connection.
 - [ii] **reflecting the impacts of network use on economic costs** – New connections incur ongoing charges that reflect the impacts of network use, as per Aurora’s Pricing Methodology.
 - [iii] **reflecting differences in network service provided** - The difference between the actual capital cost of connecting to the network and Aurora’s contribution is funded by the customer. In this way, customers with more complex connections to the network will pay higher costs than simpler network connections.
 - [iv] **encouraging efficient network alternatives** – The Capital Contributions Policy limits Aurora’s contribution to a MIV. The difference between the actual capital costs of connection and the MIV is to be funded by the customer. This provides customers an incentive to connect to the network in an efficient manner and investigate network alternatives when the cost of network connection is uneconomic.
- (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
- 55 Not applicable to capital contributions.
- (c) Prices should be responsive to the requirements and circumstances of end users by allowing negotiation to:
 reflect the economic value of services; and
 enable price/quality trade-offs.
- 56 Section 4 of the Capital Contributions Policy allows for Strategic Connections to be assessed on a case by case basis, having regard for the economic value of the connection.
- (d) Development of prices should be transparent and have regard to transaction costs, consumer impacts, and uptake incentives.
- 57 The Capital Contributions Policy includes published MIV values and rates which provides a transparent and simple process for new calculating Aurora’s capital contributions to new customer connections.

14. INDEPENDENT CONTRACTOR STATEMENT

- 58 Customers wanting to connect to the Aurora network, or who request that Aurora move works, may contact any Aurora Authorised Contractor to have that work undertaken, subject to Aurora's approval of the final design and costs. All contract works shall remain under the direct control of Aurora, or its appointed agents.
- 59 Customers may not directly engage contractors to perform the work in lieu of paying a capital contribution.
- 60 Aurora considers that this approach is warranted and reasonable given the very specific obligations imposed on it, under the Health and Safety at Work Act 2015, Electricity Act 1992 & Electricity (Safety) Regulations 2010, to ensure the on-going safety of the network, and to ensure that no employee, contractor, subcontractor or other person is harmed during the execution of contract works or operation of the network.

15. RECORDS

- 61 For every extension for which consumers have made capital contributions, Aurora will retain the following information for a period of 10 years after the extension is completed:
- I. description of the extension that clearly defines and locates the extension.
 - II. original construction cost of the extension and completion date.
 - III. name and address of capital contributors and description of the properties supplied by the extension.

APPENDIX A. – ROTABLE PLANT VALUES

Pole-mounted transformers

Transformer size	Remaining life				
	≤ 10 Yr	<10Yr, ≤20Yr	<20Yr, ≤30Yr	<30Yr, ≤40Yr	>40Yr
15kVA (1Ø)	\$2,187	\$1,458	\$648	\$144	\$-
30kVA (1Ø)	\$3,019	\$2,012	\$894	\$199	\$-
50kVA (1Ø)	\$4,682	\$3,121	\$1,387	\$308	\$-
15kVA (3Ø)	\$3,340	\$2,226	\$989	\$220	\$-
30kVA (3Ø)	\$3,815	\$2,543	\$1,130	\$251	\$-
50kVA (3Ø)	\$4,960	\$3,307	\$1,470	\$327	\$-
75kVA (3Ø)	\$6,388	\$4,258	\$1,893	\$421	\$-
100kVA (3Ø)	\$7,638	\$5,092	\$2,263	\$503	\$-
150kVA (3Ø)	\$9,888	\$6,592	\$2,930	\$651	\$-
200kVA (3Ø)	\$11,353	\$7,569	\$3,364	\$748	\$-
300kVA (3Ø)	\$14,116	\$9,410	\$4,182	\$929	\$-

Micropad ground-mounted transformers

Transformer size	Remaining life				
	≤ 10 Yr	<10Yr, ≤20Yr	<20Yr, ≤30Yr	<30Yr, ≤40Yr	>40Yr
15kVA (1Ø)	\$3,886	\$2,591	\$1,151	\$256	\$-
30kVA (1Ø)	\$4,420	\$2,947	\$1,310	\$291	\$-
50kVA (1Ø)	\$5,972	\$3,982	\$1,770	\$393	\$-
15kVA (3Ø)	\$4,833	\$3,222	\$1,432	\$318	\$-
30kVA (3Ø)	\$5,498	\$3,665	\$1,629	\$362	\$-
50kVA (3Ø)	\$6,537	\$4,358	\$1,937	\$430	\$-
75kVA (3Ø)	\$8,709	\$5,806	\$2,581	\$573	\$-
100kVA (3Ø)	\$10,192	\$6,795	\$3,020	\$671	\$-

Minipad ground-mounted transformers

Transformer size	Remaining life				
	≤ 10 Yr	<10Yr, ≤20Yr	<20Yr, ≤30Yr	<30Yr, ≤40Yr	>40Yr
100kVA (3∅)	\$11,022	\$7,348	\$3,266	\$726	\$-
150kVA (3∅)	\$12,084	\$8,056	\$3,581	\$796	\$-
200kVA (3∅)	\$12,644	\$8,430	\$3,747	\$833	\$-
300kVA (3∅)	\$17,901	\$11,934	\$5,304	\$1,179	\$-
500kVA (3∅)	\$24,324	\$16,216	\$7,207	\$1,602	\$-
750kVA (3∅)	\$30,438	\$20,292	\$9,019	\$2,004	\$-
1,000kVA (3∅)	\$37,446	\$24,964	\$11,095	\$2,466	\$-

High voltage ground-mounted switchgear

Switchgear type	Remaining life				
	≤ 10 Yr	<10Yr, ≤20Yr	<20Yr, ≤30Yr	<30Yr, ≤40Yr	>40Yr
CFC	\$15,684	\$10,456	\$4,647	\$1,033	\$-
CCC	\$15,337	\$10,225	\$4,544	\$1,010	\$-
CFCC	\$18,835	\$12,556	\$5,581	\$1,240	\$-
CCCC	\$18,444	\$12,296	\$5,465	\$1,214	\$-
CFCF	\$22,172	\$14,781	\$6,569	\$1,460	\$-
ABB SD/SDAF*	\$-	\$-	\$-	\$-	\$-

* ABB SD/SDAF switchgear units are not redeployed onto the network.

