



NETWORK DIVISION

DOCUMENT TITLE:

POLICY:

AURORA NETWORK'S CUSTOMER CAPITAL CONTRIBUTION POLICY

DOCUMENT I.D. NUMBER:

NN R PD 11

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1 PURPOSE

The purpose of this Policy is to define the principles behind determining the level of contribution a customer needs to make to connect to the *Distribution Network*.

2 SCOPE

This Policy statement applies to the “commercial” aspects of a customer connecting to the *distribution network*.

Related to this are the “Technical” and the “Works Contestability” aspects. These are presently covered in Network Policy (NN R PD 09) - Extension/Augmentation of the Network for a Customer Connection.

For a customer to make a connection to Aurora’s Distribution Network, three broad areas of Aurora Network Policy apply. These areas are”

- **Commercial**

Network Policy (NN R PD 11) –Aurora Network’s Customer Capital Contribution Policy (This Policy)

- **Technical**

Network Policy (NN R PD 02) – Technical Requirements for Extension of the Network for a Customer Connection

- **Works Contestability**

ie Who builds Aurora Assets.

Network Policy (NN R PD 12) - Contestable Work for Extension of the Network for Customer Connection

It is expected that NN R PD 02 will be undergo further revision.

3 DEFINITIONS

Development Mains:

Defined in Network Procedure NP R AG 04 - Definitions Used in Policies, Procedures and Guidelines.

Distribution Network:

Defined in Network Procedure NP R AG 04 - Definitions Used in Policies, Procedures and Guidelines.

Low-Consumption Installation (LCI):

Defined in Network Procedure NP R AG 04 - Definitions Used in Policies, Procedures and Guidelines.

Property:

Defined in Network Procedure NP R AG 04 - Definitions Used in Policies, Procedures and Guidelines.

Standard Connection:

Where costs are fully recovered through Network tariff for the life of the connection.

Small Customer:

Less than 100 A 3 phase supply.

4 DISCUSSION

4.1 Fundamentals of this Policy are:

- Where there is a capital contribution, the distributor should not be permitted to also recover the cost of this asset from other customers, eg through any asset related component of regulated distribution charges.
- and
- Distributors have an obligation to connect customers at least cost (unless otherwise agreed with the customer).

4.2 Basis of charging:

- The cost of connection to existing network infrastructure through a basic standard connection within a specific distance (eg 20 m) is free, ie recoverable by the distributor from general distribution charges.
- Customers pay the direct cost of providing and installing a connection to the nearest network connection point serving that customer, in excess of that recovered through Network Tariff.
- Where customers have paid direct connection costs and subsequently other customers connect and use the same connection assets within a specified time period, the subsequent customers are required to contribute to the cost of the assets. The subsequent customer's contributions are passed onto any other customer/s connected to the extension as recompense.
- For major customers/embedded generators, capital contributions are to reflect the additional costs that the customer/generator imposes on the system.
- Where a major customer/embedded generator has paid for the cost of system augmentation, and subsequently other major customers/embedded generators also connects and utilise the same assets within a specified timeframe, these subsequent customers are required to contribute to the cost of the assets. The subsequent customer's contributions are passed onto any other customer/s connected to the extension as recompense.

- For small customers, there should be no additional capital contributions beyond those associated with direct connection costs.

In particular, new small customers should not be required to pay for the incremental cost of network augmentations upstream of the connection point. There is no economic justification in seeking a capital contribution to cover the cost of upstream augmentation because the cost of incremental augmentation would have already been factored into the charges paid by all customers. If the cost of this augmentation is not already covered by current tariffs, it implies that the current network charge for the area is below the true long-run marginal cost (LRMC) for that area.

The requirement to expand the network does not arise purely as the result of a “new” customer connecting. For example, if the new customer was connected but another existing customer ceased taking supply, then the network capacity would remain adequate and there would be no incremental cost. The need to augment the network does not therefore arise from the connection of the new customer, but from the fact that the network is close to capacity and requires further expansion, the cost of which should already be factored into tariffs.

5 POLICY

- Connect customers at least cost unless otherwise agreed to by the customer eg overtime or special requirements.
- Customers do not contribute to the *standard connection*.
- The customer is to pay the direct cost of providing connection facilities in excess of the *standard connection*.
- A *Development Mains* rebate policy is to apply.
- New *small customers* should not pay for upstream Network augmentation
- Connecting additional customers should result in no net change to existing tariffs.
- Minimize cross-subsidy eg *low consumption installations* should not be subsidised by the general customer base.
- Aurora will provide a “Dispute Resolution Process”.
- The customer is to pay for any inefficient application of Network capital expenditure eg requesting a supply in an inappropriate location.
- If a customer requires a level of service greater than normal, they are to meet the additional cost eg a high reliability supply, standby supply, and multiple points of supply.
- In general, Aurora Network will provide only one point of supply to a customer’s *property*.
For the purpose of this policy, multiple points of supply are to be considered as one.

6 RESPONSIBILITIES

Responsibility for the approval, maintenance and implementation of this procedure is documented in Network Procedure (NP R AG 07) - Master Index Policies Procedures and Guidelines.

7 REFERENCES

Network Policy (NN R PD 09) - Extension/Augmentation of the Network for a Customer Connection