Network Capital Contributions Policy

Frequently asked questions

What are capital contributions?

Capital contributions are payments that may be required for new or upgraded connections to Power and Water's electricity network. The purpose of these contributions is to ensure that costs for a customer's new or upgraded connection are paid for by that customer and not shared by everyone connected to the network.

What are the changes from 1 July 2014?

Prior to 1 July 2014, Power and Water's capital contributions framework was set out in two separate policies:

- *Distribution System Extension Policy (DSEP)*, which covered extensions to unserviced areas and the development of serviced lots; and
- *Networks Capital Contributions Policy (NCCP)*, which applied to the new or upgraded network connections of larger network users and generators.

The Utilities Commission has approved a new Network Capital Contributions Policy (new NCCP) to apply from 1 July 2014. The **main changes are**:

- A single new policy will replace Power and Water's two separate policies and will apply to all network users.
- Capital contributions will apply to all new connections based on full cost recovery principles, including extensions to unserviced areas.
- The capital contribution calculation has been modified to allow for projected future tariff revenues earned from the connection to be offset by shared network costs (50%), in recognition of the attribution of incremental network tariff revenue to the costs of the existing network.
- All capital contributions will have to be paid in full prior to connection – there will be no loans provided.
- A cost sharing scheme will apply to address equity concerns.

Implementation of the new policy will ensure more equitable outcomes for both new and existing networks users, and make the capital contributions process more efficient and simple for network users to follow.

PowerWater

What are the main changes to developers?

A developer means a person (who/which may be a natural person or a corporation) who arranges connection services for a network user, or the reticulation of a development to allow the provision of connection services to expected future network users. A development includes subdivisions, multi-dwelling developments, amalgamations, or rezoning/specific use developments.

- **Subdivisions, amalgamations and re-zonings**

  No change – developer contributes full costs associated with assets downstream of the connection point to the shared network.

- **Serviced Lots**

  Under **DSEP**, a capacity charge of $50 for kVA increases in demand above the existing supply and $5000 for additional substations required applied. Under the **new NCCP**, any activity on a serviced lot requiring a development permit will be treated as a development. The developer will contribute the full cost associated with the dedicated connection assets.

What are the main changes to large individual network users?

A large individual network user is an existing or potential end-use customer that satisfies either of these criteria:

- A high voltage connection and a project (or actual) demand of 4MVA or greater; or
- Is connected to (or seeking connection to) a dedicated supply that is different or remote or separate from the remainder of the supply network.

The identification of large individual network users is at the discretion of Power and Water.

The only change under the proposed **new NCCP** for Large Individual Network Users is that the capital contribution calculation has been modified to allow for projected future tariff revenues earned from the connection to be offset by shared network costs, in recognition of the attribution of incremental network tariff revenue to the costs of the existing network.

What are the main changes to small individual network users?

A Small Individual Network User is an existing or potential end-use customer that has a low voltage connection and/or a projected (or actual) demand less than 4MVA.

- **Upgrade to serviced property**

  Under **DSEP**, a capacity charge of $50 for kVA increases in demand above the existing supply and $5000 for additional substations required applied. Under the **new NCCP**, the capital contribution is based on the present value of the costs associated with the upgrade less 50% of the present value of the projected future tariff revenues.

- **Extensions to unserviced areas**

  Under **DSEP**, a network extension charge of $15 000 per km for single phase and $21 000 for three phase applied. This was shared equally between applicants, less the total of all $2000 Overriding Statutory Charge placed on blocks not participating to a maximum of 50% of the extension charge. A network connection charge of $5000 for single phase and $8000 for three phase also applied. Under the **new NCCP**, the capital contribution is based on the present value of the costs associated with the upgrade less 50% of the present value of the projected future tariff revenues.

What are dedicated and upstream shared assets?

A Dedicated Connection Asset is a connection asset for a single network user.

An Upstream Shared Asset is a network system asset that is used in the conveyance of electricity to more than one network user.

The following diagram is an example of Dedicated and Upstream Shared Assets.

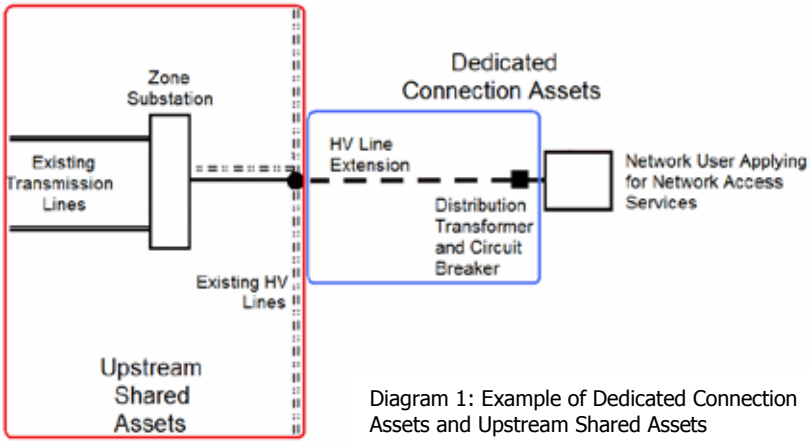

Diagram 1: Example of Dedicated Connection Assets and Upstream Shared Assets

Network users contribute the full cost of Dedicated Connection Assets as these costs are directly attributable to the network user. However, the funding of augmentation to Upstream Shared Assets differs depending on the class of network connection.

What is cost sharing?

Network users that make contributions to connection assets that are subsequently used by other network users are entitled to a proportionate rebate of costs, based on use of the network by the existing and new users.

Cost sharing rebates are made for a period of up to five years from the time of connection of the first network user. Cost sharing rebates will not apply to developers.

More information

For more information, please refer to the Network Capital Contributions Policy or the fact sheets found on Power and Water's website at powerwater.com.au.