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CAPITAL CONTRIBUTIONS		

1 PURPOSE AND SCOPE OF THIS DOCUMENT

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

2 DEFINITIONS

“Allocated Capital Cost” is the total cost of the network extension, including any applicable reapportionment charge as per Section 5, and **less**:

- The portion of the total cost allocated to other Customers. This is applicable when multiple Customers wish to share the cost of an extension.
- The portion of the total cost allocated for Aurora development as determined by DELTA’s Engineering Services Manager.

“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.

“Large Connection” means a new or upgraded connection with a capacity equal to, or greater than, 150kVA.

“Small Connection” means a new or upgraded connection with a capacity less than 150kVA.

3 INTRODUCTION

The boundaries between Aurora network assets and a Customer’s installation assets are defined in the [Network Connection Requirements \(NS5.1\)](#) policy. It is the Customer’s responsibility to fund and maintain installation assets. The policy for capital contributions toward new Aurora assets is dependent on the size of the new or upgraded connections. The policy detailed in Section 4 shall apply to Small Connections and the policy in Section 5 shall apply to Large Connections.

4 POLICY FOR SMALL CONNECTIONS

Network extensions associated with Small Connections are of two types:

- Provision of a new connection or the upgrade of an existing network connection for specific individual Customers.
- Provision of the electrical reticulation in subdivisions, which will provide facilities for the future connection of unknown Customers.

For new Small Connections, Aurora requires the Customer to contribute toward the capital cost of extensions in accordance with Section 4.1.

Where the development is a rural subdivision comprising high voltage circuits only; i.e., no substations or low voltage circuits, then Aurora will require the capital cost of the high voltage circuits to be wholly funded by the Customers.

4.1 Components of the Capital Contribution Calculation

The capital contribution required from a Customer is equal to the Allocated Capital Cost less the *Serviced Capital Cost*, as defined below:

4.1.1 Serviced Capital Cost

The Serviced Capital Cost is a factor that limits, in proportion to the chargeable capacity of the new connection(s), the amount of the capital contribution required from the Customer, and is calculated as:

$$\text{Serviced Capital Cost} = p \times f$$

Where:

- p is the *Expected New Revenue* attributable to the proposed network connection(s), and
- f is a factor, set equal to 1.5 by the Aurora Directors on 29 August 2001.

4.1.2 Expected New Revenue (p)

The Expected New Revenue (p) is the distribution component of Aurora's annual line charge payable by an Electricity Retailer for delivery to the proposed network connection(s).

For a connection upgrade, p is the increase in the distribution component due to the upgrade.

For subdivisions, p is the sum of the distribution revenue for all lots serviced by the subdivision. When a subdivision is developed in stages, only the line charges associated with the lots in each stage are to be included in the calculation of p; lots associated with future stages are not to be included.

The Expected New Revenue (p) has two components; the *capacity charge*, and *congestion period demand charge*. These charges are detailed in the [Line Charge Schedules](#) document (QP1716).

The Congestion Period Demand (CPD) is the average load presented during periods of load control on the Aurora network. For new connections, CPD will be estimated. If the connection load is predominantly between 8 am and 5 pm on weekdays, the assumed CPD shall be selected from the "Average Congestion Period Demand" column of the schedules in the [Line Charge Schedules](#) document (QP1716). However:

- If load will be significant between 5pm and 9pm on weekdays, such as for a two-shift business, then the estimated initial CPD shall be 45% of the connection capacity.
- If the load is predominantly off-peak, or the consumer intends to use load control or generation to minimise CPD, then the estimated initial CPD shall be 25% of the connection capacity minus the off peak load or generation capacity.
- If the entire load is to be controlled by the irrigation load control channel or is a summer only off peak load, then the assessed CPD will be 0%.
- Any other percentage shall be by agreement with the Network Services Manager.

Charges and CPD kW for an existing connection are available from the Network Connections Manager or the Aurora website.

4.2 Payment

Payment of the capital contribution 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.

5 POLICY FOR LARGE CONNECTIONS

For new Large Connections, Aurora requires the Customer to contribute toward the capital cost of extensions in accordance with Sections 5.1 to 5.4.

5.1 Investment Analysis

Aurora will conduct an economic investment analysis of the new or modified connection to determine whether the investment to be made by Aurora is economic or uneconomic.

Specifically the analysis:

1. Calculates the expected new revenue to be generated from the connection.
2. Estimates the whole-of-life cost of providing the connection, including depreciation recovery, operational costs, maintenance costs, and a proportional cost of upstream assets that have already be provided by Aurora.
3. Calculates the present value of the investment to be made by Aurora, allowing for taxation. A positive present value supports investment in the connection by Aurora, whereas a negative present value indicates that it is not economic for Aurora to make the investment, and provides a basis for the Customer to make an additional payment to Aurora in respect of the new connection.

5.2 Capital Contribution

Where the economic investment analysis yields a positive present value, no capital contribution will be required from the Customer; however, where the economic investment analysis yields a negative present value, the Customer will be required to pay a capital contribution equal to the amount required to yield a present value of zero.

5.3 Contracted Capacity

In recognition of the long life of electricity distribution assets, upon which the economic investment analysis model is predicated, the contracted capacity upon which distribution charges are based will be fixed for a period of ten years. If a Customer wishes to downsize the connection within that period, further economic analysis will be undertaken which may indicate that an additional capital contribution is required to preserve the economics of Aurora's investment.

Aurora may also require physical works to be undertaken to allow the contracted capacity to be reduced; for example, a transformer change. In such circumstances, the cost of physical works will be factored into the further economic analysis; however costs will be offset by the value of returned equipment in accordance with normal practice.

For subdivisions where the reticulation will be owned by Aurora, the Customer (the subdivider) will be required to acknowledge that the investment analysis is based on those individual connection capacities and that they will become the contracted capacity for those lots. Additionally, the Customer (the subdivider) will be required to incorporate that information into sale and purchase agreements for those lots.

Where the subdivision reticulation constitutes a Secondary Network, as defined by the Electricity Authority, the contracted capacity will be based the sum of the distribution transformer capacity installed by the Customer.

5.4 Payment

Payment of the capital contribution 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.

6 CONTRACT AGREEMENTS

Customers will be required to enter into contract agreements for the provision of new assets. This requirement applies to all connections, except those progressed under the LV Connections Contract. 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. Contracts will be processed in accordance with the [Capital Investment Approval Process \(QP1701A\)](#) policy.

7 REAPPORTIONMENT CHARGE

A reapportionment charge applies where a new connection will utilise assets for which other consumers have made a capital contribution within the previous five years, but does not apply to assets funded by subdividers. A multi-apartment block on a section or sections under one ownership, [or subdivided under the "Unit Titles Act"] will not be regarded as a subdivision in terms of Aurora's technical requirements but will not attract re-apportionment. See also the "What is a Subdivision" clause in document [Underground Reticulation Design & Construction \(NS 2.6\)](#).

Where reapportionment applies, the historic cost of the assets, depreciated at 20% p.a. straight line, will be reapportioned between the affected consumers based on connection capacity. The additional consumers shall pay a Reapportionment Charge to Aurora who will reimburse the present owners of the premises that contributed toward the assets. Calculation of reapportionment shall comply with the [Reapportionment of Capital Contributions \(QP1715\)](#) policy. All consumers affected by a reapportionment will be sent a copy of the calculations.

8 POLICY FOR TEMPORARY CONNECTIONS

In accordance with section 17.5 of the [Network Connection Requirement \(NS5.1\)](#), the costs associated with the provision and removal of temporary connections, including any applicable headworks contributions and reapportionment charges, are to be borne by the consumer.

New assets required to enable the temporary connection are wholly funded by the consumer, 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 consumer's costs.

Where consumer supplied temporary assets subsequently form part of a permanent connection, Aurora will, subject to the requirements of this policy and satisfactory evidence of value, include the value of those assets in capital funding calculations for the permanent connection.

9 RECORDS

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:

- Description of the extension that clearly defines and locates the extension.
- Original construction cost of the extension and completion date.
- Name and address of capital contributors and description of the properties supplied by the extension.
- Any reapportionment calculations.