



## Submission to Reducing barriers for new connections: WACC estimate for connection charge reconciliation

20 March 2026

## 1 Submission and contact details

Consultation	Submission on Reducing barriers for new connections: WACC estimate for connection charge reconciliation
Submitted to	Electricity Authority
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## 2 Confidential information

There is no confidential information provided in this submission. This submission can be publicly disclosed.

## 3 Introduction

Wellington Electricity welcomes the opportunity to comment on the Electricity Authority's consultation on the proposed application of a fixed 65th percentile WACC estimate for reconciliation charge purposes. We support the Authority's objective of ensuring efficient and consistent market operations; however, we consider that the proposed method for specifying the WACC estimate introduces unnecessary rigidity and creates a risk of future misalignment with Part 4 regulatory settings.

## 4 WACC should not be specified as a fixed 65th percentile

We do not support a fixed 65th percentile WACC estimate within the Code for connection charge reconciliation. If the Commerce Commission were to change its WACC percentile or methodology in future determinations, the Authority's fixed value would immediately diverge from the Commission's approach. This misalignment would then require the Authority to reopen consultation and amend the Code purely to re-establish consistency between the regulators.

We recommend that the WACC used for reconciliation should follow the WACC determined by the Commerce Commission for each EDB under its applicable price path, whether under a Default Price-Quality Path (DPP) or a Customised Price-Quality Path (CPP).

This approach:

1. ensures the reconciliation charge WACC reflects the actual value applied in the EDB's regulatory revenue allowances
2. avoids conflicts where a CPP approved WACC differs from a Code fixed percentile
3. provides automatic alignment with any future changes in the Commission's methodology without further Code amendments

Aligning with the existing Part 4 framework is simpler, more durable, and avoids the administrative burden of managing a parallel WACC definition.

Suggested wording:

**Proposed Code amendment relating to the use of the 65th percentile for WACC:**

**6B.11 Connection charge reconciliation requirements**

...

(4) ...

- (c) discounting the estimates under paragraph (b) to their present value using—
  - (i) a duration from the beginning of the first full year of operation equal to the **connection revenue life**; and
  - (ii) a discount rate, equal to the WACC (being the weighted average cost of capital) made by the Commerce Commission in accordance with the prescribed price path for the **EDB's determination** made under Part 4 of the Commerce Act 1986

## **5 Avoiding WACC Drift Between Price Setting and Reconciliation**

Price setting and reconciliation must use the same WACC to avoid:

- unintended revenue transfers
- departures from the intended incentive framework
- distortions in the recovery of allowable revenue

## **6 Conclusion**

We encourage the Authority to adopt an approach that is aligned, durable and administratively efficient. Referencing the WACC already determined under the EDB's current DPP or CPP avoids unnecessary complexity and future Code amendments.

We also note, consistent with our previous submissions, that the proposed Code change is being progressed very close to the intended implementation date. Rushed regulatory changes increase the likelihood of unintended consequences and subsequent tidy-up amendments. Adopting a future-proofed method that directly references the Commerce Commission's determinations will help mitigate this risk in this instance.