

Thank you for attending today's session

Please wait for us to open the session at 10am

'Further reform of distribution connection pricing' webinar

Further reform of distribution connection pricing

Consultation 13 July – 24 August 2026

Mauri oho

karakia timatanga

(for beginning, starting, opening)

Mauri oho

Mauri tū

Mauri ora

ki a tātou

Haumi e, Hui e

Tāiki e!

Life force awaken

Life force stand tall

Life force all wellness, good health for all

Join together, unite, the group is ready to progress for the purpose of
coming together

Agenda

Introduction

Tim Sparks, General Manager Networks and System Change

Why connection pricing matters

Katherine Hume-Pike, Principal Advisor, Network Pricing

Targeted intervention

Katherine Hume-Pike, Principal Advisor, Network Pricing

Further reform of distribution connection pricing

Oscar Horstmann, Senior Analyst, Network Pricing

Questions?

Please post questions using the Q&A channel in Microsoft Teams

WHY CONNECTION PRICING MATTERS



Why connection pricing matters

- Pricing for monopoly services not shaped by competition
- Regulators promote efficient pricing to support long-term benefit of consumers
- Connection charges and lines charges work together

Incentives

Predictability

Cost
allocation

Consistency

Contestability

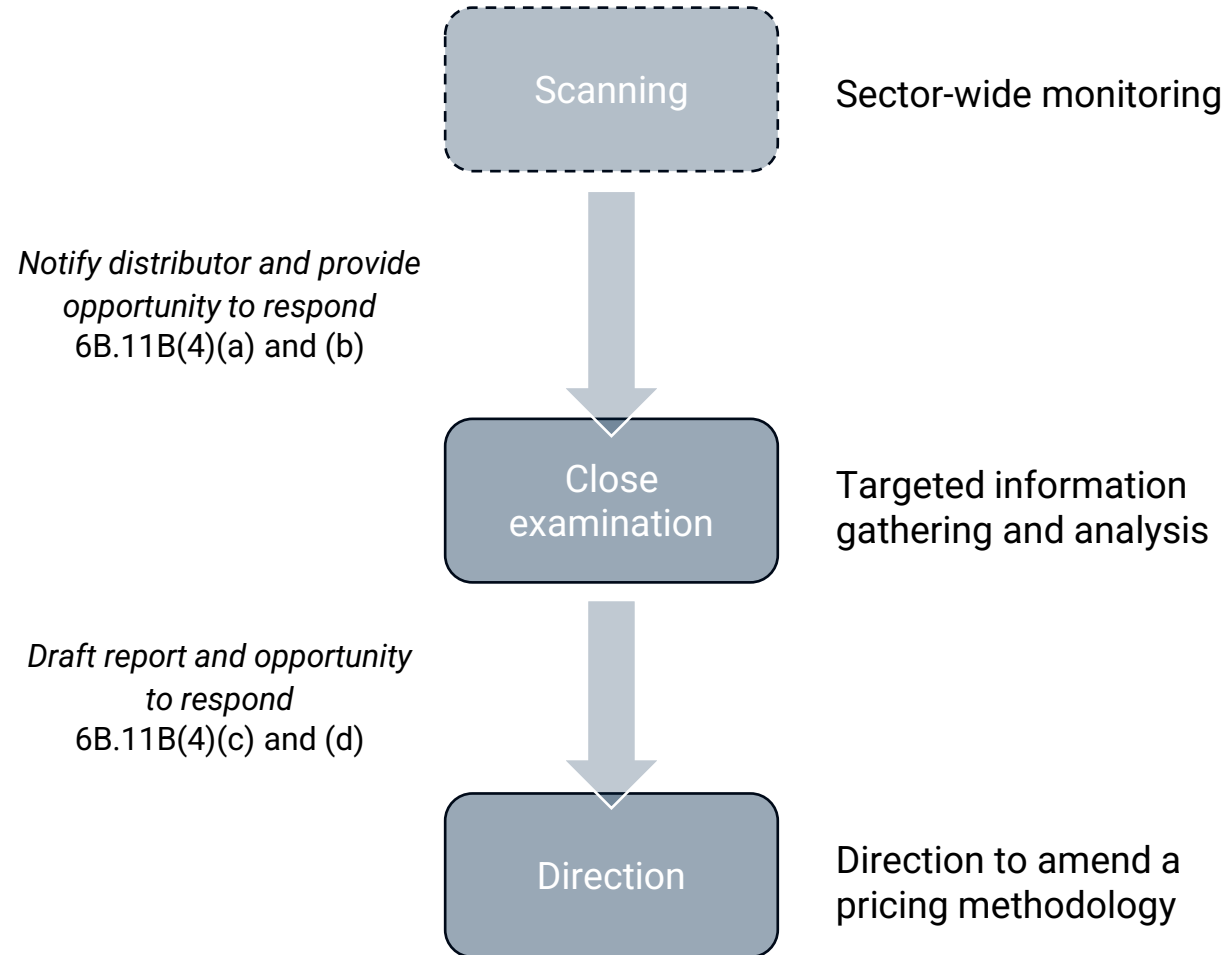
TARGETED INTERVENTION



Decision paper

- Decision published 1 July 2026:
 - balance point principle framework (Code)
 - discount rate (minor Code)
 - obligation to supply (update)
- Draft guidance balance point principle
 - for feedback published 9 July
 - – balance point principle framework - process and pricing principles

Balance point principle – process



Balance point principle – pricing

Subsidy-free floor (neutral point)

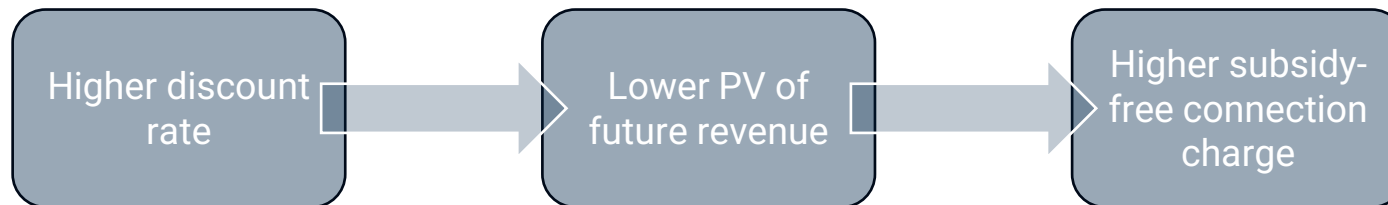
“...the costs of new connections and upgraded connections are not subsidised by existing connections”

Cost-shifting restriction (balance point)

“...new connections and upgraded connections otherwise make a similar (or lower) contribution to shared network costs as similar existing connections”

Discount rate

- Discount rate used when estimating subsidy-free floor
- Align with Commerce Commission WACC estimate
- Change from 50th to 65th percentile (annual update)
- From 1 October 2026



Supply obligations

- Risk that tightening connection pricing oversight could prompt refusal to connect
- Preferred direction to establish clear:
 - obligation to make connection offers
 - suite of access standards

To manage the amount of change underway ... Authority will monitor supply issues and work toward the preferred direction over time and in stages. We will closely monitor distributor behaviour and connection outcomes and revisit this approach if emerging evidence suggests access or supply issues.

Guidance - Balance point principle released 9 July



- Purpose
 - Process – monitoring and engagement
 - Pricing principles – assess alignment with methodology
- Balance point principle focus
 - *pricing methodologies* – methods to determine charges (not individual quotes, prices or charges)
 - *connection charges* – new or upgraded connections, capital contributions & in-kind contributions (vested assets)
 - *total contribution* – the total charge - includes connection charges and lines charges.

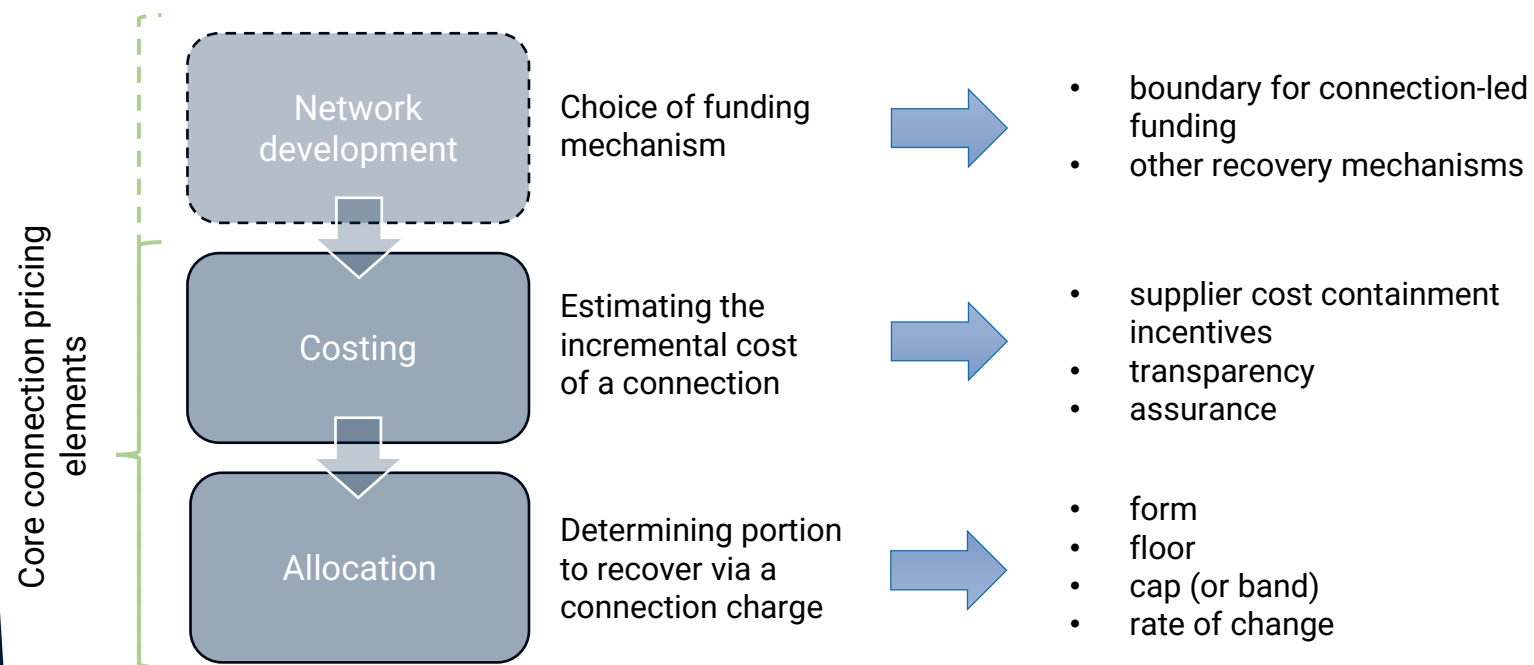
Guidance structure

- background and key concepts
- process guidance
 - scanning
 - close examination
 - direction if required
- pricing guidance
 - subsidy-free neutral point
 - cost-shifting restraint
- appendices
 - glossary
 - illustrative scenarios
 - Code amendments

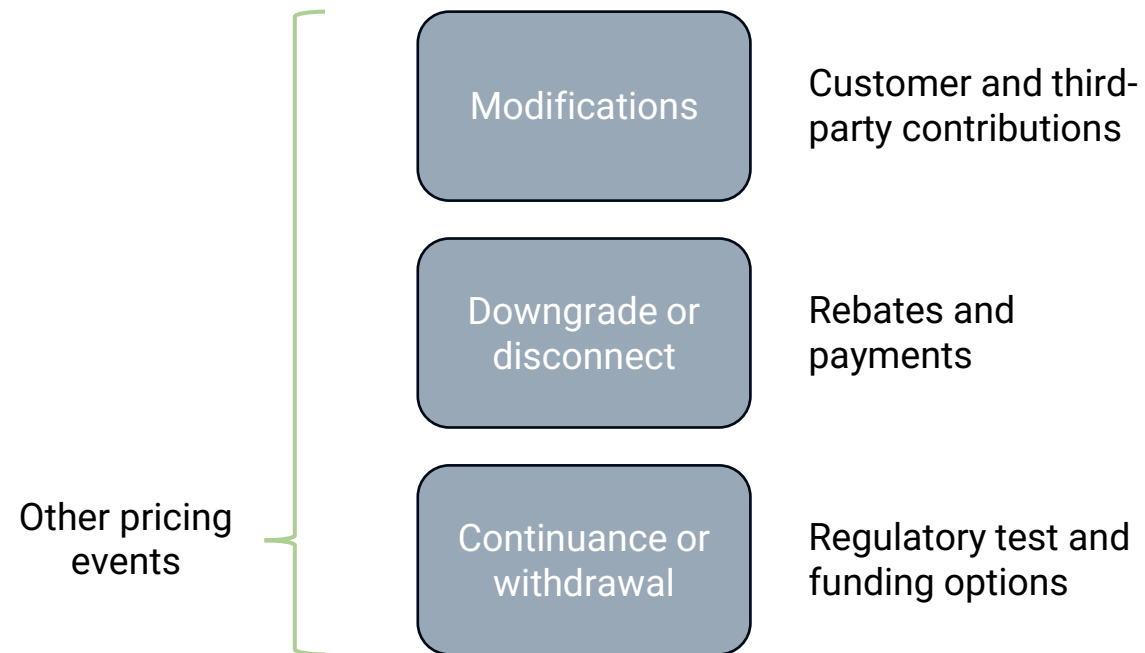
FURTHER REFORM ISSUES FOR CONSULTATION



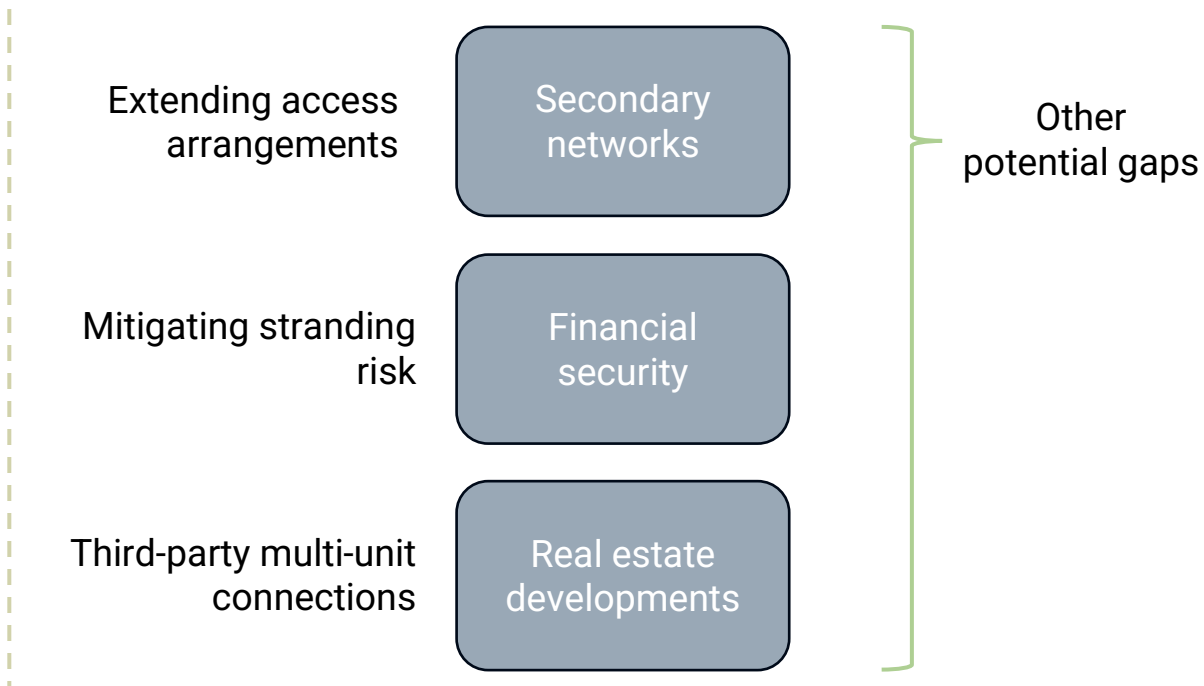
CORE PRICING ISSUES



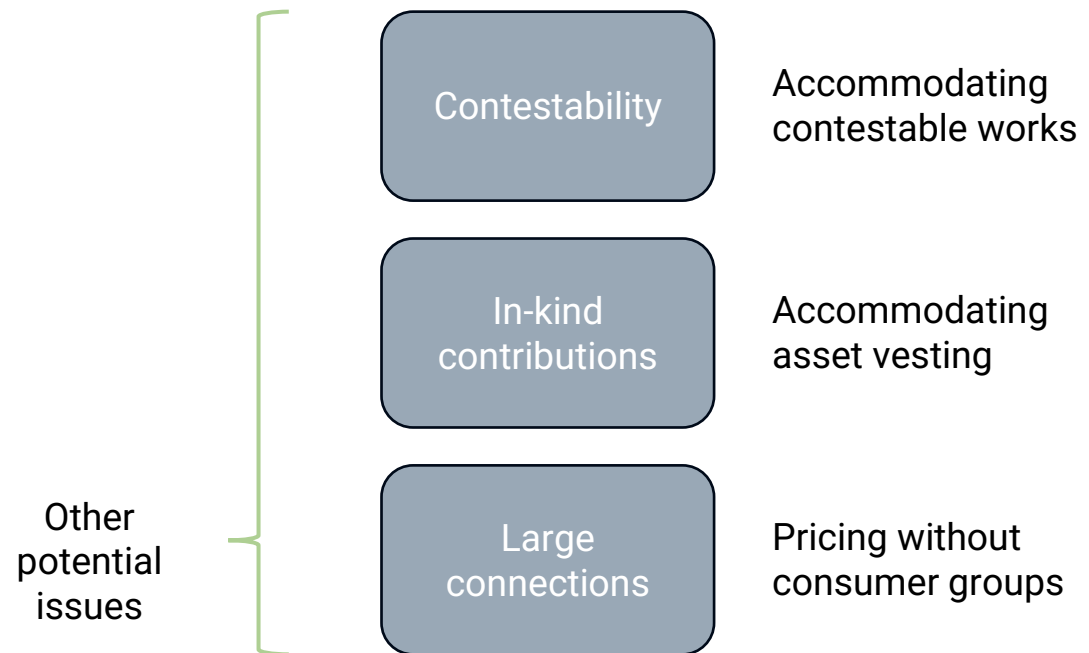
OTHER PRICING EVENTS



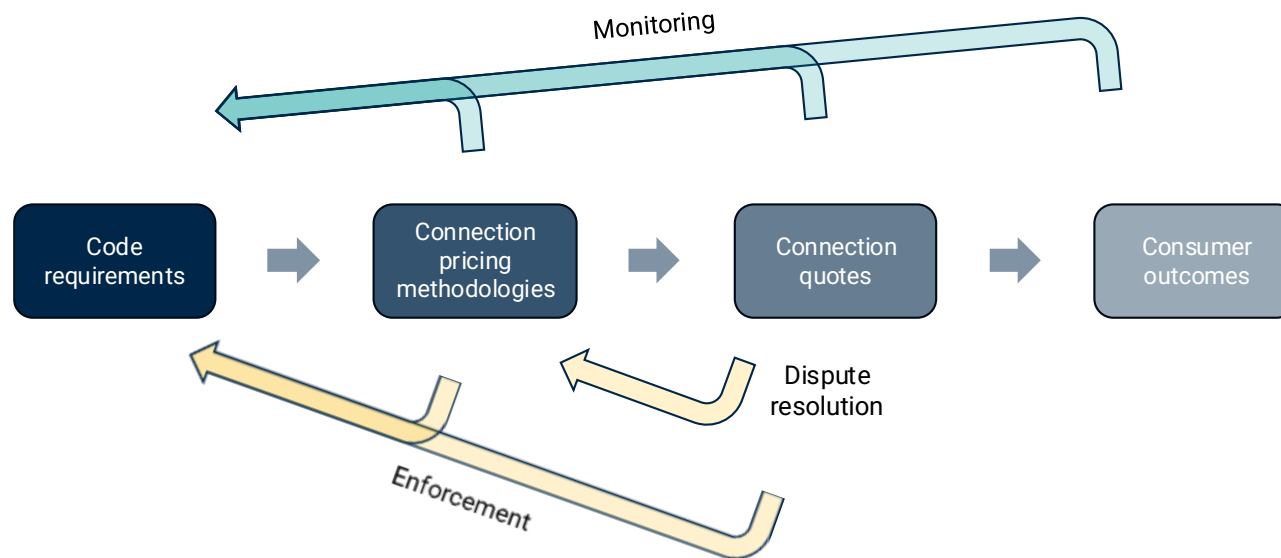
OTHER POTENTIAL GAPS



OTHER POTENTIAL ISSUES



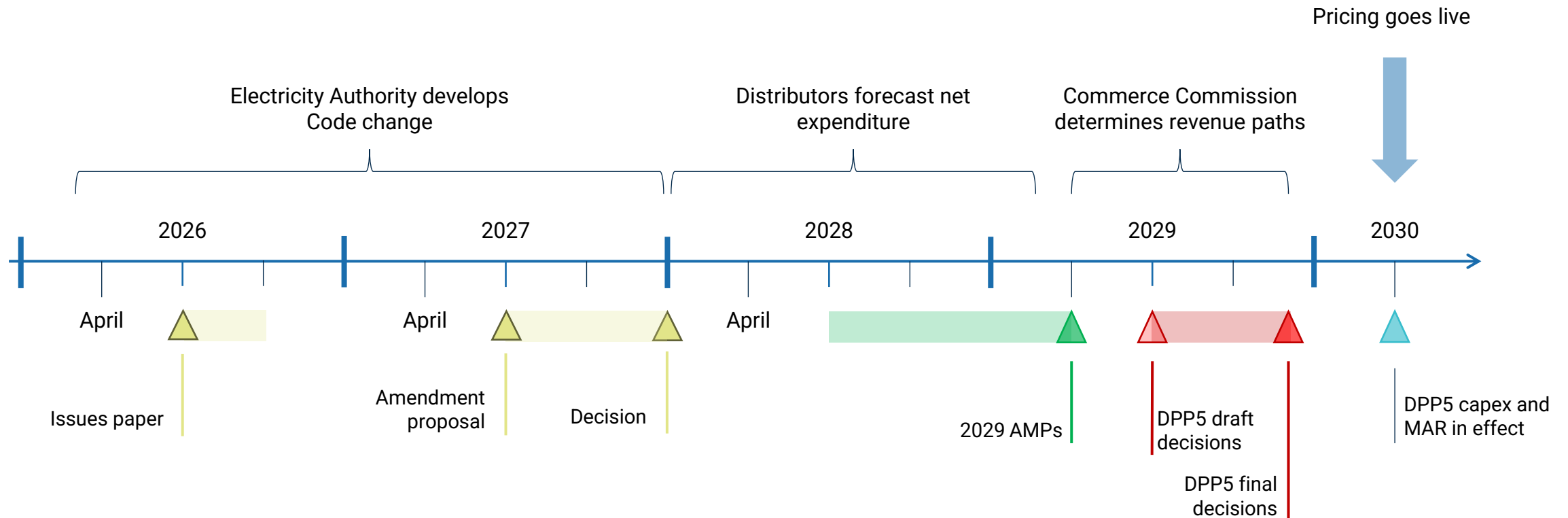
REGULATORY DESIGN AND STEWARDSHIP



- Guidance
- Self-assessments
- Self-certifications
- Independent certifications
- Audits

Why timing matters

- December 2027 target for any changes that would affect connection charges (ie, increase net capex flowing into DPP5 revenue paths)





Questions?
Pātai?

distribution.pricing@ea.govt.nz

He Karakia Whakakapi

(for closing, ending)

Kia tau kia tātou katoa
Te āio, te aroha me te marutau
Tīhei mauri ora



THANK YOU
NGĀ MIHI