

24 August 2026

Distribution Pricing
Electricity Authority
Wellington
distribution.pricing@ea.govt.nz

Re: Further reform of distribution connection pricing – Lodestone Energy submission

Dear Electricity Authority,

Please find attached Lodestone Energy's submission on the Authority's issues paper, Further reform of distribution connection pricing.

Lodestone is New Zealand's first utility-scale solar developer and an independent generator-retailer. We operate solar farms across multiple regions and are planning for the integration of battery energy storage systems with both our operating and pipeline projects.

While the paper is principally focused on offtake connections, many of the questions it raises around costing, allocation, large connections, financial security and contestability are relevant to generation and hybrid solar-plus-battery connections.

The way these settings are developed will materially affect the cost, certainty and, ultimately, the business cases for much-needed new generation and storage projects.

Our submission is focused on the areas where we have direct experience. In particular, we encourage the EA to develop these reforms in a way that avoids separate or inconsistent frameworks emerging for load, generation and storage.

We would be very happy to discuss any aspect of the submission, or to provide further detail on our experience connecting utility-scale solar and storage projects, at any time.

Regards,

Peter Apperley
Lodestone Energy

Appendix A Format for submissions

Further reform of distribution connection pricing – issues paper

Please email your submission to distribution.pricing@ea.govt.nz by 5pm, Monday 24 August 2026.

Name	Peter Apperley
Organisation	Lodestone Energy Limited

Questions	Comments
Q1. Do you agree with the background and context summary above? Why, why not?	Broadly, yes. We note, however, that the summary and paper are framed almost entirely around offtake (load) connections. Section 2.17 rightly identifies distributed generation and battery storage as key drivers reshaping network operating context, and paragraph 6.3(c) confirms the Authority intends to more closely integrate injection and offtake connection pricing regulation. Given this, we consider that the options developed through this paper may be extended to injection and BESS-hybrid connections, and should be read alongside the Authority's parallel reform of the distributed generation pricing principles (DGPPs) and the forthcoming hybrid solar-plus-BESS consultation.
Q2. Is there additional background, evidence or context relevant to the issues covered in this paper?	Yes. Lodestone's direct experience is on the generation side of connection pricing rather than as an offtake customer, but the underlying issues are the same: opaque incremental cost methodologies, unpredictable cost allocation, and first-mover disadvantage. We raised these concerns in our submission on the Authority's DGPP reform (including the example of 37% year-on-year distribution charge increases at one of our embedded solar farm sites driven by opaque pass through of transmission pricing, and first-mover funding risk under the Funded Asset Component mechanism at our Waioatahe site). We consider this experience is directly relevant context for how any read-across of offtake costing and allocation methodologies to injection and BESS-hybrid connections should be designed, and would encourage the Authority to draw on submissions to the DGPP reform when scoping this further work.

Questions	Comments
Q3. How should the Authority prioritise across possible options identified in this paper?	We support the three prioritisation criteria set out at paragraph 2.26 (DPP5 linkage, dependencies, and costs and benefits), but recommend a fourth: consistency of treatment across connection types. Where an option is likely to be extended to injection or BESS-hybrid connections (as several costing and allocation options are flagged as being), it should be prioritised and designed with that eventual read-across in mind, rather than being finalised for offtake in isolation and only later adapted for generation. This avoids sequential, inconsistent frameworks being layered onto Lodestone's connections over successive reform cycles. Consistent with our broader regulatory positions, we also encourage the Authority to apply proportionality and de minimis thresholds so that reform is targeted at connections and distributors where the evidence of harm is strongest.
Q4. Which options should have the highest or lowest priority, and why?	We consider the foundational options - A1 (mandatory capacity costing), A4 (cost transparency), A6 (input assurance), B1 (standard process) and B2 (standard allocation formula) - should be highest priority, as they improve consistency and transparency without pre-judging allocation settings, and because they establish the base methodology that will most likely be adapted for injection and BESS-hybrid connections.
Q5. Do you consider costing methodologies should be a priority for further reform, and do you have any evidence or analysis to support your view?	Yes. As set out in our response to Q2, our experience with incremental cost estimation for generation connections demonstrates how a lack of standardised, transparent costing methodology creates material uncertainty for project finance and can render an otherwise viable project uneconomic. While that experience arises on the injection side, the underlying causes identified in paragraph 3.8 of this paper (inefficient risk allocation, unjustified margins, limited transparency, poor works optimisation) are generic distributor incentive issues that are just as likely to affect injection and BESS-hybrid connections. We support the Authority prioritising costing methodology reform, provided it is developed in a way that can be sensibly extended across connection types.

Questions	Comments
Q6. What are your views on the merits of the identified costing methodology options?	We support options A1, A4, A5, A6 and A7 in principle, as each would improve the transparency, consistency and integrity of incremental cost estimation - directly addressing the kind of unexplained cost escalation Lodestone has experienced on its own connections. We support A2 (construction risk allocation) and A3 (equivalence obligation) to encourage more proactive commercial management of contractors undertaking capital works. In particular, we encourage contestability of connection works over a certain size, particularly for distributors who have contracting subsidiaries or related parties. Consistent with our DGPP submission, we would prefer costing requirements to be framed around a 'reasonable estimate' standard rather than a rigid or overly prescriptive formula, to preserve workability while still constraining inflated or unjustified cost allocations. We are also supportive of the EA and EEA seeking to drive improvements in network standards, so that there is a good balance between network reliability and commercial drivers for connection (load or injection). We have had varying experiences across different network providers around standards for connection assets that can, in some cases, lock in an overly expensive connection solution.
Q7. Are there any other costing methodology options you think the Authority should consider?	We recommend the Authority commit, as part of this work programme, to a staged and explicit process for assessing which of the costing methodology options in Table 3.1 should subsequently apply to injection and BESS-hybrid connections, so that this is not left to be decided piecemeal through the separate DGPP and hybrid solar-plus-BESS consultations. We also recommend that, wherever costing requirements are extended to injection or hybrid connections, they include the same treatment of avoided costs and incidental benefits (netting down incremental cost estimates) as is proposed for offtake in option A5, given this reflects the benefit-recognition principle Lodestone has consistently advocated for on the generation side.

Questions	Comments
Q8. Do you consider allocation methodologies should be a priority for further reform, and do you have any evidence or analysis to support your view?	Yes. Predictability and cost-reflectivity of allocation settings materially affect the ability to finance capital-intensive connections, whether for load or generation. We support the Authority progressing allocation methodology reform as a priority, subject to the same caveat raised in Q3 and Q7: allocation settings developed here should be designed with an eye to their eventual application (in some form) to injection and BESS-hybrid connections, to avoid inconsistent frameworks emerging from separate work programmes.
Q9. How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?	We support B1 (standard process) and B2 (standard allocation formula) as sound foundational reforms that improve consistency without dictating a particular allocation outcome. We support B3 (allocation floor/neutral point) as a straightforward and low-risk enduring replacement for the first limb of the balance point principle, and B4 (change limit) as an appropriate enduring replacement for the second limb, provided the permitted rate of change (L) is calibrated with reference to actual asset lives rather than set arbitrarily low. We support B5 (allocation cap) and B6 (allocation band) in principle, as they can improve access seeker confidence and predictability, but only if any resulting shift in cost recovery to lines charges is matched by corresponding recognition in distributor revenue path allowances - otherwise distributors may be incentivised to recover the shortfall through other charges in ways that are less transparent. We support B8 (network cost contribution for large connections) and B9 (prudent discount policy requirements), as these mirror the predictability and non-discrimination protections Lodestone has sought for large generation connections, where case-by-case negotiation can otherwise expose access seekers to hold-up risk.
Q10. Are there any other allocation methodology options you think the Authority should consider?	We recommend the Authority explicitly consider how allocation methodology settings should interact for connections that combine both offtake and injection at a single connection point, such as BESS-hybrid stations. Without express consideration, there is a risk that offtake and injection allocation settings developed separately could conflict or produce inconsistent, unpredictable outcomes for hybrid connections - precisely the class of connection Lodestone expects to develop as it integrates battery storage with its solar farms.

Questions	Comments
Q11. Are you aware of any issues relating to network development funding? Please provide examples, evidence or analysis where possible.	Lodestone does not have direct experience of network development funding for offtake connections, but we have direct experience of the analogous issue on the transmission side, where lack of clarity over whether costs are treated as incremental to a single connection versus broader network development has created significant uncertainty. In particular, under Transpower's Funded Asset Component mechanism, our Waitahe project faced first-mover disadvantage by being required to fund works that would also benefit subsequent, then-speculative connections, with the risk of non-reimbursement sitting with Lodestone rather than the network owner. We consider the same risk allocation issue is highly likely to arise under the equivalent distribution network development mechanisms described in Section 4 of this paper (paragraphs 4.2-4.16), and would encourage the Authority to have regard to this experience.
Q12. What options, if any, should the Authority consider for promoting efficient pricing for network development?	We support developing clear demarcation principles between connection-incremental costs and network development costs, and clear rules for selecting and designing funding mechanisms (paragraph 4.16). Reflecting our experience described in Q11, we recommend that, where a cost recovery scheme or pioneer-scheme-style reallocation is used, the risk of non-reimbursement (for example, if anticipated subsequent connections do not eventuate) should sit with the distributor rather than being borne by the first-mover applicant. This is consistent with the position Lodestone has put to Transpower and the Authority on the equivalent transmission pricing issue.
Q13. Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.	Lodestone has had experience with network modification charges similar to those described in Section 4 where it has requested the relevant EDB to relocate their existing 11kV or 400V assets crossing our sites ahead of construction of our solar farms. We have had no concerns with the transparency provided by the EDBs in initial estimation, subsequent final pricing, and on-charging of those costs to us. To date, our experience has been positive in this regard.

Questions	Comments
Q14. What options, if any, should the Authority consider for promoting efficient pricing for network modifications?	We have no strong view, but note that any measures adopted should be proportionate to the modest scale of network modification contributions (Table 4.1) relative to consumer connections, and consistent with the transparency and documentation principles Lodestone supports elsewhere in this submission.
Q15. Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.	This is not an area of direct relevance to Lodestone's operations as a utility-scale generator, and we have no evidence to offer.
Q16. What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?	No comment.
Q17. Are you aware of any issues relating to continuance pricing? Please provide examples, evidence or analysis where possible.	No comment.
Q18. Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.	We have no strong view on relative priority, and would support the Authority's suggestion (paragraph 4.56) that this be sequenced behind the broader distributor supply obligation work already underway.
Q19. What options, if any, should the Authority consider for promoting efficient continuance pricing?	No comment.
Q20. Are you aware of any issues relating to secondary network access? Please provide examples, evidence or analysis where possible.	Lodestone does not currently operate or connect via secondary networks, and has no comment.
Q21. Should secondary network access be a priority for further reform? Please provide reasons for your view.	We have no strong view. Should Lodestone's future BESS-hybrid or generation projects ever connect via a secondary network structure, consistent treatment with primary network connection pricing would be important to us, but this is not a current priority.
Q22. What options or approach, if any, should the Authority consider for addressing secondary network access issues?	No comment, beyond noting that any framework ultimately adopted should apply consistently regardless of connection type (offtake or injection).

Questions	Comments
Q23. Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.	While Lodestone's direct experience is with financial security in the context of generation and transmission connections rather than distribution offtake, the underlying concern is directly relevant: excessive or unpredictable security requirements increase the effective cost of connection and can undermine project financing, particularly for capital-intensive assets such as generation or BESS. We support the Authority's recognition (paragraph 5.33) that large, high-cost connections are the category where stranding risk is most material, but would note that utility-scale renewable generation and BESS assets typically retain significant salvage and reuse value, which should be reflected in any assessment of appropriate security levels.
Q24. Should financial security requirements be a priority for further reform? Please provide reasons for your view.	Yes. As distribution networks increasingly host large BESS and BESS-hybrid connections, we consider it important that financial security requirements are brought within a consistent regulatory framework now, rather than being left to distributor discretion as these asset classes scale up.
Q25. What options or approach, if any, should the Authority consider for financial security requirements?	We support the approach outlined at paragraph 5.34: Code obligations on distributors (rather than default contract terms only), limits on pre-payment and pre-commissioning security, restriction of post-commissioning security to circumstances where stranding risk is genuinely material, and clear limits on the form and level of security that may be required. We recommend that accepted forms of security include parent company guarantees and other instruments commonly used in project finance, and that any framework be transparent and applied on a non-discriminatory basis as between connection applicants and any related parties of the distributor. Also, consideration should be given to enable independent credit ratings being used to reduce the required security for a particular investment.

Questions	Comments
Q26. Do you have views on any other measures the Authority should put in place to address connection pricing methodology issues (including Appendix D issues relating to contestability, in-kind contributions, large connections, and real estate developments)?	We support the Authority's continued focus on contestability (Appendix D.2-D.11). Distributor control over connection works standards, accreditation and delivery, combined in some cases with distributor-related-party supply of connection works, creates a real risk of spillover market power (paragraph 3.8(d)) that can potentially result in excessive costs for distribution connections and make a connecting plant (load or generation) uneconomic. We support option A7 (in-kind contribution costing) and the large connections options discussed in Appendix D.18-D.23, in particular requiring distributors to publish their methodology for determining network cost contributions for individually-priced connections, and developing guidelines for prudent discounts, both of which would improve predictability for large connection applicants such as Lodestone. We have no comment on real estate development matters, which are not relevant to our operations.
Q27. What measures, if any, should the Authority consider to ensure connection pricing methodology requirements are effective in practice?	We support a mix of self-certification (backed by clear guidance, templates and worked examples) and targeted independent certification, particularly independent engineering certification of network capacity rates and design assumptions, which are difficult for access seekers to verify independently. We also support ensuring dispute resolution pathways remain accessible and proportionate for smaller and independent access seekers, consistent with Lodestone's consistently-held position that regulatory design should avoid imposing disproportionate compliance burdens that larger participants are better placed to absorb than smaller participants.
Q28. How should the Authority monitor, review or update connection pricing methodology requirements to ensure they remain fit for purpose over time?	We support periodic post-implementation review (for example, two to three years after any new requirements take effect) to allow practices to mature before further refinement, consistent with the Authority's approach to the fast-track measures. Given the explicit intention to more closely integrate offtake and injection connection pricing (paragraph 6.3(c)), we recommend the Authority commit to reviewing the consistency of outcomes under this reform against the parallel DGPP reform and the forthcoming hybrid solar-plus-BESS consultation, to identify and correct any unintended divergence in treatment between load and generation connections.