Orion

24 August 2026

Electricity Authority
PO Box 10041
Wellington 6143

Submitted via email to distribution.pricing@ea.govt.nz

Further reform of distribution connection pricing: Issues paper

1. Orion welcomes the opportunity to provide feedback to the Electricity Authority (Authority) on the Issues paper – Further reform of distribution connection pricing (Issues Paper).

2. Orion owns and operates the electricity distribution infrastructure in central Canterbury, including Ōtautahi Christchurch City and Selwyn District. The network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north to the Rakaia River in the south; from the Canterbury coast to Arthur's Pass. Orion delivers electricity to more than 233,000 homes and businesses and is New Zealand's third largest Electricity Distribution Business (EDB).

Introduction

3. Orion agrees that efficient connection pricing promotes efficient investment and is supportive of the Authority undertaking this review at this time. It is important that the reform of distribution connection pricing timeframe lines up with the next set of revenue paths (for DPP5). However, in saying this, the Authority also needs to bear in mind that the large amount of Authority led processes in play at the moment means that industry will likely not have given the time to this Issues Paper that its significance warrants. Orion for one has not been able to delve into the detail of the proposals to the degree that it would like and this puts the development of robust, enduring solutions at risk.

4. Orion also asks that throughout this process the Authority keeps in mind that access seekers are diverse and have different motivations e.g. speed of connection and/or cost. Some are more enduring customers than others and this can influence their approach to design standards. Accordingly, EDBs tend to govern quality through minimum design standards as they must have a focus on long-term reliability of connections.

5. The following submission provides Orion's views on the various proposals discussed in the Issues Paper and Appendix A responds to the specific questions raised by the Authority.

Orion New Zealand Ltd
565 Wairakei Road
PO Box 13896
Christchurch 8141
+64 3 363 9898
oriongroup.co.nz

Core connection pricing issues – costing methodologies

6. Orion is supportive of the objectives for the costing methodologies proposals described in the Issues Paper and sees that a more standardised approach will create greater certainty and confidence in EDB's costing methodologies for access seekers. However, some of the proposals discussed are a better fit for achieving these objectives than others and should be prioritised accordingly.

7. Orion sees that there may be a case for A1, A2 and A7 to be progressed as priorities. Whereas there is less of a case for A3, A4 and A6. A5 may be of value to the industry but it would be a significant change and therefore needs considerable analysis before any assessment can be made. Details on Orion's reasoning behind these priority rankings can be found in Table 1 below.

Table 1

Costing methodologies options	
A1. Mandatory capacity costing – *require distributors to include network capacity in their incremental cost estimates.*	Orion plans to publish network capacity costs from 1 April 2027 and so would support this proposal as a priority if further analysis confirms that mandatory capacity costing will help strengthen the consistency and integrity of incremental cost estimation for customers. Orion supports the recent submission from the ENA on the balance point guidance where it explains the need for clarity on how the balance point interacts with the mandatory network capacity costing requirements and the treatment of incremental cost.
A2. Construction risk allocation – *restrict ability for distributors to pass through increases relative to quoted costs.*	Orion is supportive of this option but if it is progressed then the Authority will need to consider the risks the ENA describes in its submission on this Issues Paper.

A3. Equivalence obligation – *require distributors to take steps to ensure connection and regulatory works (including equipment) are priced consistently.*	Orion is unsure whether an equivalence obligation is necessary. For example, Orion mitigates the risk of inconsistent equipment costs by providing all service providers access to the same equipment Orion has access to, via the Connetic's store. Suppliers can also purchase equipment directly from suppliers, as long as they are within the defined specifications, to ensure contestability. An equivalence obligation would create on going compliance and administrative costs. It is therefore important that the reasoning for it is well justified. At this stage, Orion does not see that it is well justified and that the risk of creating spillover market power is speculative. Orion has not seen any examples of this risk and no strong evidence is provided in the Issues Paper. Unless clear evidence is provided to show that spillover market power is a credible concern then Orion does not see that this proposal should be considered a priority.
A4. Cost transparency – *set standards for itemising extension costs, and any other bespoke (i.e. not rate-based) input costs.*	Whilst cost transparency is important to provide access seekers with confidence, Orion sees that this is already sufficiently provided for and this proposal should not be a priority. Orion and its service providers break down extension costs (and other bespoke input codes) into key categories and therefore there would be no further benefit of any standards or guidelines. Given this, this proposal feels like regulatory overreach and it is not something that needs to be brought into the Code.

A5. Cost requirements – *set requirements for how costs are quantified. Eg, when and how margins or financing charges may be applied, when avoided costs should be netted off, and when costs should be adjusted for incidental benefits.*	This is a significant proposal and would have considerable change implications for EDBs. Whilst there may be some benefit to this proposal Orion considers that there would need to be greater thought and analysis given to the effort required. If this proposal is considered a priority then Orion looks forward to seeing a more detailed analysis and clearer look at the costs and benefits in future rounds of consultation.
A6. Input assurance – *strengthen assurance of:* • *Posted network capacity rates, and (where used) posted network extension rates or posted connection charges* • *Capacity assumptions for network capacity costing – ie, how connection capacity is converted to after-diversity demand assumptions for upper network tiers.* • *Minimum scheme and minimum flexi scheme design, costing and (for flexi scheme) availability.*	Orion sees this proposal is a step too far in regulations and questions whether it is appropriate. The proposal suggests that engineer validation or director certification could be used to provide input assurance. Engineer validation would be costly, administratively heavy and is unlikely to provide the assurance intended. Engineering views, interpretations and assumptions often differ considerably and so it would not be the simple undertaking that it may appear on the surface. As for director certification, this is also not a simple task and will require directors to get into the detail of Orion's day to day processes. This is not the role of a director. Director's shape an organisation's long-term vision, guide high-level strategy, and ensure legal and financial health. They do not run daily operations. Instead, they provide governance, set core policies, and supervise senior managers to keep the business aligned with its ultimate goals[1].

[1] https://www.iod.org.nz/resources-and-insights/new-to-governance/what-do-directors-do#/

A7. In-kind contribution costing – *require distributors to collect information from contractors on vested asset costs.*	Orion would support this option as a priority but recognises that some EDBs may not collect this data and some work will likely be required to ensure third-party data is collected consistently.

Core connection pricing issues – allocation methodologies

8. Orion is supportive of the objectives for the allocation methodologies proposals as described in the Issues Paper. However, like above, some of the proposals presented would be better suited to achieving those objectives than others. Orion sees that options B1, B3, B4 and B9 have the strongest arguments for being progressed as priorities. B2, B5, B6, B7 and B8 have less of a strong argument and should not be progressed. Detail on the reasoning behind these priority rankings can be found in Table 2 below.

Table 2

Allocation methodologies options	
B1. Standard process – *require distributors to structure offtake connection pricing methodologies with consistent costs and allocation process structure.*	Orion may support this proposal as a priority if further analysis confirms that it would improve clarity and consistency of pricing methodologies.
B2. Standard allocation formula – *require distributors to adopt a standard approach for allocation settings for offtake connections.*	It is unclear to Orion whether adopting a standard approach for allocation settings for offtake connections would improve clarity and consistency of pricing methodologies or improve outcomes for consumers. Without further cost benefit analysis it is difficult for Orion to make an assessment on this proposal.
B3. Allocation floor (neutral point) – *require distributors to ensure revenue from new offtake upgrades is likely to at least cover incremental cost.*	Orion is supportive of finding an enduring replacement for the first limb of the balance point principle and sees this proposal should be progressed as a priority.

B4. Change limit (balance point) – *set limit on year-on-year increase in portion of shared costs allocated to new offtake connections.*	Orion is supportive of finding an enduring replacement for the second limb of the balance point principle and sees this proposal (or similar) should be progressed as a priority. However, Orion would urge the Authority to consider the risks raised in both Orion's and ENA's submissions on the "Balance Point Principle Guidance / BPP framework guidance" relating to potentially locking in historical non-cost reflective approaches. It is unclear whether this proposal addresses this issue. It will also be important for any solution to recognise that costs do have legitimate reasons for changing at times.
B5. Allocation cap – *set upper limit on portion of incremental cost that may be recovered through offtake connection charges.*	An allocation cap would be a significant change in financing obligations for distributors and it is currently not clear whether any benefit would justify this change. Before the Authority can make an assessment on this stronger evidence and financing analysis is needed. It would be useful for the Authority to wait until it has 12 months of reconciliation reporting and analysis to inform this proposal before it is progressed.
B6. Allocation band – *set band for allocation settings and require all distributors to shift into the band (over time).*	Same as above, an allocation band would be a significant change in financing obligations for distributors and it is currently not clear whether any benefit would justify this change. Before the Authority can make an assessment on this stronger evidence and financing analysis is needed.
B7. Negative charges – *set parameters for when connection charge may be less than zero.*	Orion sees that there may be some benefit to this proposal in circumstances where it is efficient to incentivise new connections. However, there would need to be greater analysis from the Authority and input from industry.

	If it is progressed, it should be made clear that negative charges are not mandatory. It will also be necessary to have clear guidelines for when and how negative charges would apply. Without sufficient guidance it would create uncertainty and would be difficult to manage customer expectations.
B8. Network cost contribution – *set parameters for allocating shared costs to larger offtake connections.*	Orion does not support this proposal. Negotiation of large connections contracts is a commercial arrangement, and it is not appropriate for this to be regulated.
B9. Prudent discount policy requirements – *set parameters for use of prudent discounts for large offtake connections.*	Orion supports this proposal but notes that before progressing a robust cost benefit analysis will be required.

Other pricing events

Network development

9. Orion supports the Authority looking into developing guidance for network development as a priority for further reform. Clear definitions on distributor selected enhancements, in particular, has been lacking and has been a cause of uncertainty at times. There would be benefit to distributors and access seekers alike by clarifying network development costs.

10. However, noting the above, it will be important that this work is done with reference to the Commerce Commissions information disclosure determinations to ensure there are no duplications or inconsistencies.

Network modifications

11. Before the Authority can consider the network modifications options provided in the Issues Paper there first needs to be compelling evidence of the concerns raised. From Orion's experience there is no evidence of these concerns and a stronger cost benefit analysis is needed from the Authority if it were to progress any options in this space.

Connection downgrades and disconnections

12. Orion is not aware of any issues relating to inefficient pricing for connection downgrades or disconnections. It is appropriate that EDBs are able to recover direct costs and so any rules or guidance in this area does not feel relevant. If further cost benefit analysis from the Authority results in a different view then it would be important that any rules or guidance maintain the ability for EDBs to recover direct costs.

Continuance of supply

13. Orion is supportive of the Authority not prioritising work on supply obligations. As discussed in the Issues Paper it would be better to defer work in this area until the staged approach laid out in the Authority's recent decision paper[2] is carried out.

Other potential gaps

Secondary networks

14. Orion sees that addressing the issues associated with secondary networks should be a priority for the Authority and the phased approach may be appropriate. However, the issues expand beyond connection costs and so secondary networks need to be reviewed separately from the connection pricing reform and in greater detail. For example, in some instances where residential subdivisions are a secondary network, consumers do not have a choice of retailer. This is clearly not a good outcome for consumers and represents an issue wider than connection costs.

Financial security

15. When considering financial security it will be important to make sure the nature and size of connection is taken into account when deeming whether rules should apply. The costs associated with establishing, providing and administrating security arrangements will be significant, and would not be justified for many connections. However, in situations where stranding risk is material (like the situations detailed in the Issues Paper) it would be useful to have some form of financial security in place. Orion may support a bank guarantee, or similar, for a period of time to protect the EDB (and therefore other customers).

16. An alternative not contemplated in the Issues Paper could be that a large EDB, or a collection of smaller EDBs, could arrange insurance cover with the cost of premiums being covered by the customers requesting the spend (when this is over the threshold requiring security). Utilising scale could potentially offer protection at a lower cost to applicants than a performance bond solution, or similar. This approach could lead to transparent and consistent costs.

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[2] https://www.ea.govt.nz/documents/10393/Reducing_Barriers_for_new_connections_up-front_charges.pdf

Regulatory design and stewardship

17. The Issues Paper considers whether self-certification of some aspects of connection pricing methodologies may be appropriate. When requiring distributors to self-certify the Authority needs to be very careful about what type of certification is appropriate, if at all. As discussed in Orion's response to proposal A6 above, independent engineering certification would be costly, administratively heavy and is unlikely to provide the assurance intended. Engineering views, interpretations and assumptions often differ considerably and so it would not be the simple undertaking that it may appear on the surface. Furthermore, director certification is not a simple task either. Director's shape an organisation's long-term vision, guide high-level strategy, and ensure legal and financial health. They do not run daily operations. Instead, they provide governance, set core policies, and supervise senior managers to keep the business aligned with its ultimate goals. Independent certification is also suggested as playing a role. Again, this is both costly and administratively heavy and so needs to be very well justified before being considered.

Concluding remarks

18. Orion is supportive of the Authority undertaking further reform of connection pricing and this submission highlights the areas where there would be the most benefit gained from the Authority's focus. However, the Authority needs to keep in mind that the industry has undergone, and continues to undergo, significant change at pace. While some of these changes have had positive impacts for consumers, they have come at a cost. Now as industry moves into the second part of this reform, enduring solutions need to be formed to ensure costs do not keep mounting overtime. There will need to be very careful consideration and analysis by the Authority about which proposals are prioritised and progressed. Orion looks forward to being a part of this process.

19. Appendix A responds to the specific questions asked in the Issues Paper.

Yours sincerely,

Grace Burtin
Regulatory Lead -Electricity Authority

Appendix A

Questions	Comments
Q1. Do you agree with the background and context summary above? Why, why not?	Yes. Orion is supportive of the Authority's aim to promote efficient pricing that supports the long-term benefit of customers and the Issues Paper broadly summarises the current context well.
Q2. Is there additional background, evidence or context relevant to the issues covered in this paper?	No comment.
Q3. How should the Authority prioritise across possible options identified in this paper?	Orion sees that when the Authority is assessing which proposals to prioritise, it needs to give careful thought to the balance of effectiveness and the cost to implement. The industry has undergone, and continues to undergo, significant change at pace. While it is expected that many of these changes will have positive impacts for consumers, it has come at a cost to distributors. Now as industry moves into the second part of this reform, enduring solutions need to be formed. To ensure further costs are well justified and not undue, there will need to be very careful consideration and analysis by the Authority about which proposals are prioritised and progressed.
Q4. Which options should have the highest or lowest priority, and why?	Options that have undergone a robust cost benefit analysis, solve a material issue, are workable, and enduring, should be progressed. Any options that are not able to meet these standards should not be considered.
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, but not all proposals provided in the Issues Paper are appropriate. Please see Table 1 in the body of this submission for which costing methodologies proposals Orion sees are a priority and which are not.
Q6. What are your views on the merits of the identified costing methodology options?	Please see Table 1 in the body of this submission for Orion's views on the costing methodologies proposals in the Issues Paper.
Q7. Are there any other costing methodology options you think the Authority should consider?	No comment.

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, but not all proposals provided in the Issues Paper are appropriate. Please see Table 2, in the body of this submission, for which allocation methodologies proposals Orion sees are a priority and which are not.
Q9. How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?	Please see Table 2 in the body of this submission for Orion's views on the allocation methodologies proposals in the Issues Paper.
Q10. Are there any other allocation methodology options you think the Authority should consider?	No comment.
Q11. Are you aware of any issues relating to network development funding? Please provide examples, evidence or analysis where possible.	Orion supports the Authority looking into developing guidance for network development. Clear definitions on distributor selected enhancements, in particular, has been lacking and has been a cause of uncertainty at times. There would be benefit to distributors and access seekers alike by clarifying network development costs. Please see paragraphs 9 and 10 in the body of this submission for further detail.
Q12. What options, if any, should the Authority consider for promoting efficient pricing for network development?	No comment.
Q13. Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.	No, Orion is not aware of any issues relating to network modification charges. Please see paragraph 11 in the body of this submission for further detail.
Q14. What options, if any, should the Authority consider for promoting efficient pricing for network modifications?	Orion does not see options relating to promoting efficient pricing for network modifications should be considered a priority at this time.
Q15. Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.	No, Orion is not aware of any issues relating to connection downgrade or disconnection charges. Please see paragraph 12 in the body of this submission for further detail.

Q16. What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?	Orion does not see options relating to promoting efficient pricing for connection downgrades or disconnections should be considered a priority at this time.
Q17. Are you aware of any issues relating to continuance pricing? Please provide examples, evidence or analysis where possible.	Orion is not aware of any issues relating to continuance pricing. Please see paragraph 13 in the body of this submission for further detail.
Q18. Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.	Work on supply obligations should not be prioritised. As discussed in the Issues Paper, it would be better to defer work in this area until the staged approach laid out in the Authority's recent decision paper is carried out.
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.	Orion is not aware of any particular examples relating to secondary network access but is aware of wider issues. Please see paragraph 14 in the body of this submission for further detail.
Q21. Should secondary network access be a priority for further reform? Please provide reasons for your view.	Yes. Orion sees that addressing the issues associated with secondary networks should be addressed by the Authority, but through a separate workstream. The issues expand beyond connection costs. For example, in some instances where residential subdivisions are a secondary network, consumers do not have a choice of retailer. This is clearly not a good outcome for consumers and represents an issue wider than connection costs. As a start, the Authority should find out via the Utilities Disputes Limited what specific issues consumers are having with secondary networks.
Q22. What options or approach, if any, should the Authority consider for addressing secondary network access issues?	No comment.

Q23. Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.	Orion is not aware of any issues relating to financial security requirements but agrees with the Issues Paper that in some circumstances material risk may occur. Please see paragraphs 15 and 16 in the body of this submission for further detail.
Q24. Should financial security requirements be a priority for further reform? Please provide reasons for your view.	There may be a basis for financial security requirements to be prioritised for further reform. However, as discussed in paragraph 15 above it will not be appropriate for all connection types or sizes. As a start, it might be useful to survey EDBs to see who holds bonds, or similar.
Q25. What options or approach, if any, should the Authority consider for financial security requirements?	As above, it may be useful to survey EDBs to see who holds bonds, or similar.
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)?	Contestability – Orion does not consider additional guidance, or methodology requirements are needed. If the Authority intends to do further analysis in this space, then it needs to work closely with the Commerce Commission to ensure there is no cross-over of obligations, inconsistencies, or duplications of work. In-kind contributions – see response to A7 in Table 1 in the body of this submission. Large – connections – no comment Real estate development projects – no comment

Q27. What measures, if any, should the Authority consider to ensure connection pricing methodology requirements are effective in practice?	If the Authority is looking to require distributors to self-certify then it needs to be very careful about what type of certification is appropriate, if at all. As discussed in paragraph 17 of the body of this submission above: • independent engineering certification would be costly, administratively heavy and is unlikely to provide the assurance intended. Engineering views, interpretations and assumptions often differ considerably and so it would not be the simple undertaking that it may appear on the surface. • Director certification is not a simple task either. Director's shape an organisation's long-term vision, guide high-level strategy, and ensure legal and financial health. They do not run daily operations. Instead, they provide governance, set core policies, and supervise senior managers to keep the business aligned with its ultimate goals. • Independent certification is also both costly and administratively heavy and so needs to be very well justified before it can be considered.
Q28. How should the Authority monitor, review or update connection pricing methodology requirements to ensure they remain fit for purpose over time?	No comment.