Property Council
New Zealand

## Property Council New Zealand

# Submission to the Electricity Authority on the Consultation paper – Connection pricing further reform

24 August 2026

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Electricity Authority
Via email: distribution.pricing@ea.govt.nz

**Submission on the 'Consultation paper – Connection pricing further reform'**

## 1. Summary

1.1. Property Council New Zealand ("Property Council") welcomes the opportunity to submit to the Electricity Authority ("The Authority") on the Further reform of distribution connection pricing – Issues Paper ("Issues Paper").

1.2. Property Council strongly supports the Authority progressing an enduring framework for connection pricing beyond the 2030 expiry of the interim balance point framework. Our members have consistently struggled with a lack of transparency, fairness and certainty in how connection charges are calculated, quoted and applied.

1.3. Property Council largely supports Options A1-A7 (costing methodologies) and Options B1-B9 (allocation methodologies) as together forming a strong foundation for an enduring, nationally consistent framework. We offer some further suggestions where we consider additional reform could strengthen goals of transparency, certainty and fairness for developers.

## 2. Recommendations

2.1. At a high level, Property Council recommends the following:

- The Authority progress Options A1-A7 for an effective costing methodology;
- Options A4-A5 are extended to developer-initiated network modifications;
- Options A4 and A6 are strengthened with a requirement for distributors to publish standardised post-project reconciliations comparing estimated and actual connection costs for projects above a specified threshold;
- Option A7 is paired with an explicit requirement that collected vested asset costs be applied through pioneer scheme or reconciliation mechanisms;
- The Authority consider how allocation methodologies account for the term uncertainty of offtake connections;
- The Authority progress options B1-B9;
- The Authority separately scope how lines charge tariff structures will reflect a connection's upfront contribution history;
- The Authority develops principles for a national decision-making framework to determine the boundary between incremental connection works and broader network development;

- The Authority undertake further evidence-based consideration of connection pricing within secondary networks;
- The Authority introduce mandatory timeframes and service-level requirements for connection quotes and approvals. This should also extend to timeframes for disconnections and downgrades; and
- The Authority extend the existing requirement for distributors to publish network capacity rates to also require publication of indicative self-service capacity information.

**3. Introduction to Property Council New Zealand**

3.1. In the interests of transparency, it should be acknowledged that Property Council's Head of Advocacy, Denise Lee, is Chair of Entrust, the majority shareholder of Vector. Denise has taken no part in the discussion, preparation or drafting of the following Property Council submission.

3.2. Property Council is the leading not-for-profit advocate for New Zealand's most significant industry, property. Our organisational purpose is, "Together, shaping cities where communities thrive."

3.3. The property sector shapes New Zealand's social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.

3.4. Property is New Zealand's largest industry and fastest growing source of employment. There are nearly $2.2 trillion in property assets nationwide, with property providing a direct contribution to GDP of $50.2 billion (15 per cent) and employment for 235,030 New Zealanders every year.

3.5. Property Council is the collective voice of the property industry. We connect over 14,000 property professionals and represent the interests of over 610 organisations across the private, public and charitable sectors.

3.6. This document provides Property Council's feedback on the Electricity Authority's Consultation paper – Connection pricing further reform, with comments and recommendations on issues relevant to our members. Reflecting the diversity of our membership, Property Council members may wish to comment in greater detail on issues specific to their business. Accordingly, we support individual members providing separate submissions addressing those matters.

**4. Costing methodologies**

4.1. The Issues Paper identifies that distributors retain "wide variation" and "considerable discretion" in how incremental costs are quantified. For our members, this frequently means unexplained cost increases, poor works optimisation, over-specification and limited transparency.

4.2. Developers often need to make significant commercial decisions before they have certainty regarding network capacity, the scope of works or the final connection price. Where costing methodologies lack consistency or transparency, developers have limited ability and time to interrogate assumptions or compare approaches across distributors. This increases project risk and can materially affect development feasibility. For example, one member's initial transformer upgrade estimate of $250,000 increased to $450,000 with no itemised explanation, causing a two-month project delay. We understand that this pattern of large, unexplained increases relative to initial quotes is not isolated to that project or that distributor.

4.3. We support the Authority's options A1-A7 for reforming cost methodologies. We support Options A1 (mandatory capacity costing), A4 (cost transparency) and A5 (costing requirements) as the minimum foundation for an enduring framework. Consistent inclusion of network capacity costs in incremental cost estimates (A1) would ensure more certainty for our members that charges are reflected consistently across distributors, with variation driven by legitimate factors like connection size and location. Mandatory itemisation (A4) would help developers test cost estimates, ensuring charges are fair and transparent. Costing requirements (A5) ensure developers face genuine cost reflective charges where members have reported being charged for a full asset replacement, despite the distributor actually reusing the existing, depreciated network asset rather than rebuilding it. We consider Option A4 and Option A5 should also be extended to developer-initiated network modifications.

4.4. We also support Option A2 (Construction risk allocation). Property Council considers that under the current model, where distributors can pass through cost increases, there is an inefficient and inequitable allocation of commercial risk to the party least able to manage it. Developers cannot influence contractor selection, procurement or construction management once a quote is accepted, yet bear full exposure to cost variation. We note the Issues Paper's caution that overly restrictive risk transfer could incentivise conservative over estimation; we consider this can be mitigated by requiring distributors to substantiate material cost variations against the original itemised quote, rather than prohibiting all variation outright.

4.5. We support progressing Options A3 (equivalence obligation) and A6 (input assurance). Independent validation of posted network capacity rates, capacity assumptions and scheme design and costing would materially improve confidence in the "commensurate" benchmarks that underpin balance point-style interventions. We consider Options A6 and A4 could be strengthened by requiring distributors to publish standardised post-project reconciliations comparing estimated and actual connection costs for projects above a specified threshold.

4.6. We also support Option A7 (in kind contribution costing) as a pre-requisite for the Pioneer schemes and Charge reconciliation, recognising that many developer-led connections proceed on a vested asset basis. However, Option A7 must also consider how this data can be used in the costing and reconciliation process. Members have raised specific instances where a developer has provided assets such as cabling or transformers to a distributor without receiving an appropriate offset or recognition for that contribution.

4.7. Property Council recommends the Authority progress Options A1-A7 for an effective costing methodology.

4.8. We recommend Options A4-A5 are extended to developer-initiated network modifications. We recommend Options A4 and A6 are strengthened with a requirement for distributors to publish standardised post-project reconciliations comparing estimated and actual connection costs for projects above a specified threshold.

4.9. We recommend Option A7 should be paired with an explicit requirement that collected vested asset costs be applied through pioneer scheme or reconciliation mechanisms, rather than defaulting to a zero or estimated value where visibility is otherwise lacking.

**5. Allocation methodologies**

5.1. The Issues Paper identifies the policy question of how the incremental cost of a connection should be split between upfront connection charges and ongoing lines charges. Developers should fund the infrastructure their development requires but should not fund infrastructure that serves future growth or existing customers. Failure to draw this line transparently penalises first movers, risks increasing housing costs and risks disincentivising greenfield development.

5.2. We support Option B1 (standard process) and Option B2 (standard allocation formula) as the foundation for an enduring framework. Requiring distributors to structure their methodology and allocation formula around a nationally consistent approach would significantly improve the transparency and certainty of investment for developers. We support options B3 (Allocation floor) and B4 (Change limit) as an enduring Balance Point principle framework.

5.3. We support Option B6 (allocation band) as the most comprehensive mechanism for constraining allocation settings, noting the Issues Paper's own analysis that a well-designed band can achieve the objectives of both a floor (B3) and a cap (B5) in a single mechanism.

5.4. If the Authority does not progress Option B6, we recommend Options B3 and B5 be adopted together as a fallback to achieve equivalent protection. An allocation cap would more fairly spread the cost of financing new connection assets and help to incentivise distributors to minimise costs, rather than passing them through in full.

5.5. Our members report instances where distributors have charged new connections funded on a full cost-recovery basis but continue to contribute to the ongoing maintenance of older, already-depreciated network assets through their lines charges, with no reduction applied to reflect their upfront contribution. In effect, a new connection can pay twice – once to fully fund the asset upfront, and again through lines charges that are not meaningfully reduced. Whilst this evidence supports an allocation cap (B5) or an allocation band (B6) to prevent full upfront recovery in the first instance, it also points to a gap in lines charges tariff structures not being subject to any connection pricing methodology requirement.

5.6. We strongly support Options B8 (Network cost contribution) and B9 (Prudent discount policy requirements) for large connections. There is strong case for an upper limit on network cost contribution to improve predictability for our members and ensure costs are reflective of the infrastructure that the new connection creates demand for. Members have reported instances of hold-up risk, where once a development has committed to proceeding there is limited practical ability to negotiate revised connection costs with the monopoly network provider. Any upper limit should ensure developers are only required to fund the efficiently incurred incremental costs attributable to their connection, while broader network development costs are recovered through mechanisms that reflect the wider beneficiaries of that investment. It should not remove the flexibility needed to negotiate prudent discounts (B9) that can make marginal projects viable.

5.7. We recommend the Authority consider how allocation methodologies account for the term uncertainty of offtake connections. Distributors plan on a long-term, multi-decade basis, but the demand profile of a connecting business or development may be considerably shorter, for example, where a business closes, relocates or downsizes. As currently framed, the allocation methodology options do not address this mismatch, which risks working against the Authority's own objectives of incentivising efficient distributor investment and ensuring access seeker investment is not deterred by excessive cost or risk.

5.8. Property Council recommends the Authority progress options B1-B9. We further recommend the Authority separately scope how lines charge tariff structures will reflect a connection's upfront contribution history, given this currently sits outside any connection pricing methodology and allocation requirements.

**6. Network development boundary**

6.1. Network development involves large investments that increase the network's ability to serve future growth for both current and future developers. There is large discretion and complexity involved in such investments. In our members' experience, it is not clear in a distributors decision to characterise works as connection-led, or network development, whether costs reflect genuine incrementality or shifts cost recovery to a party which has little ability to negotiate. There are no national principles which creates inconsistency as to how these decisions are made across New Zealand. This creates significant feasibility changes, financing challenges and subsequently disincentives greenfield growth.

6.2. We note the need for flexibility in such arrangements and recommend the Authority develops principles for a national decision-making framework to determine the boundary between incremental connection works and broader network development. These principles could include:

- Costs should be allocated to those who benefit from the investment;
- Incremental cost first, noting, that broader network development should generally be funded through wider recovery mechanisms;
- Transparency - explaining classification and cost allocation;
- Consistency – equivalent projects should be treated similarly, regardless of supplier; and
- Incentivising connections – ensuring that any new framework ensures distributors have confidence to recover costs.

**7. Secondary Networks**

7.1. The Issues Paper confirms that secondary network providers are expressly excluded from Part 6B Connection pricing requirements, meaning they are not required to provide charge reconciliations, operate pioneer schemes, or apply enhancement cost allocation and capacity costing requirements.

7.2. Some of our members develop through pocket networks and major infrastructure sites, for example, subdivision-scale secondary networks. Developers connecting to these networks should receive equivalent protections to those connecting to a primary network, regardless of the ownership structure chosen for the reticulation. We agree with the Issues Paper’s assessment that the case for extending obligations is strongest for pocket networks and major infrastructure sites, where genuine access-seeking behaviour and negotiation occurs.

7.3. We recommend the Authority undertake further evidence-based consideration of connection pricing within secondary networks. Any extension of the requirements should be targeted and proportionate, focusing on networks where third parties genuinely seek electricity network access independently of access to the underlying site. Connection-pricing requirements should not automatically extend to private property networks where electricity access forms part of the wider property or tenancy arrangement.

## 8. Improving the Connection Process and Customer Experience

8.1. While Property Council supports the Authority's focus on improving connection pricing methodologies, we encourage the Authority to adopt a broader customer-centred approach to connection reform. Improving early engagement, network capacity transparency, service standards and project planning would complement the proposed pricing reforms, reduce unnecessary project delays and support the timely delivery of housing and commercial development.

8.2. For developers, inconsistent service, delays and uncertainty in the connections process significantly reduces development feasibility, adding extra cost and impacting affordable housing outcomes. Where a distributor is the only available network operator, an access seeker has no ability to mitigate this risk by approaching an alternative supplier, and no commercial leverage to expedite a response. Additionally, having early, reliable signal on available network capacity and likely constraints, allows development to be properly sequenced without causing costly redesign or delays in delivery.

8.3. We re-iterate the recommendation made in our December 2025 submission that the Authority introduce mandatory timeframes and service-level requirements for connection quotes and approvals. This should also extend to timeframes for disconnections and downgrades.

8.4. We recommend the Authority extend the existing requirement for distributors to publish network capacity rates to also require publication of indicative self-service capacity information.

## 9. Conclusion

9.1. Property Council members invest, own, and develop property across New Zealand. We thank the Authority for the opportunity to submit on the Further reform of distribution connection pricing issues paper.

9.2. Property Council strongly supports the Electricity Authority progressing an enduring framework for connection pricing. The reforms proposed in the Issues Paper represent an important opportunity to improve transparency, consistency and confidence in the connections process, while ensuring connection charges better reflect the efficient incremental cost of new development. Implemented well, these reforms will reduce unnecessary uncertainty for developers, support more efficient investment decisions and help remove barriers to the timely delivery of housing, commercial development and infrastructure across New Zealand.

9.3. For further enquiries, please do not hesitate to contact Bella Leddy, Senior Advocacy Advisor, via email [redacted].

Yours Sincerely,

[redacted]

Leonie Freeman
Chief Executive
Property Council New Zealand