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Electricity Authority | Te Mana Hiko

By email to:
networkpricing@ea.govt.nz

Tēnā koutou,

RESPONSE TO SUBMISSION ISSUES PAPER CONNECTION PRICING

Unison Networks Limited (Unison) and Centralines Limited (Centralines) are consumer-owned electricity distribution businesses serving communities in Hawke's Bay, Taupō, Rotorua, and Central Hawke's Bay. We appreciate the opportunity to comment on the Authority's issues paper of distribution connection pricing.

As consumer-owned entities, we operate in the best interests of the communities we serve. Guided by our vision, and values, we strive to deliver economic benefits to both our customers and community shareholders, while championing a sustainable energy future. We are committed to maintaining the right balance between keeping electricity affordable and making strategic investments that secure the long-term reliability and resilience of our network. In all aspects of our operations, we place strong emphasis on meeting industry compliance requirements, ensuring we uphold all relevant standards. This approach not only supports New Zealand's transition to new energy solutions but also enables our communities to access cleaner, smarter, and more flexible energy options, now and for generations to come.

Executive Summary and Overall Position

We support the Authority's objective of improving the transparency, predictability and efficiency of distribution connection pricing.

Connection pricing plays an increasingly important role in supporting housing growth, industrial electrification, distributed energy resources, fleet charging infrastructure and wider decarbonisation objectives. An enduring framework should facilitate efficient investment by consumers and distributors while protecting existing consumers from costs and risks appropriately attributable to new connections.

This review provides an opportunity to improve transparency, reduce uncertainty and clarify the treatment of anticipatory investment, reusable assets and flexible connection solutions. However, the current evidence does not demonstrate that the issues identified are widespread or systemic, nor that a more prescriptive national methodology is required.

The Authority should adopt an evidence-led approach focused on improving consumer outcomes and efficient risk allocation. It should distinguish between:

- inefficient outcomes and legitimate variation.
- pricing issues and broader delivery or procurement issues.
- connection-specific costs and wider network development costs; and
- demonstrated consumer harm and potential future risks.

Variation between distributors is not, by itself, evidence of inefficiency. Distribution networks differ materially in topology, density, growth rates, available capacity, customer characteristics and delivery models. These differences can legitimately result in different connection outcomes.

The central challenge is not achieving consistent methodologies but ensuring connection-pricing arrangements support efficient growth and electrification while appropriately allocating utilisation, stranding and financing risk. The strongest case for reform lies in improving transparency, supporting anticipatory investment, clarifying the boundary between connection and network development funding, protecting against enduring subsidies, recognising flexibility solutions, accommodating large and complex connections and ensuring alignment with DPP5.

The review should be considered within the context of wider electricity distribution sector reform. The Energy Task Force recommendations, the Minister's reform agenda, MBIE's consultation on the future of the electricity distribution sector, DPP5 development, and the Authority's distribution pricing work programme are addressing many of the same underlying issues, including growth, electrification, investment incentives, network utilisation, consumer outcomes, and risk allocation.

As connection pricing is fundamentally an extension of broader distribution pricing, the Authority should adopt a coordinated, principles-based approach across both workstreams. This will help ensure consistent economic signals, avoid overlapping or contradictory regulatory interventions, and support a coherent long-term framework for funding, pricing, and investment across the distribution sector.

Key recommendations

1. Evidence before prescription

Use the information generated through recent reforms, including charge reconciliation, enhancement cost allocation, and pioneer schemes, to establish the scale, causes, and consumer impacts of identified issues before considering further regulatory intervention.

2. Focus on the most material issues

Prioritise reforms that deliver the greatest consumer and system benefit, particularly in relation to transparency, anticipatory investment, network development funding, enduring subsidy protection, large connections, and DPP5 alignment.

3. Common principles before common methodologies

Improve consistency through common principles, definitions, disclosure requirements, and worked examples while preserving flexibility to reflect legitimate differences between networks and customer circumstances. Connection pricing reform should be developed in parallel with distribution pricing reform to ensure a consistent and enduring framework based on common pricing principles rather than prescriptive methodologies.

4. Recognise flexibility as a connection solution

Ensure connection pricing frameworks recognise and value flexible demand, flexible export arrangements, managed charging, and staged access to capacity where these solutions avoid or defer network investment.

5. Retain flexibility for large and complex connections

Retain the ability to negotiate transparent, bespoke arrangements for large and complex connections where utilisation, financing, and stranding risks cannot be efficiently addressed through standardised approaches.

6. Align connection pricing reform with economic regulation

Develop connection pricing reforms alongside DPP5 and broader economic regulation to ensure appropriate treatment of connection-related expenditure, capital contributions, incremental revenue, financeability, and growth-related investment.

Priority Reform areas

Costing and quote transparency

Improved quote transparency is a high-value, low-regret reform. Customers should understand the cost components, assumptions, exclusions, quote status and circumstances in which charges may change. Common cost categories and post-project variance review for material projects would improve comparability without displacing engineering judgement.

Connection versus network development

Clearer principles are needed to distinguish assets required for an individual connection from reusable assets and wider network development. A simple "causer pays" approach can overcharge the first mover where investment also benefits future customers, while broad socialisation can transfer utilisation and stranding risk to existing consumers.

Anticipatory investment and growth

Growth increasingly requires investment before demand is fully committed. Feeder reinforcement, zone-substation capacity, strategic land and network extensions may support multiple future customers rather than one applicant. The framework should address future beneficiaries, staged investment, reusable assets and pioneer arrangements, with a credible recovery pathway through DPP5.

Enduring subsidy protection

Reducing upfront charges can support connection and electrification, but it also increases reliance on future demand and line-charge revenue. The framework should protect existing consumers where forecast demand does not materialise and allocate utilisation, financing and stranding risks to the parties best placed to manage them.

Large and complex connections

Large industrial and commercial projects can involve material expenditure, uncertain demand, staged commissioning and significant customer-specific assets. Standardised assumptions may understate the risks borne by existing consumers. The framework should allow proportionate security, minimum-demand commitments, staged investment and other transparent negotiated arrangements.

Flexibility as a strategic enabler

The efficient outcome may be a different connection product, not simply a lower upfront charge. Flexible demand, managed charging, export management, demand response, batteries and staged access to capacity can avoid or defer reinforcement. Connection pricing should make the avoided cost visible and provide customers with a meaningful benefit for accepting constrained or non-firm access

DPP5 alignment is fundamental

Reducing capital contributions increases the expenditure distributors must finance and potentially recover through future prices. Without corresponding treatment under DPP5, distributors may be required to facilitate additional connections without a viable regulatory funding pathway.

The Authority and Commerce Commission should jointly develop the implementation framework, assumptions and transition arrangements. This work should address gross and net connection capex, connection-related opex, capital contributions, incremental revenue, cash-flow timing, financeability, incentive treatment, utilisation and stranding risk and adjustment mechanisms for material demand growth outside distributor control.

Practical Application

Staged growth and first-mover disadvantage

A subdivision or industrial development may require feeder, substation or network-extension investment sized for several future stages. The first connection may trigger the investment even though much of the capacity will benefit later customers. Requiring the first mover to fund the full cost can delay otherwise efficient development, while immediate socialisation transfers utilisation and development risk to existing consumers. The framework should support transparent staging, identification of future beneficiaries and proportionate recovery as demand materialises.

Industrial electrification and uncertain utilisation

An industrial electrification project may require material upstream investment before future demand, project timing and utilisation are certain. If future line-charge revenue will recover the investment may expose existing consumers if the project is delayed, downsized or discontinued. Efficient arrangements may instead require staged investment, minimum-demand commitments, proportionate security or risk-adjusted recovery.

Flexible or non-firm access

Where a customer's full capacity requirement would trigger reinforcement, a managed or non-firm connection may allow the connection to proceed earlier and at lower system cost. Flexible demand, managed charging or constrained export may defer network investment until wider demand justifies augmentation. The pricing framework should make the avoided cost visible and provide a clear benefit for accepting reduced firmness or staged access.

Connection timing and planned network upgrades

A connection may arrive shortly before a planned network upgrade and appear to cause the full investment. However, the upgrade may also address forecast growth, asset condition or capacity requirements unrelated to the applicant. The connection charge should reflect the applicant's incremental requirement rather than the full cost of wider network development.

Cumulative implementation burden

Charge reconciliation, enhancement cost allocation, pioneer schemes, capacity costing and disclosure changes are still being embedded. Further obligations should proceed only where expected consumers benefits justify implementation costs and should be sequenced with pricing, asset management plan and DPP cycles.

Conclusion

We support reform that enables efficient connection growth, improves consumer outcomes, and maintains appropriate risk allocation. The Authority should use the evidence emerging from recent reforms to focus on the issues with the greatest consumer and system value. Reform should be guided by common principles and desired outcomes, supported by transparency, disclosure, and proportionate enforcement, rather than pursuing increasingly prescriptive methodologies where there is no evidence of improved consumer outcomes.

The strongest case for further action lies in improving transparency, supporting anticipatory investment, clarifying the boundary between connection and network development expenditure, protecting existing consumers from enduring subsidies, accommodating large and complex connections, recognising flexibility solutions, and ensuring alignment with DPP5.

Effective reform will also require alignment with DPP5 and coordination with the wider electricity distribution sector reform programme. Bringing these workstreams together will reduce duplication, improve regulatory certainty, and support a coherent long-term framework for investment, growth, electrification, and consumer outcomes.

Connection pricing and distribution pricing are fundamentally linked. Decisions in one area influence incentives and outcomes in the other. The Authority should therefore develop these reforms as part of a coordinated pricing strategy founded on consistent economic principles, efficient investment signals, and appropriate allocation of risk between existing and future consumers.

We look forward to continuing to engage with the Authority and would welcome the opportunity to discuss this submission.

Ngā mihi nui,

JASON LARKIN
GROUP GM CUSTOMER, COMMERCIAL AND REGULATORY

TARRYN BUTCHER

REGULATORY MANAGER

[redacted]

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	Tarryn Butcher
Organisation	Unison Networks and Centralines

Questions	Comments
Q1. Do you agree with the background and context summary above? Why, why not?	Broadly yes. The Authority's objectives of promoting efficient investment, supporting electrification, improving transparency and protecting existing consumers from inappropriate subsidies are sound. However, the background should distinguish legitimate variation from inefficiency. Connection outcomes can differ because of network topology, customer characteristics, capacity availability, growth expectations, construction markets and risk profiles. The relevant policy question is whether materially similar customers receive materially different outcomes without objective justification, not whether distributors use identical methodologies. The interaction with economic regulation should also feature more prominently because the ability to defer recovery through line charges depends on the funding framework established by the Commerce Commission.
Q2. Is there additional background, evidence or context relevant to the issues covered in this paper?	Yes. The Authority should distinguish connection-pricing methodologies from procurement and delivery practices, technical design, contestability, customer service, contractual risk allocation and DPP funding constraints. These factors can produce similar customer outcomes but do not necessarily point to a common problem or require a common regulatory response. Before further intervention, the Authority should use charge reconciliation and other recently introduced information requirements to understand outcomes across connection types, customer classes, network contexts and project scales. This review should also be coordinated with the Distribution Sector Task Force recommendations, the Minister's reform agenda, MBIE's consultation on the future of the electricity distribution sector and DPP5 development to avoid duplication and inconsistent settings.

Q3. How should the Authority prioritise across possible options identified in this paper?	Prioritisation should reflect demonstrated consumer harm, economic significance, evidence strength, implementation cost, interaction with DPP5 and the reversibility of decisions. The Authority should first progress measures that have a clear efficiency rationale and are likely to improve outcomes regardless of future methodology choices.
Q4. Which options should have the highest or lowest priority, and why?	Highest priority: costing and quote transparency; the boundary between connection and network development; anticipatory-investment treatment; enduring subsidy protection; large and complex connections; and DPP5 alignment. Lower priority: continuance pricing; downgrade and disconnection charging; secondary-network regulation; and broad audit or certification requirements. The Authority has established a stronger case for action in the first group.
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 primarily to improve transparency and strengthen the evidence base, rather than support further standardisation where there is no evidence of improved consumer outcomes. Customers should have clear visibility of cost components, assumptions, exclusions, fixed and estimated elements, and the circumstances under which charges may change. Before considering more standardised approaches, the Authority should first establish whether observed differences in outcomes persist after accounting for factors such as location, scope, technical standards, project risk, customer requirements, and network circumstances. Where concerns arise regarding outcomes or customer treatment, the Authority should first utilise existing disclosure, monitoring, and enforcement mechanisms to identify and address problematic practices before introducing more prescriptive methodology requirements. Enhanced transparency will provide a stronger evidence base for assessing whether regulatory intervention is justified.
Q6. What are your views on the merits of the identified costing methodology options?	Improved quote transparency and common cost categories are likely to benefit customers regardless of the eventual methodology. Capacity costing may improve signals where connections create identifiable future network costs, and benchmarking may assist regulatory monitoring. However, cost pass-through rules must

	distinguish controllable from uncontrollable events, benchmarking must recognise local circumstances, assurance should target material projects and standardisation should not override legitimate engineering judgement.
Q7. Are there any other costing methodology options you think the Authority should consider?	The Authority should consider common quote categories, mandatory disclosure of assumptions and exclusions, post-project variance reviews for material projects, common cost-driver reporting and clear escalation mechanisms for disagreements about scope or costing assumptions.
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. Allocation between upfront charges and future-revenue recovery is the core economic issue in this review. Reform should be informed by evidence on reconciliation outcomes, connection-cost recovery, reliance on capital contributions and impacts on existing consumers.
Q9. How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?	No individual option performs well in every circumstance. Percentage-based approaches are simple but can weaken cost reflectivity. Revenue-based approaches better recognise future benefits but rely heavily on forecasts. Standard formulas improve consistency but can reduce flexibility. Neutral-point approaches align most closely with subsidy-free principles. We support common principles and outcome boundaries before formula prescription. Where materially inefficient or unfair outcomes are identified, the Authority should use disclosure requirements and targeted enforcement to address those issues rather than defaulting to increasingly prescriptive methodologies that may reduce flexibility and create unintended consequences.
Q10. Are there any other allocation methodology options you think the Authority should consider?	The Authority should consider a risk-adjusted subsidy-free floor, safe-harbour arrangements, customer choice between alternative recovery structures, differentiated treatment for large connections and explicit treatment of utilisation and stranded-asset risk.
Q11. Are you aware of any issues relating to network development funding? Please provide examples, evidence or analysis where possible.	Yes. This is one of the most significant issues facing distributors. A distributor may need to acquire strategic land or install feeder and substation capacity before individual developments are sufficiently committed to support full customer funding. The investment may ultimately benefit several developments, but

	the first connection may appear to trigger it. Requiring that customer to fund the full investment creates first-mover disadvantage, while recovering the full cost from existing consumers transfers development and utilisation risk. Clearer principles are needed for anticipatory capacity, future beneficiaries and staged cost recovery.
Q12. What options, if any, should the Authority consider for promoting efficient pricing for network development?	The Authority should establish principles for anticipatory investment, recognise future beneficiaries, support staged cost recovery, provide guidance on reusable assets, coordinate with DPP5 and require transparent assessment of benefits and risks.
Q13. Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.	Yes. Common issues include relocation, betterment, avoided renewal, asset condition and third-party development requirements. For example, a customer-driven relocation may coincide with replacement of an ageing asset. Charging the customer the full replacement cost may overlook the renewal benefit received by the network, while allocating all costs to the network may overlook that the expenditure was brought forward by the customer's request. Clear principles are needed to separate causation, betterment and avoided renewal.
Q14. What options, if any, should the Authority consider for promoting efficient pricing for network modifications?	The Authority should establish common principles covering causation, avoided renewal, betterment, minimum compliant design, remaining asset life and broader network benefits.
Q15. Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.	Potential issues include recovery of connection-specific commitments, released capacity, tariff gaming and lost revenue. For example, a distributor may have incurred connection-specific expenditure or committed capacity based on an agreed demand level. A later downgrade may release capacity for other customers but leave costs that cannot immediately be avoided. Any charge should reflect residual incremental cost, net of the value of released capacity, rather than compensate for lost revenue generally.
Q16. What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?	Charges should reflect actual incremental cost, recognise the value of released capacity, avoid double recovery, be transparent and apply only for a justified period.
Q17. Are you aware of any issues relating to continuance pricing? Please	We are not aware of evidence demonstrating that continuance pricing is a widespread or material

provide examples, evidence or analysis where possible.	issue. The circumstances in which it arises appear uncommon, fact-specific and closely connected to statutory supply obligations, asset condition and alternative supply options. The Authority should establish the scale of the issue before considering further intervention.
Q18. Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.	No. The Authority should focus on connection-pricing issues affecting more customers and involving greater economic value.
Q19. What options, if any, should the Authority consider for promoting efficient continuance pricing?	If progressed, the Authority should focus on avoidable cost, alternative supply options, renewal requirements, customer impacts and transition arrangements. Guidance would be preferable to prescriptive formulas.
Q20. Are you aware of any issues relating to secondary network access? Please provide examples, evidence or analysis where possible.	We are not aware of evidence demonstrating widespread consumer harm associated with secondary-network access. However, customers on some secondary networks may have limited visibility of ownership, access arrangements, pricing methodologies and complaint pathways. Because secondary networks vary significantly in scale, purpose and structure, the Authority should first improve visibility and collect evidence rather than apply a uniform response.
Q21. Should secondary network access be a priority for further reform? Please provide reasons for your view.	Not at this stage. Improved visibility and evidence gathering should precede broader regulatory intervention.
Q22. What options or approach, if any, should the Authority consider for addressing secondary network access issues?	The initial focus should be registration, ownership disclosure, access information, pricing-methodology transparency and complaint pathways. Further regulation should depend on demonstrated consumer harm.
Q23. Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.	Yes. Financial security can create barriers to connection, but it can also enable lower upfront contributions and allocate utilisation, financing and stranding risks to the parties best placed to manage them. The challenge is achieving a proportionate balance.
Q24. Should financial security requirements be a priority for further reform? Please provide reasons for your view.	Medium priority. Financial security interacts directly with allocation methodologies and future-revenue assumptions, but the current evidence does not support immediate prescriptive intervention.
Q25. What options or approach, if any, should the Authority consider for financial security requirements?	Security should be proportionate to risk, reduce as exposure declines, recognise alternative instruments, avoid duplication with

	upfront contributions and be calculated transparently.
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)?	The Authority should support practical contestability, clarify in-kind contributions, retain flexibility for large bespoke connections, improve staged-development treatment, align pioneer arrangements with growth outcomes, provide safe harbours for negotiated arrangements and recognise flexibility-based solutions where they avoid or defer traditional network investment.
Q27. What measures, if any, should the Authority consider to ensure connection pricing methodology requirements are effective in practice?	The Authority should provide implementation guidance, worked examples, standard definitions, common data specifications, proportionate disclosure requirements and practical interpretation pathways. Independent assurance should only be introduced where evidence demonstrates a material compliance problem.
Q28. How should the Authority monitor, review or update connection pricing methodology requirements to ensure they remain fit for purpose over time?	The Authority should establish an evaluation framework before implementation. Monitoring should cover connection volumes, quote-to-quote variance, capital-contribution trends, reliance on future revenue, delivery times, disputes, flexible connections and impacts on existing consumers. A formal review should occur after sufficient operational experience has accumulated, supported by at least two years of meaningful data. Updates should be coordinated with pricing, asset management plan and DPP cycles. Future reviews should also take account of wider sector reforms, so connection-pricing requirements remain aligned with the evolving regulatory framework and similar issues are not addressed repeatedly through separate processes.