24 August 2026

Electricity Authority Te Mana Hiko
By email: distribution.pricing@ea.govt.nz

Submission: Further reform of distribution connection pricing - issues paper

Waipā Networks supports the Authority's objective of improving the efficiency, transparency and consistency of connection pricing. Our key concern is that enduring regulation should remain proportionate and flexible enough to accommodate materially different network circumstances. Waipā is a high-growth network and has invested in significant shared capacity ahead of demand. This makes the allocation of growth costs and risk between new connections and existing customers particularly important.

We support maintaining a clear subsidy-free safeguard for new connections and improving practical costing guidance and transparency. We are cautious, however, about prescriptive allocation caps, bands or change limits that may transfer financing, uptake and stranding risk to existing customers without a demonstrated efficiency benefit. We also consider that network-development funding and financial-security settings deserve careful attention because they are directly connected to the financing of growth.

The Part 6B fast-track requirements are still new. Further reform should be informed by implementation evidence and supported by clear guidance, worked examples and realistic implementation timeframes. The Authority should also align material changes with Commerce Commission DPP5 processes and avoid duplicative assurance requirements.

Our detailed responses are set out in the Authority's Appendix A submission format on the following pages.

Yours sincerely,

Kerry Watson
Pricing & Compliance Manager

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Name	Kerry Watson
Organisation	Waipā Networks

Questions	**Comments**
Q1. Do you agree with the background and context summary above? Why, why not?	Waipā Networks generally agrees with the background and context summary. The focus on cost-reflectivity, predictability, incentive alignment, consistency and transparency is appropriate. We consider, however, that the context should place greater weight on the diversity of distributor circumstances and on the interaction between connection pricing, capital management and Commerce Commission revenue-path settings. A methodology that is efficient for a low-growth network may not be efficient for a high-growth network investing materially ahead of demand. The pace of change is also relevant. The Part 6B fast-track requirements only took effect from 1 April 2026 (with capacity-costing requirements continuing to develop). Further reform should therefore be informed by practical implementation evidence and should avoid unnecessary rework before the new arrangements have bedded in.
Q2. Is there additional background, evidence or context relevant to the issues covered in this paper?	Waipā Networks is a consumer trust-owned distributor serving Cambridge, Te Awamutu and surrounding areas. Our network has experienced significant residential subdivision and industrial growth, requiring material investment ahead of confirmed connection uptake, including the Hautapu GXP and Forrest Road Substation. This experience highlights three additional pieces of context. First, shared network investments are often large and lumpy, while capacity is consumed progressively. Second, uptake timing and the identity of future beneficiaries can be uncertain. Third, the allocation of connection costs has a direct bearing on how growth risk is shared between new applicants, existing customers and the distributor.

<table>
<tr><td>Q3. How should the Authority prioritise across possible options identified in this paper?</td><td>The Authority should prioritise options using the following sequence:
First, establish clear and workable foundations: consistent definitions, practical costing guidance, and principles for the boundary between connection-led investment and network development.
Second, preserve the core economic safeguard that new connections should not be subsidised by existing customers, while retaining distributor flexibility over the efficient mix of up-front and ongoing recovery.
Third, address financial security and revenue-protection settings where they are needed to support material stranding or uptake risk.
Fourth, focus on implementation, guidance, monitoring and alignment with Commerce Commission settings before adding more prescriptive controls.
Priority should also reflect DPP5 dependencies. Options that materially alter the financing of growth should only proceed where the Authority has a clear evidence base and the implications for regulated expenditure and capital funding are understood.</td></tr>
<tr><td>Q4. Which options should have the highest or lowest priority, and why?</td><td>Highest priority should be given to targeted measures that improve transparency and the integrity of costing without unnecessarily prescribing commercial outcomes. In particular, Waipā supports further work on cost transparency (A4), proportionate costing requirements/guidance (A5), an enduring subsidy-free floor or neutral-point safeguard (B3), network-development funding principles, and risk-based financial security.

Lower priority should be given to prescriptive allocation controls such as a change limit (B4), allocation cap (B5) or allocation band (B6). These options can shift financing and uptake risk to existing customers and may be particularly problematic for high-growth networks.

Network modifications, connection downgrades/disconnections and continuance pricing should also be lower priority unless the Authority identifies evidence of material harm. Secondary-network reform should begin with visibility and evidence gathering rather than blanket extension of Part 6B requirements.</td></tr>
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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?	To a certain extent, but further work should be focused and proportionate. Costing is fundamental because it establishes the incremental-cost input that then drives allocation and customer decision-making. Clearer approaches can improve confidence and reduce disputes. At the same time, costing is inherently network and project-specific. The Authority should avoid replacing one form of uncertainty with prescriptive rules that are difficult to apply to diverse connection types and network architectures. Waipā supports principles-based requirements supported by practical guidance, worked examples and materiality thresholds. Given that the new Part 6B requirements are only recently in force, the Authority should also use charge reconciliations and implementation experience to test where material costing problems actually exist before imposing high-cost assurance or certification requirements.
Q6. What are your views on the merits of the identified costing methodology options?	**A1 - Mandatory capacity costing:** Waipā Networks does not support a universal mandate. Capacity costing is an important tool and Waipā Networks currently has applied a form of capacity charges since March 2023 and used the Part 6B approach since April 2026. However, networks face different constraints and local costs can differ materially from posted averages. Distributors should retain discretion, with transparent methodologies and guidance. **A2 - Construction risk allocation:** We support greater quote predictability, but not a rigid transfer of all outturn risk to distributors. Legitimate scope changes, applicant changes, third-party costs and genuinely unforeseeable events should remain capable of pass-through under clearly stated terms. **A3 - Equivalence obligation:** We do not support this. Regulatory works and connection works can have legitimate differences in scale, procurement profile and risk. Transparency and benchmarking should be used before imposing an equivalence obligation. **A4 - Cost transparency:** Waipā Networks supports this, provided requirements align with an updated more customer-friendly charge reconciliation and existing disclosure obligations and avoid duplicative reporting. **A5 - Costing requirements:** We support principles or guidance on matters such as financing charges, avoided costs and incidental benefits. Requirements should not attempt to prescribe every project-specific judgement. **A6 - Input assurance:** Waipā Networks supports this only on a targeted, risk-based basis. Blanket independent engineering review or director certification could add significant cost without corresponding benefit. **A7 - In-kind contribution costing:** Waipā Networks does not currently take a vested assets approach. We however support proportionate cost visibility where it is necessary for reconciliation or allocation. Reasonable estimation should remain available where contractor cost information cannot be cleanly attributed.

Q7. Are there any other costing methodology options you think the Authority should consider?	Waipā Networks does not have any alternative suggestions. However, whatever options are adopted we believe the Authority should coordinate closely with the Commerce Commission so that connection-pricing rules and Part 4 incentives do not create conflicting signals or duplicate assurance requirements.
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?	Allocation methodologies are important, but the priority should be the economic outcome rather than imposing a uniform financing split across distributors. Waipā strongly supports the principle that new connections should not be subsidised by existing customers. Beyond that safeguard, distributors need flexibility to allocate recovery between up-front connection charges and future line charges having regard to growth, capital requirements, uptake risk, the nature of the connection and the expected revenue stream. This flexibility is particularly important for high-growth networks, where major capacity investments can be required well ahead of the revenue generated by new connections. Prescriptive caps or bands risk shifting costs and financial risk to existing customers without demonstrating an offsetting efficiency benefit.

Q9. How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?	**B1 - Standard process:** Waipā Networks broadly supports this as a common structure and terminology, provided local inputs and justified variations remain possible. **B2 - Standard allocation formula:** We support this as an optional reference method, rather than a mandatory formula. We also note that the formula assumes 1) that the distributor can reasonably calculate incremental cost per consumer group and 2) it assumes existing consumer groups across all distributors are already cross-subsidy free. **B3 - Allocation floor (neutral point):** We support this in principle. The design should recognise uncertainty in incremental revenue and cost estimates and should avoid unnecessary transaction-by-transaction complexity. **B4 - Change limit:** We do not support this as a priority and believe the impact of the application of the Authority's balance point principle should be evaluated first. We are also concerned that a limit may become disconnected from changing growth and cost circumstances. **B5 - Allocation cap:** Waipā Networks does not support this. A cap could force distributors to finance a greater share of growth and transfer uptake/stranding risk to existing customers, which is particularly concerning for high-growth networks. **B6 - Allocation band:** We do not support this. A band is highly prescriptive and risks creating convergence for its own sake rather than promoting efficient outcomes. **B7 - Negative charges:** We support this but as a low priority. Principles could permit negative charges where a distributor can demonstrate a genuine system benefit, without creating an expectation that such charges are generally required. **B8 - Network cost contribution (large connections):** Waipā supports guidance and transparency, but retaining bespoke treatment. Large connections differ materially by location, capacity, forecast demand, stranding risk and financing preference. **B9 - Prudent discount policy:** We support this as an optional tool with clear governance and criteria, particularly where a discount can enable an efficient connection or avoid inefficient bypass while still making a positive network contribution.
Q10. Are there any other allocation methodology options you think the Authority should consider?	Waipā Networks does not have any suggestions for other options.

Q11. Are you aware of any issues relating to network development funding? Please provide examples, evidence or analysis where possible.	Yes. Waipā experiences the core network-development funding issue identified in the paper: major shared investments may be required in advance of confirmed connection uptake, while the beneficiaries and timing of capacity use become clear only over time. Our recent growth investments, including the Hautapu GXP and Forrest Road Substation, illustrate the lumpy nature of capacity investment. If too much of such investment is treated as incremental to the first connection, the pioneer can face an uneconomic burden. If too much is socialised immediately through line charges, existing customers bear growth and uptake risk that is properly associated with future connections. The efficient boundary will therefore vary with the strength of the causal link to specific connections, scale of investment, expected beneficiary group, uptake risk and practicality of targeted recovery.
Q12. What options, if any, should the Authority consider for promoting efficient pricing for network development?	The Authority should develop high-level principles for network-development cost demarcation and funding selection, rather than a detailed mandatory rule. The principles should allow distributors to consider: • the causal link to a connection or group of connections whether the investment is efficiently sized for future growth • the number and timing of expected beneficiaries • uptake and stranding risk; materiality • the practicality and customer impacts of targeted recovery. Distributors should retain access to a range of mechanisms, including pioneer schemes, localised historical cost recovery, targeted pricing areas/consumer groups, and proactive network funding where appropriate. The chosen approach should be documented and transparent, with safeguards against both first-mover disadvantage and inappropriate socialisation of connection-driven costs.
Q13. Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.	Waipā is not aware of evidence indicating a material systemic problem with network modification charges that would justify making this a high-priority reform area. Modification work is diverse and often governed by existing statutory or contractual arrangements. Applying a full connection-pricing methodology to all relocations and third-party works could add material administration without a demonstrated benefit. We agree, however, that the Authority should remain alert to the potential for cost recovery to shift into modification charges if other charging avenues become more constrained.

Q14. What options, if any, should the Authority consider for promoting efficient pricing for network modifications?	The Authority should first improve evidence and transparency rather than immediately prescribe methodologies. If material issues are identified, proportionate guidance could address: recovery of direct incremental costs; exclusion of distributor-selected betterment; treatment of avoided renewal costs and incidental capacity benefits; transparent quote assumptions and change mechanisms; and the basis for any administrative or connection fees. Existing statutory arrangements for road relocations and landowner-requested works should be respected, and any new requirements should avoid duplicating those frameworks.
Q15. Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.	Waipā is not aware of a material systemic issue requiring immediate reform. However, downgrade and disconnection pricing can create difficult incentive questions because the physical network cost is largely sunk while future line-charge revenue and capacity use may change. Waipā currently treats capacity charges as non-refundable where capacity is relinquished, reflecting the fact that the underlying network investment has already been made and may not be reversible. A general requirement to refund historic capacity-related charges could therefore create inefficient outcomes. There is also a legitimate distinction between routine disconnection, where only direct costs should generally be relevant, and tactical disconnection or reconfiguration undertaken to avoid ongoing charges. It is difficult however to discourage tactical disconnections through pricing due to the interposed nature of the customer relationship and the prevalence of smart meter disconnections.
Q16. What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?	If the Authority progresses this issue, Waipā supports principles or guidance rather than a prescriptive formula. Relevant principles should include recovery of direct costs, recognition of released capacity only where it has a demonstrable value, avoidance of refunds for sunk costs that cannot be redeployed or avoided, and safeguards (wherever practical) against tactical disconnection/reconnection designed primarily to avoid charges. Large or individually priced connections should continue to be treated case-by-case, because the consequences of downgrade or stranding can be materially different from standard connections. This should remain a lower priority than core costing, allocation and network-development issues.

Q17. Are you aware of any issues relating to continuance pricing? Please provide examples, evidence or analysis where possible.	Waipā Networks does not have specific evidence of material continuance-pricing problems at present. We agree that economic issues can arise where the avoidable cost of maintaining supply to a remote or low-use part of a network materially exceeds the revenue from those connections. Any pricing response, however, is inseparable from the wider legal and policy framework governing obligations to continue supply and from customer protection considerations. For that reason, we believe the Authority should avoid developing pricing rules in isolation from its broader work on supply obligations.
Q18. Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.	We believe continuance pricing should be a lower priority at this stage and the Authority should first make further progress on the underlying continuance-of-supply and access-obligation framework.
Q19. What options, if any, should the Authority consider for promoting efficient continuance pricing?	If progressed, the Authority should use principles that require a robust economic case before continuance-related charges are imposed or supply withdrawal is considered. This should include a transparent comparison of avoidable cost and expected revenue, consideration of whether targeted ongoing charges or a one-off contribution can efficiently address under-recovery, and assessment of lower-cost alternatives such as network reconfiguration or off-grid supply. The framework should also provide appropriate notice, consultation and protection for affected customers and avoid locking other customers into indefinite subsidies for uneconomic service where a more efficient alternative is available.
Q20. Are you aware of any issues relating to secondary network access? Please provide examples, evidence or analysis where possible.	Waipā Networks sees a potential issue where large, open-access secondary networks or major infrastructure sites perform a function similar to a primary distributor but remain outside Part 6B connection-pricing requirements. The main concern is not inconsistency in itself, but the risk of inefficient access pricing or regulatory arbitrage that shifts costs to customers on the parent network. Conversely, many small private networks are closely integrated with a wider site or tenancy arrangement, so separate connection-pricing regulation may provide little value. The Authority should therefore distinguish networks according to economic function and access activity rather than applying a broad rule to all secondary networks.

Q21. Should secondary network access be a priority for further reform? Please provide reasons for your view.	Secondary network access should not be a higher priority than the core costing, allocation and network-development issues. The current evidence base appears limited and the population of secondary networks is diverse. The first priority should be improved visibility and evidence gathering. If that evidence shows material access-pricing harm in particular categories - such as sizeable pocket networks or major infrastructure sites - the Authority can then consider targeted obligations.
Q22. What options or approach, if any, should the Authority consider for addressing secondary network access issues?	Waipā supports a phased approach broadly along the lines identified in the paper: • Introduce proportionate information requirements to improve visibility of secondary-network scale, access activity and connection pricing. • Use that information to develop objective criteria for identifying networks where open-access connection pricing is economically significant. • Only then extend suitably modified Part 6B obligations to the identified subset of networks. A blanket extension should be avoided. The framework should also be designed so that it does not create incentives to restructure arrangements merely to obtain a pricing or regulatory advantage.
Q23. Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.	Financial security involves a genuine balance. Excessive security can increase the effective cost of connection and deter otherwise efficient investment, while inadequate security can transfer stranding and recovery risk to existing customers. For standard connections, post-commissioning economic stranding risk will often be low because assets and capacity can be reused by future customers. For large, atypical, remote or highly bespoke connections, the risk can be material and security may be necessary. Distributor discretion remains important because the appropriate form and amount of security depends on project stage, asset specificity, creditworthiness, expected revenue, salvage/reuse value and the amount of cost that remains unrecovered.
Q24. Should financial security requirements be a priority for further reform? Please provide reasons for your view.	Yes, financial security should be a medium-to-high priority and should be coordinated with any allocation reform. If the Authority requires distributors to recover a greater share of connection costs through future line charges, the distributor and existing customers are exposed to more recovery and stranding risk. It would be inappropriate to constrain up-front recovery without at the same time providing a workable framework for managing that risk. The framework should therefore be developed alongside, rather than after, any material change to allocation settings.

Q25. What options or approach, if any, should the Authority consider for financial security requirements?	We support a risk-based principles framework rather than a single prescribed security instrument or formula. • Pre-payment and security during construction should remain available to manage committed project costs. • Post-commissioning security should generally be limited to connections with demonstrable material economic stranding or recovery risk. • The form of security should be flexible and should recognise creditworthiness, parent support and other relevant risk mitigants. • The amount should be linked to the distributor/customer exposure net of likely reuse, salvage and expected revenue, with clear review and release triggers. • Requirements should be transparent, consistently applied and non-discriminatory. The Authority should not prohibit legitimate up-front payment arrangements, especially where the applicant prefers that structure or where a large bespoke investment would otherwise create material financing risk.
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:** Waipā Networks believes that any regulatory requirements regarding contestability should be cognisant of the technical, quality and safety standards required to operate networks and maintain or prove service levels to customers and electricity retailers. Any potential contestability framework must be able to preserve these controls. However, any measures the Authority is considering should not pre-empt wider contestability work being undertaken by the Energy Competition Task Force in 2027. **In-kind contributions:** Where vested assets are used, distributors should obtain enough cost information to support reconciliation and any regulated allocation requirement, but reasonable estimation should remain available where contractor costs cannot be cleanly attributed. **Large connections:** Preserve bespoke treatment. Large connections can involve material, location-specific capital, stranding risk and negotiated financing preferences. Principles and disclosure are preferable to hard caps on the mix of up-front and ongoing recovery. **Real estate developments:** These projects have long lead times, uncertain uptake and a principal-agent separation between the developer that funds infrastructure and the eventual end user. The Authority should avoid rules that force excessive uptake risk onto existing customers. Developer-specific arrangements, capacity charges and network-development funding mechanisms should remain available. Mandatory pioneer schemes for all developments should be approached cautiously because payment tracing and administration can be complex.

Q27. What measures, if any, should the Authority consider to ensure connection pricing methodology requirements are effective in practice?	The Authority should focus on making requirements clear and implementable before adding broad assurance obligations. • Publish final guidance, worked examples and standard definitions well before commencement dates. • Use staged implementation where material system, process or methodology changes are required. • Use standard templates where they reduce ambiguity and reporting cost, while preserving justified local variation. • Use risk-based monitoring and targeted assurance. Blanket independent certification or frequent director certification should only be used where the demonstrated benefit exceeds the cost. • Provide a clear route for practical implementation queries and dispute resolution. Requirements should also be aligned with Commerce Commission information disclosure and DPP obligations so distributors are not required to create duplicate controls and reporting streams for the same underlying information.
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 use the information it is already creating through the reform programme as the primary monitoring base: charge reconciliations, published connection-pricing methodologies, posted capacity rates, information disclosures, complaints/disputes and targeted information requests. Monitoring should focus on trends and outliers, including changes in reliance on connection charges, evidence of subsidy, unexplained cost differences, dispute volumes and whether high connection charges are associated with avoidable barriers or inefficient cost shifting. The Authority should publish periodic sector-level findings and use targeted reviews where the data identifies a concern. Major methodology settings should be reviewed on a predictable cycle - for example, aligned with DPP cycles or every two to three years - rather than through continual amendments. Material changes should be consulted on, and stable implementation periods should be allowed. A post-implementation review of the recently introduced fast-track measures should be an important input before the Authority expands the regime materially.