



24 August 2026

Electricity Authority
PO Box 10041
Wellington 6143

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

Issues Paper – Further reform of distribution connection pricing.

WEL Networks appreciates the opportunity to provide feedback on the above consultation.

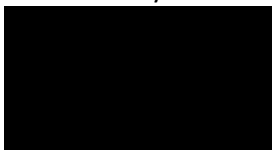
WEL Networks (WEL) is New Zealand's sixth largest electricity distribution company and is 100% owned by our community through our sole shareholder WEL Energy Trust. Our guiding statement of strategic intent is to be leading Waikato's energy future, and we work to ensure that our customers have access to reliable, affordable, and environmentally sustainable energy.

WEL supports pragmatic, evidence-based reform that maintains efficient investment signals and avoids shifting costs onto existing consumers. We are cautious about introducing mechanisms that increase administrative burden, have the potential to create cross-subsidies, or transfer commercial risks from developers and connecting customers to the wider customer base.

Additionally, we believe that decisions on futureproofing should generally be made by EDBs based on efficiency considerations rather than developer expectations.

Our responses to any specific questions sought by the Authority are attached and should you require clarification on any part of this submission, please do not hesitate to contact me.

Yours sincerely



Andrew Maseyk
Regulatory Specialist



Questions	Comments
Q1. Do you agree with the background and context summary above? Why, why not?	WEL generally agrees with the Authority's summary of the market context. However, the paper appears to place significant weight on anecdotal concerns, and further evidence would assist in determining the scale and materiality of any underlying problem before further prescriptive regulation is introduced.
Q2. Is there additional background, evidence or context relevant to the issues covered in this paper?	Electrification, load growth uncertainty and changing customer demand profiles are creating increased complexity for connection pricing decisions. However uncertainty exists for both EDBs and connecting customers. This reinforces the importance of pricing frameworks that allocate risk to the party best able to manage it and avoid imposing costs on existing consumers where future demand does not materialise.
Q3. How should the Authority prioritise across possible options identified in this paper?	Only reforms that address an identified and quantifiable issue, and where a clear cost-benefit analysis demonstrates that benefits exceed implementation and compliance costs, should be pursued. We strongly encourage that any regulatory change is based on data, systematic research, or broad testing and not on anecdotal evidence.
Q4. Which options should have the highest or lowest priority, and why?	Highest priority – Improved transparency and consistency where evidence demonstrates benefits. – Clarification of existing rules where interpretation varies. Lowest priority – Measures that socialise connection costs. – Measures that require highly granular calculations with limited customer benefit. – Options that transfer development risk to existing consumers.
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?	Costing methodologies should only be a priority where there is evidence of systematic inefficiency or customer harm. WEL has not seen evidence that current approaches are producing widespread inefficient outcomes.



Questions	Comments
Q6. What are your views on the merits of the identified costing methodology options?	It should be noted that incorrect specifying of connections can be created by the connecting party. We have numerous examples of connecting customers over specifying their connection requirements. A recent example was a customer requesting a 600-amp supply which would have required a dedicated transformer. Upon reviewing their diversity profile, we managed to allow their connection to an existing pillar at a significantly reduced cost to connect. In WEL's experience, over-specification is a common occurrence for larger commercial and industrial connections. If there is regulated accountability for over specification, then the connecting customer requests need to be accounted for. The anecdotal evidence presented appears internally inconsistent. On one hand, EDBs are said to over-specify assets, while on the other they are criticised for not sufficiently future-proofing the network. It should be EDBs that decide what is efficient future proofing of their networks based on the likelihood of works actually being utilised. As an illustration, our experience of future use ducting installed at developer's requests, only a small percentage actually ends up being used within an efficient timeframe (this can be for various reasons – development stages don't progress, demand is not as forecast, ducting is damaged over time by other parties). In the long run it is generally more cost efficient to only install cabling that is required for the immediate development and then install the additional cabling in the future if the need eventuates Full transparency on connection quotes can be problematic when the quotes have consideration of future revenues and costs, therefore the capital works connection cost does not equate to the connection quote. There are also genuine times when costs escalate beyond the initial quote (such as ground conditions, customer scope changes etc.) so any reform around recovering increased costs needs to be pragmatic in application.



Questions	Comments
Q7. Are there any other costing methodology options you think the Authority should consider?	Option A2: Currently, as we understand the DG Code, we can only charge the incremental cost, if there was to be a “risk allocation” then this may be non-compliant with an incremental cost only requirement. We agree that if too restrictive (given the low risk given to EDB’s as part of their regulatory WACC), this option will likely drive higher risk margins built into the estimated costs to connect. Option A4: As noted previously, capital cost to connect and the quoted cost in most instances are different. Option A5: If the “avoided costs” philosophy is implemented we believe that like with the pioneer scheme, a minimum threshold should be implemented as there is a cost to complete avoided cost calculations down to an asset by asset and age/condition level.
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?	Option B5: If access to capital for a connection is a barrier for development, then this may indicate that the project is not yet financially mature enough to proceed without additional risk-sharing arrangements. It does not seem sensible to pass financial risk of new ventures onto existing consumers. Option B7: We do not support connection charges becoming negative. Such an approach would transfer commercial risk from the connecting customer to existing consumers and could encourage inefficient investment decisions where project viability depends on network subsidies rather than underlying economic fundamentals. A connection charge that is less than zero has significant assumptions including that the connecting business/party will remain for 15+ years and the revenues will actually come to fruition, particularly when combined with parties significantly over specifying their usage. That cost will be borne by existing consumers (including residential and small businesses). We believe that if a connection is of a significant benefit to the network, then customer specific pricing reflecting this benefit is a fairer solution. Option B8: Large connections benefit not only from network assets but also from the systems, processes, operational capability and corporate functions that support safe and reliable service delivery. Allocation methodologies should recognise these benefits and ensure that a reasonable allocation of these shared costs exists between new and existing customers.
Q9. How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?	Care should be taken that only those with quantifiable benefits are pursued as they all have the potential to drive increased operational costs that will be borne by all consumers.



Questions	Comments
Q10. Are there any other allocation methodology options you think the Authority should consider?	The Authority should also consider whether clearer principles-based guidance could achieve the desired outcomes without requiring detailed prescriptive methodologies. This would support consistency while allowing for differing network characteristics and circumstances across EDBs.
Q11. Are you aware of any issues relating to network development funding? Please provide examples, evidence or analysis where possible.	We are not aware of widespread issues with existing network development funding arrangements. However, increasing demand associated with electrification and large load connections may increase pressure on existing frameworks. Any reform should ensure that costs associated with speculative developments are not transferred to existing consumers.
Q12. What options, if any, should the Authority consider for promoting efficient pricing for network development?	Pricing arrangements should continue to provide clear signals regarding the economic cost of development. Mechanisms that dilute these signals or socialise development costs risk encouraging inefficient investment decisions.
Q13. Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.	We are not aware of any issues as the current regulations are clear as to how to manage these.
Q14. What options, if any, should the Authority consider for promoting efficient pricing for network modifications?	As current arrangements appear to be operating effectively, WEL does not consider significant reform necessary in this area. The Authority's focus should remain on maintaining clarity and consistency of existing requirements.
Q15. Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.	We have had parties that ask for an upgrade then subsequently a couple of years later ask for a downgrade (linked to customers over specifying their connection requirements). Where customers subsequently reduce capacity requirements, pricing arrangements should allow networks to recover efficient connection-related investments made on the basis of the customer's original requirements, thereby avoiding cross-subsidisation by other consumers. In some instances, WEL enters into contractual arrangements that allow connection charges to be reassessed where forecast revenues do not eventuate. This helps ensure that connection-related costs are not cross-subsidised by other customers.
Q16. What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?	Networks should have appropriate mechanisms to recover efficient costs incurred based on customer-requested connection capacity where customers subsequently reduce or remove demand. This promotes efficient decision-making and avoids cross-subsidisation.



Questions	Comments
Q17. Are you aware of any issues relating to continuance pricing? Please provide examples, evidence or analysis where possible.	WEL is aware of increasing challenges associated with continuation of supply to remote connections exposed to weather-related damage and high restoration costs. Existing processes can be lengthy and administratively burdensome where continuation is unlikely to be economic.
Q18. Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.	We understand, for some networks, that there is significant concern where individual connections are impacted by more frequent severe weather events and the EDB may be required to reinstate supply despite there being little prospect of recovering the associated costs from that connection. Currently the only avenue to cease supply is to go via the Minister which takes time and cost. We feel reforms should enable (with guidelines) a more efficient way to address these situations.
Q19. What options, if any, should the Authority consider for promoting efficient continuance pricing?	The Authority should consider a practical framework allowing EDBs and customers to assess whether continuation remains economic following major asset damage, while providing appropriate customer protections and dispute resolution processes.
Q20. Are you aware of any issues relating to secondary network access? Please provide examples, evidence or analysis where possible.	WEL is not aware of widespread issues relating to secondary network access.
Q21. Should secondary network access be a priority for further reform? Please provide reasons for your view.	Our experience is most secondary networks are currently buildings which would have limited issues with connection pricing. We feel reform in this space for secondary networks should only pertain to those of a size to warrant these compliance costs.
Q22. What options or approach, if any, should the Authority consider for addressing secondary network access issues?	Any requirements should be proportionate to the scale and complexity of the secondary network involved. A one-size-fits-all approach risks imposing compliance costs that outweigh any consumer benefit.
Q23. Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.	Financial security requirements can be important where significant network investment is required ahead of demand materialising. These arrangements help protect existing consumers from the risk that forecast load growth or revenues do not eventuate.
Q24. Should financial security requirements be a priority for further reform? Please provide reasons for your view.	WEL does not consider significant reform is currently required. Existing arrangements generally provide flexibility to manage material financial risk while supporting efficient connections.
Q25. What options or approach, if any, should the Authority consider for financial security requirements?	Any reform should retain the ability for EDBs to require reasonable financial security where there is material uncertainty regarding future customer demand or revenues.



Questions	Comments
Q26. Do you have views on any other measures the Authority should put in place to address connection pricing methodology issues (including Appendix D issues relating to contestability, in-kind contributions, large connections, and real estate developments)?	WEL encourages the Authority to focus on principles-based requirements that support transparency, consistency and efficient pricing outcomes, rather than introducing highly prescriptive methodologies. Flexibility remains important given the variation in network configuration, customer mix and connection types across EDBs.
Q27. What measures, if any, should the Authority consider to ensure connection pricing methodology requirements are effective in practice?	Any new requirements should be supported by practical implementation guidance and should be designed to minimise unnecessary compliance costs. The Authority should also ensure reporting and disclosure obligations are proportionate to the benefits they deliver.
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 undertake periodic reviews based on evidence of actual outcomes and stakeholder feedback. Any future amendments should be supported by evidence that current requirements are no longer achieving their intended objectives or are creating unintended consequences.

