22 August 2026

Electricity Authority/Te Mana Hiko
PO Box 10041
Wellington 6143

By email to: distribution.pricing@ea.govt.nz

Dear Electricity Authority

Further Reform of Distribution Connection Pricing

Executive Summary

Westpower is a small, consumer-owned electricity distribution business serving the West Coast of the South Island, from Reefton to South Westland. Westpower operates as a lean, locally focused organisation, with an emphasis on delivering reliable and affordable electricity to our communities. As a trust-owned distributor, cost efficiency directly benefits our Consumers. We make this submission as a voice for small regional EDBs, and our overall view is that the case for further reform has not been made.

Westpower believes that the Electricity Authority's focus on cost reflective pricing for new connections is too narrow. The concerns set out in the paper are based on anecdotal evidence from a small number of EDBs, and we cannot see any evidence that points to a problem across many distributors. The examples given relate mainly to large, high-growth urban networks and individual access seekers, and none of them appear to relate to small regional networks.

The issues paper assumes that existing consumers are subsidising new connections if the incremental cost of connecting is not recovered directly from the new connection. This ignores the fact that new connections benefit existing consumers through the economic benefits they bring to the region. In addition, Westpower has a very low ICP/km ratio, so increasing consumer numbers benefits all consumers by lowering operating costs per ICP. These benefits far exceed the actual cross-subsidies the reforms seek to avoid.

Westpower does not believe that enforcing one new connection process to fit all circumstances is beneficial to our Consumers. Where a few distributors are genuinely pricing inefficiently, the Authority already has the tools to deal with them individually, through the balance point principle and its ability to look at individual EDBs. The right response is to target those specific distributors, rather than bringing in new rules across the whole sector that add cost for every Consumer in New Zealand to fix a problem that, on the evidence provided, sits with less than a handful of networks. We would also like to see some flexibility in the process to allow local input into the benefits of cost recovery, so that an EDB can demonstrate to the Authority that the net gains to all Consumers are justified.

Finally, several reforms have only recently come into effect, and others do not apply until 2027 and run through to 2030. These measures were designed to generate the very evidence this further reform is missing. The sensible course is to let them operate, review how they are working, and only then consider whether anything more is needed.

Our key points

- The case for further reform has not been made. The evidence in the paper is anecdotal and drawn mainly from large urban networks and individual access seekers.
- The concerns raised relate to a small number of distributors, not the whole sector.
- The Authority already has targeted tools to deal with specific distributors, so there is no need to regulate all 28 and increase costs for Consumers yet again.
- Any reform needs to be proportionate to scale. Rules designed for large, high-volume urban networks add cost for small regional EDBs and their Consumers without any matching benefit.
- Recent reforms should be given time to work, and be reviewed before any further changes are considered.

Please find below Westpower's specific response to the issues paper.

Yours faithfully

Lisa Leyland

Regulatory and Legal Manager

Westpower

Name	Westpower Limited
Organisation	Electricity Distribution Business

Questions	Comments
Q1. Do you agree with the background and context summary above? Why, why not?	Only in part. We accept the high-level description of the funding model and the Authority's stated pricing objectives at paragraph 2.5. However, we do not accept the paper's central premise that wide "variation" between distributors is itself evidence of inefficiency warranting further regulation. Variation reflects genuine differences in terrain, density, growth, customer mix and risk. A connection can be entirely cost-reflective, and still be expensive. The background also rests on concerns the paper itself describes as anecdotal (at paragraph 3.8), sourced from large urban networks and individual access seekers. That is not an adequate evidential foundation for enduring, sector-wide reform. Where the Authority has identified specific distributors of concern, it should address them individually using the powers it already holds.
Q2. Is there additional background, evidence or context relevant to the issues covered in this paper?	Yes, and it is decisive. First, the scale and make-up of the 28 EDBs varies enormously, and the paper wrongly treats the sector as homogeneous. The largest metropolitan networks connect many thousands of new customers a year; whereas a small regional distributor might only connect a couple of hundred, and its entire connection base is smaller than a single year of a major urban network's growth. Rules and evidence drawn from the busiest networks cannot be read across to networks operating at a fraction of that scale, over longer and more rugged lines, with far greater cost variability per connection. "The difference in cost by network type is well recognised. The Authority's own Distribution connection pricing – worked examples guidance document, sets out separate scenarios for small, remote mid-sized and large connections, including a specific 'small rural' example, reflecting that these connections are not alike. Published pricing schedules bear this out for some EDBs standard rural connection charges run at roughly double the urban equivalent for the same service. In addition, the evidence relied on is anecdotal and urban (paragraph 3.8 and its footnotes). Their needs to be actual evidence of a significant problem amongst the majority of EDBs for there to be yet further reform. The paper should place far greater weight on: • The challenges faced by rural distributors where

	connection volumes are low and costs are highly variable. • The importance of maintaining affordability for new housing and community developments in regional areas. • The increasing uncertainty associated with future load growth, flexibility services, distributed energy resources and electrification uptake. • The need to avoid compliance costs that outweigh the benefits delivered to customers • The fundamental difference in make-up between large, high-volume urban networks and small, low-volume rural distributors, and • The need for any reform to be proportionate to that difference.
Q3. How should the Authority prioritise across possible options identified in this paper?	The Authority's first priority should be to demonstrate a material, sector-wide problem. Given no evidence has been presented, the highest-priority course is not to proceed with a further enduring reform at this time. To the extent anything is progressed, the Authority should prioritise only measures that: (a) address a demonstrated, material problem in terms of clear inefficiencies or Consumer harm, (b) can be delivered at a cost proportionate to the benefit, and (c) do not duplicate the fast-track measures, the balance point principle, or the Commerce Commission / Task Force work. Where specific distributors are the concern, targeted use of the balance point principle and the Authority's individual investigation powers should always be preferred to sector-wide rules whose compliance costs fall on every consumer. The recent measures (fast-track from April 2026, capacity costing from April 2027, balance point to 2030) should be allowed to generate evidence, and reviewed, before any further reform is prioritised. DPP5 timing should not be used as deadline to lock in enduring rules before the problem is understood.
Q4. Which options should have the highest or lowest priority, and why?	Highest priority: doing nothing further until a material problem has clear evidence; and, if anything, only low-cost transparency and evidence-building measures (for example proportionate cost transparency, option A4) that build on existing charge-reconciliation and Commerce Commission disclosure rather than creating a second, overlapping regime. Lowest priority: the high-intervention allocation options such as the allocation cap and allocation band (B5 and B6) which would force distributors to finance network assets, shift costs into future lines charges, and carry DPP5, capital-management and vested-asset consequences, all without any demonstrated consumer problem. Broad equivalence obligations (A3) should also await the Commerce Commission / Task Force work, and blanket

	assurance or certification (A6) should not be imposed absent evidence that targeted monitoring is inadequate. This ranking reflects relative merit only. On the current evidence none of these options is necessary.
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?	No. The paper does not establish that EDB costing methodologies are the cause of poor connection outcomes; the concerns at paragraph 3.8 are anecdotal and, if they were accurate, would largely reflect external input costs, process and technical-design choices rather than the pricing methodology. Prescriptive costing rules are also calibrated to high-volume metropolitan networks that can absorb the systems and reporting overheads, and spread it across a large connection base. Smaller networks may only have a small number of new customers a year. Detailed, standardised costing rules would impose a fixed compliance burden wholly disproportionate to our volumes, and that cost would fall on our Consumers for no measurable benefit. The Authority should use the charge-reconciliation and other 2026–27 data to test whether any material problem exists before contemplating further costing rules, and any such rules must include simplified, proportionate arrangements for low-volume distributors.
Q6. What are your views on the merits of the identified costing methodology options?	Our support for any option is conditional, principles-based, and contingent on a demonstrated problem and proportionate, scaled implementation. On the specific options: • **A1 (mandatory capacity costing)** is not justified as a blanket rule. The issues paper accepts capacity cost can be zero where there is headroom (Table 3.1), and any requirement must use size or cost thresholds, as Australia and the UK do (footnote 29), so low-value rural connections are not burdened. • **A2 (construction risk allocation)** should not be a blanket restriction on pass-throughs. Distributors should remain able to recover costs arising from changes in customer requirements, unforeseen site conditions, and third party costs eg traffic-management. Rigid fixed-price rules would simply inflate contingency margins. • **A3 (equivalence obligation)** should await the Commerce Commission / Task Force contestability work. • **A4 (cost transparency)** we a breakdown of costs, however this is already established through existing charge reconciliations. • **A5 (costing requirements)** we support high-level principles, rather than detailed prescriptive rules.

	• **A6 (input assurance)** should be risk-based and targeted, not a routine certification across every EDB which would come with high costs. • **A7 (in-kind contribution costing)** cannot sensibly be met by requiring EDBs to report data they do not hold as around a third of EDBs use vested-asset models where the EDB does not set or observe much of the price. None of these options is necessary for a network of our small scale, and none justifies a further enduring tranche of reform.
Q7. Are there any other costing methodology options you think the Authority should consider?	The Authority could consider: • Standardised definitions and terminology. • Benchmark reporting across distributors. • Greater guidance rather than prescriptive requirements. • Simplified approaches for rural distributors.
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?	No. Prescriptive allocation methodologies are a solution to a problem that only arises at scale. On a large network handling many thousands of connections a year, small differences in how shared costs are allocated aggregate into material sums. Whereas on a network, which adds only a modest number of connections annually and prices each individually, rigid allocation formulae add complexity and cost without materially changing consumer outcomes. The subsidy concern (charges below the "neutral point," paragraph 3.30) is already fully addressed by the first limb of the balance point principle (paragraph 3.31(g)), which lets the Authority direct any individual distributor to remove a subsidy – and which runs to 2030. There is therefore no gap that an enduring, sector-wide allocation framework is needed to fill. The reform programme has been running for several years; the case for further intervention must now rest on observed problems and their materiality, not on the theoretical effects an option "could" have. A lower bound against genuine subsidies is sufficient for a distributor of our scale; prescribing detailed allocation outcomes is neither necessary nor proportionate, and simply exports the largest networks' compliance costs onto the smallest.
Q9. How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?	On the evidence in the paper, we are not convinced that most of these options would deliver a net benefit in practice, and some would constrain efficient responses on smaller regional networks. • **B3 (allocation floor / neutral point)** aligns well with subsidy-free outcomes. Even so, a test applied at the methodology level would work better smaller networks rather than assessing each individual connection. • **B4 (change limit)** has merit in supporting stability and investment confidence, but it should not be settled before

	the interim balance point principle it would replace has been given time to operate and be reviewed. • **B1 and B2 (standard process / formula)** may improve consistency, but they require careful design to preserve flexibility, and their effect on how connections are financed needs to be tested before they are locked in. • **B5 and B6 (cap / band)** are more interventionist. They would shift financing onto the distributor and push costs into future line charges, and should be a lower priority without a clear, quantified problem. • **B7 (negative charges)** appears lower priority given the limited evidence of current need, and any guidance should be permissive rather than mandatory. • **B8 and B9 (large connections)** may be valuable where they improve predictability for large customers, but they should preserve the existing ability of an EDB and a large customer to agree terms that suit the project. The paper does not identify evidence that current arrangements are failing. An option being capable in theory of advancing an objective, is not evidence that regulation is needed.
Q10. Are there any other allocation methodology options you think the Authority should consider?	We would not add any prescriptive options. If evidence later shows that further reform is genuinely needed, the Authority should keep to a principles-based approach rather than a single fixed formula. We suggest: • Principles-based allocation requirements rather than prescriptive rules. • Enhanced disclosure and reporting before any stricter controls are introduced. • Transitional arrangements that allow methodologies to be adjusted gradually rather than all at once.
Q11. Are you aware of any issues relating to network development funding? Please provide examples, evidence or analysis where possible.	The key issue is distinguishing between customer-driven investment and broader network development. In some cases, customer requests trigger investment that provides significant future network benefits. Determining the appropriate allocation of those costs can be challenging and may vary by circumstance.
Q12. What options, if any, should the Authority consider for promoting efficient	Not prescriptive rules. If the Authority does further work here, it should stick to high-level principles or guidance that preserve flexibility, covering: • Clear principles for telling network development apart from connection-related investment.

pricing for network development?	• Sensible guidance on investing ahead of demand. • Recognition that high-growth and low-growth networks face very different investment decisions. • Room for distributors to use their judgement where future beneficiaries are uncertain. There is unlikely to be a single funding model that works efficiently in every situation, and connection-pricing rules must not shut out the co-investment and risk-sharing approaches coming out of the wider electrification-funding work. The Authority adds most value by being clear about the outcomes it wants, rather than prescribing a solution before a potential problem is properly understood.
Q13. Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.	Generally, network modification arrangements appear to be functioning adequately. Most disputes relate to transparency and understanding of costs rather than methodology design.On the Authority's own logic, an area functioning adequately does not warrant further regulation.
Q14. What options, if any, should the Authority consider for promoting efficient pricing for network modifications?	We do not see a need for new rules here. If the Authority does further work, it should keep to simple, transparent principles rather than prescriptive requirements, covering: • Greater transparency of the methodologies used to set modification charges. • Standard disclosure requirements, built on what distributors already publish. • Clear principles for treating betterment, avoided costs and customer-requested enhancements, so that a distributor recovers the efficient cost of the work actually caused, and improvements it chooses to make are not loaded onto the requesting party. A light, principles-based approach of this kind gives customers clarity on how charges are set without adding compliance cost, and it can be delivered through existing disclosure rather than the further reform the paper proposes. The sensible starting point is better information, not new rules.
Q15. Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.	No significant systemic issue is evident. The only live consideration is that, as reforms push more cost recovery into future lines charges, an early downgrade or disconnection can leave more connection-specific cost unrecovered and at risk of falling on existing customers which is an argument for preserving distributor flexibility, not for new restrictions.

	Treatment of stranded assets and released capacity is a matter best handled by common principles.
Q16. What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?	With no demonstrated problem, we do not see a case for prescriptive rules. If the Authority does further work, it should keep to: • Development of common principles rather than detailed requirements. • Guidance on the treatment of stranded assets. • A proportionate approach that avoids overly prescriptive requirements, given the relatively low volumes involved. Because the volumes here are low, prescriptive rules would add cost for very little benefit. Gathering better information, rather than adding restrictions, is the sensible first step.
Q17. Are you aware of any issues relating to continuance pricing? Please provide examples, evidence or analysis where possible.	The issue is becoming more relevant as asset replacement costs increase for remote and sparsely populated areas. Balancing the interests of affected customers and the wider customer base remains challenging.
Q18. Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.	No. The framework governing when and how supply may be withdrawn or continued must be settled first. Designing detailed pricing rules before that framework exists would be speculative and risks locking in requirements that later prove unfit. Continuance pricing should be a low priority.
Q19. What options, if any, should the Authority consider for promoting efficient continuance pricing?	Holding off until the framework for withdrawing or continuing supply is settled, because until then there is nothing to price against. Once it is in place, the Authority should look to high-level principles rather than prescriptive rules, specifically: • Principles-based guidance rather than detailed requirements. • Consistent treatment of avoidable costs. • Consideration of alternative supply options where these are more efficient. This keeps continuance pricing simple and transparent for affected customers without adding rules ahead of need. If no real pricing problem emerges once the framework is settled, no further options will be necessary.
Q20. Are you aware of any issues relating to secondary network access? Please provide	There is limited visibility of the scale and significance of issues.

examples, evidence or analysis where possible.	The strongest potential concern relates to larger secondary networks functioning similarly to conventional distribution networks.
Q21. Should secondary network access be a priority for further reform? Please provide reasons for your view.	Low to moderate priority. The paper does not show evidence of real harm to customers on secondary networks, so more information gathering should come before any significant regulatory intervention is considered. However, there should be caution about failing to look at growing secondary networks due to their regulatory status. Priority should follow the likely impact on customers, not the label a network happens to carry.
Q22. What options or approach, if any, should the Authority consider for addressing secondary network access issues?	We support the phased approach proposed by the Authority at paragraph 5.17, which starts with obtaining better information before any obligations are extended: • Gathering basic, proportionate information on the size, nature and connection activity of secondary networks. • Assessing the risks and how material they actually are, adding customer-outcome information where practical. • Applying targeted obligations only to larger secondary networks where the evidence shows they are needed, adjusted to fit the circumstances. The aim should be similar protection for similar risk, rather than identical rules for very different networks. Any threshold should be based on how much connection activity a network is actually doing and its scale, not on whether it is labelled a primary or secondary network.
Q23. Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.	We are not aware of a material or systemic problem with financial security requirements. There can be some inconsistency between distributors and uncertainty for applicants, but this is really about transparency rather than a failing in the arrangements. Financial security remains an important tool for managing stranding and credit risk, particularly for small and remote networks where assets are often purpose-built with limited alternative use, and where any cost not recovered would otherwise fall on existing consumers.
Q24. Should financial security requirements be a priority for further reform? Please provide reasons for your view.	No. The threshold question is whether there is a material problem, and the paper provides no evidence that current requirements are producing poor outcomes, deterring efficient connections or generating significant disputes.
Q25. What options or approach, if any, should the Authority consider	The Authority should not select any regulatory approach until it has established a material problem and its cause. If evidence later emerges, a risk-based approach is far preferable to broad

for financial security requirements?	restrictions on when security may be required, or its form or amount. Any approach must recognise that stranding risk varies materially between connections and EDBs in relation to the scale of the investment relative to the EDB, the amount not yet recovered, and the reusability of assets all relevant. We would specifically caution against the paragraph 5.34 options that would limit pre-payment or post-commissioning security across broad categories, which would strip small and remote networks of a legitimate tool for protecting their consumers.
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 should be left to the Commerce Commission and Energy Competition Task Force. This pricing consultation should not build a parallel or pre-emptive contestability regime, and any future settings must recognise that in smaller and regional networks the capability required for safe operation, emergency response and restoration must not be undermined. In-kind contributions cannot be benchmarked by requiring EDBs to report data they do not hold. The Authority needs a credible mechanism to obtain data from the parties that actually incur the cost. For large connections, the ability of EDBs and customers to negotiate bespoke terms (including through Large Connection Contracts) should be preserved and the paper identifies no evidence justifying new limits. For real estate developments, the current permissive pioneer-scheme approach should be retained while experience develops.
Q27. What measures, if any, should the Authority consider to ensure connection pricing methodology requirements are effective in practice?	The single most important measure is to ensure any requirement is workable, which means testing end-to-end against real connection scenarios, including atypical rural and remote cases, with the people who must apply them, before anything is finalised. Guidance and worked examples should be developed alongside the rules, not after. Assurance, certification and enforcement must be risk-based and proportionate, and must not duplicate Commerce Commission requirements. If, contrary to our submission, measures proceed, they must be scaled to distributor size so that small rural networks are not treated as though they were large urban ones.
Q28. How should the Authority monitor, review or update connection pricing methodology requirements to ensure they remain fit for purpose over time?	Before any further regulation is implemented, the Authority should identify the problem, the evidence of its materiality, the behaviour it expects to change, the costs to Consumers, and the baseline for success, none of which the current paper establishes. Once requirements are in place they should be given time to operate and generate evidence before further change, and monitoring should use information already available (Commerce Commission disclosures, charge-reconciliation data, published methodologies, complaints) before adding new reporting.

	Variation between EDBs must not be treated as failure where it reflects legitimate differences in network circumstances. That is to be commended. Above all, the Authority should complete a post-implementation review of the recent fast-track reforms, and let the balance point principle and capacity costing operate, before contemplating any further reform. On the current record the evidence does not exist, and the proportionate decision is not to proceed with further reform at this time.