

7 July 2026

Suzanne Stew
Chief Executive
Commerce Commission
Wellington

By email: [REDACTED]

Dear Suzanne,

**Amendment to the Electricity Industry Participation Code 2010 – Part 6B
connection pricing methodologies – balance point principle pricing methodology**

The Electricity Authority Te Mana Hiko (the Authority) has amended the Electricity Industry Participation Code 2010 (the Code) to include a new pricing methodology requirement on distributors (the amendment). The intention of the amendment is to prevent inefficient increases to connection charges during an interim period as the Authority develops further proposals relating to connection pricing reform.

We have attached a copy of our decision paper that explains our decision and includes a copy of the final Code amendment.

We wrote to you on 28 November 2025 to consult with you on the Code amendment proposal, along with a further proposal to clarify distributor obligations to supply electricity, as required by section 54V(1) of the Commerce Act 1986 (Commerce Act) as the proposed amendments would, or were likely to, affect the Commission in the performance of its functions or exercise of its powers in relation to electricity lines services Part 4 of the Commerce Act.

We have decided not to progress a Code amendment clarifying distributor supply obligations.

This letter is to advise you, in accordance with sections 54V(2) and (3) of the Commerce Act, that the making of this provision of the Code is likely to be relevant to the powers or functions of the Commission in relation to electricity lines services under Part 4 of the Commerce Act and will result in increased costs to a supplier of electricity lines services that takes steps to make its pricing methodologies consistent with the balance point principle.

Balance point principle pricing methodology

The amendment creates a connection charge balance point principle. Distributors whose pricing methodologies are not, or are unlikely to be, consistent with that principle may be directed by the Authority to amend their methodologies, following the process set out in the Code.

The connection charge balance point principle is the principle that pricing methodologies should provide that:

- new or upgraded connections are not subsidised by existing connections

- the contribution to shared network costs from new or upgraded connections is similar (or lower) than the contribution from existing connections.

The requirement commences on 1 August 2026.

As set out in our 28 November 2025 letter, the principle is supported by a compliance framework that enables the Authority to undertake a multi-step targeted intervention process. This is designed to identify and address instances where connection charges have increased or are forecast to increase due to a distributor allocating more shared network costs to new connections. The steps include:

- scanning available information to identify where there are excessively high up-front charges and engaging with those distributors. This is an ongoing process because the information base will change over time and because distributors may change their connection pricing methodologies at any time
- closer examination of identified distributors with high up-front charges. This involves information gathering and deeper analysis to determine whether the pricing is of concern, and if so, whether further intervention is warranted
- changes to connection pricing for some distributors. This involves the Authority directing a specific distributor to update its pricing methodology.
- the Authority may ask the Commission to reconsider distributors' revenue paths.

Distributors do not need to wait for the Authority to take the steps outlined above before amending their pricing methodologies to make them consistent with the balance point principle. The balance point principle applies to all distributor pricing methodologies from its commencement and distributors may take proactive steps to make their pricing methodologies consistent with the principle even before the amendment commences, thereby avoiding the potential cost of an Authority intervention.

The Authority will advise Commission staff of developments relating to implementation of the balance point principle, including where it issues a direction under the Code.

Reconsideration of 52P determinations

As foreshadowed in our 28 November 2025 letter, we expect to ask the Commission in accordance with section 54V(5) of the Commerce Act to reconsider its 52P determinations to take into account the following matters:

- Section 54V(3) the amendment will result in increased costs to any suppliers of electricity lines services that amend their pricing methodologies to make them consistent with the principle, whether proactively to apply the principle and therefore pre-empt intervention (close examination and direction), or to comply with any intervention. Increased costs will at a minimum involve administrative costs to amend pricing methodologies to make them compliant, including any associated costs relating to distributor systems and processes. We do not expect these costs to be large, but do not consider them likely to be *de minimis* (at least for some distributors)
- Section 54(4)(a)(i) the new provision of the Code relates to or affects pricing methodologies that apply to a supplier of electricity lines services. Any change made by a distributor to make its pricing methodology consistent with the balance point principle will relate to and affect the distributor's pricing methodology. The effect will be that some distributors will need to reduce their reliance on connection charges to recover their costs. This will mean shifting cost recovery from connection charges (that are not included in allowable revenue for distributors) to ongoing lines charges

that are regulated by the Commission under the relevant price-quality path regulation that applies to non-exempt distributors.

The extent to which a 52P determination that applies to a distributor will need to be reconsidered and may meet the threshold for amendment by the Commission under section 54V(5), will only emerge as distributors assess the extent to which their pricing methodologies already align with the balance point principle or need to change by engaging with the Authority and the Commission. Through this engagement we will need to determine the best time to ask the Commission to reconsider its determination.

To assist distributors to undertake this assessment the Authority has issued draft guidance alongside its decision paper providing additional information about the kinds of matters distributors should consider to assess their alignment with the principle.

We have attached a copy of this draft guidance and would appreciate any feedback Commission staff have on it. We intend to give distributors until 7 August 2026 to provide feedback and would appreciate any feedback from your staff within that timeframe to allow for the guidance to be finalised.

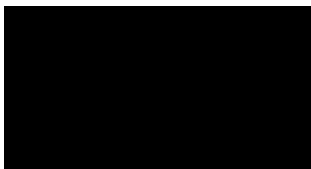
We acknowledge that a reconsideration of the 52P determination will not be straightforward, due to the above factors. We expect the Authority and the Commission will need to undertake a process to work with, in the first instance, self-identified distributors who choose to proactively update their pricing methodologies to make them consistent with the balance point principle.

We are happy to work with the Commission to develop this process, such as by providing guidance to distributors about the process and any timeframes that need to be met to enable the Commission to progress a reconsideration and liaising with Commission staff to develop a shared approach to this task.

We greatly appreciate the assistance that has been provided by Commission staff as the Authority developed this Code amendment and look forward to working with the Commission with its implementation.

If the Commission needs further context or clarity on the amendment or our requested reconsideration, please contact Janet Humphris, Manager Network Pricing at janet.humphris@ea.govt.nz.

Yours sincerely,



Tim Sparks

General Manager, Networks and Systems Change

Cc: Andy Burgess, General Manager, Infrastructure Regulation