

Submission on the Draft Balance Point Principle Guidance

Fletcher Residential Limited (FRL)

Submitted to: Electricity Authority Te Mana Hiko

Re: Balance Point Principle Guidance (Draft for Comment)

Date: August 2026

Introduction

Fletcher Residential Limited (FRL) welcomes the opportunity to provide feedback on the Electricity Authority's Draft Balance Point Principle Guidance.

As one of New Zealand's largest residential developers, FRL is responsible for delivering large-scale greenfield, brownfield and urban regeneration projects across Auckland and other growth areas. The availability, timing and cost of electricity connections are therefore critical factors in housing delivery, affordability and development feasibility.

FRL supports the Authority's objective of improving the efficiency, transparency and consistency of distribution connection pricing. In particular, we support the general intent of the Balance Point Principle to ensure that:

- the cost of new connections is fair and reasonable. Greater certainty of connection costs is fundamental for large scale developers such as FRL; and
- new connections are not required to make a disproportionate contribution to shared network costs relative to comparable existing customers.

From a development perspective there are several practical implementation issues that warrant further consideration to ensure the framework does not inadvertently increase barriers to housing supply or create uncertainty for long-term development projects.

1. Development Cost Certainty Is Critical

Electricity infrastructure costs form a significant component of development feasibility assessments and land acquisition decisions.

While the guidance promotes cost-reflective pricing outcomes, FRL is concerned that increased flexibility in connection pricing methodologies may result in greater variability and uncertainty in development contributions over time. The guidance contemplates ongoing adjustments to cost allocation methodologies, capacity costing approaches and network charging frameworks.

For residential developers, investment decisions are frequently made 5 to 15 years before final connection of a development. Significant changes in connection charging

methodologies during that period can materially alter project feasibility and housing affordability.

Suggested solution

FRL encourages the Authority to consider:

- greater standardisation of connection pricing practices across distributors;
- publication of forward-looking network capacity and infrastructure investment plans;
- indicative connection pricing tools for growth areas; and
- mechanisms to provide greater certainty once a development reaches key planning and approval milestones.

2. Need for Clearer Distinction Between Network Growth and Development-Specific Costs

The draft guidance recognises the distinction between incremental connection costs, network development costs and broader shared network costs. However, in practice this boundary is often difficult to define and there can be a lack of transparent cost information provided for these items.

FRL's experience is that a significant portion of infrastructure required to support urban growth benefits multiple future developments and wider communities over many years. There is a risk that infrastructure with broader strategic benefits could increasingly be allocated to individual developments as a connection cost. The costs of such infrastructure can be amortised over 50 years or more, therefore it should not fall to current consumers to pay 100% of it upfront. This pricing distortion burdens current consumers while greatly benefiting future consumers.

This is particularly relevant in growth areas where major upstream investments may be required ahead of future urban development.

Suggested solution

The Authority should consider developing:

- clearer decision-making criteria for distinguishing network development from connection-related expenditure;
- examples relevant to residential growth areas and master-planned communities;
- greater transparency around how distributors allocate costs between development-specific works and wider growth infrastructure.

This would help ensure consistency across distributors and reduce disputes over cost allocation.

3. Protection Against First-Mover Disadvantage

FRL welcomes the Authority's recognition of coordination challenges and first-mover disadvantage within the connection pricing framework.

In large growth areas, the first development often funds infrastructure that subsequently benefits many future developments and subsequent consumers. While existing mechanisms such as pioneer schemes assist in some situations, uncertainty remains regarding timing, recovery and reimbursement outcomes.

From a development perspective, first-mover risk can discourage investment and delay housing delivery.

Suggested solution

FRL recommends the Authority consider:

- strengthening principles around equitable sharing of growth-related infrastructure costs;
- improving transparency of reimbursement and cost-sharing mechanisms;
- providing clearer guidance on circumstances where oversized infrastructure delivers future network-wide benefits; and
- encouraging distributors to adopt more consistent approaches to cost recovery across growth areas.

4. Potential for Significant Upfront Cost Increases

The first limb of the Balance Point Principle requires new connections not be subsidised by existing customers. The guidance notes that pricing methodologies may need to change where subsidies are identified.

While FRL supports clear cost-reflective pricing, abrupt increases in development contributions could create unintended consequences for housing affordability and development viability.

Large residential developments often involve hundreds of homes. The developer is funding and delivering significant civils works, ducting, utility trenches and electricity equipment to service the homes. FRL pays distribution businesses significant sums each year through connection charges, network extension costs, and development contributions to enable new residential developments to connect to the electricity network. Given the scale of these payments, there is increasing concern that the costs imposed are not always transparent, contestable, or demonstrably aligned with the value delivered to consumers and developers.

In many cases, developers have limited ability to challenge costs, seek alternative providers, or assess whether charges are fair and reasonable, resulting in outcomes that can appear inconsistent with the principles of efficiency, value for money, and customer choice. Greater transparency, competition, and accountability in the provision of connection services would help ensure that charges more accurately reflect the work undertaken and deliver better outcomes for consumers ultimately bearing these costs through the price of new homes.

Material increases in connection charges can therefore have substantial cumulative impacts on project economics and ultimately housing costs.

A more equitable approach would be to allocate regional growth and capacity expansion costs across the broader customer base or through mechanisms that allow costs to be shared amongst future developments that benefit from the investment. Greater transparency around cost allocation methodologies and the distinction between growth-related investment and network renewal would also help improve confidence in the fairness and reasonableness of connection charges.

Suggested solution

FRL encourages the Authority to consider:

- gradual transition arrangements where material pricing changes are required;
- consideration of development pipeline impacts when assessing implementation timeframes;
- allowing distributors to phase-in methodology changes where appropriate; and
- assessing broader housing supply and affordability impacts as part of future reforms.

5. Transparency Around Capacity Constraints and Capacity Costs

The move toward deeper and more cost-reflective pricing methodologies has the potential to improve investment signals. However, developers can only respond efficiently where there is sufficient visibility of network constraints and future capacity requirements.

Without access to this information, developers face challenges in assessing site feasibility and comparing alternative development opportunities.

Suggested solution

FRL recommends distributors be encouraged to provide:

- publicly accessible capacity maps;
- information on known network constraints;
- indicative upgrade requirements in growth areas;

- improved visibility of network capacity costing methodologies.

Greater transparency would support more efficient location and sequencing decisions by developers.

6. Grandfathering and Existing Development Commitments

Residential developments operate over long timeframes and typically involve significant sunk costs before electricity connection arrangements are finalised.

FRL is concerned that future methodology changes could materially affect projects that have already secured planning approvals, entered infrastructure agreements or committed substantial capital.

Suggested solution

The Authority should consider whether:

- pricing methodologies can be effectively "locked in" for a defined period after agreement;
- transitional or grandfathering arrangements may be appropriate for committed developments; and
- implementation approaches can avoid disrupting existing projects already in advanced planning or delivery stages.

Conclusion

FRL supports the overall intent of the Balance Point Principle and agrees that connection pricing should be transparent, efficient and equitable. In particular, we support efforts to ensure new developments are not required to make disproportionate contributions to shared network costs relative to existing customers.

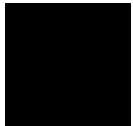
However FRL believes the following matters need to be given greater emphasis in the drafting of the Balance Point Principle, as key priorities:

1. Greater certainty and predictability of development costs.
2. Clearer separation of network growth costs from development-specific costs.
3. Contestability in the safe delivery of civil works, ducting and connection equipment, rather than the distribution business solely undertaking this work. Testing, compliance and livening up the new connections should be the rightful domain and responsibility of the distribution business.

4. Stronger protections against first-mover disadvantage.
5. Appropriate transitional arrangements where pricing changes are required.
6. Improved visibility of future network capacity constraints and investment requirements.
7. Grandfathering or lock-in mechanisms for committed developments.

We would welcome the opportunity to engage further with the Authority as this work programme progresses and would be pleased to discuss the practical implications for large-scale residential development and housing delivery.

Submitted by:



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