

24 August 2026

Electricity Authority

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BALANCE POINT PRINCIPLE GUIDANCE

Network Waitaki welcomes the opportunity to provide comments to the “**Balance Point Principle Guidance**” consultation.

Network Waitaki also generally supports the submission made by the Electricity Networks Aotearoa (ENA).

1 The balance point principle

- 1.1 Network Waitaki supports the intent of the balance point principle, namely that connection pricing methodologies should maintain an appropriate balance between existing customers and new connectees.
- 1.2 Existing customers should not be required to inefficiently subsidise new connections. Equally, connection charges should recognise the distinction between customer-specific connection costs and shared upstream network costs, including the extent to which new connectees will contribute to shared network costs through ongoing line charges.

2 Network Waitaki’s current approach

- 2.1 Our current approach is to charge new connectees for customer-specific connection works and customer-selected enhancements, while equivalent new and existing customers pay the same ongoing line charges within the relevant pricing group.
- 2.2 We also apply a connection levy to recover a contribution toward upstream shared network costs. This approach has been in place since at least 2013, being the earliest capital contribution policy currently available to Network Waitaki. Other than limited adjustments in 2021, there has been no change to the underlying approach since that time.
- 2.3 On that basis, Network Waitaki’s current working position is to translate the existing upstream shared network cost contribution approach into the new capacity-rate framework from 1 April 2027, while keeping net customer contributions broadly aligned with current capital contribution outcomes. As an exempt Electricity Distributor, Network Waitaki is also mindful that new connectees become part of the consumer-owner base and will contribute to, and benefit from, the network on the same basis as existing consumers over time.

3 Application of the balance point principle

- 3.1 Network Waitaki considers its approach to capital contributions to be consistent with the balance point principle.
- 3.2 New connectees make an upfront contribution to connection-specific costs under the connection pricing methodology. They then contribute to shared network costs through the same ongoing line charges as equivalent existing customers.
- 3.3 Shared upstream capacity costs will be calculated transparently through the capacity-rate framework. Network Waitaki expects to apply a network contribution to avoid increasing customer contributions solely because of the new calculation method.
- 3.4 Our current approach is not to separately charge customers for dedicated transformers. Where a dedicated transformer is required for a connection, the transformer cost is

shown on the cost side of the reconciliation for transparency, but is not separately recovered from the connecting customer. This reflects Network Waitaki's existing capital contribution approach and is another reason why individual reconciliation ratios can vary between connections.

- 3.5 We do not consider that alignment with the balance point principle can be demonstrated through a single ratio across all connections, because connection costs and future revenues vary depending on the nature, scale and location of each connection.
- 3.6 Network Waitaki considers that the balance point should be assessed by reference to the overall methodology, consistency of treatment, and consistency of outcomes, rather than by requiring a formulaic adjustment for each individual connection.

4 Practical guidance

- 4.1 We would welcome simple practical guidance on how we should explain our self-assessment against the balance point principle in the pricing methodology.
- 4.2 The formulas in the guidance are useful in illustrating the relationship between connection charges, incremental costs and future incremental revenue. However, we consider these formulas to be conceptual aids rather than calculation methods.
- 4.3 Network Waitaki's approach is not to apply a fixed percentage reduction to incremental cost for each connection. Instead, we expect to maintain customer contributions broadly in line with existing capital contribution levels, while improving transparency through the new five-tier capacity-rate framework. This includes showing gross capacity costs, the network contribution, and the resulting net customer charge.
- 4.4 We would welcome confirmation that a methodology-level explanation of this approach is sufficient to demonstrate alignment with the balance point principle.

5 Proportionality and implementation

- 5.1 Network Waitaki supports efficient connection pricing and recognises the importance of clear and transparent methodologies.
- 5.2 We encourage the Authority to ensure that any further guidance remains proportionate, practical and principles-based. This will help avoid unnecessary implementation costs and reduce the risk of unintended consequences where local network circumstances differ.
- 5.3 Our understanding is that the transition to the new capacity-rate framework should not result in material increases to net customer contributions without clear justification. We therefore propose to maintain net customer contributions broadly in line with existing capital contribution outcomes, while improving transparency through the new five-tier capacity-rate framework.
- 5.4 As noted in par. 3.5 we strongly urge the Authority to be cautious in assessing the balance point principle by reference to individual ratios or expected consistency of ratios across connections. The more meaningful assessment is whether the methodology is applied consistently and transparently, rather than whether individual connections produce similar ratios.

Please contact us if you have any questions or require any clarification on our response.

Sincerely

Regulatory Manager