

Further reform of distribution connection pricing

Buller Electricity Limited cross submission

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To: Electricity Authority Te Mana Hiko

Contact: Dan Roos, Group Commercial Manager

Email: [REDACTED]

Purpose and overall position

Buller Electricity Limited (BEL) welcomes the opportunity to respond to the published submissions on further reform of distribution connection pricing. We support clear, efficient and predictable connection charges. The next stage of reform should improve applicants' ability to understand and challenge costs while protecting existing consumers from unjustified cost transfers.

BEL serves a small, remote community with low or declining demand and significant spare network capacity. Business closures and reduced activity put pressure on the recovery of fixed network costs. We welcome efficient new connections, but cannot assume that growth will provide the revenue needed to fund additional investment or regulatory costs. Spare capacity across the network also does not mean every location can accommodate every proposed connection without additional works.

Our principal request is that the Authority test proposed rules against small, low-growth networks as well as growing metropolitan networks. Common definitions, clear quotes and transparent decisions are useful across both. Identical funding settings are unlikely to be appropriate in every case.

Recommendations

- Prioritise clearer cost information, practical guidance and targeted action on demonstrated problems. Use evidence from the recent reforms before imposing further extensive requirements.
- Preserve the ability to recognise genuinely spare capacity and to negotiate arrangements that attract viable demand without leaving existing consumers worse off.
- Assess connection charges and future lines revenue together. Use realistic demand and revenue assumptions, and identify who bears the risk if a project does not proceed or closes early.
- Do not introduce a universal allocation cap or band without demonstrating its financing, affordability and risk consequences for different types of network.
- Provide a simpler compliance pathway for low-volume networks and coordinate implementation with other pricing, connection and information-disclosure work.

This cross-submission first addresses selected published submissions. The following question-and-answer section sets out BEL's position on all 28 issues-paper questions to make our recommendations easy to locate. Hypothetical examples below illustrate policy effects; they are not presented as recorded BEL connection disputes.

Response to published submissions

Evidence and proportionality

ENA asks the Authority to establish the problem, likely benefits and full implementation costs before selecting further interventions. Network Waitaki also favours targeted requirements and time to assess the recent measures. BEL supports those positions. [2, 3]

For BEL, the practical test is whether a requirement improves decisions enough to justify its ongoing cost to a small customer base. A national reporting process can impose similar setup costs on a small distributor and a much larger business, even though the number of applications differs substantially. The Authority should test both annual compliance cost and cost per connection, while recognising that low connection volumes can make the latter volatile.

BEL does not consider that evidence must establish a problem at every distributor before the Authority can act. Serious problems affecting a smaller group of consumers can justify targeted intervention. However, the extent of any sector-wide obligation should be supported by evidence about how widespread the problem is and whether simpler measures would address it.

Growth and the interests of existing consumers

ERGANZ emphasises the benefits of connecting additional demand and supports an allocation band. Westpower also emphasises the regional benefits of new connections. BEL agrees that better utilisation can help existing consumers, but does not support an assumption that every new connection creates a net financial benefit for them. [4, 5]

The relevant comparison is the credible additional revenue and avoided network costs against the costs and risks of providing the connection. A new business using existing capacity may make a valuable contribution. A speculative development requiring dedicated infrastructure may create a different result. Wider regional benefits are relevant to public policy, but they do not automatically provide BEL with the cash needed to maintain the network or service financing.

BEL therefore supports discretion to offer a justified contribution or discount where existing consumers benefit. We oppose a mandatory funding share that applies regardless of project durability, financing capacity or the likelihood that demand will materialise. Any public funding for wider development objectives should be separately identified so the electricity pricing consequences remain clear.

Quotes and construction risk

Property Council reports unexplained quote increases and supports itemisation and substantiation of material variations. Its submission recognises that this need not prohibit all variations. Utilities Disputes similarly identifies concerns about explanations of charges and project scope. BEL supports practical improvements in these areas. [6, 7]

Quotes should identify scope, assumptions, exclusions, validity and the treatment of changes before acceptance. The distributor should bear the consequences of costs it can reasonably control under the agreed contract. Customer changes, unforeseen conditions and third-party requirements should be addressed through a clear variation process, with evidence and advance agreement wherever practicable. A blanket requirement to absorb every increase could encourage larger contingencies and make ordinary connections more expensive.

Funding caps and ongoing charges

Property Council supports an allocation band, or a floor and cap as an alternative, and raises the relationship between upfront contributions and ongoing charges. BEL supports making that relationship clear, but does not consider that a cap by itself establishes fair total charges. [6]

Paying for a connection asset upfront does not remove the ongoing costs of operating, maintaining and eventually renewing the network. Equally, the same capital cost should not be recovered twice. The Authority should require a clear explanation of what each payment funds and test aggregate recovery before concluding that either all ongoing charges or all upfront contributions are inappropriate.

Capacity and flexible connections

Meridian seeks coordinated connection and ongoing pricing, including recognition of staged demand and flexibility. ERGANZ cautions against treating equipment nameplate capacity as its contribution to upstream peak demand. BEL supports these concerns. [8, 4]

Engineering assumptions should reflect the demand the network must actually support, including enforceable operating limits. Where no relevant capacity constraint or expansion cost exists, pricing should not manufacture a scarcity signal. Flexibility should earn recognition for the costs it avoids, with its control, monitoring and operating costs also assessed.

Consumer protection and different connection types

Utilities Disputes raises gaps in secondary-network information and uncertainty about responsibilities when supply ceases. BEL supports investigating those issues and clarifying responsibilities. However, making a distributor responsible for all independently procured contractor charges would require a separate assessment of control, accountability and cost. [7]

Lodestone seeks coherent treatment of generation, load and storage, while IEGA cautions against assuming that an offtake reform is automatically appropriate for injection. BEL supports coordinated rules with explicit treatment of the physical and commercial differences. Shared works should be identified once and allocated transparently; separate import and export requirements should reflect actual operating conditions. [9, 10]

Responses to the consultation questions

The questions are reproduced from Appendix A of the Authority's issues paper. BEL's answers are proposed positions for this cross-submission and do not purport to describe the implementation status of every requirement within BEL.

Background and priorities

Q1 Do you agree with the background and context summary above? Why, why not?

BEL broadly agrees with the objectives, but the national growth narrative needs to give greater weight to networks where demand is flat or declining. In Buller, using existing capacity efficiently and maintaining affordable service for the established community are central concerns. Differences in connection prices should be investigated, but may reflect distance, site conditions, asset requirements and project risk rather than inefficient conduct.

Q2 Is there additional background, evidence or context relevant to the issues covered in this paper?

BEL's small scale, remoteness and limited demand growth affect both connection economics and implementation capacity. The loss or reduction of a significant business load can leave substantial fixed costs to be recovered from fewer users. New revenue should therefore be assessed realistically rather than assumed to continue at full forecast levels for the entire life of an asset.

Trust ownership gives BEL a direct interest in community outcomes, but does not remove its need to fund assets and manage risk. Nor should commercial income earned elsewhere in the group be treated as an assured source of funding for individual connection subsidies.

Q3 How should the Authority prioritise across possible options identified in this paper?

Prioritise demonstrable consumer harm, the ability of the proposed measure to address its cause, and the net benefit after implementation costs. Assess impacts on applicants and existing users separately. Use a sample of rural, urban, growing and declining networks, with both distributor-built and developer-built connections.

Where a decision genuinely needs to inform future revenue-path forecasts, provide timely direction. That timetable should not substitute for adequate testing, particularly for businesses whose circumstances differ from those assumed in the national modelling.

Q4 Which options should have the highest or lowest priority, and why?

The highest priorities are useful quote information, clear cost categories, evidence on significant variations, and guidance on funding boundaries and security. BEL supports progressing A4 and B1 in a proportionate form, alongside practical work on A5 and the design of B3.

Universal caps or bands under B5 and B6, compulsory detailed assurance for every input, and prescriptive continuance pricing should have lower priority until their benefits and consequences are established. Coordination of A3 with wider competition work is essential. This ranking concerns further reform; it is not a proposal to suspend existing obligations.

Costing methodologies

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?

Targeted costing improvements should be a priority where they help customers understand and challenge a material charge. BEL has not supplied a statistical study of connection-cost inefficiency and does not claim that such a problem is absent. Published concerns about explanations and variations warrant investigation.

A practical first step is to compare scope and agreed assumptions with final outcomes for a sample of projects. This would help distinguish poor estimating, scope changes, external cost increases and potentially excessive charges before choosing the remedy.

Q6 What are your views on the merits of the identified costing methodology options?

A1 Mandatory capacity costing: Preserve an explicit pathway for justified zero or negligible capacity costs. BEL should not be required to produce a positive upstream charge simply because a new customer connects. Any assessment must still consider local constraints and costs of dedicated works.

A2 Construction risk allocation: Support documented allocation to the party able to manage each risk. Require explanations for material changes and agreement where practicable, while allowing legitimate variations under clear contractual terms.

A3 Equivalence obligation: Support fair treatment and transparent related-party arrangements. Comparable works should be assessed on comparable scope, scale, timing, warranty and risk. Do not require identical prices where those factors differ, or impose responsibility for independent supplier prices that BEL cannot control.

A4 Cost transparency: Support a common, concise quote structure that identifies material cost components and the customer's available choices. Align it with existing reconciliation information so the same data can serve both purposes.

A5 Costing requirements: Support rules against duplicate or unjustified recovery. Recognise attributable avoided costs, reasonable project costs and financing only where actually relevant. An incidental increase in unused capacity is not automatically a cash benefit equal to its construction cost.

A6 Input assurance: Use documented assumptions and targeted technical review for material or unusual cases. Blanket external certification of routine quotes would be disproportionate. Review demand diversity and any claimed flexibility as well as unit rates.

A7 In-kind contribution costing: Support reasonable records of assets transferred to the distributor. Set out what applicants and contractors must provide, how information is verified, and how estimates are treated where actual costs cannot reasonably be established.

Q7 Are there any other costing methodology options you think the Authority should consider?

Provide worked examples and a simple standard calculation workbook for common small connections. Include a rural connection with spare upstream capacity, a staged development and a customer requesting enhanced reliability. The examples should show which costs belong to the applicant and which are wider network investment.

Permit equivalent methods where the distributor can demonstrate the same outcome. Where benchmarks are used, compare like-for-like designs and delivery models; a national average should not become a compulsory price for a remote project.

Allocation methodologies

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?

Allocation is important because it determines who pays initially and who carries the remaining cost and risk. BEL supports early analysis of these consequences, but not immediate imposition of uniform allocation settings. The impact on existing consumers and distributor cash requirements needs explicit assessment.

For example, lowering the upfront payment for a dedicated industrial connection may be justified if durable future revenue covers the deferred amount. If the business closes early and the assets have little alternative use, that forecast may fail. This hypothetical illustrates why financing assumptions and security are integral to allocation decisions.

Q9 How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?

B1 Standard process: Support a consistent sequence of customer classification, cost assessment and allocation, provided the resulting documentation remains proportionate.

B2 Standard allocation formula: Support testing a common reference method, with equivalent alternatives permitted. For a small network, a representative connection should be based on a stable, explainable model rather than an annual average distorted by one unusual project. BEL is not proposing a fixed allocator at this stage.

B3 Allocation floor: Support the principle that expected connection and relevant ongoing revenue together cover incremental cost. This is a lifetime assessment, not a requirement to recover every cost upfront. Use reasonable, documented forecasts and make clear that compliance assessed when pricing is set is not a guarantee of actual future revenue.

B4 Change limit: Support protection against unjustified shifts of shared costs onto new customers. Provide an evidence-based route for changes in scope, underlying cost and risk, and for correcting genuine errors or subsidies. Explain how tariff reclassification and changes to consumer groups affect comparisons.

B5 Allocation cap: Do not support a universal cap on the current evidence. It could require BEL to finance assets regardless of the project's risk or the affordability implications for existing consumers. Any proposal needs a quantified financing and risk assessment.

B6 Allocation band: Do not support a compulsory common band without testing low-growth networks and different delivery models. Similar percentages do not establish similar or efficient outcomes where customer revenue and investment risk differ.

B7 Negative charges: Permit, rather than require, a contribution to attract a connection where a documented assessment shows a net benefit for existing consumers. Spare capacity alone is insufficient justification; allow for actual connection costs, credible revenue, additional operating costs and downside risk. This is distinct from an export rebate.

B8 Large-connection network contributions: Support an explained, predictable basis for contributions to shared costs and protection from opportunistic repricing after commitment. Preserve reasonable negotiation reflecting actual service requirements; do not assume either unlimited contributions or zero contributions are appropriate.

B9 Prudent discounts: Support transparent criteria allowing a lower shared-cost contribution when a viable connection would otherwise be lost and existing consumers are better off with it. Document the

counterfactual, costs, revenue and safeguards. These are distribution arrangements, separate from any Transpower prudent-discount process.

Q10 Are there any other allocation methodology options you think the Authority should consider?

Allow a proportionate, published choice of funding arrangements, including an upfront contribution or staged payment where commercially supportable. Explain total expected payments, financing costs, security and early-exit terms. BEL should be able to decline a financing option that leaves its consumers exposed to unreasonable risk.

Any standard allocation tool should test low utilisation, delayed commissioning and early closure, alongside the expected case. Forecast assumptions should be consistent with the actual tariff and contracted service, and any departure from prescribed regulatory reconciliation assumptions should be separately identified and justified.

Network development

Q11 Are you aware of any issues relating to network development funding? Please provide examples, evidence or analysis where possible.

The key issue for BEL is the risk of investing for demand that may not arrive. An early applicant may need only part of an extension's ultimate capacity, while later stages remain uncertain. Charging that applicant for all future development may deter an efficient connection; funding the entire development from existing users may expose them to speculative costs.

This is a hypothetical development scenario, not evidence of a particular BEL dispute. It supports staged investment, clear allocation of distributor-selected enhancements and separately identified recovery arrangements for later beneficiaries.

Q12 What options, if any, should the Authority consider for promoting efficient pricing for network development?

Develop principles that separate the least-cost works required for an application from additional investment chosen for wider network purposes. Decisions should identify beneficiaries, timing, demand confidence and the consequences if development stops.

Permit staged construction and transparent recovery schemes for later users. State the covered area, eligible costs, allocation basis, duration and treatment of amounts already recovered. Prevent the same expenditure being recovered through overlapping connection, capacity and historical-cost mechanisms. Support voluntary coordination with developers and councils where it reduces total cost.

Network modifications

Q13 Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.

BEL does not offer a specific disputed modification charge as evidence. The general issue is how to allocate costs when a party requests relocation or alteration of assets that would otherwise remain in service.

For example, if a developer requests a pole relocation, the reasonable cost caused by that request should ordinarily be attributable to the developer, subject to applicable legal and contractual responsibilities. If BEL also chooses an additional enhancement or avoids planned renewal expenditure, those effects should be assessed separately. Existing consumers should not automatically fund a third party's project.

Q14 What options, if any, should the Authority consider for promoting efficient pricing for network modifications?

Use a proportionate modification-cost policy explaining scope, direct costs, project management, contingencies, variations and any credit for demonstrable avoided expenditure. Provide an itemised explanation when requested and a route to challenge the calculation.

Do not apply new-connection funding percentages automatically to relocation works. The purpose and beneficiaries differ. Any new rule must operate consistently with statutory rights, property arrangements and existing agreements.

Downgrades and disconnections

Q15 Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.

Reduced demand does not necessarily remove the cost of a transformer, line or other asset already installed. A customer can therefore move to a smaller service while BEL continues to maintain much of the same infrastructure. Conversely, released capacity can have value where it genuinely avoids future expenditure.

BEL's concern is to allow sensible service reductions without creating an incentive to seek an oversized connection and then avoid agreed cost recovery. We do not present a specific BEL downgrade charge or complaint as evidence in this submission.

Q16 What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?

Distinguish routine physical work from recovery of an outstanding, customer-specific investment commitment. Publish reasonable direct fees and explain the effective date of any tariff change. An ordinary disconnection should not automatically trigger a charge for all forecast lost lines revenue.

For material bespoke investments, allow proportionate, clearly agreed early-exit or downgrade terms. Deduct costs already recovered, avoided expenditure and realistic asset reuse value. Recognise verified capacity benefits, and prevent double recovery through both an exit payment and financial security. Address deliberate temporary disconnection to evade charges through transparent terms.

Continuance of supply

Q17 Are you aware of any issues relating to continuance pricing? Please provide examples, evidence or analysis where possible.

Continuance of supply is relevant to remote networks when renewal costs are high relative to the small number of users served. BEL is not identifying a proposed withdrawal of supply or a specific continuance dispute here.

The issue is how to compare the practical alternatives while protecting affected consumers and those funding the wider network. A low local revenue contribution does not by itself establish that withdrawal is lawful or desirable. Reliability, safety, resilience, service obligations and the long-term costs of any alternative all matter.

Q18 Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.

Give early priority to clarifying existing responsibilities and addressing demonstrated consumer-protection problems. Detailed new continuance-pricing rules should then be developed with the wider supply-obligations framework, rather than ahead of it.

Remote consumers need confidence about the process and available options. Distributors also need a workable basis for planning long-lived assets. Treating continuance solely as a pricing calculation could produce decisions that overlook both interests.

Q19 What options, if any, should the Authority consider for promoting efficient continuance pricing?

Require a documented comparison of maintaining the existing network, modifying service and any feasible alternative supply arrangement. Include lifecycle operating and replacement costs, reliability, ownership, maintenance responsibilities and customer impacts.

Provide early engagement, clear reasons, independent review for material disputes and appropriate transition arrangements. Preserve applicable statutory protections. Avoid rules that use an unaffordable one-off payment as a practical means of forcing withdrawal without following the proper process.

Secondary networks

Q20 Are you aware of any issues relating to secondary network access? Please provide examples, evidence or analysis where possible.

BEL does not provide a specific secondary-network access dispute. We support investigating the information and accountability issues raised by Utilities Disputes, without assuming that every private installation presents the same problem. [7]

At the parent-network boundary, pricing should reflect services actually supplied and a defensible share of common costs. Aggregation should not generate an artificial saving solely by moving cost recovery to other consumers, but real efficiency gains should be recognised.

Q21 Should secondary network access be a priority for further reform? Please provide reasons for your view.

Prioritise networks with material third-party connection activity, limited customer choice or evidence of harm. Begin with information and consumer-protection gaps. Network size is useful but should not be the sole test: a small number of customers can still face a significant problem.

Detailed obligations should be scaled to activity and risk. A small private installation with no meaningful independent access applications should not automatically face the same methodology requirements as a sizeable pocket network.

Q22 What options or approach, if any, should the Authority consider for addressing secondary network access issues?

Identify the operator, customers, connection activity and applicable responsibilities before choosing the regulatory response. Apply clear charge information and complaint pathways where needed, and more extensive pricing requirements where the access activity warrants them.

Define the boundary between the parent distributor and secondary operator, including who quotes, collects contributions, owns the assets and answers complaints. If exemptions are retained, use transparent criteria and periodically review whether they remain appropriate.

Financial security

Q23 Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.

Financial security can protect existing users when BEL commits expenditure before a project is complete or agrees to recover costs over time. However, excessive security can make an otherwise viable project difficult to finance. BEL does not submit evidence that a particular security requirement has been excessive.

For a staged development, the relevant exposure changes as payments are made, works are completed and reliable revenue begins. Security should follow that changing exposure rather than remain fixed at the project's original total value.

Q24 Should financial security requirements be a priority for further reform? Please provide reasons for your view.

Yes, clear security principles are a useful early priority alongside allocation work. The need for security depends partly on how much investment the distributor is required to finance, so the two decisions should be tested together.

Prefer guidance and targeted protections over a universal monetary ceiling or a ban on security. The objective should be to remove unnecessary barriers while retaining protection against genuine non-payment and stranded-asset exposure.

Q25 What options or approach, if any, should the Authority consider for financial security requirements?

Require the distributor to explain the risk being secured, the amount and calculation, acceptable instruments, review dates, conditions for calling security and release arrangements. Consider reasonable alternatives such as staged payments or a suitable guarantee where they provide comparable protection.

Reduce security as exposure reduces. Avoid counting the same risk twice through upfront payment, an exit obligation and a guarantee. Any amount claimed should be supported by the relevant contractual exposure, with an accessible dispute process and appropriate treatment of confidential commercial information.

Other issues and regulatory oversight

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: BEL supports qualified contractors competing for works that can safely be opened to competition. BEL's group includes ESL, a separate electrical contracting business. Access, approval and technical standards should be transparent and applied fairly to related and independent contractors. Safety and lifecycle quality requirements should be justified and should not become an unnecessary barrier.

In-kind assets: Set clear acceptance, testing, valuation, warranty and maintenance-information requirements before works begin. Recognise transferred assets consistently with the applicable funding arrangement and prevent duplicate charging for assets the applicant has already supplied.

Large connections: Preserve tailored arrangements for service levels, staging, capacity and financing, with reasons for shared-cost contributions and controls on post-commitment repricing. Account for credible closure and reuse risks.

Real estate developments: Link contributions and security to committed stages. Explain pioneer-scheme eligibility and prospective refunds, but do not promise recovery from future customers who may never connect. Clearly distinguish developer-selected capacity from additional capacity chosen by BEL.

Generation and storage: Coordinate offtake and injection requirements, identify shared works once and test import and export constraints under realistic operating conditions. Do not presume that equal nameplate ratings create equal network costs.

Q27 What measures, if any, should the Authority consider to ensure connection pricing methodology requirements are effective in practice?

Provide complete guidance, tested examples and sufficient implementation time before new obligations apply. Use a concise self-assessment supported by records of material pricing decisions. Independent review should target significant risks, unusual cases or credible complaints, rather than every routine calculation.

Ensure applicants understand the available review and dispute-resolution routes. Publish the basis for regulatory assessments and distinguish mistakes that can be corrected promptly from persistent or deliberate non-compliance. Shared industry tools and training would help small networks meet the requirements consistently.

Q28 How should the Authority monitor, review or update connection pricing methodology requirements to ensure they remain fit for purpose over time?

Establish a baseline using existing information, then review whether reforms improve quote clarity, response times, material quote-to-outturn differences, disputes and connection outcomes. Examine the reasons projects stop, rather than assuming price is always the cause. Assess costs imposed on existing consumers as well as applicant outcomes.

Use a proportionate sample for detailed data, recognising that low volumes make annual comparisons unstable. Schedule a post-implementation review after meaningful experience has accumulated, retain targeted intervention for emerging problems, and consult on substantive changes. Publish one coordinated forward programme with sufficient lead time for systems, contracts, pricing and asset-planning updates.