

Submission

Further Reforms of Distribution Connection Pricing

17 September 2026



Fonterra welcomes the opportunity to provide input to the Electricity Authority's Further Reforms of Distribution Connection Pricing 2026 consultation. As a dairy co-operative owned by over 8,000 New Zealand farming families with 24 manufacturing sites, we are the country's largest exporter and a major electricity user. Stable and affordable electricity access is fundamental to our operations and to New Zealand's export competitiveness.

Fonterra engages with 11 Electricity Distribution Businesses (EDB's) across regional New Zealand, we have sites that are connected by legacy Regulated Asset Base (RAB) based network connections through to Large Connection Contract's (LCC's) for bespoke connections.

This submission builds on the previous December 2025 submission in support of connection pricing reforms as Fonterra has experienced significant connection cost increases under RAB connections when EDB's have built new GXP's for future growth not driven by Fonterra but existing load customers are expected to fund until new demand appears. Fonterra has also experienced high costs when approaching incumbent EDB's to build new bespoke connections due to WACC rates above industry norms and indication that Fonterra can not build the connection itself due to less than favourable terms from Transpower that only EDB's can access.

Having read the submissions Fonterra acknowledges that the majority of EDB's support the ability of large customers like Fonterra to negotiate bespoke LCC's and this needs to be maintained and not regulated away. But it is recommended that the Electricity Authority (EA) continue to analyse the commercial basis of these contracts as there appears to be differences in WACC for regulated versus non regulated EDB's as well as over cost of project implementation somewhat due to relevant size of the EDB's.

It is good to see that the majority of the EDB's support the prudent discount option to apply an effective cap on LCC pricing and it appears that only a limited number of EDB's actively support third party asset build and subsequent vesting as a method to bring efficiency and commercial competitiveness to the connection process.

Fonterra does challenge WEL Networks view that LCC need to carry the shared burden of the corporate costs as the LCC has cost items for R&M typically based on a percentage of total capital cost which could be challenged over compensates the EDB for the true annual R&M costs. The corporate costs to customer account manage and invoice a single large connection is significantly lower than that of other customer groups just due to the share volume of connections and the expected level of customer support engagement.

Fonterra supports the EA's drive to ensure that the connection charges are reflected of the cost to deliver the connection but as indicated in the December submission below LCC's it potentially is better to have standardised costs based on level of capacity impact i.e. Low Voltage upgrade only or through to full High Voltage supply upgrade.

Fonterra does support the concept of capacity compensation which is effectively what the Pioneer scheme attempts to provide but going forward new connections into existing assets does need to benefit those that have paid for those assets over the intervening years.

Fonterra welcomes further engagement on our submission.