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Electricity Authority / Te Mana Hiko
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Cross-submission — Further reform of distribution connection pricing

1. Introduction

Stop Data Centres NZ welcomes the opportunity to make a cross-submission on the Electricity Authority's *Further reform of distribution connection pricing* issues paper. We did not file in the first submission round. This cross-submission is made as a community group concerned with the allocation of network costs between new large load and existing household and small-business users.

We support a connection-pricing framework that is transparent, cost-reflective, predictable and efficient, and that protects existing consumers from inappropriate subsidies.

Having reviewed the published submissions, we note two broad themes. Distributor submissions generally seek flexibility and caution against over-prescription. Developer and property submissions generally seek more consistent, predictable charges and less cost-shifting onto new connections. Neither set of submissions, as published, sets a clear public test for when a material large connection's capacity and reinforcement costs stay with the applicant rather than existing users.

The next stage of reform should address the treatment of material large connections more explicitly. That is particularly important where a proposed connection requires substantial network capacity, significant new infrastructure, or reinforcement that may also create benefits for other present or future users.

Our submission is technology-neutral. These issues may arise in relation to data centres and AI or cloud infrastructure, but they can also arise with industrial electrification, hydrogen or electrolysis facilities, major transport or processing plants, large commercial developments, and other electricity users or generators of material scale.

We do not ask the Authority to decide whether any particular connection should proceed. The framework should transparently identify and allocate the costs, capacity effects, risks and benefits of a material connection between the connecting party, existing network users, future users and the network provider.

We agree with distributor submissions that connection-pricing rules must accommodate differing local network circumstances and should not impose a one-size-fits-all charge. We also agree with developer and property-sector submissions that applicants need predictable, transparent information and safeguards against unreasonable cost allocation. In our view, these positions can be reconciled through a materiality-based framework: flexible methods may remain available, but material connections should be subject to minimum disclosure, allocation, reconciliation, and risk-management requirements.

2. The central allocation question

The issues paper recognises that the cost of a new or upgraded connection may extend beyond direct connection works. Incremental cost can include connection assets, network-capacity costs from the use of upstream headroom, and incremental operating expenditure. Where such costs are not recovered through connection charges, they may be recovered over time through lines charges paid by network users.

For a material connection, distributors should identify and distinguish:

- direct costs incremental to the particular connection;

- capacity costs arising from the connection's use of scarce network headroom;
- connection-led extension or reinforcement required to accommodate the connection;
- wider proactive network-development expenditure;
- costs associated with existing-network deficiencies; and
- capacity or benefits reasonably attributable to subsequent users.

A transparent approach is necessary to avoid two opposite outcomes. First, existing network users may subsidise a new connection if connection-led costs are absorbed into the regulated asset base or recovered through general lines charges without an appropriate contribution from the applicant. Second, a first mover may be required to pay for infrastructure larger than its own requirements, even where that infrastructure creates capacity or future development opportunities for others.

Neither outcome should be assumed to be efficient or fair. Allocation should rest on evidence of causation, capacity use, cost, benefit, and the reasonable prospect of subsequent use.

3. Material large connections

Several submissions recognise that large connections may require a different approach from ordinary connections. Scale, demand profile, timing, capacity requirements, funding arrangements, and the consequences if development is delayed, downsized or cancelled can be materially different.

We support flexibility where it is justified by genuine differences in network circumstances. Bespoke treatment should not mean an absence of transparency, comparability or consumer protection.

A negotiated or bespoke large-connection arrangement may be commercially appropriate. Agreement alone should not be treated as conclusive evidence that the resulting allocation is efficient or fair. A prospective applicant may have limited practical alternatives where the relevant electricity network is the only feasible means of obtaining supply at that location.

The Authority should therefore consider a technology-neutral category of Material Large Connections, defined by the potential material effect of a connection on one or more of: local network capacity; upstream network capacity; material network investment or reinforcement; connection-cost allocation; financial-security exposure; stranding risk; existing-user cost exposure; and capacity available for later connections.

A capacity threshold (for example 50 MW) could be one indicator of materiality. It should not be the only test. A smaller connection that consumes the last of local headroom can be material; a larger connection on an unconstrained feeder may not be.

The purpose is not a special rule for a particular industry. It is to ensure that material connections receive an appropriate level of information, analysis and accountability.

4. Capacity costs and transparency

We support a requirement that material capacity costs be included in incremental-cost estimates where a connection consumes scarce network headroom or makes reinforcement necessary.

The Authority's current work already recognises capacity costing, enhancement-cost allocation, pioneer arrangements and charge reconciliation. The next stage should ensure that material connections are subject either to a published capacity-cost methodology or to an equivalent transparent bespoke methodology. A negotiated large-connection arrangement should not become a means of avoiding transparent and efficient cost allocation.

Subject to legitimate security, privacy and commercial-confidentiality limits, distributors should provide or publish sufficient information for a material connection to record:

- requested connection capacity and expected demand profile;
- assumptions used to translate requested capacity into expected network peak demand;
- diversity and utilisation assumptions;
- affected local and upstream network assets;
- available headroom and relevant constraints;
- scope, timing and estimated cost of necessary connection works and reinforcement;
- the methodology used to calculate capacity-related charges or contributions;
- the allocation of costs between the applicant, the distributor, existing users and anticipated future users; and
- the circumstances in which a rebate, credit or contribution from later users may apply.

These disclosures would improve investment decisions before developers commit to a site. They would also allow communities, existing users and regulators to see whether substantial network expenditure is proposed in response to a particular connection or for wider network development.

5. Connection works and wider network development

The issues paper identifies the relationship between connection pricing and network development as requiring further consideration. We agree that this is a central unresolved issue.

The Authority should develop principles for identifying when investment is:

- directly required to provide a requested connection;
- required because the connection consumes existing capacity;
- appropriate as connection-led reinforcement with wider benefits; or
- proactive network development for broader expected growth, resilience or system needs.

For each material connection, the distributor should be able to explain, in an auditable form, what proportion of relevant investment is attributable to the connection and what proportion is reasonably attributable to broader network needs or future users. The assessment should be evidence-based. It should not rely on the size of the applicant or on a claim that a project is strategically desirable. Equally, it should not presume that a first mover must permanently fund all infrastructure from which others later benefit.

6. Financial security and project risk

Financial security is particularly important for material connections where the distributor may incur substantial costs before demand is connected or fully utilised.

We support a proportionate, risk-based framework that considers:

- the value of committed and forecast network expenditure;
- the timing and staging of construction and connection;
- the applicant's creditworthiness and ability to meet contractual obligations;
- the degree to which costs are recoverable if the project is delayed, cancelled, downsized, sold or closed; and
- the extent to which new infrastructure will have alternative uses or provide broader network benefits.

The framework should provide clear arrangements for cancellation before and after construction; delayed connection; staged development; material reduction in requested or actual capacity; reserved but unused capacity; transfer of ownership; and closure before the period assumed in the allocation.

Financial security should be proportionate to the distributor's unrecovered exposure. It should not unnecessarily prevent efficient projects from proceeding, but it should reduce the risk that existing network users become the residual bearer of project-specific abandonment or under-utilisation risk.

7. Subsequent users and released capacity

The Authority should address the treatment of capacity or infrastructure initially funded by a connection applicant but subsequently used by others. If a customer has made a material contribution toward infrastructure and that capacity is later released, reassigned or used by subsequent customers, the framework should provide a transparent mechanism for rebate, credit, contribution by subsequent users, reallocation of costs, or capacity release.

The appropriate mechanism will depend on the original allocation, remaining asset life, actual subsequent use and wider benefits. The approach should be clear in advance, recorded in the applicable agreement or methodology, and capable of being reviewed. This can protect a first mover from funding future expansion indefinitely, while also protecting existing users from paying for capacity primarily required for a single project.

8. Assurance, reconciliation and information

We support stronger information and assurance requirements for material connections. For significant projects, the Authority should consider requiring a standardised record of: the original and final connection cost; original capacity and demand assumptions; actual capacity connected and, where appropriate, actual peak demand; the cost of capacity-related works and reinforcement; contributions and security received from the applicant; amounts recovered through ongoing lines charges; assets vested in or retained by the distributor; material scope or cost variations; later users benefiting from relevant infrastructure; and any rebate, credit or pioneer contribution applied.

Appropriate aggregation and confidentiality protections may be necessary. Sufficient information should still be available to the Authority to assess whether the rules are operating as intended and whether material costs or risks are being shifted between groups.

We also support proportionate independent assurance of material technical and financial assumptions where applicants cannot reasonably verify them themselves, including capacity calculations, diversity assumptions, headroom assessments and the allocation of material network-development costs.

9. Contestability and dispute resolution

Price transparency is not sufficient if the underlying scope or cost of connection works cannot be effectively tested. The Authority should continue to consider contestability alongside connection pricing.

For material connections, distributors should clearly identify:

- works that are contestable;
- works that are non-contestable for safety, system integrity or other legitimate reasons;
- the technical information and approval criteria required for contestable work;
- any related-party involvement in the provision of connection works; and
- the process for resolving disputes over scope, cost allocation, timing or technical requirements.

The framework should support non-discriminatory treatment of comparable applicants and should not favour a distributor's own contracting arm over an independent provider where contestable work can safely and practicably be undertaken by others.

10. Coordination with the Commerce Commission

This consultation concerns distribution connection pricing and the Electricity Industry Participation Code. The Electricity Authority should remain the primary body responsible for the relevant Code and pricing-methodology settings.

The Authority's decisions may interact with the Commerce Commission's Part 4 regulation of electricity distribution businesses, including regulated revenue, capital contributions, information disclosure and price-quality settings. The agencies should coordinate where necessary so that connection-pricing reforms do not create unintended incentives or reduce consumer protections. Coordination is particularly useful for capital contributions, the relationship between connection charges and lines-charge recovery, material network-development expenditure, financial-security arrangements, related-party transactions, information disclosure, and contestability.

Agency coordination should not delay necessary improvements to connection-pricing transparency and consumer protection. The framework should be designed with the relevant revenue-regulation implications in view.

11. Recommendations

1. Develop a technology-neutral category for Material Large Connections, based on material effects on network capacity, investment, consumer exposure or stranding risk. A capacity threshold (for example 50 MW) may be one indicator; it should not be the only test.
2. Require distributors to identify and transparently distinguish direct connection costs, capacity costs, connection-led reinforcement, wider network-development costs, existing-network costs and future-user benefits.
3. Require material capacity costs to be included in incremental-cost estimates where a connection consumes scarce network headroom or drives reinforcement, subject to a transparent methodology.
4. Require equivalent transparency for material bespoke or negotiated large-connection arrangements, including the basis for cost allocation, key capacity assumptions, relevant network constraints and any capacity-related contributions.
5. Require sufficiently clear information before a material applicant commits to a site or development, subject to legitimate confidentiality and network-security limits.
6. Develop proportionate financial-security arrangements for material projects, including clear treatment of delay, cancellation, downsizing, dormant capacity, transfer and early closure.
7. Establish transparent arrangements for released capacity, later users, pioneer infrastructure, rebates, credits and subsequent-user contributions.
8. Require post-project reconciliation and reporting for material connections, including estimated and actual costs, capacity assumptions, material variations, contributions, ongoing recovery and subsequent use of funded infrastructure.
9. Consider proportionate independent assurance of material capacity, diversity, cost and allocation assumptions.
10. Maintain contestability, non-discrimination, transparency and accessible dispute-resolution safeguards in connection arrangements.
11. Coordinate with the Commerce Commission as needed to address the Part 4, revenue, capital-contribution, information-disclosure and competition implications of final Code changes.

12. Conclusion

The goal should be efficient connection growth and network investment that is transparent, evidence-based, and fair to both connection applicants and existing network users.

For ordinary connections, the financial and system consequences may be limited. For material connections requiring significant capacity or network investment, the consequences can extend to network planning, future development, consumer charges, financial risk and access to scarce capacity.

The framework should therefore ensure that:

- connection applicants make an appropriate contribution to costs and risks they cause;
- existing users are not inappropriately required to subsidise private development;
- first movers are not automatically required to finance wider network development or future users' capacity;
- network providers retain incentives to control costs and make efficient investment decisions;
- capacity constraints and cost-allocation assumptions are visible and capable of scrutiny; and
- The Authority has reliable evidence to assess whether the framework is working in practice.

We respectfully ask the Authority to incorporate these principles into the next stage of its development of distribution connection-pricing settings under the Electricity Industry Participation Code.

Yours faithfully,

This submission is made on behalf of the twenty-four thousand members of Stop Data Centres NZ.

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Sources. Electricity Authority, *Further reform of distribution connection pricing: Issues paper*, 13 July 2026. Electricity Authority consultation page, “Further reform of distribution connection pricing”, cross-submissions due 5pm 17 September 2026. Electricity Authority, information for distributors on connection pricing rules 2026–27.