

Unlocking network connection barriers webinar

18 July 2025

Nau mai, haere mai Welcome



Tim Sparks
GM, Networks and System Change

For today's session:

- Ask questions by raising your hand, or use the Q&A function

Mauri oho

karakia timatanga

(for beginning, starting, opening)

Mauri oho

Mauri tū

Mauri ora

ki a tātou

Haumi e, Hui e

Tāiki e!

Life force awaken

Life force stand tall

Life force all wellness, good health for all

Join together, unite, the group is ready to progress for the purpose of
coming together



Agenda

Introduction

Tim Sparks, GM Networks and System Change

Network connection processes

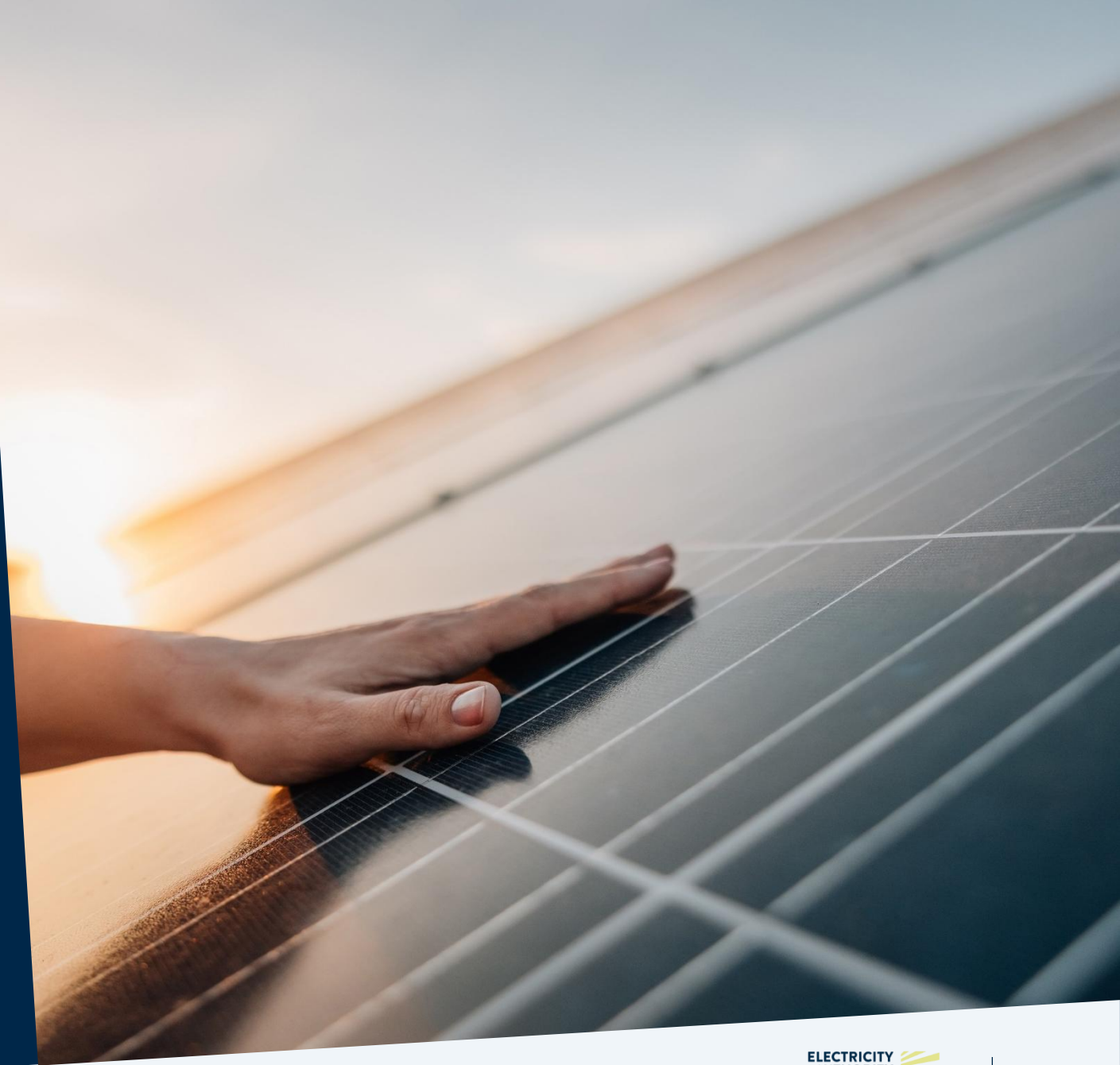
Allen Davison, Principal Analyst, Network Policy

Distribution connection pricing

Briana Yee, Senior Analyst, Network Pricing

Questions?

Network connection processes



Network Connections Project overview

Distribution networks use fit-for-purpose application processes and standards to operate efficiently, competitively and reliably for long-term consumer benefit

Stage one (current):

- *Connecting to networks, and amending existing connections, is more efficient, easier, faster, more equitable and more consistent across networks*
- Focuses on connections – connecting, and amending the connection of large-capacity load and distributed generation (DG)

Stage two (next):

- Will focus more on operations – reviewing other relevant provisions in Part 6 and processes for smaller-capacity connections (eg, residential solar)
- Will likely be split into smaller phases, to enable benefits sooner and easier for stakeholders

Project focuses on Part 6

- Originally *Electricity Governance (Connection of Distributed Generation) Regulations 2007*
- Transferred to the Code in 2010
- Some amendments over time but largely unchanged

Electricity Industry Participation Code 2010

Part 6

Connection of distributed generation

Contents

- 6.1 Contents of this Part
- 6.2 Purpose
- 6.2A Application of Part to distributors in respect of embedded networks
- 6.2B Application of Part to distributors in respect of systems of lines not directly or indirectly connected to grid
- 6.3 Distributors must make information publicly available
- 6.4 Process for obtaining approval
- 6.4A Distributor and distributed generator may agree to simpler process for existing connection
- 6.5 Connection contract
- 6.6 Connection on regulated terms
- 6.7 Extra terms
- 6.8 Dispute resolution
- 6.9 Pricing principles
- 6.10 *[Revoked]*
- 6.11 Distributors must act at arm's length
- 6.12 This Part does not affect rights and obligations under Code
- 6.13 This Part does not apply to earlier connections

Schedule 6.1

Process for obtaining approval

Preliminary provisions

Part 1

Applications for distributed generation 10 kW or less in total

Application process

Post-approval process

Part 1A

Part 2

Applications for distributed generation above 10 kW in total

Initial application process

Final application process

Post-approval process

Part 3

General provisions

Confidentiality

Annual reporting and record keeping

Costs

Schedule 6.2

Regulated terms for distributed generation

1 April 2023

Why we are making changes to Part 6

Some challenges for efficient network connections:

- Limited visibility of available network capacity and no visibility of applications on a network can compromise investment decisions
- Speculative applications inefficiently consume distributors' resources, and can hinder applications that are more connection-ready
- Wide variation in distributors' application processes
- Some distributors don't have the resources or systems to engage well with access seekers
- Applicants have poor visibility where they sit in the application process, including against other applications
- The Code has weak provisions for the efficient queueing and management of applications, and for competing applications
- Distributor approval times can sometimes be slow, with long waits for electricity infrastructure to be installed

We proposed nine changes and are implementing eight with amendments

Major proposals:

- A. amend the application processes for **larger-capacity distributed generation (DG)** applications
- B. add application processes for **larger-capacity load**
- C. require distributors to publish a network connections pipeline for large-capacity DG and load
- D. require distributors to provide more information on network capacity

Other proposals:

- E. update the regulated terms for distributed generation (**revised deadline to build**)
- F. add regulated and prescribed terms for load applications (**not progressing**)
- G. increase record-keeping requirements for distributors
- H. introduce new Part 1 definitions and amend existing definitions
- I. make minor and technical amendments.

Our decision includes changes to proposals A and B

- A. amend the application processes for **larger-capacity distributed generation (DG)** applications
- B. add application processes for **larger-capacity load**

Changes

- Implemented proposed processes, with timeframes to process applications and milestones post final approval BUT
 - Introduced clock stop/start mechanism, to be developed by industry
 - Widened the ambit of the industry-developed queueing & management policy
 - Removed prioritising application by long-term benefit to consumers
 - Removed deemed approval (remains for Part 1A applications)
 - Raised large load threshold to 500kVA
 - Clarified we are not considering capacity rights at this stage
 - Considering obligation to connect further

Our decision includes changes to proposals C and D

C. require distributors to publish a network connections pipeline for large-capacity DG and load

Changes

- Implemented but distributors can withhold commercially sensitive information
- Removed the direct obligation to provide information to the Authority under Part 6 and we will use our information collection process in Part 2 (clause 2.16)

D. require distributors to provide more information on network capacity

Changes

- Implemented but down to 500kVA transformer only and time of use data not required

We have also made other minor changes to the remainder of the proposals

Next steps

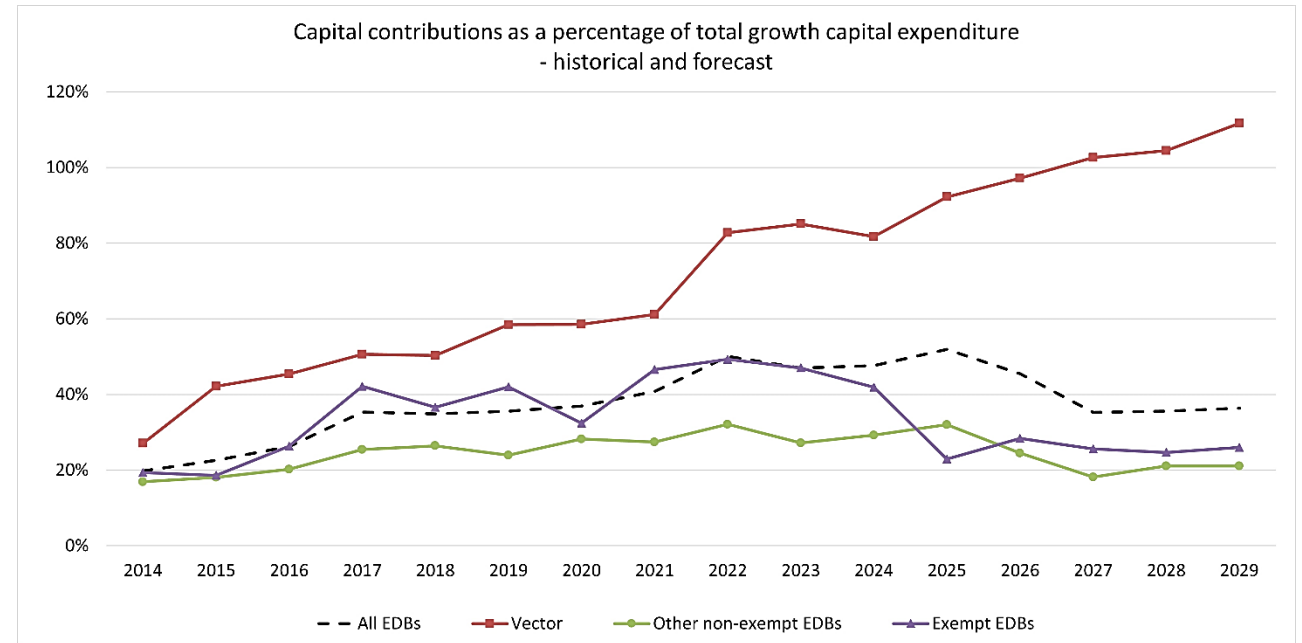
- **August 2025:** Release exposure draft of Code (four-week technical consultation)
- **From late 2025:**
 - Support industry to develop policies and guidelines for Part 6 change (industry policy must be finalised three months before Code comes into effect ~**July 2026** or earlier if possible)
 - Start stage two of the 'Network connections project' (in phases)
 - Consult with industry on information gathering under Part 2 (pipeline information and Part 6 processing data)
- **TBC:** Consultation and decisions on obligation to connect
- **Twelve months after Code is gazetted (~Oct 2026):** All proposals come into effect (except load processes)
- **Eighteen months after Code is gazetted (~April 2027):** Part 6 load application processes come into effect

Distribution connection pricing



Connection pricing is a fundamental component of network access

- Payments to distributors:
 - ongoing lines charges
 - up-front connection charges
- Adoption of inefficient pricing approaches
- Variation in practices and terminology
- Shifting environment for distributors



* Excludes vested assets

We received varied feedback on the proposals

- Merits of intervention
- Pace and form of intervention
- Evidence of a problem
- Regulatory jurisdiction
- Reliance limits
- Impact on existing consumers

We are progressing with four of the five proposed measures

From **1 April 2026**, distributors are required to apply three new requirements when setting connection charges:

- Connection enhancement cost allocation
- pioneer scheme policy
- connection charge reconciliation

From **1 April 2027**, distributors are required to apply a fourth requirement:

- capacity costing

New requirements will be supported by a dispute resolution process.

Connection enhancement cost allocation

Description

Prices to be determined with reference to a least-cost or 'minimum scheme', with enhancement costs (if any) allocated to selecting party

Benefits

Transparency and cost-reflectivity – alignment of incentives for investments in enhancements

Flexibility for the future

Providing for the future with options for a minimum flexible scheme – if the distributor can *reasonably* supply it

Not applicable

- if parties agree to opt out
- distributors provide posted connection charges or rates for a type of connection

Pioneer scheme policy

Description

Publish a policy for establishing 'pioneer schemes', which ensure extension costs funded by an applicant are partly refunded as other customers connect to those assets

Benefits

- Reduces first-mover disadvantage and position-in-queue problem for network extensions
- Provides certainty for distributors
- Enhances nationwide consistency for access seekers

Pioneer scheme policies

- Scheme duration not less than 7 years
- Level of *de minimis* thresholds increased
- Allow deduction of an administrative fee
- Pioneer scheme not required for real estate developments

Connection charge reconciliation

Description

Distributors must prepare a reconciliation that breaks down their quoted connection charge into incremental cost, incremental revenue and network cost components (disclosure requirement)

Net incremental cost

The *incremental cost* of a connection less the (present value of the) *incremental revenue* the connection will generate over its lifetime

Benefits

- improves transparency of how costs are allocated to new connections
- improves consistency of terminology and approaches across distributors
- builds an information base to support further reform

$$CC = (IC - IR) + NC$$

where

CC is the **connection charge** or **connection charges**

IC is the **incremental cost estimate**

IR is the **incremental revenue estimate**

NC is the **network cost contribution**

Capacity costing

Description

If a distributor chooses to allocate upstream capacity costs, they must do so using published rates that allocate costs as capacity is consumed – not when it is built.

Benefits

- Enhances predictability and removes 'last-straw' pricing
- Aligns incentives with respect to connection sizing and flexibility

Reflect distributors' circumstances

- Extension-like upgrades – exemption for upgrades that substantially serve the needs of a single customer
- Capacity limits for upper tiers when consumption-based approach less suited – threshold of 80% triggers project-based cost approach
- Can use actual rates for upgrades where costs >150% or <80% of average
- Posted rates can be revised to correct for errors

Dispute resolution

Description

- Extend dispute resolution provisions for distributed generation to cover application of connection pricing methodologies (for disputes between participants).
- Enhance the Code breach complaint process available to non-participants.

Benefits

- Provides an avenue for ensuring the new pricing requirements are applied
- Doesn't override a distributor's ability to determine how prices are set consistent with the new requirements

Benefits are wide-ranging

- Improved clarity and consistency
- More efficient allocation of costs
- Improved coordination
- Better cost-reflectivity
- Strengthen distributor incentives to optimise network investment
- Builds an information base to support further reform

Next steps

- **18 July – 1 August:** Technical consultation on exposure draft of the Code amendment
- **Late July:** Release of draft guidance material
- **TBC:** Further consultation and decisions on constraint options and obligations on distributors to connect
- **1 April 2026:** three new requirements come into effect along with dispute resolution provisions
- **1 April 2027:** fourth new requirement comes into effect

We intend to run **engagement sessions** to support distributors in interpreting the new requirements. We'll provide more details in the coming weeks.

Questions? Pātai?

Kia tau

Karakia whakamutunga

(for closing)

Kia tau kia tātau katoa

Te āio, te aroha me te marutau

Tihei mauri ora

May peace, love and safety

Be upon us all

Tihei mauri ora

Ngā mihi!



Contact us on:
connection.feedback@ea.govt.nz