‘Unlocking network connection barriers’ webinar
Q&As
Friday 18 July

The transcript has been edited, where necessary to make the meaning to clearer. View the video recording of the webinar for the unedited version.

What is the regulatory problem if up-front charges cover the up-front cost of connection?

The issue is that new access seekers essentially pay the same [ongoing] charges, generally speaking, as existing parties. So they’re effectively paying very high up-front charges but they’re paying ongoing charges, which also cover the costs of connection from earlier cohorts who paid lower up-front charges.

So effectively we are seeing the existing situation causing a subsidy, causing new access seekers coming in to be paying more than they should and that’s a big problem.

It exacerbates investment coordination challenges, and it allocates a high proportion of the asset financing task to access seekers, which may mean total costs go up and efficient connections can be deterred.

We do see it as a problem. We haven’t made a decision on it yet, but we will be consulting on that problem later on this year.

If the up-front charges don’t cover the up-front costs, how will subsidies be avoided? For example, where the connecting party goes bankrupt after a short period of time.

There are two different ways of thinking about that. For most small connections your risk really is around the connection, not the individual customer who’s using that connection in the first instance. So, connections will usually be re-purposable by another customer if the first one goes bankrupt. That’s the normal situation.

Where there’s larger connections, sometimes they’re more like a specific asset where somebody else is unlikely to come along and reuse the connection. Often those connections are priced using special pricing, which is one of the exceptions that Tim alluded to earlier.

Large connections often won’t pay a posted rate, a posted ongoing annual charge, once they’re established. And the negotiation between the connecting party, connection applicant, and the distributor will encompass both the connection charges and what does the annual charge look like. It’s quite common for larger customers to pay a high portion up front to mitigate that stranding risk, so there’s that flexibility as well.

The slide said that the industry policies and guidelines must be finalised three months before the Code comes into effect. It also said 12 months after the Code comes into effect, all proposals come into effect. So, to clarify, is the EA's expectation industry development policies are in place by July 2026?

[The webinar attendee] is 100 percent right, they need to be in place July 2026. This is an error in the presentation slide and has been corrected in the published version. It should have said the Code provisions come into effect 12 months after the Code is gazetted.

We are looking around July 2026. We'll be engaging with industry on this and support industry to deliver these. But July 2026 is about three months before these proposals come into effect. We feel that's about the time needed to make sure that they are fit-for-purpose and that everybody can accommodate these in their processes.

[The webinar slides have been corrected to clarify when industry-led policy must be finalised].

How have you defined the real estate development for pioneer schemes? Would it capture multi-premises buildings?

It does. Real estate developments we envision is like business parks and multi-use buildings as well.

[NB, It also includes residential subdivisions and new towns where a developer is establishing a new multi-property development for on sale or lease.]

The following questions were not answered during the webinar due to time constraints:

Is a nine-month implementation timeframe reasonable given the Code drafting is still being consulted on, and there are other changes we are needing to implement in parallel?

We acknowledge it's a lot of change and recognise there are other new requirements on distributors at the same time. We note the nine-months starts from when the final Code wording is gazetted, not from now. We expect the consultation and finalisation process for the Code drafting to take two to three months.

We received feedback during the consultation about the pace and volume of change, and in response, we modified some of the proposals so they're more workable, and to give some flexibility to distributors.

For example, we're asking distributors to work together to develop their own agreed policy to address some issues. We've also given extra time to implement some of the new requirements such as the capacity costing requirement.

We're also keen to engage with distributors to help get them prepared and are developing guidance material to help them implement the new rules.

We're doing what we can to support distributors, but at the same time, these are really important changes. It's about balance, because at the same time, we want to address known barriers promptly so consumers can start to get the benefits.

How do businesses and consumers benefit from the changes?

Businesses and other consumers wanting to connect will benefit from having greater transparency of the queue to connect and more cost-reflective connection costs.

There'll also be greater consistency in pricing methodologies and application processes, making it quicker and easier for those wanting to connect across different regions.

Overall, these changes reduce unnecessary time and costs to connect.

New Zealanders will benefit through more connections, a reduction in overall investment costs, more services and infrastructure coming online sooner, and the benefits that flow through to housing development, electrification and business growth.