

Distribution connection pricing methodologies

Summary of new requirements and modifications to original proposals

In July 2025, the Electricity Authority Te Mana Hiko (Authority) announced new requirements for distributors regarding pricing methodologies for new and upgraded connections to the network.

Most of the requirements have been modified from those originally proposed so they are clearer and more workable, without changing the intention behind the proposals.

The Authority has decided not to proceed with the proposed reliance limit at this time and expects to further consider this proposal alongside the obligation on distributors to approve all applications to connect that meet certain criteria. We expect to further consult on these two related issues by the end of the 2025.

The table below is a summary of the new requirements for connection pricing methodologies and how they've changed from the original proposals. For full and complete descriptions, please refer to the [‘Distribution connection pricing Code amendment’ decision paper](#).

These requirements apply to quotes for distribution network connections for load applications received from 1 April 2026. The exception is the network capacity costing requirement, which applies for reconciliation purposes from 1 April 2026 and applies to quotes for load applications received on and after 1 April 2027, but distributors can apply them to earlier applications if they wish.

New requirement	Changes from original proposal
Enhancement cost allocation requirement <ul style="list-style-type: none"> Prices determined with reference to the least-cost technically acceptable solution, unless both parties agree Enhancement costs (if any) are allocated to selecting party If both parties benefit from enhancements, and agree, costs can be shared Costs of distributor-selected enhancements are not allocated to the customer Distributors must consider a customer's request for a lower-cost flexible scheme (ie, to reduce costs, the customer may offer distributors some control of its electricity use or other operating arrangements that help distributors manage load on their networks). 	We have clarified that: <ul style="list-style-type: none"> enhancement cost allocation requirements don't apply to connections that use the 'large connection contracts' mechanism distributors must make a reasonable effort to consider a flexible scheme the flexible scheme (and minimum scheme) must be in accordance with the distributor's 'connection and operation standards', rather than 'good electricity industry practice'
Capacity costing requirement <ul style="list-style-type: none"> If distributors include capacity costs in charges, they must calculate and publish rates that represent the average costs of adding network capacity at each of the five network tiers. 	We have clarified that: <ul style="list-style-type: none"> the requirements apply if distributors include capacity costs (in whole or in part) in the charges payable by an access seeker

<ul style="list-style-type: none"> • Posted capacity rates must be published for the current year and next four years • Posted capacity rates for the first two of the five years are 'locked' and can't be revised except to fix errors. • If a distributor allocates upstream capacity costs to connecting parties, it must use applicable published rates and connection-specific capacity values. • Distributors may define 'costing zones' for different parts of their network with different upgrade costs. • Distributors may use estimated rates for locations where capacity costs are much higher than the costing zone average (more than 150% of the posted rate). • Estimated project costs may be used instead of capacity rates for connections that use a large amount of network capacity (more than 80% of the nominal capacity increment). • Zero rates may be used if the need for future capacity upgrades is unlikely. 	<ul style="list-style-type: none"> • posted capacity rates can be revised to fix errors • the 'lock' on posted rates doesn't apply for the first year of operation (1 April 2027 to 31 March 2028) • capacity costing requirements don't apply to connections that use the 'large connection contracts' mechanism, other than with respect to charge reconciliation • the cost of 'extension-like' upgrades to shared assets are to be treated as extension costs • distributors may also use estimated rates for locations where capacity costs are much lower than the costing zone average (less than 80% of the posted rate).
<p>Pioneer scheme policy requirement</p> <ul style="list-style-type: none"> • Distributors must provide rebates to extension-funding 'pioneers' as subsequent parties connect. • The scheme applies where a new connection triggers a network extension of more than \$50,000 (CPI adjusted). • The original pioneer may opt out. • Subsequent funders are 'pioneers' if their connections trigger a network extension of more than \$25,000 (CPI adjusted). • Pioneer schemes operate for at least seven years with the value of original contribution depreciating using a 20-year straight line rate. • Distributors are to collect contributions from those connecting to a scheme and transfer them to pioneers (only if more than \$1,000 after deduction of administrative fees [CPI adjusted]). • Contribution amounts reflect the distance along the extension and the capacity used. 	<p>We have clarified that:</p> <ul style="list-style-type: none"> • 'pioneering connection works' refers to extension, including incremental transmission works (if any) • the threshold of establishing a scheme is based on the portion of the pioneering connection costs met by the pioneer up-front (not the total pioneering connection costs) • this requirement doesn't apply for real estate developments (unless the distributor chooses to do so) or for connections that use the 'large connection contracts' mechanism • distributors can deduct a reasonable administration fee • the contribution threshold is assessed after deducting an administration fee. <p>We also:</p> <ul style="list-style-type: none"> • amended the financial thresholds for when the pioneer scheme applies, while

<ul style="list-style-type: none"> • Distributors must publish their pioneer scheme policy. 	<p>clarifying distributors may adopt lower thresholds if they wish</p> <ul style="list-style-type: none"> • reduced the scheme duration from at least 10 years, to at least seven years from the date of the pioneer's first contribution • added a requirement that pioneer scheme policies must address allocation of funded asset rebates • shifted some publication requirements to the pioneer scheme policy, instead of individual pioneer schemes.
<p>Connection charge reconciliation requirement</p> <ul style="list-style-type: none"> • Distributors must provide a standardised breakdown of connection charges comprising incremental cost, incremental revenue and network costs to the Authority and connection applicants on request. 	<p>We clarified that:</p> <ul style="list-style-type: none"> • incremental revenue should be assessed using pricing years (disclosure years), with the first year prorated if necessary • network capacity costs associated with customer-selected enhancements are included as part of the customer-selected enhancement cost term (not as part of the network capacity cost term). <p>We also:</p> <ul style="list-style-type: none"> • modified the definition of 'connection charges' to exclude connection fees and pioneer scheme contributions • prescribed a methodology for distributor-specific revenue adjustment values (instead of adjusting incremental revenue for distributor-specific revenue adjustment values) • made an allowance for distributors to adopt an alternative approach of applying an opex cost loading for connections with special pricing (instead of scaling revenue) • added a term to the 'incremental cost estimate' provision to allow for situations where a distributor implements a cost-recovery scheme for a historical distributor-selected enhancement or network development costs • added subclause (h) of paragraph 81 of the transmission pricing methodology to the list of benefit-based charge adjustment events that may be treated as

	<p>incremental transmission costs (in the definition of that term)</p> <ul style="list-style-type: none"> added a requirement to break out the transmission component of 'incremental revenue'.
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General requirements

- We have clarified that where a connection includes both load and distributed generation:
 - the connection enhancement cost requirements and the capacity costing requirements must be applied to the load component of the application before the requirements of Part 6 are applied to the distributed generation component of the application, and
 - the pioneer scheme pricing methodology requirements and connection charge reconciliation methodology requirements must be applied, with all necessary modifications, to the connection as a whole.
- We have excluded resolving disputes about certain clauses from the dispute resolution process in Schedule 6.3
- We have clarified that the dispute resolution processes in Schedule 6.3 does not provide for the Electricity Authority or the Rulings Panel to determine connection charges payable. Rather, it provides that the Authority and Rulings Panel can specify a manner that a distributor must use to determine connection charges that is consistent with the new requirements.