Reducing barriers for new connections: up-front charges and distributor obligations

Submission on the Electricity Authority's Consultation Paper

4 February 2026

Table of Contents

1. INTRODUCTION 3
1.1. Preliminary 3
1.2. General Comments 3
APPENDIX A. FORMAT FOR SUBMISSIONS 5

1. Introduction

1.1. Preliminary

1. We welcome the opportunity to submit our views in response to the Electricity Authority's (the Authority's) consultation paper – "Reducing barriers for new connections: up-front charges and distributor obligations".

2. Section 1.2 of this document provides a summary of the key aspects of our feedback, with responses to the submission questions provided in Appendix A.

3. No part of our submission is confidential.

1.2. General Comments

The consultation fails to recognise the IRIS impacts and consequences of distributors exceeding their consumer connection allowances.

4. We acknowledge the Authority's attempts to recognise the impact of Part 4 regulation on distributor's connection pricing methodologies in the background and context section of the consultation document. However, the Authority have not recognised the effect the Incremental Rolling Incentive Scheme (IRIS) has on distributor's capital expenditure decisions. The IRIS mechanism is counteracting the Authority's objectives, and the Authority should be working collaboratively with the Commerce Commission to ensure that regulation is aligned and supports New Zealand's electrification transition. Our view is that consumer connection capex must be excluded from the IRIS mechanism in DPP5, before the Authority undertakes any further changes to connection pricing regulation.

5. In simple terms, the IRIS mechanism is intended to provide an incentive for distributors to operate more efficiently. The mechanism provides a financial incentive for distributors to find more cost-efficient capex and opex solutions. This incentive has merit when applied to distributor driven expenditure, but it is not a mechanism that is well suited to regulating expenditure relating to growth or consumer connections which are driven by consumer demand. A financial IRIS penalty for overspending capex allowances naturally encourages distributors to reduce their capital contributions for consumer driven capital projects.

6. When EDBs respond to increased demand for connections, the associated expenditure is currently captured within the IRIS framework, potentially penalizing EDBs for meeting legitimate consumer-driven growth. This approach risks disincentivizing EDBs from enabling new connections, which could undermine network expansion, consumer choice, and the broader transition to electrification.

There are valid reasons why a distributor may price above, or below, the balance point

7. EDBs may, for valid reasons, set connection prices above or below the balance point. Factors such as local competition can justify deviations from the balance point. Pricing too high can lead to

network bypass, where consumers opt not to connect to the network, resulting in inefficiencies, underutilisation of assets, and potential fragmentation of the electricity distribution system. Conversely, pricing below the balance point may be justified in competitive markets or where there are public policy drivers for increased electrification.

Pricing above the neutral point should be the Authority's only concern

8. The only relevant consideration should be whether pricing is above the neutral point. At the neutral point, new connections fully cover their incremental costs, and existing customers benefit from increased economies of scale and lower average costs. This approach ensures that pricing supports efficient network expansion, avoids cross-subsidisation, and maximises social welfare. Focusing regulatory scrutiny on pricing above the neutral point will help align incentives for EDBs with both efficiency and equity objectives.

Appendix A. Format for submissions

Questions	Comments
Background and context	
Q1. Do you agree with the assessment of the current situation and context for connection pricing described in section 4? Why, why not? What, if any, other significant factors should the Authority be considering?	No. The Authority have not recognised the impact that the IRIS mechanism is having on distributor's connection policies. We urge the Authority to work with the Commerce Commission to remove connection capex from the IRIS regime to ensure that it is not providing a barrier to New Zealand's electrification ambitions.
PART A – Connection charges	
Q2. Do you agree with the rationale for considering interim restraint on connection charges described in section 5? Why, why not?	No. As outlined in our response to Q1, the Authority's rationale does not address the root cause of the up-front connection cost trend. The Authority must first work with the Commerce Commission to ensure that all regulatory settings are conducive to enabling electrification, before targeting distributor's connection policies.
Q3. Have you observed or experienced signs of connection stress where current connection charging arrangements caused problems when seeking to connect to the network (eg. projects delayed or deterred as a result of price-related barriers)? If so, please describe.	No. Aurora Energy is committed to supporting consumers electrification choices, and we actively work with consumers to find a solution that is cost-efficient for all parties. Our concern is that introducing additional regulatory obligations will add costs to distributors and ultimately provide little tangible benefits to consumers.
Q4. Do you agree with the Authority's evaluation of the options? Why, why not? Do you have any feedback on the expected impact if the status quo remains?	As outlined in Q1 and Q2, the Authority must work with the Commerce Commission to reform the Part 4 regulations as a first step.
Q5. Do you have any comments on the proposed Code amendment and approach to implementation?	We have no comments at this time.

Q6. Are there other alternative means of achieving the objective you think the Authority should consider? If so, please describe.	We have no comments at this time.
PART B – Distributor supply obligations	
Q7. Do you have any comments on the Authority's rationale for clarifying distributor obligations to connect and supply?	We have no comments at this time.
Q8. Do you have any comment on the Authority's preferred direction for clarifying distributors' supply obligations?	We have no comments at this time.
PART C – Minor amendments to the Code (connection pricing requirements)	
Q9. Do you have any comments on the drafting of the proposed amendments?	We have no comments at this time.