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Submissions
Electricity Authority
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Via email: connection.feedback@ea.govt.nz

ERGANZ SUBMISSION ON REDUCING BARRIERS FOR NEW CONNECTIONS

The Electricity Retailers' and Generators' Association of New Zealand ('ERGANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper, 'Reducing barriers for new connections: up-front charges and distributor obligations' from 17 November 2025.

ERGANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Executive summary

ERGANZ supports the Authority's objective of reducing barriers for new connections through efficient connection pricing and clear obligations to connect. Our members are committed to supporting the electrification of the New Zealand economy. Timely, efficient and predictable network connections contribute to this goal.

Efficient pricing for new connections promotes fair outcomes for consumers while ensuring distributors are adequately financed to continue to invest in critical infrastructure. We agree that inefficiently high connection charges are a disincentive to electrify, particularly where they create material uncertainty or barrier-level costs that are disproportionate to the connection sought.

Given the implications for distributor revenue paths, we consider the interaction with Part 4 regulation important. If changes to connection charges alter the balance between up-front recovery (through connection charges) and ongoing recovery (through lines charges), those impacts should be transparent and carefully managed.

General comments

ERGANZ supports the Authority's objective of reducing barriers to new connections. Timely, efficient and predictable connections are critical to enabling electrification of the New Zealand economy.

Progress towards New Zealand's energy goals requires substantial investment in new connections for residential developments, commercial growth and changes to industrial processes.

Efficient pricing supports a range of residential, commercial and industrial connections, including the provision of affordable housing, expansion of the EV charging network, higher penetration of distributed generation and electrification of industrial processes.

Removing barriers to electrification is particularly important in the context of current and projected challenges with natural gas supply prompting more consumers and businesses to electrify heating and process energy. Emissions reduction commitments are also driving organisations to electrify, investing in EVs, distributed generation and industrial electrification. If connection charges or processes create undue uncertainty or impose barrier-level upfront costs, otherwise efficient electrification decisions may be delayed or abandoned, undermining both consumer affordability and emissions goals.

It is important that reforms preserve an appropriate balance between enabling efficient new connections and protecting existing consumers from undue cross-subsidy. Put simply, charges should not be set so high that they deter efficient investment, but nor should they be set so low that the costs of growth are inappropriately shifted onto existing consumers.

ERGANZ supports change that targets inefficiency and ensures connection charging and access arrangements do not create perverse outcomes. In particular, connection charges should be fair and consistent. Organisations and households should not be penalised for being the first, or the last, to connect in a growth area or constrained part of the network and thereby face a disproportionate share of infrastructure costs that ultimately other customers.

The Authority's proposed changes are complementary to related decisions on connection pricing, including minimum viable schemes for new connections, a pioneer scheme for network extensions, and directives to provide detailed reconciliations for connection charge quotes.

We also acknowledge the Authority's wider changes scheduled for implementation in 2030 and support interim measures to promote efficient connection pricing before the new framework comes into force.

Specific submission points

Part A

ERGANZ supports the Authority's proposal to address inefficient up-front connection charges, particularly where increased charges are deterring new connections and electrification.

It is important that the approach maintains an appropriate balance between new connection applicants and existing consumers. Where a reduction in up-front charges results in increased recovery through lines charges, the trade-off should be clearly explained and monitored so that consumers and stakeholders can have confidence the changes promote efficiency, rather than shifting cost recovery from connection applicants to the broader customer base.

ERGANZ therefore supports an approach that is demonstrably targeted to inefficiency and is accompanied by sufficient transparency and monitoring to give stakeholders confidence the outcome is improved efficiency rather than reallocation.

Part B

ERGANZ supports clarifying distributor obligations to provide connection offers (and maintain existing connections), and supports the publication of access standards.

We agree with the Authority's assessment that these changes are a necessary complement to the proposals in Part A to enable efficient connections and that, absent effective oversight, distributors facing lower connection charges may instead choose either to refuse new connections or make them excessively difficult for applicants.

Clearer obligations and access standards can also reduce barriers by improving consistency and predictability for connection seekers, particularly where the status quo can involve uneven practices across distributors.

Access standards should be designed and managed to reduce friction, rather than create it. Standards and processes should be reasonable, proportionate to the nature and complexity of the connection sought, and applied consistently across EDBs.

Impact of the Authority's changes on EDB revenue paths

The consultation document highlights that some distributors may currently have incentives to increase up-front connection charges to maintain dividend expectations, resulting in higher connection charges than would otherwise be the case. The consultation also notes that where the Authority directs a rebalancing of connection charges, it may request the Commerce Commission reconsider an EDB's revenue price-path, which may see lines charges increase.

ERGANZ considers it important that any revenue-path amendment (and any resulting increase in lines charges for existing consumers) is not driven by a desire to preserve discretionary dividend payments. Any reconsideration should be grounded in efficient investment and service outcomes.

Where an EDB argues that rebalancing connection charges creates a financeability issue, the Commission should test whether the issue reflects efficient cost recovery and genuine financeability needs, or whether it can be addressed through capital management (including retained earnings and dividend deferral). Any adjustment should be limited to what is required to support efficient investment and service outcomes, consistent with the Part 4 purpose of the Commerce Act. Failure to do so would simply shift inefficient pricing from connection applicants to the broader consumer base.

Conclusion

ERGANZ supports the Authority's interim measures to reduce barriers for new connections, provided they strike an appropriate balance between enabling new connections and protecting existing customers, in particular, preventing excessive lines charges.

ERGANZ would like to thank the Authority for considering our submission.

If there are any outstanding questions or a need for further comments, please let me know.

Yours sincerely,

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