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Electricity Authority | Te Mana Hiko

By email to:
connection.feedback@ea.govt.nz

Tēnā koutou,

SUBMISSION ON REDUCING BARRIERS FOR NEW CONNECTIONS: UP-FRONT CHARGES AND DISTRIBUTOR OBLIGATION'S PART A AND B.

Unison Networks Limited (Unison) and Centralines Limited (Centralines) are consumer-owned electricity distribution businesses serving communities in Hawke's Bay, Taupō, Rotorua, and Central Hawke's Bay. We appreciate the opportunity to respond to the Electricity Authority's: Reducing Barriers for New Connections: Up-front Charges and Distributor Obligations. As a New Zealand electricity distribution business, we support measures that facilitate timely and efficient new connections to promote electrification and growth. It is vital, however, that changes maintain cost-reflectivity, fairness between new and existing customers, and regulatory certainty for all stakeholders.

As consumer-owned entities, we operate in the best interests of the communities we serve. Guided by our vision, and values, we strive to deliver economic benefits to both our customers and community shareholders, while championing a sustainable energy future. We are committed to maintaining the right balance between keeping electricity affordable and making strategic investments that secure the long-term reliability and resilience of our network. In all aspects of our operations, we place strong emphasis on meeting industry compliance requirements, ensuring we uphold all relevant standards. This approach not only supports New Zealand's transition to new energy solutions but also enables our communities to access cleaner, smarter, and more flexible energy options, now and for generations to come.

This submission addresses key areas of the proposals:

- **Call In option**: consideration of the proposed targeted intervention mechanism for addressing reliance on capital contributions, including its intended operation, effectiveness, relative merits compared with fixed reliance limits, associated implementation risks, and recommended refinements (including the use of a sunset clause, treatment of in-kind contributions, and the approach to measuring reliance).

- **Obligation to connect** assessment of the proposals to clarify distributors' obligations to offer and maintain connections, including identification of potential risks (such as inefficient investment, stranded assets, and regulatory uncertainty) and recommendations for appropriate safeguards and clearly defined exceptions.

1. Targeted Intervention "Call-In" Option: Analysis and Recommendation

Unison supports the implementation of a targeted "call-in" intervention mechanism as a practical and interim measure, preferring it over the blanket reliance limits. This approach allows for targeted intervention and adjustment to a distributor's connection charges if those charges are deemed inefficiently high or are found to be non-compliant with the newly established pricing rules. The mechanism is designed to safeguard new consumers from excessive charges while avoiding the rigidity and potential inequity of uniform caps applied across all distributors.

Unlike blanket regulatory measures, the targeted mechanism concentrates enforcement efforts on outlier cases, serving as a backstop to the new pricing rules. Recent amendments to the Code incorporate this alongside the balance point principle and requirements for greater transparency.

Notably, the call-in mechanism is intended as a temporary solution, with a defined sunset date of 1 April 2030. It acts as a transitional measure, bridging the period until more comprehensive pricing reforms are anticipated to be implemented. This structure enables the correction of pricing practices, rather than having to wait until the subsequent regulatory cycle.

The call-in mechanism provides a regulatory "safety valve" that operates on a case-by-case basis. It promotes fairness and efficiency in connection pricing by intervening solely when necessary, and only for a limited duration. This targeted approach minimises unnecessary disruption for distributors who are already in compliance with established rules, ensuring that regulatory action is proportionate and focused where most needed.

Triggers and Conditions for Call-In

It is important that the call-in mechanism is exercised in a way that is targeted and based on clear evidence and applied in a manner that is consistent and transparent. This ensures the mechanism is not used in an unnecessary, selective, or inconsistent way. We support the intent to ensure consistency with the balance-point principle; however, we emphasise that any intervention must recognise the diversity of network contexts, connection types, and regional growth drivers.

Trigger / Condition	Distributor Perspective	Appropriate Evidence	Expected Authority Approach
Evidence of Overcharging	Any assessment must separate legitimate cost-reflective variation from genuine non-compliance. Upfront charges often reflect project-specific drivers, not a failure of principle.	Detailed connection cost breakdowns; hosting capacity constraints; verified design and construction cost drivers.	Undertake a targeted review that fully accounts for local network conditions and cost causation.
High or Rising Reliance	Reliance ratios differ materially across networks due to growth patterns and historic investment. Benchmarking alone is not a reliable indicator of non-compliance.	Growth and development profiles; reinforcement requirements; historical investment cycles; contribution policies.	Treat reliance ratios as contextual indicators only, not standalone triggers for intervention.
Persistent Complaints	Complaints often arise from misunderstanding of requirements or unique project characteristics rather than systemic pricing issues.	Dispute resolution records; alternative design assessments; cost-option analyses; technical feasibility reviews.	Apply a fact-based assessment before initiating call-in, ensuring complaints reflect genuine systemic issues.
Anticipated Non-Compliance	Methodology updates may legitimately reflect emerging costs or policy shifts and should not be interpreted as intent to breach.	Pricing methodology revisions; consultation documents; supporting cost-allocation rationale.	Engage early with the distributor to clarify intent before reaching any conclusion of future non-compliance.
Investigation Process	Any investigation should be guided by clear materiality thresholds and allow adequate time for evidence provision.	Supporting project files; financial models; cost-allocation documentation; network planning inputs.	Maintain a proportionate, transparent screening process aligned with Part 4 obligations and good regulatory practice.
Formal Call-In Direction	Appropriate if genuine inefficiencies remain unresolved; however, required changes must recognise local conditions and avoid unintended regulatory conflicts.	Confirmed instances of non-compliance not addressed through voluntary undertakings.	Issue specific, targeted directions with reasonable transition periods to ensure orderly implementation.

Overall, the call-in mechanism encourages self-audit practices, justify required contributions, and to adjust anything misaligned with policy. Proactive compliance is likely to prevent formal call-in interventions, while consumers and developers benefit from more consistent and reasonable connection offers across regions one of the reform's core objectives.

2. Obligation to Connect: Evaluation and Safeguards

Unison supports clarifying distributors' obligations to provide and maintain connections on fair and reasonable terms. However, this obligation must be interpreted as a requirement to assess and offer a connection only where it is technically feasible, cost-reflective, lawful, and fully compliant with all applicable connection standards and contractual obligations. This includes obligations under the DDA and any customer–trader agreement and is subject to the requesting party being properly authorised to request the establishment of a point of connection at the specified location. The obligation to connect must be subject to the requesting party having or obtaining all necessary occupation and access rights for network connection in relation to the specific land or site, including any easements required over properties affected by the connection works, such as third-party land, Māori land, Crown land, or Department of Conservation land.

A strictly literal obligation to connect would compel distributors to proceed with applications regardless of cost, network impacts, land rights, or feasibility. This would drive inefficient or premature investment, create stranded or under-utilised assets, increase costs for existing consumers, and undermine the prudent investment and efficiency objectives of Part 4.

Risks of a Literal Obligation

A literal interpretation would:

- bypass cost-reflective decision-making
- remove incentives for applicants to consider alternatives
- force uneconomic investment and risk stranded assets
- expose consumers to unnecessary long-term costs
- create regulatory uncertainty

Such outcomes are inconsistent with the Commerce Act's requirement for prudent, efficient network development.

Legal and Contractual Context

The Default Distributor Agreement (DDA) and Unison's Terms and Conditions for new and alternate connections set clear preconditions for connection. Schedule 6, clause 6.2 of Unison's DDA with retailers provides that Unison may receive applications from:

- the owner, the owner's agent, or a Trader acting for a current or intending customer (new connections), and
- a customer or their Trader (capacity changes).

Clause 15 of Unison's Terms and Conditions provides that: The Customer warrants that the Customer is legally entitled to complete the NC1 form and apply for network connection in relation to the Site.

Connection requests should therefore be subject to all relevant legal and contractual requirements.

Cost-Reflective Pricing Rights

It is fundamental that the obligation to connect does not result in uneconomical connections. Distributors should be empowered to charge capital contributions or connection fees that accurately reflect the costs involved. The Code should state clearly that distributors have the right to recover both additional expenses and related upstream costs for new connections. This approach helps prevent cross-subsidisation, promotes efficiency, and discourages proposals for connections that are not economically justified.

Defined Exceptions for Refusal or Discontinuance

Clear and narrowly defined exceptions should enable distributors to decline or discontinue supply in specific circumstances. These exceptions include:

- *Safety or Technical Feasibility*: Where a proposed connection would breach safety standards or threaten the integrity of the network.
- *Failure to Pay or Commit*: When applicants are unwilling to accept cost-reflective charges or contractual terms.
- *Undue Burden*: If connecting would impose significant cross-subsidies on the wider customer base, even after maximum contributions are applied.
- *Force Majeure or Asset Constraints*: In cases where events or capacity limitations justify delays or alternative arrangements.
- *Withdrawal of Supply*: For sites that are abandoned, have unsafe infrastructure, or where connections have become obsolete.

While refusals should be rare, appropriate safeguards are necessary to ensure network expansion remains efficient and financially sustainable. Clearly defined and narrowly scoped exceptions, supported by cost-reflective pricing and alignment with regulatory settings, allow connections to proceed in a manner that avoids inefficient investment, stranded assets, and undue cost transfer to existing consumers.

Establishing these exceptions with precision is essential to prevent misuse and to protect the interests of all customers. When the obligation to provide connections is clearly articulated and appropriately bounded, it both strengthens customer protections and supports the orderly and efficient advancement of electrification.

Conclusion

We support the Authority’s goal of reducing barriers to new electricity connections to foster sector growth and electrification for the long-term benefit of consumers. With careful implementation, the proposed pricing reforms centred on balance point pricing to reduce excessive upfront charges, supported by targeted regulatory oversight and clear connection obligations will achieve fair and timely outcomes for all customers.

Reforms must maintain both the financial stability of electricity networks and ensure efficient investment decisions. To this end, we recommend these guiding principles:

- Reliance limits should be used as a flexible, temporary measure, not as an inflexible rule that could hinder capital investment.
- Connection obligations require practical safeguards, allowing networks to expand connections where suitable or seek better alternatives when necessary.

We appreciate the Authority's thoughtful, consultative process, especially its coordination with the Commerce Commission, ensuring open and non-discriminatory connection practices, and targeted intervention only for true outliers. The draft code amendments provide a strong foundation, and with refinements, we are confident the final framework will be practical and robust across the sector.

These reforms are expected to deliver more efficient, cost-reflective pricing and streamlined connection processes. New connections will contribute fairly to network costs, existing customers will benefit from sustainable network growth, and distributors will operate under clearly defined, enforceable obligations. We approve this balanced regulatory approach, which facilitates new connections while maintaining fairness, efficiency, and long-term sustainability.

We look forward to the continued collaboration with the Authority as proposals are finalised. Our current concern is to meet the new requirements in the tight timeframes and maintain constructive partnerships with regulators and industry stakeholders for a smooth transition.

We are available for further discussions regarding any points in this submission and can provide additional information, including operational details, to assist with ongoing Code refinement. This submission is not confidential and will be published. Please contact us if you require further information.

Nā māua noa, nā

Jason Larkin / Tarryn Butcher
GM Commercial and Regulatory / Regulatory Manager
[redacted]

Appendix A Format for submissions

Submitter	Unison Networks Limited

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?	We agree in principle with the Authority's assessment that up-front connection charges and unclear distributor obligations might be creating barriers to network access and electrification. The context provided reflects the challenges faced by both access seekers and distributors, including the tension between cost recovery, investment incentives, and fairness for new and existing customers. **Additional factors to consider:** • The diversity of network contexts and regional growth drivers, which can affect cost structures and connection demand. • The importance of regulatory certainty and alignment with Commerce Commission processes, especially regarding capital recovery and price-quality paths. • The need for robust data and transparency to support evidence-based interventions.
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?	Interim measures are appropriate to address outlier cases and prevent harm to connection activity while longer-term reforms are developed.

Q3. Have you observed or experienced signs of connection stress where current connection charging arrangements caused problems when seeking to connect to the network (e.g. projects delayed or deterred as a result of price-related barriers)? If so, please describe.	We have not observed systemic signs of connection stress arising from current connection charging arrangements. In our experience, connection charges have not acted as a barrier to access in a way that has delayed or deterred otherwise efficient projects. In some cases, customers determine that their business case does not proceed once full project costs are understood, or they are uncertain about the return on their investment. However, this reflects project-specific commercial decisions rather than pricing barriers within the connection framework. Overall, customers are generally comfortable with paying the costs associated with the works required to deliver their connection, particularly where the scope and costs of those works are clearly defined and transparently communicated.
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?	We do not agree with the Authority's evaluation but consider targeted intervention to be the most appropriate option among those assessed. Relying on blanket limits or fixed methodologies risks creating unintended consequences and may fail to address the underlying drivers of perceived inefficient pricing. In contrast, targeted intervention enables a more nuanced, evidence-based response while minimising disruption for distributors already operating in a compliant manner. If the status quo persists, there is a significant risk of further escalation in connection charges and missed opportunities to support efficient network growth.

Q5. Do you have any comments on the proposed Code amendment and approach to implementation?	We generally support the draft Code amendment but seek clarity and further guidance on the balance point principle and the structured intervention process. However, we recommend: • Clearer definitions (e.g., incremental cost, commensurate contribution). • Explicit inclusion of in-kind contributions in compliance assessments. • Materiality thresholds for intervention to avoid over-regulation. • Sufficient transition periods for implementing changes. • Coordination with the Commerce Commission to ensure revenue path adjustments are feasible.
Q6. Are there other alternative means of achieving the objective you think the Authority should consider? If so, please describe.	We believe the targeted intervention framework is the most practical approach at this stage. However, we encourage the Authority to: • Continue developing sector-wide guidance and worked examples to support consistent interpretation. • Monitor the effectiveness of the new requirements and remain open to further refinements based on sector feedback and data. • Consider mechanisms for early engagement and voluntary compliance before formal intervention.
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 support the Authority's rationale for clarifying distributor supply obligations. Clearly defined, fair, and workable obligations are important to provide certainty of access for new and upgrading customers, while also safeguarding network reliability and financial sustainability. Appropriate safeguards are necessary to ensure distributors are not required to facilitate inefficient or uneconomic connections, and any exceptions to the obligation to connect should be clearly articulated and narrowly framed, for example where there are genuine safety risks, technical infeasibility, or failure by the applicant to meet payment or contractual requirements.

Q8. Do you have any comment on the Authority's preferred direction for clarifying distributors' supply obligations?	We support the preferred direction, including: • An obligation to offer connections on cost-reflective terms. • Publication of standard terms, technical requirements, and access standards. • Defined processes for refusal, discontinuance, and withdrawal of supply. • Alignment with Commerce Commission frameworks, including DPP reopeners for prudent cost recovery. • Encouragement of flexible solutions (e.g., micro-grids, stand-alone systems) where appropriate.