wellington electricity™

Reducing barriers for new connections

4 February 2026

1 Submission and contact details

Consultation	Reducing barriers for new connections
Submitted to	Electricity Authority
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Date submitted	4 February 2026
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2 Confidential information

There is no confidential information provided in this submission. This submission can be publicly disclosed.

3 Executive Summary

Wellington Electricity Lines Limited (WELL) supports the Electricity Authority's (EA) objective to reduce barriers for new connections. However, we believe it is essential that both the EA and access seekers understand the full cost implications that new connections impose on aging assets requiring replacement. Capital contributions should accurately reflect the true incremental costs driven by new customers or developments. Without this, network investment costs risk being unfairly shifted to the wider customer base or being subsidised by existing customers.

Our submission is centred around the following topics:

- Cost reflective connections are essential-reflective connections are essential
- Electrification pressures must be managed, but not to the detriment of security.
- Proposed pricing reforms are premature and poorly targeted
- Regulation should not control both price and quantity to retain choice & trade-off
- Supply and pricing obligations must remain economically efficient
- Proposed withdrawal of supply is better than current legislation
- Timing, clarity, and data matter more than new rules

WELL currently has the largest number of residential gas connections in the country. This has benefitted customers with low electricity prices, with gas as a substitute fuel for around half of our residential customers. As these gas connections transition to electricity, to meet Net Zero targets, we are starting to experience significant demand for network upgrades and higher capacity reinforcement. We have highlighted to regulators that the pace of electrification must be managed to avoid large cost increases or security of supply issues beyond current quality standards with the Commission. Reducing capital contributions, as the intentions of this paper focus on, would place additional pressure on investment timing and could result in delays to network investment until allowable revenues are adjusted and with this, the cross-subsidisation by existing customers – who should not bear costs for upgrades which they are not driving.

We agree that connection policies should be applied consistently within each individual network. We think that the new distribution pricing initiatives that are coming into force on 1 April 2026, (pioneer scheme, pricing reconciliation), are a substantial step towards greater transparency and consistent contribution practises that can be measured. The industry needs time to reflect these changes of policy. The shift needs to be incorporated in the change of allowable revenues from the economic regulator before being subject to further market regulation.

There is a sentiment in this consultation that connection prices need to reduce to the balance point, but there is evidence that some connection prices will need to increase to the balance point as well. It is important to acknowledge that, if progressed, some connection prices will need to increase. At a time of change to greater electrification, we foresee the balance point moving to a new level rather than remain at an historic cost basis. Some of the proposed benchmarking measures could lead to unrealistic outcomes given variations in costs over time, location, and purchasing power.

The default price-path regime is designed to drive efficient investment and ensure additional capacity is added when needed, with costs borne by the connecting party. WELL is concerned that excessive regulation of individual connections could create perverse incentives. The proposed 'Targeted Intervention' approach requires a clear framework and transparency which can guide EDBs to ensure compliance with the EA's intent. Without such principles, EDBs may face uncertainty about what triggers investigation, how investigation links with allowable revenue allowances from economic regulation, and the penalties. This could lead to overly conservative behaviours that undermine economic efficiency.

WELL supports aspects of the Electricity Authority's proposed obligation to supply where there is no significant financial and operational risks, while also addressing the underlying cost

recovery challenges. We note however, if significant costs are required to connect a customer, then there is a requirement that the customer seeking connection faces that cost. This approach encourages the principle of efficient investment and pricing, which is critical for maintaining affordability and reliability during a period of rapid electrification to support decarbonisation.

WELL does not think it is necessary to make significant changes to the current obligations because the rationale does not match with EDBs operating practices. This is because EDBs are incentivised to connect customers. WELL has made some suggested changes to the supply withdrawal section of this consultation that will reduce duplication across the Electricity Industry Act and the Code. We agree that the proposed changes are more workable than the current supply withdrawal provisions allowed under the Act.

In part A of this paper, the EA is regulating price, whereas in part B the EA is regulating quantity. It is not economically viable to regulate both aspects, even in a monopoly market. Setting both could produce a situation that does not align with consumer behaviour or the firm's cost structure, leading to shortages, constraints and even the sustainability for an EDB business to earn a return on investment. This may have a chilling effect on the pace of electrification required to meet net-zero timeframes.

Finally, the changes proposed in part C of this paper largely affect other connection pricing Code changes that come into force on 1 April 2026. WELL urges the EA to consider the timing of these changes so that EDBs have greater certainty. EDBs will need to develop policies, processes, operational guidelines, and invest in IT systems to manage these changes. The current timing will drive greater administration costs and require rework until systems can be changed and new processes adopted. To benefit customers, EDBs need to be able to cohesively make changes, and be as efficient as possible.

Submitter	Wellington Electricity Lines Limited
Questions	**Comments**
1. 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?	WELL agree with the current environment as described in section 4. Particularly, the challenges facing distributor investment, and the visibility of distributor capital contribution policies, along with uncertain customer driven growth. A factor that is not referenced to in the paper is the change in proportion of costs that move around over time. For example, electrical components may have historically accounted for 50% of a connections costs (like a new transformer), but now the cost of a transformer may be closer to 70% of the cost. This would make it difficult comparing costs over time and between similar projects. The global demand for electrical equipment is continuing to grow and driving prices, especially for New Zealand, who lacks purchasing power. We must compete with the rest of the world for these components set by rising commodity prices. WELL disagree that contestability is a significant factor that makes connections difficult. The contractors that EDBs allow to work on their network must be approved because EDBs are responsible for quality and service for all users of the network. The people who work on the network are pre-qualified to ensure safety which is paramount to the relationships built by EDBs, their contractors and the public. Where there are developments on private land, there is a large risk that the contractors will undercut EDBs pricing and install a development with sub-optimum materials for the customers. The EDBs are then left to manage the resultant issues well after the developer has moved on. Customers often face lower reliability and higher maintenance costs where substandard private reticulation has been installed.

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?	WELL disagrees with the rationale for considering interim restraint. If the New Connection pricing requirements applying from April 2026 and April 2027 are not sufficient to improve efficiency, then they are not fit for purpose. These requirements need to bed-down to review their effectiveness and manage expectations of the market. As described in the paper, EDBs have planned for growth on their networks and funding that is limited by the outcome of DPP4. If the EA significantly change the way EDBs can charge for new connections, this would require a large amount of re-work, in a time when financing is already stretched or cause unnecessary project delays which frustrate customers. Many of the examples referenced in the paper, such as farms unable to electrify due to high upfront costs, are edge-cases with overlooked complexities that do not represent the majority of connections. High upfront costs would be expected in a rural setting, as there are less customers to share the costs. This will be balanced in future by the Pioneer scheme obligations. Equally, comparing the ratio of BEV to public charge points across three major NZ cities does not reflect inefficient pricing nor the reality of EV's charging overnight from home at a time when there is adequate network capacity. The unique setup between these networks, would lead to different levels of investment required to install. There will also be differrent approaches to dynamic connection agreements, as a way to manage variable public charging at lower network connection costs. The EA does not have a statutory obligation to consider decarbonization as a basis for regulation. We do not believe that the edge-cases warrant the spotlight as described in this paper.

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.	Yes, we do observe connection stress under the current arrangements, and it can sometimes be attributed to a lack of data visibility of the LV network, (that EDBs have not been funded to acquire). This area is in its infancy but is being vastly improved, especially on the Wellington network where we have invested in an LV modelling project, under the Commerce Commission's innovation allowance, to help better identify areas of congestion. Until this area is better managed, monitored and funded for, we will continue to experience some level of connection stress/friction because of the bespoke nature of project work. In larger greenfield or multi-stage developments, developers will often initially seek to connect a significant number of lots (e.g. 20–40) to the existing LV network, despite the network lacking this additional capacity. These applications are typically revised once we assess capacity and explain the required upgrades, and this process can create friction. Developers may initially push back on cost, but once the scope and programme implications are understood, the required substation or upstream upgrade is generally progressed. Connection stress is more acute in small infill developments. In many cases, an existing single dwelling is redeveloped into multiple dwellings, and capacity issues are only identified when the ICPs are reviewed at a later stage. Because WELL does not actively monitor LV capacity in real time, capacity issues are not always identified as early as expected. When capacity issues are identified late, developers often question why they are required to fund upgrades, particularly where constraints are not visible or were not identified earlier in the process. When LV data is more widely available and used, the full cost of supply will be known sooner, and there will be less ambiguity for both the network and the customer. This will require access to metering data by EDBs.

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 agree with the Authority's description of the options as they are described in the paper, but we do not agree with the approach. There is not enough structure or criteria to enable EDBs to know if they are following the guidelines for every individual, and what grounds would call for investigations. Investigations will be costly and require a lot of work that is resource intensive. We do not agree with the timing and urgency for the Authority to make changes while many other initiatives on connections pricing are being developed and adapted to other Code changes.
Q5. Do you have any comments on the proposed Code amendment and approach to implementation?	As mentioned above, we do not believe there is sufficient benefit to bringing forward reform of connection pricing methodologies to April 2028. We believe that the restart of the next DPP period is more appropriate, and then this can be considered for resourcing needs to be supported within EDBs price-paths through Part 4. The proposed Code amendment, is acceptable as a concept, but not practical in how it can be realistic or the maximum liability. The expectations are vague (which is why EDBs have differing connection pricing policies in the first instance). There needs to be a clear framework and principles that EDBs can monitor themselves against, and not fear investigation by the Authority. Like the reopener criteria the Commerce Commission uses. WELL also note that the Commerce Commission made changes to the IMs in 2023, on large connection contracts (LCCs) to enable greater flexibility and efficient funding mechanisms for DPP4. WELL would like further clarification from the Authority, how large connections contracts would then be treated in the proposed approach, granted that LCC's were developed to address EDBs ability to finance and continue to grow connections where the impact has not been funded through DPP/CPP allowances.

Q6. Are there other alternative means of achieving the objective you think the Authority should consider? If so, please describe.	As noted above, we consider that greater visibility of the LV network will help EDBs to identify network congestion early on in the application process, and give access seekers more confidence in the quotes that they receive. We also think that further reform should be considered as part of DPP5, when distribution pricing polices have had time to bed-down, and the added data requirements can be factored into EDBs price paths.
PART B – Distributor supply obligations	
Q7. Do you have any comments on the Authority's rationale for clarifying distributor obligations to connect and supply?	WELL disagrees that there is enough necessity to make change due to the rationale outlined in this paper. It is in an EDBs best interest to connect customers where it is economically efficient to do so. If it is not economic, then the costs will be borne by the rest of the network and cause a cross-subsidy which should be avoided. In most cases, new connections will cover their incremental cost of supply through tariffs and gives an EDB the right incentive to connect them. If they do not, then this cross-subsidy would occur, and the connection is not in the best interest of the rest of the customers. Given the large gas usage in Wellington, WELL are already addressing the growth on the network, and through the EA's proposed intention to grow connections, any additional pressure may intensify the need for costly upgrades before forecast investment is scheduled. WELL has always advocated that the speed of the energy transition needs to be managed and not increase unnecessary strain.

Q8. Do you have any comments on the Authority's preferred direction for clarifying distributors' supply obligations?	While the consultation accurately notes the existence of section 105, we consider that the continuance of supply policy principles outlined in the current consultation appear broader and more practical than those set out in section 105. We do not consider it necessary for separate legislation to introduce overlapping or potentially conflicting requirements. For example, there are instances where ICPs at the end of a line have remained disconnected for several years, yet the EDB must continue to maintain infrastructure solely for that unused connection, incurring ongoing costs without any corresponding revenue. The policy principles set out in this consultation provide EDBs with a more efficient and pragmatic basis for determining when withdrawal can be considered, compared with the requirements in the current legislation. We therefore recommend that the Electricity Authority revoke section 105 of the Electricity Industry Act 2010 and instead rely on the continuance of supply principles implemented through the Code. Mandating distributors to offer and maintain connections regardless of economic viability could result in stranded assets and unfair cost allocation, where existing consumers subsidize uneconomic connections. Regardless, if the distributor provides alternative options, by removing their ability to decline applications, there is no obligation on the access seeker to accept the alternative proposals. This would lead to lengthy disputes that cost time and money. The situation of providing Price-Quality trade-offs is an important mechanism to provide consumers choices for their connection options.