

15 December 2025

Electricity Authority  
 Level 7 AON Centre  
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 Wellington, 6011

By email: [connection.feedback@ea.govt.nz](mailto:connection.feedback@ea.govt.nz)

## Horizon Energy Distribution Limited (Horizon Networks) submission reducing barriers for new connections

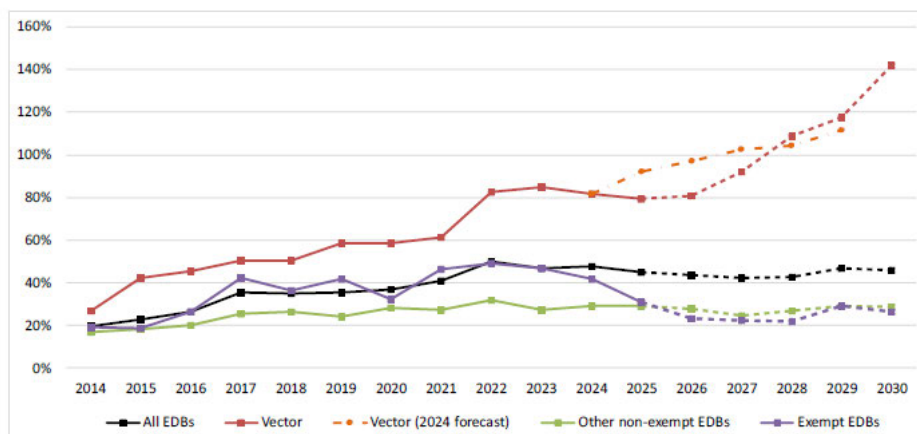
1. Thank you for providing us with the opportunity to provide feedback on requiring distributors to pay a rebate when consumers supply electricity at peak times.
2. Horizon Networks is a small trust-owned Electricity Distribution Business (EDB) serving over 25,000 consumers in the Eastern Bay of Plenty region. As a trust-owned EDB, we have a strong consumer focus and seek to benefit both our Shareholder Trust Horizon and the communities we serve.
3. Horizon Networks supports the underlying concept that existing consumers and new connections with similar attributes should result in a similar contribution to shared network costs, via use of system charges. However, we consider that the broad and vague powers the Electricity Authority proposes to give itself are unnecessary, and alternatives can be introduced faster, at a lower cost, and with greater certainty.
4. In addition to the response in Appendix A, we would like to emphasise the following points:
  - Regulation is not necessary to address the concerns raised.
  - Requiring EDBs to connect, in conjunction with regulations on connection charges, treats EDBs like a bank.
  - The implementation of connection pricing changes should be delayed, allowing EDBs to implement changes resulting from 'minor' code changes.

### Regulation is not necessary to address the concerns raised

The Electricity Authority has not identified a systemic problem that justifies regulatory intervention

5. The Electricity Authority has used information disclosure data to assess if connection charges have been increasing.

**Figure 5.1 Capital contributions as a percentage of total growth capital expenditure, 2014 - 2030 (actual and forecast)**



Source: Electricity Authority analysis of Commerce Commission information disclosure data

6. Information disclosure does not explicitly identify the differences in EDB's approach to disclosing capital contributions, which makes the use of information disclosure problematic for comparison purposes.
7. The Electricity Authority acknowledges that the impact of unnecessarily high connection charges on activity is inherently difficult to observe and that reliance trends may reflect changes in activity rather than changes to an EDB's connection policy<sup>1</sup>. This reinforces the need for fact-finding before regulation.
8. From the graph provided in the consultation paper, the forecast proportion of capital contributions remains flat, which indicates there is no widespread issue that justifies an urgent need for the Electricity Authority to give itself broad powers to direct EDBs actions.
9. Horizon Networks questions why the Electricity Authority considers such a limited scope issue requires such blunt intervention.

**The next appropriate step is to notify the EDB(s) that it has a concern with, and initiate a 'fact-finding' process**

10. The Electricity Authority's consultation paper has raised concerns, where one EDB's behaviour *may* be resulting in inefficiently high connection charges.
11. The next appropriate steps should not be prescriptive regulation, but rather to understand the issues further.
12. The steps should be for the Electricity Authority to:
  - Formally notify the EDB(s) of its concerns.
  - Give the EDB sufficient information about the reason why the Electricity Authority is concerned and provide the EDB(s) with an opportunity to respond to these concerns within a reasonable timeframe.
  - Work with the EDB(s) to address any concerns before any form of regulatory intervention.
13. Horizon Networks expects this approach will allow for clear and effective communication between the Electricity Authority and EDB(s) and support a timely resolution of the concerns and understanding of what appropriate levels of capital contribution look like.
14. Only if there is a breakdown in communication or a lack of resolution would there be a need to regulate.

**If the Electricity Authority identifies EDBs' behaviour that is not in the long-term benefit of consumers, and is not being addressed, then regulatory intervention may be justified**

15. If the Electricity Authority's concerns are clearly communicated but not being addressed, then, and only then, would there be a clear need to regulate.
16. In Horizon Networks' experience, regulator interactions, even interactions not backed by legislation, will result in a change in EDB behaviour. Regulation should be a 'last resort', when other, more flexible options have been exhausted, not the first option.

**Horizon Networks recommends the Electricity Authority address its concerns with the affected EDB(s) immediately, supported by 'backstop' regulation, participant education and 'scorecards'**

17. The regulatory process can be time-consuming and complex, but the allegations the Electricity Authority has raised are serious. However, there is no need to wait to develop a regulated process before asking for more information, the Electricity Authority can ask for more information from the affected EDBs now.
18. Similar to the distribution pricing principles, having an equivalent connection pricing principles process where the Electricity Authority provides a clear practice note, sets clear pricing reform expectations accompanied by a scorecard process that allows all stakeholders understand each EDBs progress towards pricing reform will enable EDBs to understand what is expected and work towards clear and meaningful connection pricing reform.
19. This will allow for lower cost, timely resolution of the Electricity Authority's concerns by setting clear expectations and providing mechanisms for EDBs to develop and communicate roadmaps and connection pricing methodologies and approaches that align with those expectations.
20. This approach should be supported by education and scorecards. To benefit consumers, it is not enough to know what 'bad' looks like; stakeholders also need to know what 'good' looks like.
21. If unsuccessful, then regulatory intervention remains an option available to the Electricity Authority.

<sup>1</sup> Paragraph 5.33 in the [Consultation paper](#)

22. **Horizon Networks recommends:** The Electricity Authority engage with EDBs with which it has concerns immediately and look to resolve any concerns prior to, or instead of developing a regulated resolution process. This is the most effective, efficient, and proportionate response to the issues raised.
23. **Horizon Networks recommends:** The Electricity Authority develop or reframe the proposal as a 'backstop' regulation, which would only be triggered if the existing communication channels and engagement with EDB(s) of concern are not successful.
24. Horizon Networks also notes that proposed investigative and directive powers are very subjective. Regulated actions are triggered when the Electricity Authority 'considers' the cryptic balance point principle has not been (or will not be) applied. There is also ambiguity regarding the circumstances when action will be taken, with the requirement for the Electricity Authority to quantify the costs of intervention and assess this against the materiality, EDB size or number of connections but with no indication of how this will be done or what it actually means.
25. It is not appropriate for the Electricity Authority to grant itself broad, subjective powers, without first having clear rules regarding how and when those powers are exercised and checks and balances to prevent abuse of that power.

***Requiring EDBs to connect, in conjunction with regulations to restrict connection charges, treats EDBs like a bank***

26. Horizon Networks is a price-quality regulated EDB. As a result, our capital expenditure allowance is capped, this includes capital expenditure associated with new connections.
27. If Horizon Networks exceeds its capital expenditure allowance, then the business is penalised through:
  - the IRIS mechanism; and
  - an allowance that does not provide for the additional borrowing costs associated with the additional capital expenditure.
28. Horizon Networks manages its exposure to connection risks by:
  - Where applicable requiring connection applicants to provide any assets that are dedicated to their connection (so Horizon Networks does not contribute to assets that are not part of the 'core network')
  - All new customers are required to make a contribution to the development of upstream network capacity, through the infrastructure development contribution<sup>2</sup>
  - where appropriate, any upgrade costs directly attributable to the new connection
29. This ensures that Horizon Networks is only investing in assets that benefit all consumers.
30. The Electricity Authority's consultation paper makes the case that:
  - Network connections are the most economically efficient option for access to energy for most consumers.
  - As EDBs are the only organisation that can provide line services in the area, consumers do not have a choice of network provider.
31. As a result, the Electricity Authority suggests that EDB should be required to connect all applicants.
32. In isolation this appears to be a reasonable proposal, and it is rare, if not unheard of, for an EDB to refuse to connect an applicant that covers the costs and meets the network's connection standards.
33. However, the proposal cannot be considered in isolation from other regulatory changes.
34. When combined the Electricity Authority's signalled intent to restrict the proportion of a connection applicants' costs that can be recovered up-front, a requirement to connect places EDBs in an untenable financial position.
35. If EDBs are required to connect, but cannot recover the full up-front costs, they effectively become financiers of new connections. This creates an unlimited liability that:
  - may not be fundable through the existing capital expenditure allowances
  - through the IRIS and price-path regimes penalise EDBs price-quality regulated EDBs for exceeding capital expenditure allowances

<sup>2</sup> Which will become network capacity costs under the upcoming Code amendment

- remaining consumers will subsidise the cost of the new connection in the event of a default which results in inequities being created
36. Treating EDBs as de facto lenders for new connections risks reducing their ability to invest in resilience and electrification initiatives—outcomes that ultimately harm consumers and undermine the Authority's broader objectives.
37. **Horizon Networks recommends:** If the Electricity Authority intends to require EDBs to connect, then EDBs should be permitted to recover all up-front costs and upstream costs such as network capacity costs via the up-front connection charge.

***The implementation of connection pricing changes should be delayed***

38. The Electricity Authority identified eight 'minor' code amendments to improve clarity and reflect policy intent.
39. While Horizon Networks appreciates the improved clarity, Horizon Networks has been working at pace to endeavour to understand and implement the suite of connection pricing requirements ahead of 1 April 2026.
40. To meet the 1 April 2026 deadline, we have reviewed our existing pioneer scheme and connection policies, and we need to review and rewrite these, even in early 2026 will impact our timeline and ability to meet the 1 April 2026 deadline.
41. These clarifications drive uncertainty, and if approved, will require Horizon Networks to review, rewrite and redevelop its policies, models and underlying operational processes.
42. This will include reviewing and updating our policies, systems and BAU processes for managing pioneer schemes and connection charge reconciliation.
43. In particular, the policy change to exclude customer-selected enhancements from vested pioneer schemes will impact our pioneer scheme systems and processes. Horizon Networks will need to develop a mechanism to identify and collect information regarding the 'connection enhancement costs' the customer is paying their selected contractor for vested assets and quantify the minimum scheme. Horizon Networks does not currently hold this information or have a process for identifying what a 'minimum scheme' is for works not constructed by the network.
44. Updating our pioneer scheme and connection charge reconciliation cannot be done between the time a decision is made if to amend the Code (and the form it should take) and the 1 April 2026 deadline.
45. Given the complexity of pioneer schemes and reconciliation processes, and the fact that these methodologies will take time to mature, moving from a 1 April 2026 to a 1 July 2026 implementation date for connection charge reconciliation and pioneer schemes is essential to avoid compliance risk and consumer confusion.
46. **Horizon Networks recommends:** The Electricity Authority proceed with the proposed definition changes and move implementation of the connection pricing Code changes to 1 July 2026. This will improve consumer outcomes by increasing the likelihood that Horizon Networks can implement the September 2025 changes and the necessary corrections resulting from this consultation, which the Electricity may choose to adopt and publicise in early 2026.

***In conclusion, Horizon Networks supports the intent to clarify consumer outcomes; however notes that errors and hasty decisions risk long-term consumer harm***

47. The Electricity Authority is regulating 'at pace', and this is risking long-term harm to consumers. We are seeing the impact of this haste in this consultation:
- The problem that the Authority is seeking to address is ill-defined and lacks merit.
  - Potentially more effective options that do not require new rules have not been fully explored.
  - The long-term impact on consumers of regulating who EDBs must connect has not been considered, given the Authority's clear intent to restrict how much of those costs can be recovered.
  - No time is being provided to allow EDBs to alter their implementation timeline to correct the multiple drafting errors.
48. The greatest consumer benefit can come from a system the Electricity Authority can clearly communicate the consumer outcomes and give EDBs an opportunity to develop a roadmap to achieve that outcome, rather than

implementing complex and prescriptive regulations designed to drive behaviour and achieve a goal that is not clearly communicated or understood.

49. Horizon Networks supports the need for clear regulatory arrangements and clear expectations and is optimistic that this submission is useful to proceed with a measured approach to positive changes, which limits the need for complex, prescriptive regulation to support faster, clearer consumer outcomes.

Yours Sincerely



Jonathon Staite  
Regulatory Manager



HORIZON ENERGY DISTRIBUTION LIMITED



## APPENDIX A: FORMAT FOR SUBMISSIONS

Questions	Comment
<b>Background and context</b>	
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?	<p>Horizon Networks agrees that EDBs have a critical role to play in the electrification of New Zealand.</p> <p>We note that some access seekers chose not to proceed with the connection because it is uneconomic; however, this reflects unique physical requirements (and costs) of the connection, is not evidence of a wealth transfer from connection applicants to EDBs or consumers.</p> <p>Within the context of this connection pricing consultation, the Electricity Authority should be considering what behaviour it wants from EDBs, and how to clearly communicate expectations regarding this behaviour outside of complex and unnecessary Code changes.</p>
<b>PART A – Connection charges</b>	
Q2. Do you agree with the rationale for considering interim restraint on connection charges described in section 5? Why, why not?	<p>Horizon Networks understands that the rationale for considering an interim restraint on connection charges is because there is an intent to undertake full connection pricing reform ahead of 2030, and unwinding any increases in up-front charges incurs additional costs for distributors associated with potential revenue path adjustments.</p> <p>We do not agree that the rationale justifies a Code amendment to place an interim restraint on connection charges. The Electricity Authority claims that a 'balance point' (i.e. no ability to change recovery) represents efficient network pricing; however, it does not address the situations where connection charges are too low, and existing consumers are cross-subsiding connections through higher network charges.</p> <p>Horizon Networks considers that the impact of higher costs for making changes now, when it has been signalled that there is full regulatory reform coming, provides sufficient incentives for EDBs to follow more flexible and actionable guidance to align with best practice.</p> <p>A Code change would only be justified if there is evidence:</p> <ol style="list-style-type: none"> <li>1. Of behaviour that does not align with clearly articulated expectations; and</li> <li>2. That when the participant(s) who are alleged to have been exhibiting this behaviour have had the opportunity to correct their behaviour, they have not done so.</li> </ol> <p>As a result, rather than an interim restraint, the Electricity Authority should:</p> <ul style="list-style-type: none"> <li>• be educating EDBs on the behaviour it expects to see,</li> <li>• clearly identifying which EDB(s) it believes are not exhibiting this behaviour and why.</li> <li>• providing EDBs with the opportunity to demonstrate how they are aligning with the guidance and education provided by the Electricity Authority</li> </ul>

Questions	Comment
	<p>This is because the Electricity Authority has not been clear about the behaviour it expects to see, or which EDBs are not exhibiting this behaviour.</p> <p>Horizon Networks has been receiving mixed messages regarding connection pricing. From earlier consultations, the Electricity Authority's vision for connection pricing appeared to expect EDBs to subsidise new connections to a level that matches their incremental revenue<sup>3</sup>. However, this consultation suggests that appropriate behaviour is simply never to change the connection pricing approach.</p> <p>This uncertainty, and the exponential increase in the complexity regarding the regulation and reporting on connection pricing, will influence EDB behaviour as much as directives issued by the Electricity Authority.</p> <p>The most effective way to influence connection pricing behaviour is to educate EDBs on:</p> <ul style="list-style-type: none"> <li>• what outcomes the Electricity Authority wants to see</li> <li>• and the actions EDBs can be taking to achieve those outcomes</li> <li>• the impact of EDBs not taking these actions</li> </ul> <p>Without clear, plain-English guidance and expectations, any rule change to give the Electricity Authority powers to require specific actions will be ineffective.</p> <p>Without context and understanding, participants will follow enforceable directions blindly, and the underlying behaviour and reasons for the participants' actions will not change.</p>
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.	<p>Horizon Networks has not observed any signs of connection stress for any of our standard connection applications.</p> <p>Through early engagement with connecting parties, we have been able to work with customers to ensure that the connection process and costs are factored into their respective investment business case.</p>
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?	<p>The Electricity Authority has identified five options to address the problem that EDBs may increase their connection charges, and this will need to be unwound when full reform occurs ahead of 2030:</p> <ol style="list-style-type: none"> <li>1. No intervention</li> <li>2. Improved reliance limits</li> <li>3. Methodology locks</li> <li>4. Targeted intervention</li> <li>5. Allocation limits</li> </ol>

<sup>3</sup> Lowering connection charges increases lines charges for existing consumers. This creates a risk of inefficient cross-subsidies, contrary to cost-reflective pricing principles

Questions	Comment
	<p>While the evaluation of the options appears reasonable, Horizon Networks considers that the proposed Code amendment is an unnecessary and blunt instrument to address alleged behaviour that is not fully understood.</p> <p>An alternative, more effective approach would be to start by communicating with EDBs to set clear expectations, help EDBs understand those expectations, highlight where EDBs are doing well (and not doing well), and support a roadmap to efficient and effective connection pricing reform.</p> <p>This would be a similar process to the distribution pricing principles and scorecard, which has been effective in helping EDBs understand what good use-of-system pricing looks like, which EDBs are doing well and the actions they have taken to get there.</p> <p>For the connection pricing, a non-regulated approach could be as simple as:</p> <ol style="list-style-type: none"> <li>1. Clearly articulating what actions the Electricity Authority expects EDBs to be taking ahead of full reform. For example, the Electricity Authority could state that it expects EDBs will charge connection applicants no more than the upfront costs to connect<sup>4</sup>, plus the incremental network capacity cost.</li> <li>2. Requesting the EDBs assess themselves against the expectations and provide a roadmap for further reform in connection pricing methodologies.</li> <li>3. Review and 'scorecard' each EDBs connection pricing methodology, so stakeholders can see which EDBs align, and which ones need to take further actions.</li> <li>4. Where the Electricity Authority has concerns that EDB(s) are not meeting the clearly communicated expectations, and have no plans to do so, engage with the EDB to understand the behaviour and why the EDB is unable to, or unwilling to meet this expectation.</li> <li>5. If the EDB needs to modify their behaviour to align with the Electricity Authority's expectations, work with the EDB to agree on a process and timeline to do this.</li> </ol> <p>If this approach is not successful, then there would be clear evidence and justification for the Electricity Authority to amend the Code (or to trigger 'backstop' regulation) to place an obligation on the EDB to make changes as directed by the Electricity Authority.</p> <p><b>Horizon Networks recommends:</b> The Electricity Authority develop or reframe the proposal as 'backstop' regulation, which would only be triggered if the existing communication channels and engagement with EDB(s) of concern are not successful.</p>

<sup>4</sup> Primarily consisting of an application fee, cost to live and any costs associated with developing a connection solution and providing dedicated connection assets that meet that customers connection needs.



Questions	Comment
Q5. Do you have any comments on the proposed Code amendment and approach to implementation?	<p>The amendment is designed to identify and address instances where connection charges are inefficiently increasing due to an EDB allocating more shared network costs to new connections.</p> <p>The approach involves the Electricity Authority:</p> <ul style="list-style-type: none"> <li>• Scanning for potential connection pricing efficiency concerns</li> <li>• Inquiring into potential connection pricing efficiency concerns</li> <li>• Implementing targeted intervention</li> </ul> <p>As noted above, Horizon Networks considers that jumping straight to a Code amendment is unnecessary, as the Electricity Authority has not identified a clear need for regulation, or that EDBs are deliberately charging connection applicants more than the upfront costs to connect (including network capacity costs).</p> <p>The consultation paper does identify a concern with the capital contributions presented in Vectors' asset management plan, but has the Electricity Authority undertaken sufficient inquiry and education to determine that this is a deliberate act, and that direct regulatory intervention is the only option available to address this behaviour (if the behaviour does not align with Electricity Authority expectations)?</p> <p>It is faster and more efficient for the Electricity Authority to immediately start looking into alleged connection pricing issues, educate EDBs on what actions to take to ensure efficient connection pricing and seek a collaborative solution to any concerns.</p> <p>In parallel with this work, the Electricity Authority can consider developing 'backstop' regulation, which could be triggered in the event that EDBs are found to be wilfully charging connection applicants more than the incremental cost, and are unwilling to address this.</p> <p>In addition to the fact that the Code amendment is unnecessary, Horizon Network is concerned that the proposed Code amendment does not provide any protections for consumers.</p> <p>The balance point principle appears to prohibit increasing network charges but explicitly allows connection charges to be reduced.</p> <p>As a result, the Electricity Authority is encouraging EDBs to subsidise new connections. That subsidy will come from existing consumers through increasing line charges. Horizon Networks does not believe that this type of cross-subsidy from existing consumers to connection applicants is for the long-term benefit of consumers.</p>
Q6. Are there any additional issues with the principles where guidance would be particularly helpful?	<p>The balance point principle lacks a clear calculation methodology, making compliance and enforcement problematic. Without clarity, EDBs may overcorrect or undercorrect, creating inefficiencies.</p> <p>It is still not clear what behaviour the Electricity Authority would like to see from EDBs, and as a result, EDBs will not be able to take steps to update their connection charges to reflect this principle.</p> <p>Horizon Networks suspects the proposal is designed to require EDBs not to increase their network charges; however, the balance point principle</p>

Questions	Comment
	<p>appears to state that EDBs should not change their network charges (as doing so would mean that new connections no longer make a similar contribution to the shared network costs as existing consumers).</p> <p>This ambiguity makes it difficult to action and will make the Code difficult to enforce.</p> <p>Horizon Networks considers the greatest benefit would be for the Electricity Authority to work with EDBs to articulate the behaviour and actions that it expects EDBs to take to promote connection pricing that is for the long-term benefit of consumers.</p>
<b>PART B – Distribution supply obligations</b>	
Q7. Do you have any comments on the Authority's rationale for clarifying distributor obligations to connect and supply?	<p>As a price-quality regulated EDB, Horizon Networks capital expenditure allowances are capped, and exceeding this allowance triggers the IRIS mechanism, and provides not additional allowance for the borrowing costs associated with extra capital expenditure.</p> <p>If EDBs are required to connect without the ability to fully recover up-front costs, EDBs would effectively become financiers of new connections—regardless of the number of applicants or the scale of investment required. This creates an unlimited liability that:</p> <ul style="list-style-type: none"> <li>• Cannot be funded within existing capital expenditure allowances.</li> <li>• Results in EDBs being financially disadvantaged through IRIS and the price-path.</li> </ul> <p>EDBs that may come under lending pressure or broader solvency concerns Treating EDBs as de facto lenders for new connections risks reducing their ability to invest in resilience and electrification initiatives—outcomes that ultimately harm consumers and conflict with the Electricity Authority's objectives.</p> <p>EDBs do not have access to unlimited finance and will need protections to limit their exposure to financing new connections.</p> <p>If the Electricity Authority proceeds with the obligation to connect, then EDBs must be permitted to recover all up-front costs from the connection applicant.</p>
Q8. Do you have any comment on the Authority's preferred direction for clarifying distributors' supply obligations?	No comment.
<b>PART C – Minor amendments to the Code (connection pricing requirements)</b>	
Q9. Do you have any comments on the drafting of the proposed amendments?	<p>These minor amendments reflect the imperfect regulations that the Electricity Authority is introducing at pace, and the lack of consideration for the participants who need to implement these changes.</p> <p>Several of the proposed 'minor' amendments are disruptive and will require Horizon Networks to source information it does not have and develop new systems and processes regarding vested assets associated with pioneer schemes and its connection charge reconciliation model.</p> <p>Horizon Networks will not be able to make these changes in time for 1 April 2026, and implementation should be delayed to 1 July 2026.</p>