

Distribution connection pricing reform - minor Code amendments

Decision and consultation paper

3/03/2026

Executive summary

Distribution networks are essential to New Zealand's electrification, especially as more businesses, new housing developments and other large energy users want to connect directly to the network. The Electricity Authority Te Mana Hiko (Authority) is improving the industry rules so they support efficient connection pricing methodologies. This will help reduce barriers to connecting and encourage efficient investments so New Zealanders can more quickly enjoy the benefits they bring, at the lowest cost.

There have been limited rules about how distributors develop and structure their pricing for those looking to connect to their network or upgrade existing connections. This has led to inconsistent pricing practices across the 29 distributors and added complexity and costs for those wanting to connect in more than one region.

Our 'Distribution connection pricing reform' work is a multi-stage project to make connection pricing methodologies more efficient and consistent.

In July 2025, following consultation, we announced four new requirements¹ to improve connection pricing methodologies as the first step towards change. In November 2025, we published a follow-up consultation paper² on two important and related proposals.³ As part of that paper, we sought feedback on proposed changes to the wording about the four new requirements in the Electricity Industry Participation Code 2010 (Code). The wording changes are minor and aim to clarify Code wording and ensure it more accurately reflects the policy intent of the decisions.

We received nine submissions and no cross-submissions on these proposed minor Code changes. This paper sets out the feedback we received, our response and our final decisions. The Code changes will come into force on 1 April 2026.

One submission proposed a further amendment that we agree would be appropriate to consider: aligning the percentile estimate of weighted average cost of capital (WACC) with that applied by the Commerce Commission (Commission) for the connection charge reconciliation. We want to ensure interested parties have the opportunity to provide views on this proposal. This paper outlines the issues and sets out a proposed draft Code amendment for a further targeted consultation on this matter.

This decision and consultation paper does not cover the two more significant issues in the November 2025 consultation paper (Parts A and B of that paper). The Authority will progress these issues later this year.

Decision summary

After considering all feedback, we decided to proceed with the minor Code amendments as set out in the consultation paper. All submitters were generally supportive of the proposed Code changes. Some submitters suggested areas where further clarification could be useful, either through Code changes or through further guidance, by the Authority, to support implementation of the new requirements.

We considered all suggestions and decided against using more prescriptive wording in the Code. For example, we have retained the use of 'reasonable' to ensure the Code provides an appropriate level of flexibility in its application to a range of situations. However, we have taken on board suggestions to provide additional guidance in certain areas and are exploring this further.

¹ Decision paper: [Distribution connection pricing Code amendment](#), 18 July 2025.

² Consultation paper: [Reducing barriers for new connections: up-front charges and distributor obligations](#), 17 November 2025.

³ These proposals included options to address inefficient high up-front distribution connection charges and our proposed approach to clarify distributor obligations to offer and maintain connections.

In addition to the Code changes proposed in the consultation paper,⁴ we identified a change is needed to clause 6B.10(3) to specify that the connection charge reconciliation information must be provided in the form, manner and frequency that the Authority specifies. A standardised format will ensure the information is supplied in a consistent format and reduce the need for the Authority to make ad hoc information requests to distributors.

Consultation on further proposed Code amendment: WACC percentile

A further change is proposed to the Code which relates to the value of the WACC to be used in the connection charge reconciliation. We are seeking feedback on a proposal to adopt the 65th percentile rather than the mid-point estimate of the WACC to align with the Commission's use of WACC to set regulatory allowances under Part 4 of the Commerce Act 1986 (Commerce Act). This is in addition to clarifying that the discount rate is only updated annually and adjusted for inflation. We consider this proposed change improves consistency between the two regulatory regimes and helps to keep total system costs as low as possible and so promotes affordability for consumers. We seek your feedback on this proposed Code amendment. Submissions are due 20 March. Details on how to make a submission are set out in section 2 of this paper and details on the proposed amendment in section 7.

Implementation and timing of minor amendments

We acknowledge distributors' concern about the limited time to prepare for the new requirements. On balance, we decided against delaying the Code changes coming into effect. The policy intention behind the requirements has been clear since July 2025 when the decision paper was released. We acknowledge distributors have made a concerted effort to prepare for the introduction of the pricing methodologies. The minor amendments do not fundamentally change what is required from distributors but clarify how the pricing methodologies are to be implemented.

We consider it is important to ensure the fast-track measures are in place as quickly as possible. The fast-track measures are a key first step to promote efficient connection pricing. Distributors and connection applicants will benefit from increased consistency and transparency, which supports improved investment decisions and thereby support electrification. The connection charge reconciliation information from distributors will also be valuable to inform any future work on further reform of connection pricing.

As with any new regime, we appreciate it will take time to embed the pricing methodologies. We have supported the industry effort to prepare for change by holding online Q&A sessions and publishing guidance materials. The guidance materials included worked examples illustrating the application of the pricing methodologies⁵ and how distributors may approach the calculation of posted capacity rates.⁶

Our compliance strategy outlines the education focus on new regulatory requirements.⁷ When there are new regulatory requirements, we focus on education, advice, promoting performance and assisting participants to ensure compliance occurs as soon as reasonably practicable. We are committed to continuing to assist distributors to comply with the new requirements.

We will monitor how these new requirements are implemented from 1 April 2026 to see if further changes are needed that can be addressed as part of our ongoing Distribution connection pricing reform work.

⁴ Consultation paper: [Reducing barriers for new connections: up-front charges and distributor obligations](#), 17 November 2025.

⁵ Electricity Authority - [Distribution Connection Pricing – Worked examples of distribution connection pricing updated 24 October 2025](#).

⁶ Electricity Authority - [Distribution Connection Pricing – Worked examples of posted capacity rates](#)

⁷ Electricity Authority - [Compliance Strategy, December 2025](#) para 6,16 Pg 7.

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1 Purpose

- 1.1 This paper sets out the Electricity Authority Te Mana Hiko (Authority) decision to amend the Electricity Industry Participation Code 2010 (Code) on 1 April 2026. These amendments aim to improve the clarity of the Code wording and more accurately reflect the policy intent of the connection pricing decisions on fast-track measures announced in July 2025.⁸
- 1.2 This paper also sets out a further proposed amendment to the Code for consultation. The proposal is to amend the WACC percentile used for connection charge reconciliation from the mid-point estimate to 65th percentile estimate to align this with the WACC applied by the Commission to determine regulated revenues for non-exempt distributors subject to price-quality regulation under Part 4 of the Commerce Act.
- 1.3 This paper:
 - (a) explains the key elements of the Code amendment
 - (b) discusses issues raised in feedback on the consultation paper and the Authority's response
 - (c) notes how the Code amendment is consistent with the Authority's statutory objectives
 - (d) sets out the Code amendment
 - (e) sets out a proposal for a further amendment to the Code for consultation
 - (f) outlines intended next steps.

⁸ Decision paper: [Distribution connection pricing Code amendment](#), 18 July 2025.

2 What you need to know to make a submission

What this consultation is about

- 2.1 The Electricity Authority Te Mana Hiko (Authority) is seeking feedback on options to further regulate pricing and obligations relating to distribution network connections.
- 2.2 In this paper, we set out the case for amending the Code to use the 65th percentile rather than the midpoint for WACC used for connection charge reconciliation, to align with the Commission's use of WACC to set regulatory allowances under Part 4 of the Commerce Act.

How to make a submission

- 2.3 The Authority's preference is to receive submissions in electronic format (Microsoft Word) in the format shown in Appendix A. Submissions in electronic form should be emailed to connection.feedback@ea.govt.nz with 'Distribution connection pricing – WACC' in the subject line.
- 2.4 If you cannot send your submission electronically, please contact the Authority on connection.feedback@ea.govt.nz or 04 460 8860 to discuss alternative arrangements.
- 2.5 Please note the Authority intends to publish all submissions it receives. If you consider that the Authority should not publish any part of your submission, please:
 - (a) indicate which part should not be published and explain why you consider we should not publish that part, and
 - (b) provide a version of your submission the Authority can publish (if we agree not to publish your full submission).
- 2.6 If you indicate part of your submission should not be published, the Authority will discuss this with you before deciding whether to not publish that part of your submission. However, please note all submissions received by the Authority, including any parts that the Authority does not publish, can be requested under the Official Information Act 1982. This means the Authority would be required to release material not published unless good reason existed under the Official Information Act to withhold it. The Authority would normally consult with you before releasing any material that you said should not be published.

When to make a submission

- 2.7 Submissions close on 20 March 2026 for feedback on the WACC used for connection charge reconciliation.
- 2.8 There will be an opportunity to make cross-submissions. The cross-submission period will close at 5pm, 8 April 2026.
- 2.9 This proposed Code amendment aims to improve the alignment of the Authority's work on connection pricing with the Commission's parameters used to set regulated revenues.
- 2.10 Authority staff will acknowledge receipt of all submissions electronically. Please contact the Authority at info@ea.govt.nz or on 04 460 8860 if you do not receive electronic acknowledgement of your submission within two business days.

3 Background on the Code changes

This amendment is part of the Authority's work on distribution connection pricing

- 3.1 Distribution networks have a critical role to play in the electrification of New Zealand. This role will become increasingly important as more businesses, new housing developments and other large energy users want to connect directly to the network.
- 3.2 It is important the rules that underpin network connections support efficient connection prices that remove barriers to getting electrified infrastructure and businesses up and running, so New Zealanders can more quickly enjoy the benefits they bring.
- 3.3 Connection pricing is a fundamental component to accessing the network. There are currently inconsistent connection pricing methodologies across the distribution sector, which adds inefficient cost and complexity for connection applicants.
- 3.4 The Authority has a programme of work underway to ensure connection pricing is efficient and strikes a balance where newcomers do not face such excessive costs that it deters efficient investment, and where existing users benefit from connection growth that spreads fixed costs across more users. Efficient pricing is one of the keys to unlocking more network connections and promoting competition.
- 3.5 Achieving these outcomes will require further reform of connection pricing methodologies. This will take time, and as a first step the Authority is progressing a package of 'fast-track' measures to more quickly address some of the known issues and support more efficient distribution connection pricing methodologies. These 'fast-track' measures provide the basis for further reform in the future.
- 3.6 On 18 July 2025, the Authority published a decision paper *Distribution connection pricing Code amendment*⁹ seeking technical feedback on Code drafting for four fast track measures. That amendment inserts a new Part 6B into the Code and these Code changes come into force on 1 April 2026.
- 3.7 The Authority has since identified additional minor Code changes that would improve clarity and more accurately reflect the policy intent of the decisions outlined in the decision paper of 18 July 2025.
- 3.8 These additional minor Code amendments were set out in Part C of the consultation paper *Reducing barriers for new connections: up-front charges and distributor obligations*,¹⁰ published on 17 November 2025.
- 3.9 Through that consultation paper, the Authority also sought feedback on two related topics:
 - (a) Part A: options to address inefficient high up-front distribution connection charges
 - (b) Part B: the Authority's proposed approach to clarify distributor obligations to offer and maintain connections.
- 3.10 The Authority extended the time for submissions on the more substantive issues in Parts A and B to 4 February 2026 with cross-submissions due to close on Monday 23 February 2025. Part C of the consultation paper proceeded under the original consultation timeframes given it concerns minor changes and in order for changes to come into force by 1 April 2026.
- 3.11 Feedback on parts A and B is not covered in this paper and will be addressed in the future.

⁹ Decision paper: [Distribution connection pricing Code amendment](#), 18 July 2025.

¹⁰ Consultation paper: [Reducing barriers for new connections: up-front charges and distributor obligations](#), 17 November 2025.

3.12 Submissions and cross-submissions on Part C, the minor Code amendments, closed on 5 February 2026.

Decision on minor code amendment and a further targeted consultation

3.13 This decision and consultation paper sets out:

- (a) the feedback on the minor Code amendments and the Authority's final decisions for minor Code amendments
- (b) details for targeted consultation on a further proposed Code amendment on the WACC percentile used for connection charge reconciliation.

4 We finalised the Code amendments after considering submissions

- 4.1 The amendments proposed in Part C of the November 2025 consultation paper are detailed in table 1 below. These amendments:
- (a) clarify three definitions in the interpretation section of the Code, one to make clear the definition of connection applicant applies to Part 6B only, one to clarify which standards in the distributor agreements apply to the design of the minimum scheme and the third being a consequential amendment to reflect amendments to the pioneer scheme
 - (b) for the pioneer scheme, clarify that customer-selected enhancements are excluded from pioneer schemes (to remove a first-mover advantage issue that is inconsistent with the rationale of the pioneer scheme) and clarify what happens to rebates if the pioneer can't be found.
 - (c) for the reconciliation requirements (which are information disclosure requirements only), clarify that the discount rate only needs to be updated annually when the WACC estimate is updated by the Commission, that the operating cost loading for calculating incremental cost could be zero and that transmission costs are excluded from the calculation of a distributor's average selected operating expenditure (ASO)¹¹.
- 4.2 The Authority received nine submissions on the minor Code amendments in Part C of the consultation paper:
- (a) Distributors: Wellington Electricity, Vector, Unison/Centralines (joint submission), Powerco, Horizon Energy and Orion
 - (b) Representative body for distributors: Electricity Networks Aotearoa
 - (c) Generator-retailer: Contact Energy
 - (d) Major energy user: Fonterra.
- 4.3 There were no cross submissions.
- 4.4 The Authority appreciates the continued constructive engagement from stakeholders and the time taken to provide feedback on the proposed Code amendments. Stakeholders' views and insights are invaluable in ensuring the Code obligations are clear for all parties.

Finalised Code amendments

- 4.5 After considering all submissions, the Authority has finalised the Code amendments, and these are set out in Table 1 below.
- 4.6 In addition to the changes proposed in Part C of the consultation paper,¹² the Authority identified another minor and technical change that is needed to clause 6B.10(3) to specify that the connection charge reconciliation information be provided in the form, manner and frequency that the Authority specifies. A standardised format will ensure the information is supplied in a consistent format and reduce the need for the Authority to make ad hoc information requests to distributors.
- 4.7 Other than 6B.10(3), no further changes were made to the proposed Code amendments, as set out in Part C of the consultation paper.

¹¹ The operating cost loading is a term in the connection charge reconciliation and means the estimated incremental operating costs associated with a connection. The operating cost loading can be zero where a connection will pay posted lines charges.

¹² Consultation paper: [Reducing barriers for new connections: up-front charges and distributor obligations](#), 17 November 2025.

4.8 Table 1 below sets out the changes to elements of the Code drafting (including the finalised changes and the proposed change to the WACC percentile used for connection charge reconciliation) and the rationale. Underlined terms are insertions, ~~strikethroughs~~ are deletions, and **bolded** terms are defined terms under Part 1 of the Code. The text in red is the additional changes that were not set out in the consultation paper in November 2025.

Table 1 Amendments to the Electricity Industry Participation Code 2010

Code amendment	Description of modification
<p>1.1 Interpretation</p> <p>connection applicant, <u>for the purposes of Part 6B</u>, means a person who—</p> <p>...</p>	<p>Amended to make clear that this definition applies for the purposes of Part 6B only.</p>
<p>minimum scheme means the least-cost solution for any connection works provided by a distributor, including for security and firmness of capacity, in accordance with the distributor's connection and operation standards and <u>network connection standards as defined in the distributor's distributor agreement</u> or a different standard if agreed to in writing between the connection applicant and the distributor</p>	<p>Amended to make it clear that both the distributor's connection and operation standards and network connection standards as referred to through default distributor agreements, apply in the design of a minimum scheme. The two types of standards serve complementary purposes.</p>
<p>pioneering connection works means an extension where—</p> <p>(a) the portion of the extension cost initially met by a connection applicant, <u>excluding the cost of any connection enhancement</u>, but including the <u>costs incurred by the connection applicant under any other pioneer scheme covering any part of the distributor's network that the pioneering connection works directly connect to</u>, is more than the amount of \$50,000 in December 2025 dollar terms, adjusted each year by the CPI movement, or a lesser amount specified by the distributor; and</p>	<p>Consequential amendments to reflect amendments to clause 6B.8(4)(a) discussed below.</p>
<p>6B.8 Determining connection charges, contributions and rebates for pioneer schemes</p> <p>...</p> <p>(4) The pioneer scheme contribution is to be determined as follows:</p> <p>(a) in determining the costs of the pioneering connection works or vested pioneering works—</p> <p>(i) the distributor must use the actual costs if these are known to the distributor;</p> <p>(ii) if the actual costs are not known to the distributor (for example, if the pioneering connection works or vested pioneering works were constructed or contracted by a person other than the distributor), the distributor may use its estimated costs of the works;</p>	<p>Amended to clarify that customer-selected enhancements are excluded from pioneer schemes (new subclause (4)(a)(iv)). The Authority does not consider it efficient for customer-selected enhancement costs to be apportioned to other people.</p> <p>Also amended to provide that contributions made by pioneers in respect of adjacent pioneering connection works (under a pioneer scheme) can be collected under a pioneer scheme (new subclause (4)(a)(v)).</p> <p>This enables costs incurred by the first connecting party to works covered by a pioneer scheme, to</p>

Code amendment	Description of modification
<p>(iii) if the distributor is using information provided by the consumer who constructed or paid for any vested pioneering works, the distributor must be reasonably satisfied that the information is accurate;</p> <p>(iv) <u>the distributor must exclude the costs of any connection enhancement or equivalent costs in respect of vested pioneering works;</u></p> <p>(v) <u>the distributor must include the costs incurred by a pioneer under any other pioneer scheme covering any part of the distributor's network that the pioneering connection works or vested pioneering works directly connect to:</u></p>	<p>be apportioned to others (under a subsequent pioneer scheme) that benefit from them due to the fact that subsequent pioneering connection works rely on those works to connect to the distributor's network.</p> <p>If this change is not made there is a first-mover disadvantage issue inconsistent with the rationale for pioneer schemes.</p>
<p>6B.8 Determining connection charges, contributions and rebates for pioneer schemes</p> <p>...</p> <p>(5) The rebate due to a pioneer must be determined in a way that shares any pioneer scheme contribution received by a distributor among all pioneers covered by the pioneer scheme proportionate to the extent to which each pioneer has met the costs of the pioneering connection works or the vested pioneering works and after deducting any fee to cover the reasonable costs of administering the scheme.</p> <p>(5A) <u>If a rebate is unable to be paid to a pioneer because the pioneer cannot be located after a reasonable attempt has been made by the distributor do so:</u></p> <p>(a) <u>the distributor must take reasonable steps to repay the corresponding amount of pioneer scheme contributions already collected to those that paid it, in proportion to their contribution; and</u></p> <p>(b) <u>the distributor may retain any amount that cannot be repaid in accordance with paragraph (a); and</u></p> <p>(c) <u>pioneer scheme contributions that would have been paid to the missing pioneer under the pioneer scheme must no longer be collected.</u></p> <p>(6) A distributor must determine whether and in what circumstances the status of first pioneer or subsequent pioneer may transfer to a different person or persons (for example, where the status is to be apportioned between multiple people).</p> <p>...</p>	<p>Amended to provide that if a pioneer cannot be located, pioneer scheme contributions that would have been paid to that pioneer must be returned and no longer collected.</p> <p>Without this amendment, any rebate that cannot be paid would become unclaimed money and payable to the Crown. The Authority considers it more efficient for the money to be returned to those who paid it and for the obligation to collect corresponding contributions to cease.</p>
<p>6B.10 Distributor must provide connection charge reconciliation on request</p> <p>...</p> <p>(3) If requested by the Authority, a distributor must—</p>	<p>Our work with distributors on implementation of the fast-track initiatives highlighted that a prescribed form, manner and</p>

Code amendment	Description of modification
<p>(a) provide information on connection charge reconciliation amounts to the Authority within the timeframe specified by the Authority; and</p> <p>(b) if requested, provide sufficient information under paragraph (a) to enable the Authority to understand how the distributor determined those amounts; and</p> <p>(c) provide the information requested under this subclause in the form, manner, and at the time and/or frequency specified by the Authority.</p>	<p>time/frequency for collecting information on the connection charge reconciliation could be beneficial.</p> <p>Standardisation can enable more effective monitoring and reduce the need for the Authority to make ad hoc requests for information from distributors.</p> <p>This mirrors the power the Authority has to specify these matters in clause 2.16 notices (regular and event-driven provision of information notices) (clause 2.17).</p>
<p>6B.11 Connection charge reconciliation requirements</p> <p>...</p> <p>(4) ...</p> <p>(c) discounting the estimates under paragraph (b) to their present value using—</p> <p>(i) a duration from the beginning of the first full year of operation equal to the connection revenue life; and</p> <p>(ii) a discount rate, equal to the most recent available mid-point estimate of vanilla WACC (being the weighted average cost of capital) made by the Commerce Commission in accordance with the EDB ID determination made under Part 4 of the Commerce Act 1986 less an adjustment to remove inflation consistent with inflation projections for the year ahead from the most recent Monetary Policy Statement published by the Reserve Bank of New Zealand <u>at the time of that mid-point estimate of vanilla WACC</u>; and</p> <p>...</p>	<p>Amended to clarify that the discount rate only needs to be updated annually when the WACC estimate is released by the Commerce Commission – where the WACC is adjusted using the inflation projection in the most recent Monetary Policy Statement.</p> <p>Further change proposed to align the WACC percentile for connection charge reconciliation with that applied by the Commission to determine regulatory allowances, whilst maintaining the annual update and adjusted for inflation (Note – section 7 of this paper outlines and seeks feedback on this proposed change. Details on how to make a submission are included in section 2).</p>
<p>(d) for incremental distribution revenue only, and only where the incremental cost estimate includes an operating cost loading which is not zero, multiplying the amount derived after the application of paragraph (c) by the distributor's incremental opex scaling factor calculated in accordance with subclause (5).</p>	<p>Amended for clarity.</p> <p>There will always be an operating cost loading, but it could be zero. The incremental opex scaling factor should only be used when the operating cost loading is zero.</p>
<p>(5) A distributor must calculate its incremental opex scaling factor, and show this calculation in the connection charge reconciliation, in accordance with the following formula:</p> $OSF = 1 - \frac{ASO}{AEDR}$	<p>Amended to clarify that transmission costs (as described in clause 3.1.2(1)(a) of the Electricity Distribution Services Input Methodologies (IM Review 2023) Amendment Determination – 13 December</p>

Code amendment	Description of modification
<p>where</p> <p>OSF is the incremental opex scaling factor</p> <p>ASO is the average selected opex, being the average value over the five most recent available disclosure years of the sum of a distributor's—</p> <ul style="list-style-type: none"> (a) operational expenditure relating to service interruptions and emergencies as defined in the EDB ID determination; and (b) operational expenditure relating to vegetation management as defined in the EDB ID determination; and (c) operational expenditure relating to routine and corrective maintenance and inspection as defined in the EDB ID determination; and (d) any costs, <u>other than an amount or charge payable to Transpower</u>, described in clause 3.1.2(1)(a) of the EDB IMs <p>...</p>	<p>2023)¹³, are excluded from the calculation of ASO.</p>

4.9 These Code amendments come into effect on 1 April 2026.

¹³ [Electricity distribution IMs | Commerce Commission](#)

5 Feedback from submissions and our response

Submitters support progressing the minor Code amendments

- 5.1 All submitters supported the proposed minor Code amendments to clarify the policy intent.
- 5.2 The specific issues raised in submissions and the Authority's response to these are set out below.

Overall comment on timeframe for Code changes

- 5.3 Electricity Networks Aotearoa (ENA), Wellington Electricity, Horizon Networks and Vector were concerned there is insufficient time to implement the minor Code changes before they come into force on 1 April 2026. Distributors outlined that they will need to amend their business processes and policies to reflect the minor Code amendments and will struggle to complete this in a short timeframe.

Our response

- 5.4 Distributors will have 28 days to make any necessary adjustments before the Code change come into force.
- 5.5 We acknowledge some are concerned about the timeframe to implement the minor Code amendments.
- 5.6 However, these Code amendments are minor changes to the new requirements that were announced in July 2025. At the time the policy intent behind the new requirements was clearly explained and has not changed. The Authority does not expect minor wording changes to the Code to have a material impact on distributors' ability to implement the new requirements.
- 5.7 We consider it is important to ensure the fast-track measures are in place as quickly as possible. The fast-track measures are a key first step to promote efficient connection pricing. Stakeholders will benefit from the increased consistency and transparency that the pricing methodologies will deliver. This will support improved investment decisions and electrification. The connection charge reconciliation information from distributors will also provide valuable insights to guide any further reform of connection pricing.
- 5.8 As with any new regime, we appreciate it will take time to embed the changes and the Authority plans to continue supporting distributors to comply with the new requirements.

Feedback on exclusion of connection enhancements – Clause 6B.8(4)(iv)

- 5.9 The minor Code amendments included a new clause 6B.8(4)(iv), requiring distributors to exclude the cost of any connection enhancements in vested pioneering works.
- 5.10 Both Horizon Networks and ENA raised issues with this requirement. ENA states that nearly one-third of distributors operate on a vested asset approach and may not have sufficient information available to comply with this requirement, even with 6B.8 (4)(a)(ii) allowing for the use of estimates. Some distributors will need to develop mechanisms for collecting information on 'connection enhancement costs' from third parties, such as contractors working for the customer. It will not be possible to have these processes in place by 1 April 2026.
- 5.11 The joint submission from Unison and Centralines, along with ENA, suggested it would be useful to include worked examples or guidance distinguishing minimum scheme works from

connection enhancements in practice. Examples should be shown for when a customer contracts through the distributor and where they engage a third party to do the installation.

Our response

- 5.12 The Authority recognises the information on connection enhancements costs may not be readily available to all distributors. For this reason, the Code allows for a distributor to use its estimated costs of the works if the actual costs are not known (as set out in clause 6B.8 (4)(a)(ii)).

Clarifying timeframes for the pioneer scheme requirements

- 5.13 Fonterra submitted that the Code amendments on timeframes for the new pioneer scheme requirements require clarity. Their query related to existing connections that were implemented in the seven years prior to 1 April 2026, and whether these would meet the criteria for pioneer schemes. Furthermore, Fonterra said it was unclear whether initial connection enquiries prior to 1 April 2026 would be eligible for payments from future users.

Our response

- 5.14 Clause 6B.2 of the Code amendments states this part of the Code, which includes the requirements for pioneer schemes, does not apply to any connection applications received before 1 April 2026. Therefore, any connections that exist before 1 April 2026 would not be eligible for a pioneer scheme unless the distributor had been operating a relevant pioneer scheme prior to the part 6B of the Code taking effect. We may need to look at guidance around application where applications for very large connections may take years to finalise.
- 5.15 The seven-year time period in the Code refers to the timeframe that applies to a pioneer scheme. A distributor can set an expiry date for a pioneer scheme, but it must be for a minimum of seven years.
- 5.16 The timeframes for the pioneer scheme are deliberately forward-looking as it is not good regulatory practice to apply new requirements to existing arrangements (or retrospectively).

Additional clarifications of terms and guidance

- 5.17 Four submitters suggested further Code amendments to clarify terms or identify where guidance would be useful. A summary of this feedback is set out in Table 2 below.

Table 2 Summary of further Code changes suggested by submitters

Code	Feedback	Submitter
<p>1.1 Interpretation</p> <p>Connection charge means – (a) any price, fee, tariff, charge or other similar monetary impost or cost, or any part of any price, fee, tariff, charge, or other similar monetary impost or cost and that is, either directly or indirectly, imposed, or required, or agreed by a distributor in relation to connection works for a connection applicant or is otherwise</p>	<p>Code amendment:</p> <p>It is important to define how vested assets will be treated in the related Code amendments to ensure that they are not used as a roundabout mechanism for recovering 100% of connection costs upfront from customers.</p> <p>One way of achieving that will be to amend the definition of ‘connection charge’ to include vested assets (ie, by adding an additional bullet “(c) includes vested assets”) and insert a new definition in the Code. For example:</p> <p>Vested asset means an asset associated with the supply of electricity distribution services received by an EDB without the provision of</p>	Powerco

Code	Feedback	Submitter
<p>applied for the purposes of, or has the effect of, recovering connection works costs directly or indirectly from a connection applicant; and excludes any connection administration fees or pioneer scheme Contributions</p> <p>...</p>	<p>consideration or with provision of nominal consideration</p>	
<p>1.1 Interpretation</p> <p>pioneering connection works</p> <p>...</p>	<p>Guidance:</p> <p>Consider clarifying expectations around evidence and disclosure where a distributor specifies a lower threshold, to ensure predictability for applicants.</p>	<p>Joint submission from Unison and Centralines</p>
<p>6B.8 Determining connection charges, contributions and rebates for pioneer schemes</p> <p>(4)(a)(iv) –</p> <p>the distributor must exclude the costs of any connection enhancement or equivalent costs in respect of vested pioneering works;</p>	<p>Guidance:</p> <p>It would be helpful to include worked examples or guidance distinguishing minimum scheme works from enhancements in practice.</p>	<p>Joint submission from Unison and Centralines</p>
<p>6B.8 Determining connection charges, contributions and rebates for pioneer schemes</p> <p>(4)(a)(v) –</p> <p><u>the distributor must include the costs incurred by a pioneer under any other pioneer scheme covering any part of the distributor’s network that the pioneering connection works or vested pioneering works directly connect to:</u></p>	<p>Code amendment:</p> <p>The Authority may wish to clarify how distributors should define “directly connect to” to reduce interpretation risk.</p>	<p>Joint submission from Unison and Centralines</p>
<p>6B.8(5) – Rebate allocation</p>	<p>Code amendment or guidance:</p> <p>Consider clarifying what constitutes “reasonable costs of administering the scheme” or signalling expectations via guidance.</p>	<p>Joint submission from Unison and Centralines</p> <p>ENA</p>

Code	Feedback	Submitter
6B.8(5A) – Missing pioneers	Code amendment or guidance: It may be helpful to clarify what constitutes a “reasonable attempt” to locate a pioneer either within the guidance or decision paper for these amendments.	Joint submission from Unison and Centralines ENA
6B.8(6) – Transfer of pioneer status	Guidance: Guidance on common scenarios (e.g. land subdivision, ownership changes) would assist consistent application.	Joint submission from Unison and Centralines
6B.11 Connection charge reconciliation requirements (4)(c)(ii) – a discount rate, equal to the most recent available mid-point estimate of vanilla WACC (being the weighted average cost of capital) made by the Commerce Commission in accordance...	Code amendment: Suggest replacing the term “at the time of that mid-point estimate of vanilla WACC” with “at the time of that 65th percentile estimate of WACC” given this is the WACC that applies to distributors price-quality path per the Commerce Commission’s determination. If this change is not made, it risks a misapplication of the Commerce Commission’s economic framework, given the interplay between capital contributions and the regulated asset base (upon which distributors’ revenues are based).	Orion
6B.11 Connection charge reconciliation requirements (5) Incremental opex scaling factor formula	Guidance: Suggest providing guidance on common scenarios.	Joint submission from Unison and Centralines

Our response

Vested Assets

5.18 The Authority considered whether it is necessary to amend the definition of ‘connection charge’ to include vested assets. We consider that addressing the impact of vested assets¹⁴ on efficient connection pricing is more appropriately suited to further reform, which aligns with our view set out in the consultation paper, *Distribution connection pricing proposed Code amendment*, published in November 2024:

8.5 To support full reform, we anticipate we will need to:

...

(c) establish a clear and principled position on the allowable band, including where customers have contributed vested assets ...¹⁵

5.19 In the meantime, we are cognisant that information on the value of vested assets is incomplete and a change in practice could impact the trends we are observing around the value of capital contributions. In mid-2025, we requested information from distributors on their vested assets practices including whether they had made any changes to their practices

¹⁴ Vested assets occur when access seekers fund and build connection assets. The ownership of the assets is transferred to the distributor on completion. Refer to the definition of vested assets on page 61: [Electricity-Distribution-Services-Input-Methodologies-IM-Review-2023-Amendment-Determination-2023.pdf](#).

¹⁵ Electricity Authority [Distribution connection pricing proposed Code amendment](#) Consultation Paper 25 October 2024, Ibid paragraph 8.5, page 70.

in the previous ten years. The responses indicated that there were no significant changes to vested assets practices. We released a summary of responses in December 2025.¹⁶

Further clarification and guidance

- 5.20 The table above outlines further suggestions where distributors consider clarification, or additional guidance would support the Code. The Authority considered each suggestion and decided against using more prescriptive Code wording. We consider wording such as 'reasonable' provides an appropriate level of flexibility for different situations that arise.
- 5.21 The Authority will monitor how these new requirements are implemented from 1 April 2026 to see if further changes are appropriate and whether any additional guidance is required to support distributors.

¹⁶ [Further Information on Vested Assets - Removing barriers for new connections: up-front charges and distributor obligations](#), 23 December 2025.

6 Our decision supports our statutory objectives

- 6.1 The Authority's main objective is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers. Its additional objective is to protect the interests of domestic and small business consumers in their dealings with industry participants.¹⁷
- 6.2 The Authority may amend the Code to include provisions that are consistent with the Authority's objectives and are necessary or desirable to promote any or all of the matters set out in section 32(1) of the Electricity Industry Act 2010 (Act). These matters include promoting competition in the electricity industry, reliable supply of electricity to consumers, the efficient operation of the electricity industry, the protection of the interests of domestic consumers and small business consumers (small consumers) in relation to supply of electricity to those consumers, and the performance by the Authority of its functions.
- 6.3 The Act defines consumers as including 'any person who is supplied, or applies to be supplied, with electricity other than for resupply'. This means consumers include connection applicants and existing network users.
- 6.4 Efficient connection pricing methodologies support the long-term benefit of consumers by promoting efficient supply. Efficient pricing is cost-reflective and subsidy-free and supports investment and usage coordination. This in turn supports:
- (a) deterring inefficient connections, where the cost of supply does not outweigh the benefits, because they are not subsidised
 - (b) efficient connections, where the benefits of supply outweigh the costs, because charges are not excessively high and distributors cannot refuse to supply
 - (c) encouraging connection applicants to optimise their connection because charges are cost-reflective
 - (d) new connections contributing to shared costs so that connection growth benefits consumers overall through more affordable electricity over time.
- 6.5 The Authority is also required to have regard to the Government Policy Statement – electricity industry (GPS)¹⁸, issued in October 2024, which specifically refers to efficient network pricing:
14. *Efficient network pricing is essential: ...*
- b) For connections to enable efficient investment in new electricity consumption, including electrifying transport and process heat in industry.*
- 6.6 The decisions in this paper directly aim to improve the efficiency of distribution connection pricing, which is consistent with the GPS.
- 6.7 This section sets out the Authority's view that the revised Code amendment supports the Authority's main statutory objective to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.
- 6.8 It also supports the Authority's additional objective, to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.

¹⁷ Electricity Industry Act 2010, section 15. The additional objective applies only to the Authority's activities in relation to the dealings of industry participants with domestic consumers and small business consumers.

¹⁸ [Electricity Government Policy Statement](#), October 2024.

7 Further consultation: amending the WACC percentile for connection charge reconciliation

- 7.1 With respect to a change in the WACC to be used in the reconciliation of connection charges the Authority partially agrees with the point raised by Orion in their recent submission. Orion submitted that the Code should be amended so that the WACC for reconciliation purposes is the estimate at the 65th percentile, rather than the mid-point. The submission highlighted the benefit of closer alignment with the Commission's approach of using the 65th percentile for determining revenue allowances for non-exempt distributors subject to price-quality regulation under Part 4 of the Commerce Act.
- 7.2 The Code had adopted an estimate of the discount rate for the connection charge reconciliation of the mid-point estimate of WACC updated annually and adjusted for inflation. We have considered this further and agree there is merit in more closely aligning the discount rate used for reconciliation with the rate the Commission uses for setting allowable revenues. We are seeking feedback on a proposal to adopt the 65th percentile estimate rather than the mid-point estimate of the WACC, along with clarifying that the discount rate is only updated annually and adjusted for inflation.
- 7.3 We had proposed the mid-point estimate previously as it is the best unbiased estimate of the cost of capital faced by suppliers and the requirements were only for disclosure obligations. However, the Commission uses the 65th percentile to set allowable revenues to address uncertainty because the WACC is not directly observable. It does this by estimating a more conservative (higher) value for the WACC.
- 7.4 We consider the change to the 65th percentile reduces discrepancy between the rate at which assets will be financed (ie, the rate used by the Commission to determine target revenues) and the discount rate used to assess the present value of deferred recoveries, which in turn reduces the potential for inefficient investment decisions. This helps to keep total system costs as low as possible and so promotes affordability for consumers.
- 7.5 The inflation adjustment is consistent with the approach of assessing costs and revenues in real terms, and using annually updated figures both improves accuracy and avoids distorting timing decisions close to the end of a control period (when five-year rates are updated).
- 7.6 This change would not impact distributor earnings, which remain regulated by the Commission. It would alter charge reconciliations by reducing the estimate of the present value of the revenue stream (the IR term) that a connection will generate. If the revenue stream is worth less, that can indicate a connection charge would need to be higher to ensure a connection is not subsidised.
- 7.7 For example, using the Commission's May 2025 WACC estimates, the discount rate would increase from 4.63% to 5.05% and the IR term would decrease by 5% for a 30-year revenue stream (or 3% for a 15-year revenue stream). This would in turn increase the assessed neutral connection charge (which is where connection charge (CC) = incremental cost (IC) – incremental revenue (IR)) for some connections – noting the neutral connection charge is at, or below the zero price floor for many connections in any event.
- 7.8 Table 3 below outlines the proposed Code amendment to align the WACC percentile for connection charge reconciliation with that applied by the Commission for setting regulatory allowances under Part 4.
- 7.9 We seek your feedback on the following question:

Do you agree with the proposed change to the 65th percentile for the WACC to be used in the reconciliation of connection charges?

Table 3: Proposed Code amendment for 65th percentile for WACC

Proposed Code amendment	Reason for change
<p>6B.11 Connection charge reconciliation requirements</p> <p>...</p> <p>(4) ...</p> <p>(c) discounting the estimates under paragraph (b) to their present value using—</p> <p>(i) a duration from the beginning of the first full year of operation equal to the connection revenue life; and</p> <p>(ii) a discount rate, equal to the most recent available 65th percentile mid-point estimate of vanilla WACC (being the weighted average cost of capital) made by the Commerce Commission in accordance with the EDB ID determination made under Part 4 of the Commerce Act 1986 less an adjustment to remove inflation consistent with inflation projections for the year ahead from the most recent Monetary Policy Statement published by the Reserve Bank of New Zealand at the time of that 65th percentile mid-point estimate of vanilla WACC; and</p> <p>...</p>	<p>Further change to adopt the 65th percentile estimate whilst maintaining the annual update and adjusted for inflation.</p>

8 Next steps

- 8.1 The Authority will amend the Code to give effect to this decision. Code amendments will apply from 1 April 2026.
- 8.2 We welcome your feedback on the proposed further Code amendment relating to alignment of the WACC percentile for connection charge reconciliation with the WACC used by the Commission for setting regulatory allowances under Part 4 of the Commerce Act, outlined in section 7 above, by 5pm, 20 March 2026. Following submissions, there will be a period for cross-submissions, closing at 5pm, 8 April 2026.
- 8.3 We will continue to work with stakeholders to ensure the benefits of the pricing methodologies are realised. We will continue to provide support to distributors to implement the new requirements.

9 Attachments

9.1 The following appendix is attached to this paper:

- **Appendix A** Submission format

Appendix A Submission format

Please send us your feedback by 5pm, 20 March 2026

Submitter	
Questions	Comments
<p>Proposed Code amendment relating to the use of the 65th percentile for WACC:</p> <p>6B.11 Connection charge reconciliation requirements</p> <p>...</p> <p>(4) ...</p> <p>(c) discounting the estimates under paragraph (b) to their present value using—</p> <p>(i) a duration from the beginning of the first full year of operation equal to the connection revenue life; and</p> <p>(ii) a discount rate, equal to the most recent available 65th percentile mid-point estimate of vanilla WACC (being the weighted average cost of capital) made by the Commerce Commission in accordance with the EDB ID determination made under Part 4 of the Commerce Act 1986 less an adjustment to remove inflation consistent with inflation projections for the year ahead from the most recent Monetary Policy Statement published by the Reserve Bank of New Zealand <u>at the time of that 65th percentile mid-point estimate of vanilla WACC</u>; and</p> <p>...</p>	
Q1. Do you agree with the proposed change to the 65th percentile for the WACC to be used in the reconciliation of connection charges?	