



# Connecting to the electricity network:

Your guide to 'connection  
charge reconciliation'.

From 1 April 2026, you can ask your local lines company (sometimes called your local distributor) for a connection charge reconciliation when they give you a price (or quote) for connecting to the local electricity network or upgrading your existing connection or anytime during the connection process.

## What is a connection charge reconciliation?

When you want to connect to the electricity network – or upgrade your existing connection – the lines company gives you a quote for the work.

Each lines company has its own way of working out this price, and sometimes the work is priced by the contractor (you or your lines company have chosen) to do the connection work.

A **connection charge reconciliation** is an extra document you can ask for. It doesn't replace your quote – it just explains the pricing in a standardised way.

The **connection charge reconciliation** helps you:

- see what components make up your connection price
- compare different connection options more easily and understand the differences
- see how prices differ between regions if you deal with more than one lines company
- have better, more informed discussions with your lines company about the connection costs.

## What information is in a connection charge reconciliation?

Your reconciliation breaks down the price you receive into three parts:

### 1. Extra cost to the lines company to connect you (incremental cost, IC)

This shows the additional cost to the lines company to connect you to the network and usually includes:

- building or extending the network to reach your property
- your use of upstream shared network capacity and your share of cost to help pay for upgrades to the local network over time
- any extra charges the lines company must pay Transpower – who operate the national grid – if your connection increases its transmission costs.

It does not include costs for your own equipment or work on your own property.

If your connection involves any other project-specific costs, these will be clearly identified in the reconciliation along with a brief explanation.

### 2. Income for the lines company from your connection (incremental revenue, IR)

This is an estimate of what the lines company expects to earn from your connection over a set period of time.

- If your connection is for a house, earnings are estimated over 30 years.
- For a commercial connection, earnings are estimated over 15 years.

Your ongoing lines charges is what makes up the lines company's earnings. They have to show this as one lump sum in your reconciliation but because it is over a long period of years (either 15 or 30 years), the lines company works out what this income is in a 'today's dollars' amount. You will see this expressed as **net present value** or **present value** on your reconciliation.

Lines companies can't count all of this lump sum figure as income because part of this money is needed to operate and maintain your connection. So they first subtract these future running costs to work out how much income they will actually earn from your connection. This is done by applying a standard adjustment for operating and maintenance costs in the reconciliation (this will be shown as an **opex scaling factor** in your connection charge reconciliation).

### 3. Your share of wider network costs (NC)

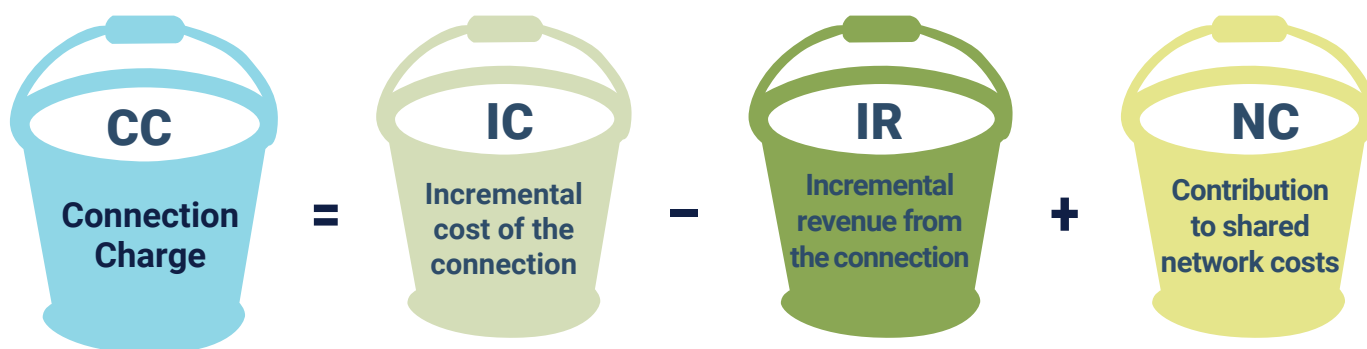
This is an estimate of how much of your future lines charges help pay for the shared overall cost of running and maintaining the network.

Adding a new customer helps everyone on the network because the costs of maintaining and running the network are shared among more people.

### How is the connection charge reconciliation calculated?

The new rules specify a formula lines companies must use to set out the connection charge by using the three parts we explained above.

To work out the connection charge, the lines company takes away the incremental revenue (IR) from the incremental cost (IC) and adds the network costs (NC):



If you would like more detail on what shows up in the calculation of each of these components, this is outlined at the end of this document under, **'Understanding the detail: the components of incremental cost and revenue (IC and IR)'**.

\* Connection charges don't include administrative fees or **'pioneer scheme'** payments. A pioneer scheme is a way of reallocating costs among connections by reimbursing earlier customers

who helped pay for network upgrades that new customers are now connecting to and using. Pioneer schemes are administered by the lines company. If a pioneer scheme applies in your area, your lines company may collect a payment from you and pass it on to those earlier customers as their share of the costs of that upgrade.

### What does the connection charge reconciliation tell me?

A connection charge reconciliation helps you to see what is driving your connection cost and how your connection compares to others over time.

When you receive a connection charge reconciliation, it will help you understand:

- Whether your connection is subsidised by existing network users. This is shown when the shared network costs (NC) is less than zero.
- What extra costs your connection adds to the network (IC) – and what's included in that amount. This can help you talk to your lines company about ways you can reduce that cost

For example, you may be able to choose a lower capacity connection or have a 'flexi' connection that puts limits on your electricity use in exchange for a cheaper connection.

- How much of the total expected cost needs to be paid up-front. You can see this by comparing the connection charge (CC) with the total of the connection charge and future lines charges (CC + IR).

## What the connection charge reconciliation does not do

The connection charge reconciliation gives you information on the pricing of your connection in a standardised way, but it does not set or cap the connection charges you pay.

Your lines company still uses its own pricing method to develop a quote, including how much you pay up-front and how much is recovered over time through ongoing lines charges.

It won't mean that all connections will cost the same. Costs will still vary depending on things like where you are located and what connection size you need.

Different lines companies will also charge different amounts because they have different networks and different ways they recover costs based on their pricing methodologies and how they have historically recovered their costs.

## Why is the reconciliation information important?

Over time, reconciliations will help people planning multiple or complex new connections to see how their costs compare with similar connections. For example:

- how the incremental cost of a connection (IC) compares with similar types of connections, such as other new homes or small commercial sites
- how contributions to shared network costs (NC) compare to other similar connections in an area

- how connection costs compare with costs for similar connections across different regions.

It will also be useful for lines companies, policy makers and regulators, helping to improve connection pricing efficiency and consistency over time.

## Why has it been introduced?

There are currently **29 lines companies** across the country with different ways of working out how they charge for new and upgraded connections to their network. The connection charge reconciliation is one of four new requirements introduced by the Electricity Authority that will make lines companies' quotes and pricing approaches more consistent and transparent. The requirements start coming into effect from 1 April 2026. This is a step towards our longer-term work to standardise language, connection pricing methods and processes across all lines companies.

Visit this [webpage](#) for more information on the new requirements.

## Disputes Resolution

A dispute resolution process is available to use if you think a lines company has not complied with the connection charge reconciliation or any of the other new requirements. Lines companies still have flexibility to set their connection charges, but they must comply with the new requirements for how information is presented.

You can read more about our compliance process and how to report a breach on this [webpage](#).

## Understanding the detail:

### Components of incremental cost and revenue (IC and IR)

#### What shows up in the incremental cost (IC) calculation

The incremental cost (IC) of a connection is made up of the following components:

**EC = extension cost**

(this is the cost to physically extend the network to reach what is being connected)

**CSE = customer-selected enhancement cost** (these are optional upgrades a customer selects eg, extra capacity or security, or more expensive assets)

**NCC = network capacity cost** (the cost of taking up capacity in the shared network upstream of the connection)

**ITC = incremental transmission cost** (additional transmission costs resulting from the new connection, if any)

**LHCR = localised historical cost recovery** (recovering some past investment in local infrastructure that benefits the new customer, ie, installing a larger substation than typical to accommodate future growth anticipated by the network but relevant to a small group of consumers)

**OCL = operating cost loading** (ongoing costs that arise because the customer is connected beyond what has been deducted from the incremental revenue).

The formula for determining the incremental cost is:

$$IC = EC + CSE + NCC + ITC + LHCR + OCL$$

#### What shows up in the incremental revenue (IR) calculation?

Calculating the incremental revenue (IR) component requires the lines company to project your ongoing lines charges over 15–30 years and then convert those future amounts into a single ‘today’s dollars’ amount. This conversion, known as discounting to a current value, adjusts values from future years to recognise that money received in later years is worth less than amounts today.

The Incremental revenue calculation adds together two main components as follows:

$$IR = IDR + ITR$$

**IDR = incremental distribution revenue** (lines charges revenue from the connection that will go towards distribution costs)

**ITR = incremental transmission revenue** (lines charges revenue from the connection that will go towards transmission costs)

The new rule requires the incremental revenue streams to be discounted using a specified rate.<sup>2</sup>

The incremental distribution revenue is adjusted using a standard adjustment for operating and maintenance costs (known as an opex scaling factor), which reflects that some of your future lines charges will go towards meeting new operating costs. This adjustment is not made if operating and maintenance costs have instead been added to the incremental cost estimate (through the operating cost loading, or OCL term outlined above). The rules specify how the opex scaling factor is determined, based on information disclosed by the lines company under Commerce Commission rules.

### More information

Visit our FAQs: New rules for connection pricing methodologies webpage or get in touch with us at [connection.feedback@ea.govt.nz](mailto:connection.feedback@ea.govt.nz) with ‘connection pricing’ in the subject line.

<sup>2</sup> - The specified rate is calculated based on the Commerce Commission’s latest available estimate of weighted average cost of capital, and adjusted to remove expected inflation for the year ahead using the Reserve Bank’s most recent inflation forecast.