



# Guide to electricity connection charges ("capital contributions")



Updated 1 April 2026

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## Introduction

This policy describes Powerco's methodology for calculating charges for connections and upgrades to our electricity distribution network. The policy meets the requirements of Part 6B of the Electricity Industry Participation Code 2010 and clause 2.4.6 of the Electricity Distribution Information Disclosure Determination.

If you want to connect to Powerco's electricity distribution network or require changes to existing services, we usually ask you to contribute towards the capital costs of the design and installation of these electricity assets to ensure that your connection doesn't increase costs for existing customers. This payment is called a connection charge (sometimes called a "capital contribution" or "customer contribution").

This policy outlines when you may be required to contribute, how the amount is calculated, and the process we follow. There is more information on our connection process here: <https://www.powerco.co.nz/get-connected>

Powerco reviews its policy on connection charges annually. This policy is updated on [the Powerco website](#) following any changes. After reading this policy, if you have any further questions about our customer contributions process, please contact Powerco using any of the following details:

General Enquires: [generalenquiries@powerco.co.nz](mailto:generalenquiries@powerco.co.nz)

phone: 0800 POWERCO (0800 769 372)

web: [www.powerco.co.nz/Contact-Us](http://www.powerco.co.nz/Contact-Us)

Large commercial and industrial customers who have a Powerco Account Manager should contact their account manager directly or email [Commercial.Queries@powerco.co.nz](mailto:Commercial.Queries@powerco.co.nz) for any questions on connection charges.

## Why we charge to connect to the network

Powerco's electricity network is constantly growing with the development of new homes and businesses. As a result, we need to invest in new assets to accommodate new connections to the network or upgrade existing assets as customers' electricity demand increases.

Customers with new and enhanced connections will pay line charges, like existing customers. Connection charges are upfront payments by a customer to cover the difference between these line charges over time and the costs of the new or changed connection. Without connection charges, existing customers would bear some of this cost unfairly.

The principal objective of the connection charge is to ensure the net incremental costs associated with any connections and enhancements are paid for by the customer who requested them so that existing customers (that don't require additional investment) don't pay for costs from changes they weren't responsible for.

A secondary objective of a customer's connection charge is to ensure customers can compare the cost of connecting to the network (or increasing their load) to other options that may be available to them. These other options could include increased energy efficiency to offset any required load increase, onsite generation, and/or alternative fuel sources such as gas or battery storage.

An alternative to upfront connection charges would be for Powerco to recover the amount of the connection charge over several years. Powerco would undertake the full investment and recover the additional costs from the customer through an "adder" to standard lines charges over a period of time. This would result in them paying higher line charges, as opposed to paying upfront.

Where appropriate, we can offer the option for very large customers whose connection pricing is calculated individually, to pay the cost of connection over several years. This approach is not practical for smaller customers because:

- The assets built are likely to have a long life (eg over 40 years) and it is not reasonable to expect individual customers to be locked into a contract for this length of time.
- In practice, charging arrangements need to be reasonably simple and consistently applicable to a large number of customers; it is not usually feasible to tailor charges to individual customers, unless they are very large.
- How a new connection or new investment will be used in the future, and by how many parties, is unknown, so it is not possible to accurately estimate the revenues received and the subsequent costs that should be recovered from an individual customer.

## Customer works process

Powerco moved to a direct-to-customer model from 1 September 2025 where we assess applications and manage delivery ourselves through network delivery contractors.

Under this model, there are three pathways for connections and modifications:

- 1. Network ready** - the existing network is fully able to support the connection. Jobs follow a streamlined process with standard pricing.
- 2. Simple** - includes moderate complexity jobs that may require some network development, such as minor extensions or upgrades. Jobs can be standard priced or non-standard priced and may or may not require a design contribution upfront.
- 3. Complex** - requires a flexible delivery approach due to significant network development, complex design, commercial or legal requirements. Jobs usually involve significant network development, a separate design phase and bespoke payment plans.

Further information on these pathways can be found at <https://www.powerco.co.nz/get-connected/electricity-for-home-and-business>.

The change to contracting directly with customers has made it possible for us to standardise the prices for small standard jobs<sup>1</sup>. These standard prices are the total charge that customers need to make to get connected and allow us to approve straightforward applications almost immediately. Customers also know exactly how much they will be charged for eligible jobs to complete, even before they apply.

For any jobs without a standard price, we'll calculate the cost of each job and the fair and efficient connection charge necessary to carry it out.

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<sup>1</sup> <https://www.powerco.co.nz/get-connected/electricity-for-home-and-business/electricity-connection-pricing>

## Can I use my own contractor?

A major change of our customer engagement model in 2025 is that Powerco now manages the contestable procurement of electricity field services<sup>2</sup>.

In our old model, customers engaged contractors directly for customer work. We often found duplication and inefficiencies in the commercial processes, and inconsistencies between what each contractor offered, causing confusion for customers. Rather than considering each customer work request in isolation, it is more efficient for us to consider each job in the context of the best approach for the network (all customers) and other work planned in the area, both customer and network driven.

For dedicated *generation* connections, customers can get quotes from multiple contractors who are approved to work on our network<sup>3</sup>. Generation connections are not regulated in the same way as load and mixed load/generation connections. You can find more information, including our policy on connecting distributed generation, on our website<sup>4</sup>.

## Can I use a non-network solution?

A secondary objective of calculating connection charges is to ensure customers can compare the cost of connecting to the network (or increasing their load) over other options that may be available to them. If you are in a remote rural location and there is some distance from existing power lines to your property, new connections are likely to require a significant amount of investment.

There are several stand-alone power solutions available to deliver the convenience of power line delivered electricity at a lower overall cost for remote locations which combine on-site site generation with alternative fuel sources such as gas or battery storage<sup>5</sup>.

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<sup>2</sup> <https://www.powerco.co.nz/news/media/powerco-electricity-contracts-going-to-tender>

<sup>3</sup> Customers have freedom to choose their supplier of generation connections. However, Powerco also has an unregulated affiliate, Powerco Transmission Services which offers generation connection.

<sup>4</sup> <https://www.powerco.co.nz/get-connected/solar-power-for-home-and-business>

<sup>5</sup> Customers have freedom to choose their supplier of standalone power supplies, however, Powerco does offer off-grid solutions through its unregulated Base Power affiliate, see here: <https://www.powerco.co.nz/get-connected/off-grid-solutions>

## What will my connection charge be and how will it be calculated?

When you apply to connect to Powerco's network, or require additional capacity, we will follow the principles below to determine your connection charge.

### How do you work out how much I have to pay?

Whether a job is eligible for standard pricing or needs to be individually priced is determined by Powerco's connection pathways, as described in the Customer works process section above.

#### Standard prices

From 1 September 2025, most simple and network-ready jobs have a standard price. These prices (the connection charges for those jobs) are published on our website<sup>6</sup>.

We calculate standard prices as described in the section above but averaged across regions and networks. While working out an individual cost for each connection is technically efficient, details such as when and where customers ask for new connections can result in extremely large cost differences. For this reason, we have simplified the connection process for smaller, routine jobs, including how much we charge for them.

Standard prices are the charges for simple, small connections. Customers know how much it will cost to make or live on eligible connections before even applying to us.

Changing the way we work has also given us an opportunity to review and simplify our approach to how we process customer work requests to improve the customer experience. We will continue to add to, revise and update these standard prices better to meet customers' needs.

You are eligible for a standard price if your connection meets our standard criteria (eg capacity thresholds and location) unless

- You are connecting to a Pioneer Scheme, where contributions will be assessed on a case-by-case basis.
- You specify enhancements to the standard.

Standard prices cover the connection infrastructure.

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<sup>6</sup> <https://www.powerco.co.nz/get-connected/electricity-for-home-and-business/electricity-connection-pricing>

## Non-standard prices

For other jobs, we calculate our quote for network connection as follows:

### Contractor's price to Powerco for performing the customer work

Plus:	Powerco on-costs (equipment, staff time, etc)	
=	<b>Total cost of customer work to Powerco</b>	
Less:	The amount Powerco invests	
=	<b>Connection charge</b>	

Where we need to calculate an individual connection charge for work, our contractors will provide us a quote. Powerco on-costs, including Powerco supplied equipment and staff, is added as a cost to obtain the total cost of the customer work.

The salvage value of major items of equipment (typically distribution transformers) that will be replaced because of capacity upgrades will be credited to the cost of the customer work.

Where Powerco has previously invested in the assets concerned, the proportion of the salvage value that represents Powerco's interest in the asset will not be credited to the cost of the customer work.

### Example of how an individual connection charge is calculated

Contractor quote for work + Powerco on-costs	\$50,000
+ Incremental upstream assets required by new connection	\$10,165
+ Maintenance expenditure	\$1,675
<b>= Total cost</b>	<b>\$61,840</b>
- Present value of future revenue after costs	\$26,499
- Equipment salvage value	\$5,000
<b>= Connection charge</b>	<b>\$30,341</b>

## Pioneer schemes (rebates over time for shared assets)

If you fund a significant network extension, you may be eligible for a rebate if other customers connect to those assets later. Refer to our [Pioneer Scheme Policy](#).

## What if I have questions about my connection charge?

If you have concerns or questions about your connection charge please contact us and we will provide you with an explanation of how the connection charge was calculated.

Residential and small commercial customers can contact us at [generalenquiries@powerco.co.nz](mailto:generalenquiries@powerco.co.nz) and 0800 POWERCO (0800 769 372)

Large commercial and industrial customers who have a Powerco Account Manager can contact their Account Manager directly or email [Commercial.Queries@powerco.co.nz](mailto:Commercial.Queries@powerco.co.nz).

## Regulatory charge reconciliations

Because Powerco is a natural monopoly, the way in which we calculate connection charges is regulated by the Electricity Authority who require us to provide them a specific breakdown of incremental costs, revenues, and capacity charges for all jobs against a standard reconciliation formula.

The Authority's "connection charge reconciliation" is how they can see whether our connection charges are efficient across the network. The reconciliations aren't primarily intended to provide information about individual connection requests but under the Authority's rules, you may request a copy of this connection charge reconciliation.

The connection charge reconciliation uses the Electricity Authority's formula from Part 6B of the Electricity Industry Participation Code.

For example, under our standard pricing some customers make a larger contribution to network costs than others so that we can:

- Streamline access to our services by simplifying the process for common job types like new connections, decommissions, and modifications.
- Ensure that customers with similar connection requirements pay a consistent amount to connect that isn't linked to network-specific factors such as which side of the road the poles are on.
- Remove the first-mover disadvantage so early customers aren't penalised for being the first to connect in a new area or development.

There's more information in our frequently asked questions at <https://www.powerco.co.nz/get-connected/electricity-for-home-and-business/electricity-connection-pricing>

## Consistency with Electricity Authority pricing principles

Powerco's connection charge policy is consistent with the Electricity Authority's pricing principles (including the new Part 6B requirements).

### Prices are to signal the economic costs of service provision

Our policy requires the customer who initiates the need for the additional work to pay a share of the cost in proportion to the capacity used.

### Prices should be responsive to the requirements and circumstances of end users

Customers can consider a variety of non-network solutions. Published rates for standard connections allow customers to easily compare options.

For non-standard customers, Powerco can offer a service more tailored to their requirements including customer-selected enhancements (paid for by the customer) or flexible connections (minimum flexible schemes) that may lower upfront costs in exchange for load management.

### Development of prices should be transparent

This connection charge policy is published on Powerco's website.

- We'll provide you with an explanation of how your connection charge was determined.
- We can also provide a regulatory reconciliation of costs (incremental costs, incremental revenue, and network cost contribution) upon request.
- We will publish details of active Pioneer Schemes to ensure subsequent connectors are aware of their obligations and original funders receive their rebates.

## Definitions

The following technical terms are used in this policy and defined below:

**Connection charge:** The amount payable by a connection applicant for connection works (formerly "capital contribution").

**Customer-selected enhancement:** Any improvement to the relevant minimum scheme requested and agreed to by the customer (eg undergrounding for aesthetic purposes). These costs are typically fully funded by the customer.

**Extension:** Works to provide a connection or increase capacity/security that do not increase the capacity of the shared network (unless it is an "extension-like upgrade" benefiting only that customer).

**Incremental cost:** The total estimated cost of the connection works, including extensions, capacity costs, and enhancements.

**Incremental revenue:** The estimated revenue from the connection (distribution and transmission) over its life, adjusted for operations costs.

**Minimum scheme:** The least-cost, technically acceptable solution for connecting to Powerco's network that complies with our connection and operation standards.

**Network capacity cost:** The cost of consuming or adding capacity in the shared network.

**Network cost contribution:** The balancing figure that shows how much an individual connection charge differs from the average across all Powerco's network connections.

**Pioneer Scheme:** An arrangement where a customer funds a network extension (> \$50,000) and is eligible for rebates if others connect to it later.

**Relevant minimum scheme:** The minimum scheme or, if requested and reasonable, a minimum flexible scheme.

