24 August 2026

Electricity Authority
By email: distribution.pricing@ea.govt.nz

Tēnā koutou,

Further reform of distribution connection pricing based on clear evidence

We welcome the opportunity to respond to the Electricity Authority (**Authority**)'s issues paper on further reform of distribution connection pricing.

Powerco supports regulation where there are identified barriers to timely, efficient electrification and/or customer harm is occurring. It's essential for the energy transition to remain affordable given electricity lines is an essential service. To ensure a targeted and proportionate regulatory response, rigorous cost-benefit thinking and analysis is critical to ensure the benefits of regulating outweigh the costs.

We are concerned this consultation has not meet this standard as it reaches for solutions ahead of clear evidence of the problem or market failure the Authority is trying to address. Without this, the risk is regulatory interventions which are not proportionate, address the wrong failure and potentially drive a lot of cost into the system, delivering little or no benefit to customers. We encourage the Authority to be mindful of unintended consequences, as the cumulative burden and complexity of regulation can materially slow productivity and economic growth, and add cost to energy consumers.

The evidence is coming, as it's now being collected under the new requirements the Authority designed for this purpose which commenced on 1 April 2026. We urge the Authority to avoid rushing to introduce new rules without first testing whether existing instruments such as the fast-track measures are fit for purpose. Pause and give the fast-track measures time to embed, and allow the evidence to be collected, before progressing reform where neither the evidence nor the clarity of the problem, is there yet.

In addition to the above, we would encourage the Authority to shift away from an increasing tendency to regulate how business activities should be carried out rather than the outcomes that they deliver. Regulating the outcome, promotes innovation and likely to be less costly to comply with and resulting in more benefits to consumers.

Our summary observations are:

We support regulation that will enable timely, efficient and affordable electrification	• We support regulation where it addresses a robustly evidenced problem proportionately - and supported the Authority's original connection pricing reforms because of this • We are concerned this paper doesn't meet the evidence hurdle and it's unclear what the market failure and/or customer harm the Authority is trying to remedy with further regulatory intervention • We encourage the Authority to pause to allow evidence to accumulate.

The evidence to assess the need for further intervention is not there yet, but it is coming	• The evidence described in this paper is anecdotal • For the first time, charge reconciliation requirements (from 1 April 2026) provide comparable information on new connection cost allocation. • Capacity costing does not start until 1 April 2027, so sector performance cannot yet be assessed • Publishing and analysing reconciliation data would settle the scope of this stage within the DPP5 cycle
Regulatory intervention is a package and related reforms need to be considered together	• Flexible connection pricing sits outside this paper's scope but is based on the same principles as firm connection pricing • Likewise, the Authority's Distributed Generation Pricing Principles (**DGPPs**) reform programme is driven by the same considerations and should be coordinated with any further offtake connection pricing reform • Incentives for EDBs to implement connection approaches may require complementary reforms from the Commerce Commission • As we said in December 2024, parallel workstreams create duplication and perverse outcomes when they are not reconciled.

We set out our responses to the Authority's 28 questions in section 3.

We are always keen to meet with the Authority to discuss and develop the ideas in our submissions. In the meantime, if you have any questions or would like to talk further on the points we have raised, please contact Emma Wilson (Emma.Wilson@powerco.co.nz).

Nāku noa, nā,

EWilson

Emma Wilson
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POWERCO

Powerco comments: Further connection pricing reform

1. Further reform depends on evidence and performance of the fast-track measures

1. We welcome the continued discussion and thinking regarding connection pricing. Connection pricing that is inconsistent, unclear, or higher than it needs to be slows electrification and has real impacts on consumers. The purpose to improve connection pricing is unchanged from when the Authority began this work in 2023.

2. Powerco's position is also unchanged in that we support intervention where it follows evidence of a problem, a quantified view of the harm, and a proportionate response.

3. Measured against that standard, this paper moves to solutions too early. The Authority describes its evidence of inefficient pricing as anecdotal,[1] and while we do not doubt that experiences are real for those parties who described them, the paper doesn't tell us how common they are, the costs associated with them, the types of connections (is it one type or many different ones?), the scenario in play, and how widespread / concentrated they are.

4. The identification of the problem it is trying to solve is unclear because there is a lack of actual evidence of inefficient pricing (as opposed to perceived), and evidence of cost allocation practices not aligned to the pricing principles etc. Without understanding what is actually creating the barrier to connections, we believe it is premature to be putting forward solutions.

5. We strongly encourage the Authority to let the fast-track measures embed in, as the charge reconciliation requirements are producing, for the first time, comparable information about how distributors allocate costs to new connections. We recommend the Authority:

   - **Build an information base** enabling analysis and understanding of what exactly is driving connection barriers.
   - **Publish an assessment** of what the fast-track measures have achieved and where it's not delivering on intended outcomes.
   - **Collect evidence to understand how widespread and material** the concerns identified in this paper are and which are isolated.
   - **Assess network contributions against connection rates** in order to understand whether the level of contributions actually effects the rate at which customers connect. As Incenta recommended[2], this would also enable the Authority to quantify the harm to inform a cost-benefit analysis.

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[1] Electricity Authority, *Further reform of distribution connection pricing - Issues paper*, 13 July 2026, paragraph 3.8. "some access seekers report"

[2] Incenta, Electricity Authority's consultation on price and non-price aspects of customer connection, December 2024. Report attached to Powerco's submission on distribution connection pricing reform, 20 December 2024, paragraph 40

2. Related parts of the reform programme need to be integrated

6. As discussed in our December 2024 submission,[3] the Authority's related connection reforms should be considered together as a package, to avoid duplication of interventions and limit the potential for perverse outcomes. Incenta highlighted this through a worked example, where the Authority proposed requiring distributors to publish available capacity and maintain connection queues, at the same time as it proposed pricing changes that removed both last-straw pricing and first-mover disadvantage. Because those pricing changes made queue position largely irrelevant to what a customer pays, Incenta recommended the disclosure requirements be withdrawn or deprioritised.[4]

7. We strongly encourage the Authority to bring together connection pricing, flexible connections and **DGPPs** into one workstream. In addition, we recommend the Authority stand up a workstream with the Commerce Commission to ensure connection incentives under the default price-quality path (**DPP**) are not creating undue barriers for customers. We set these out in more detail below.

A flexible connection is not efficient once the network is augmented

8. This consultation places flexible connections outside the scope of this paper,[5] and notes that the Authority has workstreams focused on flexibility more broadly that could help ensure flexible connections are widely offered and appropriately priced in practice. We disagree, as the paper also notes that signalling deeper connection costs plays an important role in showing the value of establishing a flexible connection.[6]

9. Our interpretation of a flexible connection is that it is a faster and cheaper way for access seekers to connect to a congested network than a firm connection when the access request would require augmentation. Therefore, whatever the enduring framework does to firm connection charges sets the value of every flexible connection priced under it. We don't believe the two cannot sensibly be settled separately, or in that order.

10. There is a practical problem to this, and it is not hypothetical. Incenta reported an Australian case in which developers reduced connection costs by limiting household demand, did not communicate those limits to subsequent purchasers, and the distributor had to augment the network anyway. Incenta's conclusion was that distributors need to retain some control over the circumstances in which flexible options are offered.[7]

11. The same sequence is likely here wherever growth is concentrated, and where flexible connections are likely to be used most. A customer accepts curtailment and a lower connection charge because augmentation is avoided. A second customer connects, or load grows, and the augmentation happens anyway. Questions then arise that neither this paper nor the fast-track measures answer:

    - Does the first customer's connection become firm when the augmentation is complete, and on what terms?
    - If the constraint has gone, does the curtailment obligation continue?

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[3] Powerco submission - distribution connection pricing, December 2024, page 1
[4] Incenta, above n 2, paragraph 47.
[5] Issues paper Paragraph 3.25(b)
[6] Issues paper Paragraph 3.21
[7] Incenta, above n 2, paragraph 30.

12. The industry needs to have a common approach across all distributors, because access seekers connect to more than one network, and varying approaches will only add to confusion for customers.

13. In addition to the above, our view is that a flexible connection delivers its value through a faster connection and a lower connection charge than would be required if the network were augmented. It is not a case for an ongoing discount on lines charges, as this risks inefficiently signalling. The Authority removed the regional coincident peak demand charge for transmission because it signalled congestion mechanically, whether or not the grid was constrained, and inefficiently incentivised customers to invest in generation and storage to avoid a charge that other customers then paid.[8] A standing reward for flexibility where there is no congestion would do the same at distribution level, and would be funded by every other customer on the network.

14. Given the relevance to connection reform and in order to ensure an enduring framework provides for the lifecycle of a flexible connection we strongly encourage the Authority to confirm it's thinking on flexible connection pricing, in particular entry, pricing, exit when the constraint is relieved, and conversion to firm access.

Resolving a problem with the incentive to connect sits with the Commission, not in connection pricing

15. The Authority's adviser CEPA found that because capital expenditure is treated as an efficiency gain or loss under the incremental rolling incentive scheme, distributors who are at their capex cap are penalised for connecting customers promptly, and that sufficiently high capital contributions mitigates the penalty.

16. Incenta agreed the incentive problem is real and disagreed about the remedy.[9] Their view was that the fix belongs in the default price-quality path, either by adjusting the capital expenditure allowances used in the incentive scheme with connection volumes or through a revenue driver linked to connection activity, and that it is not something that should be factored into the method for deriving connection charges.[10]

17. The Commerce Commission adopted a connection-volume adjustment for customised price paths in its 2023 input methodologies review, but did not adopt it for the default path because of the forecasting difficulty, and committed to gather further information that may allow it to reconsider.[11] Likewise the Commission allowed Chorus a non-fungible connection capex allowance to avoid disincentives on it as a regulated supplier to turn away connections during a period of network growth.[12]

18. This highlights the importance of looking at the entire framework that underpins connections as a package, and why evidence and understanding of the problem is so critical to inform options and solutions. A distributor that cannot finance the investment will attempt to recover more up front. The Authority made the same observation in 2023, noting that pressure on regulatory allowances can be eased by increasing capital contributions, and that where connection costs are fully recovered through contributions they become close to a pass-through, with little incentive to contain them.[13]

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[8] Electricity Authority, The impact of the RCPD charge removal on peak demand, 2023, paragraph 1.6.
[9] Incenta, above n 2, paragraph 21
[10] Incenta, above n 2, paragraphs 20 to 21.
[11] Commerce Commission, *Default price quality path for electricity distribution businesses from 1 April 20256 - Issues paper,* 2 November 2023, Table 3.1 pg 25.
[12] Commerce Commission, *Fibre Input Methodologies Determination 2020 - consolidated as of 6 March 2024,* section 3 pg 111
[13] Electricity Authority, *Targeted reform of distribution pricing - Issues paper*, 5 July 2023, paragraphs 7.7(d) and 7.8(b).

19. If the Authority's analysis and evidence determine there is an issue caused by a lack of incentive to connect, the Commission's work to resolve it must be coordinated with the connection pricing reform because an enduring framework confirmed in 2027 would be built on funding arrangements that may change.

20. We recommend the Authority jointly resolve connection funding with the Commission ahead of DPP5 - as we recommended in December 2024. This does not mean the Authority making decisions on further connection pricing reform ahead of DPP5, but rather, the Authority working jointly with the Commission to understand the problem and the best solution. A non-fungible mechanism of the kind that applies to Transpower, or a connection capital fund of the kind that applies to Chorus, would address the cause of several of the behaviours this paper is concerned with.

3. Responses to the Authority's questions

21. Our answers to the consultation questions reflect the commentary and conclusions above. Where we say we have no view, it is because the answer turns on evidence that is not yet available.

Question	Powerco response
Background and context	
Q1. Do you agree with the background and context summary above? Why, why not?	Yes. We agree connection growth is an essential input for economic growth and electrification, that practice varies between distributors, and that the objective is connection growth and network investment that benefits new and existing customers alike. We would add that the case for reform is about delivering timely electrification at the lowest long-run cost to consumers, not only about the efficiency of network investment.
Q2. Is there additional background, evidence or context relevant to the issues covered in this paper?	Yes. There is not sufficient evidence in this paper. The fast-track measures are not yet fully in force: three began on 1 April 2026 and capacity costing begins on 1 April 2027. Charge reconciliation was introduced to build the information base for further reform and is now producing data. And distributor capital constraint is a candidate explanation for several of the pricing behaviours described in section 3, as the Authority observed in 2023.
Priorities	
Q3. How should the Authority prioritise across possible options identified in this paper?	Proposing options is premature. Gather evidence, identify and understanding the problem(s) should be the first priority. A cost benefit analysis would then inform how any solutions should be prioritised. Options addressing a quantified problem should come before options addressing a reported one. Options that are cheap to implement and easy to withdraw should come before options that require distributors to rebuild systems, consistent with the Authority's Code amendment principle 3. And where an option is justified, applying it first to the largest connections captures most of the benefit for a fraction of the transaction cost.
Q4. Which options should have the highest or lowest priority, and why?	Highest: publishing comparative charge reconciliation data, and in-kind contribution costing. The first is close to costless because the data already exists and it builds the base for everything else. The second is a pre-requisite for most of the allocation options, as the Authority notes at paragraph 3.24, and vested asset treatment distorts comparison between distributors until it is resolved.

Question	Powerco response
	Lowest: options that mandate a single methodology. In 2023 the Authority said that mandating a single comprehensive pricing methodology across 29 networks was unlikely to be appropriate. We agree, but some of the options in Table 3.1 read that way. If that is not the Authority's intention, clarification would address much of what we expect distributors to raise.
Costing methodologies	
Q5. Do you consider costing methodologies should be a priority for further reform, and do you have any evidence or analysis to support your view?	Not. The assessment at paragraph 3.8 is a fair statement of hypotheses and the Authority describes it as anecdotal. We have no evidence that would establish how widespread these practices are, and we are not aware that anyone does. Charge reconciliation will show it. We note that the concern about distributors passing on increases relative to quoted costs is the concern network capacity costing was designed to address. The Authority's stated rationale in October 2024 was that distributors would be incentivised to manage construction costs because they could not pass cost variations through into connection charges. That measure takes effect on 1 April 2027.
Q6. What are your views on the merits of the identified costing methodology options?	We support cost transparency (option A4), subject to itemisation being proportionate to connection size, and in-kind contribution costing (option A7). We have no view on options A2, A3, A5 and A6. Each would interface with distributor procurement and commercial arrangements, and the Authority accepts at paragraph 3.22 that they could be impactful and very costly. These measures depend on evidence that is not currently available.
Q7. Are there any other costing methodology options you think the Authority should consider?	No further methodology options. We would rather the Authority publish and analyse the reconciliation data first, and we expect that exercise to identify better-targeted options than any we could propose now.
Allocation methodologies	
Q8. Do you consider allocation methodologies should be a priority for further reform, and do you have any evidence or analysis to support your view?	Stability of allocation should be a priority. Access seekers make investment decisions on the charges they are quoted and expect to face, and volatility in allocation undermines that regardless of the level of charges. On the wider question we have no view yet, for the reasons set out above. As we noted in December 2024, measured reliance is a poor proxy for the efficiency or equity of connection prices, and we welcome the Authority's decision not to proceed with reliance limits.
Q9. How well do the identified allocation methodology options meet the allocation objectives discussed in this paper?	No view. The allocation options depend on consistent underlying cost information, which in-kind contribution costing has not yet delivered. They should be assessed against the objectives once that work is complete.
Q10. Are there any other allocation methodology options you think the Authority should consider?	One. Allocation inputs that move with the weighted average cost of capital introduce year-to-year volatility in connection charges that has nothing to do with the cost of the connection. A smoothed long-run rate for allocation purposes, with an explicit review cycle, would be more stable and more useful to access seekers than annual recalculation.
Network development	
Q11. Are you aware of any issues relating to network	Yes, as we explain in section 2 above. Connection expenditure is discretionary under the default price-quality path, and a distributor that is

Question	Powerco response
development funding? Please provide examples, evidence or analysis where possible.	capital constrained has an incentive to recover more from connecting customers. The Authority identified this in 2023, its adviser CEPA identified the incentive scheme effect, and the Commerce Commission has the question open.
Q12. What options, if any, should the Authority consider for promoting efficient pricing for network development?	The option we would ask the Authority to consider is not a pricing option: jointly resolve connection funding with the Commission ahead of DPP5. On the boundary itself, we support clearer definitions with worked examples, and we ask that scope be preserved for distributors to fund shared network development from lines revenue where that is the efficient answer for a group of connections. Rules requiring each connection to bear only its own incremental cost can block efficient coordinated investment where growth is concentrated.
Network modifications	
Q13. Are you aware of any issues relating to network modification charges? Please provide examples, evidence or analysis where possible.	No. We are not aware of issues in our own practice and we have no evidence about the sector.
Q14. What options, if any, should the Authority consider for promoting efficient pricing for network modifications?	We would not support methodology requirements for network modifications without evidence that there is a problem to solve, given the volume of modifications and the administrative cost of applying a prescribed method to each.
Downgrades and disconnections	
Q15. Are you aware of any issues relating to connection downgrade or disconnection charges? Please provide examples, evidence or analysis where possible.	No.
Q16. What options, if any, should the Authority consider for promoting efficient pricing for connection downgrades or disconnections?	No view. We would note that downgrades will become more common as customers electrify and reassess their capacity needs, so this may be worth revisiting once there is data.
Continuance pricing	
Q17. Are you aware of any issues relating to continuance pricing? Please provide examples, evidence or analysis where possible.	No.
Q18. Should continuance pricing methodologies be a priority for further reform? Please provide reasons for your view.	No. On the material in the paper this is a low-volume issue affecting a small number of connections, and it would sit well below the matters in this submission on any reasonable priority ordering.
Q19. What options, if any, should the Authority consider	No view.

Question	Powerco response
for promoting efficient continuance pricing?	
Secondary networks	
Q20. Are you aware of any issues relating to secondary network access? Please provide examples, evidence or analysis where possible.	No specific issues on our network. We note the Authority's own data shows 60 per cent of embedded network connections are on networks with fewer than 50 connection points, which is relevant to the proportionate complexity of any regulatory response.
Q21. Should secondary network access be a priority for further reform? Please provide reasons for your view.	Not a high priority. If the Authority does proceed, the case is strongest for large secondary networks.
Q22. What options or approach, if any, should the Authority consider for addressing secondary network access issues?	A tiered approach. Requirements for large secondary networks, simplified or no requirements for small ones. Applying a uniform requirement to networks of fewer than 50 connection points would impose cost on small developers without a corresponding benefit.
Financial security	
Q23. Are you aware of any issues relating to financial security requirements? Please provide examples, evidence or analysis where possible.	No issues arising from our own requirements. We are aware that access seekers have raised security as a barrier, and we have no basis to assess how widespread that is.
Q24. Should financial security requirements be a priority for further reform? Please provide reasons for your view.	No. This is a tool EDBs have to manage risk and should not be mandated by the Authority as there is potential of unintended consequences. Transparency would address most of the concern at a fraction of the cost.
Q25. What options or approach, if any, should the Authority consider for financial security requirements?	Require distributors to publish their financial security policy, including the thresholds at which security is required and the forms accepted. That lets access seekers plan and allows comparison between distributors. We would not support a prescribed methodology, and consistent with our position throughout we would limit any requirement to connections of 1 MVA and above.
Other measures and regulatory design	
Q26. Do you have views on any other measures the Authority should put in place to address connection pricing methodology issues (including Appendix D issues relating to contestability, in-kind contributions, large connections, and real estate developments)?	In-kind contributions are the priority among these, for the reasons in Q4. Until vested assets are costed consistently, comparison of connection charges between distributors is unreliable and so is any allocation rule built on that comparison. On real estate developments, we ask the Authority to consider the Australian experience Incenta described: developers reduced connection costs by limiting household demand, did not pass the limits on to purchasers, and the network was augmented anyway. That is the flexible connection lifecycle problem in section 2, and real estate development is where it is most likely to arise. On contestability, we agree with the Authority that this sits outside the scope of this paper.
Q27. What measures, if any, should the Authority consider	Publication and comparison, in preference to audit. Annual disclosure against a standard template, published and comparable between

Question	Powerco response
to ensure connection pricing methodology requirements are effective in practice?	distributors, with the Authority engaging directly with distributors whose disclosed outcomes are materially out of line with their peers. This is consistent with the Authority's Code amendment principles 6 and 7, which prefer options giving participants greater freedom and lower compliance costs and specifying outcomes rather than prescribing methods.
Q28. How should the Authority monitor, review or update connection pricing methodology requirements to ensure they remain fit for purpose over time?	Use the mechanism and regulatory tools already in place. Charge reconciliation was introduced to build an information base to support further reform. We suggest the Authority commit to publishing an annual comparative analysis of reconciliation data, and to reviewing the requirements against it on a defined cycle. That would also provide the evidence base that our submission consistently calls for. If reconciliation data shows the concerns in the consultation paper are widespread, the case for considering further intervention will be evidenced and we will support an appropriate response. If it shows they are isolated, the Authority will have saved the sector, and consumers, the cost of a reform that was not needed.