

18 December 2025

Electricity Authority
PO Box 10041
Wellington 6143

By email to: connection.feedback@ea.govt.nz

Dear Electricity Authority team,

Submission to the Electricity Authority (Authority) on the *Reducing barriers for new connections consultation paper – Part C*

Introduction

We thank the Authority for the opportunity make a submission on the Authority's recent consultation paper on *Reducing barriers for new connections*, and for the extension of the submission deadline for Parts A and B. This response therefore only covers Part C. We will respond on Parts A and B in the new year.

ENA is the industry membership body that represents the 29 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses (our members are listed in Appendix C).

EDBs employ over 7,800 people, deliver energy to more than two million homes and businesses, and have spent or invested \$6.2 billion in network assets over the last five years. ENA harnesses members' collective expertise to promote safe, reliable, and affordable power for our members' customers.

We appreciate the Authority's willingness to amend the Code to address concerns

Firstly, we want to thank the Authority for being open to Code amendments which improve the clarity and accuracy of the Code, as well as making changes to ensure the Code remains 'workable' for implementing policy decisions. We agree that the proposed amendments achieve those aims.

Code amendments drive regulatory uncertainty and risk unintentional non-compliance

Secondly, whilst we are aware it is then a little contrary to also criticise the amendments – especially seeing as ENA and EDBs have advocated for many of these changes, as most have been identified through our implementation work – we do wish to reiterate concerns that ongoing 'tinkering' with the Code does come with risk.

With definitions and methodologies in the Code still being amended, this drives uncertainty for EDBs heading into 1 April 2026 implementation. It is hard to finalise methods, models, calculations and documentation suites, along with all their internal reviews etc, when dealing with a 'moving target' of requirements.

Whilst we agree that the amendments are, on the whole, necessary (please see the table below for specific comments on each proposed amendment), they will require EDBs to review, rewrite and

redevelop their policies, models and underlying operational processes. This will include reviewing and updating policies, systems and BAU processes for managing pioneer schemes and the connection charge reconciliation. This rework will be on top of the work the EDBs have been doing to implement the July connection pricing decision over the last few works. The rework is time-consuming and drives further cost into the businesses, which is ultimately borne by customers.

It also risks the outcome of unintended non-compliance at 1 April 2026. With the cross-submission process for Part C not closing until 5 February 2025, by the time the Authority has had chance to review all submissions, undertake any amendments to the proposals that may be indicated by the submissions, go through the required internal processes and approvals, and then gazette the final changes, it is unlikely that EDBs will have more than a month to turn around the changes and have their own systems, processes, calculations and documentation up to date before 1 April 2026. Whilst EDBs will work hard to achieve this on a 'best endeavours' basis, there is a significant risk of unintentional non-compliance from 1 April 2026.

A collaborative 'advice and education' approach to implementation and compliance is critical during the transition to these new connection pricing arrangements

ENA engaged consultants on behalf of our members to assist with the implementation of the July decisions. They have worked directly with EDBs in small working groups, before sharing the learnings and templates with the wider group. I have been facilitating multiple sessions a week for the last few months as part of this implementation project – I assure you, EDBs are leaning into these changes and working very hard to comply and to implement the decisions to the best of their ability by 1 April 2026, and in line with the Authority's underlying intentions.

We hope that the Authority takes these efforts and the ongoing changes into account, and applies an 'advice and education' approach to any compliance activities over the next few months, rather than a harsher enforcement approach.

We urge the Authority to strive for quality over quantity and excessive speed

As we have highlighted on many occasions through the various consultations relating to the connection pricing changes, amongst other things, we have been concerned about the volume of iterative initiatives, rushed decision-making and tight timeframes.

We understand that the Authority has wanted to move quickly with these connection pricing reforms. However, the need to make amendments to the Code only a few months after it was implemented just highlights how our concerns are playing out in reality. EDBs will be implementing changes from 1 April 2026 without certainty on final definitions and methodologies until, at best, six weeks before the 'go live' date (and that assumes the Authority can turn around everything within a week of submissions closing, which does not seem realistic). The timelines really doesn't take into account the practical realities of changes of this nature.

As we've recently reiterated in our submission on the Authority's levy appropriations for 2026-2027, we urge the Authority to reconsider its approach to reform in a more holistic and integrated manner. Successive iterative and disparate changes risk unintended consequences that extend beyond EDBs to customers.

A more holistic approach may also prevent the rework – and risk of unintentional non-compliance – required from issuing separate 2.16 notices or section 46 requests to bring forward requirements, having to issue further Code amendments within a few months of decisions or issuing disjointed phased implementation consultations that fail to build on previous concerns raised by continuing to

lack sufficient substance to allow participants to understand, and to be able to measure, ‘what good looks like’.

It is important that these workstreams are undertaken thoroughly, avoiding shortcuts, working with the sector, where possible, to develop workable solutions, with appropriate workstream sequencing and timeframes.

Response to each of the proposed amendments

Notwithstanding our comments above, please find our responses to each of the proposed amendments in the table below.

ELEMENT OF CODE AND PROPOSED AMENDMENTS	ENA RESPONSE
<p>1.1 Interpretation</p> <p>connection applicant, <u>for the purposes of Part 6B</u>, means a person who—</p> <p>...</p>	<p>Support.</p> <p>This amendment improves legal clarity and avoids unintended application of Part 6B concepts to other Parts of the Code.</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>Support.</p> <p>This clarification appropriately recognises that the two standards serve complementary purposes (safety, operability, reliability). It strengthens consistency and reduces scope for dispute over minimum technical requirements.</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, but including the 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>Support.</p> <p>The wording is a little circular and you have to chase definitions a little, particularly between this and 6B.8. But it does appear to align definitional thresholds with updated pioneer scheme mechanics.</p>

ELEMENT OF CODE AND PROPOSED AMENDMENTS	ENA RESPONSE
<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>(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><u>(iv) the distributor must exclude the costs of any connection enhancement or equivalent costs in respect of vested pioneering works;</u></p> <p><u>(v) 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>6B.8(4)(a)(iv) – Exclusion of connection enhancements</p> <p>Notwithstanding our support of the previous definitional change for ‘pioneering connection works’, we do raise a few practical concerns within this requirement.</p> <p>ENA supports the intent of the amendment. We agree that this is economically efficient and consistent with cost-causation principles. It avoids inefficient cross-subsidisation of bespoke or higher-specification assets chosen by individual customers from being apportioned to other customers.</p> <p>However, for those EDBs who operate a vested asset approach – which, as you’ve identified in the consultation paper, is nearly 1/3 of EDBs – some are concerned as to whether they will have sufficient information available in order to comply with these amendments, even with 6B.8 (4)(a)(ii) allowing for the use of “estimates”.</p> <p>EDBs with vested asset approaches will need to develop a mechanism to identify and collect information regarding the ‘connection enhancement costs’ the customer is paying their selected contractor for vested assets and quantify the ‘minimum scheme’. These EDBs do not always currently hold this information or have a process for identifying what a ‘minimum scheme’ is for works not constructed by the network.</p> <p>It may not be possible to establish these mechanisms, update pioneer schemes policies and processes, and update connection charge reconciliations between the time a decision is made to amend the Code (and the form it should take) and the 1 April 2026 implementation deadline.</p> <p>It would also be helpful to include worked examples or guidance distinguishing minimum scheme works from enhancements in practice. Examples should be shown for when a customer contracts through the EDB and where they engage a third party to do the installation.</p> <p>6B.8(4)(a)(v) – Adjacent pioneer schemes</p> <p>Support.</p> <p>The Authority may wish to clarify how distributors should define “directly connect to” to reduce interpretation risk.</p>

ELEMENT OF CODE AND PROPOSED AMENDMENTS	ENA RESPONSE
<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><u>(5A) 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>(a) <u>the distributor may retain any amount that cannot be repaid in accordance with paragraph (a); and</u></p> <p>(b) <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>Support.</p> <p>The Unclaimed Money Act 1971 implications of this problem have been a concern for our members, so addressing this risk directly in the Code is appreciated. We agree that it would be an inefficient outcome for unclaimed rebates to be paid to the Crown rather than returned to those who paid it.</p> <p>It may be helpful to clarify what constitutes a “reasonable attempt” to locate a pioneer within the guidance or decision paper for these amendments.</p> <p>Whilst not part of the amendments directly, the Authority may also want to add further guidance for (5) as to what constitutes “reasonable costs”, especially as it relates to “reasonable attempts” to locate a pioneer.</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>Support.</p> <p>This improves operational certainty that only a single annual update is required and avoids unnecessary recalculation volatility.</p> <p>Alignment with Part 4 WACC determinations supports regulatory coherence.</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>Support.</p> <p>We agree that this was a typo in the original Code and that the incremental opex scaling factor should only be used when the operating cost loading is zero.</p>

ELEMENT OF CODE AND PROPOSED AMENDMENTS	ENA RESPONSE
<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>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 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>Support.</p> <p>The current Code wording does not appear to align with the Authority's intention to exclude Transpower costs from this calculation, due to the IM amendment in 2023. We therefore support the additional clarity provided by this proposed amendment.</p> <p>Given the pace of regulatory change, we recommend that the Authority initiate a new standard step in their Code amendment process that any Code amendments proposed that refer to Commerce Commission requirements be peer reviewed by the Commission team, prior to issuance. This should hopefully mitigate the risk of version control differences in future.</p>

If you have any questions about ENA's submission please contact Gemma Pascall, Regulatory Manager ().

Yours sincerely

Gemma Pascall
Regulatory Manager

Appendix A: ENA Members

Electricity Networks Aotearoa makes this submission along with the support of its members, listed below:

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- EA Networks
- Electra
- Electricity Invercargill (managed by PowerNet, but is also a member in their own right)
- Firstlight Network
- Horizon Networks
- MainPower New Zealand
- Marlborough Lines
- Nelson Electricity
- Network Tasman
- Network Waitaki
- Northpower
- Orion New Zealand
- Powerco
- PowerNet (which manages The Power Company, Electricity Invercargill, OtagoNet and Lakeland Network)
- Scanpower
- The Lines Company
- Top Energy
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower