24 August 2026

Electricity Authority
PO Box 10041
Wellington 6143

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

Dear Authority team,

Submission to the Electricity Authority (Authority) on its draft Balance point principle guidance

1 Introduction

Electricity Networks Aotearoa (ENA) appreciates the opportunity to comment on the Authority's draft *Balance point principle guidance* (draft guidance) and for the extension granted to allow for the provision of more fulsome feedback.

ENA is the industry membership body that represents the 28 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses (our members are listed in Appendix A).

EDBs employ over 7,800 people, deliver energy to more than two million homes and businesses, and have spent or invested $6.8 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.

This guidance responds directly to an issue ENA has raised throughout the connection pricing reform process. In our 4 February 2026 submission on Reducing barriers for new connections,[1] ENA asked the Authority to develop the balance point into a measurable and implementable benchmark and offered to workshop a practical solution with Authority staff.

The draft guidance does represent meaningful progress. It makes clear that the reference formula is not mandatory, identifies possible sources and indicators for the Authority's scanning process, recognises that historical information is incomplete, and acknowledges that the balance point is dynamic. Those are important clarifications. But the guidance is not yet sufficiently operational for the practitioners who need to apply it in day-to-day pricing decisions.

2 Overall observations

The Authority says distributors may use the guidance to self-assess alignment, test planned methodology changes and understand what information they may need to demonstrate alignment. ENA agrees that this is exactly what the guidance should enable. A practical test of the final guidance should therefore be simple: an EDB applying it in good faith should be able to run broadly the same screening checks as the Authority and reach a broadly similar conclusion about whether further investigation is warranted.

[1] Electricity Networks Aotearoa, ENA submission to EA on next phase connections consultation Parts A and B - Feb 2026 - FINAL, 4 February 2026

The draft guidance itself illustrates the significant practical complexity involved in assessing alignment with the balance point. At present, the draft contains substantial theory and a number of useful indicators, but important implementation questions remain unresolved. Most urgently, EDBs need clarity on how the balance point interacts with the network capacity costing requirements they are currently preparing to implement from 1 April 2027. More broadly, members are still having to reverse-engineer what the Authority will actually do in a targeted review. Both issues create avoidable uncertainty and increase the risk of inconsistent implementation across EDBs, or of an EDB only discovering the Authority's interpretation after implementation decisions have been made or a formal query has been received.

ENA's key asks are that the Authority:

- **urgently clarify how the balance point interacts with the mandatory network capacity costing requirements and the treatment of incremental cost applying from 1 April 2027 and other fast track measures already in place,** including through a targeted workshop with EDB pricing practitioners and full numerical worked examples, so that EDBs can make implementation decisions now with confidence about the Authority's intended treatment;
- **publish a short practitioner checklist or decision tree** setting out the screening checks the Authority will perform, the data and adjustments it will use, and what will cause a matter to be closed or escalated;
- **state clearly the level at which each limb is assessed** - in particular, that the first limb is principally tested through connection-level reconciliations, while the second limb is generally assessed at consumer-group and over-time level, with a separate approach for individually priced large connections;
- **use historical information and information-disclosure metrics as screening evidence**, not as a source of false precision or an assumption that historical pricing was efficient;
- **replace or supplement the stylised scenarios with practical, end-to-end worked examples** using realistic EDB data and operational situations; and
- **move into a structured workshop phase** with EDB pricing practitioners before finalising the guidance, and maintain an accessible worked-example and FAQ set as implementation experience develops.

These asks are consistent with the central theme of ENA's separate submission on the Authority's Further reform of distribution connection pricing issues paper: regulation adds value when it identifies the behaviour that needs to change and gives regulated parties a workable path to the desired outcome. The same principle should apply to this interim framework. Clear and operational guidance should also support greater consistency across EDBs and reduce the cost of implementation and regulatory oversight, improving outcomes for customers.

3 Explain the interaction with the fast-track measures, especially network capacity costing

This is currently the most significant area of implementation uncertainty identified by members, and ENA considers it needs to be resolved urgently. It is not simply a theoretical question about how the balance point should be interpreted. EDBs are making decisions now about the systems, methodologies, pricing policies and internal processes they will need in place for the network capacity costing requirements applying from 1 April 2027. They need to understand how those requirements are intended to interact with the balance point before those implementation decisions are locked in.

Resolving this issue promptly should also support more consistent implementation across EDBs. Without a common understanding of the Authority's intended treatment, different EDBs may make different reasonable interpretations of the same requirements, creating unnecessary variation and rework for EDBs, the Authority and customers.

Clause 6B.11 of the Code expressly includes network capacity cost (NCC) within the incremental cost estimate used for connection charge reconciliation. The fast-track framework requires EDBs to calculate NCC for reconciliation, and from 1 April 2027 an EDB that allocates network capacity costs to connection applicants must use the prescribed capacity-costing methodology.

There is also a related terminology issue. Paragraph 2.24 of the guidance appears to use "incremental cost" (IC) broadly to include the cost of establishing and maintaining a connection, while Part 6B uses IC as a specific reconciliation construct, with particular treatment of ongoing opex through the operating cost loading and incremental opex scaling factor. Because the reference formula also uses IC, the final guidance should make explicit how that concept maps to clause 6B.11 and how ongoing costs are intended to be treated.

The balance point guidance then considers how a change in costing methodology affects the second limb. We read the draft as drawing an important distinction between two cases:

- where the underlying incremental cost genuinely changes - for example because input costs, design requirements or the amount of network capacity consumed changes - connection charges can move with that cost without necessarily changing the contribution to shared network costs; and
- where the underlying cost has not changed, but an EDB changes from a shallower to a deeper costing method and therefore reports a higher incremental cost, the allocation methodology may also need to change so that the methodological change alone does not shift additional shared-network cost recovery to the new connection.

On that reading, the draft guidance does not require every increase in NCC to be mechanically rebated to keep connection charges at their previous nominal level. The adjustment is about preserving the allocation of shared-network costs where the change is in measurement or methodology rather than in the underlying economics. If that is the Authority's intent, it should say so directly and prominently.

At present, however, members do not have sufficient confidence that this is the intended interpretation. That creates a real implementation problem. An EDB may be required to introduce a more complete capacity-costing methodology, but remain uncertain whether the resulting increase in measured incremental cost can flow through to the connection charge (potentially creating an up-front price shock), whether some or all of it must be offset through the allocation methodology, and how that assessment should be made where reliable historical NCC information does not exist. In practical terms, EDBs are being asked to implement the fast-track requirements while still trying to infer how the Authority expects those requirements to interact with the balance point.

That uncertainty risks producing exactly the opposite of the consistency the reforms are intended to achieve. Different EDBs may make different reasonable interpretations, some may make unnecessary or inefficient changes to their allocation methodologies, and others may take a more conservative approach and defer changes because they are concerned about inadvertently worsening their balance-point position. None of those outcomes benefit customers.

ENA therefore asks the Authority to treat clarification of the NCC/balance-point interaction as an immediate implementation priority, rather than an issue that can be resolved later through individual scanning or close examination. EDBs should be able to understand the expected treatment before they implement the 1 April 2027 requirements, not discover the Authority's interpretation afterwards through a compliance review.

The need for clarity is heightened because the Code's reconciliation formula treats NCC as part of incremental cost, while the balance point concept also requires practitioners to identify which network-capacity costs remain shared. The final guidance should explain the boundary between the incremental capacity cost attributed to the connection and the residual/shared costs of the upstream network, and confirm how the Authority will avoid double counting when it applies the two limbs.

ENA recommends a full numerical worked example for the transition to capacity costing. It should take the same representative connection through the pre-change and post-change methodology and show, line by line, extension cost, NCC, incremental revenue, connection charge, network cost contribution and the EDB-funded amount. It should then explain why the result is or is not aligned with each limb. A second example should cover a case where capacity costing changes the timing of recovery compared with a historic "last-straw" approach but does not change the on-average-over-time contribution.

More generally, a methodology change required by the fast-track Code should not, by itself, be treated as evidence that an EDB has moved away from the balance point. The Authority should explain the transition approach it will use where a mandatory regulatory change alters reported inputs or cost allocation, so that an EDB trying to implement one part of the Code is not exposed to avoidable uncertainty under another.

Given the implementation timetable, ENA also recommends that the Authority workshop these examples with EDB practitioners before finalising its position. A short, practical workshop focused on real EDB scenarios would be more valuable at this stage than further abstract examples. The objective should be to resolve the specific NCC/ balance-point interaction before EDB implementation approaches are finalised, so that EDBs can implement the 1 April 2027 requirements consistently and avoid unnecessary subsequent remediation.

4 Make the compliance process reproducible

The ingredients for scanning are present, but the operating test is not

Sections 3 and 4 of the draft guidance identify a range of information the Authority may use. These include pricing methodologies, information disclosures, charge reconciliations, reliance metrics, net growth capex per connection and, if needed, more detailed internal information. The guidance also acknowledges common temporary factors and states that aggregate indicators are best suited to high-level scanning. That is a useful start.

The missing step is to assemble those ingredients into the actual sequence of checks the Authority intends to perform. ENA recommends that the final guidance contain a one- or two-page checklist covering, at a minimum:

- the specific public datasets and fields the Authority will use;
- the time period over which each metric will normally be assessed, and how the Authority will deal with incomplete periods;
- the normalisations or adjustments to be applied, including input-cost escalation, timing mismatches between contributions and asset commissioning, connection mix and one-off growth projects;
- how vested-asset models, individually priced connections and material changes in consumer-group composition will be treated;
- the initial indicators or ranges that will prompt further enquiry, including the Authority's approach to materiality;
- what evidence an EDB can provide during scanning to explain an apparent movement; and
- what is sufficient for the Authority to conclude scanning without moving to close examination.

ENA is not asking the Authority to turn its screening process into a mechanical compliance test, or to remove the judgement required by the Code. But transparency over the indicators, checks and approach to materiality the Authority will use would allow EDBs to apply the same screening themselves, investigate apparent anomalies and address genuine issues before they progress to close examination. That should reduce duplicated analysis, regulatory cost and ultimately costs for customers.

Clarify materiality and the evidential standard

The Code requires material efficiency concerns before a direction can be made, and the guidance refers in several places to material subsidies, material cost shifting and the costs and benefits of intervention. The final guidance should say more about how materiality will be assessed in practice. It does not need to prescribe a single dollar threshold, but it should identify the factors the Authority will weigh, such as the number and value of affected connections, duration, impact on customers, degree of methodological departure and whether the effect is temporary or structural.

The Authority should also describe what a reasonable evidential package looks like if it challenges an EDB. This is particularly important for the second limb, where historic pricing methodologies, representative connection costs and supporting operational data may not exist in a form that can be reconstructed reliably. An absence of historic data should not itself create a presumption of non-alignment. Where the evidence cannot support a robust conclusion, the appropriate response should be further engagement and proportionate judgement, not a point estimate that implies more certainty than the data can provide.

5 Clarify what the second limb requires in practice

Put the behavioural rule in plain English at the front

The first limb is comparatively easy to understand: a connection should not be subsidised by existing customers. The second limb is much harder because it asks whether a new or upgraded connection otherwise makes a similar or lower contribution to shared network costs than a similar existing connection.

The practical message is not simply "do not charge more than in the past". A higher connection charge can be entirely consistent with the balance point if it reflects a genuine increase in incremental cost. The concern is a change in methodology or allocation that shifts more shared-network cost recovery onto new connections without a corresponding change in the underlying incremental cost or other relevant circumstances.

The draft also says that the second limb is best assessed at consumer-group level, even where outcomes for individual connections within that group move differently. This is a critical implementation point. It should appear prominently in the guide to usage rather than being left within the detailed discussion of costing-methodology changes.

The guidance should similarly state clearly how the Authority will identify "similar" existing connections and how individually priced large connections will be assessed where there is no meaningful cohort. This is not a minor definitional issue. Incenta's January 2026 analysis for Powerco[2] identified the definition of the relevant comparator class as one of the key methodological decisions required to operationalise the balance point, with potentially relevant characteristics including customer type, connection capacity and the nature of the connection assets. The final guidance should draw on that work, and other practitioner experience, to provide a workable framework for identifying appropriate comparator groups rather than leaving each EDB to infer what "similar" means.

Nor is defining the comparator group the end of the exercise. Where similar existing connections have made materially different contributions to shared network costs, the guidance should explain how the

[2] Incenta Economic Consulting, *Electricity Authority's consultation on the balance point principle – Report for Powerco*, January 2026

Authority will interpret that range. Incenta identifies a number of possible approaches, including using the observed range, an average or median, or a specified percentile, each of which can produce materially different outcomes. EDBs should not have to infer which interpretation the Authority will adopt.

The final guidance should also explain what "similar contribution" means in practice — for example, whether similarity is assessed by absolute dollars, relative contribution, contribution per unit of capacity or another measure, and whether the appropriate measure differs between connection types.

Historical pricing is a reference point, not an efficient benchmark

ENA continues to see a tension between using historical pricing as the reference for the second limb and the Authority's wider reform narrative that some historical connection pricing has been inefficient. The comparison with existing connections is now embedded in the Code, so some historical reference is unavoidable. But the final guidance should distinguish clearly between a diagnostic reference point for identifying a shift in shared-cost recovery and an efficient benchmark or desired end state.

That distinction matters. An EDB should not be encouraged to preserve an inefficient historical allocation simply because it is historical. Nor should a methodology improvement that better reflects genuine incremental costs be treated as problematic merely because the reported connection charge changes. The balance point is an interim restraint on cost shifting, not a complete statement of what efficient connection pricing should look like after 2030.

This is also why the balance point guidance and the further-reform issues paper (and our feedback on them) need to be read together. The enduring reform should articulate what good connection pricing looks like. The interim guidance should then be explicit about which changes are being restrained while that end state is developed, rather than allowing the historic position to become an accidental policy anchor.

Be explicit about the asymmetry in the Code

The draft correctly explains that the second limb is asymmetric: a new connection may make a lower contribution to shared network costs than an existing connection, provided it is not subsidised, while a higher contribution can breach the second limb. This asymmetry is built into the Code wording ("similar (or lower)"), rather than created by the guidance.

The guidance should nevertheless explain the policy implication plainly. In a transition, past connections may have paid a larger share of shared costs without any retrospective adjustment, while the framework can constrain future connections from paying a larger share. ENA is not suggesting that guidance can rewrite the Code. But the Authority should apply materiality and proportionality carefully, and should address the longer-term efficiency and equity implications of this asymmetry through the further-reform work.

6 Use historic and disclosure data within their design limits

ENA agrees that information disclosures can be useful for scanning. They provide a longer time series than the new charge-reconciliation information and can help identify movements that warrant explanation. Our concern is not with their use, but with ensuring conclusions drawn from them reflect what the data can reliably show. They were not designed to calculate the balance point, and the draft guidance itself recognises that disclosed aggregate data provides limited scope for robust segmental analysis.

Reliance levels and net growth capex per connection can be affected by matters that are not changes in the connection pricing allocation: timing differences between capital contributions and asset completion, changes in the mix and scale of load and distributed generation connections, network-development projects, vested assets, accounting classifications, and changes in growth rates. These are legitimate reasons to use the metrics as indicators rather than deterministic compliance tests.

The same caution applies to simulated bottom-up reconstruction of historic allocators. The draft acknowledges that information disclosure time series only extend back to 2013, historical methodologies are not always available and pre-2010 asset values do not provide a clear line of sight to historic connection funding. This concern is reinforced by Incenta's January 2026 analysis for Powerco, which suggested that, if the objective is to prevent a future deterioration in connection-pricing efficiency, the most practical historical window may be the period for which the new connection-charge reconciliation inputs are actually available.

ENA does not suggest that this must be the only historical period the Authority considers. But reconstructing a single historic "balance point" from incomplete data and proxies risks creating false precision, particularly for an interim measure with a finite life. The Authority should therefore explain both the purpose of looking backwards and how the weight placed on historical evidence will decline as its reliability declines.

This is an argument for better use of the available evidence, rather than less scrutiny or transparency. ENA suggests an evidential hierarchy: use observable methodology changes and current charge reconciliations first; use normalised multi-year disclosure indicators as corroborating evidence; and use reconstructed historical simulations only where the inputs are sufficiently reliable and the uncertainty is made explicit. Where a range is more defensible than a point estimate, the Authority should use a range.

7 Turn the guidance into a practitioner tool through worked examples and workshops

Appendix B of the draft contains useful stylised scenarios. They help explain the logic of the two limbs, including that genuine cost changes can alter connection charges without shifting shared-network costs and that a lower contribution from new connections can still comply. But the scenarios deliberately isolate one variable at a time, while the draft itself acknowledges that real EDB outcomes usually reflect several drivers operating together.

The next version should therefore include worked examples that start with realistic source information, apply the Authority's screening checks, identify the relevant adjustments, and show the conclusion and any corrective action. At a minimum, ENA suggests examples covering:

- the 2026-27 transition to network capacity costing and the interaction between NCC, incremental cost and the second limb;
- a consumer group in which some individual connection charges rise and others fall, but the group-level allocation remains broadly consistent;
- a vested-asset model, including how information that is not held by the EDB is treated;
- an individually priced large connection where there are few genuinely similar historic connections; and
- the treatment of a common network asset such as a distribution transformer where the practical classification may depend on whether the asset is dedicated, an extension, or part of shared capacity.

Beyond the immediate need to resolve the NCC interaction, ENA also recommends that the Authority move into a broader structured workshop phase with EDB pricing practitioners before finalising the guidance. The objective should be to test the draft against actual pricing methodologies and anonymised real-world scenarios, identify where different practitioners reach different answers, and then update the guidance, worked examples and FAQs to close those gaps. This is likely to be more effective than attempting to resolve every practical issue through further abstract formulae.

The Authority has invited engagement on 'particular circumstances'. ENA welcomes that invitation and is happy to coordinate practical workshops with members. A collaborative approach would also help the Authority identify where member practices legitimately differ and where greater consistency would improve customer outcomes.

8 Conclusion

ENA welcomes the Authority's effort to give substance to the balance point principle. The draft is materially more developed than the framework available when ENA made its February submission. Our concern is now less about the absence of a conceptual approach and more about whether that approach can be applied consistently by the people who set and review connection prices in practice.

Before finalising the guidance, ENA asks the Authority to:

- urgently resolve the interaction between the balance point and the 1 April 2027 network capacity costing requirements, the treatment of incremental cost and other fast-track methodology changes, including through a targeted practitioner workshop and numerical worked examples before EDB implementation decisions are locked in;
- publish the screening checklist and materiality/evidence framework it will use in targeted reviews;
- front-load a plain-English explanation of the two limbs, the unit of assessment and the meaning of "similar";
- treat historical and information-disclosure data as imperfect indicators and make uncertainty explicit;
- add real-world worked examples across different EDB operating models; and
- workshop the guidance with practitioners and update it as implementation experience develops.

These changes would make the framework more transparent, predictable and consistently implementable. More importantly, they would allow EDBs to identify and correct issues themselves before the Authority needs to begin a formal close examination, reducing unnecessary regulatory and implementation cost. That is a better outcome for the Authority, EDBs and customers.

ENA thanks the Authority for considering these comments. 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 are the lines companies represented:

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- EA Networks
- Electra
- Electricity Invercargill
- Firstlight Network - owned by Powerco
- Horizon Networks
- MainPower
- Marlborough Lines
- Network Tasman Limited
- Network Waitaki
- Northpower
- Orion New Zealand
- OtagoNet - represented by PowerNet
- Powerco
- Scanpower
- The Power Company - represented by PowerNet
- Top Energy
- The Lines Company
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower