Vector’s electricity distribution network connection pricing methodology

From 1 April 2026

Pursuant to:

Electricity Distribution Information Disclosure Determination 2012
and Electricity Industry Participation Code 2010

A. Purpose

This **connection pricing methodology** is designed to explain how Vector sets **connection charges** and to fulfil the disclosure requirements set out in the Commerce Commission's (Commission) Electricity Distribution Information Disclosure Determination 2012 related to **capital contributions**, as well as the Electricity Authority's (Authority) Electricity Industry Participation Code Part 6B for **connection charges**. Within this methodology, both **capital contributions** and **connection charges** are collectively referred to as "**connection charges**".

Terms used in this methodology are defined either in the Electricity Distribution Information Disclosure Determination 2012 (bold black) or the Electricity Industry Participation Code (bold green).

Unless otherwise stated this methodology applies from 1 April 2026.

This methodology outlines its adherence to the Authority's 2019 distribution **pricing principles** as stated in Appendix A and the Authority's four new **connection** pricing requirements:

- **Connection enhancement cost allocation** (Appendix B),
  - This requires **connection charges** to be determined with reference to a "relevant **minimum scheme**", with enhancement costs (if any) allocated to the party that seeks the enhancement.
- **Network capacity costing** (Appendix C),
  - This requires any upstream capacity costs allocated to access seekers to be based on published rates that allocate costs as capacity headroom is consumed (not as it is built).
- **Pioneer scheme pricing methodology** (Appendix D),
  - This requires rebates to be paid to the "pioneers" that fund network extensions as subsequent parties connect.
- **Connection charge reconciliation methodology** (Appendix E),
  - This requires **electricity distribution businesses (EDBs)** to prepare and provide a standardised breakdown of **connection charges** into incremental cost, incremental revenue, and shared network cost components.

The requirements relating to **connection enhancement cost allocation**, **network capacity costing** and **pioneer scheme pricing methodology**, do not apply to **connection works** subject to a large connection contract as defined in the Commission's Electricity Distribution Services Input Methodologies Determination 2012.

Information on the dispute process around **connection charges** is in Appendix F.

B. Introduction

Vector provides **electricity lines services** to **consumers** through its distribution **network** in the Auckland region. The costs for these services are recovered through electricity distribution **prices** (lines charges), which consist of standard published **prices** and, in specific circumstances, non-standard **prices**.

The costs of facilitating a new **connection** to the **network** through an **extension** to the network, or through a **network capacity upgrade**, may be recovered directly from the connecting party through **connection charges**.

Vector's distribution **prices** and **connection charges** are designed to efficiently recover the cost of the existing electricity distribution **network** and the cost of new investments in the distribution **network** as it grows.

A key feature of electricity distribution **networks** is that many of the assets used to supply **consumers** are highly interconnected, so many of the assets are used by many **consumers**. The way the **network** of assets has been built up over time is something that Vector now has limited ability to change, however Vector is able to determine present and future investment decisions in the electricity distribution **network** for the benefit of all **consumers**.

Vector's electricity distribution **prices** are set to recover the costs of owning and operating the electricity distribution **network** as it currently exists. The most significant cost element reflected in Vector's distribution **prices** relates to the recovery of and return on capital for the physical electricity distribution assets – for example: the lines, wires, poles, transformers and cables. These assets are part way through their useful life, meaning their value is less than that of equivalent new assets. This means that Vector's distribution **prices** are lower than they would be if the assets were new or, in other words, the current distribution **prices** would be insufficient to recover the full cost of a new investment in the **network**.

The Commission's Input Methodologies[1] require that **connection charges** received are netted off the value of **commissioned assets** added to the **regulatory asset base (RAB)**. This means that **connection works** only contribute to future revenue requirements to the extent they have not already been paid for via a **connection charge**. This tries to ensure that there is no cross subsidy by **consumers** only using existing **network** assets to **connection applicants**.

To send the right price signals to **connection applicants** and ensure **connection works** are as efficient as possible, **connection applicants** are charged for the full incremental cost of their **connection works**. To the extent that the costs of efficient connection works are not recovered through **connection charges**, they would need to be recovered through changes to electricity distribution **prices** charged to Vector's broader customer base.

Vector's approach to **connection charges** is in the long-term benefit of **consumers**, as the approach ensures that growth pays for growth. This results in the asset base being lower than the counterfactual i.e. if those parties causing growth do not pay their full incremental cost this requires Vector to fund that growth and make the recovery of that investment from all **consumers**. The lower asset base ensures lower ongoing distribution line **prices** for all **consumers** than if they otherwise would be. In other words, if growth does not pay for growth, then ongoing distribution line **prices** will be higher for all **consumers**.

Vector's approach to **connection charges** is also consistent with the Authority's 2019 distribution pricing principles, as set out in section I, below. This includes pricing in a subsidy free range – between avoidable costs and standalone costs. Vector's full incremental cost pricing approach reflects the avoidable costs of providing the **connection**.

[1] https://www.comcom.govt.nz/assets/pdf_file/0017/60542/electricity-distribution-services-input-methodologies-determination-2012-consolidated-as-of-23-april-2024.pdf

If Vector invested in **connection works** without charging full incremental costs (ie, avoidable costs), then this would result in existing **consumers** helping to fund the **connection works** despite a portion of those works being for **dedicated assets** required only by the **connection applicant**. This would amount to an inefficient transfer of risk onto existing customers and may create incentives for inefficient **connections** (i.e. where the costs of a **connection** outweigh the benefits. Vector therefore requires **connection applicants** to fund their **dedicated asset** costs, network **extension-like upgrade** costs and to partially fund additional **shared network** costs which are included in the **connection charge** as a **network capacity cost**.

Because Vector's capital resources are limited it must prioritise its expenditure. Periodic upgrades and maintenance of the **shared network** are required for Vector to continue to meet its connection and operation standards as it faces general increases in demand. The adding of **connections** over time requires additional **shared assets** to be added to the **network**. New **connections** or upgrades may trigger the need for **shared network** upgrades that will service many customers. The cost of a **shared network** upgrade that is required to facilitate a connection, but that will benefit many customers, is not part of the **connection charge**. However, a **network capacity cost** per unit of consumption, based on the capacity that the **connection applicant** is expected to use, does form part of the full incremental cost of a **connection**.

Vector's **connection charges** typically take the form of an upfront one-off payment with respect to the cost of providing the **connection works**. This approach reduces the risk to other customers that the **connection applicant** does not fund the cost of the **connection works**.

C. Objectives of the connection pricing methodology

Vector's **connection pricing methodology** has been developed with the following broad objectives:

(a) **Connection works** should not make existing **consumers** worse off either now or in the future.

(b) Ideally, **connection works** should benefit existing **consumers** as new **consumers** should also contribute towards existing **shared assets** and costs via distribution line charges.

(c) The cost of **connection works** should be determined using a "but for" or avoidable cost approach that identifies the costs attributable to the **connection works** (ie, the full incremental costs), both direct and indirect.

(d) **Connection charges** should incentivise improved utilisation of the electricity distribution **network** and not incentivise inefficient construction (for example: over-sized network assets).

(e) Compliance with applicable laws and regulations.

Vector considers that the **connection pricing methodology** and its implementation as detailed in this document achieves these objectives for the following reasons:

(a) Objective (a) is achieved as existing **consumers** do not subsidise or contribute to the cost of **connection works** except to the extent that existing **consumers** derive a benefit from those **connection works**.

(b) Objective (b) is achieved as the new **consumers** pay distribution line charges. This is of benefit to all **consumers**, both present and future as it increases the number of customers that **shared assets** and costs are recovered from.

(f) Objective (c) is achieved as Vector assesses and recovers the costs resulting from the **connection works, ie, the costs that would be avoided** "but for" the **connection works**. From Vector's perspective the investment is avoidable as the decision to require the **connection works** sits solely with the **connection applicant**.

(c) Objective (d) is achieved as Vector only charges the **connection applicant** for the **minimum scheme** plus the **customer-selected enhancements** and only adds additional **shared assets** as required that results from **connection works** through time. This ensures that capacity on the **network** is maintained that allows ongoing **connections** to be added to the **network**. Vector's capital investment outside of **connection works** is in assets for shared use. Vector seeks to ensure a reliable and resilient network is provided to existing **consumers** and is readily accessible to **connection applicants** and **consumers**.

(d) Objective (e) is achieved via this methodology that sets out how **connection charges** are determined. An independent review of this methodology is carried out prior to publication to ensure legal and regulatory compliance.

D. Circumstances for requiring a connection charge

Vector requires all **connection applicants** to pay **connection charges** for **connection works**.

E. Methodology for determining the amount of a connection charge

Vector has developed its **connection pricing methodology** to meet the objectives outlined in Section C. Vector has achieved this by:

(a) Determining individual **connection charges** such that the contribution from **connection applicants** is sufficient to recover the costs of the **connection works**. **Connection charges** include all costs of the **connection works** i.e. the cost of **extensions** and **network capacity upgrade**s. This avoids cross subsidies between new and existing **connections** resulting from the **connection works**;

(b) Developing consistent approaches, as set out in section F below, to identify the costs relevant to the **connection works**, and then including these costs in the determination of the **connection charges**. This includes developing approaches to identify the costs of an **extension** and / or **network capacity upgrade**;

(c) Ensuring the **connection applicant's connection charge** is only for the **minimum scheme** and **customer-selected enhancement**s; and

(d) Ensuring that the **connection charges** do not include **connection administration fees** or **pioneer scheme contributions**. These will be charged to the **connection applicant** if they are relevant to the **connection**, however they are not included within the amount defined as the **connection charge**.

F. Determining costs

Avoidable or incremental costs are the costs that would be incurred by Vector from augmenting the electricity distribution **network** that Vector would not otherwise face "but for" the **connection works** required by the **connection applicant**. Avoidable or incremental costs of **connection works** may relate to:

(a) Costs to provide **dedicated assets** which are assets owned and operated by Vector built to provide the **connection** that are not subsequently used to support another **connection**;

(b) Costs to increase the security or capacity at of a **connection** or any assets owned or operated by Vector that do not increase the security or capacity of the **shared network**;

(c) Costs of an **extension-like upgrade**. These are costs of works that increase the capacity of the **shared network** that substantially benefit only the **connection applicant** and Vector determines this is likely to remain the case;

(d) **Incremental transmission costs**. These are estimated costs of **incremental transmission works** required due to the **connection** such as:

I. A new grid **connection**;

II. Increase in the security and / or capacity of a grid **connection**;

III. Augmentation of a grid **connection**; or

IV. A change in transmission charges resulting from the **connection** under the transmission pricing methodology published by Transpower; and

(e) Contribution to **shared network** costs. Costs of consuming existing or adding capacity in the **shared network**. Referred to as development contributions or **network capacity costs**.

Avoidable or incremental costs may include but are not limited to the following:

(a) Design and certification costs;

(b) Any costs for conducting a tender process for the **connection applicant**;

(c) The costs of procuring materials and services, building, constructing and commissioning assets;

(d) Any legal or administrative costs, including procuring appropriate easements, statutory consents and negotiating suitable contractual arrangements;

(e) The build costs of the **connection works** including but not limited to site preparation costs (which could include removal and disposal of existing assets), traffic management, trenching, asset installation, testing, and commissioning.

(f) Augmentation of existing assets to provide the new **connection**;

(g) The cost relating to changes in the timing of planned **shared network** investment in order to facilitate the new **connection**; and

(h) The incremental cost of the consumption of existing capacity regarding the level of available service capacity and the effect of additional usage on future investment costs.

G. Extent of the connection

The **connection charge** to the **connection applicant** will be for the **minimum scheme** plus **customer-selected enhancements**. Vector will fund **distributor-selected enhancements**.

Where a **connection applicant's** requirements fall between the capacity of two standard size **network** elements capable of meeting such requirements and Vector installs the larger of the two, this does not constitute a **distributor-selected enhancement** and therefore the full cost of the element selected will be charged to the **connection applicant**.

*Example: A **connection applicant** requires a new dedicated transformer, with a **connection** capacity of 350kVA. The nearest standard transformer sizes are 300kVA and 500kVA. Vector installs a 500kVA transformer as this is the smallest standard size capable of meeting the applicant's requirements. The use of a 500kVA transformer as opposed to a 300kVA transformer does not constitute a **distributor-selected enhancement** for the purposes of determining the **connection charge** to the **connection applicant**.*

H. Connection charges for projects by other infrastructure owners

Vector may apply different methodologies for determining **connection charges** for projects involving other infrastructure owners such as territorial authorities or government-owned entities which are covered by other legislation and regulations that would dictate how the contribution is determined. This reflects the potential for cost reductions which arise due to coordination of works by the different infrastructure owners.

I. Adherence to pricing principles

Vector's **connection pricing methodology** is consistent with the 2019 Distribution Pricing Principles published by the Electricity Authority. These are included in Appendix A.

Charging **connection applicants** avoidable costs ensures that any **connection charges** fall within the subsidy free range (equal to or greater than incremental costs, and less than or equal to standalone costs).

Including unit rates for **network capacity costs** in the **connection charge**, provides a price signal to **connection applicants** of the impact of **network** usage on economic costs.

Connection charges to **connection applicants** include the costs of the **minimum scheme** plus **customer-selected enhancements**. This encourages efficient **network** alternatives by incentivising **connection applicants** and Vector to assess the costs of such alternatives at the time of the decision of whether to connect (ie, at the time of determining and paying the connection charge), while taking into account Vector's **connection** standards.

Vector's distribution **prices** recover the costs of the existing electricity distribution **network** and a portion of investment and enhancement of **shared assets** that are to the benefit of all **consumers**. Vector's **connection pricing methodology** means that **connection charges** recover avoidable or incremental costs. These two mechanisms combined ensure that all costs are fully recovered. As a consequence, Vector has not considered cost under-recoveries in this **connection pricing methodology**.

Vector can negotiate differing levels of economic value from a service – for example, where a customer is interested in enhancements above the **minimum scheme** (or need to mitigate against uneconomic outcomes – for example bypass risk). In these circumstances the level of **connection charges** required would reflect these elements.

J. Use of independent contractors/competitors

In some circumstances the **connection applicant** may undertake some of the work that would otherwise be covered by Vector's **connection charge**. Vector may allow **consumers** or the **connection applicant** to undertake the preparatory work using appropriately trained and qualified personnel familiar with Vector's standards and requirements prior to Vector installing the required **connection works**. Preparatory work includes by way of example, trenching and or civil work, reinstatement and laying of ducts etc.

If the **consumer** or **connection applicant** performs some of the **connection works**, then the costs associated with this work will be excluded from the costs used to determine the **connection charges**. They will also be excluded from the **RAB** and the determination of distribution **prices**.

Vector's connection pricing methodology, whereby **connection applicants** are charged for the full incremental costs of **connection works**, provides scope for competitors to offer a competitively priced alternative to aspects of the services that can safely be provided by an independent party.

Appendix A The Authority's 2019 distribution pricing principles

A1. **Prices** are to signal the economic costs of service provision, including by:

(a) being subsidy free (equal to or greater than avoidable costs, and less than or equal to standalone costs);

(b) reflecting the impacts of **network** use on economic costs;

(c) reflecting differences in **network** service provided to (or by) **consumers**; and

(d) encouraging efficient **network** alternatives.

A2. Where **prices** that signal economic costs would under-recover **target revenues**, the shortfall should be made up by **prices** that least distort **network** use.

A3. **Prices** should be responsive to the requirements and circumstances of end users by allowing negotiation to:

(a) reflect the economic value of services; and

(b) enable price/quality trade-offs.

A4. Development of **prices** should be transparent and have regard to transaction costs, **consumer** impacts, and uptake incentives.

Appendix B Connection enhancement cost allocation

B1. Overview

(a) When a **connection applicant** applies for a **connection**, Vector must determine how costs are calculated and allocated.

B2. Key principles

(a) ***Minimum scheme***

Vector designs and prices the **connection works** based on the lowest-cost, technically acceptable solution that meets the **connection applicant's** capacity requirements and Vector's published **connection** operation standards. This is called the "**minimum scheme**".

(b) ***Customer-selected enhancements***

If the **connection applicant** wants extra features or higher standards (for example, underground cables, extra redundancy, or a specific route), these are called "**customer-selected enhancements**". The **connection applicant** pays the full cost of these enhancements, in addition to the **minimum scheme**.

(c) ***Distributor-selected enhancements***

If Vector chooses to add extra features for its own reasons (for example, to future-proof the network or bundle works for efficiency), these are "**distributor-selected enhancements**" or "Vector-selected enhancements". Vector does not charge the **connection applicant** for these costs.

B3. Flexibility and exceptions

(a) ***Flexible connections (minimum flexi scheme)***

Connection applicants can request Vector to consider a lower-cost, **flexible connection** (for example, with load control or lower security). Vector will make reasonable efforts to offer this if it is practical and meets Vector's **connection** standards.

(b) *Agreed alternatives*

If both Vector and the **connection applicant** agree in writing, they can:

I. Waive the need to calculate the **minimum scheme** cost, or

II. Agree to a different way of splitting enhancement costs.

B4. Summary table

What the customer pays for	Who decides?	Who pays?
Minimum scheme	Vector	Customer
Customer-selected enhancements	Customer	Customer
Distributor-selected enhancements	Vector	Vector
Flexible connection (if practical)	Customer request	Customer
(Standard) **posted connection charges**	Vector (if published)	Customer

Appendix C Network capacity costing requirements

C1. Introduction

(a) This appendix sets out how Vector determines and includes **network capacity costs** in its **connection charges**. It applies to all **connection applications** received from 1 April 2027, and to **connection charge reconciliation** processes from 1 April 2026.

(b) Prior to 1 April 2027, Vector's charges relating to increasing capacity in the shared network continues to be from development contributions via the system growth expenditure approach outlined in our previous policy.[2] We continue to charge using a "but for" test and our recent work in getting prepared for applying **network capacity cost** requirements, we have revisited our development contributions on **connection** type basis using diversity resulting in a slight refinement in some the charges per **connection** type.

C2. Network tiers

(a) Vector determines **network capacity costs** across the following five **network tiers**, which each represent a layer of shared infrastructure:

I. Low Voltage (LV) mains
II. Distribution Substation
III. High Voltage (HV) Feeder
IV. Zone Substation
V. Sub-Transmission Line

C3. Network costing zones

(a) Vector currently has one **network costing zone** across both the Auckland network and the Northern network. This approach is justified on the following basis:

I. The cost of adding capacity across the five **network tiers** is sufficiently similar across both **networks**, based on historical investment data and forward-looking upgrade forecasts;

II. The use of a unified **network costing zone** supports administrative efficiency, pricing consistency, and predictability for **connection applicants**;

III. There is no material distortion in pricing outcomes across the two **networks**, and the **posted capacity rates** remain cost-reflective;

IV. Vector has reviewed the approach against the requirements of clause 6B.5(1)(a) of the Electricity Participation code and determined that segmentation is not required at this time. This justification will be reviewed periodically as part of Vector's review cycle of this methodology.

C4. Posted capacity rates

(a) Vector determines and publishes **posted capacity rates** ($/kVA) for each **network tier** and network **costing zone**.[3] These rates:

I. Reflect the forward-looking cost of adding capacity at each **network tier**. The added capacity (**nominal capacity increment**) is based on the incremental installed capacity rather than the expected demand.

[2] Available at https://blob-static.vector.co.nz/blob/vector/media/vector-2023/20231201-policy-for-determining-capital-contributions-electricity-distribution.pdf
[3] Available at https://www.vector.co.nz/personal/electricity/new-connection/simple

II. Cover the current **disclosure year** and the next four **disclosure years** (a rolling five-year period), are locked for the first two years of each rolling five-year period, (except for the rates to the year ending 31 March 2028);

III. Are informed by Vector's Asset Management Plan (AMP), which sets out forecast investment needs, capacity constraints, and planned upgrades across the network. The AMP provides the foundational planning context ensuring that **posted capacity rates** are aligned with forecasted network investment costs.

C5. Capacity demand assumptions

(a) For each **connection**, Vector will determine a **capacity demand assumption** (in kVA) at each applicable **network tier**:

I. Reflecting the expected coincident demand of the **connection**;

II. Incorporating diversity and coincidence factors consistent with Vector's distribution network planning standards; and

III. Applied consistently across similar **connection** types.

C6. Allocation of capacity costs

(a) For each **connection**, Vector will determine the **network capacity costs** to be included in the **connection charge** by multiplying the capacity demand assumption (in kVA) at each **applicable network tier** by the **posted capacity rate** ($/kVA).

C7. Exceptions and bespoke rates

(a) Vector may apply bespoke capacity rates where Vector determines that the estimated cost per kVA for a **network tier** is:

I. Greater than 150%, or

II. Less than 80%

of the **posted capacity rate** for that **network tier** and **network costing zone**.

(b) Vector may apply estimated **capacity upgrade costs** where the **capacity demand assumption** is:

I. Greater than 80% of the **nominal capacity increment** (see paragraph C4 (a) above) for that **network tier**.

C8. Summary table

Step	What Vector Does
1. Publish **posted capacity rates**	For each **network tier**, updated annually
2. Estimates demand	Based on customer's needs and standard assumptions
3. Calculates cost	Rate × demand required at each network tier
4. Applies exceptions	Uses project-specific rates for very large/small jobs
5. Provides breakdown (if requested)	Shows customer how their capacity cost is calculated

Appendix D Pioneer scheme policy

D1. Establishment of the pioneer scheme

(a) Vector will deem a **pioneer scheme** to exist where:

I. The cost of the shared **connection works** funded by a **connection applicant** (excluding **customer-selected enhancements** and **network capacity upgrades**) is greater than $50,000 in December 2025 dollars, adjusted by **Consumers Price Index (CPI)** annually;

II. The **connection applicant** has not opted out in writing;

III. It is feasible that other subsequent **connection applicants** may seek to **connect** to all or part of the **connection works** (excluding **network capacity upgrades**). Consequently, the scheme excludes **connection works** funded by **connection applicants** that cannot be reasonably used by other subsequent **connection applicants**;

IV. The **connection works** are not considered a **real estate development** (i.e. the development of land for the purpose of on-selling including subdivision, or the construction of a commercial or industrial premises (or both) or multiple new residential premises, or a combination of those); and

V. The date of the first **connection charge** payment made by the **first pioneer** did not occur more than seven years ago or it is less than seven years since that payment, but Vector and all **pioneers** subsequently have agreed to terminate the scheme.

(b) **Vested pioneering works**

I. Where a customer has constructed or funded **connection works** (excluding **network capacity upgrades**) that are subsequently transferred to Vector and meet the threshold above, those works may form part of a **vested pioneer scheme**. Vector will treat such schemes consistent with the requirements for non-**vested pioneer schemes**.

(c) Acquired **Pioneer Schemes**

I. Where Vector acquires a distribution network or part thereof that is subject to an existing **pioneer scheme**:

i. The terms of the scheme and the selling distributor's policy shall be preserved;

ii. Vector shall administer the scheme in accordance with the original determinations and policy of the entity from whom the **pioneer scheme** was acquired.

D2. Determination of pioneer scheme connection charges, contributions and rebates

(a) Vector shall determine the **pioneer scheme connection charges** and any other charges related to the **pioneering connection works** or **vested pioneering works** of the **first pioneer** as follows:

I. Use the actual cost of the **pioneering connection works** or **vested pioneering works** if known or if not known the estimated costs of the **pioneering connection works** or **vested pioneering works**. The actual costs may not be known as Vector may not have undertaken the construction of the **pioneering connection works** or **vested pioneering works**. If Vector uses information provided by a third party to assist with the determination of an estimate, Vector will take all reasonable steps to determine the information is accurate;

II. By applying the **connection enhancement** cost principles as set out in this methodology;

III. By applying the capacity costing principles as set out in this methodology; and

IV. By applying all other relevant principles set out in this methodology as appropriate.

(b) Vector shall determine the **connection charges** and any other charges of **subsequent pioneers** or other **connection applicants** that **connect** to a **pioneer scheme** by:

I. Determining the **pioneer scheme contribution** as follows:

i. Use the actual cost of the **pioneering connection works** or **vested pioneering works** if known or if not known the estimated costs of the **pioneering connection works** or **vested pioneering works**. The actual costs may not be known as Vector may not have undertaken the construction of the **pioneering connection works** or the **vested pioneering works**. If Vector uses information provided by a third party to assist with the determination of an estimate Vector will take all reasonable steps to determine the information is accurate;

ii. Apply a depreciation period of 20 years to the costs of the **pioneering connection works** or **vested pioneering works** when calculating the present-day value of those costs when determining **pioneer scheme contributions**;

iii. Take into account shares of the length and capacity of the **connection works** (excluding a **network capacity upgrade**) of the **pioneer scheme** amongst the parties connected and / or connecting to the **pioneer scheme**; and

iv. Set the **pioneer scheme contribution** to zero if the contribution is determined to be less than $1,000 in December 2025 dollars adjusting for the 12-month movement ending on 31 March in the previous calendar year of the **CPI** (all groups) after deducting a reasonable administration fee.

II. Applying the **connection enhancement** cost principles as set out in this methodology;

III. Applying the capacity costing principles as set out in this methodology; and

IV. Applying all other relevant principles set out in this methodology as appropriate.

D3. Rebates

(a) Vector will determine **rebates** to pioneers as follows:

I. Share any **pioneer scheme contributions** received by Vector amongst all **pioneers** connected to the **pioneer scheme** in the proportion to the extent each **pioneer** has met the costs of the **pioneering connection works** or **vested pioneering works**, excluding from those calculations the party who paid the **pioneer scheme contribution**. It is recognised that this could result in a rebate of zero;

II. Proportions of the net costs of the **pioneering connection works** or **vested pioneering works** will be determined by calculating all costs in present value terms applying appropriate inflation adjustments using the **CPI** (all groups);

III. Take into account any transmission or grid **connection** assets funded in whole or in part by **connection applicants** under a **pioneer scheme**. Such as:

i. Any funded asset rebates received by Vector under clause 29 of the Transmission Pricing Methodology (TPM);

ii. Any benefit-based charge adjustment events under TPM clause 81(1)(e), (g), (h), (i), or (l);

iii. Any rebate calculations any repricing or reallocation of transmission charges and / or refunds or cost reallocations from Transpower or other parties relating to transmission services; and

iv. Deduct from each rebate the reasonable costs Vector has incurred in administering the scheme.

(b) Eligibility for rebates

I. All **connection applicants** who have met all or some of the costs of the **pioneering connection works** or **vested pioneering works** either directly or via a **pioneer scheme contribution** will be eligible for a **rebate**.

D4. Administration

a) Vector administers the **pioneer schemes** as follows

I. A pioneer scheme contribution is payable by a **connection applicant** to Vector before the **connection applicant's connection works** connecting to the **pioneering connection works** or **vested pioneering works** is livened.

II. A rebate is payable by Vector to **connection applicants** who have met the costs of the **pioneering connection works** or **vested pioneering works** either directly or via a **pioneer contribution** 60 days after Vector receives the **pioneer contribution** to which the **rebate** relates. If the **rebate** relates to more than one **pioneer contribution**, then the 60 days is determined based on when the last **pioneer contribution** is received by Vector.

III. If Vector is unable to locate and **rebate** a **pioneer** after reasonable attempts have been made, Vector will

i. repay the corresponding amount of **pioneer scheme contributions** already collected to those that paid it, in proportion to their contribution and only retain any amount that cannot be repaid; and

ii. no longer collect **pioneer scheme contributions** that would have been paid to the missing **pioneer**.

IV. No **rebates** shall be paid in advance or in anticipation of future **connections**.

V. Vector shall publish this policy on its website along with a register of all active **pioneer schemes**, including location, start date, expiry date, and relevant values (opening and others) of the **pioneering connection works** or **vested pioneering works**.[4]

VI. All **connection applicants** shall be notified of the existence of this policy at the time of application.

[4] Available at https://www.vector.co.nz/personal/electricity/new-connection/simple

Appendix E Connection charge reconciliation

E1. What is a **connection charge reconciliation**? (A simplified explanation):

(a) **Connection charge reconciliation** is a requirement under 6B of the Electricity Participation Code which requires Vector to provide certain information to **connection applicants** regarding their **connection application**. The information is determined by a set of rules and formulas set out in the Electricity Participation Code. As explained above Vector charges **connection applicants** the full incremental cost of the **connection works**.

(b) The **connection charge reconciliation** requires Vector to provide information to the **connection applicant** regarding the following formula:

CC = (IC - IR) + NC where:

CC is the **connection charge**

IC is the **incremental cost estimate**

IR is the **incremental revenue estimate**

NC is the **network cost contribution**

(c) For Vector, the CC should always equal IC as Vector's **connection charge** is 100% of the **incremental cost estimate** resulting from the **connection works**. However, 6B of the Electricity Participation Code requires Vector to also calculate IR and NC to complete the formula. IR is the estimated distribution line charges the **consumer**(s), who may be different from the **connection applicant**, will pay at the **connection** over a set period. The set period differs for residential **connections** and commercial **connections**. Vector's distribution line charges as described above are charges to **consumers** for the use of the **shared network** and therefore IR should in Vector's case always equal NC, which is the contribution to **network** costs i.e. to the **shared network** costs.

E3. What Vector must do

(a) *Provide a reconciliation*
For every **connection** quote for **connection works**, Vector must provide a written reconciliation if requested or notify the **connection applicant** of their right to request one.

(b) *Breakdown of charges*
The reconciliation must show:

I. The **connection charge** (CC) where;

i. **Connection charge** (CC) = Incremental Cost Estimate (IC) – Incremental Revenue Estimate (IR) + Network Cost Contribution (NC)

II. The **incremental cost estimate** (IC): The estimated cost of providing the new **connection**, made up of the following elements:

Incremental Cost Estimate (IC) = **Extension Cost** Estimate (EC) + **Customer-Selected Enhancement** Cost Estimate (CSE) + **Network Capacity Cost** (NCC) + **Incremental Transmission Cost** Estimate (ITC) + **Local Historical Cost Recovery** Estimate (LHCR) + **Operating Cost Loading** (OCL) where:

i. **Extension Cost** (EC) - the incremental cost of building the **minimum scheme** to connect the **connection applicant**, excluding incremental transmission costs.

ii. **Customer-Selected Enhancement** Costs (CSE) - the cost of any extra features or higher standards the customer has requested (e.g., undergrounding, extra capacity).

i. **Network Capacity Cost** (NCC) - the cost of the extra capacity the new **connection** will use on the **shared network**, calculated using Vector's published capacity costing approach as described in Appendix C.

iii. **Incremental Transmission Cost** (ITC) - any additional **incremental transmission costs** resulting from **incremental transmission works** required to enable the **connection works** which includes changes in transmission charges to Vector as a result of the **connection works**.

iv. **Localised Historical Cost Recovery** (LHCR) - is an allocation of Vector selected enhancement costs and / or historical network development costs that Vector has previously made that benefit the **connection works**.

ii. **Operating Cost Loading** (OCL) - is the reasonable assessment of operating costs of the **connection** if the **consumer(s)** at the **connection** are not paying posted distribution line charges.

III. The **incremental revenue estimate** (IR), which has the following elements:

Incremental Revenue Estimate (IR) = **Incremental Distribution Revenue Estimate** (IDR) + **Incremental Transmission Revenue Estimate** (ITR);

i. The **incremental distribution revenue estimate** which is an estimate of Vector's distribution line charges the **consumer(s)**, who may be different from the **connection applicant**, will pay at the **connection** over 30 years for residential **consumers** and, 15 years for non-residential, unless there's a good reason to use a shorter period. Discounted by the **EDB ID Determination** most recent available applicable weighted average cost of capital (WACC) and adjusted for inflation using the Monetary Policy Statement published at the time of the WACC by the Reserve Bank of New Zealand (updated annually).

ii. The **incremental distribution revenue estimate** includes an adjustment by the **Incremental OPEX scaling factor** to recognise that some of the distribution line charges goes to covering incremental operating costs for the connection.

- Where the **incremental cost estimate** includes a zero **operating cost loading**, (the **consumer**(s) at the **connection** will be paying posted distribution line charges) then the **incremental distribution revenue estimate** is multiplied by Vector's **incremental operating cost (OPEX) scaling factor**, determined by the formula:
- **Incremental OPEX Scaling Factor** (OSF) = 1 – [Average Selected OPEX ÷ Average Electricity Distribution Revenue (AEDR)]
- ASO is the average selected OPEX, being the average value over the five most recent available disclosure years of the sum of Vector's operational expenditure relating to service interruptions and emergencies as defined in the **EDB ID Determination** and operational expenditure relating to vegetation management as defined in the **EDB ID determination** and operational expenditure relating to routine and corrective maintenance and inspection as defined in the **EDB ID determination** and any costs described in clause 3.1.2(1)(a) of the Commission's **EDB IMs** which are pass through costs such as rates and levies.
- AEDR is the average electricity distribution revenue, being the average value over the five most recent available **disclosure years**

of a distributor's distribution line charge revenue (excluding revenue relating to pass through of electricity transmission costs) and where all values must exclude goods and services tax and be expressed in real terms with a common base year.

iii. The **incremental transmission revenue estimate** which is an estimate of Vector's transmission pass through costs that the **consumer(s)**, who may be different from the **connection applicant**, at the **connection** will pay over 30 years for residential **consumers** and, 15 years for non-residential, unless there's a good reason to use a shorter period. Discounted by the **EDB ID Determination** most recent available applicable WACC and adjusted for inflation using the Monetary Policy Statement published at the time of the WACC by the Reserve Bank of New Zealand (updated annually).

IV. The **network cost contribution** (NC);

i. The **network cost contribution** is the balancing amount in the reconciliation measured as the difference between the **connection charge** for a **connection** and the **net incremental cost** of that **connection**.

Appendix F Disputes

F1. Purpose

(a) This Appendix explains how Vector will handle disputes about **connection charges**, cost allocation, or reconciliation under the new Electricity Industry Participation Code (EIPC) **connection** pricing rules.

F2. When does this apply?

(a) Applies to any disagreement between Vector and a **connection applicant** about:

I. How **connection charges** are calculated or allocated (e.g., **minimum scheme**, enhancements, capacity costs)

II. Application of published rates or methodologies

III. Reconciliation calculations or breakdowns

IV. Covers all **connection applications** received from 1 April 2026.

F3. Principles

(a) *Fairness and transparency:* Disputes will be handled by Vector promptly, openly, and in good faith.

(b) *Compliance:* Vector follows the process set out in the EIPC.

(c) *Escalation:* If the issue cannot be resolved between Vector and the disputing parties, it can be referred to the Authority's dispute resolution process.

F4. Steps in the dispute process

(a) For applicants who are industry participants

I. *Raise the issue*

i. The applicant should first raise the issue with their Vector contact.

ii. Vector will provide clarification, supporting information, and attempt to resolve the matter informally.

II. *Formal dispute notification*

i. If unresolved, the applicant may submit a written dispute notice to Vector.

ii. The notice should state the issue, reasons for the dispute, and any supporting evidence.

III. *Internal review by Vector*

i. Vector will review the dispute, check compliance with the EIPC, and respond in writing within a reasonable timeframe.

IV. *Escalation*

i. If still unresolved, either party may commence the default dispute resolution process in Schedule 6.3 of the EIPC.

ii. The Authority or the Rulings Panel will apply the **mandatory connection pricing methodologies** to resolve the dispute.

iii. The Rulings Panel may make orders as allowed under the Electricity Industry Act.

(b) For applicants who are not industry participants

I. *Raise the issue*

i. The applicant notifies Vector of the dispute.

ii. Vector will attempt to resolve the dispute in good faith.

II. *Further steps*

i. If unresolved, the applicant can report a breach or possible breach of the EIPC under the Electricity Industry (Enforcement) Regulations 2010.

ii. The applicant can also make a complaint to Utilities Disputes Limited, which operates as a designated dispute resolution scheme.

(b) What can be disputed?

i. Disputes can be raised about the application of the **mandatory connection pricing methodologies** (**minimum scheme**, **capacity costing requirements**, reconciliation, etc.).

ii. Some matters are excluded from the dispute process and are instead enforced through the standard EIPC breach process (e.g., requirements to publish **pioneer scheme** policies, provide information to the Authority, or establish a **pioneer scheme**).

(c) Applicant rights

i. Request a full reconciliation of charges

ii. Receive clear explanations of cost components

iii. Escalate unresolved disputes to the Authority or Utilities Disputes Limited

(d) Record keeping

i. Vector will keep records of all disputes, correspondence, and outcomes for compliance and reporting purposes.

F5. Summary

Step	Action
1	Customer raises issue with Vector contact
2	Vector provides clarification and attempts informal resolution
3	If unresolved, customer submits formal dispute notice
4	Vector reviews and responds in writing
5	If still unresolved, either party may escalate to the Authority (participants) or Utilities Disputes Limited (non-participants)