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Electricity Authority

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## **Cross-submission: Reducing barriers for new connections: up-front charges and distributor obligations**

1. This is Vector's cross submission on Parts A & B of the Electricity Authority's (the Authority) consultation paper "Reducing barriers for new connections: up-front charges and distributor obligations" (Consultation Paper).<sup>1</sup>
2. No part of this cross-submission is confidential; it can be shared publicly.
3. We are happy to discuss any part of this cross submission with the Authority if required, we can also make available the experts we have engaged in our submission to discuss their reports if that would be of use to the Authority.
4. Vector's cross-submission summarises and responds to key issues and themes raised across submissions (including Vector's submission and other stakeholders' submissions) and reiterates and refines our requests of the Authority.

### **1. Key issues and themes raised across submissions**

5. Vector's original submission (and the expert reports from HoustonKemp and Oxera) raised concerns that the Consultation Paper does not establish a robust, evidence-based case for intervention; introduces novel and ill-defined pricing concepts (including the 'balance point' and 'neutral point' framing); risks undermining competition for connection services; and does not adequately address impacts on existing customers, financeability, or regulatory coherence.
6. The submissions raise a set of recurring themes. Vector's submission identifies concerns across problem definition, economics and pricing theory, regulatory practice and coherence; many other submissions also raise similar concerns or request clearer guidance. The key themes are summarised below:
  - Need for clearer problem definition and stronger evidence before intervention.

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<sup>1</sup> Electricity Authority, *Reducing barriers for new connections: up-front charges and distributor obligations*, [https://www.ea.govt.nz/documents/8620/Reducing\\_barriers\\_for\\_new\\_connections\\_-\\_Consultation\\_paper.pdf](https://www.ea.govt.nz/documents/8620/Reducing_barriers_for_new_connections_-_Consultation_paper.pdf)

- The balance point is not operationally defined and risks regulatory uncertainty without clear guidelines and safe-harbours.
- Risk of cost shifting/cross-subsidies onto existing customers if up-front charges are constrained and/or if uneconomic connections must be supplied.
- Need for safeguards/exceptions within any obligation to connect/supply.
- Need to coordinate changes with Part 4 settings and ensure implementability/timing is realistic.

## 2. Problem definition, evidence and “excessive” charges

7. At this stage, in Vector’s view, the Authority’s has not established significant problems and provided sufficient evidence that clearly warrant the proposed targeted intervention in select Electricity Distribution Businesses’ (EDBs) connection charges.
8. Multiple distributors and sector bodies align with Vector’s view and question whether the Authority has produced sufficient evidence of systemic overcharging or pricing inefficiency and request clearer criteria for what constitutes ‘excessive’ charges and what triggers intervention, (e.g. Westpower; Horizon Networks; Electricity Networks Aotearoa (ENA); Entrust; Counties Energy).

9. Westpower submitted:

*“The paper implies that a small number of distributors may be over-recovering on new connections, yet the Authority has been unable to provide evidence of this behaviour, despite requests to do so. The mere presence of complaints does not establish overcharging.”<sup>2</sup>*

10. Horizon Networks submitted:

*“The Electricity Authority has not identified a systemic problem that justifies regulatory intervention.”<sup>3</sup>*

*“The problem that the Authority is seeking to address is ill-defined and lacks merit.”<sup>4</sup>*

*“Horizon Networks considers that jumping straight to a Code amendment is unnecessary, as the Electricity Authority has not identified a clear need for regulation, or*

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<sup>2</sup> Westpower, pg. 2

<sup>3</sup> Horizon Networks, pg. 1

<sup>4</sup> Horizon Networks, pg. 4

*that EDBs are deliberately charging connection applicants more than the upfront costs to connect (including network capacity costs).”<sup>5</sup>*

11. Electricity Networks Aotearoa submitted:

*“...raises questions about whether the evidentiary base underpinning the Authority’s problem definition and proposed interventions was sufficiently developed...”<sup>6</sup>*

*“... we are disappointed that the Authority is still using anecdotal evidence of supposed ‘high costs of connections’. Unfortunately, just because costs are ‘high’, doesn’t mean they aren’t justified.”<sup>7</sup>*

12. Entrust submitted:

*“We do not consider that the Authority has demonstrated there is a problem with current pricing practices or that intervention is justified. The Authority has not established evidence of ‘excessive’ connection charges or what it considers would be ‘excessive charges’.”<sup>8</sup>*

*“The Authority has not provided a definition or explained what it means by “excessive charges” and has instead clarified that “there is not a bright line test to determine when up-front charges are ‘excessive’”. We think the lack of a clear definition makes it difficult to conclude there is a problem with excessive charges that justifies regulatory intervention.”<sup>9</sup>*

*“Entrust considers that the Authority has not adequately meet its code amendment principles, including that it has not provided a clear case for regulation. The Authority has left itself prone to repeat of the earlier criticisms that it provided very little evidence to support its problem definition.”<sup>10</sup>*

13. Counties Energy pg. 8

*“We also consider the EA’s analysis of connection stress is incomplete as it has not shown empirically that high upfront charges have materially impacted the connection uptake (or electrification efforts) across individual distribution networks.”*

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<sup>5</sup> Horizon Networks, pg. 9

<sup>6</sup> ENA, pg. 3

<sup>7</sup> ENA, pg. 6

<sup>8</sup> Entrust, pg. 2

<sup>9</sup> Entrust, pg. 5

<sup>10</sup> Entrust, pg. 6

14. Meridian’s submission provided their recent project data reports across 22 high-capacity public EV charging connection projects as evidence of significant regional variation in upfront customer contributions. Meridian submitted:

*“This has led us to focus on sites that can be established easily and at lower cost. Ultimately this is likely to result in fewer charge points being delivered.”<sup>11</sup>*

15. Variation in upfront customer contributions does not necessarily reflect excessive or inefficient charges. Differences may arise from factors like required traffic management, ground conditions for civil works, and distance to the existing network. If contributions are allowed to fall below the incremental connection cost, cross-subsidies may result, potentially encouraging inefficient connections that increase costs for existing customers.
16. As outlined in Vector’s submission on the consideration of existing customers, customer research indicates strong opposition to funding public EV charging stations through higher electricity bills, with only 4% of New Zealanders supporting this approach, while 92% favour funding by a mix of private charging providers, government, and/or EV owners and drivers.<sup>12</sup>
17. Vector supports a more evidence-based approach to diagnosing harm and designing remedies. Vector’s submission notes that rising reliance levels are a weak proxy for inefficient pricing and that the Authority should demonstrate whether prices are outside subsidy-free bounds (equal to greater than incremental costs, and less than standalone costs).

### **3. Balance point principle workability**

18. The balance point principle is expressed as a comparison rather than a cost test, and—because key terms are not clearly defined in the Consultation Paper—distributors must rely on subjective judgements (e.g., what counts as ‘shared network cost’, ‘commensurate’, comparable connections, and relevant timeframes), making compliance with the proposed Code amendment difficult to determine, especially where methodologies have changed over time.
19. A large set of submissions also note that the balance point concept is difficult to quantify and risks regulatory uncertainty and effectively shifts discretion into ex post intervention without operational guidance, safe-harbours, and transparent benchmarks (e.g. Electricity Networks Aotearoa; Entrust; Powerco; Counties Energy; Orion; Horizon Networks; Property Council).

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<sup>11</sup> Meridian, pg. 3

<sup>12</sup> Vector, pg. 15

20. Electricity Networks Aotearoa submitted:

*“ENA has significant concerns with the proposal to codify the balance point in circumstances where there is no agreed or operational method for calculating it. It seems an example of poor regulatory practice to codify a requirement that neither side can quantify. Absent a measurable and agreed methodology, the requirement risks being non-operational and difficult to enforce, creating uncertainty for both the Authority and EDBs.”<sup>13</sup>*

21. Entrust submitted:

*Entrust is concerned that the proposals could result in substantial regulatory uncertainty and application of the ‘balance point principle’ could be problematic. Entrust anticipates there would be a number of substantive problems for electricity distributors trying to comply with the ‘connection charge balance point principle’ in an economically meaningful and robust way that would also satisfy the Authority. The draft Code amendments are vague, ill-defined and open to considerable scope for differences in interpretation.”<sup>14</sup>*

22. Powerco submitted:

*“in practice estimating the balance point is a lot more complex, and we believe the Authority needs to be clear and transparent how it will calculate the balance point and then also use it compare across EDBs,” and “highlights some of the complexities associated with calculating the balance point principle in practice, in which the Authority will need to determine a methodology for.”*

*“the Authority needs to have a clear framework for what it will consider when ‘scanning’ and also what will trigger an investigation and/or further activity, and direction i.e. are there benchmarks EDBs need to meet. Regulatory certainty is essential so both EDBs and the Authority are aware what the threshold and criteria are for an investigation to be triggered as it provides certainty and removes judgment/discretion from the decision.”<sup>15</sup>*

23. Counties Energy submitted:

*“From its proposed Code amendments, it is unclear how the EA intends to assess a distributors’ balance point’ pricing to decide if a distributor’s connection pricing methodology is ‘inefficient’ and whether intervention is warranted.”*

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<sup>13</sup> ENA, pg. 4

<sup>14</sup> Entrust, pg. 7

<sup>15</sup> Powerco, pg. 4

*“Our key concern is that it is unclear how the ‘balance point’ principle would be applied in practice. This is because it is challenging to determine whether a new connection is cross-subsidising existing connections from upfront charges alone (ie the ‘balance point’ principle).”<sup>16</sup>*

24. Orion submitted:

*“Orion is concerned that for EDBs, and by extension stakeholders, it is unclear what is the correct balance point when it comes to real world implementation.”*

*“Orion is concerned that EDBs are being expected to undertake considerable work to ensure connection charges are aligned with a balance point principle (that is not well understood) to ensure charges are not excessive (which is undefined).”<sup>17</sup>*

25. Horizon Networks submitted:

*“The balance point principle lacks a clear calculation methodology, making compliance and enforcement problematic. Without clarity, EDBs may overcorrect or under correct, creating inefficiencies.”*

*“It is still not clear what behaviour, the Electricity Authority would like to see from EDBs, and as a result, EDBs will not be able to take steps to update their connection charges to reflect this principle.”<sup>18</sup>*

26. Property Council submitted:

*“...that there is a lack of clarity in the application of the [balance point pricing] amendment. The paper does not specify how “commensurate” will be measured or what remedial benchmarks the Authority will apply. Without clear metrics, distributors and access seekers lack the certainty required to understand when pricing breaches the principle or when intervention may occur.”<sup>19</sup>*

27. It is important, if the Authority goes ahead with the balance point principle, that the Authority ensures they provide sufficient detail to ensure that EDBs can determine if their current connection prices are compliant with the balance point principle or not. It is our view that it would be a poor outcome if EDBs and other stakeholders could not determine if an EDB complies or does not comply with the balance point principle and that compliance can only be determined through the targeted intervention process.

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<sup>16</sup> Counties Energy, pg. 2

<sup>17</sup> Orion, pg. 2

<sup>18</sup> Horizon Networks, pg. 9

<sup>19</sup> Property Council, pg. 3

#### 4. Statutory Objectives

28. Meridian appeared to submit that the balance point principle is consistent with the Authority's statutory objective of promoting efficiency:

*"This provides an efficiency rationale, consistent with the Authority's statutory objective, for bringing connection charges back down to balance point (or lower) if allocation has been trending up – i.e. to unwind increases."*<sup>20</sup>

29. Vector considers the proposals are not clearly linked to the Authority's statutory objective of promoting economic efficiency and competition, noting that the 'balance point' appears primarily intended to address inter-generational equity (i.e., differences between new and existing customers' contributions to sunk/shared costs) rather than an efficiency concern. This appears to be consistent with CEPA's support of the balance point principle on inter-temporal price discrimination grounds rather than referencing the Authority's statutory objectives of economic efficiency or competition. This topic is covered in detail in our expert report from HoustonKemp.

#### 5. Jurisdiction

30. Powerco submitted that they agree that the Authority has jurisdiction under section 32 of the Electricity Industry Act (EIA) to regulate obligations to connect and supply.

*"In this consultation the Authority has confirmed its jurisdiction to regulate obligations to connect and supply under section 32 of the Electricity Industry Act ... We support the Authority's view that it has jurisdiction to introduce these obligations"*<sup>21</sup>

31. Vector considers that the Authority is acting outside its jurisdiction, and that the proposed obligation to connect are ultra vires under s 32 of the EIA. As outlined in Vector's submission, the Authority has not identified any express statutory authority to connect new load, in contrast to the clear statutory authority for Code requirements to connect distributed generation.
32. Vector also considers that the Authority is acting outside its jurisdiction, and that the proposed 'balance point principle' and related 'targeted intervention' powers are ultra vires under s 32 of the EIA. As outlined in Vector's submission, this is because the EIA prohibits the Code from controlling 'prices' and the 'balance point principle' seeks to control 'prices'.

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<sup>20</sup> Meridian, pg. 2

<sup>21</sup> Powerco, pg. 8

## 6. Competition and Contestability

33. Vector's submission and as also mentioned in the expert report from HoustonKemp, our view is that the Authority has not adequately considered potential competition impacts on the contestable connection services, by combining the connection and network services as a single bundled service.
34. Competition and contestability issues have also been raised in previous consultations without the Authority adequately addressing them as highlighted in the Electricity Networks Aotearoa submission:

*"We note that several submitters raised competition concerns in the previous rounds of consultation in 2024 and 2025. We don't feel the July decision or this paper directly address these concerns. Until recently, it had been our interpretation that the Authority are aware of the competition risks, but that they are making a conscious policy choice, on the basis of the belief that the benefits of the proposed reforms outweigh the risks of lessening third-party competition. Without expressing a view on that position, ENA considers that the Authority should be more explicit about how it has weighed competition and contestability impacts against other policy objectives."*<sup>22</sup>

35. Orion also submitted:

*"Orion also notes that the Authority hasn't sufficiently considered the point that pricing using the balance point concept is unlikely to allow third parties to be competitive."*<sup>23</sup>

## 7. Existing consumers, cross-subsidy and stranded asset risk

36. Vector's view is that capping connection charges below incremental cost would shift bespoke connection costs onto existing consumers via higher ongoing charges, creating or entrenching cross-subsidies, encouraging uneconomic connections, and increasing stranded-asset and financeability risk for distributors.
37. Vector agrees with submitters that stress the need to avoid shifting bespoke connection costs to existing consumers, particularly where revenue recovery is deferred or where uneconomic connections could create stranded-asset exposure.
38. Entrust submitted,

*"100% upfront capital contributions policy is the safest way to ensure existing customers don't end up paying new connections costs. Entrust does not consider it would be*

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<sup>22</sup> ENA, pg. 4

<sup>23</sup> Orion, pg. 5

*efficient or desirable for existing consumers to be exposed to network investment and asset stranding risk because of new connections. Unless existing consumers are compensated for the additional risk through lower prices, they would end up subsidising the new business ventures. Entrust considers that new connection customers are best placed to take on the risk of network enhancements they need.”<sup>24</sup>*

39. ERGANZ submitted:

*“It is important that reforms preserve an appropriate balance between enabling efficient new connections and protecting existing consumers from undue cross-subsidy. Put simply, charges should not be set so high that they deter efficient investment, but nor should they be set so low that the costs of growth are inappropriately shifted onto existing consumers.”<sup>25</sup>*

40. Wellington Electricity submitted:

*“Capital contributions should accurately reflect the true incremental costs driven by new customers or developments. Without this, network investment costs risk being unfairly shifted to the wider customer base...”<sup>26</sup>*

41. Westpower submitted:

*“If new connection costs are recovered through ongoing revenue, that revenue is not available to fund the operation and maintenance of the existing network. This creates a cross-subsidy from existing users to new ones, contrary to efficient pricing principles and the Authority’s own pricing guidelines.”<sup>27</sup>*

42. Fonterra’s submission appears to support EDBs charging the full incremental cost as an upfront capital contribution, unless agreed upon with the remaining costs recovered through bespoke non-standard prices so there is no cross subsidy with existing customers.

*“Fonterra supports the Authority’s proposal to ensure that EDBs can only charge connecting customers the actual cost of the connection, with the optionality to allow customers to make upfront capital contributions to an agreed level. The remaining costs should be recovered via reflective line charges that cover the cost of capital but do not lead to over recovery.”<sup>28</sup>*

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<sup>24</sup> Entrust, pg. 4

<sup>25</sup> ERGANZ, pg. 2

<sup>26</sup> Wellington Electricity, pg. 2

<sup>27</sup> Westpower, pg. 2

<sup>28</sup> Fonterra, pg. 1

43. Contact Energy's submission also appears to support the full connection cost being financed through bespoke up-front costs and/or ongoing charges.

*It is also important to give connecting customers the choice of financing additional connection costs themselves, or having the EDB build those costs into the up-front costs and/or ongoing charges.”<sup>29</sup>*

44. Vector does not agree with submissions advocating that EDBs lines revenues should be incorporated into connection charges. Vector considers this can lead to below-incremental-cost pricing for the connection service, which creates cross-subsidies, encourages uneconomic connections and shifts risk onto households and businesses that may receive no benefit from the new connection as well as undermining contestability. WEL Networks submitted:

*“WEL believes that the cost to connect should take into account the lines revenues to be gained from the connecting party minimise cross-subsidisation.”<sup>30</sup>*

## 8. Transparency and communications

45. Submitters highlight the importance of transparent, consistent information provision, and better communications throughout the connection process. Vector supports transparency and process improvements that improve predictability and reduce disputes, independent of any balance-point principle restraint.

46. Electricity Engineers' Association of NZ submitted:

*“From the customer and developer perspective, it is often this lack of predictability and transparency, rather than any single dollar figure, that creates the greatest barrier to investment.”<sup>31</sup>*

47. Contact Energy submitted:

*“In our view, better visibility and transparency of connection pricing is of key importance.”<sup>32</sup>*

48. Utility Disputes submitted:

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<sup>29</sup> Contact Energy, pg. 1

<sup>30</sup> WEL Networks, pg. 1

<sup>31</sup> Electricity Engineers' Association of NZ, pg. 4

<sup>32</sup> Contact Energy, pg. 1

*“The key theme in Utilities Disputes’ submission is the importance of distributors ensuring their communications are fit for purpose. Fit for purpose communications are an important tool to bring about market efficiencies...”<sup>33</sup>*

49. Property Council New Zealand’s submitted

*“Inconsistent and opaque quotes create major uncertainty for feasibility assessments. For example, one of our developer members mentioned a recent project on Remuera Road where they were required to upgrade the transformer size to 1000kva. The initial estimate provided to them by the distributor was \$250k but the final cost came to \$450k. The distributor refused to show any itemised explanation for the cost increase.”*

50. The increase in the cost of the project the Property Council referred to above was primarily driven by a change of scope and inclusion of civil and traffic management costs associated with the electrical installation. Customers have the choice of either obtaining their own civil contractors or contracting with Vector to provide these services. In this instance the project was originally priced without civil and traffic management at the customer’s request and then varied (again at their request) to include these works. Vector always endeavours to provide appropriate breakdowns of costs for customers as required.

## **9. Supply obligations: clarity, safeguards and exceptions**

51. As raised in our submission, we are concerned the Authority is acting outside its jurisdiction in proposing to introduce an explicit obligation to connect in the Code.
52. That said, we do not oppose an obligation to connect provided appropriate safeguards are in place to ensure only efficient connections occur and existing customers are not obliged to effectively cross-subsidise new access seekers. Vector is committed to ensuring that those who require a connection to our network can do so.
53. Many submitters explained the need for appropriate safeguards and exceptions from the obligation to connect to protect existing consumers. Submitters cited technical feasibility, safety, uneconomic connections, remote reconnections, and embedded/overlapping service areas as areas where safeguards are warranted (see submissions from Vector; Transpower; EA Networks; ENA; Orion; WEL Networks; Unison/Centralines; WELL).
54. For example, Unison/Centralines submitted:

*“Unison supports clarifying distributors’ obligations to provide and maintain connections on fair and reasonable terms. However, this obligation must be interpreted as a*

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<sup>33</sup> Utility Disputes, pg. 3

*requirement to assess and offer a connection only where it is technically feasible, cost-reflective, lawful, and fully compliant with all applicable connection standards and contractual obligations. This includes obligations under the DDA and any customer–trader agreement and is subject to the requesting party being properly authorised to request the establishment of a point of connection at the specified location. The obligation to connect must be subject to the requesting party having or obtaining all necessary occupation and access rights for network connection in relation to the specific land or site, including any easements required over properties affected by the connection works, such as third-party land, Māori land, Crown land, or Department of Conservation land.*

*A strictly literal obligation to connect would compel distributors to proceed with applications regardless of cost, network impacts, land rights, or feasibility. This would drive inefficient or premature investment, create stranded or under-utilised assets, increase costs for existing consumers, and undermine the prudent investment and efficiency objectives of Part 4.”<sup>34</sup>*

55. EA Networks highlighted complexity involved in areas where competition for connections exists:

*“The Authority’s proposal to mandate connection raises several challenges. Unlike other jurisdictions, we don’t operate within defined franchise areas — boundaries often overlap, and many distributors have networks embedded within the service areas of others.*

*On the surface, the Authority’s proposal could be interpreted to mean that an applicant may approach any distributor for a connection. While the cost of requesting a connection from a distant distributor might discourage inefficient choices, determining that cost would impose a significant administrative burden.*

*In areas where multiple distributors operate, it’s unclear whether all would be required to offer a connection. If the obligation falls solely on the local distributor, they risk becoming the default supplier of last resort, absorbing all complex or marginal connections, while other distributors — not subject to the obligation — retain the ability to selectively engage.*

*At the heart of this issue is the recognition that distributors operate as natural monopolies. Regulation is appropriate in such circumstances, but it does not sit comfortably alongside competition. Mandating an obligation to supply without corresponding protections undermines competitive benefits and risks unintended consequences. If such regulation is to be pursued, it should be a deliberate policy*

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<sup>34</sup> Unison/Centralines, pg. 4

*choice, accompanied by safeguards — for example, the definition of franchise areas or other mechanisms to ensure obligations are applied equitably.”<sup>35</sup>*

56. We also encourage the Authority to consider the concern expressed by Transpower about the risk of inefficient outcomes for parties determining whether to seek a connection at the distribution or transmission level. Transpower submitted:

*“The current Default Distribution Agreement (DDA) permits Distributors to decline connection applications, and the Authority is considering removing this option.*

*We consider this provision is important to retain because there are circumstances where a network owner should have the right to deny an application, such as:*

- If the connection would violate system security standards (including thermal, voltage, stability, or protection limits)*
- If the connection would threaten reliability or safety for current users*
- If the required upgrades are excessive compared to the scale of the connection (since connections should encourage efficient investment and pricing, not lead to uneconomic network expansion)*
- If the connection characteristics are more suitable for a grid connection*

*The Authority needs to consider whether removing this provision in the DDA, when coupled with changes to the allocation of costs, could lead to instances of inefficient outcomes such as generators seeking to connect to distribution rather than transmission, if they face different ‘cost reflective’ charges.”<sup>36</sup>*

## **10. Part 4 implications, including EDB financeability and IRIS**

57. We also strongly encourage the Authority to further consider the implications its proposals will have under the Part 4 regulatory framework. Submitters noted the proposals could have implications for financeability, efficient expenditure and performance under IRIS.

58. For example, the Electricity Engineers’ Association of NZ submitted:

*“In considering any form of restraint, it is also important to recognise the broader financeability settings under Part 4. Distributors must retain the ability to recover the prudent and efficient costs of essential LV and MV upgrades; otherwise, pricing restraint could unintentionally defer necessary investment or reduce the sector’s ability to maintain network safety and reliability.”<sup>37</sup>*

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<sup>35</sup> EA Networks, pg. 1-2

<sup>36</sup> Transpower, pg. 1

<sup>37</sup> EEANZ, pg. 5-6

59. Horizons Network submitted:

*“If EDBs are required to connect, but cannot recover the full up-front costs, they effectively become financiers of new connections. This creates an unlimited liability that:*

- may not be fundable through the existing capital expenditure allowances*
- through the IRIS and price-path regimes penalise EDBs price-quality regulated EDBs for exceeding capital expenditure allowances”<sup>38</sup>*

60. The Electricity Networks Aotearoa similarly explained:

*“EDBs are not financial institutions and do not have unlimited access to low-cost capital. An obligation to connect, when combined with prescriptive connection pricing methodologies that require distributors to contribute to the cost of new connections, may expose EDBs to very substantial cumulative funding obligations. If an EDB is required to deliver a series of high-cost connections and has exhausted its capacity to raise efficient debt, it is unclear what options would remain available. Reliance on higher-cost or short-term financing, or ad-hoc funding arrangements, may not be in the long-term interests of consumers or network owners.*

*Secondly, an obligation to connect, coupled with an obligation to contribute to connection costs, may expose EDBs to effectively uncapped aggregate liability for connection expenditure. If an EDB’s financial resources become constrained or exhausted over a period of high connection demand, difficult trade-offs may arise. These could include deferring other critical expenditure such as network maintenance, renewal, resilience investment or storm preparedness; seeking regulatory reopeners (for price-quality regulated EDBs); or recovering additional costs from existing customers in later periods while relying on interim or sub-optimal funding arrangements. The Authority should consider how such outcomes would be avoided or mitigated.”<sup>39</sup>*

## 11. Vector’s recommendations

61. Having regard to submissions, Vector reiterates and refines the following requests for the Authority to consider:

- Undertake further problem definition and evidence gathering before codifying any new price restraints, including demonstrating whether charges are outside subsidy-free bounds.
- Clearly frame its proposed connection pricing interventions in a manner that best promotes its statutory objectives of economic efficiency and competition.

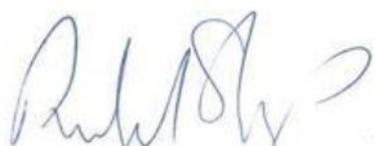
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<sup>38</sup> Horizons, pg. 3

<sup>39</sup> ENA, pg. 9

- If any interim framework proceeds, provide clear, operational guidance on benchmarks, evidentiary thresholds and safe-harbours; and ensure the approach is consistent with good regulatory practice.
- Prioritise transparency and process improvements independent of any price restraint.
- Explicitly assess and address competition/contestability impacts, including the risk of rendering connection services incontestable where charges are set below incremental cost.
- Ensure reforms are coherent with Part 4 settings (including IRIS incentives), price-path timing, and implementation feasibility; avoid additional compliance burdens before April 2026 reforms bed down.
- If supply obligations are pursued, include clear safeguards and narrowly defined exceptions for safety, feasibility and uneconomic connections; and ensure consistency with the DDA framework.

Yours sincerely



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GM Economic Regulation & Pricing