Orion

11 August 2026

Electricity Authority
PO Box 10041
Wellington 6143

Submitted via email to connection.feedback@ea.govt.nz

Consultation Paper – Balance Point Principle Guidance/ BPP framework guidance

Introduction

1. Orion welcomes the opportunity to provide feedback on the guidance paper 'Balance Point Principle Guidance'[1].
2. Orion owns and operates the electricity distribution infrastructure in central Canterbury, including Ōtautahi Christchurch city and Selwyn District. Our network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north to the Rakaia River in the south; from the Canterbury coast to Arthur's Pass. We deliver electricity to more than 233,000 homes and businesses and are New Zealand's third largest Electricity Distribution Business (EDB).

Cost-reflectivity and the balance point

3. Orion submitted to the earlier consultation on distribution connection pricing and obligations[2] that *"Not only does the consultation paper lack a sufficiently clear framework for assessing whether connection charges are excessive or inefficient, there is also ambiguity surrounding what is considered excessive or inefficient. The consultation paper shows that some distributors have increased connection charges, but this does not necessarily prove they are excessive or inefficient."*

4. The balance point principle is fundamental to the Authority's view of an efficient approach to connection pricing. We appreciate the Authority's attention to developing the guidance and we believe it will be a useful resource. The illustrative scenarios with waterfall charts split by contributions and costs are helpful.

5. The balance point guidance reinforces and helpfully makes transparent that historical consistency is key. However, this positioning can be interpreted as historical non-cost-reflective approaches continue to be locked in moving forward e.g. connection pricing doesn't move toward cost-reflective positioning. We see this as a fundamental risk of the balance point principle, also described by limb two as the 'cost-shifting restraint'.

[1] https://www.ea.govt.nz/documents/10487/Balance_point_principle_-_draft_for_comment.pdf
[2] https://www.oriongroup.co.nz/assets/Our-story/Submissions/EA/Orion-submission-distribution-connection-pricing-and-obligations-part-a-b-Feb-2026.pdf

6. As an example, if historical consistency is key then the application of new network capacity costing has the potential to create a step change in capital contributions, if passed through, and price shock to access seekers[3]. The balance point could be used to mitigate this impact thereby representing this step change within the network contribution component of the reconciliation and not in capital contributions to access seekers. By inference they are then recovered through incremental revenue over time. This would be historically consistent but it is unclear whether the EA would consider it to be cost-reflective or worthy of investigation. Some guidance on this matter would be useful.

7. In reality, all components of the reconciliation calculation can have legitimate reasons to move over time. Accordingly, the Authority may often find that the close examination targeted intervention process step will result in valid reasons for shifts in connection charging.

8. Historically, how EDBs have leaned into their financing role will differ and it remains unclear what the EA considers is the appropriate level. By our interpretation, the reference formula[4] referred to in the guidance may help to flush this out- to the extent EDBs engage with this formula. By extension, given price-quality regulated EDBs have a finite investment envelope we understand the EA's desire to align reform to the next DPP reset[5].

Reference Formula

9. Orion would appreciate worked examples or use cases for the reference formula to round out the commentary on it. This will assist practitioners with internal communication of the formula, and ensure it is being applied appropriately.

Targeted intervention process overview

10. Orion appreciates the EA's articulation of key steps and their purpose of the targeted intervention process.

11. The guidance paper provides a number of approaches to self-assessment and regulatory monitoring. We suggest that the EA produce a template model that all EDBs can use to self-assess and monitor. This will improve consistency and efficiency between EA and EDBs, and ensure both parties are collecting and viewing data in the same way. This will be helpful for constructive engagement as we move forward toward 1 April 2030 and support demonstration of a low-cost standardised approach to monitoring and insight.

[3] Noting the consultation on further reform of distribution connection pricing footnote 9 indicates that "distributors retain the option to not allocate capacity costs at all"- https://www.ea.govt.nz/documents/10488/Further_Reform_of_Distribution_Connection_Pricing_-_Issues_Paper.pdf
[4] Clause 2.38 of the consultation document
[5] See section 2.2(d) of the consultation document

Concluding remarks

12. This submission is not confidential and can be publicly disclosed.

If you have any questions or queries on aspects of this submission which you would like to discuss, please contact us on 03 363 9898.

Yours sincerely,

Dayle Parris
Head of Revenue and Regulation