

Northpower

Pioneer Scheme Policy

Effective 1 April 2026

Contents

1	Pioneer Scheme Policy	03
1.1	Coverage of policy	03
1.1.1	Network extensions	
1.1.2	Network extensions that qualify for pioneer schemes	
1.1.3	Pioneer Scheme start and end dates	
1.2	Administering Pioneer Schemes	04
1.2.1	Payment of rebates	
1.2.2	Determining who the rebate is paid to	
1.2.3	When a subsequent connecting customer becomes a Pioneer	
1.2.4	Determining who will be required to pay a Pioneer Scheme contribution	
1.2.5	Pioneer Scheme disclosure	
1.3	Operating the Scheme	05
1.3.1	Determining scheme contributions	
1.3.2	Determining scheme rebates	
1.3.3	Pioneer Scheme contribution and rebate example	
1.3.4	Rebates that relate to funded asset rebates from Transpower	
1.3.5	Details of methodologies for individual pioneer schemes	
1.4	Pioneer schemes will survive any change of ownership of Northpower	07
	Appendix A - Definitions	08

This policy applies to new connections to the Northpower distribution network that use a network extension that was previously funded by another (pioneer) customer. It should be read alongside Northpower's Capital Contribution Policy.

The scope of this policy covers the establishment, administration, financial arrangements and disclosures of the connection services pioneer schemes that Northpower operates within its network.

1 Pioneer Scheme Policy

Northpower operates a pioneer scheme so that a connection applicant who intends to use a network extension that has been previously paid for by another customer will contribute to the cost of the original works. The customer who initially paid for the extension (the First Pioneer) then receives a rebate.

Operating a pioneer scheme helps to ensure that the costs of extension assets and works are shared across connecting parties in a fair and efficient manner.

We have the role of administering the scheme, including collecting Pioneer Scheme contributions, determining whether any later connections will also take on pioneer status, and providing rebates to the Pioneer (or Pioneers).

This policy explains how we determine which extensions qualify as a Pioneer Scheme, the information that we will publish about each scheme, how we determine contributions and rebates, and various other aspects of how we administer the schemes.

Our policy has been developed to meet both the requirements of Part 6B.6 to 6B.9 of the Electricity Participation Code, as well as the policies and practices that guide Northpower connections arrangements.

Appendix A contains the definitions of terms used in this policy.

1.1 Coverage of policy

This policy applies from 1 April 2026 to new network extensions.

1.1.1 Network extensions

Network extensions include works or operating arrangements to provide a connection to the distribution network, or to increase the security or capacity of either: (a) a connection; or (b) any assets owned or operated by a distributor that do not increase the capacity of the shared network.

Network extensions also include extension-like upgrades. These are works or operating arrangements that increase the capacity of the shared network but that substantially benefit only the connecting party, and where this is reasonably considered likely to remain the case.

Network extensions do not include works or operating arrangements associated with customer-owned assets or work covered by a connection administration fee.

Incremental transmission works that are needed to connect a large customer may also be classified as a network extension. However, any portion of an extension cost that relates to a benefit-based transmission charge adjustment event is excluded from Pioneer Schemes.

1.1.2 Network extensions that qualify for pioneer schemes

Network extensions only qualify as a Pioneering Connection Works in the following circumstances:

- (a) If the extension cost initially met by the first Pioneer is more than the Pioneer Scheme threshold. The threshold is \$50,000 in December 2025 dollar terms, adjusted each year by the CPI movement; and
- (b) Where Northpower considers that it is feasible that other parties may seek to connect to all or part of, or make use of, the extension at a later date.

When assessing whether the Pioneer Scheme threshold is met, we will use the actual costs of the network extension where we have that information. If we do not know the actual costs (for example, if the pioneering connection works or vested pioneering works were not constructed or contracted by Northpower), we will use an estimate of the costs of the works. If the First Pioneer provides us with information on the costs of the works, we must be reasonably satisfied that the information is accurate before using that information.

Where the extension qualifies for a Pioneer scheme, we will use the costs determined above as the Opening Value of the Pioneer connection works.

Extensions established for connections that are covered by a Large Connection Contract, as that term is defined in the Commerce Commission's Electricity Distribution Business Input Methodologies, are also not eligible to be a Pioneer Scheme.

Pioneer schemes do not apply to real estate developments.

1.1.2.1 Treatment of vested assets

Vested Pioneer Schemes that cover those parts of our network that were initially owned by a customer, but where we agreed to take ownership of the works and agreed that those works should form a Pioneer Scheme. Vested Pioneer Schemes are administered and operated in the same way as other Pioneer Schemes.

1.1.3 Pioneer Scheme start and end dates

The starting date of a Pioneer Scheme is the date that the first pioneer made its first connection charge payment in relation to the pioneering connection works. If that date is unknown, the starting date of the Pioneer Scheme will be the date on which the first Pioneer's connection was livened.

Pioneer Schemes remain in place for 7 years from the starting date, unless each current Pioneer to the Pioneer Scheme and the distributor agree in writing that the scheme shall cease at an earlier date.

1.2 Administering Pioneer Schemes

We are responsible for the administration of the Pioneer Schemes on our network and we may charge an administration fee, where we consider that fee reasonable to cover the cost of administering the scheme. The administration fee is deducted from Pioneer Scheme contributions before calculating rebates. The administration fee is set at \$250 plus GST per Pioneer Scheme contribution.

1.2.1 Payment of rebates

We will pay rebates applicable under section 1.3.1 below as soon as practicable after the subsequent connecting customer pays us the Pioneer Scheme contribution.

1.2.2 Determining who the rebate is paid to

We will pay applicable rebates to the party or parties that hold Pioneer status. Initially, this will be the connection applicant who paid for the network extension covered by the Pioneer Scheme. For avoidance of doubt, where the connection application is made by a person or entity (for example, an electrician) acting as an agent on behalf of another person or entity, the Pioneer status is not held by the agent.

In some cases, the Pioneer status will transfer to another person or entity. If the person or entity who initially was a Pioneer no longer either owns or occupies the premises that is connected to the network extension covered by a Pioneer Scheme, then we will generally transfer the Pioneer status to the current owner of the premises. However, in some circumstances (for example, where the land is leased) it will be more appropriate for the Pioneer status to be transferred to the occupier. We would make decisions to designate the occupier as the Pioneer on a case-by-case basis.

There may be a change in the holder of Pioneer status in a scheme when the Pioneer status is apportioned between multiple parties, for example, where a property is subdivided. We will consider these situations on a case-by-case basis.

If the event that we are unable to contact a current Pioneer after reasonable efforts, we will reduce the value of the scheme to reflect the portion of total contributions to the scheme that were made by the missing Pioneer. If the Pioneer that we are unable to contact is the only Pioneer of the scheme, then the Pioneer Scheme will be discontinued. For clarity, if the scheme is discontinued, the extension assets and works will still be able to be used by later connection applicants, but there will be no Pioneer Scheme contribution required.

1.2.3 When a subsequent connecting customer becomes a Pioneer

Where the Pioneer Scheme contribution of a connection applicant (as determined according to 1.3.1) is \$25,000 or more (December 2025 dollar terms), adjusted each year by the CPI movement, they will be treated as a Pioneer for the purposes of future Pioneer Scheme rebates.

1.2.4 Determining who will be required to pay a Pioneer Scheme contribution

We will treat all connection applicants who connect to pioneering connection works as subject to paying a contribution to the relevant Pioneer Scheme.

1.2.5 Pioneer Scheme disclosure

We will make each connection applicant aware of this Pioneer Scheme policy and publish this policy on our website.

We use the following approach to provide stakeholders with information about each active pioneer scheme. As a minimum, the following information will be published on our website:

- (i) pioneer scheme reference number
- (ii) the location of the pioneer scheme on the network
- (iii) the start date of the pioneer scheme
- (v) the relevant opening value(s) of the pioneer scheme
- (vi) the expiry date of the pioneer scheme
- (v) the methodology that will be used to calculate contributions for the pioneer scheme

This information is available here: northpower.nz/pioneer-scheme

We update active pioneer scheme details on our website as required. Details of active schemes will be confirmed to applicants during the process.

For queries on existing pioneer schemes, please contact: info@northpower.com

1.3 Operating the Scheme

The following diagram provides stakeholders with overall guidance as to how Northpower calculates pioneer scheme contributions and rebates. Further detail is provided in the following sections.

Figure 1: Calculating contributions and rebates

First Pioneer

If the cost of a connecting customer's network extension (whether paid to the EDB or not) is \$50,000 or more (adjusted for CPI from 2025) and the EDB considers it feasible that the extension will be used by other connections, and other criteria are met, then a Pioneer Scheme is established with the Opening Value being the cost of the Pioneer Scheme works.

Connections using the Pioneer Works

If a connection will use the Pioneer Scheme works, then the connection applicant must pay a contribution towards the depreciated cost. This contribution is in addition to the EDB's applicable connection charges.

Pioneer Scheme contributions are typically calculated using the actual extension costs, deducting straight-line depreciation to get present day value. The depreciated value is allocated across connections that use the Pioneer Scheme according to the use of the extension length (where relevant) and the capacity of each connection. A de-minimus threshold of \$1,000 applies (adjusted for CPI from 2025).

Subsequent Pioneer

Where a connection's contribution is \$25,000 or more (adjusted for CPI from 2025), the connection becomes a subsequent Pioneer

All current Pioneers

Rebates are calculated using the proportion of the actual extension costs that each Pioneer has contributed, after deducting an administration fee.

1.3.1 Determining scheme contributions

Pioneer scheme contributions, payable by a connecting customer, are calculated using the depreciated value of the Pioneer Scheme works. Depreciation is applied over 20 years using a straight-line depreciation method. To calculate the depreciated value of the Pioneer Scheme Works, we multiply the Opening Value of the works by a depreciation factor, where the depreciation factor is calculated as:

$$\text{Depreciation factor} = (20 \text{ years} - \text{years since starting date of the Pioneer Scheme}) / 20 \text{ years}$$

For example, where a Pioneer Scheme had an Opening Value of \$100,000 and a contribution is to be calculated 6 months after the commencement of the Pioneer Scheme, then the depreciation factor will be: $(20 \text{ years} - 0.5 \text{ years}) / 20 \text{ years} = 0.975$. In this example, the depreciated value of the Pioneer Scheme Works will be \$97,500.

When we calculate Pioneer Scheme contributions, we take the following factors into account:

- where the Pioneer Scheme works are a physical length of line or cable, the length of line or cable that the connection applicant will use relative to the use by all customers connected to the extension; and
- in all cases, the amount of capacity (kVA) that will be used by a connection applicant relative to the capacity of other existing connections that are connected to the extension.

More specifically, where the Pioneer Scheme works include line or cable, the contribution required from a connection applicant is calculated by apportioning the depreciated value of the Pioneer Scheme works between the parties connecting to the extension according to the capacity (kVA) of each connection multiplied by the length (km) of the Pioneer Scheme line that is used by the connection.

Where the Pioneer Scheme works do not include a physical line or cable component, the contribution required from a connection applicant is calculated by apportioning the depreciated value of the works between the parties connecting to the extension according to the capacity (kVA) of each connection.

If we calculate that the contribution for a connection applicant would be less than \$1,000 (December 2025 dollar terms, adjusted each year for CPI), then we would not require a contribution.

1.3.2 Determining scheme rebates

Rebates are calculated according to the proportion of the actual extension costs that each Pioneer has contributed at the time of the calculation, after deducting an administration fee.

1.3.3 Pioneer Scheme contribution and rebate example

To demonstrate how the contribution calculation works, we provide an example where:

- (1) the Opening Value of a Pioneer Scheme that provides a network extension is \$100,000, which includes the cost of 0.5 km of line,
- (2) a second connection applicant connects to the Pioneer Scheme Works 0.5 years after the starting date of the scheme, when the depreciated value of the Pioneer Scheme Works is \$97,500,
- (3) the first Pioneer's connection has 100 kVA capacity
- (4) the second connection applicant's connection is also 100 kVA capacity and also uses the full 0.5 km of line.
- (5) The Pioneer Scheme administration fee is \$250.

In that case, the second connection applicant's contribution will be calculated as:

$$\text{Contribution} = \$97,500 \times \frac{100 \text{ kVA} \times 0.5 \text{ km}}{100 \text{ kVA} \times 0.5 \text{ km} + 100 \text{ kVA} \times 0.5 \text{ km}} = \$48,750$$

We will provide a rebate to the first Pioneer of \$48,500 (\$48,750 minus the administration fee of \$250). The second connection applicant will become a subsequent Pioneer.

In this same example, assume that a third connection applicant wishes to use the Pioneer Scheme which works 2 years after the start date. The third connection applicant will have a 20 kVA connection that uses 0.1 km of the Pioneer Scheme network extension. In that case, we would calculate the contribution of the third connection in the following way:

In this case, the third applicant will pay a contribution of \$1,764.71.

$$\text{Depreciation factor} = \frac{(20-2)}{20} = 90\%$$

$$\text{Depreciated value of Pioneer Scheme Works} = 90\% \times \$100,000 = \$90,000$$

$$\text{Contribution} = \$90,000 \times \frac{20 \text{ kVA} \times 0.1\text{km}}{100 \text{ kVA} \times 0.5\text{km} + 100\text{kVA} + 0.5\text{km} + 20\text{kVA} \times 0.1\text{km}}$$

$$= \$1,764.71$$

To calculate the rebates that we would pay to the first and second Pioneers, we first calculate the contribution balance of each of the two Pioneers:

$$\text{Contribution balance of first Pioneer} = (\$100,000 - \$48,500) = \$51,500$$

$$\text{Contribution balance of second Pioneer} = \$48,750$$

The rebate provided to the first Pioneer will be:

$$= (\$1,764.71 - \$250) \times \frac{\$51,500}{\$51,500 + \$48,750}$$

$$= \$778.13$$

And the rebate provided to the second Pioneer will be

$$= (\$1,764.71 - \$250) \times \frac{\$48,750}{\$51,500 + \$48,750}$$

$$= \$736.58$$

The third applicant does not qualify for Pioneer status.

1.3.4 Rebates that relate to funded asset rebates from Transpower

Where a funded asset rebate is provided to us by Transpower,¹ and the funded asset is covered by a Pioneer Scheme due to incremental transmission works being paid for by one or more Pioneers, we will distribute the rebate to the Pioneer (or Pioneers) using a similar methodology to that discussed above.

1.3.5 Details of methodologies for individual pioneer schemes

Sections 1.3.1 to 1.3.4 describe the general costing and pricing methodologies that we will use for Pioneer Schemes. When a pioneer scheme is established, we will determine the details of the specific costing and pricing methodologies that apply for that pioneer scheme to determine contributions and rebates. For example, whether both capacity and distance are relevant, or only capacity. Our methodology for each individual pioneer scheme will also explain how we will determine who is eligible to receive rebates.

1.4 Pioneer schemes will survive any change of ownership of Northpower

If Northpower is acquired by another distributor, then the purchasing distributor must not change any aspect of the matters that have been determined for individual schemes that have been established under this policy, unless each pioneer to a pioneer scheme and the distributor agree in writing to a change. Similarly, an acquiring distributor must not change the policy that applies to those schemes, unless each pioneer to a pioneer scheme and the distributor agree in writing to a change.

An acquiring distributor must continue to administer and comply with the requirements of each established pioneer scheme policy, including with respect to the methodologies used to calculate contributions and rebates, and in disclosing information about the schemes.

¹ Under clause 29 of the Transmission Pricing Methodology.

Appendix A - Definitions

The definitions used in this policy document are consistent with definitions in the Code, in particular:

- **acquired pioneer scheme** means a pioneer scheme established by a distributor (the selling distributor) in accordance with clause 6B.7 relating to pioneering connection works carried out by a distributor that relate to the distribution network of a distributor, where ownership of the distribution network on which the pioneer scheme is established or relates or the part of a distribution network on which the pioneer scheme is established or relates, is transferred to another distributor (the buying distributor). Connection works means an extension or a network capacity upgrade
- **connection applicant** means a person who—
 - (a) applies to a distributor to connect any load owned or operated, or to be owned or operated, by the person to the distributor’s distribution network, or to a consumer installation that is connected to the distribution network, including by an extension; or
 - (b) is a consumer, and applies to a distributor—
 - (i) to increase the security, or change the capacity of, the load connection provided to the consumer at the connection between the consumer installation owned or operated by the consumer and the distributor’s distribution network; or
 - (ii) to change to or from a flexible connection; and
 - (iii) includes where any of the connection applications in subparagraphs (i) and (ii) involves allocating additional network security or capacity, with or without associated physical works
- **connection charge** means—
 - (a) any price, fee, tariff, charge or other similar monetary impost or cost, or any part of any price, fee, tariff, charge, or other similar monetary impost or cost and that is, either directly or indirectly, imposed or required, or agreed by a distributor in relation to connection works for a connection applicant or is otherwise applied for the purposes of, or has the effect of, recovering connection works costs directly or indirectly from a connection applicant;
 - (b) excludes any connection fees or pioneer scheme contributions
- **connection pricing methodologies** means the pricing methodologies that each distributor publishes, setting out how it determines connection charges
- **Consumers Price Index** means the Consumers Price Index (all groups) published by Statistics New Zealand or, if that index ceases to be published, any measure certified by the Government Statistician as being equivalent to that index
- **CPI movement** means, for the purposes of Part 6B, the percentage movement in the **Consumers Price Index** for the 12-month period ending on 31 March in the previous calendar year
- **customer-selected enhancement** means any enhancement to the relevant minimum scheme requested, and agreed to in writing, by a connection applicant
- **extension** means—
 - (a) works or operating arrangements to provide a connection of, or to increase the security or capacity of or at, a point of connection or of any assets owned or operated by a distributor that do not increase the capacity of the shared network; or
 - (b) an extension-like upgrade; or
 - (c) incremental transmission works; but
 - (d) does not include works or operating arrangements associated with customer-owned assets or work covered by a connection fee
- **minimum scheme** means the least-cost solution for any connection works provided by a distributor, including for security and firmness of capacity, in accordance with the distributor’s connection and operation standards or a different standard if agreed to in writing between the connection applicant and the distributor
- **pioneer** means—
 - (a) the connection applicant referred to in paragraph (a) of the definition of pioneering connection works (the first pioneer); and
 - (b) any connection applicant who subsequently connects to the pioneering connection works (a subsequent pioneer) and—

- (i) who makes a pioneer scheme contribution of more than the amount of \$25,000 in December 2025 dollar terms, adjusted each year by the CPI movement, or a lesser amount specified by the distributor; and
 - (ii) is determined by the relevant distributor to be a pioneer under clause 6B.7(1)(b)
- **pioneering connection works** means an extension where—
 - (a) the portion of the extension cost initially met by a connection applicant is more than the pioneer scheme threshold; and
 - (b) the connection applicant has not opted out of applying a pioneer scheme to the extension by agreeing in writing with the relevant distributor that the extension should not form part of a pioneer scheme; and
 - (c) it is feasible that other parties may seek to connect to all or part of, or make use of, the extension at a later date; but
 - (d) excludes an extension where the extension costs are established using posted connection charges; and
 - (e) excludes any portion of the extension cost relating to a benefit-based charge adjustment event
- **Pioneer Scheme threshold** means the amount below which a pioneer scheme does not need to be established.
- **Pioneer Scheme** means—
 - (a) an arrangement that covers any part of a distributor’s network or the distributor’s grid connections that comprises pioneering connection works, and includes an acquired Pioneer Scheme; and
 - (b) a vested Pioneer Scheme.
- **pioneer scheme contribution** means a payment to be made by a connection applicant to a distributor—
 - (a) determined in accordance with clause 6B.8; and
 - (b) any similar legally binding obligation put in place for any connection works built or established for a single consumer prior to 1 April 2026
- **pioneer scheme policy** means a policy published in accordance with clause 6B.9
- **Pioneer Scheme pricing methodology requirements** means the mandatory connection pricing methodologies set out in clauses 6B.6 to 6B.9.
- **posted connection charge** means a connection charge that is published by a distributor that applies to any connection of a type that meet requirements specified by the distributor
- **posted extension rate** means a unit rate that has been published by a distributor for use in building up extension cost estimates for connections of a type specified by the distributor that meet requirements specified by the distributor
- **rebate** means any disbursement, credit or deduction made to a pioneer by a distributor in accordance with clause 6B.8(5) of the Code
- **real estate development** means the development of land for the purpose of on-selling, including its development in one or more of the following ways:
 - (a) subdivision;
 - (b) the construction of commercial or industrial premises (or both);
 - (c) the construction of multiple new residential premises

Other relevant definitions:

- **Code 6B.[X]** refers to the relevant parts of the amendments that the Authority have made to the Electricity Participation Code in its July 2025 Decision.
- **Chargeable connection services** refer to the relevant definitions of these services that are described in Part 6b of the Code.

