Northpower

Capital Contributions Policy

Effective 1 April 2026

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This policy applies to customers requesting either a new connection, or a connection alteration to Northpower's distribution network.

1 Background

The Electricity Authority has made changes to the Electricity Participation Code (the Code) by regulating mandatory connection charging arrangements, with the aim of better outcomes for connection applicants and more standardised policy and implementation arrangements across Electricity Distribution Businesses (EDBs).

The previous Northpower's Capital Contributions Policy has been updated to reflect these Code changes.

2 Introduction and Purpose

Northpower owns and operates the electricity distribution network, which delivers electricity to more than 63,000 homes and businesses across the Whangarei and Kaipara regions. The network covers a wide geographic area from Pouto in the south to Bland Bay in the north, and includes Whangarei city and Dargaville township, as well as extensive rural areas.

Northland is one of the fastest-growing regions in the country. Growth in the coming years is expected to be concentrated in Mangawhai, Marsden Point, and within Whangarei urban areas around Maunu, Tikipunga and Three Mile Bush Road.

We recover the cost of owning and operating the existing network through lines charges. However, when new customers want to connect or existing customers want to increase their capacity, it may be necessary to build network extensions and/or upgrade the network to provide that capacity.

This policy sets out the capital contribution from new customers and existing customers wanting to increase their capacity and has been developed to meet the requirements of S6B.3 to S6B.11 of the Electricity Participation Code.

3 Principles

In developing this policy, we have considered how we fund growth fairly, balancing the interests of all stakeholders – both current and future – and reflecting our consumer ownership structure. The following principles underpin our approach:

- Deliver low electricity lines charges for consumer owners.
- Meet our consumer owners' perception of "fair".
- Avoid cross-subsidies between existing and new consumers.
- Simple, understandable, and easy to administer.
- Support network growth to build economies of scale and reduce average cost to consumers.
- Encourage sustainable economic growth in Northland.

4 Policy

4.1 Scope

The scope of the Policy relates to all new and existing connections on the Northpower electricity network that are load customers. For the avoidance of doubt, the Policy also applies to the load component of hybrid connections that have both load and generation, including Battery Energy Storage System (BESS).

4.2 Effective period

This policy applies from 1 April 2026.

4.3 Definitions

See Appendix A.

4.4 Applications

To connect to the Northpower network or make a change to your existing connection, you need to complete an 'Application for work' on our website (www.northpower.nz). We will assess your connection requirements and let you know the relevant capital contribution charges required.

1) Offers to connect priced under the previous policy

Where we approved a connection application prior to 1 April 2026, if you did not accept our offer to connect and pay the capacity charge in full within 30 days of our offer being issued (or other timeframe as indicated on the offer), the offer will expire and will need to be requoted under our current policy.

2) Accepting our offer

If you do accept our offer to connect and pay the capacity charge within 30 days of the offer being issued (or other timeframe as indicated on the offer), the electrical works must be commenced as soon as reasonably practicable thereafter (i.e., as soon as the electrical contractor is available, provided they are not unduly delayed). If the electrical works are in Northpower's opinion unduly delayed, including due to non-availability of an electrical contractor or completion of civil construction, a new application will be required, the capital contribution charge for which will be charged under the then-current policy.

4.5 Capital contribution charge

Capital contribution charge is the connection charge for your new connection or alteration to existing connections that require an increase in capacity. This includes all applicable components under connection costs as described in Appendix B. Typically, the two main components are:

1) Extension cost

An extension cost is where you purchase, install, and vest to us new electrical assets such as poles and conductors, to extend and/or upgrade our network dedicated to your connection from the nearest point with sufficient capacity, to your proposed point of connection. Your point of connection is the handover point from our network to your private service line or reticulation, and is generally the pillar or fuse at or near your property's boundary.

This generally means extending the 400V lines from their nearest point to your point of supply, but depending on the required capacity and location of your proposed connection, you may need to fund the build of new assets back to (or re-conductor back to) an 11kV line, or a substation. You will need to cover all costs to build and connect these new assets.

You must use a Network Approved Contractor to undertake the extension/upgrade work. The extension/upgrade must comply with our standards before we accept the assets for vesting and before connecting the new assets to our network. If the assets cross over private land, we will require easements to grant us a legal right to own and access assets on the private land.

Further information can be found in our Customer Initiated Works Standard.

Assets must be in new condition. We will not accept the vesting of second-hand assets to be fair to those consumers who have had to invest in new assets, and to prevent consumers vesting assets when significant maintenance or replacement is due.

The extension/upgrade must then be vested (i.e., gifted) to Northpower. Northpower then takes over the responsibility for operation and maintenance of the assets and ultimately replaces them (at Northpower's cost) at the end of their useful life. Northpower does not include vested assets in its Regulatory Asset Base and therefore does not earn a profit from the assets which are vested into it. We effectively operate and maintain these assets at cost, until the assets are replaced at the end of their useful life (generally 30-50 years).

If an extension/upgrade will also provide material and demonstrable benefits to Northpower's existing network, Northpower may assess on a case-by-case basis whether we will fund an appropriate portion of such extension/upgrade. For subsequent connections that will benefit from the works, this will be managed by localised historical cost recovery under S6B of the Code.

Under S6B.4 of the Code, the extension cost must be determined under the minimum scheme, unless agreed otherwise in writing. Customer-selected enhancement costs will be additional to the costs of the relevant minimum scheme, and distributor-selected enhancement costs must not be allocated to customers.

2) Network capacity cost

As network demand grows over time, the capacity built into a network when it was first established is consumed and, eventually, capacity upgrades are needed to maintain security or avoid congestion.

New and upgraded connections are a driver of demand growth, alongside growth in demand from existing connections. As such, it is efficient to allocate the connection-driven component of capacity upgrade costs to connections. This provides cost-reflectivity and helps to avoid existing consumers subsidising connection growth.

Under S6B.5 of the Code, we must calculate and publish posted capacity rates that represent the average cost of adding network capacity at each of the network tiers (sub-transmission line, zone substation, high voltage feeder, distribution substation and low voltage mains) and costing zones. The total network capacity cost essentially represents the cost of capacity of the shared upstream network that the connection is connected to. Please refer to the Posted Capacity Rate Schedule on our website for details of the current rates.

Under S6B.5 (2)&(3) of the Code, if the capacity demand assumption of a connection is greater than 80% of the nominal capacity increment for that network tier, or the estimated cost of adding capacity is more than 150% or less than 80% of the applicable posted capacity rate, we may use the estimated actual cost of adding capacity, rather than the published posted capacity rates.

Specific terms:

- The capacity demand assumption must reflect the capacity of the fuse which the site has been physically fused at. For example, if a site's demand is estimated at 40kVA, and is charged for based on that capacity, it cannot be fused at higher than 40kVA. If fuses are not manufactured for the desired kVA, you will need to select the next size up from your desired kVA. The charge will still be based on the fuse size selected.
- The only exception to this is where we require a customer to spread their load over multiple phases for balancing purposes (e.g. 60 amps across 3 phases). The customer in this scenario would only pay for a standard 1-phase connection, but would be required to only load the combined 3 phases to 60 amps. The baseline for any subsequent upgrades would be the standard 1phase connection that they have paid for.
- Unmetered connections (e.g., telecommunication cabinets, streetlights) may be charged for at the actual kVA required, provided it is under 3kVA. For all other connections, there is a minimum capacity of 15kVA, including for caravan connections and "light supplies". Where a site with less than 15kVA is upgrading, it will need to upgrade to 15kVA as a minimum.
- Where there is not sufficient capacity in the existing network for the customer's proposed development, Northpower would need to build new capacity to connect that development (for example a new substation), which may require the developer to commit to and pay the network capacity costs for all of the proposed connections in that development prior to Northpower commencing design and construction of the required works.
- Network capacity cost will not be refunded if the capacity is relinquished or subsequently not required by the customer, including where the ICP (Installation Control Point) is decommissioned.
- If an ICP is decommissioned and we subsequently receive a request to reinstate power to the site more than 12 months after the ICP was decommissioned, this is treated as a new connection, and a new network capacity cost is payable.
- Capacity allocated to a premises or property may not be transferred or reallocated to another premises or property. However, if the premises or property is owned by the same owner, we may assess the transfer or reallocation of allocated capacity on a case-by-case basis.
- Any change to the approved maximum load is not approved, would require an alteration to your existing connection and this cannot take effect without our prior consent. In such cases, you must submit a new application for an alteration to the existing connection. If your actual load exceeds the maximum load specified in your approval letter, additional capacity charges will apply for the extra load beyond the approved level. These charges reflect the additional capacity your connection requires on the network.

4.6 Pioneer Scheme charging arrangements

Where a new customer funds a significant network extension, we set up a Pioneer Scheme to ensure that subsequent pioneers of that extension reimburse an equitable share of that cost to the first pioneer. We administer the Pioneer Schemes by collecting a contribution from the new connection and providing a refund to the existing connection. The pioneer scheme arrangements are described in detail in our Pioneer Scheme Policy.

4.7 Connection charge reconciliation arrangements

We are required under clause S6B.10 of the Code to prepare a Connection Charge Reconciliation, which provides a standardised breakdown of connection charges into incremental and network cost components.

The Connection Charge Reconciliation provides connecting customers with information that shows what proportion of connection costs are covered by connection charges, what proportion of total network charges are accounted for by connection charges, and what proportion of total revenue from a connection will be used to cover the costs of the existing network and operations, as well as Transpower's transmission charges.

We will make a connection charge reconciliation available to the connection applicant if requested during the connection process. When providing a quote for connection charges in respect of any connection works, we will either provide a written connection charge reconciliation or notify the connection applicant of their right to request a written connection charge reconciliation.

We will also provide information on the reconciliation amount and supporting information to the Authority when requested.

Guidance regarding the components in the connection charge reconciliation is provided in Appendix B of this policy.

5 Distributed generation charges

Where a new distributed generator connects to the network, we are limited under the Code to only charging the incremental cost of connecting the distributed generator. This means a generator can use existing capacity in the network at no cost, but once that capacity is utilised and more capacity is required, the next connection will pay all of the incremental costs.

As such, there is no network capacity cost for existing infrastructure. However, all incremental costs to extend the network to a distributed generator, or to build capacity for a distributed generator, will be charged to the distributed generator. This includes the costs of procuring and installing transformers and any network upgrades.

Where there is demonstrable cost saving to Northpower as a result of distributed generation, these may be passed through to the distributed generator as network support. To produce cost savings for us, generation generally needs to coincide with peak periods on our network, to be injected at locations where there are network constraints, and to be material enough to defer or avoid investment.

As such, we will review connections over 1MW to determine whether there are cost savings resulting to the network. For connections under 1MW, we do not consider that any cost savings will result.

For the avoidance of doubt, the above does not apply to the load component of hybrid connections that have both load and generation, including Battery Energy Storage System (BESS).

6 Compliance

6.1 Information disclosure

This document describes Northpower's policy for determining capital contributions and meets the requirements of clause 2.4.6 of the Electricity Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024.

6.2 Part 6 of the Code

It also describes our policy for determining connection costs for Distributed Generation and complies with Part 6 of the Electricity Industry Participation Code 2010.

6.3 Adherence to pricing principles

Northpower's capital contributions policy is consistent with the 2019 Distribution Pricing Principles published by the Electricity Authority.

Our capital contribution prices are designed to signal the cost of providing additional capacity on our network. They are subsidy-free, as they are less than or equal to the standalone costs of building new capacity, and greater than the avoidable cost.

The charges reflect the cost of providing new capacity and new connections on the network and thereby incentivise consumers to utilise existing capacity more efficiently. They also encourage efficient network alternatives by closely reflecting the cost of new connections to the network.

Appendix A - Definitions

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

- **capital contribution** means **connection charge** as defined under the Code. This equals to all applicable components under connection costs as described in Appendix B.
- **capacity demand assumption** means the design capacity applicable to a given connection application and network tier as determined by a distributor under clause 6B.5(1)(c)
- **connection works** means an extension or a network capacity upgrade
- **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 charge reconciliation** means a standardised breakdown of connection charge components in accordance with clause 6B.11
- **connection charge reconciliation methodology requirements** means the requirements set out in clauses 6B.10 and 6B.11
- **customer-initiated works (CIW)** means works initiated by a customer to connect to our network or change their existing connection
- **customer-selected enhancement** means any improvement to the relevant minimum scheme requested, and agreed to in writing, by a connection applicant
- **distributor-selected enhancement** means any enhancement to the relevant minimum scheme chosen by a distributor
- **localised historical cost recovery** means an allocation of historical distributor-selected enhancement costs or historical network development costs to subsequent connections that benefit from the works to which those costs relate
- **mandatory connection pricing methodologies** means the pricing methodologies set out in Part 6B that each distributor must use for determining connection charges and pioneer scheme contributions and mandatory connection pricing methodology have corresponding meanings
- **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 lower standard if agreed to in writing between the connection applicant and the distributor
- **network approved contractor (NAC)** means businesses that have been approved by Northpower to perform design, construction, or maintenance work on, or in close proximity to, Northpower's network and that have a current network-approved contractor status agreement with Northpower.
- **network capacity cost** means the cost of consuming or adding capacity in the shared network (other than extension-like upgrade costs)
- **network capacity upgrade** 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 increase the capacity of the shared network; and

  (b) for the avoidance of doubt, includes:

  (i) operational changes made by the distributor that are required to provide the connection or to increase security or capacity:

  (ii) allocation of additional network security or capacity to the connection, even where this does not involve physical works or a change to a person's right to capacity on a distributor's distribution network; but

  (c) does not include:

  (i) extension-like upgrades; or

  (ii) works or operating arrangements associated with customer-owned assets or work covered by a connection fee

- **nominal capacity increment** means an amount of added capacity corresponding to the assumptions used to derive a posted capacity rate
- **posted capacity rate** means the estimated average cost per capacity unit that is published by a distributor for a network capacity upgrade for a given network tier and network costing zone, where the rate may be set to zero if the distributor reasonably considers there is no foreseeable need within the distributor's applicable network planning horizon for a network capacity upgrade
- **regulatory asset base** means an asset register calculated using regulatory accounting rules. We earn a return on our investment in electricity distribution assets, as calculated under these rules.

Note that definitions regarding Pioneer Schemes are included in the Pioneer Scheme Policy on our website.

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.

Appendix B
Connection Charge Reconciliation Guidance

While the technical information about the way the Connection Charge Reconciliation should be calculated is described in the Code, this Appendix provides stakeholders with guidance on how Northpower meets those Code 6B.10 connection charge reconciliation requirements.

In our view, all customers contribute a share of the costs the capital costs and operating costs of the existing network through paying ongoing distribution charges as the total target revenue from distribution charges are fully based on the capital costs and operating costs of the existing network. Therefore, the connection revenue and network cost contribution net off with each other in the reconciliation below, and we establish our connection charge based on the connection costs components.

A. Overall connection charge

The Connection Charges on the left-hand-side of the reconciliation are calculated according to the methodology set out in this policy, excluding connection fees and pioneer scheme fees.

On the right-hand-side of the reconciliation are the additional costs that the new connection causes minus the extra revenue that the new connection will provide, plus a contribution to the costs of the existing network and operations.

The calculation components are described below.

Connection Charge = **Connection Costs** - **Connection Revenues** + **Network Cost Contribution**

B. Connection Costs

The Connection Costs component is made up of 6 sub-components, though some of these may not be relevant for an individual connection. These components are the extra costs that the new connections cause, rather than costs that already exist in the network.

They are the -

a) Extension costs of providing the minimum connection scheme (we may record vested assets at zero costs in both Connection Charge and Connection Costs on each side of the reconciliation as the actual costs may be unknown to us).

b) Customer-selected enhancement costs, if any,

c) Network capacity costs of the relevant minimum scheme (clause 6B.5 of the Code)

d) Incremental transmission costs, if any

e) Share of localised historical cost recovery (LHCR), if any

f) For non-standard customers, the incremental operating costs that result from the non-standard customers' connection.

C. Revenue estimates

Estimating the future extra revenue from the new connection is an important aspect of this calculation. The estimate considers future factors such as –

a) Changes to demand for electricity at the new connection, if applicable

b) The potential for price changes over time (aside from inflation)

c) The discount rate, used to bring the revenue back to today's dollars

For standard customers, the average additional operating costs associated with serving the new connection are netted off from the future revenue forecasts. Estimating future operating costs can be difficult to do at customer level for a new connection. Instead Northpower uses a scaling factor that takes into account the 5-year historic average value of the operational costs across the network, including vegetation management, emergencies, service interruptions and routine maintenance.

D. Network Cost Contribution

Northpower also needs to recover the capital costs and operating costs of the existing network that are not affected by growth and that are used by all customers, as well as transmission charges. These costs are covered under the Network Cost Contribution term.

The Network Cost Contribution is the balancing term that allows both sides of the reconciliation to balance.