



PRICING METHODOLOGY

Pursuant to the Electricity Distribution Information Disclosure Determination 2012, clause 2.4.1

and

Electricity Authority Distribution Pricing Principles and Information Disclosure Guidelines

For the Period: 1 April 2026 – 31 March 2027

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Certification for Year-Beginning Disclosures

Pursuant to Schedule 17

Clause 2.9.1 of section 2.9

Electricity Distribution Information Disclosure Determination 2012

We, Michael J. de Buyzer and Robert T. Caldwell being directors of Network Waitaki Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- a) The following attached information of Network Waitaki Limited prepared for the purposes of clause 2.4.1, disclosure of pricing methodologies, of the Electricity Distribution Information Disclosure Determination 2012 in all material respects complies with that determination.
- b) The prospective financial or non-financial information included in the attached information has been measured on a basis consistent with regulatory requirements or recognised industry standards.



Michael de Buyzer

Michael J. de Buyzer

Date: 31 March 2026



Robert T. Caldwell

Date: 31 March 2026

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Executive Summary

Network Waitaki supplies approximately 13,570 electricity connections to households, farms and businesses across North Otago and parts of South Canterbury. The company is 100% owned by the Waitaki Power Trust.

Due to its ownership structure Network Waitaki is an exempt Electricity Distribution Business (EDB) under Part 4 of the Commerce Act and is not subject to price-quality regulation. However, Network Waitaki is subject to Information Disclosure requirements. This Pricing Methodology explains how Network Waitaki has determined its required revenue and network prices for the period 1 April 2026 to 31 March 2027.

There have been no material changes to Network Waitaki's pricing methodology, approach or underlying rationale since the previous methodology published in March 2025. Most customers continue to be charged using a two-part pricing structure, comprising:

- a fixed daily price based on contracted connection capacity; and
- day and night volume prices (kWh) to reflect time-of-use patterns.

In line with Electricity Authority guidance, Network Waitaki continues to pursue cost-reflective, service-based pricing that aligns charges with the fixed and capacity-driven nature of network costs. The network is generally unconstrained, and the majority of Network Waitaki's costs relate to long-term infrastructure required to meet peak demand, rather than energy throughput. Accordingly, Network Waitaki, seeks to recover most revenue through fixed capacity-based charges, which provide clearer price signals and reduce exposure to weather-driven volume risk.

Network Waitaki has progressively rebalanced prices toward a target of approximately 80% fixed prices and 20% volume prices. While the *Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004* (LFC Regulations) remain in effect until 31 March 2027, the effective fixed/volume split remains slightly below this target; however, once LFC constraints are removed, the 80/20 objective will be achieved.

Off-peak (night) volume prices for standard customers remain close to zero, reflecting the low incremental cost of consumption outside peak periods and supporting efficient off-peak usage. Peak (day) prices are set within a reasonable range of estimated long-run marginal cost (LRMC) and are designed to provide a practical and stable price signal rather than a short-run marginal signal. LRMC estimates exclude the cost of the new committed grid exit point (GXP), as these costs are sunk and no longer forward-looking.

Network Waitaki has retained a Distribution Generation (DG) incremental cost export price which is currently set at 0 c/kWh. A Negative DG price has been introduced and is currently also set at 0 c/kWh, reflecting the low calculated LRMC benefit, limited scale of DG exports and the disproportionate transaction costs of applying small rebates at this stage.

Required revenue is calculated using a bottom-up cost-to-serve approach, consistent with the principles applied by the Commerce Commission for regulated Electricity Distribution Businesses (EDBs). This includes the capital costs and operating costs of our distribution network as well as the costs of being connected to the national grid (transmission costs).

For the 2026/27 pricing year, Network Waitaki's total revenue requirement is \$36.18 million (before discount). The weighted average price increase in network prices is approximately 7.0%, although bill impacts will vary by customer depending on capacity, consumption and price plan. Network Waitaki will continue its policy of providing a customer discount of \$1 million.

Overall, this pricing approach supports efficient network use, fair cost allocation, regulatory alignment, revenue stability and long-term regional growth, while maintaining transparent, predictable, and understandable pricing outcomes for retailers and customers.

1 Introduction

Under section 2.4 (pricing and related information) of the *Electricity Distribution Information Disclosure Determination 2012*¹, Network Waitaki must publicly disclose, before the start of each disclosure year, a pricing methodology which:

- Describes the methodology used to calculate prices payable or to be payable;
- Describes any changes in prices and target revenues;
- Explains the approach taken with respect to pricing in non-standard contracts and distributed generation; and
- Explains whether, and if so how, we have sought the views of customers, including their expectations in terms of price and quality, and reflected those views in calculating the prices payable or to be payable.

Network Waitaki's pricing methodology is consistent with the Electricity Authority's 2019 Distribution pricing principles² (EA Principles) as outlined in Appendix B.

A detailed summary of how Network Waitaki complies with the Information Disclosure Determination 2012 and which sections of this pricing methodology comply with each regulatory requirement can be found in Appendix C.

Appendix D contains Network Waitaki's pricing reform status against the ten focus areas that the Electricity Authority circulated in open letters during September 2022 and May 2024 respectively.

Network Waitaki also complies with the LFC Regulations. Residential Low User (RL) customers at the 9,000 unit average domestic household consumption threshold level for the Lower South Island will pay no more than standard price plan customers.

The following sections:

- Provide context on our customers and network (section 2)
- Set out our pricing strategy and objectives (section 3)
- Show how we calculate our revenue requirement based on our cost to serve (section 4)
- Define our pricing load groups and the price structures we use for each group (section 5)
- Describe how we allocate the target revenue to each customer load group and determine prices that deliver the allocated revenue (section 6)
- Discuss technical and non-technical losses (section 7)
- Describe our approach to pricing for distributed generation connections (section 8)

¹ Electricity Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024

² Electricity Authority (April 2022). Distribution Pricing: Practice Note. Second Edition v2.1, 2022.

2 Our network and customers

2.1 Our customers

Network Waitaki has about 13,570 connected customers, and its supply area is dominated by residential customers making up 77% of the customer base that contributes about 39% of revenue and 27% of energy used on the network.

Agriculture, commercial and industrial customers make up the balance of 23% of the customer base, with agriculture generating about 32% of revenue and industry and commercial customers the other 29%. Agriculture varies from year to year due to irrigation's volatility associated with rainfall levels.

2.2 Overview of Network Waitaki

The network has a footprint of approximately 8,400 square kilometres. The number of Installation Connection Points (ICPs) currently connected to and active on the network is approximately 13,570, the maximum coincident system demand is approximately 67 MW and the annual delivered energy after losses is about 281 GWh.

Within our network area, the distribution network includes 19 zone substations, approximately 1,954 km of lines and cables, and 3,060 distribution transformers of which about 833 have a capacity of more than 100 kVA. Network Waitaki's distribution assets are dispersed over a large area and the company services a mix of towns, rural land and remote farmland.

The network has a strong rural character, with low load density measured in kVA per km of line: Network Waitaki records 128 kVA of network capacity per km of line, against a New Zealand average of 158 kVA/km. Although 77% of ICPs on our network are residential connections and only close to 13% of ICPs are agricultural connections, irrigation (as the major driver for agricultural use of electricity) consumes on average a third of annual energy, similar to residential consumption. Retail, hospitality, industrial, commercial and social services combined make up the balance of the ICP numbers.



2.3 Network demand

The size and capacity of the network is driven by the peak demand for electricity by our customers³. Peak demand on our network occurs in the summer when demand for irrigation is at its highest. This differs from most other electricity networks, which typically experience demand peaks in the winter when residential heating demands are at their highest.

Over the last decade irrigation schemes have been the biggest driver of demand growth with Network Waitaki’s maximum demand growing from 50 MW to a high of 67 MW in FY2026. Irrigation contributed about 45% to the total network maximum demand in FY2026. Some additional irrigation growth is still expected over the next decade including projects relating to conversion from border dyke to spray irrigation, but no further growth is expected after this as most viable land will then be irrigated.

In terms of commercial and industrial load growth, we expect the main driver to be decarbonisation of process heat.

The Asset Management Plan contains detailed analysis around process heat conversion opportunities and other demand drivers including Electric Vehicles and Distributed Generation⁴ the impact of which is expected to be small in the next year or so. At the time of writing, Electric Vehicles (battery and plug in hybrid) have a 1.5% penetration rate in the Network Waitaki supply area, which is approximately half the national penetration rate of Electric Vehicles (at 2.9%).

Table 1 below illustrates the characteristics for each of the Network Waitaki Grid Exit Points (GXP) in FY2026.

Table 1: Grid Exit Point characteristics

GXP	Load type and forecast capacity adequacy	Pricing implications
Oamaru: 11,250 customers 12 Zone substations Capacity: 45 MVA Firm Capacity: 60 MVA Peak demand: 44 MW Energy: 207 GWh	<p>Main supply area.</p> <p>Predominantly residential, commercial and farming connections. Variations occur between winter and summer demand mainly because of irrigation.</p> <p>Forecasts for the medium term suggest irrigation, along with decarbonisation and economic growth loads will lead to capacity and security constraints on the Oamaru GXP, and upstream Transpower Transmission</p>	<p>Progressing with significant investments in the transmission grid (including a new GXP) as well as subtransmission assets (for both capacity and security of supply) - to enable regional energy requirements.</p> <p>Capacity pricing strategy to continue as a proxy for demand pricing that best signals the cost of supply.</p>

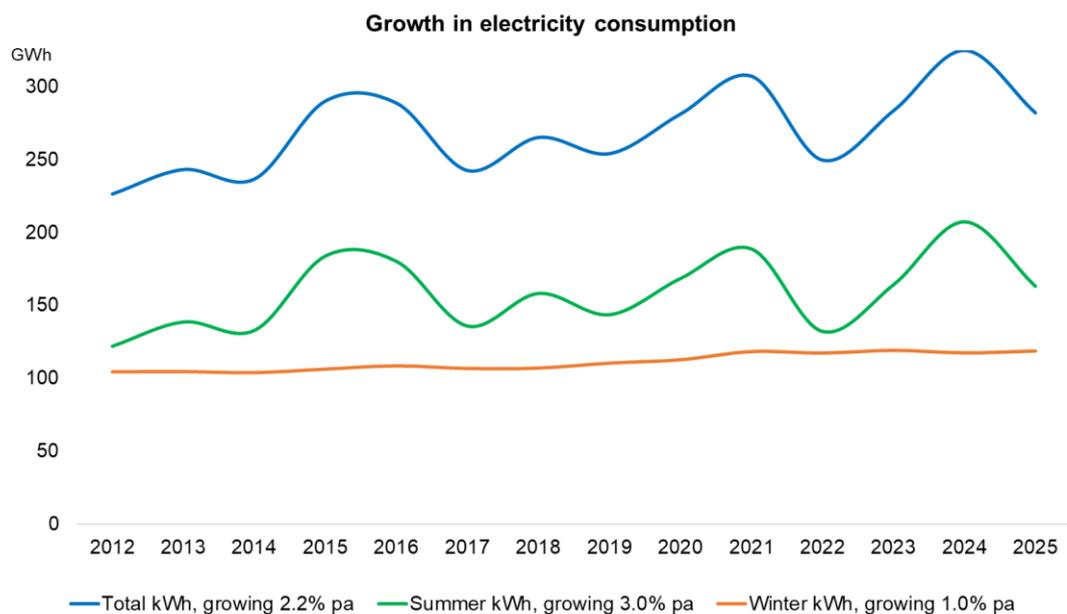
³ In this methodology we use the term “customer” to refer to electricity end consumers. We consider the terms to be interchangeable and recognise that “consumer” (rather than “customer”) is the defined term as per clause 2.4.1(4) in the Commerce Commission, Decision NZCC 22: Electricity Distribution Information Disclosure Determination 2012.

⁴ Updates in Network Waitaki Asset Management Plan. 2026-2036 (<https://www.networkwaitaki.co.nz/company/regulatory-disclosures/asset-management-plan/>)

GXP	Load type and forecast capacity adequacy	Pricing implications
	network requiring major investment.	
Waitaki: 1,621 customers 4 Zone substations Capacity: 24 MVA Firm Capacity: 5 MVA Peak demand: 13 MW Energy: 35 GWh	Mostly residential customers with demand peaking in Otematata over the December holiday period. Demand also varies between summer and winter due to irrigation.	No material growth with adequate capacity – capacity pricing strategy to continue.
Twizel: 696 customers 3 Zone substations Capacity: 27 MVA Firm Capacity: 0 MVA Peak demand: 4 MW Energy: 16 GWh	Mostly residential and irrigation customers as well as the Ohau lodge and snowfield. Demand varies between winter and summer due to irrigation load.	No material growth forecast, with adequate capacity. Capacity pricing strategy to continue.
Black Point 1 customer 0 Zone substations Capacity: 25 MVA Firm Capacity: 0 MVA Peak demand: 16 MW Energy: 23 GWh	Dedicated supply for the North Otago Irrigation Company (NOIC).	Separate pricing arrangement.

Figure 1 below shows the long-term trends in energy consumption over ten years to 2025. The figure shows the volatility in summer volumes (due to irrigation) which supports the move to capacity-based pricing. Shifting away from volume-based pricing reduces the impact of volatile annual volumes and the associated revenue risk as well as removing a pricing signal that does not serve a purpose but is a remnant of historic pricing practices.

Figure 1: Electricity volume trend over the last 10 years



3 Pricing strategy

Network Waitaki's pricing methodology is designed to set prices that supports its pricing objectives, recover the efficient cost of operating the network and progressively reflect the cost of serving different customer load groups. Over time, this approach is intended to encourage efficient network use and improve cost reflectivity.

3.1 Our pricing strategy

The objective of Network Waitaki's **pricing strategy** is to:

- Improve cost reflectivity by aligning prices more closely with the underlying cost structure of the business, through an approximately 80% capacity-based fixed and 20% volume-based pricing structure (subject to constraints such as the LFC regulations);
- Support revenue adequacy and financial sustainability by reducing exposure to volume and weather-related volatility;
- Maintain effective pricing signals, including discounts for controllable load, to help manage peak demand and network congestion where required;
- Manage customer impacts by implementing price rebalancing gradually and predictably, limiting bill shocks as far as is practicable;
- Encourage efficient customer decision-making, including appropriate connection sizing;
- Monitor regulatory and industry developments to ensure the ongoing direction of Network Waitaki's price structures remains aligned with Electricity Authority guidance and emerging best practice in industry.

3.2 Pricing objectives

Network Waitaki's pricing framework is guided by the following core objectives:

- Revenue reliability – ensuring sufficient and stable revenue to sustainably operate the network;
- Economic efficiency – encouraging efficient network investment and customer behaviour through cost-reflective price signals;
- Fairness – allocating costs in a way that reasonable reflects cost and avoid cross-subsidisation;
- Simplicity – maintaining prices that are understandable and practical for customers and retailers;
- Transparency – providing clear information about how prices are determined and how revenue is allocated;
- Innovation – supporting emerging technologies, flexibility services, and new customer solutions; and
- Support for regional growth – enabling electrification, economic development and long-term network resilience.

3.2.1 Revenue reliability

Network Waitaki must generate sufficient revenue to:

- recover transmission and other pass-through costs, including charges associated with the Transpower national grid;
- operate and maintain a safe, reliable and efficient electricity distribution network that meets customer service levels, and fulfil its contractual obligations;
- comply with statutory and regulatory obligations, including health and safety, environmental protection, and quality of supply requirements;
- fund new network investment and system growth to support demand growth, electrification, and regional development; and
- provide an appropriate return on assets, consistent with the expectations of its owner.

Principles applied in setting prices

To meet its revenue requirement while supporting its pricing objectives, Network Waitaki applies the following principles when setting prices:

- Cost reflectivity and efficiency - prices should reflect the underlying drivers of network cost, particularly capacity and peak demand, to promote efficient customer behaviour and network investment;
- Revenue adequacy and financial sustainability – prices should recover the efficient cost of operating, maintenance and investing in the network;
- Simplicity and administrative practicability - prices should be easy to understand, implement and comply with regulatory obligations;
- Stability and gradual change – price structures should remain broadly stable over time to minimise customer bill shocks; and
- Fairness and subsidy avoidance – prices should avoid undue cross-subsidisation between customer groups where practicable;
- Transparency – pricing methods and outcomes should be clear and explainable to customers, retailers and stakeholders;
- Location neutrality - prices should not differentiate between urban and rural customers unless there is a clear efficiency or cost-reflective justification.

3.2.2 Discount to consumers

Network Waitaki has a policy of paying discounts to qualifying consumers towards the end of each year. Except when noted otherwise, all revenues stated in this pricing methodology are before the payment of any discount. Network Waitaki's discount to consumers consists of a fixed component. The discount is announced in November of every year and the discount allocation methodology is available on Network Waitaki's website.

3.2.3 Efficiency

Network Waitaki's pricing structures are designed to promote economic, technical, operational, and administrative efficiency, consistent with the efficient provision and use of distribution services over the long term.

Economic efficiency

Network Waitaki applies a pricing structure that reflects the underlying cost drivers of the distribution network and supports efficient consumption decisions by customers:

- A combination of capacity-based fixed prices and usage-based volume prices is used to align prices with the largely fixed and capacity-driven nature of distribution network costs;
- Differentiated day and night volume prices encourage customers to shift discretionary consumption away from peak periods and toward off-peak periods, supporting more efficient utilisation of existing network capacity and reducing the need for future network reinforcement.

This structure promotes allocative efficiency by signalling when and how network capacity is scarce, while maintaining stable cost recovery.

Technical and operational efficiency

Pricing is supported by operational mechanisms that enable efficient day-to-day network operation:

- Monitoring and management of power factor performance to reduce unnecessary losses and avoid inefficient use of network assets;

- Maintenance of loss factors that reflect actual network conditions;
- Ability to use load control to manage peak system demand within supply and asset constraints; and
- Emergency load-shedding capability to manage transmission or generation constraints and maintain system security.

Together, these measures support productive efficiency by enabling Network Waitaki to meet demand reliably at least cost.

Administrative efficiency

Network Waitaki applies a 'GXP billing' approach, under which volume charges are calculated using electricity volumes measured at the Transpower grid exit points supplying the Network Waitaki network, aggregated by retailer rather than billed at an individual ICP level.

- Chargeable quantities are determined through the wholesale electricity market reconciliation process, which avoids duplication of reconciliation processes;
- Reduces billing complexity and administrative costs; and
- Ensures consistency with industry-wide settlement arrangements.

This approach promotes administrative efficiency while maintaining accuracy and transparency.

Non-standard contracts

For non-standard contracts, efficiency is promoted through pricing structures that reflect the specific cost and risk characteristics of large or atypical connections.

- Network charges are predominantly capacity-based, with limited use of demand charges where appropriate, ensuring that customers face prices that reflect the cost of providing and maintaining their required level of network capacity.
- Ongoing pricing signals focus on capacity availability, supporting efficient long-term operation of the network and reducing cross-subsidisation between customer groups.

These arrangements promote both dynamic efficiency (by guiding efficient investment over time) and productive efficiency in ongoing network operation.

3.2.4 Fairness

As a provider of essential distribution services Network Waitaki seeks to set fair and reasonable prices for each customer load group by aligning charges, as far as practical be, with the costs those customers impose on the network.

Network Waitaki recognises the perfection of fairness may differ between customers. For this reason fairness in pricing is based on cost reflectivity and consistency.

Historically, network pricing frameworks with a strong emphasis on volume-based charges have made it more difficult to achieve fair outcomes, as electricity consumption alone is often a poor proxy for a customer's contribution to network capacity and investment costs. In many cases, such pricing structures do not reflect the underlying cost of supplying individual customers or customer groups.

Network Waitaki's prices are becoming increasingly fair over time as charges are progressively rebalanced to better reflect the cost of supply, in line with our pricing strategy and the phasing out of the Low Fixed Charge (LFC) Regulations. This transition reduces cross-subsidisation between customers with different usage patterns and capacity requirements.

For non-standard contracts, prices are more closely aligned with each customer's use of network assets and the associated transmission costs. This ensures that customers with larger or atypical

connections face prices that more accurately reflect the costs they impose on the network, supporting fair outcomes across all customer groups.

3.2.5 Simplicity

Network Waitaki applies a clear and transparent two-part pricing structure consisting of a fixed charge component and a day/night volume component applicable for each customer load group.

With the exception of Residential Low User customers, all customer load groups are subject to the same day and night volume prices.

This approach limits unnecessary price variation and supports customer understanding and comparability across load groups.

Appendix A sets out the Network Waitaki delivery price schedule.

3.2.6 Transparency

Network Waitaki sets prices with the objective of signalling the underlying costs of providing distribution services, enabling customers to understand how charges are determined and to respond to price signals where they have flexibility to do so.

This approach supports informed customer choice and promotes more efficient use of the network over time. Network Waitaki will continue to progress this pricing direction by increasing cost reflectivity, particularly by better the balance between capacity-based fixed charges and volume-based charges with the predominantly fixed-cost nature of the distribution network.

This transition will occur in a measured and transparent manner and remains subject to applicable regulatory constraints, including the Low Fixed Charge (LFC) Regulations, while those constraints remain in force.

3.2.7 Innovation

Network Waitaki's pricing structures support innovation by providing clear, stable, and cost-reflective price signals that enable retailers to compete and innovate in how network charges are packaged, communicated, and integrated into retail offerings for customers.

For non-standard customers, increasingly capacity-based pricing with reduced volatility provides greater price stability and predictability, enabling customers to make informed decisions about load management, electrification, on-site generation, and other innovative responses to network prices over time.

This approach supports innovation across the value chain while maintaining efficient cost recovery and protecting network reliability.

3.2.8 Supporting regional growth

Network Waitaki supports regional growth by planning and investing in network infrastructure to meet expected increases in electricity demand while maintaining safe and reliable supply.

Network Waitaki's new connection pricing policy is set out in accordance with the Electricity Authority's connection pricing requirements under Part 6B of the Electricity Industry Participation Code. These requirements are designed to promote efficient investment and fair cost allocation between new and existing customers.

Under this framework, growth-related network investment is funded through a combination of connection charges payable by connecting customers, in line with the minimum scheme and customer-selected enhancement provisions, and ongoing recovery through distribution pricing where costs are shared across beneficiaries over time.

This approach supports regional development by enabling new connections and load growth to proceed when required, while limiting cross-subsidisation, providing transparent and predictable pricing outcomes, and ensuring consistency with regulatory expectations.

3.3 Pricing that reflects economic cost

3.3.1 Why fixed capacity-based pricing?

The cost of operating and maintaining Network Waitaki's distribution network is predominantly driven by the size (capacity) of the network assets required to meet peak demand, rather than by the total volume of electricity conveyed. Once the network is built to meet peak requirements, changes in energy throughput have little material impact on underlying network costs.

Capacity-based pricing charges customers primarily for the size of connection and level of capacity reserved on the network, rather than for energy volumes consumed. This aligns prices with the principal cost driver of the distribution business and provides a clear and effective price signal to customers.

This price signal incentivises customers to select their contracted capacity efficiently, balancing their desired level of service against cost. This in turn enables Network Waitaki to optimise the size of the network, defer or avoid unnecessary investment and manage long-term costs more efficiently for the benefit of all customers.

Capacity-based pricing is the most appropriate pricing mechanism because it:

- Reflects the long-term cost drivers of capital expenditure, which are based on a customer's peak capacity requirements rather than energy volumes;
- Provides clear customer choice with costs that are directly influenced by a customer's selected capacity and are known in advance;
- Uses capacity as a known variable that avoids reliance on estimates;
- It is the primary cost driver that a customer can directly influence through connection and capacity decisions; and
- Creates a stronger incentive to manage maximum demand than a pricing approach based solely on historical demand measurements, particularly where the maximum demand is close to the contracted capacity plan limit.

Over time, as smart meter capability and data become more readily available, a capacity-based pricing approach could be applied more granularly allowing a wider range of capacity options for customers.

Capacity-based pricing is therefore favoured on the basis of simplicity, data availability and cost reflectiveness. Contracted capacity provides the bulk of the information required to determine the cost of supply for each customer and provides a transparent and durable foundation for network pricing.

3.3.2 The long-term objective – delivery of peak demand

Network Waitaki's primary long-term objective is to provide network infrastructure capable of meeting customers' peak demand, both at individual points of connection and in aggregate across the network, at the levels of security and reliability expected by customers.

Success is measured by Network Waitaki's ability to supply peak loads when they occur, without breaching safety or reliability limits. This objective drives network planning, investment decisions and pricing design.

Capacity requirements across the network

To reliably deliver peak demand Network Waitaki must ensure sufficient capacity at each layer of the electricity supply chain, including:

- Transmission Grid capacity, to supply the diversified peak demand of customers at grid exit points (GXPs);
- Sub-Transmission capacity, to deliver power from GXPs to zone substations; and
- Distribution network capacity, to deliver electricity from substations to customers' points of consumption.

At the transmission level, Network Waitaki's demand is measured by half-hourly reconciled demand (HHR) at GXP level, which is metered by Transpower. These values reflect the fully diversified demand of customers and provide a basis for planning GXP capacity. As summarised in Table 1 and documented in the Asset Management Plan the transmission supply into Oamaru is constrained.

In the last two decades Network Waitaki has experienced significant load growth due to dairy and irrigation conversion and more recently process heat electrification. The current solution is to construct a new GXP as the best technical and economic solution to provide future capacity and security for our customers. The new 220kV GXP infrastructure would be owned by Transpower and costs will be funded via a Transpower Works Agreement.

The capacity of the 110kV Transpower Transmission supplying Oamaru GXP has required tactical projects to manage the connection of new load during the summer period for several years. All tactical options have been exhausted and demand projections indicate a requirement to invest in additional capacity to the National Grid. We are at a point where the option to invest in a new GXP is considered the most cost-effective long-term solution to ensure our customers have the supply they need, when they need it.

Demand measurement and planning at sub-transmission and distribution levels

At the sub-transmission level, planning is based on locational After Diversity Maximum Demand (ADMD) values, which are known and monitored at zone substation level.

At the distribution network level, particularly on low-voltage networks, direct measurement of customer peak demand is limited as real-time ICP-level demand data is owned by retailers and not readily available⁵. Demand on parts of the high voltage distribution network can be obtained from substation SCADA systems, but this is an aggregation of all downstream customer demand rather than individual customer contributions.

As a result, Network Waitaki must rely on proxies for customer peak demand when planning and investing in distribution capacity.

Implications for cost and pricing

Once network infrastructure is in place, the majority of Network Waitaki's costs are fixed and capacity-driven and do not vary with electricity volume transported.

The principal determinant of network cost is therefore the level of peak demand capacity that must be built and maintained. Contracted capacity provides the most practical, observable, and customer-driven proxy for peak demand and therefore forms the basis for network pricing. This reinforces the

⁵ Our largest retailer has in the past been helpful in providing past ICP level data in accordance with Appendix C requirements of the Default Distributor Agreement, however this is not real time and unable to be used for operations purposes.

rationale for capacity-based pricing, as it aligns customer charges with the fundamental driver of network investment long-term cost.

3.3.3 Peak demand features of our network

The main peak demand features of our network are as follows:

- A moderate winter peak primarily driven by residential consumption.
- A high summer peak largely driven by irrigation consumption which also determines Network Waitaki's annual maximum demand.
- Load management capability through ripple controlled hot water which enables peak reduction by time shifting residential hot water load and provides an additional tool for emergency load shedding when required.

3.3.4 Price signal for peak demand

Peak demand and annual electricity volumes on Network Waitaki's network are influenced largely by weather-related factors and therefore vary from year to year. Historically, Network Waitaki has been required to plan and invest in infrastructure capable of meeting high-demand conditions, such as dry years, when both demand and volumes are high.

Looking forward, additional drivers of peak demand are emerging, including electric vehicle uptake, decarbonisation of process heat, and increased penetration of distributed generation. The forecast impacts of these developments on the network are set out in Table 1 and discussed in detail in Network Waitaki's Asset Management Plan (AMP).

From a pricing perspective, however, year-to-year variation in electricity volumes is largely irrelevant. Once network infrastructure is built to meet peak demand, the majority of Network Waitaki's costs are fixed and do not vary with the volume of electricity transported.

To provide an effective long-term pricing signal, pricing must reflect the drivers of peak demand and network capacity, rather than short term fluctuations in consumption. This requires a pricing variable that captures each customer's long-term contribution to peak demand and therefore to network investment costs.

The pricing variable that best captures this impact is contracted connection capacity, as selected by the customer, from the connection size options made available by Network Waitaki. Contracted capacity:

- Reflects the maximum demand that the network must be capable of supplying;
- Is stable over time and not distorted by short-term weather or consumption variability; and is directly influenced by customer choice.

Accordingly, capacity-based (volume agnostic) pricing provides the most appropriate and durable price signal for Network Waitaki, within current regulatory and data constraints, as it aligns customer charges with their long-term impact on network peak demand and costs.

Consideration of Long Run Marginal Cost

Using the system growth investments and optimised customer demand growth scenario as set out in the AMP Network Waitaki has calculated and considered Long Run Marginal Cost (LRMC) as an indicator of the forward-looking economic cost of network use. LRMC provides a useful benchmark for assessing whether pricing signals are broadly consistent with the costs incurred as a result of network growth.

The majority of forecast system growth expenditure relates to the construction of a new 220 kVA GXP infrastructure, as discussed in section 3.3.2. This investment has been identified as the preferred long-

term solution to address transmission constraints and provide sufficient capacity and security of supply.

Once the new GXP is commissioned, Network Waitaki expects there to be significant capacity “headroom”, and increased electrification and network utilisation will be accommodated efficiently. Importantly, the investment associated with the new GXP will occur regardless of actual demand growth, as it is required to address existing constraints and maintain security of supply.

To assess alignment between prices and forward-looking network costs, Network Waitaki considered two LRMC scenarios using an average incremental cost methodology:

- Excluding the committed new GXP investment, resulting in an LRMC estimate of approximately \$66/kW, equivalent to around 1.1 c/kWh (assuming all network peak occurs during the “day” period); and
- Including the new GXP and associated network infrastructure with updated demand projection, resulting in an estimated LRMC price of \$200/kW, equivalent to around 3.6 c/kWh which is close to the day volume price of 3.5 c/kWh as shown in the price schedule in Appendix A.

Overall, this analysis provides confidence that current pricing remains broadly aligned with forward-looking network costs, and no price adjustments are required as a result of the LRMC assessment.

3.3.5 What is the optimal capacity / volume pricing ratio?

When designing price signals, it is essential that customers are able to understand and respond to those signals in a meaningful way. Electricity distribution charges typically represent around one quarter of a customer’s electricity bill and a relatively small share of overall household expenditure. Where price signals are diluted across multiple pricing components, there is a heightened risk that customers will not respond to them.

A pricing structure that reflects the core function of Network Waitaki’s service - the provision of network capacity to meet peak demand - is therefore more effective than one focussed primarily on energy volumes. The dominant driver of network cost is capital investment, which is determined by the level of capacity required to meet customers’ maximum demand at times of system is constraint. In practice, this maximum demand is limited by each customer’s contracted capacity

As Network Waitaki does not have consistent real-time access to individual customer demand data, contracted capacity represents the most accurate, stable and observable proxy for customer-driven network costs available for pricing purposes.

Practical limitations of dynamic and real-time pricing

In theory, dynamic pricing could be used to signal short-term network constraints and encourage customers to reduce demand at critical times. In practice, experience indicates that such signals are often ineffective, particularly where:

- customers do not directly observe distribution price signals; and
- retailers do not consistently pass through real-time network prices to end-users.

As a result, Network Waitaki manages peak constraints more effectively through the ability to use direct load control, particularly for controllable loads, rather than relying on short-term price responsiveness.

Through differentiated price plans, customers can choose to allow load control during pre-defined periods and conditions. These arrangements can be enhanced through agreed schedules and specific rules, providing a more reliable and equitable mechanism for managing network constraints than dynamic pricing alone.

At present, Network Waitaki does not have real-time access to smart meter data at individual ICP level, nor control over smart meter switching functionality. These limitations constrain the implementation of more granular pricing or control mechanisms. Accordingly, the current use of day and night prices combined with on-site load control via a single relay represents the most practical and effective approach available.

Rationale for a predominantly capacity-based pricing structure

A predominantly fixed, capacity-based pricing structure is currently the most cost-reflective and practical approach for Network Waitaki for the following reasons:

- A high-level review of Network Waitaki's cost structure shows that the majority of costs are fixed, even though some operational expenditure may vary from year to year (for example vegetation management, maintenance, labour, or IT). These costs are not materially driven by energy volumes transported.
- Because network prices form a relatively small proportion of the total electricity bill, even a moderate volume-based component can dilute the pricing signal needed to encourage customers to select an appropriate capacity level.
- Greater reliance on fixed charges reduces revenue volatility arising from weather-driven volume fluctuations and emerging technologies that may reduce energy throughput over time.
- Predominantly fixed pricing is consistent with the Transmission Pricing Methodology, which emphasises prices that are largely unavoidable and reflective of capacity use.
- A higher fixed component reduces the likelihood of windfall gains in high consumption years, supporting revenue stability and helping to ensure that Network Waitaki earns adequate but not excessive returns within regulatory limits.

Role of the residual volume component

A residual volume-based component of approximately 20% is retained to contribute to both signalling and recovery of costs associated with those parts of the business that are less strongly capacity-driven, including asset relocations, system growth, vegetation management and service interruptions and emergency response.

Transition toward improved cost reflectivity

Achieving an 80/20 capacity-based to volume-based pricing represents a significant step towards improved cost reflectivity when compared with the approximately 10/90 ratio that applied only a few years back.

This transition reflects Network Waitaki's deliberate and staged approach to improving pricing efficiency while managing customer impacts and operating within current regulatory and data constraints.

3.4 Implementation progress

Network Waitaki has been progressively re-balancing fixed (capacity-based) and volume-based prices since 2017 with the objective of transitioning to a predominantly cost reflective pricing structure. This rebalancing has been undertaken to:

- Reduce revenue uncertainty arising from volume risk, including weather variability and the impact of emerging technologies; and
- Provide clearer and more durable price signals to customers, enabling informed investment decisions about connection capacity that appropriately reflect their electricity demand requirements.

The Government's decision in 2021 to phase out the Low Fixed Charge (LFC) Regulations is an important step toward enabling more cost-reflective distribution pricing. The LFC Regulations require Network Waitaki to offer residential consumers, at their primary place of residence, a low fixed charge price option with a regulated cap on the daily fixed charge of 90c per day (excluding GST) in FY2027. The Regulation also require that, at an assumed annual consumption of 9,000 kWh, the total annual charges (fixed and volume) under the low fixed charge option are equal to those of any other price option available to those consumers.

In response to this decision, Network Waitaki has been adjusting low-user prices since 1 April 2022 in line with the regulated phase-out pathway.

The price adjustments applying for the 2026-2027 pricing year will maintain the capacity-based to volume-based pricing ration of approximately 75/25, inclusive of LFC price options. In the absence of the LFC constraints, Network Waitaki estimates that an 80/20 capacity-to-volume ratio would already have been achieved.

3.5 Impact on customers

The impact of the pricing changes will vary across customers, reflecting differences in connection size, utilisation of contracted capacity and price plan selection. As a result, some customers-particularly those with higher utilisation of their contracted capacity-may experience smaller increases or relatively favourable outcomes, while others may experience larger increases.

Figure 2 and Figure 3 below illustrate the range of impacts that customers may experience under the new prices:

- Figure 2 shows that customers on controlled 15kVA price plans (primarily residential and small commercial customers) are expected to experience annual increases in the range of approximately \$105 to \$200, equating to an average increase of between 7.7% and 8.9%, depending on individual usage patterns.
- Figure 3 shows that customers on uncontrolled 15kVA price plans are expected to experience annual increases in the range of approximately \$64 and \$210, equating to an average increase of between 4.6% to 5.8%.
- The difference in the slope between the controlled and uncontrolled 15KVA price plans in the graphs below reflects the different balance between fixed and volume charge changes. While volume charges are the same for both plans, a larger proportion of the price increase for controlled customers arises from fixed (capacity-based) charges. As fixed charges do not vary with electricity consumption, their impact as a percentage of the total network charge decreases as customer usage increases, resulting in a downward-sloping relationship for controlled customers. In contrast, the smaller fixed price increase for uncontrolled customers means that changes in variable charges play a relatively greater role, resulting in a modest upward-sloping relationship. This outcome is consistent with a transition toward more cost-reflective, capacity-based pricing and a reduction in the historical price differential between controlled and uncontrolled options.

The difference in percentage increases between controlled and uncontrolled price plans reflects a reduction in the price differential between these options. This change supports greater pricing neutrality between control arrangements and is intended to reduce barriers for customers who may wish to move away from distributor-controlled load arrangements in favour of third-party flexibility or demand response offerings.

Overall, the changes improve alignment between prices and underlying network costs, while maintaining customer choice and supporting the development of alternative flexibility solutions.

Figure 2: Impact of price adjustment on small customers (0 – 15kVA Controlled price group)

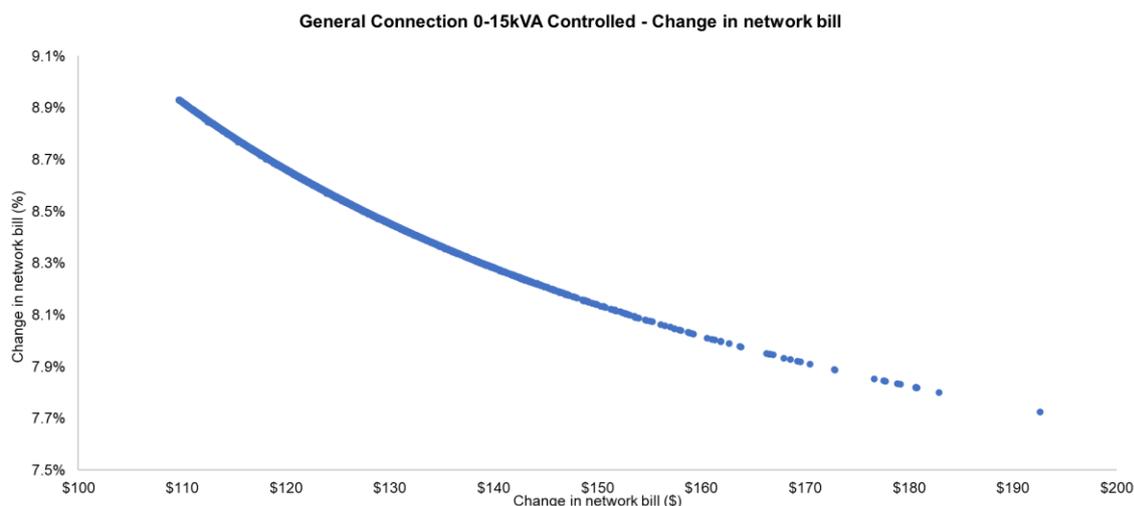
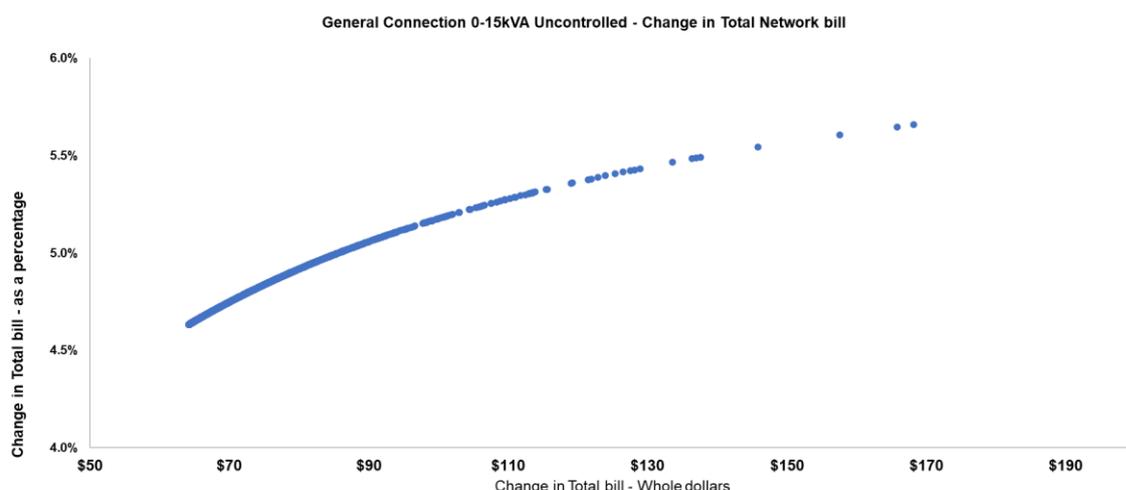


Figure 3: Impact of price adjustment on small customers (0 – 15kVA Uncontrolled price group)



3.6 Roadmap going forward

Consistent with Network Waitaki’s pricing strategy, the current pricing structure has effectively achieved an 80% capacity-based / 20% volume-based balance when the impact of the LFC price options is excluded. While the LFC Regulations remain in force, Network Waitaki expects to operate at an overall 75% capacity-based / 25% volume-based balance across all price plans, inclusive of LFC prices.

The roadmap going forward focuses on maintaining and progressively refining this approach, while preparing for future regulatory and technological change.

Key actions

Network Waitaki’s forward programme will focus on the following actions:

- a) Maintain a predominantly capacity-based pricing structure, targeting an approximately 80/20 split between capacity-based (fixed) / volume-based charges with the primary pricing signal delivered through fixed capacity-based charges.
- b) Continue to offer load-controlled pricing options, with lower fixed charges relative to uncontrolled plans for the same capacity, while progressively reducing the differential between

controlled and uncontrolled price plans to support the development of third-party flexibility services.

- c) Continue technical assessment of whether expanded capacity options are feasible, with a view to consider offering a wider range of contracted capacity choices once the LFC regulations are removed from 1 April 2027, and when enabling technologies are available to better address and manage low user pricing.
- d) Enhance customer communication, including targeted engagement on significant network investments required to deliver capacity and security of supply in support of regional decarbonisation initiatives, such as industrial and domestic electrification and transport electrification.
- e) Provide ongoing customer support, including assisting customers during FY2027, where required, to ensure they are on the most appropriate price plans for their circumstances.

Expected benefits

The key benefits of this pricing roadmap include:

- a) A more cost reflective, service-based pricing structure, with improved price signals that better align customer behaviour with the underlying drivers of network cost;
- b) Targeted discounts for controllable load, supporting efficient congestion management where required;
- c) Reduced revenue volatility, improving financial stability for the business;
- d) A pricing strategy that is consistent with Electricity Authority guidance; and
- e) Readiness for the removal of the LFC regulations, supporting a smooth transition to more cost-reflective pricing.

3.7 Customer Survey

In April 2025, Network Waitaki carried out a comprehensive survey to understand consumers' experiences on a range of issues. Issues covered in the survey included overall satisfaction with Network Waitaki's management of outages, price and reliability balance, perceived value for money, awareness of company ownership, image and reputation, core service delivery, and familiarity with and views on future energy activities such as electric vehicles, decarbonisation and other emerging technologies.

This survey was completed as follows:

- An online survey was undertaken with 575 Network Waitaki customers between 11 April and 29 April 2025.

Historically we have conducted face-to-face interviews with fifteen of our large key customers, however with members of the Senior Leadership Team engaging with these customers regularly at that time we felt we had a strong understanding of their experiences.

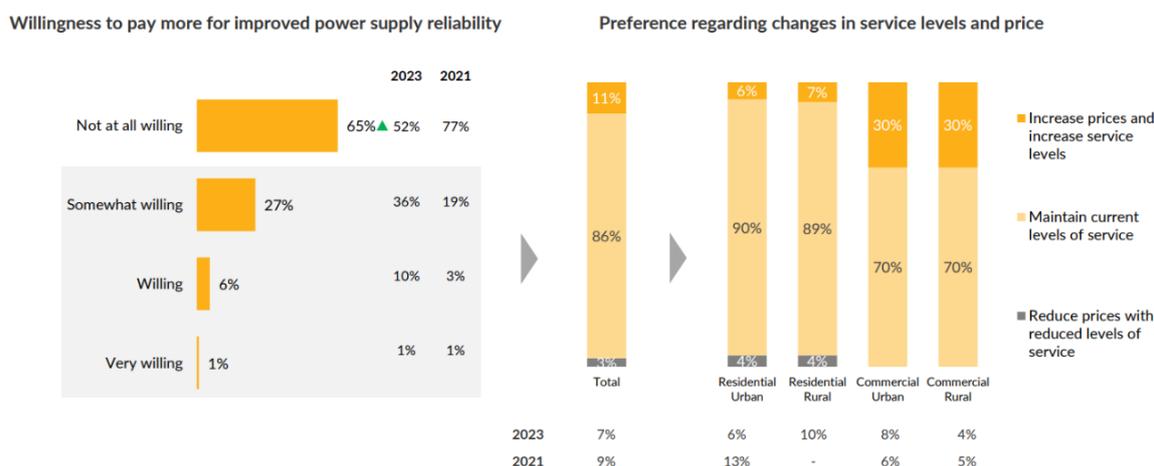
The specific objectives of this research were:

- To understand customers' perceptions of the organisation and its reputation, including price/quality trade-off.
- To understand satisfaction with the services provided by Network Waitaki.
- To identify the key drivers of perceptions.
- To identify priority opportunities to enhance customer satisfaction.

A major unplanned Transpower outage occurred on 26th April 2025 which lasted 3 hours and affected around 11,000 connections. The survey was open during this time and 69 respondents completed it after the outage. Their responses, especially for key variables, were generally lower than those who responded earlier, affecting the overall results.

Key findings were that:

- 69% of those surveyed are satisfied with the *Overall Performance of Network Waitaki*
- 48% of those surveyed online are satisfied with the Overall Value for Money.
- Reliability of power supply was the area achieving the highest rating, as it has been in previous years.
- Opportunities highlighted for improvement with those surveyed included Lines Charges Being Good Value, Overall Value for Money, and How Well They Communicated with Customers. Value for Money remains the most influential attribute for customers’ overall satisfaction and has a lower performance rating to that of the 2021 and 2023 studies.
- Regarding customers willingness to pay more for improved power supply reliability – of those surveyed online, 65% are not at all willing to pay more, 27% are somewhat willing, 6% willing and 1% very willing. And 86% of customers would prefer that we maintain the current levels of service, which is a slight drop from the results from 2023.



The next customer survey will be conducted during FY2028.

4 Calculation of Cost to serve

Network Waitaki determines its required revenue using a cost-to-serve approach. This approach aggregates the efficient costs of providing the distribution service, together with an appropriate return on investment and pass-through cost. The resulting required revenue forms the basis for setting network prices.

4.1 Cost to serve components

The cost to serve calculation comprises the following components:

4.1.1 Distribution network costs

Distribution network costs relate to the operation and maintenance of the network and include:

Operations and Maintenance

Operations and maintenance costs are based on the programmes and expenditure levels set out in Network Waitaki's 10-year Asset Management Plan (AMP).

- Maintenance costs reflect planned and reactive asset maintenance activities.
- Operational costs include all other direct and indirect network-related costs, excluding administration costs.

Depreciation

Depreciation on network assets is based on the standard life for each asset category.

Return on investment

Return on Investment provides for a return on Network Waitaki's regulatory asset base. This return supports ongoing network growth and development, asset renewals in excess of depreciation and an appropriate return to our shareholder or, where applicable, the ability to provide a discount to customers.

Administration

Administration costs represent Network Waitaki's share of corporate and overhead costs associated with the administration of the business, including the full cost of support services required to manage and operate the network.

4.1.2 Recoverable and Pass-Through Cost

Recoverable and Pass-through costs are costs incurred by Network Waitaki that are largely outside our direct control and are recovered through network pricing. These include: Transmission prices charged by Transpower, avoided transmission cost and new investment contracts as well as local authority rates, Electricity Authority levy, Commerce Commission levy, Fire and Emergency levy (FENZ) and Utilities Disputes levy.

Transmission prices charged by Transpower consists of the following price components:

- **Connection Charge:** This charge represents the fixed costs associated with dedicated transmission assets at each GXP. Shared assets are allocated based on each off-take customer's share of the 12 highest half-hour demand peaks measured at the GXP.
- **Avoided transmission costs** applies where Network Waitaki has funded transmission equivalent assets that would otherwise have been provided by Transpower.
- **New Investment Contracts** relate to grid investments undertaken by Transpower to meet Network Waitaki's specific supply requirements.
- **Benefit-based charge:** This charge recovers capital and applicable operating costs associated with new and certain historic interconnection investments. The charge is allocated to each Transpower customer based on the extent to which each customer is an expected beneficiary.
- **Residual charge:** This charge applies to a customer's gross load, regardless of whether it is supplied from the grid or from embedded generation, and irrespective of season or time-of-use.
- **Transitional cap charge:** A transitional cap applies to distributors and grid-connected consumers' benefit-based charges and residual charges. The cost of this cap is shared among distributors, generators and direct-connect customers in the form of a transitional cap charge.

4.2 Calculation of the required revenue

The revenue required to cover Network Waitaki's costs and return on investment the 2026-2027 pricing year is \$36.18 million, as summarised in Table 2 below.

Table 2: Revenue Requirement

Revenue Requirement	2026-2027
Operation and Maintenance	\$8,787,747
Depreciation	\$5,633,333
Administration	\$4,456,000
Return on Regulatory Assets	\$9,305,612
Transmission	\$7,699,038
Pass-through costs	\$301,973
Revenue Requirement	\$36,183,704
Fixed Discount	(1,000,000)
Net Revenue Requirement	\$35,183,704

Network Waitaki’s Cost of Supply model (CoSM) and pricing design model apply a bottom-up approach to allocate the net revenue requirement across customer groups in a manner that supports cost-reflective and efficient prices.

5 Customer load groups and pricing structures

Customer load groups fall into two broad categories: Standard and non-standard.

Overview of load group categories

Standard customer load groups

Standard load groups recover network costs through:

- a fixed annual price, based on the customer’s contracted connection capacity; and
- day and night volume prices (c/kWh), as set out in the delivery price schedule in Appendix A.

Most Network Waitaki customers are on standard price plans. These customers hold supply contracts with electricity retailers, not directly with Network Waitaki.

Non-standard customer load groups

Non-standard customers have bespoke pricing arrangements where network costs are recovered primarily through:

- a fixed annual price, reflecting the customer’s individual asset usage and contracted capacity; and
- to a lesser extent, the customer’s contribution to system peak demand.

5.1 Standard customer load groups

Standard customer load groups are based on the standard distribution transformer capacities used on the network. No distinction is made between single-phase and three-phase connections for pricing purposes.

- The minimum connection capacity is:
 - 15kVA for single-phase connections; and
 - 30kVA for three-phase connections.
- Customers are allocated to load groups based on their contracted connection capacity.
- No distinction is made between residential and non-residential customers, except for the Residential Low User categories, which are available only to qualifying primary domestic supplies.

Load groups are defined in kVA, as this is a measure of service capacity and load density and best reflects the costs incurred in serving each group.

Customer load groups

Table 3: Customer load groups

Load Group	Description	Maximum Fuse Rating
UNM	Unmetered load	
RLC	Residential Low User 15C	1 x 63A fuse
RLU	Residential Low User 15U	1 x 63A fuse
15C	0 - 15kVA controlled	1 x 63A fuse
15U	0 - 15kVA Uncontrolled	1 x 63A fuse
30C	16 - 30kVA Controlled	1 x 100A fuse or 3 x 40A fuses
30U	16 - 30kVA Uncontrolled	1 x 100A fuse or 3 x 40A fuses
50C	31 - 50kVA Controlled	3 x 80A fuses
50U	31 - 50kVA Uncontrolled	3 x 80A fuses
100	51 - 100kVA	3 x 160A fuses
200	101 – 200kVA	3 x 315A fuses
300	201 – 300kVA	3 x 400A fuses
500	301 – 500kVA	NA
750	501 – 750kVA	NA
LC	750kVA +	NA
IND	Non-standard	NA

Street lighting is treated as a specialist load group, supplied via dedicated low-voltage assets and priced under a non-standard pricing arrangement.

5.2 Distribution fixed prices - standard load groups

5.2.1 0 – 50kVA load groups

Customers in the 15, 30, and 50kVA groupings are typically residential or small commercial customers. These customers may have water-heating or other loads that can be controlled.

Network Waitaki continues to offer load-controlled pricing options where these support the efficient use of network assets by shifting load to off-peak periods. In recognition of this benefit:

- controlled price plans have lower fixed prices than uncontrolled plans for the same capacity; however
- consistent with section 3.5, the differential between controlled and uncontrolled plans is being progressively reduced to support the development of third-party flexibility services.

A Residential Low (RL) User option is also available in accordance with the *Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004*. This option is designed to be cost-neutral at 9,000 kWh per annum.

5.2.2 51 – 750kVA Load Groups

Customers in the 100 – 750kVA load groups are predominantly commercial, light industrial, or farming customers. These customers typically:

- have high electricity consumption;
- do not generally have externally controllable load; and
- are often supplied via dedicated transformers, using a different mix of network assets than smaller low-voltage connections.

For these customers, pricing is structured to reflect the predominantly fixed-cost nature of the network, with a greater emphasis on fixed capacity prices and reduced reliance on volume prices.

5.2.3 Large commercial load group (>750kVA)

Customers requiring connections larger than 750kVA fall within the large commercial load group. Pricing for these customers is similar in approach to non-standard pricing, with network costs recovered through:

- fixed prices based on contracted capacity and
- contribution to network demand.

Over time, the fixed capacity component continue to form a larger share of pricing for this group to better reflect underlying cost drivers.

5.2.4 Disconnection and Reconnection

Where an ICP is disconnected for seasonal or intermittent use and reconnected within the same 12-month period, Network Waitaki will apply the fixed charges that would have applied had the ICP remained connected over that period.

This reflects that the network capacity required to supply the connection remains reserved, and the underlying network costs are not avoided by short-term disconnection.

Disconnection for the primary purpose of avoiding fixed charges is not supported. Where such disconnections occur, Network Waitaki may apply network charges, administration, reconnection or other applicable charges in accordance with the pricing schedule and service policies.

5.3 Non-standard load groups

Pricing for non-standard customers is primarily driven by:

- contracted capacity, and
- to a lesser extent, contribution to network system demand.

Network Waitaki currently has 9 customers on non-standard connections.

5.4 Volume prices: Standard customer Load Groups

Volume prices for standard customer load groups are based on:

- aggregated volumes measured at GXPs; and
- individual customer usage.
- Day prices apply from 7:00am to 11:00pm and
- night prices apply from 11:00pm to 7:00am.

Night prices are lower than day prices to encourage retailers to develop prices that reward customers for off-peak usage. Volume prices have increased slightly in the 2026-2027 pricing year with no impact on the 75/25 capacity-to-volume ratio and the longer term target of 80/20 once the LFC regulations are removed.

5.5 Transmission pricing

5.5.1 Standard load groups

Transpower's charges are predominantly fixed and asset-based and are allocated across customer load groups based on capacity requirements. These costs are recovered primarily through fixed charges.

5.5.2 Non-standard load groups

For non-standard customers:

- Transpower connection charges and new investment charges are recovered through fixed charges based on contracted capacity; and

- benefit-based, residual, and transitional cap charges are recovered through fixed charges allocated using Anytime Maximum Demand (AMD).

5.6 Settlement Residual Allocation

In accordance with clause 12A.3 of the Code, Network Waitaki has published a Settlement Residual Allocation methodology, which sets out how settlement residue rebates received from Transpower are passed through to the payers of transmission charges.

5.7 Distributed generation pricing

5.7.1 Distributed generation incremental cost charge

This charge applies to electricity (kWh) injected into Network Waitaki's network where incremental network costs are incurred (e.g. voltage monitoring, control equipment, or local reinforcement). The charge currently applies at 0 c/kWh.

Small-scale generation installations must have meters capable of recording both imported and exported energy.

5.7.2 Distributed Generation negative export charge

A negative export charge may apply to distributed generation injected into the network during defined day or night periods, where exports provide measurable long-run marginal cost (LRMC) benefits such as deferring network augmentation or reducing peak demand. This charge applies to connections:

- $\leq 50\text{kVA}$; and
- with maximum deliverable generation capacity of $\leq 45\text{kW}$.

Distributed Generation in Network Waitaki's supply area

Distributed generation within Network Waitaki's supply area - predominantly photovoltaic installations - currently represents approximately 2.4% of Installation Connection Points (ICPs). Total DG exports during the day period (7am to 11pm) are approximately 1.9 GWh per annum, equivalent to around 1.0% of total daytime network consumption.

At this scale, distributed generation does not materially reduce network peak demand, nor does it defer or avoid forecast network reinforcement or capital investment. Export volumes are relatively small, and do not meaningfully alter asset utilisation at times that drive network capacity requirements.

Impact of committed GXP Investment

Network Waitaki is at the point of making a GXP investment to support long-term demand growth and maintain system reliability. In coming to this decision, Network Waitaki has considered all alternatives including renewable generation to provide the firm energy supply required for meet Network Waitaki's current and future capacity constraints.

Under these conditions, incremental DG exports do not defer or avoid this committed investment, nor do they materially reduce future augmentation requirements in the short to medium term. The marginal network benefit of DG exports is therefore very low, as capacity costs have already been committed to be incurred.

The efficient pricing priority in this context is to encourage productive utilisation of committed network capacity, rather than subsidising exports that do not reduce network costs or postpone capital expenditure. Encouraging load growth and efficient consumption provides a stronger long-term benefit to customers than applying a negative export charge with negligible system impact.

LRMC Assessment and Economic Materiality

A preliminary LRMC assessment indicates that the theoretical marginal network benefit of distribution generation exports is less than 1.0 c/kWh. When applied only to eligible generators ($\leq 50\text{kVA}$), this would result in total annual rebates of around \$10,000 across the network.

Network Waitaki has assessed whether implementing a non-zero negative charge would deliver an efficient, cost-reflective and proportionate price signal. We conclude that applying a non-zero negative charge at this time would not be economically efficient, for the following reasons:

- Immaterial network benefit: Current DG penetration does not materially reduce network peak demand or defer network investment, and does not offset committed GXP expenditure.
- Weak behavioural signal: The total value of potential rebates is too small to influence customer investment decisions, export behaviour or operational behaviour.
- Disproportionate administration costs: The costs of system configuration, billing, reconciliation, retailer coordination, customer communication, and ongoing compliance associated with implementing a negative charge are expected to exceed the total economic benefit delivered.
- Risk of inefficient cross-subsidy: Introducing a negative charge without demonstrable network savings risks transferring costs from DG owners to non-DG customers without a commensurate reduction in overall network costs.
- No effective investment signal: Under current conditions, a non-zero negative charge would not materially improve network utilisation, defer augmentation or reduce long-term expenditure and would therefore not achieve the intended efficiency objective.

On this basis, Network Waitaki will apply a zero negative charge for eligible small-scale distributed generation for the 2026–2027 pricing year. This position will be reviewed periodically, particularly if distributed generation penetration increases to levels that demonstrably reduce network peak demand, defer capital investment, materially improve utilisation of network assets or create measurable network benefits.

5.8 Unmetered Load Group

Unmetered connections include low capacity, predictable loads such as traffic signals, telecommunications cabinets and similar installations. Electricity consumption is not directly metered and is instead calculated using approved estimation methodologies.

Unmetered loads

- are generally low capacity;
- do not materially contribute to system peak demand; and
- must meet the Code definition in clause 10.14(2)(b) for unmetered load (i.e. $\leq 3,000$ kWh per rolling 12-month period) and have no installed meter.

Compliance with the unmetered volume threshold may be reviewed every six months on a rolling-12 month volume basis).

6 Price-setting approach

Network Waitaki sets network prices using a two-step process that links the required revenue to the customers and locations that drive network costs:

Overview of the approach

Step 1: Cost allocation (Cost of Supply Model – CoSM)

The CoSM allocates the total required revenue:

- first, across the GXPs supplying the network; and
- second, from each GXP to individual customer load groups.

Step 2: Price design

The pricing design model then converts the allocated revenue into prices by:

- setting fixed and volume-based prices for each load group; and
- rolling GXP-specific prices into uniform delivery prices that apply consistently across the network.

6.1 Allocation of the revenue requirement (CoSM)

6.1.1 Allocation to GXPs

The CoSM first allocates the total required revenue across the four GXPs supplying Network Waitaki's network, namely, Oamaru, Waitaki, Twizel and Black Point.

Revenue is allocated to each GXP based on the principal drivers of network cost. Eight cost drivers could be used:

- Number of ICPs
- Installed Capacity
- Consumption
- Peak demand
- Anytime Maximum Demand (AMD)
- Line length
- Regulatory Asset Base (RAB)
- RAB-related depreciation

The allocation of these cost drivers to each GXP is summarised in Table 4.

Table 4: Allocation to GXP by cost driver

Cost driver	Oamaru	Waitaki	Twizel	Black Point
No. of ICPs	83%	12%	5%	0%
Consumption	74%	12%	6%	8%
Installed Capacity	74%	14%	5%	6%
Peak Demand	62%	15%	5%	18%
Anytime Maximum Demand	75%	12%	6%	8%
Line Length	83%	11%	6%	0%
RAB	70%	22%	8%	0%
RAB – Depreciation	73%	20%	8%	0%

The selected cost drivers reflect the best available information. In some cases, assumptions are required (for example, where peak demand data is not available at individual load-group level). Network Waitaki expects the quality and granularity of these inputs to improve over time as data availability increases.

The detailed allocation of revenue to each GXP by cost component and cost driver is provided in Appendix E.

6.1.2 Allocation to consumer load groups

Once revenue has been allocated to each GXP, the CoSM allocates the GXP-specific revenue to consumer load groups based on the drivers of cost to serve each group.

The allocation is undertaken in three stages, namely:

Stage 1: Allocation between standard and non-standard customers

At a high level, revenue is allocated between standard and non-standard customer groups using the following cost drivers:

- Installed Capacity
- Peak demand
- Anytime Maximum Demand

(Refer Table 12, Appendix F)

Stage 2: Allocation within standard load groups:

Revenue allocated to standard customers is then distributed across individual standard load groups using a broader set of cost drivers:

- Number of ICPs
- Installed Capacity
- Consumption
- Peak demand
- Anytime Maximum Demand (AMD)
- Line length

Stage 3: Allocation to non-standard and large commercial customers

Revenue allocated to non-standard and large commercial customers is distributed using cost drivers most relevant to these customers:

- Installed Capacity
- Peak demand
- Anytime Maximum Demand

The cost drivers used in the model are based on historical quantities, including billing data, EIEP files and information disclosure data.

- Tables 12 to 16 (Appendix F) show the percentage allocation of each cost driver by load group and GXP.
- Tables 17 to 20 (Appendix G) show the underlying cost-driver values used in the allocation.

6.1.3 Resulting revenue required by consumer group

Based on the outputs of the CoSM, the indicative revenue requirement to be recovered from each customer group is shown in Table 5 below.

Table 5: Allocation of revenue requirement by consumer group (2026-2027)

Breakdown of revenue requirement for 2026 – 2027				
	Distribution	Pass-through	TOTAL	Proportion
Small: UNM, RLU, RLC, 15U, 15C	\$14,306,426	\$3,208,095	\$17,514,521	48%
Medium: 30U, 30C, 50U, 50C	\$3,952,794	\$1,034,171	\$4,986,965	14%
Large: 100, 200, 300, 500, 750, LC	\$7,268,332	\$2,105,175	\$9,373,507	26%
IND: Non-standard	\$2,655,141	\$1,653,570	\$4,308,711	12%
Total Revenue Requirement	\$28,182,693	\$8,001,011	\$36,183,704	100%

These allocations provide the cost-reflective basis for setting distribution and pass-through prices for each customer load group.

6.2 Setting pricing to recover required revenue from consumer groups

Network Waitaki sets prices to recover the required revenue from each customer group in a manner that is cost-reflective, consistent with pricing strategy and compliant with regulatory obligations. This is undertaken using the pricing design model which converts allocated costs into fixed and volume-based prices.

6.2.1 Overview of pricing design process

The pricing design model performs three core functions:

1. Sets initial distribution and transmission prices for each consumer group by GXP, consistent with the CoSM allocations;
2. Rolls GXP-level prices into uniform delivery prices that apply across the network; and
3. Applies smoothing and regulatory adjustments to ensure compliance with the LFC Regulations and to avoid excessive bill volatility.

6.2.2 Uniform delivery charges

Network Waitaki applies uniform delivery charges across all locations, meaning prices do not vary by geographic area or distance to supply.

This approach is maintained for the following reasons:

- Approximately 83% of Network Waitaki customers are supplied via the Oamaru GXP, indicating a highly concentrated customer base;
- Only around 9% of connections are located more than 11km away from their point of supply (see Figure 4);
- Introducing locational pricing for a small number of remote customers would add complexity, administrative burden, and customer confusion; and
- Differences in network security and cost between urban and rural customers tend to offset one another over time.

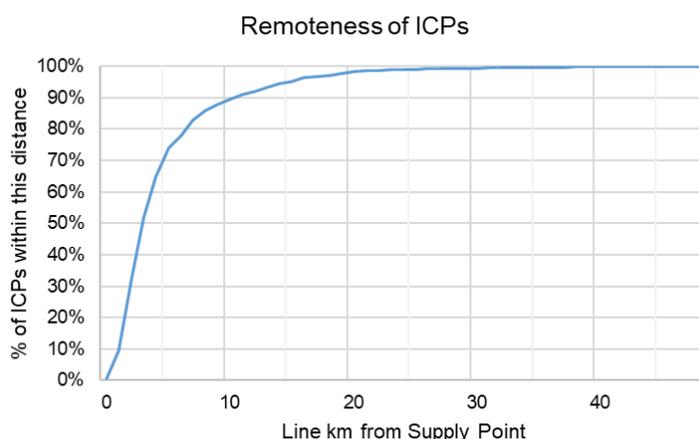
Urban customers supplied from Chelmer Street and Redcastle substations benefit from higher security of supply due to N-1 status and greater interconnectivity. Whereas, rural customers could face higher restoration costs and longer outage durations. On balance, Network Waitaki considers uniform pricing to remain appropriate and equitable.

This approach aligns with Electricity Authority guidance, which recognises the importance of weighing the cost vs. benefits of adopting greater granularity in its Practice Note—

“Granularity matters. The prices and regulated charges for electricity services vary significantly at different times and in different locations in electricity networks. Progressively improving the temporal and locational granularity of prices and charges can deliver increased social welfare; **however, these benefits must be balanced against the costs, complexity, and potential equity concerns of implementation.**”⁶ [Emphasis added]

⁶ Electricity Authority. Distribution Pricing: Practice Note Second Edition v2.2 (2022). Paragraph 81, page 15

Figure 4: Illustration of remoteness of ICPs



6.2.3 Setting a fixed / volume-based pricing split

Consistent with Network Waitaki’s pricing strategy, an overall 80% fixed / 20% volume-based pricing split is targeted (noting that LFC price options result in an effective 75/25 split in FY2027).

6.2.4 Setting fixed and volume-based prices

Within each consumer group, fixed and volume-based prices are calculated using the following formula:

$(\text{CoSM allocated required revenue per consumer group} \times \text{fixed/volume split}) \div \text{forecast quantity}$

Each standard consumer group has:

- one fixed capacity-based price, and
- uniform day and night volume prices applied across all consumers within that group.

6.2.5 Forecast quantities for price setting

Prices are based on forecast quantities to ensure revenue stability and reduce volatility.

- Volume forecasts are based on the average of the previous three years’ energy throughput.
- ICP counts are forecast using a five-year historical growth trend for each consumer group.

6.2.6 Smoothing prices and regulatory compliance

After initial price setting, prices are smoothed to:

- comply with LFC regulations;
- manage the transition toward more cost-reflective pricing; and
- avoid bill shocks for customers.

A three-step smoothing process is applied:

1. Initial price setting to achieve the target fixed/volume ratio;
2. Adjustments to ensure compliance with LFC Regulatory requirements; and
3. Redistribution of under- or over-recovered revenue across consumer groups in a fair and proportionate manner.

6.2.7 Calculation of target revenue by consumer group

Target revenue for each consumer group is calculated as:

Smoothed Price x forecast quantity = Target revenue

Table 6: Target revenue by consumer group (2026-2027)

Consumer Group	Target revenue	Proportion
UNM (Unmetered)	\$60,510	0.2%
RLU (Residential Low User 15U)	\$966,459	2.7%
RLC (Residential Low User 15C)	\$4,956,695	13.7%
15U (0-15kVA Uncontrolled)	\$3,142,125	8.7%
15C (0-15kVA Controlled)	\$6,589,230	18.2%
30U (16-30kVA Uncontrolled)	\$1,269,901	3.5%
30C (16-30kVA Controlled)	\$474,430	1.3%
50U (31-50kVA Uncontrolled)	\$2,718,614	7.5%
50C (31-50kVA Controlled)	\$645,157	1.8%
100 (51-100kVA)	\$3,936,755	10.9%
200 (101-200kVA)	\$2,891,663	8.0%
300 (201-300kVA)	\$1,779,440	4.9%
500 (301-500kVA)	\$1,468,637	4.1%
750 (501-750kVA)	\$1,017,759	2.8%
LC (750kVA+)	\$161,729	0.4%
IND (Non-Standard)	\$4,104,599	11.3%
Total Target revenue	\$36,183,704	100.0%

6.2.8 Variance between required revenue and target revenue

Price smoothing results in differences between the CoSM-allocated required revenue and the target revenue recovered from each consumer group.

These variances reflect:

- regulatory constraints (particularly LFC);
- transitional pricing objectives; and
- deliberate smoothing to manage customer impacts

Table 7: Required vs Target revenue by consumer group

Consumer Group	Required revenue	Target revenue	Variance	
UNM (Unmetered)	\$40,363	\$60,510	\$20,148	50%
RLU (Residential Low User 15U)	\$1,458,357	\$966,459	-\$491,899	-34%
RLC (Residential Low User 15C)	\$6,707,505	\$4,956,695	-\$1,750,810	-26%
15U (0-15kVA Uncontrolled)	\$2,995,152	\$3,142,125	\$146,973	5%
15C (0-15kVA Controlled)	\$6,313,144	\$6,589,230	\$276,086	4%
30U (16-30kVA Uncontrolled)	\$1,267,267	\$1,269,901	\$2,634	0%
30C (16-30kVA Controlled)	\$503,883	\$474,430	-\$29,454	-6%
50U (31-50kVA Uncontrolled)	\$2,585,505	\$2,718,614	\$133,109	5%
50C (31-50kVA Controlled)	\$630,310	\$645,157	\$14,847	2%

Consumer Group	Required revenue	Target revenue	Variance	
100 (51-100kVA)	\$3,244,908	\$3,936,755	\$691,848	21%
200 (101-200kVA)	\$2,383,489	\$2,891,663	\$508,174	21%
300 (201-300kVA)	\$1,545,769	\$1,779,440	\$233,670	15%
500 (301-500kVA)	\$1,250,100	\$1,468,637	\$218,537	17%
750 (501-750kVA)	\$758,465	\$1,017,759	\$259,294	34%
LC (750kVA+)	\$190,776	\$161,729	-\$29,047	-15%
IND (Non-Standard)	\$4,308,711	\$4,104,599	-\$204,111	-5%
Total	\$36,183,704	\$36,183,704	\$0	0%

These differences are expected to continue to reduce over time as pricing transitions toward more fully cost-reflective structures and LFC constraints are removed.

6.3 Impact on prices

For the pricing year 1 April 2026 to 31 March 2027, the overall impact of Network Waitaki's price adjustment is a weighted average increase of 7.0% across network prices.

The increase has been applied in a manner consistent with Network Waitaki's pricing strategy, including the transition toward a more capacity-based, cost-reflective structure and compliance with the LFC Regulations.

Table 8: Price adjustment 2026-2027

Price adjustment	% Adjustment
Distribution fixed (Standard and Non-standard)	7.3%
Distribution volume	5.3%
Recoverable and pass-through fixed (Standard and Non-standard)	14.4%
Recoverable and pass-through volume	9.8%
Weighted average price increase	7.0%

6.3.1 Explanation of price movements

- Fixed distribution prices have increased slightly more than volume prices to support the ongoing transition toward a predominantly fixed, capacity-based pricing structure that better reflect Network Waitaki's underlying cost drivers
- Volume prices include the impact of LFC price changes, where increases in fixed prices are constrained, requiring some recovery through volume-based pricing.
- Pass-through prices reflect increases in external costs (including transmission and levies and rates), with higher increases in fixed components consistent with the fixed cost nature of these prices.

Overall, the price adjustment maintains alignment with Network Waitaki's pricing strategy, regulatory requirements and revenue recovery objectives, while managing customer impacts in a gradual and predictable manner.

6.4 Applying the subsidy-free test

The Electricity Authority's Distribution Pricing Principles state that:

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

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

We estimated avoidable and standalone costs for each of our 4 key load groups and found that for each group, our target revenue lies between avoidable and standalone costs, satisfying the subsidy-free test, as shown in the following tables and chart.

Table 9 Avoidable costs by load group

	Up to 50kVA	51-750 kVA	Large Customer	Individually Priced
Avoidable opex (\$000)	\$3,301	\$891	\$60	\$284
Avoidable transmission (\$000) (BBC + Residual)	\$1,834	\$3,917	\$594	\$1,201
Avoidable cost (\$000)	\$5,135	\$4,808	\$654	\$1,484
Revenue (\$000)	\$20,823	\$11,256	\$727	\$3,378
Revenue > Avoidable cost?	Yes	Yes	Yes	Yes

Table 10 Standalone costs by load group

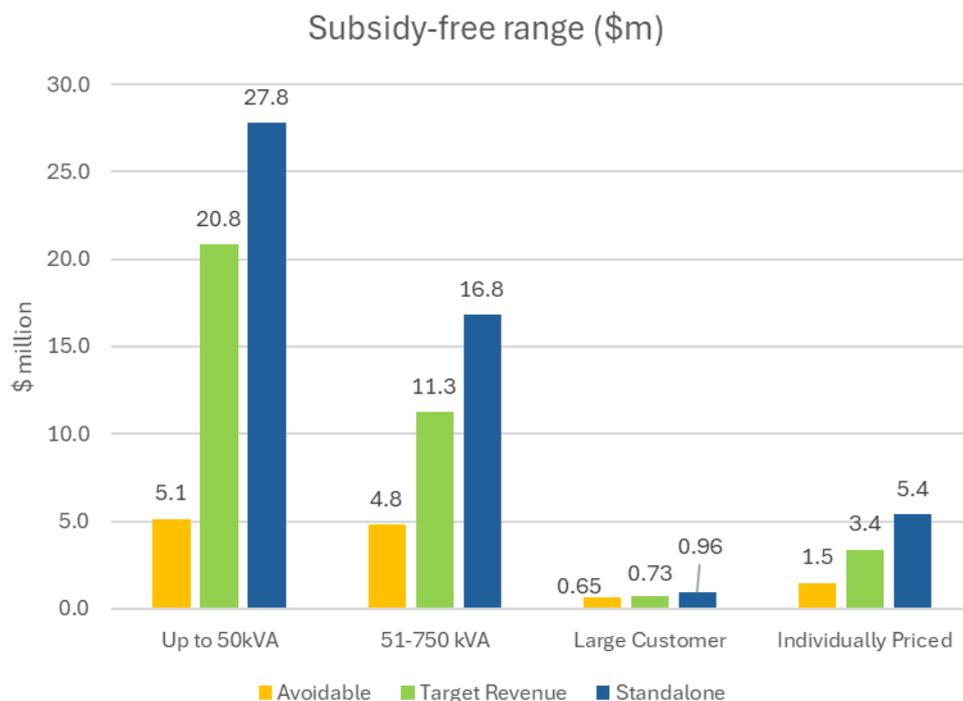
	Up to 50kVA	51-750 kVA	Large Customer	Individually Priced
Depreciation	\$4,402	\$2,662	\$53	\$344
Return on capital (pre-tax)	\$11,389	\$7,076	\$141	\$914
Opex	\$8,891	\$3,686	\$172	\$2,128
Transmission	\$3,135	\$3,384	\$594	\$2,007
Total Standalone Cost	\$27,818	\$16,807	\$960	\$5,394
Revenue	\$20,823	\$11,256	\$727	\$3,378
Is Revenue < Standalone cost?	Yes	Yes	Yes	Yes

To estimate avoidable cost we first identify which types of assets could be abandoned if each consumer group was no longer being supplied. We then used data published in our information disclosures to estimate the avoidable costs associated with abandoning those assets.

To estimate the standalone asset costs for each customer load group, we:

- Identify which asset classes most resemble common assets, where the value of the assets needed to serve an individual customer load group are similar to value of assets needed to serve all customer load groups. Identify the RAB value of those assets, by asset class for each customer load group
- For asset classes that are more attributable to individual load groups (rather than being common to the supply of multiple customer groups), we allocate the RAB value to each customer load group
- For each customer load group, calculate the depreciation and return on capital on common assets and allocated attributable assets to estimate the standalone asset costs

Figure 5 Subsidy-free test



7 Losses

Losses represent the proportion of electricity entering Network Waitaki's network at GXP's that is not delivered to customers' metered installation connection points, due to energy lost during electricity delivery. Losses are classified as either technical losses or non-technical.

Technical losses

Technical losses arise from the normal operation of network assets and include:

- Standing losses from zone and distribution transformers which occur whenever transformers are energised; and
- Variable (resistive) losses in network conductors, which increase with load and are proportional to the square of the current flowing through the conductor.

Non-technical losses

Non-technical losses arise from factors outside normal physical loss of energy and include:

- Metering inaccuracies, faults or data errors; and
- Electricity theft or unaccounted consumption

Application of loss factors

Electricity volumes measured at customer installation metering points exclude network losses. To determine the total energy retailers purchase at each GXP, customer metered consumption is adjusted using a loss factor.

7.1 Low Voltage and High Voltage connection

Most customers take supply and are metered at low voltage (400/230V). The loss factor applied to these customers includes losses from:

- distribution transformers; and

- low voltage reticulation.

A small group of customers take supply and are metered at 11 kV. Because these customers are supplied upstream of distribution transformer, their loss factor excludes distribution transformer and low-voltage reticulation losses and reflects only upstream network losses.

This ensures that customers are allocated losses in a manner that is consistent with their actual point of connection.

7.2 Calculation and allocation of loss factors

The average network loss factors are calculated using data from the National Reconciliation Manager, representing energy injected into the network at GXPs. This data is then verified against retailer consumption records to ensure it reflects real and representative network losses.

Loss factors are reviewed periodically to maintain alignment with observed network performance over time.

8 Distributed Generation

Network Waitaki supports the connection of Distributed Generation (DG) where it can be accommodated safely, reliably, and in a way that maintains efficient network operation. We work proactively with customers to assess DG opportunities, including solar and wind, and encourage customers interested in DG to contact us to discuss the opportunity further.

8.1.1 DG update on the network

DG in Network Waitaki's region is currently predominantly small-scale photovoltaic (PV) systems, and uptake continues to grow.

- There are currently 360 DG connections on the network.
- DG represents approximately 2.5% of all connections, with a combined installed capacity of around 3.5 MW.
- The average residential PV installation size is 5.0 kW.
- DG exports account for approximately 0.5% of total energy consumption on the network.

At current penetration levels, DG does not materially reduce network peak demand or defer major network investment, meaning its system-wide cost and benefit impacts remain modest.

8.1.2 Connection framework and regulatory compliance

Network Waitaki offers DG connections under the standard connection terms set out in Part 6 of the Electricity Industry Participation Code, administered by the Electricity Authority. These standard terms are consistent with those applied by other New Zealand distributors and are designed to be transparent, predictable and easy for customers to understand.

Further information on DG connection requirements is available on Network Waitaki's website under *Connecting Generation or Batteries*.

8.1.3 Pricing treatment for Distributed Generation

DG negative export price

Network Waitaki currently applies a DG negative export price of 0 c/kWh. Section 5.7 provides the rationale for the pricing approach.

A LRMC assessment indicates that the incremental network benefit of DG exports is currently low, reflecting the limited impact of present DG levels on peak demand and future network investment.

While a small negative charge could theoretically be justified based on LRMC, Network Waitaki has determined that:

- the total rebate value would be immaterial,
- the transaction and administration costs of implementation would outweigh the benefit, and
- a non-zero price would not provide a meaningful or effective investment signal under current conditions

Accordingly, a zero negative export price is applied for the 2026-2027 pricing year. This position will be reviewed periodically as DG penetration increases and as network impact evolves.

Incremental cost recovery

Where DG connections create incremental network costs – such as voltage management equipment, protection upgrades, monitoring, or local reinforcement – Network Waitaki may recover these costs through a DG Incremental cost charge. This will ensure that DG customers contribute fairly to any additional network costs directly attributable to DG connections – avoiding cross-subsidisation by other customers.

However, we do not currently charge DG customers for injecting into our network. A Distributed Generation volume price is applicable to distributed generator connections for exportation of electricity over the Network Waitaki network. The price is currently set at 0c/kWh.

8.1.4 Future approach to DG

Network Waitaki recognises the growing role of DG in decarbonisation, customer energy choice and energy resilience. As DG penetration increases, Network Waitaki will continue to:

- Monitor its impact on network peak demand, power quality and investment requirements; and
- Review pricing settings to ensure they remain efficient, proportionate and cost-reflective.

9 GLOSSARY

ADMD	After Diversity Maximum Demand
AMP	Asset Management Plan
CoSM	Cost of Supply Model
EA	Electricity Authority
EDB	Electricity Distribution Business
GXP	Grid Exit Point
ICP	Interconnected Control Point
IND	Non-Standard
kVA	kilo Volt Ampere
kW	kilo Watt
kWh	kilo Watt hour
LV	Low Voltage
RL	Residential Low User
LFC Regulations	Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004
RLC	Residential Low User Controlled
RLU	Residential Low User Uncontrolled

APPENDIX A – Delivery Price Schedule

Code	Description	Units	Effective 1 April 2025			Effective 1 April 2026			No. of Consumers
			Distribution	Pass-through	Delivery price	Distribution	Pass-through	Delivery price	
UNMETERED									
UNM	Unmetered load	\$/connection/day	NA	NA	NA	2.5379	0.7729	3.3108	48
WATAD	Day volume	\$/kWh	NA	NA	NA	0.02953	0.00620	0.03573	
WATAN	Night volume	\$/kWh	NA	NA	NA	0.00329	0.00068	0.00397	
RESIDENTIAL LOW FIXED CHARGE CONNECTIONS									
RLU	0 - 15kVA - Uncontrolled	\$/connection/day	0.5849	0.1651	0.7500	0.7074	0.1926	0.9000	1,027
RLC	0 - 15kVA - Controlled	\$/connection/day	0.5849	0.1651	0.7500	0.7074	0.1926	0.9000	4,431
RLUD	Day Volume - Uncontrolled	\$/kWh	0.14391	0.03848	0.18239	0.14562	0.04017	0.18579	
RLCD	Day Volume - Controlled	\$/kWh	0.13378	0.02881	0.16259	0.13913	0.03342	0.17255	
RLUN	Night Volume - Uncontrolled	\$/kWh	0.01247	0.01025	0.02272	0.01262	0.01070	0.02332	
RLCN	Night Volume - Controlled	\$/kWh	0.01247	0.00270	0.01517	0.01296	0.00313	0.01609	
GENERAL CONNECTIONS									
15U	0-15kVA Uncontrolled	\$/connection/day	2.9294	0.8677	3.7971	3.0455	0.9275	3.9730	1,967
15C	0-15kVA Controlled	\$/connection/day	2.7369	0.6289	3.3658	2.9223	0.7441	3.6664	4,158
30U	16-30kVA Uncontrolled	\$/connection/day	4.7075	1.5965	6.3040	4.9125	1.7423	6.6548	464
30C	16-30kVA Controlled	\$/connection/day	4.4270	1.2469	5.6739	4.7268	1.4544	6.1812	181
50U	31-50kVA Uncontrolled	\$/connection/day	7.6948	1.9645	9.6593	8.0493	2.1580	10.2073	592
50C	31-50kVA Controlled	\$/connection/day	7.3380	1.5306	8.8686	7.8350	1.7853	9.6203	143
100	51-100kVA	\$/connection/day	16.7692	2.8853	19.6545	17.9050	3.3465	21.2515	376
200	101-200kVA	\$/connection/day	33.5269	5.7327	39.2596	35.7977	6.6492	42.4469	143
300	201-300kVA	\$/connection/day	50.2112	8.7340	58.9452	53.6120	10.1303	63.7423	61
500	301-500kVA	\$/connection/day	84.1395	15.7382	99.8777	89.8383	18.2542	108.0925	27
750	501-750kVA	\$/connection/day	128.3506	23.4753	151.8259	137.0438	27.2282	164.2720	13
WATAD	Day volume	\$/kWh	0.02769	0.00584	0.03353	0.02953	0.00620	0.03573	
WATAN	Night volume	\$/kWh	0.00309	0.00064	0.00373	0.00329	0.00068	0.00397	
DISTRIBUTED GENERATION - NEGATIVE CHARGE									
DGPK	Day volume (generation) ≤ 50 kVA	\$/kWh	NA	NA	NA	0.00000	0.00000	0.00000	304
DGPKNC	Day volume (generation) > 50 kVA	\$/kWh	NA	NA	NA	0.00000	0.00000	0.00000	14
DGOPK	Night volume (generation) - all DG	\$/kWh	NA	NA	NA	0.00000	0.00000	0.00000	0
DISTRIBUTED GENERATION INCREMENTAL COST CHARGE									
DGD	Day volume (generation) - all connections	\$/kWh	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0
DGN	Night volume (generation) - all connections	\$/kWh	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0
LARGE COMMERCIAL (750 kVA +)									
LC	Daily fixed price	\$/connection/day	5.6160	0.0000	5.6160	5.9964	0.0000	5.9964	1
LCCAP	Daily capacity price	\$/kVA/day	0.1917	0.1030	0.2947	0.2045	0.1195	0.3240	
LCDEM	Daily demand price	\$/kW/day	0.06300	0.01530	0.07830	0.06721	0.01530	0.08251	
INDIVIDUALLY ASSESSED									
IND	Individually Priced								21

Note: All prices are exclusive of GST.

NOTES:

1. GST

All Charges are GST exclusive. GST is payable in addition to the charges.

2. Price Movement

The price movement amounts to an average overall 7.0% increase. This increase supports Network Waitaki's objective to operate efficiently while maintaining a secure and reliable supply of electricity through appropriate levels of investment.

Further detail on how prices are determined is available in Network Waitaki's *Pricing Methodology*, published on our website (www.networkwaitaki.co.nz).

3. Residential Low Fixed Charge Eligibility

Eligibility for the *Residential Low Fixed Charge* price category requires that the premises must be the consumer's principal place of residence as defined by the *Electricity Industry Act 2010*.

4. Volume-based prices and loss factors

Volume-based (\$/kWh) prices are calculated on energy volumes metered at the Grid Exit Points supplying the network. All metered loads must be grossed-up using the applicable loss factor to determine the chargeable GXP volume.

Different rates apply for *day volume* (07:00 a.m. – 11:00 p.m.) and *night volume* (11:00 p.m. – 07:00 a.m. the following day)

5. Large Commercial Load Group

For *Large Commercial (LC)* connections exceeding 750 kVA: Daily capacity prices are based on contracted capacity. Daily demand prices are applied to an assessed demand level available on request. Capacity and demand prices accrue daily at a rate of 1/365th (1/366th in a leap year) of the annual amount due.

6. Distribution and Pass-through fixed prices

Distribution and Pass-through prices are charged in respect of each ICP and electricity retailers are invoiced monthly in arrears. Fixed prices accrue daily at a rate of 1/365th (1/366th in a leap year) of the annual amount due.

7. Pass-through prices

Pass-through prices consist of transmission prices, rates and regulatory levies.

8. Disconnection and Reconnection

Where an ICP is disconnected for seasonal or intermittent use and reconnected within the same 12-month period, Network Waitaki will charge the fixed charges that would have applied had the ICP remained connected over that period.

Disconnection for the purpose of avoiding fixed charges is not supported and may incur additional administration or reconnection fees.

9. Annual Discount

Network Waitaki pays an annual discount to consumers. Discounts will be payable based on the number of days the installation was connected within a particular load group. The discount methodology is available on the Network Waitaki website.

10. Distributed Generation – Negative charge

Provides a credit for generation injected into the network during defined *day* or *night* periods. The price may be negative or zero, reflecting the estimated long-run marginal cost (LRMC) benefit to the network.

- a. DGPK – applies to connections ≤ 50 kVA, for volumes injected during *day* periods and where the maximum deliverable generation capacity is ≤ 45 kW .
- b. DGPKNC – applies to connections > 50 kVA for volumes injected during *day* periods.
- c. DGOPK applies to all volumes injected during *night* periods.

11. Distributed Generation Incremental Cost Charge

Applies to the volume of energy (kWh) injected from a connection point into Network Waitaki's network for delivery to other network connections. The charge is applied only when incremental network costs (e.g. voltage monitoring, control equipment, or local reinforcement) are incurred. These charges are currently 0 c/kWh.

Installation of small-scale generation requires a meter capable of recording both imported and exported energy.

APPENDIX B – Alignment with Electricity Authority’s Distribution Pricing Principles

Network Waitaki’s pricing methodology has been developed to align with the Electricity Authority’s distribution pricing principles. The sections below describe how Network Waitaki’s pricing approach meets each principle.

Pricing Principles	Network Waitaki alignment to EA principles
(a) Prices are to signal the economic costs of service provision, by:	
(i) being subsidy free (equal to or greater than avoidable costs, and less than or equal to standalone costs);	<p>A subsidy-free test was undertaken to provide assurance that forecast revenue for customer load groups fall between standalone and avoidable costs. This confirms that no load group is materially subsidising another.</p>
(ii) reflecting the impacts of network use on economic costs;	<p>Network Waitaki’s pricing strategy is focussed on correcting the historic imbalance between volume-based and fixed charges, to ensure prices better reflect the true cost drivers of the network.</p> <p>The primary driver of economic cost is the network capacity required to meet customers’ peak demand, rather than the total volume of electricity transported. As a result:</p> <ul style="list-style-type: none"> • Prices are increasingly based on contracted connection capacity; and • Customers receive a clearer signal about the cost of the network assets required to supply them. <p>Capacity-based pricing allows the customer to select an appropriate connection size and provides Network Waitaki with a clearer basis for planning and sizing network assets, improving overall economic efficiency.</p> <p>Network Waitaki’s controlled load pricing plans further support efficient network use by encouraging customers to make load available for control. This enables demand to be shifted during constrained periods, helping manage peak demand, and maintain system reliability.</p>
(iii) reflecting differences in network service provided to (or by) customers; and	<p>Prices reflect differences in service by offering discounted fixed prices for controlled load customers (up to 50kVA). These customers provide flexibility that benefits the network by:</p> <ul style="list-style-type: none"> • improving predictability of peak demand • reducing congestion risk; and • supporting the deferral of transmission and distribution upgrades <p>Accordingly, both distribution and transmission fixed prices are lower for controlled price plans than for equivalent uncontrolled prices.</p>

(iv) encouraging efficient network alternatives By moving toward a predominantly capacity-based fixed pricing structure, Network Waitaki encourages customers to consider efficient alternatives such as:

- optimising contracted capacity;
- load shifting; and
- investment in DG solutions where economically justified.

A single, strong capacity-based price signal is more effective than diluted signals across multiple pricing components, particularly given that distribution charges represent a relatively small portion of total electricity bills. Clear capacity-based pricing helps customers make informed decisions about connection size and demand management, reducing long-term network costs.

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

Network Waitaki's pricing structure uses capacity-based fixed prices as the primary cost recovery mechanism. This approach is least distortionary, as it aligns prices with customers' long-term impact on network capacity requirements.

By contrast, volume-based prices, particularly those associated with LFC price options, dilute efficient pricing signals and expose Network Waitaki to revenue volatility, especially from weather-driven consumption changes.

If under-recovery were to occur, Network Waitaki would recover revenue primarily through capacity-based prices, as these:

- Least distort customer behaviour;
- Best reflect cost causation; and
- Allocate higher costs to customers with larger, less elastic capacity requirements.

Short-term marginal pricing is not a central feature of Network Waitaki's pricing approach, as the network's primary cost driver is long-term capacity investment to meet peak demand, rather than short-term volume fluctuations. Given that distribution prices typically make up around 30% of a customer's electricity bill, marginal pricing signals are unlikely to materially influence customer behaviour. Section 3.3.4 contains information regarding LRMC.

Pricing for non-standard customers is already predominantly fixed, with more than 80% of prices linked to contracted capacity and less than 20% linked to contribution to system demand in FY2027.

Over time, as pricing continues to reflect the fixed-cost nature of the business and reduces exposure to uncontrollable factors such as rainfall, the risk of material revenue under-recovery is expected to remain low.

(c) Prices should be responsive to the requirements and circumstances of end users by allowing negotiation to:

- (i) reflect the economic value of services; and** Network Waitaki have several non-standard customers that are on price plans that were historically considered and negotiated on a case-by-case basis according to the specific needs of the customer. Pricing was tailored to reflect the

cost to supply the unique needs of each customer. These prices are structured to remain above avoidable cost and below stand-alone cost. Network Waitaki has 9 customers on non-standard price plans.

For standard customers, Network Waitaki's pricing strategy continues to move prices toward economic cost reflectivity, supporting clearer price signals that help customers select appropriately sized connections.

(ii) enable price/quality trade-offs

Network Waitaki is wholly owned by the Waitaki Power Trust, whose Trustees represent the interests of customers and engage regularly with the company on price-quality trade-offs.

Where appropriate, Network Waitaki has also historically negotiated customised service and reliability arrangements with non-standard customers to reflect their specific operational and commercial requirements. Such arrangements will continue to be available for customers whose needs fall outside standard load groups.

(d) Development of prices should be transparent and have regard to transaction costs, customer impacts, and uptake incentives.

Network Waitaki's pricing methodology is designed to be transparent, stable, and understandable, with a strong focus on:

- limiting customer bill shocks;
- limiting transaction costs; and
- encouraging efficient network use through gradual and predictable price rebalancing.

The transition toward more cost-reflective pricing has been undertaken progressively over several years, without structural disruption to the underlying price framework (fixed capacity-based prices plus day/night volume prices).

Network Waitaki, actively supports customers, on request, to understand network pricing and to select appropriate price plans and connection capacity that aligns with their usage patterns. This support includes targeted customer communications, pricing information, direct engagement and individual bill-impact assessments where appropriate. Network Waitaki also works with retailers and large customers, on request, to identify opportunities to optimise capacity, manage costs, and avoid unnecessary network expenditure. These efforts are intended to reduce transaction costs, improve customer understanding and support efficient decision-making as pricing continues to transition toward more cost-reflective structures.

Pricing is applied consistently and neutrally across all retailers. Retailers are offered identical price plans, price levels, calculation methodologies, or discounts, ensuring no preferential treatment.

While Network Waitaki is not currently considering structural changes to price assignment approaches (such as opt-in, opt-out, or event-based pricing), these options will continue to be reviewed as market conditions, technology and data availability evolve.

APPENDIX C – Information Disclosure Compliance Checklist

The table below contains a check list that summarises compliance to all the pricing and related information requirements as per section 2.4. of the Information Disclosure Guidelines.

Clause in Determination	Reference in Pricing Methodology
2.4.1 Every EDB must publicly disclose, before the start of each disclosure year, a pricing methodology which-	
Describes the methodology, in accordance with clause 2.4.3 below, used to calculate the prices payable or to be payable;	
Describes any changes in prices and target revenues;	Appendix A for changes to prices. Paragraph 6.2 for changes to target revenues.
Explains, in accordance with clause 2.4.5 below, the approach taken with respect to pricing in non-standard contracts and distributed generation (if any);	Paragraphs Error! Reference source not found. and 5.5.25.2 Paragraph 5.7 and 8 for a discussion on Distributed Generation.
Explains whether, and if so how, the EDB has sought the views of customers, including their expectations in terms of price and quality, and reflected those views in calculating the prices payable or to be payable. If the EDB has not sought the views of customers, the reasons for not doing so must be disclosed.	Paragraph 3.7 for an explanation of Network Waitaki’s customer Engagement.
2.4.2 Any change in the pricing methodology or adoption of a different pricing methodology, must be publicly disclosed at least 20 working days before prices determined in accordance with the change or the different pricing methodology take effect.	There have been no material changes to the pricing methodology since publication of the last methodology in 2025.
2.4.3 Every disclosure under clause 2.4.1 above must-	
Include sufficient information and commentary to enable interested persons to understand how prices were set for each customer group, including the assumptions and statistics used to determine prices for each customer group;	Section 5 explain how prices were set for each customer group, for both standard and non-standard plans. Paragraph 6.1 provide more detail on allocation of revenue requirement.
Demonstrate the extent to which the pricing methodology is consistent with the pricing principles and explain the reasons for any inconsistency between the pricing methodology and the pricing principles;	Appendix B details the consistency of Network Waitaki's pricing methodology with the Electricity Authority Pricing Principles.
State the target revenue expected to be collected for the disclosure year to which the pricing methodology applies;	Paragraph 6.2 shows the target revenue to be collected in the disclosure year 2026-2027
Where applicable, identify the key components of target revenue required to cover the costs and return on investment associated with the EDB’s provision	Paragraph 4.2 shows the components of target revenue to be collected in the disclosure year 2026-2027

Clause in Determination	Reference in Pricing Methodology
of electricity lines services. Disclosure must include the numerical value of each of the components;	
State the customer groups for whom prices have been set, and describe (a) the rationale for grouping customers in this way; (b) the method and the criteria used by the EDB to allocate customers to each of the customer groups;	Section 5 details customer groups and the rationale for grouping customers this way and the method and criteria that Network Waitaki has used to allocate customers to each group.
If prices have changed from prices disclosed for the immediately preceding disclosure year, explain the reasons for changes, and quantify the difference in respect of each of those reasons;	Note 2 in Appendix A provides the details.
Where applicable, describe the method used by the EDB to allocate the target revenue among customer groups, including the numerical values of the target revenue allocated to each customer group, and the rationale for allocating it in this way;	Section 6.
State the proportion of target revenue (if applicable) that is collected through each price component as publicly disclosed under clause 2.4.18.	Network Waitaki's revenue is targeted across customer groups as stipulated in paragraph 6.2
2.4.4 Every disclosure under clause 2.4.1 above must, if the EDB has a pricing strategy-	Section 3.1 outlines Network Waitaki's thinking on price reform.
Explain the pricing strategy for the next 5 disclosure years (or as close to 5 years as the pricing strategy allows), including the current disclosure year for which prices are set;	Section 3 outlines Network Waitaki's thinking on price reform.
Explain how and why prices for each customer group are expected to change as a result of the pricing strategy;	Section 3 outlines Network Waitaki's thinking on price reform.
If the pricing strategy has changed from the preceding disclosure year, identify the changes and explain the reasons for the changes.	Not applicable.
2.4.5 Every disclosure under clause 2.4.1 above must-	
Describe the approach to setting prices for non-standard contracts, including-	
the extent of non-standard contract use, including the number of ICPs represented by non-standard contracts and the value of target revenue expected to be collected from customers subject to non-standard contracts;	There are 9 customers on non-standard contracts. The value of target revenue from non-standard contracts is depicted in paragraph 6.2.
how the EDB determines whether to use a non-standard contract, including any criteria used;	Network Waitaki will consider non-standard plans to new and atypical connections when there are particular and compelling reasons for doing so.

Clause in Determination	Reference in Pricing Methodology
any specific criteria or methodology used for determining prices for customers subject to non-standard contracts and the extent to which these criteria or that methodology are consistent with the pricing principles;	The methodology for determining prices for non-standard contracts is detailed in paragraphs Error! Reference source not found. and 5.5.25.2
Describe the EDB's obligations and responsibilities (if any) to customers subject to non-standard contracts in the event that the supply of electricity lines services to the customer is interrupted. This description must explain-	This is not applicable as Network Waitaki does not treat interruptions to non-standard contract customers any differently to those on standard contracts.
the extent of the differences in the relevant terms between standard contracts and non-standard contracts;	Not applicable as above.
any implications of this approach for determining prices for customers subject to non-standard contracts;	Not applicable as above.
Describe the EDB's approach to developing prices for electricity distribution services provided to customers that own distributed generation, including any payments made by the EDB to the owner of any distributed generation, and including the-	Section 8
prices; and	Par. 5.77 and Section 8
value, structure and rationale for any payments to the owner of the distributed generation	Par. 5.7 and Section 8

APPENDIX D – Compliance with the Electricity Authority’s Areas of Focus

In open letters issued in September 2022 and May 2024, the Electricity Authority identified ten priority areas of focus for distribution pricing reform. Network Waitaki has reviewed these focus areas and considers them closely aligned with the objectives and themes of its pricing strategy.

This appendix summarises how Network Waitaki’s pricing approach responds to each of the Authority’s focus areas.

1. Distributors’ roadmaps responding to future network congestion

Network Waitaki’s pricing strategy (Section 3) is designed to signal the cost of providing distribution services, encourage efficient customer investment decisions, and support effective demand management.

The strategy prioritises:

- a predominantly capacity-based pricing structure that reflects the fixed-cost nature of the network; and
- the continued use of load-control pricing plans to incentivise customers to make flexible load available when required.

The network is generally unconstrained and once the new GXP becomes operational Network Waitaki expects to encourage greater utilisation of available capacity. The current fixed / volume price balance (excluding LFC constraints) reflects a cost-reflective and stable long-term pricing direction.

2. Distributors’ response to any significant first mover disadvantage (FMD) issues facing customers seeking to connect to their networks (new and expanded connections).

Network Waitaki addresses potential first-mover disadvantage through its connection pricing framework. The Electricity Authority’s new Part 6B connection pricing framework, including the pioneer scheme, is specifically designed to address first mover disadvantage by ensuring early customers are not unfairly burdened with the cost of network upgrades that later customers also benefit from.

Network Waitaki will implement the pioneer scheme in accordance with the EA’s prescribed requirements from 1 April 2026, ensuring that connection charges reflect shared network benefits over time and that first mover disadvantage is mitigated in a structured and equitable manner.

Under the pioneer scheme, where an initial customer funds a network extension or reinforcement that subsequently enables additional customers to connect, later connecting customers may be required to contribute retrospectively toward those shared assets. This contribution can be reapportioned to the pioneer customer, reducing the risk that the first customer bears a disproportionate share of long-lived network investment costs.

3. The extent to which distributors are following the Authority’s guidance on pass-through of new transmission charges.

Network Waitaki follows the EA’s guidance on the pass-through of transmission charges by recovering these costs through fixed-like price components that reflect their underlying asset-based and capacity-driven cost structure. This approach avoids inefficiently influencing customer consumption or timing behaviour and ensures transmission charges remain largely unavoidable, consistent with the EA’s distribution pricing principles.

4. Whether distributors are increasing their use of fixed charges to match the phase-out path of the low fixed charge tariff regulations.

Network Waitaki has progressively increased fixed charges in line with the Government's phase-out path for LFC regulations, supporting a transition toward more cost-reflective pricing over time.

5. Distributors avoiding, or transitioning away from, recovery of costs that are fixed in nature through use-based charges, such as charges based on a customer's Anytime Maximum Demand (AMD).

Network Waitaki maintains a pricing structure that minimises reliance on volume-based charges for recovering costs that are predominantly fixed in nature. Pricing continues to be based on contracted capacity, reflecting the primary cost drivers of network investment and ongoing operations.

6. Allocate revenue transparently

Section 6 explains how Network Waitaki allocates revenue across customer load groups, including the application of a subsidy-free test.

Further detail on allocation drivers is provided in Appendices F and G, providing transparency in how required revenue is assigned to customer groups.

7. Assigning ICPs to time-varying distribution tariffs

Network Waitaki applies time-of-day differentiation to usage prices, with day and night pricing structures applied consistently across all standard customer groups. Energy volumes are measured at the GXP level and allocated accordingly.

8. Setting peak rates based on Long-Run Marginal Cost (LRMC)

Network Waitaki has assessed LRMC and set its day (peak) volume rate within the estimated LRMC range.

The night (off-peak) rate is set close to zero, reflecting the low marginal cost of off-peak network usage.

9. Reducing off-peak and controlled usage rates

Off-peak (night) usage prices are close to zero, consistent with encouraging efficient off-peak consumption – encouraging customers to shift flexible electricity use to times when the network is less constrained.

Differentiation between controlled and uncontrolled services is primarily delivered through lower fixed charges for controlled connections, rather than through variable usage prices. This approach support flexibility without distorting consumption signals.

10. Follow up on Asset Management Plan reporting on readiness for increased electrification due to decarbonisation

Further to the 2021 Asset Management Plan (AMP), and as explained in section 4.3 of the 2025-2035 AMP, to ensure we are ready for increased electrification our strategy is to increase network capacity, understand real-time constraints, model future scenarios and plan timely solutions. We have four initiatives underway, namely:

- Increase in network capacity: We are working towards the construction of a new GXP in conjunction with Transpower to enable regional process heat and transport decarbonisation.

- LV monitoring: From a trial in 2022, monitoring ten transformers we are now monitoring transformers supplying 75% of Oamaru residential customers. We will conclude the project in the coming year with the aim of increasing coverage to 90%. Information from this system allows us to understand existing LV hosting capacity for new load and generation, monitor trends, protect assets, and plan timely investment.
- Network model enhancement: Building on the development of a load flow model in 2022 we have now conducted proof of concept for a project to synchronise this with our GIS system and will conclude this in 2026. This allows us to model future energy scenarios, understand future constraints and plan timely investment.
- Smart meter data trial: We have trialled an analytics system using smart meter data procured from MEPs and are currently in the process of evaluating customer benefits.

APPENDIX E – Breakdown of required revenue by GXP

Table 11 shows the allocation of the revenue requirement by cost component and cost driver to the four Network Waitaki GXPs.

Table 11: Required revenue allocated to GXP by cost component and cost driver for the pricing year

Cost description	Price recovery category	Cost Driver	Required revenue				
			Oamaru	Waitaki	Twizel	Black Point	Total
Service Interruptions and Emergencies	Distribution	Line Length	\$628,631	\$82,995	\$48,032	\$0	\$760,647
Vegetation Management	Distribution	Line Length	\$701,158	\$92,570	\$53,574	\$0	\$847,302
Routine and Corrective Maintenance	Distribution	Line Length	\$1,735,689	\$229,153	\$132,620	\$0	\$2,097,462
Asset Replacement and Renewal	Distribution	RAB	\$196,421	\$23,056	\$60,848	\$0	\$280,325
System Operations and Network Support	Distribution	No. of ICPs	\$3,983,620	\$573,658	\$245,366	\$356	\$4,803,000
Business Support	Distribution	No. of ICPs	\$3,695,817	\$532,213	\$227,639	\$331	\$4,456,000
Depreciation - Network Assets	Distribution	RAB – Depreciation	\$3,992,848	\$413,711	\$1,090,314	\$0	\$5,496,873
Depreciation - Non-network Assets	Distribution	RAB – Depreciation	\$99,123	\$10,270	\$27,067	\$0	\$136,460
Cost of Capital	Distribution	Installed Capacity	\$6,893,664	\$1,339,550	\$486,199	\$586,199	\$9,305,612
Rates	Pass-through	No. of ICPs	\$146,533	\$21,101	\$9,026	\$13	\$176,673
Commerce Act Levies	Pass-through	No. of ICPs	\$14,929	\$2,150	\$920	\$1	\$18,000
Electricity Authority Levies	Pass-through	No. of ICPs	\$49,764	\$7,166	\$3,065	\$4	\$60,000
FENZ Levies	Pass-through	No. of ICPs	\$30,688	\$4,419	\$1,890	\$3	\$37,000
Utilities Disputes Levies	Pass-through	No. of ICPs	\$8,543	\$1,230	\$526	\$1	\$10,300
New investment charges	Pass-through	Attributable	\$53,075	\$0	\$0	\$0	\$53,075
Avoided cost of Transpower charges	Pass-through	Attributable	\$0	\$311,085	\$0	\$0	\$311,085
Connection Charge	Pass-through	Attributable	\$748,136	\$237,601	\$261,736	\$23,024	\$1,270,497
Benefit-based charges (BBC)	Pass-through	Attributable	\$692,992	\$89,305	\$35,780	\$105,809	\$923,887
Residual Charge	Pass-through	Attributable	\$3,772,763	\$654,994	\$244,017	\$465,431	\$5,137,204
Transitional Cap	Pass-through	Attributable	\$2,388	\$637	\$266	\$0	\$3,291
Total Revenue Requirement			\$27,446,781	\$4,626,866	\$2,928,885	\$1,181,172	\$36,183,704

APPENDIX F – Allocation of cost drivers to consumer groups

The following table shows the high-level allocation of cost drivers to standard consumer groups and non-standard consumer groups for the four GXPs.

Table 12: Allocation of cost drivers to standard and non-standard consumer groups

ALLOCATION OF COST DRIVERS TO STANDARD AND NON-STANDARD CONSUMER GROUPS FOR OAMARU GXP

Consumer group	Installed capacity	Peak demand	Anytime Maximum Demand
Standard consumer group	93%	84%	77%
Non-standard consumer group	7%	16%	23%

ALLOCATION OF COST DRIVERS TO STANDARD AND NON-STANDARD CONSUMER GROUPS FOR WAITAKI GXP

Consumer group	Installed capacity	Peak demand	Anytime Maximum Demand
Standard consumer group	99%	92%	99%
Non-standard consumer group	1%	8%	1%

ALLOCATION OF COST DRIVERS TO STANDARD AND NON-STANDARD CONSUMER GROUPS FOR TWIZEL GXP

Consumer group	Installed capacity	Peak demand	Anytime Maximum Demand
Standard consumer group	99%	87%	96%
Non-standard consumer group	1%	13%	4%

ALLOCATION OF COST DRIVERS TO STANDARD AND NON-STANDARD CONSUMER GROUPS FOR BLACK POINT GXP

Consumer group	Installed capacity	Peak demand	Anytime Maximum Demand
Standard consumer group	0%	0%	0%
Non-standard consumer group	100%	100%	100%

From this high-level allocation each consumer group are allocated cost drivers in proportion to each consumer group's share of the cost driver. This allocation is shown in the tables below. No allocation of cost drivers to standard consumer groups are applicable for Black Point GXP, as this GXP only has NOIC as a customer.

Table 13: Allocation of cost drivers to standard consumer groups for Oamaru GXP

ALLOCATION OF COST DRIVERS TO STANDARD CONSUMER GROUPS FOR OAMARU GXP

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Demand	Maximum
UNM	0.3%	0.0%	0.3%	0.0%	0.1%		0.0%
RLU	6.8%	2.4%	8.2%	4.3%	2.2%		2.5%
RLC	36.9%	16.0%	30.3%	23.6%	13.7%		16.0%
15U	11.5%	5.1%	16.0%	7.4%	3.6%		5.3%
15C	30.8%	20.9%	29.4%	19.7%	17.7%		20.5%
30U	3.0%	2.1%	3.6%	3.8%	1.7%		2.1%
30C	1.4%	1.1%	1.2%	1.8%	1.0%		1.1%
50U	4.4%	9.1%	5.0%	9.3%	11.5%		9.3%
50C	1.2%	2.9%	1.0%	2.5%	1.6%		3.0%
100	2.5%	15.9%	3.5%	10.5%	18.6%		16.0%
200	0.8%	8.6%	1.1%	6.9%	11.7%		8.6%
300	0.4%	6.5%	0.4%	4.9%	5.5%		6.5%
500	0.1%	6.7%	0.1%	3.2%	4.8%		6.6%
750	0.1%	2.5%	0.1%	2.0%	6.2%		2.6%

Table 14: Allocation of cost drivers to standard consumer groups for Waitaki GXP

ALLOCATION OF COST DRIVERS TO STANDARD CONSUMER GROUPS FOR WAITAKI GXP

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Demand	Maximum
UNM	0.9%	0.1%	0.5%	0.0%	0.1%		0.1%
RLU	9.7%	1.7%	10.1%	4.3%	1.7%		1.8%
RLC	17.5%	4.0%	16.2%	7.7%	3.5%		4.1%
15U	23.4%	4.4%	24.4%	10.4%	4.0%		4.7%

ALLOCATION OF COST DRIVERS TO STANDARD CONSUMER GROUPS FOR WAITAKI GXP

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Demand	Maximum
15C	27.0%	9.7%	26.9%	12.0%	8.3%		9.6%
30U	5.4%	2.8%	5.7%	4.7%	1.7%		2.9%
30C	1.7%	1.1%	1.4%	1.5%	0.7%		1.1%
50U	4.4%	6.2%	4.0%	6.4%	6.1%		6.5%
50C	1.0%	1.7%	0.6%	1.5%	0.7%		1.8%
100	4.9%	22.9%	5.7%	14.4%	19.9%		24.0%
200	2.4%	16.9%	2.6%	14.3%	18.8%		17.5%
300	0.9%	7.6%	1.0%	7.8%	6.8%		7.7%
500	0.5%	8.1%	0.5%	6.7%	7.9%		7.9%
750	0.4%	12.9%	0.2%	8.3%	19.8%		10.4%

Table 15: Allocation of cost drivers to standard consumer groups for Twizel GXP

ALLOCATION OF COST DRIVERS TO STANDARD CONSUMER GROUPS FOR TWIZEL GXP

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Demand	Maximum
UNM	2.5%	0.2%	2.6%	0.2%	0.5%		0.2%
RLU	7.2%	1.4%	7.7%	3.8%	1.8%		1.4%
RLC	13.2%	3.2%	12.9%	6.9%	3.8%		3.1%
15U	31.9%	8.7%	34.6%	16.7%	7.7%		8.9%
15C	25.6%	10.2%	25.3%	13.4%	11.3%		9.9%
30U	6.7%	6.2%	6.0%	7.0%	3.0%		6.2%
30C	1.2%	0.9%	1.2%	1.2%	0.7%		0.9%
50U	5.4%	8.7%	4.9%	9.4%	10.9%		8.8%
50C	0.1%	0.4%	0.1%	0.3%	0.2%		0.4%
100	3.0%	17.5%	2.5%	10.6%	17.7%		17.5%

ALLOCATION OF COST DRIVERS TO STANDARD CONSUMER GROUPS FOR TWIZEL GXP

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Demand	Maximum
200	1.7%	24.9%	1.1%	12.2%	19.4%		25.0%
300	0.7%	9.4%	0.8%	7.7%	8.1%		9.4%
500	0.6%	8.4%	0.4%	10.5%	15.0%		8.3%
750	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%

Table 16: Allocation of cost drivers to non-standard and LC consumer groups

ALLOCATION OF COST DRIVERS TO NON-STANDARD AND LC CONSUMER GROUPS FOR OAMARU GXP

Consumer group	Installed Capacity	Peak Demand	Anytime Maximum Demand
LC (750+)	6%	5%	4%
Non-standard	94%	95%	96%

ALLOCATION OF COST DRIVERS TO NON-STANDARD AND LC CONSUMER GROUPS FOR WAITAKI GXP

Consumer group	Installed Capacity	Peak Demand	Anytime Maximum Demand
LC (750+)	0%	0%	0%
Non-standard	100%	100%	100%

ALLOCATION OF COST DRIVERS TO NON-STANDARD AND LC CONSUMER GROUPS FOR TWIZEL GXP

Consumer group	Installed Capacity	Peak Demand	Anytime Maximum Demand
LC (750+)	0%	0%	0%
Non-standard	100%	100%	100%

ALLOCATION OF COST DRIVERS TO NON-STANDARD AND LC CONSUMER GROUPS FOR BLACK POINT GXP

Consumer group	Installed Capacity	Peak Demand	Anytime Maximum Demand
LC (750+)	0%	0%	0%
Non-standard	100%	100%	100%

APPENDIX G – Historical quantities used for cost drivers

Table 17 shows the quantities used for each load group of each cost driver to allocate required revenue to the Oamaru GXP.

Note: Line length cost driver for each price plan is the sum of the distance (km) of each ICP in that price plan to the respective GXP from which it is supplied.

Table 17: Quantities used to allocate required revenue to the Oamaru GXP for the pricing year

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Max Demand	RAB	RAB depreciation
		MWh	km	MVA	MW	MW	\$'000	\$'000
UNM (Unmetered)	35	55	864	0.1	0	0		
RLU (Residential Low User 15U)	754	3,845	25,757	11.3	1	3		
RLC (Residential Low User 15C)	4,116	25,615	94,819	61.7	6	20		
15U (0-15kVA Uncontrolled)	1,288	8,203	50,096	19.3	2	7		
15C (0-15kVA Controlled)	3,437	33,409	92,016	51.6	8	26		
30U (16-30kVA Uncontrolled)	330	3,277	11,135	9.9	1	3		
30C (16-30kVA Controlled)	155	1,801	3,774	4.6	0	1		
50U (31-50kVA Uncontrolled)	487	14,552	15,541	24.4	5	12		
50C (31-50kVA Controlled)	131	4,678	3,008	6.5	1	4		
100 (51-100kVA)	274	25,362	10,929	27.4	8	20		
200 (101-200kVA)	90	13,780	3,428	18.0	5	11		
300 (201-300kVA)	43	10,373	1,188	12.8	2	8		
500 (301-500kVA)	17	10,664	438	8.3	2	8		
750 (501-750kVA)	7	4,057	311	5.3	3	3		
LC (750kVA+)	1	1,833	25	1.3	0	1		

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Max Demand	RAB	RAB depreciation
IND (Non-Standard)	15	46,008	892	19.8	8	36		
Total	11,181	207,514	314,221	282	51	164		
Network (Distribution and LV Cables)							\$8,570	\$298
Network (Distribution and LV Lines)							\$31,704	\$1,200
Network (Distribution Substations and Transformers)							\$16,193	\$610
Network (Distribution Switchgear)							\$11,393	\$443
Network (Subtransmission Cables)							\$1,729	\$38
Network (Subtransmission Lines)							\$9,021	\$197
Network (Zone Substations)							\$16,492	\$482
Network (Other)							\$4,318	\$169
Non-network (Non-network)							\$4,135	\$422
Total							\$103,556	\$3,859

Table 18 shows the quantities used for each load group of each cost driver to allocate required revenue to the Waitaki GXP.

Table 18: Quantities used to allocate required revenue to the Waitaki GXP for the pricing year

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Max Demand	RAB	RAB depreciation
		MWh	km	MVA	MW	MW	\$'000	\$'000
UNM (Unmetered)	14	25	225	0.02	0.01	0.02		
RLU (Residential Low User 15U)	157	583	4,169	2	0.2	0.5		
RLC (Residential Low User 15C)	282	1,373	6,688	4	0.4	1.1		
15U (0-15kVA Uncontrolled)	376	1,502	10,043	6	0.5	1.2		
15C (0-15kVA Controlled)	435	3,326	11,095	7	1.0	2.5		
30U (16-30kVA Uncontrolled)	86	950	2,357	3	0.2	0.8		

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Max Demand	RAB	RAB depreciation
30C (16-30kVA Controlled)	27	391	587	1	0.1	0.3		
50U (31-50kVA Uncontrolled)	70	2,111	1,663	4	0.7	1.7		
50C (31-50kVA Controlled)	16	589	255	1	0.1	0.5		
100 (51-100kVA)	79	7,842	2,344	8	2.3	6.3		
200 (101-200kVA)	39	5,799	1,069	8	2.2	4.6		
300 (201-300kVA)	14	2,594	428	4	0.8	2.0		
500 (301-500kVA)	7	2,767	203	4	0.9	2.1		
750 (501-750kVA)	6	4,412	86	5	2.3	2.7		
LC (750kVA+)	0	0	0	0	0.0	0.0		
IND (Non-Standard)	2	331	273	0	1.0	0.2		
Total	1,610	34,595	41,485	55	13	26		
Network (Distribution and LV Cables)							\$2,737	\$95
Network (Distribution and LV Lines)							\$8,091	\$306
Network (Distribution Substations and Transformers)							\$2,765	\$104
Network (Distribution Switchgear)							\$2,830	\$110
Network (Subtransmission Cables)							\$0	\$0
Network (Subtransmission Lines)							\$7,618	\$167
Network (Zone Substations)							\$7,139	\$209
Network (Other)							\$460	\$18
Non-network (Non-network)							\$441	\$45
Total							\$32,080	\$1,054

Table 19 shows the quantities used for each load group of each cost driver to allocate required revenue to the Twizel GXP.

Table 19: Quantities used to allocate required revenue to the Twizel GXP for the pricing year

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Maximum Demand	RAB	RAB depreciation
		MWh	km	MVA	MW	MW	\$'000	\$'000
UNM (Unmetered)	17	29	603	0.04	0.02	0.02		
RLU (Residential Low User 15U)	49	209	1,787	0.74	0.06	0.17		
RLC (Residential Low User 15C)	91	475	3,012	1.36	0.13	0.37		
15U (0-15kVA Uncontrolled)	219	1,304	8,083	3.29	0.27	1.05		
15C (0-15kVA Controlled)	176	1,527	5,899	2.64	0.39	1.17		
30U (16-30kVA Uncontrolled)	46	926	1,409	1.38	0.10	0.74		
30C (16-30kVA Controlled)	8	138	286	0.24	0.02	0.10		
50U (31-50kVA Uncontrolled)	37	1,312	1,136	1.85	0.37	1.05		
50C (31-50kVA Controlled)	1	58	33	0.05	0.01	0.05		
100 (51-100kVA)	21	2,623	573	2.09	0.61	2.08		
200 (101-200kVA)	12	3,744	267	2.40	0.67	2.97		
300 (201-300kVA)	5	1,414	176	1.52	0.28	1.11		
500 (301-500kVA)	4	1,265	89	2.07	0.52	0.99		
750 (501-750kVA)	0	0	0	0.00	0.00	0.00		
LC (750kVA+)	0	0	0	0.00	0.00	0.00		
IND (Non-Standard)	2	655	655	0.23	0.50	0.51		
Total	689	15,678	24,009	20	4	12.4		
Network (Distribution and LV Cables)							\$1,523	\$53

Network (Distribution and LV Lines)								\$2,731	\$103
Network (Distribution Substations and Transformers)								\$1,659	\$62
Network (Distribution Switchgear)								\$1,607	\$62
Network (Subtransmission Cables)								\$0	\$0
Network (Subtransmission Lines)								\$3,093	\$68
Network (Zone Substations)								\$1,399	\$41
Network (Other)								\$73	\$3
Non-network (Non-network)								\$70	\$7
Total								\$12,155	\$400

Table 20 shows the quantities used for each load group of each cost driver to allocate required revenue to the Black Point GXP.

Table 20: Quantities used to allocate required revenue to the Black Point GXP for the pricing year

Consumer group	No. of ICPs	Consumption	Line Length	Installed Capacity	Peak Demand	Anytime Maximum Demand	RAB	RAB depreciation
		MWh	km	MVA	MW	MW	\$'000	\$'000
RLU (Residential Low User 15U)	0	0	0	0	0.0	0.0		
RLC (Residential Low User 15C)	0	0	0	0	0.0	0.0		
15U (0-15kVA Uncontrolled)	0	0	0	0	0.0	0.0		
15C (0-15kVA Controlled)	0	0	0	0	0.0	0.0		
30U (16-30kVA Uncontrolled)	0	0	0	0	0.0	0.0		
30C (16-30kVA Controlled)	0	0	0	0	0.0	0.0		
50U (31-50kVA Uncontrolled)	0	0	0	0	0.0	0.0		
50C (31-50kVA Controlled)	0	0	0	0	0.0	0.0		
100 (51-100kVA)	0	0	0	0	0.0	0.0		

200 (101-200kVA)	0	0	0	0	0.0	0.0		
300 (201-300kVA)	0	0	0	0	0.0	0.0		
500 (301-500kVA)	0	0	0	0	0.0	0.0		
750 (501-750kVA)	0	0	0	0	0.0	0.0		
LC (750kVA+)	0	0	0	0	0.0	0.0		
IND (Non-Standard)	1	22,920	0	24	14	17		
Total	1	22,920	0	24	14	17		
Network (Distribution and LV Cables)							\$0	\$0
Network (Distribution and LV Lines)							\$0	\$0
Network (Distribution Substations and Transformers)							\$0	\$0
Network (Distribution Switchgear)							\$0	\$0
Network (Subtransmission Cables)							\$0	\$0
Network (Subtransmission Lines)							\$0	\$0
Network (Zone Substations)							\$0	\$0
Network (Other)							\$0	\$0
Non-network (Non-network)							\$0	\$0
Total							\$0	\$0