



**Counties
Energy**



Electricity Distribution Business Pricing Methodology Disclosure **2026**

1 April 2026 to 31 March 2027

Pursuant to Electricity Information Disclosure Information for
compliance with Part 2.4: Disclosure of pricing and related information

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1.0 Introduction

1.1 Context

This document outlines Counties Energy Limited's (Counties Energy/the Company) pricing methodology for setting its pricing structure and prices for the period 1 April 2026 to 31 March 2027. It outlines Counties Energy's regulatory context, network cost drivers, line pricing approach and the regulatory context in which the prices are set.

Customers underpin Counties Energy's line pricing approach, which is designed to deliver economically efficient distribution services by recovering regulated costs and allocating them on a cost-causation basis in line with long-run network cost drivers. Although not subject to direct price regulation by the Commerce Commission, its approach reflects regulatory principles of revenue sufficiency, cost reflectivity, transparency, and stability. The strategy progressively shifts from predominantly volumetric pricing toward fixed, capacity- and time-of-use-based charges to provide transparent price signals for network investment, reduce barriers to new and upgraded connections, and support efficient electrification and demand flexibility, while maintaining community trust and intergenerational equity.

1.2 Overview of Counties Energy

Counties Energy owns, manages and operates an electricity distribution network spanning diverse areas in South Auckland, North Waikato and Hauraki district areas. The network has a system length of 3,462km, covering an area of approximately 2,250km². The part within the Auckland Council boundaries covers 830km² (37%) of the Counties Energy network, the part within Waikato District extends to 1,340km² (60%), and the remaining 80km² (3%) lies within the Hauraki District.

Counties Energy receives power from the national grid at the Bombay and Glenbrook Grid Exit Points (GXPs) and then transports that power to customers via eight zone substations and an extensive network of lines, cables, transformers and other equipment. The number of customers served by the network (active ICPs) is approximately 51,554. The maximum coincident system demand is approximately 141.3 MW and annual delivered energy, after losses, is 689 GWh.

Like most network infrastructure companies, Counties Energy's distribution assets are dispersed over a large area and are highly interdependent. The area serviced is diverse, with a mix of towns, rural land and remote farmland. Added into this mix is significant residential, commercial and industrial growth being experienced in the area, particularly between Papakura and Pukekohe, and in Pokeno. Supplying these newly urbanised areas, from a predominantly rural electricity network, is both an engineering and financial challenge.

To meet the growth being experienced and forecasted, Counties Energy has made substantial capacity and technology investments in its network over the last decade. This has included investing in a 110kV sub-transmission network and the deployment of smart meters to 99% of mass-market customers. In addition, Counties Energy recently commissioned the Barber Road 40MW 110/22kV substation. Four further substations are also planned with land being purchased to enable these substations to be rapidly constructed if required.

The need to meet the demands of Auckland, as the country's largest city rapidly expands south, provides the Company with the impetus and commitment to fund the infrastructure required to support this growth, while also maximising utilisation of the existing high voltage network and finding affordable, efficient, sustainable and innovative solutions.

A key pricing tool for funding the infrastructure to support the growth has been Counties Energy's capital contribution charges. At the same time, the introduction of a peak demand signal, that encourages demand response and flexibility, is key to maximising utilisation of existing network assets through delaying the investment of new infrastructure capacity required to meet Counties Energy's increasing peak demand.

Delaying these investments helps to achieve greater utilisation of existing substations, transmission lines and high voltage distribution feeders as demand is driven higher by both new connections and the growth in the uptake of electric vehicles (EVs).

Counties Energy has a passionate and dedicated team committed to delivering service safely to all communities on the network, and to continuing to provide quality service to existing and new customers across both the rural and urban network. To do this, the company must invest wisely in core network and also in future-technology that will service the community's needs and give customers a smarter, more intuitive and sustainable network. Working with customers, Counties Energy is diversifying into emerging technologies, ensuring its network and community is at the forefront of enhanced energy solutions.

Counties Energy is leading the charge in developing cutting-edge solutions in distributed generation, batteries and EV technology to ensure it can power the region now and for future generations. The company cares about its community, its customers and its people, and about safeguarding and growing its community's investment.



2.0 Regulatory context

2.1 The Commerce Act 1986

The Commerce Commission regulates electricity distribution businesses (distributors) in New Zealand under Part 4 of the Commerce Act 1986 as they are natural monopolies in the areas they operate. This includes Counties Energy.

As a customer-owned entity, Counties Energy has exempt status from the Commerce Commission's price-quality regulation regime, which sets the allowable distribution revenue for distributors.

However, Counties Energy, in common with all other distributors, is subject to information disclosure regulation to provide regulatory bodies with clear oversight of the Company's activities. This is under the Electricity Distribution Information Disclosure Determination 2012 (ID Determination). The ID Determination is published on the Commerce Commission's website¹.

The ID Determination requires Counties Energy to publish certain information annually. One such requirement is that Counties Energy publish its pricing methodology, which is what this document is (clauses 2.4.1 to 2.4.5 of the ID Determination). The pricing methodology must:

- Describe the methodology used to calculate prices;
- Describe any changes in prices and target revenues;
- Explain the approach taken with respect to pricing in non-standard contracts and distributed generation; and
- Explain whether, and if so how, Counties Energy has sought the views of customers, including their expectations in terms of price and quality, and reflected those views in calculating prices.

2.2 The Electricity Industry Participation Code 2010 (the Code)

The Code is made and administered by the Electricity Authority under the Electricity Industry Act 2010. Some parts of the Code are relevant to the setting of distribution prices:

- Part 6 of the Code regulates the connection of distributed generation and includes distributed generation pricing principles in Schedule 6.4. Counties Energy's distributed generation pricing methodologies comply with those principles (see Appendix C: Alignment to the Electricity Authority's pricing principles).
- Part 12A of the Code regulates distributor agreements with retailers and includes a template default distributor agreement in Schedule 12A.4. The template default distributor agreement includes process requirements for changes to distribution prices and price structure, categories and options. Counties Energy published a default distributor agreement based on the template in February 2021, which was subsequently further updated in December 2024 which is available for retailers to enter into.

2.3 Distribution pricing principles

Counties Energy's pricing methodology must also include information about the consistency of the pricing methodology with the distribution pricing principles published by the Electricity Authority. The distribution pricing principles are published on the Electricity Authority's website². The Electricity Authority updated the distribution pricing principles in 2019 with the aim of encouraging more efficient distribution pricing.

The distribution pricing principles do not prescribe distribution prices and distributors have discretion as to exactly how they structure and calculate their prices. However, Counties Energy does take the distribution pricing principles into account in designing its prices and pricing structure.

The Electricity Authority periodically assess how distributors' pricing methodologies are performing against the principles in annual scorecards. The 2023 scorecards are published on the Electricity Authority's website³, with scorecards paused in 2024. In May 2024, the Electricity Authority issued an open letter to distributors outlining its five focus areas for distribution pricing reform.

In preparing this pricing methodology, Counties Energy has taken on board both the letter and feedback the Electricity Authority provided on its 2023 pricing methodology.

2.4 Low user regulations

Counties Energy must make available low user prices under the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 (LFC Regulations).

The key requirements of the LFC Regulations are:

- Counties Energy must offer a daily fixed charge to residential customers of no more than \$0.90 per day (ex GST); and
- a residential customer on the low daily fixed charge should pay no more than a residential customer on a comparable alternative plan at an annual consumption of 8,000kWh.

The Electricity Price⁴ Review recommended that the Low Fixed Charge (LFC) Regulations be phased out, a position supported by the Government. The phase-out commenced on 1 April 2022 and will be completed over five years. Removing the LFC Regulations is intended to deliver fairer and more equitable electricity pricing for consumers.



¹ See the appendix for Counties Energy's alignment with the Electricity Authority's five focus areas as set out in its letter

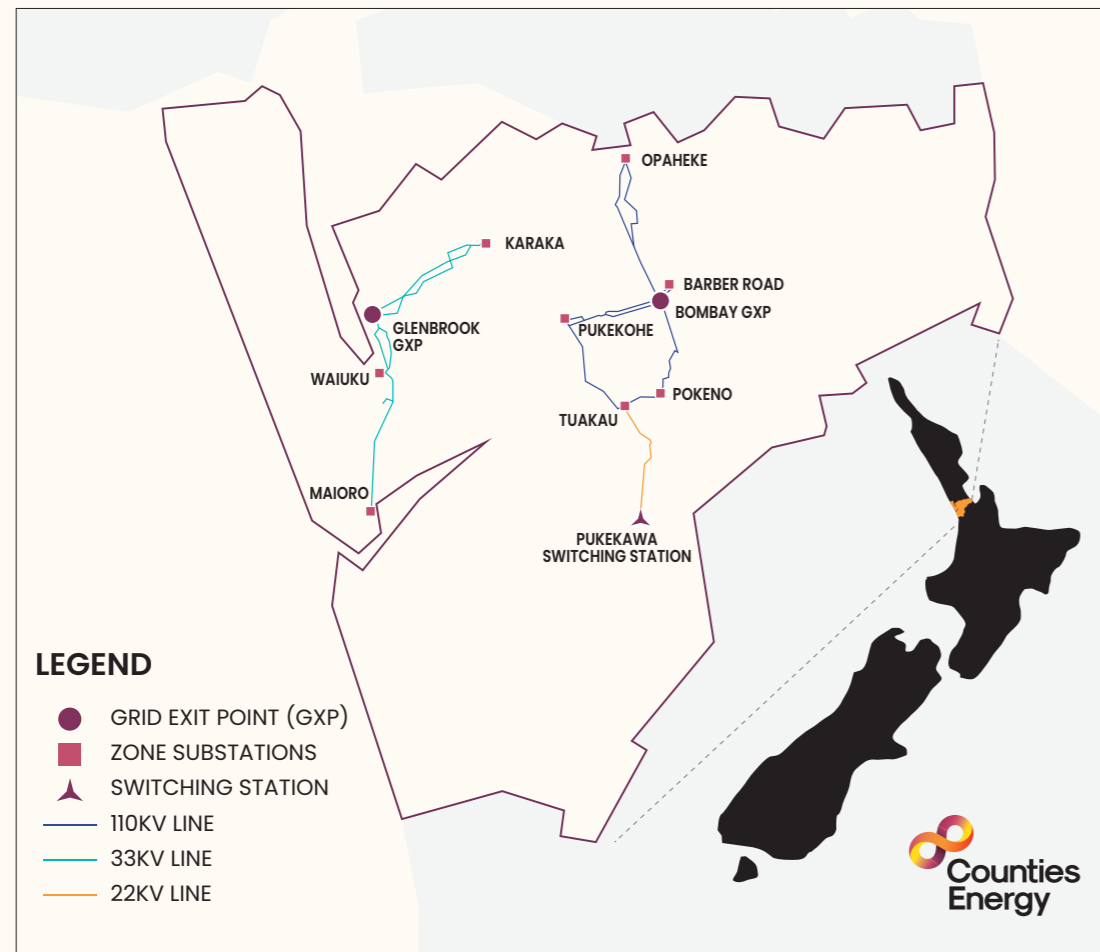
² <https://www.ea.govt.nz/industry/distribution/distribution-pricing/>

³ <https://www.ea.govt.nz/news/general-news/distribution-pricing-scorecards-202223-published/>

⁴ <https://www.mbie.govt.nz/dmsdocument/6932-electricity-price-review-final-report>

3.0 Strategic pricing drivers

Counties Energy’s network operating and capital expenditure, along with an bi-annual customer price survey feedback, are key considerations in setting the line pricing approach. A further consideration is the Counties Energy discount, which is fully posted⁵ with Counties Energy publishing its pricing after the discount is paid.



3.1 Urban growth

Counties Energy is experiencing significant growth due to the southward expansion of Auckland city’s residential, commercial and industrial subdivision. This is now occurring through the central region of Counties Energy’s network covering both its west and east networks.

To supply this growth, new infrastructure is required. That infrastructure includes the newly built Barber Road substation with further substations planned for Glenbrook, Waiau Pa, Drury South and Pukekohe North. These new substations will be built in the next 25 years, with exact timing dependent on demand.

⁵ Fully posted meaning that the discount line prices are published on Counties Energy’s tariff.

3.2 Pricing areas

The pricing areas of the Counties Energy network can be segmented based on spatial geographic - (e.g. GXP, zone substation) or spatial congestion-level (e.g. constrained vs unconstrained areas).

Given the costs and uncertainty that structural changes to pricing introduces, we consider that locational pricing (e.g. different prices for rural/remote vs urban areas) is only justified if:

- There are material differences in economic costs to serve.
- There is a clear delineation in the type of distribution network assets used and the management and maintenance of these assets (e.g. segmenting customers by GXP or zone substation).
- There is limited interconnection / interdependency between customer pricing areas.
- It is practical to administer (e.g. overhead efficiencies) relative to the consumer benefits it achieves (e.g. efficient pricing signals).
- It does not create undue uncertainty to customers (i.e. likely to persist over time).

We considered separating the Counties Energy network at both a geographic- and congestion-level. This included pricing areas by GXP, by zone substation, or by connection type. In summary,

- New infrastructure is required in urban areas which attracts a cost per ICP that is partially offset by connection charges to support growth. However, remote/rural customers generally cost more to maintain per ICP than urban customers due to the cost of assets being (geographically) spread across a smaller customer base.
- There is higher growth in urban and central areas of the network, which means there is a higher probability of revenue recovery, and lower risk of stranded assets. Conversely, there is limited to no growth in some rural/remote regions, which results in a higher risk of under-recovery of costs over time.
- Rural areas often face lower overhead costs (e.g. overhead lines) whereas urban areas face higher costs (e.g. underground lines). Further, rural customers receive a lower level of service due to older infrastructure that is getting towards the end of life and needs replacement, relative to urban areas.

On our assessment, we do not consider there are material differences in economic costs to serve to justify establishing different (geographical) pricing areas for the network currently. We will continue to review our pricing structure and customer load groups to ensure it remains relevant for our network on a periodic basis (see our Line Pricing Approach below).

3.3 Different pricing implications for our urban, constrained and remote network areas

To address potential cross-subsidisation between urban and non-urban customers, Counties Energy has updated its Capital Contribution Policy to apply consistent principles to rural, remote, and network-constrained areas. The policy supports differential connection pricing by requiring higher capital contributions from customers in these areas, reflecting the additional costs and significant network reinforcement needed to manage constraints.

For example, a rural residential connection requires an upstream contribution of \$2,500, compared with \$950 for an equivalent urban connection. Counties Energy considers this approach an effective mechanism to ensure customers in rural and constrained areas contribute fairly toward the higher costs their connections impose, including the network upgrades required to relieve local constraints. By contrast, differential urban-rural line pricing would be more complex to administer, could provoke community concerns, and would generate limited additional revenue, since most ICPs are located in urban areas.

⁶ <https://assets.countiesenergy.co.nz/app/uploads/2024/09/05164409/Counties-Energy-Capital-Contribution-Policy-1.pdf>

⁷ The upstream cost covers the additional capacity invested by Counties Energy to enable ongoing connections and includes the costs of high voltage distribution feeders, substation capacity and sub-transmission capacity.

3.4 Reliability investments

Counties Energy is continuing to invest a significant amount of capital and operating expenditure planned to improve network reliability. This includes increased management of vegetation, replacement of high failure rate assets as well as capital expenditure to change the network configuration (e.g. automation to reduce the outages duration of customers impacted by a single outage). These additional costs are being recovered through standard line charges.

3.5 Customer survey

In addition to the customer (beneficiary) feedback Counties Energy receives from the Trustees of the Counties Energy Trust (as publicly elected representatives of the customer beneficiaries of Counties Energy), and lastly Counties Energy also conducts an annual customer survey. This annual survey includes questions designed to ascertain the level of customer satisfaction as to both price and quality. The results of the survey are an important input into the development of Counties Energy's Asset Management Plan, especially as Counties Energy is exempt from the Commerce Commission's price-quality regulatory regime. In turn, the capital expenditure driven by this plan is factored into the calculation of the appropriate level of target revenue, which then drives future line price increases. Counties Energy also carries out regular customer experience surveys with customers it has recently interacted with to understand from the customer perspective how it is considered in terms of service quality and performance.

3.6 Annual discount payment

Counties Energy pays an annual discount to customers that helps lower the electricity cost to our customers while the Company is investing profits in the network to improve reliability and increase capacity to enable growth, while at the same time managing and maintaining the network. The discount is posted as a line tariff after the discount and is approximately a 12% price reduction. This discount is paid out once a year in December via the customers' electricity retailer, with retailers being required to apply the discount as a credit to the customer's power account.



4.0 Line pricing approach

Counties Energy's line pricing approach is designed to deliver economically efficient distribution services by allocating expenditure on a cost causation basis consistent with evolving New Zealand regulatory requirements. It uses time varying, cost reflective signals, aligned with recent Electricity Authority Code changes that require distributors to implement and invoice time varying pricing where offered from April 2026 and to support accurate billing and shared consumption/injection data from July 2026.

These signals reflect the true economic costs of network use, capturing peak network congestion, the long run marginal cost (LRMC) of capacity expansion, and individual contributions to network peaks. By aligning prices with these cost drivers, Counties Energy helps defer costly infrastructure investment, promotes demand response, and rewards customers who:

- Reduce demand during peak periods,
- Provide flexibility or adopt non network solutions, and
- Support system reliability during times of network stress.

Peak prices incorporate LRMC, marginal congestion costs, and forecast peak contributions. Customers who inject energy during peak periods may also receive peak injection rebates, further incentivising behaviours that stabilise and optimise network use and support efficient integration of distributed generation and storage.

This pricing encourages informed decisions—such as EV owners charging off peak and home battery users charging at low prices and discharging at high price peaks—reducing peak demand, smoothing network utilisation, and helping defer network upgrades.

To recover costs not captured by peak pricing, Counties Energy applies non distorting cost recovery mechanisms, including:

- Fixed charges for residual cost recovery to minimise impact on consumption patterns;
- Higher capital contributions for customers in remote or network constrained areas, reflecting additional network investment requirements; and
- Prices set within a 'subsidy free range' to avoid economic distortions.

The updated Capital Contribution Policy ensures consistent, fair treatment across urban, rural, and constrained areas—requiring proportionately higher contributions where connection costs and reinforcement needs are greater, while avoiding the complexity of differential urban–rural line pricing.

In addition:

- Customers are charged only for the network assets they use.
- Pricing complies with Low Fixed Charges regulations, with residential line tariffs capped at 90 c/day for customers consuming under 8,000 kWh.
- Tailored pricing and service agreements are offered for large industrial customers.
- Transmission costs are passed through as line charges that send consistent usage signals, and fixed transmission costs are recovered via daily distribution charges to maintain non distortionary pricing consistent with Electricity Authority guidance.

Further regulatory changes effective from April 2026 also standardise connection pricing methodologies, requiring enhancement cost allocation, capacity costing, pioneer rebate schemes, and transparent connection charge reconciliation for new and upgraded connections.

Although Counties Energy is not directly regulated by the Commerce Commission, its strategy reflects key regulatory principles—revenue sufficiency, cost reflectivity, transparency, and stability—including the default price quality path framework that sets overarching revenue limits for distributors.

By integrating time varying pricing, peak injection rebates, enhanced connection pricing practices, and higher capital contributions for remote/constrained areas with clear cost recovery principles, Counties Energy promotes efficient network utilisation, supports the electrification transition, and ensures pricing remains fair, transparent, and economically efficient in line with New Zealand's updated distribution pricing landscape.

Lastly, a key foundation of Counties Energy's strategy is recognition of the importance of working with all electricity retailers on its network to support better price signalling and simpler tariffs for customers. To this end, the Company is working to develop shared pricing initiatives that enable retailers to present to customers, in a simple and straightforward way, tariffs that, where possible, align energy, distribution and transmission underlying cost signals and enable customers to act and be rewarded for altering their power usage.

4.1 Supporting the line pricing approach implementation

Counties Energy continues to invest in its assets, and the development of tools and tariffs that encourage efficient use of its network and contribute to improving long-term value for money for its customers. This includes:

- The installation of smart meters, with over 99% of Counties Energy's mass-market ICPs having a Counties Energy smart meter⁹ as at 31 March 2026;
- Consulting with every electricity retailer on the Counties Energy network and gaining their commitment to obtaining their consumption data from Counties Energy's smart meters;
- The introduction of smart tariffs on 1 January 2014. These were initially made available to all mass-market customers through their retailers. On 1 April 2019 all customers were switched over to these new tariffs¹⁰; and
- Collaborating with metering provider Intellihub to ensure that smart tariff data is available to retailers.



⁸ Counties Energy does not directly bill, but rather bills the customer's electricity retailer. This assumes that the customer's retailer passes on the savings to the customer.

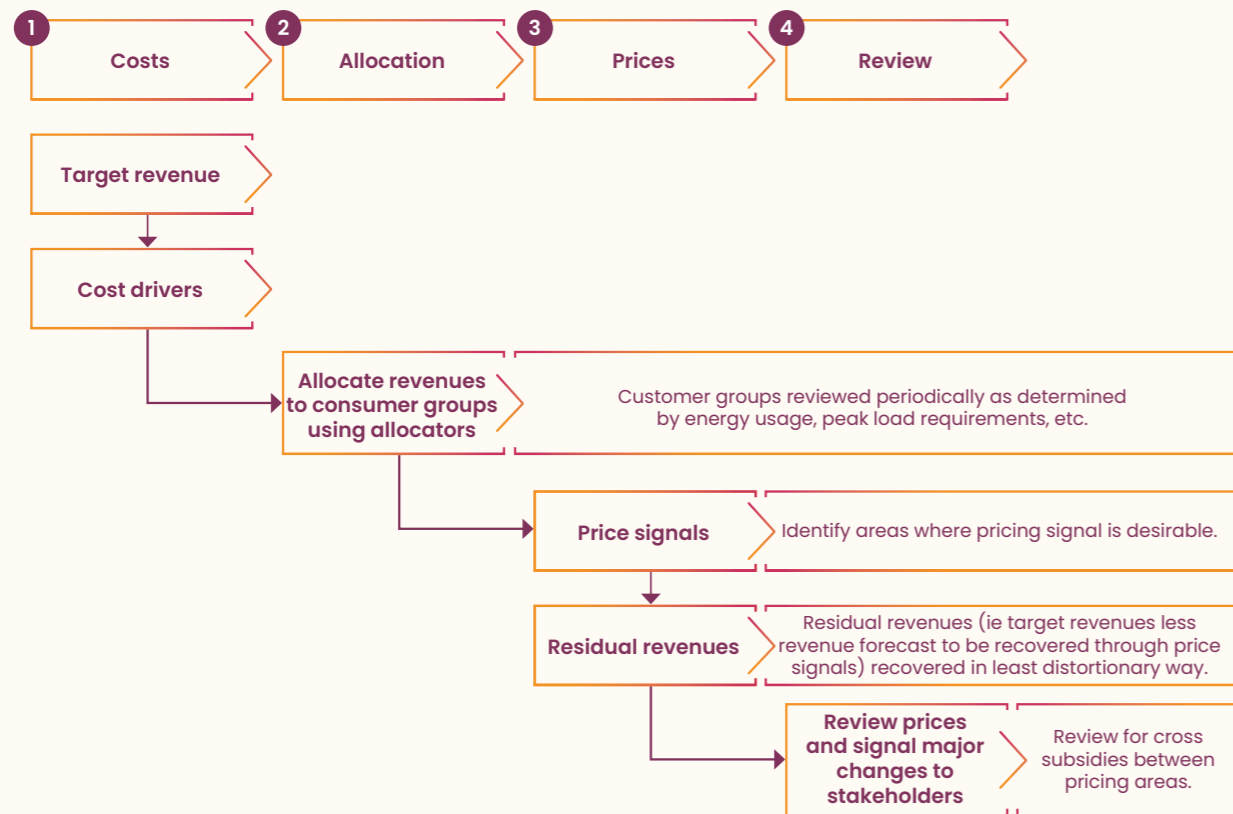
⁹ Large commercial and industrial customers use TOU meters.

¹⁰ A default tariff was available for retailers unable to use the peak and off-peak data.

5.0 Methodology

Counties Energy’s pricing methodology is aligned to the pricing principles published on the Electricity Authority website (<https://www.ea.govt.nz/operations/distribution/pricing/>). Our methodology is used to allocate target revenue to consumer groups using cost drivers. However, price setting is ultimately an iterative process based on judgement of multiple factors – balancing target revenue recovery (distribution and transmission) from customer groups, bill impact, and regulatory considerations. A high-level overview of our overall price-setting approach is illustrated below:

Pricing approach



5.1 Target revenue

Counties Energy will increase customer prices by an average of 5.3% for the period 1 April 2026 to 31 March 2027, reflecting a 5.3% rise in line charges effective 1 April 2026, largely driven by a 24% increase in Transpower’s annual charges, while the distribution component itself increased by just 2.5%, in line with the forecast CPI for the 12 months to 31 March 2026. The Company has a lines revenue target for the period 1 April 2026 to 31 March 2027 of \$107.3 million. This target revenue is built up from the budgeted costs and return on capital in the FY2027 year, which then equates to Counties Energy’s total recoverable revenue. The breakdown is illustrated in Table 1 below.

Table 1 – Breakdown of costs that form the target revenue

Cost component	2026/27 budget (\$k)
Transpower	16,986
Network operations	14,534
Head office	14,405
Depreciation	20,618
Other costs	3,095
Taxation	8,276
Return on capital	29,350
Total revenue required to cover total costs	107,263

5.2 Customer groups

Customer groups recognise substantial differences in economic costs to serve. It is informed by how customers use the network and the services they receive – such as, customers who share similar required capacity, common load profiles, and similar control and/or flexibility over customer load (or network use).

Counties Energy’s pricing model is designed to ensure that, as far as possible, prices do not result in material cross-subsidies occurring between customer groups. This is through allocating costs to Counties Energy’s main customer groups.

In practice, full information may not be available, therefore some level of judgement is required. Key considerations include:

- The dynamic and evolving nature of network use.
- Degree of interconnection between types of customers and network assets.
- Whether there is clear geographical segmentation of customers in their use of network assets.

Counties Energy reviews its customer groups periodically to ensure it remains the appropriate instrument to give effect to its pricing objectives and pricing principles.

6.0 Cost allocation

Counties Energy's costs are allocated on a cost driver basis. For instance, Counties Energy's Transpower transmission charges are passed through in a way that is transparent, understandable and has regard to customer impacts. Where possible, transmission charges have been recovered through fixed line charges, or charges designed to have limited influence on usage decisions. The cost allocators that are used in the pricing model are set out in Table 2 below.

Table 2 – Cost drivers

Allocator	Description	Cost categories and rationale
Asset	There are two steps in determining this allocator. First, the value of assets segregated into low and high voltage, then the value of the assets in each part of the network is allocated to those customer groups that use that part of the network. These values are aggregated for each customer group. Further detail is provided in Table 3 below.	The asset cost allocator was designed by Counties Energy to allocate certain budget items based on the extent to which network assets were required to satisfy the demand of each customer group. These budget items include network operations expenditure, insurances, depreciation and return on capital investment.
AMD	Annual maximum demand from a customer group as a proportion of total summed group maximum demand for each group's highest 12 periods.	AMD is used to allocate substation and sub-transmission (33kV, 110kV lines) infrastructure. It is applied to transmission costs as this is the basis of these pass-through costs.
CMD	Demand from a customer group as a proportion of total demand during the 100 periods of highest coincident maximum demand (CMD) on the network.	CMD is used to allocate infrastructure that has been designed to meet the maximum demand on the network.
Major customers	Costs that relate solely to serving major customers are allocated entirely to this customer group.	Administration and asset costs that relate solely to serving major customers are allocated entirely to this customer group.
Volume overheads – kWh	Annual consumption of a customer group as a proportion of total annual consumption of all customers.	Applied to administration and overhead costs that Counties Energy considers increase with the total volume of consumption.
Customer overheads – ICP	Number of ICPs (installation control points) in a customer group as a proportion of the total.	Applied to administration and overhead costs that Counties Energy considers increase with the number of customers.

6.1 Asset cost allocation

The allocation of network asset values to customer groups is then used to allocate expenditure to the related network expenditure. It is assumed that these costs occur in proportion to the total RAB¹¹ value of assets in each component of the network. For example, low voltage assets comprise 22% of the network asset base, so it is assumed that maintenance costs on low voltage assets will be 22% of the total maintenance costs. Counties Energy's intention is to allocate asset-related costs based on the extent to which a customer group uses those assets. This is largely related to usage (maximum demand) and the specific allocators are shown in Table 3 below.

¹¹ Regulated asset, which is the regulated capital value of Counties Energy's regulated network.

Table 3 – Asset cost allocation

Network component	Customer groups included in allocation	Allocator
Low voltage cables, lines and plant	All mass-market customer groups (excludes major customers, non-standard contracts and unmetered streetlights).	Equally weighted: proportion of ICPs in customer group and 100 highest anytime maximum demand (AMD) during peak periods (weekdays 0700–1100, 1700–2100) for each customer group as a proportion of the sum of AMD (so measured) for all customer groups.
Shared distribution substations	All customer groups, except non-standard contracts.	AMD (as above).
11kV and 22kV network, zone substations and sub-transmission network	All customer groups.	CMD (as above).

6.2 Allocation to customer groups

The aggregated value of each allocation used in the pricing model is then allocated to the customer groups as detailed in Table 4 below. Once applied to the relevant cost categories, this gives the aggregate modelled target revenue recovery amount by customer group, as shown in Table 5 below.

Table 4 – Value of allocators by customer group

Customer groups	ICPs	kWh	AMD	CMD	RCPD	Asset	Major customers
Major customers TOU	0.4%	32.7%	27.0%	16.8%	21.1%	14.9%	100.0%
LFC	39.4%	16.0%	19.5%	24.4%	21.4%	25.0%	0.0%
Residential	45.9%	33.1%	38.4%	48.5%	44.8%	460%	0.0%
General	14.2%	17.8%	14.2%	9.3%	11.7%	12.1%	0.0%
Unmetered streetlights	0.0%	0.2%	0.8%	0.9%	1.0%	1.8%	0.0%

The above modelling provides the initial modelled target revenue levels for each customer group, but this is not the target revenue that would be obtained from final prices. This is because the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 state that there must be an adjustment within the cost categories, which requires manipulation of the modelled outcomes¹².

¹² Counties Energy is required to make this correction owing to the LFC regulations. However, the Company considers this to be an inefficient allocation of costs that is unfair to some customer groups, such as large families in rented homes.

6.3 Revenue allocated to customer groups

The model allocates the required revenue over the customer groups, which will vary year to year depending on peak demands, capital expenditure and customer numbers. Consequently, other critical issues are considered as part of the determination of prices, including customer bill shock and pricing stability.

Table 5 – Modelled target revenue by customer group

Customer groups	Target revenue (\$k)
Industrial direct contracts	5,195
Commercial and industrial TOU	15,616
LFC (low fixed charge)	22,557
Residential	39,602
General	23,579
Unmetered streetlights	714
Total	107,263



7.0 Counties Energy pricing from 1 April 2026

Due to increased operating costs and capital expenditure, Counties Energy increased line charges by 5.3% on average effective 1 April 2026. This increase will mean an average electricity charge increase to a customer's retailer bill of approximately 2.0% from 1 April 2026. The increase equates to around 26 cents per day or around \$8.04 per month for a household using 8,000kWh per annum. This increase is being driven by the following:

- Distribution materials price inflation far higher than national-average consumer inflation which is expected to continue for the foreseeable future;
- Increased local council rates combined with a 22% increase in Transpower charges; and
- Increased operating costs, including increased investment in critical cyber security and innovations such as an Advanced Distribution Management System (ADMS) to enable smarter, sustainable, and innovative energy services and solutions.



8.0 Pricing for non-standard contracts

8.1 Approach to setting prices for non-standard contracts

Counties Energy currently has four customers on non-standard contracts. These four customers are connected at eight ICPs. Customers on non-standard contracts contribute approximately 4.84% of the total target revenue.

The line tariffs for the four non-standard contracts used by Counties Energy take the same form i.e. a single fixed charge calculated annually and invoiced monthly.

The calculation of the charge involves a distribution component and a Transpower component. The distribution component is determined using the average of the twelve highest peak demands in the previous 12 months multiplied by a negotiated per kW price. This per kW price reflects a return on capital employed, the associated maintenance and operating costs, plus a contribution to Counties Energy's overhead costs.

The Transpower component of the charge is an allocation of Counties Energy's Transpower charges from 1 April 2026 to 31 March 2027. With the change in the transmission pricing methodology the allocation of the transmission charge has been based on historical charges adjusted for growth and the connection charge allocated based on Counties Energy's Transpower substation connection charges.

8.2 Pricing for distributed generation

There are¹⁹ 2,311 small, 157 medium sized and 5 large distributed generators connected to the Counties Energy network. Consistent with the Distribution Pricing Guidelines issued by the New Zealand Electricity Authority, which promote exporting electricity when it is most valuable to the network, the following arrangements apply.

A rebate is available to eligible mass-market customers who export electricity to the network during designated peak-demand periods. By injecting energy at these times, customers help reduce pressure on local electricity infrastructure and contribute to deferring costly network upgrades.

Eligibility is limited to mass-market customers with a network connection capacity of up to 45 kVA who export no more than 45 kW to the network during peak periods. Customers with current transformer (CT) metering are not eligible for this rebate.

Table 8 – Distributed generators

Network component	Capacity <= 10kW	Capacity >10kW	
		<0.5GWh/annum	>0.5GWh/annum
No. of ICPs	2,311	157	5
Injection Rebate	Yes	No	No

¹⁹ As at 31 December 2025.

9.0 Pricing reform roadmap

Counties Energy is committed to improving the efficiency of its line pricing to help ensure optimal utilisation of the network while adapting to the rapidly changing electricity landscape. Technological advances in both electricity production and consumption are reshaping how the network is used and how distribution services should be priced.

Drivers for Change:

1. **Network Growth:** Counties Energy is experiencing unprecedented network growth. This, combined with anticipated increases in load from electric vehicle (EV) charging, will create network constraints and necessitate significant future investment.
2. **Technological Change:** Rapid adoption of emerging technologies (e.g., distributed generation, battery storage, smart devices) is altering consumption patterns and network utilisation.
3. **Efficient Pricing:** Cost-reflective pricing is essential for the long-term efficient management of the network. Without appropriate price signals, customers may make inefficient technology adoption or usage decisions, potentially increasing network costs.

Customer Insights:

Feedback indicates that pricing flexibility, transparency, and simplicity are vital to encourage the desired demand response and ensure that customers can easily understand and act on pricing signals.

Strategic Actions:

- **Implement Cost-Reflective Pricing:** Align network charges with the actual costs of providing distribution services to encourage efficient consumption and investment decisions.
- **Enhance Transparency and Simplicity:** Ensure pricing structures are easy for customers to understand and respond to, supporting informed decision-making.
- **Support Emerging Technologies:** Price signals will guide efficient adoption and use of EVs, solar generation, and other new technologies, reducing the risk of network congestion.
- **Monitor and Adapt:** Continuously review network usage patterns, customer response, and emerging technology trends to ensure pricing remains effective and relevant.

Expected Outcomes:

- Better utilisation of the network and delayed need for costly upgrades.
- Efficient adoption of emerging technologies by customers.
- Stronger alignment with the New Zealand Electricity Authority's principles for distribution pricing, ensuring fairness, efficiency, and transparency

9.1 Pricing reform progress to date

Counties Energy is a leader in the introduction of mass-market Time of Use (TOU) pricing through:

- Its investment in smart meters to enable such pricing, with coverage now around 99% of mass-market (i.e. residential and small to medium businesses) customers;
- Being one of the first distributors to introduce peak/off-peak TOU pricing, with off-peak and controlled prices excluding any recovery of Transpower's transmission charges; and
- Being one of the first distributors to transfer all mass-market customers to a TOU pricing (this occurred on 1 April 2019).

Other initiatives that Counties Energy has implemented include:

- Introduction of a requirement that any new customer with a capacity requirement of 5MVA or greater enters into a line function services agreement (LFSA). This LFSA allows for tailored time and location-specific pricing, which typically includes an early termination payment to protect Counties Energy's

- Future revenue and alleviate any risk of stranded assets;
- Introduction of an updated capital contribution policy that seeks to ensure that new connections meet the cost of the associated impact on the network and its use of network capacity;
- Introduction of an updated capital contribution policy that ensures customers connecting to rural or constrained areas of the network pay a higher up-front cost to connect to the network. This higher cost reflects the additional high voltage infrastructure back to the nearest substation required to connect a rural customer compared to an urban customer;
- Rebalancing fixed and variable prices over time to improve price signals. This commenced on 1 April 2021, when the increase was applied principally to every customer group's fixed price component¹⁴;
- Introduction of a standardised pricing structure that is closely aligned with the Electricity Network Aotearoa's pricing guidelines. This ensures that Counties Energy's pricing is user friendly for customers and retailers; and

To reward exports during constrained periods, encourage battery-enabled load shifting, promote cost-reflective pricing, and address equity between customers, Counties Energy is introducing a targeted peak injection rebate—consistent with guidance from the Electricity Authority—as increasing rooftop solar and other distributed generation installations do not significantly reduce network costs due to winter evening peak demand.

9.2 Updated capital contribution policy

Counties Energy is one of the fastest-growing electricity distribution network in New Zealand, with forecast capital expenditure of approximately \$464 million over the next 10 years to accommodate new connections and reinforce the network. To ensure that existing customers are not unfairly burdened by the costs associated with growth, Counties Energy has updated its Capital Contribution Policy to more effectively recover growth-related costs from new customers. Under this approach, future network investment required to support growth is funded through a combination of upfront capital contributions and the ongoing line revenue generated from those new connections.

The core principle of the policy is that the addition of a new connection should not leave existing customers worse off—either now or in the future. Ideally, new connections should provide a net benefit to existing customers by contributing to shared network assets and fixed costs. This is achieved by ensuring each new connection pays an appropriate share of the infrastructure capital required to supply it. This approach has materially increased annual capital contribution revenue, rising from \$9.1 million in 2018/19 to approximately \$24 million in 2021/22. Although contributions peaked in 2021/22, they continue to track above 2018/19 levels.

In rural and remote areas, capital contributions also serve as an important price signal reflecting the higher cost of providing network capacity in low-density locations. To address potential cross-subsidisation between urban and non-urban customers, the updated policy applies consistent principles across rural, remote, and network-constrained areas. Customers in these locations are required to make higher upfront contributions, reflecting the additional infrastructure and reinforcement required for rural and remote areas and the need for additional expenditure in constrained areas. For example, we apply a standard contribution of \$950 per urban residential lot and \$275 per kVA for larger connections. In contrast, for rural areas and parts of the network with constraints, the contribution is higher at \$2,500 per residential lot and \$350 per kVA for larger connections. The higher rural contribution reflects the longer distribution infrastructure required back to the nearest substation for each connection, as well as the greater reinforcement typically needed to support these connections.

Counties Energy considers this differential connection pricing to be an efficient and transparent mechanism to ensure customers contribute fairly to additional network infrastructure to supply them, including upgrades needed to relieve local constraints. By contrast, introducing differential urban-rural line charges would be more complex to administer, may raise community equity concerns, and would likely generate limited additional revenue given that most ICPs are located in urban areas. Higher capital contributions in rural and constrained areas also encourage developers to consider non-network alternatives that may be more economically efficient. For small businesses and households in rural or remote areas, solar generation combined with battery storage may represent a lower-cost solution than a full network extension. In constrained parts of the network, larger customers or small communities may find that a microgrid—integrating solar generation, battery storage, and a capacity-limited grid connection—delivers a more efficient outcome.

These approaches can reduce overall system costs, benefiting both customers and Counties Energy by deferring or avoiding expensive network investment while maintaining reliable supply.

¹⁴ Except the low fixed charge residential tariffs.

9.3 Introduction of peak/off-peak pricing

The introduction of Counties Energy's mass-market Time of Use (TOU) pricing plans supports the 2026 distribution pricing principles issued by the Electricity Authority by providing clearer, more cost-reflective price signals to customers. These plans encourage customers to shift discretionary consumption to lower-priced periods where there is minimal impact on network capacity and limited or no incremental cost to serve.

In line with regulatory requirements, electricity distributors are required to invoice retailers on a TOU basis where a communicating smart meter is available. Counties Energy has implemented its TOU pricing accordingly, ensuring that where advanced metering infrastructure supports time-based measurement, retailers are billed on a time-differentiated basis. This enables retailers to reflect network price signals more accurately in their retail offerings and strengthens the link between network costs and customer behaviour. For example, customers can move flexible household activities—such as operating a dishwasher—outside the network peak periods, when network demand and associated costs are highest. By signalling the higher cost of peak-time usage and lower cost of off-peak usage, the TOU structure promotes more efficient utilisation of existing network assets and helps defer or reduce future investment.

TOU pricing provides a stronger incentive for retailers to develop pricing packages that reward customers for shifting new and discretionary load—such as EV charging—into off-peak periods. This approach is consistent with the Authority's expectations that distribution pricing should:

- Reflect the cost of network use at different times, particularly during peak demand periods;
- Provide signals that encourage efficient behaviour and investment decisions;
- Avoid inefficient cross-subsidies between customer groups; and
- Remain sufficiently simple and transparent to enable meaningful customer response.

By aligning distributor billing with smart meter capability, and assuming retailers incorporate these network price signals into their retail offerings, customers will have greater ability to reduce their line charges by actively managing when they consume electricity. Over time, this supports more efficient network utilisation, reduces peak demand pressures, and helps ensure that the costs of accommodating new technologies—such as EVs—are allocated in a manner that is economically efficient and fair to all customers.

9.4 Rebalancing fixed and variable prices

Counties Energy runs a primarily fixed-cost business. However, it recovers most of its costs using a variable charge – a flat per kWh charge that is not cost-reflective, nor benefit-based¹⁵. This is inefficient as it means pricing signals are not aligned with the costs of using the network. This is because flat per kWh charges do not signal to customers when the network is congested and costly to use or when there is spare capacity. To address this, Counties Energy has increased total revenue from Fixed Charges from 19% in FY2020 to 43% in FY2027 and introduced peak time-of-use (TOU) mass market pricing. The decision to primarily increase the fixed prices reflects the fact that the majority of the Company's costs are fixed and sunk. Increasing the fixed portion of revenues aligns the recovery of revenues with the way costs are incurred. This reflects the physical nature of the network, which is primarily made up of fixed long-lived assets such as power poles, power lines, transformers, and substations. Investments to extend the network, replace assets, or create more capacity are made with a long-term view of usually 40 years plus.

Counties Energy is changing its pricing over time to better reflect the fixed cost nature of its business and to encourage more efficient use and investment of the network. This includes incentivising customers to shift usage to times when there is spare capacity in the network. The benefits include sharing the cost of the network more fairly across those who access the network¹⁶.

Counties Energy is making these changes over time to mitigate and manage the impact on customers.

¹⁵ Electricity retailers are not required to pass on Counties Energy's TOU tariff to their customers and, therefore, customers not on a TOU tariff will need to request TOU pricing from their retailer or switch to a retailer that offers TOU pricing.

¹⁶ <https://www.ea.govt.nz/projects/all/energy-competition-task-force/consultation/new-ways-to-power-electricity-consumers/>



9.5 Injection price signals for generation that benefits the network

As distributed generation (DG) technologies—particularly rooftop solar photovoltaic (PV) systems—have become more affordable and efficient, residential installations have increased. These systems reduce the volume of electricity customers purchase from retailers and the amount transported across the distribution network.

This development is consistent with work undertaken by the Electricity Authority, including recommendations from its Energy Competition Task Force that distributors consider peak injection rebates where exported generation provides value during constrained network peak periods. For Counties Energy, system peak demand primarily occurs during winter evening periods, when solar generation output is generally non-existent or very low. As a result, standard daytime solar exports do not reduce the network costs of supplying residential connections. The network must remain available at all times to provide capacity, maintain reliability, and balance household demand when on-site generation is not producing.

To better align price signals with periods of genuine network value, Counties Energy is introducing a peak injection rebate during winter evening peak periods, when injection provides the greatest potential benefit in managing network constraints. This targeted rebate recognises that while solar exports occur outside peak times, emerging technologies—such as battery storage paired with solar and EV to grid—can enable customers to shift and export energy during high-demand winter evening periods when network capacity is most constrained.

Under consumption-based pricing structures, customers with distributed generation may otherwise contribute less toward shared network costs than equivalent customers without DG, despite relying on the same network capacity. This raises equity considerations, particularly for customers who are unable to install solar, such as renters or lower-income households. By introducing a time-specific peak injection rebate, Counties Energy ensures that compensation is linked to measurable network value rather than general export volumes.

The peak injection rebate will:

- Apply during defined winter evening peak periods, when network demand is highest;
- Reflect the quantifiable value of injection in reducing peak load or deferring investment; and
- Provide a clear, cost-reflective incentive for customers to invest in and operate technologies (such as battery storage) in ways that support efficient network utilisation.

Using ENA's AIC LRMC model, we estimate an LRMC range for our network between \$210 to \$300 per kW per year. This range is used to inform our price signals such as our peak rate differential and our controlled rate.

However, as we are still transitioning towards pricing that fully reflects our LRMC, we have applied our injection rebate against our mass market peak differential of \$0.15/kWh instead at this stage. This translates to an injection rebate of \$0.025/kWh using an adjustment factor of 80%. On balance, we adopted a 80% adjustment factor to reflect:

- Injection is not always equivalent to avoiding peak demand on all parts of our network as not all areas are facing immediate or medium-term network constraints
- Excess incentives can create unmanaged injections that may instead drive network costs on certain parts of our network rather than reduce it. This is due to voltage and power quality issues that excess injection in particular parts of the network can create.
- Guidance by the Electricity Authority, for distributors to start with a relatively high adjustment factor initially and refining with better data and information as it becomes available.

Through this approach, Counties Energy aims to align distributed generation incentives with actual network needs, supporting efficient investment signals, improving peak management, and maintaining fairness across all customer groups while adhering to cost-reflective pricing principles.

9.6 Standardised pricing structure that is closely aligned with the pricing guidelines

Counties Energy has implemented a standardised pricing structure designed to align with the Electricity Authority 2026 Distributor Pricing Guidelines. The structure reflects the Authority's expectations for cost-reflective, transparent, and customer-focused distribution pricing.

Counties Energy seeks to ensure its pricing structures:

- Are demonstrably cost-reflective and based on forward-looking network costs
- Provide efficient price signals that support peak demand management and network utilisation
- Are transparent, clearly communicated, and readily understood by customers
- Support equitable cost allocation across customer groups

Counties Energy is committed to the ongoing evolution of its pricing to maintain alignment with regulatory expectations, reflect changes in customer behaviour and technology uptake, and support efficient investment in the network.

Residential Pricing

Counties Energy considers its residential pricing to be appropriately cost-reflective and consistent with the 2026 Guidelines. Residential customers are provided with pricing options that promote efficient network use and demand responsiveness, including:

- Incentives for making controllable load (such as hot water and EV smart charging) available on controlled tariffs, supporting peak demand management and deferral of network investment
- Time-of-Use pricing structures that encourage demand shifting from peak to off-peak periods through clear temporal price differentials
- Export pricing signals for customers installing solar PV that reflect the need for distributed generators to contribute an equitable share of network costs to ensure ongoing system reliability and capacity

Industrial Pricing

Counties Energy's industrial pricing approach is designed to be strongly cost-reflective and consistent with the principles set out in the 2026 Guidelines. Pricing elements:

- Are primarily capacity-based, reflecting the customer's contribution to peak demand and asset utilisation
- Incorporate seasonal differentials, including winter and summer peak signals where appropriate
- Are tailored to individual customers based on their specific capacity requirements and the assets used to provide their distribution service

This approach ensures that industrial customers face price signals aligned with their impact on network costs, promoting efficient utilisation and investment outcomes while maintaining transparency and regulatory compliance.

9.7 Congestion pricing

Counties Energy recognises the importance of proactive congestion management in accordance with the Electricity Authority 2026 Distributor Pricing Guidelines, particularly the expectations relating to flexibility, peak demand management, and efficient network utilisation.

Congestion Pricing and Flexibility

Counties Energy is experiencing rapid growth across parts of its network, with certain feeders facing the potential to reach capacity during winter peak demand. To manage these areas of potential winter peak overloading and defer capital expenditure where efficient to do so, Counties Energy proposes to implement congestion-responsive¹⁷ pricing mechanisms. These include:

A discounted controlled load tariff designed to incentivise flexible demand; and

Targeted feeder-level load control in areas where peak constraints are emerging or forecast.

This approach is consistent with the 2026 Guidelines' emphasis on using price signals and flexibility services to manage network constraints ahead of, or alongside, traditional capital investment.

The residential controlled tariff encourages customers to place as much controllable load as possible – including hot water load control and EV smart charging – onto Counties Energy's controlled rate. This will operate in conjunction with geographically targeted load control on identified constrained feeders. Counties Energy's smart meter communications capability enables it to apply load control selectively to each customer with a controllable meter that is located within congested areas, supporting a more efficient and proportionate response than broad network-wide interventions.

Network Security and Peak Risk

Distributors must maintain voltage within regulated limits and cannot operate assets in a congested state that would lower the voltage below the regulated limit. Accordingly, the network is not operated under sustained congestion conditions. At Counties Energy, ongoing peak capacity investments mean that the current risk of winter peak congestion is localised and managed.

Looking forward, the most material risk to future congestion levels is the uptake of electric vehicles (EVs). Rapid EV adoption – particularly if unmanaged charging occurs during winter peak periods – could materially increase feeder loading. Time-of-Use (ToU) pricing structures provide directional signals to customers regarding efficient charging times, consistent with the 2026 Guidelines' expectations for temporal price differentiation. However, effective peak management also requires retail pricing plans to reinforce and complement distribution-level signals.

Smart Charging and Coordinated Flexibility

An additional and critical tool is the adoption of "smart charging," whereby customers opt into a controlled variable tariff that allows Counties Energy to schedule EV charging outside peak periods. Smart charging supports high levels of customer satisfaction while enabling the distributor to actively manage EV-related peak demand.

The 2026 Guidelines recognise the growing role of flexibility in managing distributed energy resources. Counties Energy's approach mitigates the risk that simple tariff-based signals alone could create unintended secondary peaks – for example, if large numbers of customers respond simultaneously to off-peak price signals. Given that a standard EV charger can add load equivalent to approximately two households, coordinated control provides a more efficient and reliable congestion management mechanism than price signals alone.

Injection Rebates and Export Pricing Signals

In line with the 2026 Guidelines' expectations regarding export pricing and injection rebates, Counties Energy is working to ensure that distributed generation pricing reflects the locational and temporal value of injections to the network. Where exports provide measurable network benefits – such as reducing peak demand on constrained feeders – pricing structures, including injection rebates, will reflect that value.

Overall, Counties Energy's congestion management, flexibility pricing, and export treatment are designed to align with the Electricity Authority's 2026 expectations by promoting cost-reflective, forward-looking, and efficient network pricing while maintaining system security and deferring unnecessary capital expenditure where flexibility solutions are more efficient.

¹⁷ Rather than congested areas of the network are referred to as constrained with demand being limited through load control. Transpower also operates with constraints but has significantly more ability to control these constraints through sending GXP price signals.



9.8 Ongoing improvements

Going forward, Counties Energy will continue to rebalance future prices, with a view to increasing fixed prices, reducing off-peak variable prices and increasing peak prices. Increasing mass-market fixed daily prices not only reduces household budget stress from seasonal variation from higher winter bills, but also allows Counties Energy to significantly reduce its off-peak prices¹⁸.

Counties Energy anticipates that it will reduce its off-peak rate further to encourage electricity consumption (e.g. electricity over gas for space and water heating) and electric vehicle charging during off-peak times. In addition, Counties Energy expects that the decreased controlled rate will result in a significant number of electric vehicle chargers being connected to Counties Energy's controlled tariff. This will help avoid the risk of a secondary peak by restoring load demand in a staged process.

9.9 A new strategic direction

At the core of the new strategic direction, Counties Energy strive to deliver a reliable and resilient network whilst using network and non-network technology to maximise utilization. This is more than just to keep the lights on but also to provide a low-cost sustainable integration of EV and DER uptake. With customers' needs evolving over time, the ability to manage demand for smarter network services will be paramount to minimising future network capital expenditure. A big part of this strategy comprises the transition from a DNO (distribution network operator) to a DSO (distribution systems operator) that will provide the foundation for the network to flex to a changing role within the electricity sector. The central premise is to protect the value of the network by improving network utilization, performance and our operations. We intend to achieve this by continually improving the efficiency and effectiveness of our business, balancing the needs of our customers, whilst also maintaining the value and performance of the network. We are evolving the capabilities of the business to be a DSO and provide the foundations to unlock value from Distributed Energy Resources (DER) and create new energy experiences for customers:

Our role won't just be about the reliability of supply; we will also play an aggregator role to support demand management in a way that meets customers' needs regardless of where they are in their energy journey. At the core of our digital and technology strategy is the fostering of a culture that creates new value or solves problems. We recognise that 'good' innovation comes from constraints and rigour, a proven approach to validating problems and solutions, and a disciplined framework with stage gates, intervention, and a low cost/low risk approach. Finally, our digital and technology strategy also includes improving data quality for greater network performance granularity together with increased data security and network protection.

9.10 Connection pricing reform

The Electricity Authority has introduced connection pricing reforms to promote efficient, transparent and nationally consistent pricing for new and upgraded connections. Their objective is to reduce unnecessary barriers to connection, support electrification and economic growth, and improve incentives for efficient network investment.

From 1 April 2026, Counties Energy has implemented standardised connection pricing methodologies. These include:

- **Enhancement cost allocation** – ensuring that customers requesting network upgrades contribute appropriately to the costs of those enhancements.
- **Capacity-based costing** – allocating network capacity costs using published rates as available headroom is utilised.
- **Pioneer scheme** – providing mechanisms to rebate early connectors where subsequent connections benefit from shared investments.
- **Connection charge reconciliation** – providing clear, itemised connection charges and adjusting them as necessary to reflect actual costs.

¹⁸ It should be noted that the customers who are most affected have fixed charges set at no more than 90 cents per day under the Low Fixed Charge regulations. Until these regulations are fully repealed, any fixed to variable pricing correction will be limited in its impact.

9.11 Future options

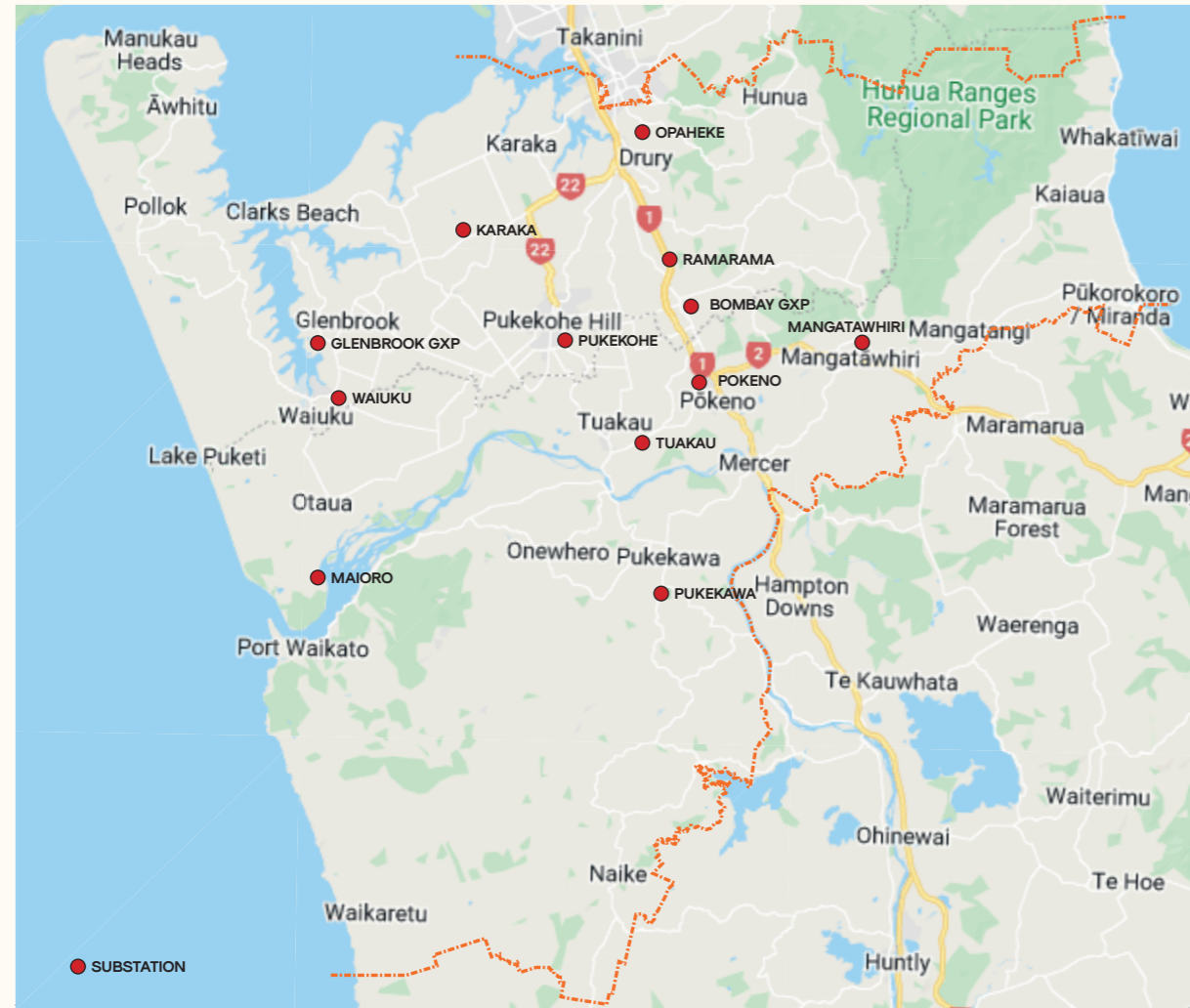
Counties Energy recognises the need to make sure that it is keeping pace with the rapid changes in the way electricity is produced and consumed. In this context, Counties Energy acknowledges the importance of keeping pace with rapid changes in electricity production and consumption. Subject to consultation with retailers, the company is considering the following potential tariff developments:

- **Mass-market EV tariff:** If demand supports it, introduction of a dedicated line tariff for electric vehicle owners, featuring very low overnight rate to incentivise off-peak charging.
- **Greater reliance on fixed charges:** A move toward recovering most network costs through fixed charges, with variable pricing largely limited to periods of network peak demand. These peaks occur during roughly 1% of the year—typically cold winter weekday evenings—when residential heating demand coincides with commercial and industrial load.
- **Flexible connections for large commercial customers:** Exploring a flexible connections tariff to help manage network peaks and investment requirements. This would enable more efficient use of existing capacity and potentially defer upgrade costs in constrained areas.
- **Transition from Low Fixed Charge (LFC) tariffs:** Preparing for the expected removal of Low Fixed Charge regulations in April 2027. As LFC customers may face significant bill increases when aligning with standard residential line charges, Counties Energy is considering transitional and phase-out measures to mitigate potential bill shock.
- **Enhanced congestion and flexibility pricing:** Investigate approaches to introduce a tariff that supports flexible connections, encouraging competition for flexibility services. This could include collaborating with flexibility providers and designing pricing structures that incentivize consumers and aggregators to shift or reduce demand during periods of current or potential network constraint
- **Flexible connections for large commercial customers:** Investigating flexible connection tariffs that provide discounted pricing in exchange for agreed load management during peak events. This would support more efficient utilisation of existing capacity, reduce peak demand, and potentially defer or avoid costly network upgrades in constrained areas.



Appendix

Appendix A: Map of the Counties Energy territory



Appendix A: Map of the Counties Energy territory

Appendix B: Electricity Authority pricing principles

- a. Prices are to signal the economic costs of service provision, including by:
 - i. being subsidy free (equal to or greater than avoidable costs, and less than or equal to standalone costs);
 - ii. reflecting the impacts of network use on economic costs;
 - iii. reflecting differences in network service provided to (or by) customers; and
 - iv. encouraging efficient network alternatives.
- 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.
- 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
 - ii. enable price/quality trade-offs.
- d. Development of prices should be transparent and have regard to transaction costs, customer impacts, and uptake incentives.



Appendix

Appendix C: Alignment to the Electricity Authority’s pricing principles

This section describes how the Counties Energy methodology aligns with the Electricity Authority’s pricing principles¹⁹. Pricing principle (a): Prices are to signal the economic costs of service provision, including by:

- i. being subsidy free (equal to or greater than avoidable costs, and less than or equal to standalone costs);
- ii. reflecting the impacts of network use on economic costs;
- iii. reflecting differences in network service provided to (or by) customers; and
- iv. encouraging efficient network alternatives.

Table 1 assesses Counties Energy’s current alignment with Pricing Principle (a), and how that will change as it implements its strategy and moves towards its target.

Element	Current	Target
Being subsidy free (equal to or greater than avoidable costs, and less than or equal to standalone costs)	Counties Energy’s pricing methodology creates subsidy free prices between customer groups through the pricing model where costs are calculated and allocated so that each customer group’s total revenue recoups the corresponding costs to serve. This ensures customers within a group pay for a ‘fair’ proportion of the customer group’s direct network costs, an allocation of overhead costs, and an allocation of costs for shared/common infrastructure (e.g. substations and sub-transmission lines). By allocating a ‘fair’ proportion of overhead and shared/common infrastructure costs to respective customers, pricing, in aggregate, is above avoidable costs (ie costs if the network didn’t serve/supply the customer) and below standalone costs (ie costs if customer bypasses the network entirely).	Counties Energy will continue to review and refine our capital contribution policy in order to ensure existing customers are not burdened with the costs associated with the expected network growth. Charging developers more for standard power connection and reticulation in rural or network constraint areas should encourage developers to investigate more cost effective power supply solutions such as a microgrid with a combination of solar, battery and a capacity limited grid supply. Counties Energy also uses its capital contribution pricing to ensure that new rural customers pay higher capital contribution connection charges that reflect the additional infrastructure required to supply them power. Through this mechanism, Counties Energy has introduced a rural and urban pricing mechanism to avoid urban customers subsidising new rural connections. This also incentivises developers to opt for a network alternative supply for new homes, which helps ensure that customers can avoid paying more than the standalone cost for line services.

¹⁹ Application of the pricing principles are set out in the EA paper Distribution Pricing Practice Note 2019.

Element	Current	Target
Reflecting the impacts of network use on economic costs	Customer use of Counties Energy's network only increases Counties Energy's costs during peak times, where additional demand requires Counties Energy to increase capacity on its network and at the Transpower substation. Counties Energy is facing significant new capital costs to increase peak demand capacity, including investments such as new substations and sub-transmission lines due to growth of our network. Consequently, Counties Energy introduced peak and off-peak pricing, with off-peak pricing provided at a significant discount that reflects the lower cost of additional demand during off-peak times. At the same time, Counties Energy has significantly increased fixed prices to reflect that most network costs are fixed.	Counties Energy materially increased fixed prices over the last few years to reflect that, most of the time, network use, outside of peak times, has limited impact on Counties Energy's costs. Going forward, Counties Energy will continue to encourage retailers to offer peak and off-peak prices to their customers.
Reflecting differences in network service provided to (or by) customers	<p>The prices reflect differences in network service provided through only allocating infrastructure, and their related costs, to those customer groups using the infrastructure. Examples being that high voltage customers aren't allocated low voltage infrastructure costs and only customers on a controlled tariff are allocated costs associated with Counties Energy's ripple relay plants.</p> <p>The prices derived from these allocations encourage more efficient network usage through the following:</p> <ul style="list-style-type: none"> • Having a cost-reflective peak demand charge that allows customers to make informed decisions about network use; • Having a high fixed charge that recovers Counties Energy's residual costs in the least distortionary manner so it doesn't change the behaviour of customers; and • Having available a low cent per kWh controlled tariff that allows residential customers to connect certain load types in return for Counties Energy being able to switch the load off during peak times and when the network is load constrained as a result of a network fault. 	<p>Counties Energy will continue to revise and update capital contribution and line revenue to ensure the most effective response to the ICP and associated peak demand growth on the network. This includes exploring alternative non-network options (eg load control, solar, batteries), and whether higher line prices are the most appropriate tool to recover the infrastructure costs associated with the supply of increased high voltage infrastructure (e.g. high voltage distribution feeders, substations and sub-transmission lines) to allow the connection of new subdivisions in the area.</p> <p>For example, Counties Energy has decreased the controlled rate for residential customers to encourage new customers to the network and EV owners to utilise the load control infrastructure. This will allow Counties Energy to most effectively manage the load on the network. Maximising network load control potential will also allow Counties Energy to target load control on constrained feeders. This approach is a significant tool in deferring network investment.</p>

Element	Current	Target
Encouraging efficient network alternatives	<p>Counties Energy's pricing encourages efficient network alternatives through the following mechanisms:</p> <ul style="list-style-type: none"> • The cost-reflective fixed line price encourages customers to look at alternative non-network supply especially for low volume connections where it may be more efficient than to use Counties Energy's network. For instance, customers that have a dedicated connection for their driveway gates, entrance lights or irrigation pump are being sent a pricing signal that encourages investigation of potentially lower cost solar and battery solutions; • This is in conjunction with the peak price signal which encourages alternatives to network capacity upgrades as it signals the cost of network use during peak times. Investment in batteries may be desirable if it can release electricity during peak times at a lower cost than the lines charge paid by the home or business. • Lastly, Counties Energy's capital contribution pricing sends the correct price signal for customers to look at alternative off-grid power supply. This is through ensuring that new connections pay for the additional new common infrastructure (high voltage feeders, substations and sub-transmission lines) that is required to enable the continued new connections to Counties Energy's network. 	Counties Energy will continue to investigate price signals that will encourage non-network alternatives to grid investments for all its major capital investments. Counties Energy is also considering non-network alternatives for its own activities. Alternatives that have been considered, especially for the supply of additional peak capacity, are peak diesel generators and batteries. These solutions could be provided by either Counties Energy or a third party, through direct procurement, that would be willing to guarantee that their service would deliver the contracted non-network service.

Pricing principle (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.

Table 2 assesses Counties Energy’s current alignment with Pricing Principle (b), and how that will change as it implements its strategy and moves towards its target.

Element	Current	Target
Where prices that signal economic costs would under-recover target revenues, the shortfall should be made up by prices that least distort network use.	As it transitions to cost-reflective pricing, Counties Energy has significantly increased fixed line prices across all customer groups so that Counties Energy’s prices recover residual revenues. Residual revenues arise from the under-recovery of targeted revenues from price signals. These revenues are recovered in the least distortionary way (ie fixed charges).	Counties Energy will continue to rebalance fixed and variable charges to ensure cost-reflective pricing. On average, this will result in changes to fixed and variable peak charges whilst decreasing the off-peak and controlled rates. We are making these changes over time to mitigate and manage the impact on customers. Counties Energy will continue to work with retailers to implement efficient pricing for customers.

Pricing principle (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
- ii. enable price/quality trade-offs.

Table 3 assesses Counties Energy’s current alignment with Pricing Principle (c), and how that will change as it implements its strategy and moves towards its target.

Element	Current	Target
Reflect the economic value of services	Counties Energy negotiates as required to ensure it meets pricing principle (c). This includes negotiation with large customers for non-standard pricing arrangements and negotiations with Counties Energy’s large, distributed generators for connection to the Counties Energy network.	No change. The recently introduced policy has proven to be popular with customers, rewards and incentivises off-peak usage, and the early termination charge provides an added level of financial security to ensure connection costs are fully recovered.
Enable price/quality trade-offs		

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

Table 4 assesses Counties Energy’s current alignment with Pricing Principle (d), and how that will change as it implements its strategy and moves towards its target.

Element	Assessment
Transparency	Counties Energy publishes its pricing methodology and pricing roadmap. The Company has also made improvements to its pricing methodology document over the past few years to ensure transparency in its pricing approach and methodology.
Transaction costs	Counties Energy has balanced transparency and transaction costs in consideration of how best to achieve efficient pricing. This has occurred over a 5-year period with the number of line tariffs reduced by over half.
Customer impacts	Counties Energy has sought to reduce the impact by having its mass-market tariff voluntary rather than mandatory. Not making the tariff mandatory provides an incentive for customers that can reduce their electricity bill on a new tariff to transfer to the new tariff. The other mechanism by which Counties Energy is reducing the impact is through rebalancing its line prices overtime in order to spread the customer bill impact.
Uptake incentives	Residential, general mass-market and major customers have options and incentives relating to: <ul style="list-style-type: none"> • Rewards for making available their controllable load (hot-water heating and EV Smart Charging) for load control. • Options to take up Time of Use pricing, which rewards customers for shifting their consumption from peak to off-peak periods. • Signals to customers choosing to install solar PV that they will need to contribute a fair share to the costs providing the network, so their electricity needs are continuously met. Electric vehicle owners wanting lower prices for charging their vehicles are being encouraged to either seek retailers that offer Counties Energy’s off-peak line tariff or connect their charge to their controlled supply.



Appendix D: Alignment to the Electricity Authority's open letter

This section describes how the Counties Energy methodology aligns with the Electricity Authority's open letter to distributors dated 20 May 2024.

Table 2 assesses Counties Energy's current alignment with the five focus areas described in the Electricity Authority's open letter, and how that will change as it implements its strategy and moves towards its target.

Focus areas	Current	Target
i. Allocate revenue transparently	As a consumer-owned distributor, Counties Energy is committed to providing transparency to customers. Our approach to revenue allocation is transparent and articulated clearly in this pricing methodology. Counties Energy will continue to review its pricing document to ensure that its allocating approach for revenues to customer groups, determination of price signals, and its analysis of cross-subsidies is clearly articulated.	Counties Energy will consider publishing more detail on its determination of the subsidy-free range (and its corresponding analysis) in future pricing documents if deemed relevant and useful to stakeholders.
ii. Assign all ICPs to time-varying distribution tariffs (limited exceptions only)	As discussed above, all consumers are offered time-varying distribution tariffs across the different customer groups. Counties Energy also actively works with retailers to ensure efficient price signals are provided to customers.	Counties Energy will continue to work with retailers to ensure its pricing structure and rates are sending efficient pricing signals to customers.
iii. Set peak rates based on a measure of Long-Run Marginal Cost (LRMC)	Counties Energy has developed its initial LRMC estimate based on its estimate of costs required to meet forecast system growth and capacity constraints across its network. This is based on the Electricity Networks Aoteroa's (ENA's) Average Incremental Cost (AIC) model which has been used to inform Counties Energy's peak signal pricing.	Counties Energy will continue to develop its initial LRMC estimate to better reflect its economic costs to serve its customers. As it develops its LRMC estimate further, it will consider whether there could be different LRMCs for different parts of the network. As the work on this develops, further information (and calculations) may be published in future pricing documents where relevant.
iv. Reduce off-peak and controlled rates	Counties Energy has reduced its off-peak and controlled rate to be closer to zero over the last few years to more accurately reflect its network costs that result from network use during these times of the day.	Counties Energy will continue to review and align its off-peak and controlled rates to more closely reflect network costs during these times of the day.
v. Follow up on Asset Management Plan reporting on readiness for increased electrification	Counties Energy has described many of its initiatives and decisions to address decarbonisation trends in its latest Asset Management Plan, which has helped inform development of its investment programme.	Counties Energy will continue to work with the Electricity Authority to provide a clear understanding of the initiatives it is either already undertaking or intending to undertake to address decarbonisation trends in its network.

Appendix E: Definitions

AMD – Anytime maximum demand, which, for major customers, is defined as the average of the 12 highest offtake quantities for the customer at the connection location during the capacity measurement period.

Capacity measurement period – 12-month period starting 1 July and ending 30 June inclusive, immediately prior to the commencement of the pricing year.

CMD – Coincident maximum demand, which is the customer's demand during Counties Energy's peak demand.

Code – Electricity Industry Participation Code 2010.

Counties Energy and/or Company – Counties Energy Limited.

Distributor – Electricity distribution business.

EA – Electricity Authority.

EV – Electric vehicle.

GWh – Gigawatt hour.

GXP – Grid exit point – the Transpower substation that connects Counties Energy to the national transmission network.

ICP – Installation control point – the customer's point of connection to the network.

ID Determination – Electricity Distribution Information Disclosure Determination 2012.

kWh – Kilowatt hour.

LFCA Regulations – Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004.

LFSA (Line Function Service Agreement) – Form of agreement used to record terms between Counties Energy and a (new) customer with capacity requirement of 2MVA or greater, regarding use (and when relevant development) of the network to enable supply of electricity to that customer.

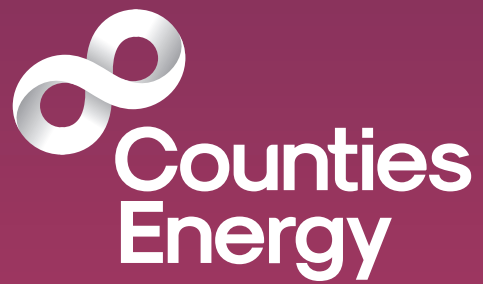
MBIE – Ministry of Business, Innovation & Employment.

MWh – Megawatt hour.

Smart metering – Counties Energy's Landis & Gyr meters with iTron communications. These meters allow half-hour data consumption to be read remotely while providing real time network data to Counties Energy.

Smart tariffs – Line tariffs that vary by time of day. Counties Energy's smart tariffs have peak and off-peak time periods.

Upstream contribution – The upstream contribution is a capital contribution charge that goes towards Counties Energy's capital investment required to support the overall network growth. The upstream contribution is in addition to the direct costs to connect to the network. Without this charge Counties Energy would need to increase its line charges to all customers even though the benefit is for the new customers connecting. For example, as new connections are established, increasing the peak demand on Counties Energy's network, that in turn requires upgrading of high voltage feeders and the construction of new substations and transmission lines.



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