

wellington
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Pioneer Scheme Policy

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Contents

Definitions	3
Pioneer Scheme Policy	4
1. Network extensions	5
2. Application of pioneer schemes in our network	5
3. Use of actual costs	6
4. Treatment of vested assets	6
5. Pioneer Scheme start and end dates	6
6. Administering Pioneer Schemes	7
7. Payment of rebates	7
8. Determining who the rebate is paid to	7
9. When a subsequent connecting customer becomes a Pioneer	8
10. Determining who will be required to pay a Pioneer Scheme contribution	8
11. Pioneer Scheme disclosure	8
12. Operating the Scheme	9
13. Determining scheme contributions	9
14. Determining scheme rebates	10
15. Pioneer Scheme contribution and rebate example	10
16. Rebates that relate to funded asset rebates from Transpower	11
17. Details of methodologies for individual pioneer schemes	12
18. Pioneer schemes will survive any change of ownership of we*	12

Definitions

The definitions used in this policy document are consistent with definitions in the Code.

Term	Description
Acquired pioneer scheme	A pioneer scheme established by a distributor (the selling distributor) in accordance with clause 6B.7 of the Code relating to pioneering connection works carried out by a distributor that relates to the distribution network of a distributor, where ownership of the distribution network on which the pioneer scheme is established or relates or the part of a distribution network on which the pioneer scheme is established or relates, is transferred to another distributor (the buying distributor)
Connection works	Any extension or network capacity upgrade.
Connection applicant	A person applying to connect load to a distributor's network, increase or change connection capacity/security, change to/from flexible connection, or request additional network security/capacity (with or without physical works).
Connection charge	Any price or monetary cost imposed by a distributor in relation to connection works or used to recover connection works costs; excludes connection fees and pioneer scheme contributions.
Connection pricing methodologies	The methodologies published by each distributor outlining how connection charges are determined.
Consumers Price Index (CPI)	The official CPI (all groups) published by Stats NZ, or a certified equivalent if discontinued.
CPI movement	The percentage change in CPI for the 12 months ending 31 March of the previous calendar year (for Part 6B).
Customer-selected enhancement	Any enhancement to the minimum scheme that a connection applicant requests and agrees to in writing.
Extension	Works or operating arrangements to provide or increase connection at a point of connection that do <i>not</i> increase shared network capacity; includes extension-like upgrades and incremental transmission works; excludes customer-owned asset works and works covered by a connection fee.
Minimum scheme	The least-cost solution for connection works (including security and firmness), based on the distributor's standards or an alternative standard agreed in writing.
Pioneer	The first connection applicant who funds pioneering connection works or a later connection applicant who connects to those works, contributes more than the CPI-adjusted \$25,000 threshold, and is identified as a pioneer under clause 6B.7(1)(b).
Pioneering connection works	An extension where the applicant initially funds more than the pioneer scheme threshold, has not opted out, other parties may feasibly connect later, and costs are not based on posted connection charges or benefit-based charge adjustments.

Pioneer scheme threshold	The minimum cost above which a pioneer scheme must be established is \$50,000.
Pioneer scheme	An arrangement covering network areas involving pioneering connection works, including acquired and vested pioneer schemes.
Pioneer scheme contribution	A payment a connection applicant must make under clause 6B.8, or a similar binding obligation for pre-1 April 2026 single-consumer connection works.
Pioneer scheme policy	A policy that a distributor must publish under clause 6B.9.
Pioneer scheme pricing methodology requirements	The mandatory pricing methodology provisions in clauses 6B.6–6B.9.
Posted connection charge	A published connection charge that applies to a defined type of connection meeting specified distributor requirements.
Posted extension rate	A published unit rate used to build extension cost estimates for specified types of connections.
Rebate	Any disbursement, credit, or deduction paid to a pioneer in line with clause 6B.8(5).
Real estate development	Land developed for on-selling, including subdivision, commercial/industrial construction, or multi-residential construction. (a) subdivision: (b) the construction of commercial or industrial premises (or both): (c) the construction of multiple new residential premises

Other relevant definitions:

Code 6B.[X] refers to the relevant parts of the amendments that the Authority have made to the Electricity Participation Code in its July 2025 Decision.

Chargeable connection services refer to the relevant definitions of these services that are described in Part 6b of the Code.

Pioneer Scheme Policy

This policy applies to new connections to the Wellington Electricity network that use a network extension that was previously funded by another (pioneer) customer. It should be read alongside Wellington Electricity Connections Policy.

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

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

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

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

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

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

1. Network extensions

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

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

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

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

2. Application of pioneer schemes in our network

We apply pioneer schemes to all extensions (not network capacity upgrades) that meet all the following requirements (pioneering connection works):

- The pioneer applied to connect to our network on or after 1 April 2026.
- The extension did not exist and was not under construction before 1 April 2026.
- The extension was not subject to a construction contract between us and the pioneer before 1 April 2026.
- The extension is not part of a real estate development that is developed for the purpose of on-sale.
- The extension is not an underground meshed network.
- The extension is not for an embedded network.
- The part of the extension cost for the extension initially met by the first pioneer (excluding incremental transmission costs for increased benefit-based charges)

under the TPM and the costs of any customer-selected enhancements) is more than the first pioneer scheme threshold (see below) and was not determined by posted connection charges.

- The pioneer has not agreed with us in writing that the extension is not subject to a pioneer scheme.
- It is feasible that connection applicants other than the pioneer will connect to the extension.

The pioneer scheme threshold is:

- from 1 April 2026 is \$50,000 in December 2025 dollar terms, adjusted each year by the CPI movement and
- where we* considers that it is feasible that other parties may seek to connect to all or part of, or make use of, the extension at a later date.

3. Use of actual costs

When assessing whether the Pioneer Scheme threshold is met, we will use the actual costs of the network extension where we have that information. If we do not know the actual costs we will use an estimate of the costs of the works. If the First Pioneer provides us with information on the costs of the works, we must be reasonably satisfied that the information is accurate before using that information.

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

Extensions that are established under posted connection charges are not eligible to be a Pioneer Scheme.

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

4. Treatment of vested assets

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

5. Pioneer Scheme start and end dates

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

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

6. Administering Pioneer Schemes

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

7. Payment of rebates

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

8. Determining who the rebate is paid to

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

Pioneer status under our pioneer schemes is not transferable. A transferee of pioneering connection works is not a pioneer. If a pioneer transfers part of pioneering connection works to another person, we will adjust the current value and remaining value of the pioneering connection works retained by the pioneer downwards proportionally for the purposes of calculating rebate contributions and rebates.

Our pioneer schemes run from the date the pioneer made its first connection charge payment for the pioneering connection works until 7 years after that date (unless the pioneer agrees to end the scheme earlier). After a pioneer scheme ends, we will not pay rebates to the pioneer or collect corresponding rebate contributions from subsequent connecting customers.

We will use reasonable endeavours to identify and pay rebates to pioneers. This includes maintaining a register of pioneers and their contact details and contacting pioneers on an annual basis to ensure their contact details are still accurate.

If for any reason we are unable to identify or pay a rebate to a pioneer after a reasonable attempt:

- we will take reasonable steps to repay the corresponding rebate contributions to the subsequent connecting customers who paid them, in proportion to their contributions. If we are unable to repay a rebate contribution, we will retain it; and
- we will stop collecting rebate contributions for the relevant pioneer scheme.

If the event that we are unable to contact a current Pioneer after reasonable efforts, we will reduce the value of the scheme to reflect the portion of total contributions to the scheme that were made by the missing Pioneer. If the Pioneer that we are unable to contact is the only Pioneer of the scheme, then the Pioneer Scheme will be discontinued. For clarity, if the

scheme is discontinued, the extension assets and works will still be able to be used by later connection applicants, but there will be no Pioneer Scheme contribution required.

9. When a subsequent connecting customer becomes a Pioneer

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

10. Determining who will be required to pay a Pioneer Scheme contribution

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

11. Pioneer Scheme disclosure

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

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

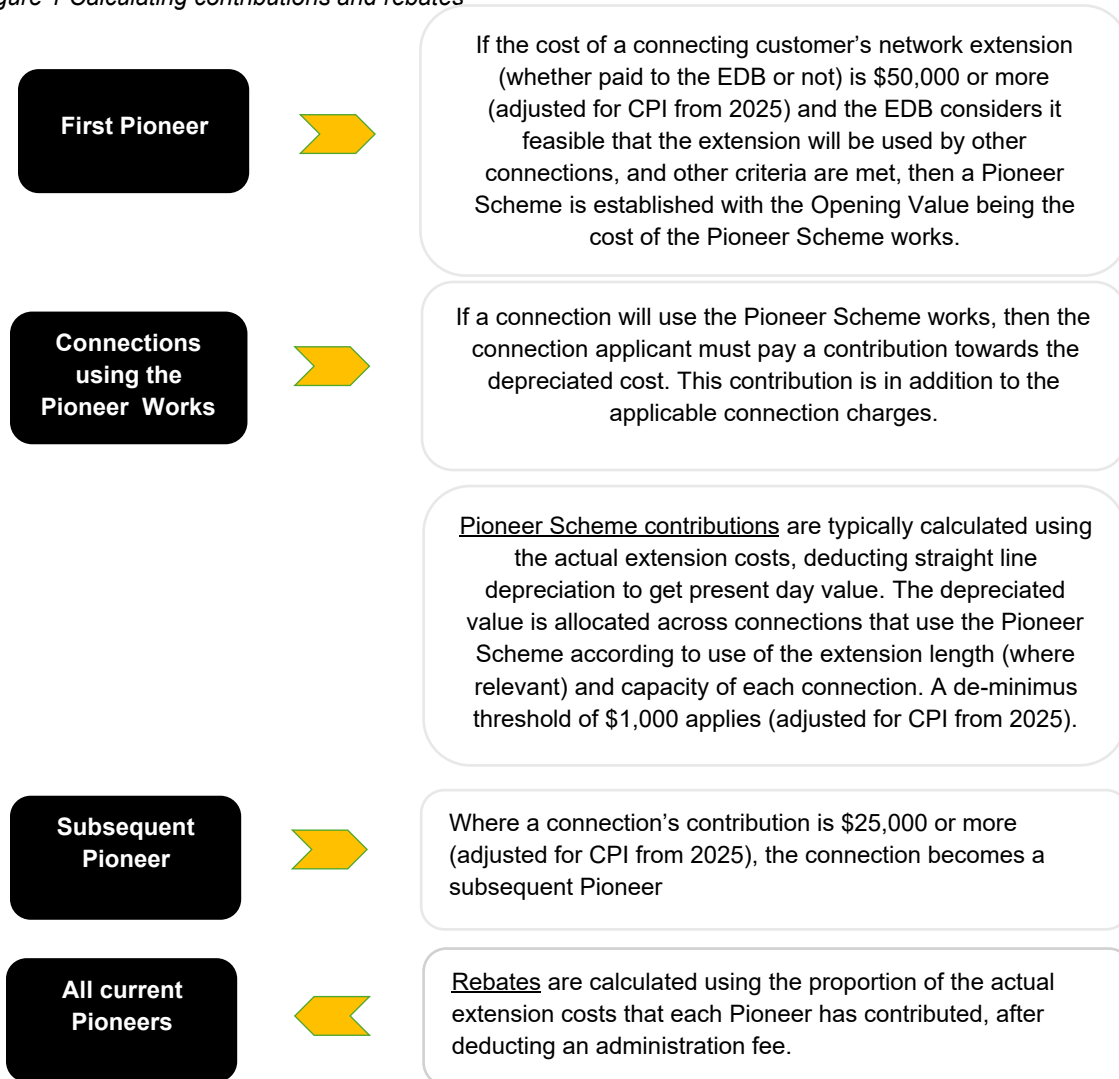
- (i) pioneer scheme reference number
- (ii) the location of the pioneer scheme on the network
- (iii) the start date of the pioneer scheme
- (v) the relevant opening value(s) of the pioneer scheme
- (vi) the expiry date of the pioneer scheme
- (v) the methodology that will be used to calculate contributions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

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

12. Operating the Scheme

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

Figure 1 Calculating contributions and rebates



13. Determining scheme contributions

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

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

When we calculate pioneer scheme contributions we take the following factors into account:

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

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

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

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

14. Determining scheme rebates

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

15. Pioneer Scheme contribution and rebate example

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

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

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

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

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

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

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

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

$$\begin{aligned} \text{Contribution} &= \$90,000 \times \frac{20 \text{ kVA} \times 0.1 \text{ km}}{(100 \text{ kVA} \times 0.5 \text{ km} + 100 \text{ kVA} \times 0.5 \text{ km} + 20 \text{ kVA} \times 0.1 \text{ km})} \\ &= \$1,764.71 \end{aligned}$$

In this case, the third applicant will pay a contribution of \$1764.71.

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

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

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

The rebate provided to the first Pioneer will be:

$$\begin{aligned} &= (\$1764.71 - \$250) \times \frac{\$51,500}{(\$51,500 + \$48,750)} \\ &= \$778.13 \end{aligned}$$

And the rebate provided to the second Pioneer will be

$$\begin{aligned} &= (\$1764.71 - \$250) \times \frac{\$48,750}{(\$51,500 + \$48,750)} \\ &= \$736.58 \end{aligned}$$

The third applicant does not qualify for Pioneer status.

16. Rebates that relate to funded asset rebates from Transpower

Where a funded asset rebate is provided to us by Transpower¹ and the funded asset is covered by a Pioneer Scheme due to incremental transmission works being paid for by one or more Pioneers, we will distribute the rebate to the Pioneer (or Pioneers) using a similar methodology to that discussed above.

¹ Under clause 29 of the Transmission Pricing Methodology.

17. Details of methodologies for individual pioneer schemes

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

18. Pioneer schemes will survive any change of ownership of we*

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

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