CENTRALINES
LIMITED

PRICING METHODOLOGY

APRIL 2026 - MARCH 2027

Our People Our Power

PURPOSE STATEMENT

Centralines Limited ('Centralines', 'we', 'our' or 'us') review our pricing annually to meet company, industry, legislative and regulatory requirements.

This Pricing Methodology sets out our pricing structure for the 2026/27 pricing year. It is prepared pursuant to requirements of clauses 2.4.1 to 2.4.5 of the Electricity Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024 (Information Disclosure Determination). This disclosure document is supplied to the Commerce Commission and is made publicly available at www.centralines.co.nz.

Our Pricing Methodology will help you understand how we set our prices, including the methods used to determine revenues, consumer groups and allocation of costs of providing and maintaining the network.

In developing our prices for the 2026/27 pricing year we have been mindful of the importance of further transitioning more cost-reflective pricing approaches while considering consumer impact.

Residential pricing approaches have not been as effective in signalling network cost structures due to:

- legacy pricing approaches (especially under the constraint of the LFC Regulations)
- limits on the measurement capabilities of residential consumers' meters (i.e. non-smart meters), and
- access limitations to half hourly data at ICP level.

We are actively engaged with industry peers to develop new approaches and to seek residential pricing reform. With a transition process to remove LFC Regulations coming to an end in 2027, residential pricing can move towards a position that is more reflective of costs, where variable prices will be able to reduce to reflect marginal costs.

As we have progressed through the five-year LFC phase out period (April 2022 – March 2027), Centralines' residential prices have become aligned with the cost of supply model (COSM) achieving 0% variance to the target cost allocation target.

In developing this Pricing Methodology, we have considered the Electricity Authority's guidelines and industry scorecards. Where the Authority has identified specific areas of improvement and highlighted best practice, we have sought to incorporate this feedback into our Methodology.

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1. WHO IS CENTRALINES?

1.1 Background

Centralines owns the distribution network that serves Central Hawke's Bay consumers. The network is managed and operated by Unison Networks Limited under a Managed Services Agreement (MSA) with Centralines.

Centralines is wholly owned by the Central Hawke's Bay Consumers Power Trust (CHBCPT) on behalf of Central Hawke's Bay's electricity consumers. Centralines' Board of Directors is appointed by the CHBCPT.

Figure 1 – Map of Centralines' Distribution Network

1.2 Centralines' Distribution Network

1.2.1 Overview

Centralines is in the business of providing a safe, reliable, and cost-effective supply of electricity to our customers in the Central Hawke's Bay region. This is achieved through the provision, operation, and long-term management of our electricity distribution infrastructure, including overhead lines, underground cables, transformers, and substations. We currently supply electricity to approximately 9,100 active ICPs. Centralines' supply area is shown in Figure 1 above.

Our network serves the Central Hawke's Bay region with the majority of consumers in the main towns of Waipukurau and Waipawa. An extensive rural region is served in the surrounding areas as shown in Figure 2.

Our network is relatively lightly loaded, with much of the load being relatively small and spread over a large geographic area. This is reflected in the low connection point density at 5.0 ICPs per km, the fourth least dense network in New Zealand. The major load types are:

- four large commercial consumers in excess of 435kVA connection size
- 250 commercial connections
- 1,850 small commercial and unmetered connections situated in the business districts of the small towns and throughout the rural area, and
- 7,000 residential consumers in urban and rural locations.

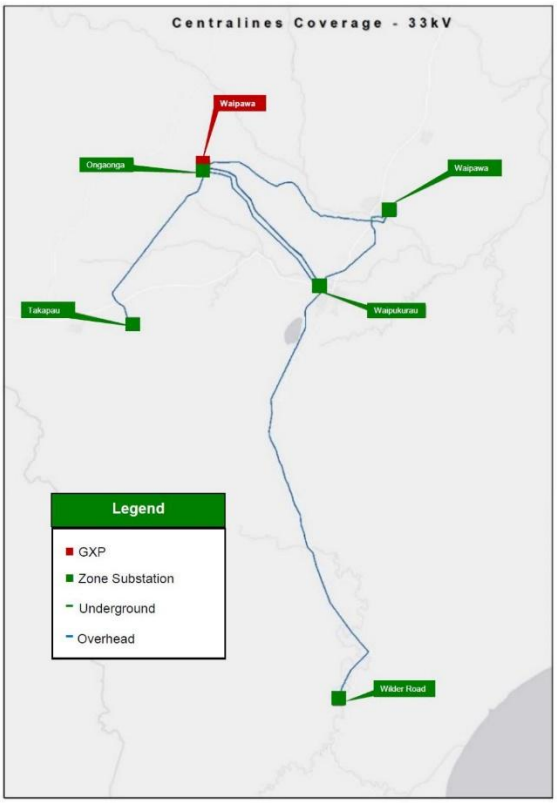

Figure 2 – Centralines' GXP and Substations

1.2.2 Future Development

For a number of years the two main towns in the Centralines' region, Waipukurau and Waipawa, saw steady growth in the number of residential connections. Over the last five years the increase has on average been 2.2% annually. While this has not caused significant concerns around congestion or peak network demand yet, continued growth will need to be monitored to ensure localised issues do not arise. Waipukurau zone substation has reached its N-1 limit during peak periods due to industrial growth, and the Waipawa GXP supply transformers are also approaching their limits.

Irrigation connections are another area of growth in recent years with more than 70 connections having irrigation as the prime or sole type of use. Irrigation load is concentrated in rural areas and, while substantial compared to the surrounding non-irrigation load previously located in these areas, it has been managed within available network capacity. Irrigation load also aids network diversification. This diversity of load is important and allows us to manage the increase in overall load efficiently. There are areas now, however, where additional irrigation load will mean peak irrigation load will exceed N-1 limits on existing assets.

In a comparatively small network such as Centralines, large commercial connections can present both opportunities and risks. A major change in demand, either increase or decrease, can influence the immediate future network requirements. While increases in capacity from a single enterprise will be funded by them in the main, there may be upstream network enhancement that should be brought forward, which would be funded across existing network connections. Likewise, a reduction in commercial activity could result in spreading the required total revenue across the remaining connections.

Having price signals in place that can be strengthened or weakened as required is an important tool to provide for future uncertainty. Given the emerging constraints mentioned above, we are reviewing our price signals to ensure they are best suited to manage future constraints and provide consumers with opportunities to make informed choices on additional and discretionary load placement.

2. HOW ELECTRICITY PRICES ARE REGULATED

2.1 Overview

2.1.1 Commerce Act 1986

The electricity distribution sector is regulated by the Commerce Commission (Commission) to ensure that the long-term interests of consumers are protected. This regulation means that many EDBs:

- are limited to what they can charge their customers
- must meet prescribed customer service levels, and
- must regularly disclose certain information about their operations.

In 2021, the High Court granted an application by the CHBCPT to vary its Trust Deed. This change meant that there would no longer be appointees to the Trust with all Trustees being elected. This satisfied criteria in the Commerce Act for Centralines to be deemed 'consumer owned'. Being 'consumer owned' means we are subject to lighter regulation, which aligns better to smaller, consumer owned, electricity distribution businesses.

With this status confirmed by the Commission, we are now exempt from price and quality regulation but remain subject to information disclosure requirements (see *point 2.1.2*). The benefit to consumers is less volatility in prices year-to-year and more flexibility for us. This will ensure we can undertake and sustainably fund expenditure at appropriate levels to meet the needs of stakeholders and ensure a safe and reliable network.

After exemption in the 2021/22 pricing year, we elected to use a revenue model developed by PwC New Zealand to establish future revenue to be gathered through distribution line charges. PwC have a long history of involvement as a key advisor to the electricity distribution industry.

2.1.2 Information Disclosure

We must also ensure we meet the information disclosure requirements under the Commission's Electricity Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024. This Determination aims to ensure sufficient information is readily available to the Commission, stakeholders and the public to assess whether the business is performing under Part 4 of the Commerce Act. This Pricing Methodology is covered under clauses 2.4.1 to 2.4.5 of the Information Disclosure Determination.

2.2 Electricity Authority

2.2.1 Electricity Industry Act 2010

The Electricity Industry Act provides a framework for the regulation of the electricity industry, including:

- establishing the Electricity Authority, and
- incorporating provisions from the now revoked Electricity Industry Reform Act.

2.2.2 *Pricing Principles*

The Authority has a monitoring role in respect of distributors' price setting approaches. We have developed our prices with reference to the Authority's 2019 Distribution Pricing Principles[1].

The Authority's recent reform of the Pricing Principles made changes to:

- promote cost reflectivity
- focus on the essential elements of efficient pricing, and
- continue to recognise that distributors should have regard to transaction costs, consumer impacts and uptake incentives.

While compliance with the Pricing Principles is voluntary, the Disclosure Determination requires each distributor to either:

- demonstrate consistency with the Pricing Principles, or
- provide reasons for any inconsistencies.

Refer to *Appendix A* for details of how our Pricing Methodology aligns with the Pricing Principles.

2.2.3 *Scorecard*

The Authority has developed a scorecard framework to monitor and provide feedback on distributors' pricing structures and reform progress. These scorecards assess pricing plans against the Authority's Pricing Principles and are intended to support regular, constructive engagement with distributors on their reform objectives, implementation efforts, and any barriers encountered. In developing this year's prices and methodology disclosure, we have taken into account the Authority's prior commentary on distributor pricing methodology disclosures. We have sought to address its recommendations and best-practice observations, alongside the newly introduced Electricity Industry Participation Code 2010 (Code) obligations.

2.3 Low Fixed Charge Regulations

We are required to make available low user prices in line with Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 and the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Amendment Regulations 2021 (LFC Regulations).

The key requirements of this regulation are as follows:

- we must offer a fixed daily charge to residential consumers of no more than 90c per day excluding GST, and
- a consumer on the low fixed charge daily rate should pay the same or less than a residential consumer on a comparable non-low fixed charge price plan at an annual consumption of 8,000kWh.

These requirements have a significant impact on Centralines' prices and price structure as outlined in *Section 5*.

[1] Note, the Authority published an updated Practice Note (Distribution Pricing: Practice Note Second Edition v2.2, 2022) to assist with the practical interpretations of the Pricing Principles.

An Amendment was passed to phase out the LFC Regulations over a five-year period (April 2022 to March 2027). The 2026/27 pricing year allows distributors to set the fixed daily charge for low users at 90c per day.

At this stage, it is expected the fixed charges for price categories designated 'Low Fixed Charge' will increase at the rate set out in the transition amendment. As the revised daily charges are implemented, we will assess the effect on residential consumers and will consider if any additional revisions to the overall residential pricing plans are needed. This includes standard price plans where fixed charges have not been constrained to artificially low levels.

2.4 Distributed Generation

Our policies and procedures for the installation and connection of distributed generation are in accordance with the requirements of Part 6 of the Code. In line with the Electricity Authority's (Authority's) decision, the maximum export limit for distributed generation has been increased to 10 kW. More information about distributed generation can be found on our website: https://www.centralines.co.nz/tell-me-about/electricity/distributed-generation/.

2.5 Related Pricing Information

In addition to this Pricing Methodology, we also have the following pricing-related information available on our website www.centralines.co.nz.

Document	Purpose
Pricing Policy and Schedules	Full details of eligibility for price categories, price options and other charges..
Capital Contributions Policy	A regulatory disclosure which describes how we calculate a customer's contribution towards a new or modified connection or relocation of network assets.
Distributed Generation	Information for customers connecting distributed generation to their home or business, along with solar pricing information.
Pioneer Scheme	A policy outlining pioneer scheme for new connections using previously funded assets, including administration, financial arrangements, and disclosures, effective from 1 April 2026 and aligned with Code requirements.

3. OUR CUSTOMER GROUPS

3.1 Rationale for Grouping Consumers

We group consumers firstly by the size of their connection to the network. As connection size increases the demands placed on the network and the level of investment required to support the connection increases.

In addition, we recognise residential connections generally have different load profiles from other small connections where a residence is not the dominant form of use. Residences have similarities with each other that allow more specific price options to be applied, such as recognition of controlled hot water load, in order to deliver a more tailored solution for these consumers. Accordingly, they are separated into their own group.

Figure 3 illustrates the classification of consumers into different groups:

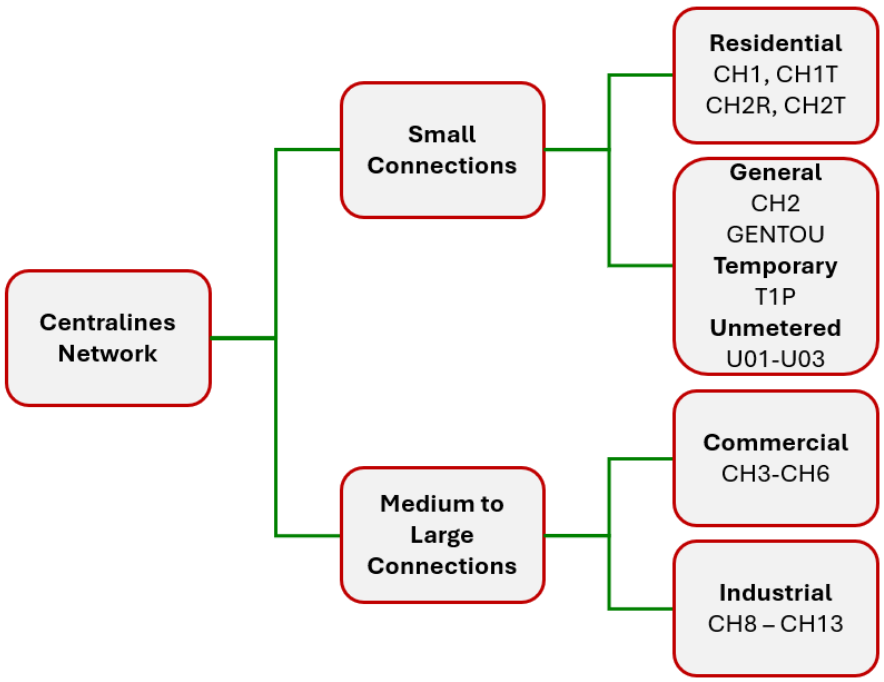

Figure 3 – Centralines' Consumer Groupings

4. OUR PRICING APPROACH

4.1 Overview of Our Pricing Strategy

This section describes our pricing strategy including the context in which we have set our prices and the strategic considerations impacting future changes in the structures of our prices.

New technologies, changes in regulatory requirements, and changing consumer opportunities and preferences will have a significant impact on our pricing over the next several years, especially at the residential level.

Our Pricing Methodology describes the process used to determine:

- the total dollar value of operating and capital costs that we can recover from network users, and
- a fair allocation of these costs to the different consumer groups that use the network through the delivery prices we charge.

The prices we charge should meet the following objectives:

- recover the costs we incur in providing our network services to consumers
- fairly allocate the costs to consumers based on the use of those services
- signal the value of consumers adjusting their usage to reduce the load and costs on the network, and
- be as stable as possible to avoid financial disruption to consumers making long-term decisions on electrical equipment (including distributed generation and battery storage equipment).

4.2 Our Pricing Roadmap

4.2.1 Time of Use Pricing and Future Developments

Centralines has offered Time of Use (TOU) distribution pricing for residential consumers for several years, although retailer uptake has historically been limited. This is now changing as a result of new Authority time-varying pricing requirements, which are intended to strengthen price signals, support demand flexibility, and enable consumers to better respond to peak network and system costs. These requirements recognise that communicating smart meters are now widely deployed and allow electricity charges to more accurately reflect *when* electricity is used, rather than relying on flat or averaged pricing structures.

From 1 April 2026, all distributors including Centralines are required to apply time-varying distribution charges to ICPs where a communicating smart meter is installed and a TOU tariff is available. In parallel, large retailers are required to offer compliant TOU retail plans to eligible consumers from 1 July 2026. Together, these measures are intended to ensure that consumers with smart meters can access meaningful TOU pricing options, and that retailer pricing structures appropriately reflect distributor price signals.

In response, Centralines has introduced a new TOU distribution plan for a significant consumer group ('General'), alongside its existing Residential TOU plans. From 1 April 2026, Centralines transitioned all eligible ICPs (those with communicating AMI/smart meters) onto TOU distribution pricing. This approach supports retailer plan design and innovation, improves the transparency of peak and off-peak price signals, and promotes more efficient use of the distribution network.

As part of this transition, Centralines has also complied with the Authority's requirement to introduce a peak export charge. A negative peak export charge now applies to all connections up to 45kVA of load and 45kW of export, ensuring that peak-time injection appropriately reflects the network costs

imposed during constrained periods and aligns with emerging expectations for two-way network pricing.

Further pricing developments under consideration, and subject to consultation during the year, include:

- reducing demand charges for commercial and industrial consumers, and
- re-introducing variable consumption charges as part of use-of-system pricing.

These developments would further align Centralines' pricing structures with Transpower's Methodology, where both demand and consumption are used to determine charges, and support more efficient long-term network investment and utilisation.

4.2.2 Future Price Developments

Like many other distribution networks, Centralines has seen an increase in investment into its assets as well as an increase in operating costs to ensure the reliability and quality of service expected of us. Based on the current asset management plan and the price paths for both transmission and distribution services the expected price increases for the next four years are following:

Price forecast	2025-26	2026-27	2027-28	2028-29	2029-30
Distribution	13%	6%	5%	5%	5%
Transmission	19%	18%	6%	6%	6%
Total Delivery	**14%**	**8%**	**5%**	**5%**	**5%**

Table 1: Centralines' Expected Price Increases Between 2025-2030

As the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 expire on 31 March 2027, distributors will no longer be required to offer a capped low fixed charge tariff for domestic connections consuming up to 8,000kWh per annum.

As a result, Centralines anticipates moving toward a single fixed charge structure for all residential consumers. This approach better reflects the largely fixed nature of distribution network costs, ensures that all residential connections contribute more equitably to the recovery of those costs, and reduces cross-subsidies between low and high consumption households.

The transition away from low fixed charge pricing is expected to result in higher than average price increases for low-consumption residential consumers, while improving overall cost reflectivity and long-term pricing efficiency across the residential customer base.

4.3 Our Strategic Considerations

4.3.1 Overview

In the context of network capacity, our strategic intention is principally to ensure:

- prices are set to provide signals showing consumers where discretionary and additional load is best placed, without imposing structures causing consumers to inefficiently reduce their use of the network, and
- equity between consumers within and across price categories.

4.3.2 *Price Signals and Long Run Marginal Cost (LRMC) Analysis*

The Authority has called for EDBs to move towards cost-reflective pricing, where on-peak and off-peak prices give signals of economic cost. Ideally, this would result in on-peak prices set at a measure of LRMC, off-peak prices at zero, the price of controlled usage set low enough to reflect that the service can be interrupted and shifted out of on-peak times, and the residual being recovered through the fixed charge.

Centralines has put in place TOU pricing to enable us to provide these signals to customers. We have recently estimated LRMC using an average incremental cost methodology to help inform our pricing. In practice, we need to also consider the impact that pricing has on customers. An implication of this is that the fixed charge is constrained by what consumers can bear.

For the 2026/27 pricing year we have increased fixed charges for our LFC plan to 90c per day, reflecting the phased change in the LFC regulations. We have also increased fixed charges for our standard plan from $1.90 to $2.00 per day.

We have given priority to the Authority's call for off-peak charges to reflect the zero economic cost during these periods. We think this is important in a context where demand and technology is evolving. A zero off-peak price gives consumers a clear signal that, if they can shift load to off-peak periods, then they will be rewarded for doing so. For example, by charging EVs during off-peak periods and shifting other load.

Our analysis of LRMC has shown it to be volatile from year-to-year, which is perhaps symptomatic of using average incremental cost for a small network. The results of the analysis are sensitive to the lumpy investments that are typical of electricity networks, with large system growth investments required in some years and smaller or no system growth investment in others. For bigger networks, their larger scale means that the total investment profile of system growth assets will generally be a lot smoother than for small networks, yielding less volatile LRMC estimates.

With off-peak rates at zero, controlled usage rates set relatively low (0.025c per kWh) to reflect service levels, and the fixed rate constrained by affordability considerations, our current peak charge of 32c per kWh is significantly above our LRMC estimate of 3.5c per kWh, because of the need for recovery of residual costs. In future pricing years, we will continue to refine our estimation of LRMC and consider the optimal recovery of residual costs across fixed and variable charges.

4.3.3 *Equitable Recovery of Costs*

Apart from providing appropriate price signals, the key role of our prices is to recover the fixed costs of providing the network service in a manner that is equitable across users.

Over the longer term, increasing use of EVs may place pressure on parts of the network, especially if consumers choose to charge their vehicles at peak times.

We expect that uptake of EVs in the region will follow the rest of New Zealand, so we intend to monitor pricing approaches used by other EDBs to determine an optimal pricing approach to encourage off-peak charging. We have residential TOU plans available and have set the peak/shoulder and off-peak pricing to provide an incentive for consumers to consider time-shifting discretionary loads to off-peak and to a lesser extent to shoulder periods.

4.3.4 *Residential Approach and LFC Regulations*

We have lifted residential fixed charges in alignment with the LFC Regulations transition allowances, with commensurate reductions in variable charges to achieve better cost-reflectivity in residential plans.

As the Low Fixed Charge (LFC) phase-out approaches completion (2027), we plan to consult with retailers in 2026 to explore viable pricing options for the mass market. This consultation will consider the diverse range of residential properties, from small, single-occupancy homes with a single-phase 40-amp connection to larger properties with multiple EVs, heat pumps, pools, and hot tubs requiring a three-phase 40-amp connection. While some EDBs have considered capacity-based pricing bands, reliable capacity data remains a challenge for accurate allocation. An alternative approach under consideration is maintaining a variable charge that serves as a proxy for capacity – where higher-consumption properties incur higher charges and lower-consumption properties are charged less. While this method does not account for demand profiles, it does incorporate socio-economic considerations.

4.3.5 *Commercial Approach*

The Commercial pricing options are closely aligned with our cost allocation model. We are however considering a review in this area which will consider consumption as one of the variable charges. The LRMC calculation assists in determining the peak demand component as a proportion of total commercial revenue while assets values and installed capacity inform the fixed rates.

The two areas of potential significance in the commercial sector are irrigation and large industrial connections. There has been growth in numbers of irrigation-focused connections in the last 10 years and, while this growth has tapered off, there remains potential for continued increases.

4.3.6 *Industrial Approach*

There are four industrial connections of significance in terms of their demand compared to the total Centralines' demand. Recent expansion of one of these connections has caused a re-assessment of future capacity availability. In a network such as Centralines, changes of this nature can have significant financial consequences for the future affordability of the network.

4.4 Distributed Generation

We currently have one embedded generator on our network. Embedded generators are sites/customers on the network who generate power and either deliver energy into our network, generate for their own use, or both.

For those who generate for their own consumption, consumers are financially rewarded by:

- variable network charges based on the kWh consumption reduction
- a reduced allocation of transmission charges in relation to their lower annual average usage of grid provided energy (for large-scale generators), and
- a reduction in the proportion of network asset values allocated to the consumer if the AMD that they place on the network is reduced.

Note

We also recognise the reduced costs associated with serving larger users who build close to the GXP, hence minimising the network investment required to service them. This is achieved via the pricing derivation which calculates the value of assets assigned to the ICP.

4.5 Non-standard Pricing Use

Centralines does not currently have any ICPs subject to non-standard contracts.

4.6 Consumer Considerations

When applying the process outlined in *Section 5* to the annual setting of prices, we take into account several consumer considerations:

- prices are as transparent as possible to aid consumer understanding of how their prices are determined
- prices logically relate to each other:
  - progressions between load groups follow a consistent pattern
  - within a price category, prices consistently reflect the costs and benefits of the consumption at different times (e.g. lower prices for controlled load)
  - options are priced to reflect future benefits, i.e. off-peak and shoulder rates are at a level that would encourage additional load to be concentrated at these times, and
- avoiding price shocks to individual consumers or groups of consumers – stability and consistency of prices is one of our objectives.

Note

We have historically not differentiated pricing between rural and urban consumers and do not intend to, unless there is clear understanding that our consumers would broadly agree.

5. HOW WE SET OUR PRICES

5.1 What We Consider

We consider a number of factors when setting our prices so they reflect the costs of supplying electricity distribution services to consumers and help consumers make informed decisions regarding their electricity usage. The factors we consider are detailed below, including regulatory requirements, network characteristics and consumer behaviour. All influence how we set our prices.

5.2 We Follow the Pricing Principles

As well as meeting the considerations described in *Section 4*, we ensure our pricing methodology is consistent with the Authority's Pricing Principles and guidance provided by the Authority's Distribution Pricing: Practice Note 2019 for all electricity distributors. These principles are as follows:

(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) consumers; 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, consumer impacts, and uptake incentives.

Refer to *Appendix A* for details of how this Pricing Methodology aligns with the Pricing Principles.

5.3 Our Network Characteristics

Centralines has a single grid exit point (GXP) connection to the National Grid at Waipawa. This is connected south via Dannevirke from Woodville, and north to Fernhill.

Transpower has load scenarios in place that suggest an increase in load from the current 23MW peak demand to 34MW by 2038. There is recognition by Transpower that some upgrade work is required on the GXP, including an outdoor to indoor conversion and the installation of an 'Overload Protection Scheme'. This upgrade work has current indicative costs of $500,000 and a possible implementation within the planning period prior to 2030. RCP4 covering a 5-year period from 2025-2030 has revenue increases of 16% for year 1 and 2 and 5% for years 3-5. As these are pass-through costs they will contribute to an increase for the distribution charges too.

Transpower has recognised that low voltage and transformer capacity issues will affect the Waipawa GXP. Transpower acknowledge that an option exists to replace one or both supply transformers, which would resolve both the capacity and low voltage issues, but they have no investments planned to address this situation. Instead, it is planned that these capacity issues will be managed operationally by Centralines.

Load growth will be closely monitored and pricing measures used to incentivise movement of load away from the network's peak times.

The demand and peak demand pricing options reflect the consequences of use during peak periods and allow commercial consumers to make informed decisions on the timing of their activity.

Our two major use categories, outside of large industrial connections, are residential and irrigation. These load types are complimentary, irrigation has a summer load profile, while residential connections peak on mornings and evenings during winter. Setting a very strong price signal in either load type is unlikely to solve future constraints. However, in order to manage loads into the future, we have TOU residential pricing to signal when it is best to shift discretionary load or place new load. For irrigation consumers, Day/Night rates are available to emphasise the advantage of using load in low demand periods. The larger irrigators are also subject to demand-based pricing, which signals clearly the advantage of reducing load in peak-demand periods.

We have increased the level of fixed charges across price categories to incorporate transparent pass-through of transmission charges and to reflect the mostly fixed nature of costs. The methodology used to allocate transmission charges to pricing tariff groups mirror Transpower's Transmission Pricing Methodology (TPM).

5.4 Our Methodology

5.4.1 Core Process

To achieve the objectives and principles listed above, we use the following core process to drive our pricing methodology and annual review of prices.

1. Establish a target distribution revenue using the revenue model developed by PwC.
2. Determine the value of pass-through costs to be recovered through prices.
3. Establish allocators for each component of Centralines' costs/revenue requirement to allocate to consumer groups where costs cannot be directly attributed.
4. Set or adjust prices to ensure forecast revenues from each consumer group equate to the allocated costs.

For the 2026/27 pricing year Centralines' approach has not changed and is to:

- allocate transmission costs across price categories using a methodology aligned to Transpower's allocation method
- allocate other direct costs across price categories
- allocate target distribution revenue across price categories
- determine cost-reflective pricing elements within each customer group, and
- make adjustments to ensure the overall revenue requirement is met.

5.4.2 Cost Allocation Model

A considerable portion of network costs are essentially fixed. The assets that are currently available for use are long-life assets that are used by many individual connections of varying size and with a diversified pattern of use. The value of the existing asset base is distributed using a Cost Allocation Model.

This Model allocates each asset on the network based on a nominal demand value. This is a stable measure that is not a reflection of use but of anticipated use profiles. The network is built to manage expected future loads and therefore the allocation through the Cost Allocation Model reflects this.

Residential and non-residential connections of a similar connected size are allocated a similar level of demand with consumer group separation occurring later.

5.4.3 Fixed Costs

A truly cost reflective price option would be a fixed charge for all these connections at the same rate to recover fixed costs. The current limitations of the LFC Regulations, even with reform in progress, prevent this from occurring. There are increases in fixed charges this year at the level allowed under the transition agreement for designated Low Fixed Charge plans. Fixed charges have also been increased in most price plans with associated reductions in variable rates to deliver as close as possible forecast revenue to cost reflective allocations.

The change in TPM implemented from 1 April 2023 involves the allocation of transmission costs to pricing tariffs as fixed costs, and are to align to the TPM. This methodology allocates:

- connection charges based on demand
- benefits based charges based on consumption, and

- residual charges also based on consumption.

5.4.4 *Price Signals*

With more research conducted regarding a value for a network LRMC, and the understanding that there are areas of concern around network upgrades that may need to be brought forward, certain price signals have been adjusted and some left in place to allow for flexibility in the near future.

With these criteria in mind, prices and options available to consumers are adjusted so that they:

- achieve the desired cost allocations/revenue requirement
- establish relativities that can assist in reflecting future costs, and
- will generate income as close as reasonably possible to Centralines' allowable revenues.

Note

Refer to *Sections 8 and 9* for the key price categories and how prices for each category are determined.

6. HOW OUR PRICES RECOVER COSTS

6.1 Introduction

This section sets out the amount of revenue that we are expected to recover through prices (total forecast revenue) in the 2026/27 financial year and breaks this down by key cost components.

We are not subject to a revenue cap but apply a methodology modelled by PwC to establish overall revenue and prices. The target distribution revenue is established using a building block of required revenue and includes costs that are passed through into pricing.

6.2 Revenue for 2026/27

Centralines' total forecast revenue for the 2026/27 year is shown in Table 2.

Components of Revenue	$000
Target Distribution Revenue	17,370
Transmission	3,010
FENZ Levy	36
Local Body Rates	68
Commerce Commission Levy	27
Electricity Authority Levy	37
Utilities Disputes Levy	6
Total Target Revenue	**20,554**

Table 2: Components of Target Revenue

6.3 Target Distribution Revenue

6.3.1 Model for Future Revenue

PwC was commissioned to develop a model where future revenue can be evaluated. The purpose of the model is to:

- forecast Centralines' future revenues and cash flows
- conduct a valuation of our network fixed assets for impairment testing and financial reporting purposes
- assist with long-term (10 years) forecasting of financial statements
- help consider the financial implications of important issues and decisions
- develop forecasts of revenue between customer groups, and
- update forecasts on an annual basis, by rolling forward the model dates and inputs.

6.3.2 *Assumptions used in PwC Model*

The model bases the 10-year projection on certain parameters. The following are the key discretionary assumptions used:

- target revenue is set to finance the asset management plan designed at keeping the network reliability. The revenue path for the next 10 years is built up from 6% increase for FY27 and 5% year-on-year thereafter
- transmission costs are increasing by 18% for FY27 and are forecast to increase by 6% for the three years after. This is based on the Commerce Commission's allowance for Transpower, and adjusted for Centralines based on actual charges for FY27
- WACC assumption is based on the Commerce Commission ID mid-point WACC. The Post-tax WACC of 5.90% is used as discount factor, and
- annual inflation is assumed at 2%.

These revenue targets do not include any step changes in consumer growth or consumption/demand. Industry expectations are for increases in consumption as a result of decarbonisation and load growth from electrification. Some of these changes in behaviour will drive an increase in investment and therefore an increase in required distribution revenue. As prices increasingly base revenue generation through fixed prices, increases in consumption will not deliver a linear increase in revenue, e.g. a 20% increase in energy use will not deliver a 20% increase in revenue. This will be evident in residential rates as the LFC regulations are removed and more consumers shift to more appropriate daily fixed charges.

To achieve the necessary revenue near the end of this 10-year projection, prices will need to rise more in step with the proposed revenue increases. Consumers are expected to be paying a larger portion of their total energy spend on electricity than they are currently. While this will be more efficient, and the overall energy spend may reduce, consumers will still continue to have higher power bills year on year.

6.4 Pass-through Costs

In addition to the core costs of operating the network, we also make allowance for pass-through costs.

These are costs paid to third parties who provide essential services in the electricity value chain. Centralines has little or no control of these costs so they are itemised and passed through into the total annual target revenue. These pass-through costs include:

Transmission

The primary pass-through cost is for the operation of the national grid that moves electricity around the country, and to and from Centralines' network.

Centralines have specified rates of fixed charges for each price category based on the allocation of transmission charges that, when multiplied by the forecast volumes, will equate to the annual transmission charges.

Fire and Emergency Levies

These are levies charged as part of Centralines' insurance cover for the network.

Local Body Rates

We operate within a number of local body jurisdictions and where rates are charged on the site of network equipment required to deliver distribution services. These are recovered through prices.

Commerce Commission Levy/Electricity Authority Levy/Utilities Disputes Levy

These government agencies charge levies to each industry bodies, including distributors, to cover costs of operating.

Table 2, in *point 6.2 a*bove, itemises the value of each of these pass-through costs.

6.5 Price Changes for 2026/27

We have made no changes to the structure of distribution pricing for the 2026/27 year aside from:

- an increase in the overall revenue to be received through distribution prices of 8.5% compared to forecast revenue for the 2025/26 period
- an increase in the daily fixed charge for residential 'Low Fixed Charge' price plans, CH1 and CH1T, from 75c per day to 90c per day
- the introduction of a mandated peak export tariff for periods from 7am to 11am and 5pm to 9pm on weekdays
- the introduction of peak inclusive tariff for TOU consumers with an inclusive meter
- mandated allocation of connections with a communicating smart/AMI meter onto TOU price categories (CH1T, CH2T and GENTOU), and
- removing automatic power factor rates for commercial and industrial customers.

Revenue 2026/27	$000
Target Distribution Revenue	17,370
Pass-through Costs	3,184
Total 2026-27 Target Revenue	**20,554**
Target Distribution Revenue (pre-discount)	16,387
Pass-through Costs	2,561
Total 2025-26 Target Revenue	**18,948**
Change	8.5%

Table 3 – Revenue 2026/27

The price changes implemented for the 2026/27 year will see, on average, an 8% increase in prices.

Due to varying cost allocations between consumer groups and our continuous efforts to align with a Cost Allocation Model (CAM), Table 4 below summarises the different price increases by consumer category:

Consumer Type	CAM Over/under Recovery	2026/27 Forecast Revenue ($000)	% of Revenue	Average Price Change
Residential	Fully cost reflective	$11,723	57%	8.0%
General	Low under recovery	$3,924	19%	13.5%
Commercial	Low over recovery	$3,449	17%	7.0%
Industrial	Medium over recovery	$1,458	7.1%	3.2%
Total		**$20,554**	**100%**	**8.5%**

Table 4 – Price Change by Consumer Type 2026/27

7. HOW WE ALLOCATE COSTS TO EACH CONSUMER GROUP

7.1 Cost Components

Consumers are assigned to a load group based on:

- fuse size at the installation control point (ICP)
- type of use, and
- meter type, e.g. half-hour metering is mandatory for consumers within the TOU load group.

Although we have price categories for a number of different consumer groups as identified in *Section 3*, cost allocations are made to two broad consumer groups: residential and commercial.

Because of the small scale of our network, we have found that to allocate at any higher degree of disaggregation would cause discontinuities in price structures, so it is only practical to allocate to the two groups.

Cost allocators are chosen to reflect as reasonably as possible the key underlying drivers for each cost component so that the allocation can be reflective.

Table 5 shows the cost components and the allocators used, along with the reason chosen for the allocator.

Cost Component	Allocator	Reason for Allocator
Network Operating Expenditure	Installed Asset Value	All connections are subject to these costs. The more assets that are required to deliver the required energy, the greater the allocation of costs.
Depreciation		
Return on Investment		
Fire and Emergency Levies		
Non-network Operating Expenditure	Number of Connections	These are mostly business support costs which are mostly driven by customer connections.
Commerce Commission Levies	Installed Asset Value	These levies are assessed on network asset value.
Transpower Connection Charge	After Diversity Maximum Demand (ADMD)	Connection charges are allocated based on a connections' contribution to Centralines' Anytime Maximum Demand (AMD), which is measured by Transpower at the GXP over 12 highest annual peaks. We use After Diversity Maximum Demand (ADMD) for this allocation at an ICP level.
Transpower Benefit-based	Annual usage (kWh)	Benefit based charges are allocated by total annual energy usage. As Benefit-based charges increase over time the Residual charge will decrease.

Transpower Residual Charge	50% consumption (kWh) and 50% ADMD (kW)	Residual charges are allocated 50% based on annual energy use and 50% based on ADMD.
Local Body Rates	Number of Connections	All connections are subject to these costs, which are location based.
Electricity Authority Levy	kWh Consumption	The dominant method of basis for the levy.
Utilities Disputes Levy	Number of Connections	Levies are based on the number of connections.

Table 5 – Cost Components

7.2 Our Approach to Allocating Costs

Our approach to the allocation of costs has been to ensure allocators are:

- reasonable
- fair, and
- simple to measure and apply.

Where a cost is directly driven by a variable, costs are allocated in proportion to that variable. For example, Electricity Authority levies are primarily driven by the kWh of consumption therefore the annual consumption by price category is used to allocate this pass-through cost.

Asset-driven allocators make up the biggest share of total costs allocated to each region and consumer group. We use a combination of assets utilised by ICPs and an assessed capacity to proportionately allocate a representative share of assets.

Centralines' cost allocation methodology:

- traces all assets utilised in the connection of the network to each ICP
- allocates the replacement value of these assets using the assessed capacity requirement, and then
- aggregates firstly to each connection, and then to a consumer group level.

This approach takes account of the distance of consumers from the GXP and therefore the length, number and value of assets needed to connect them to the network.

The network is also built to service the types of connection prevalent in that part of the network. In a residential area the assets employed to build the network to meet criteria, allowing for diversity, is not dependent on the consumption of individual connections.

Likewise, as commercial connections require larger capacity, they are allocated a larger portion of the existing assets than smaller-sized connections. While the demand and consumption at a particular site will vary from year-to-year, the assets employed do not, therefore, an assessed level of capacity produces a more stable asset allocation.

While pricing, particularly of smaller connections, is generally based on consumption this is not a good proxy for allocating assets. Distribution assets are installed to meet demand requirements, not volumes consumed.

7.3 Cost Allocation

The value of each allocator for each consumer group is shown in Table 6.

Allocator	Residential	Commercial
Connections	6,987	2,088
Consumption (000 kWh)	48,257	72,807
Asset Value ($000)	68,018	48,661
Capacity (kVA)	99,845	62,095

Table 6 – Relative Value of Allocators for Consumer Groups

7.4 Forecast vs Target Revenue

Total annual target revenue is allocated to consumer groups to provide a target revenue for each consumer group. Forecast volumes for each price are then used to set rates to achieve as close to target revenue as is practical.

A comparison of target revenues and forecast revenues (before discount) is set out in Table 7. These revenue figures are stated before the forecast annual consumer discount is accounted for.

Consumer Group	Target Revenues ($000)	Forecast Revenues ($000)
Residential	11,721	11,722
Non-residential	8,833	8,831
Total	**20,554**	**20,553**

Table 7 – Comparison of Target Revenues and Forecast Revenues

This table indicates that both Residential and Commercial revenues are forecast to be close to the target revenue established. Residential volumes and, therefore revenues, are more predictable than Commercial volumes, especially those that deal with highly volatile loads such as irrigation.

We seek to manage price volatility, so forecast and target revenues do not match perfectly in any given year but are within reasonable levels of tolerance.

7.5 Revenue by Price Category

The following table shows the forecast revenue for 2026-27 by price category.

Centralines	Forecast Revenue ($000)	% of Total Revenue
Low Fixed Charge (LFC) – CH1	181	0.9%
Std Fixed Charge – CH2R	467	2.3%
Time of Use LFC – CH1T	4,205	20.5%
Time of Use Std – CH2T	6,869	33.4%
Residential	**11,722**	**57.0%**
General/Non-Residential – CH2	3,293	16.0%
General Time of Use – GENTOU	445	2.2%
Generation – CHG01, CHG02	9	0.0%
Temporary – T1P	4	0.0%
Unmetered – U01, U02 and U03	181	0.9%
General and Other	**3,933**	**19.1%**
Commercial to 69 kVA – CH3	1,472	7.2%
Commercial to 138 kVA – CH4	1,231	6.0%
Commercial to 276 kVA – CH5	531	2.6%
Commercial to 435 kVA – CH6	165	0.8%
Commercial	**3,400**	**16.5%**
Industrial	**1,498**	**7.3%**
Centralines Total	**20,553**	**100.0%**

Table 8 – Forecast Revenue by Price Category and Consumer Group

8. PRICE CATEGORIES

8.1 Overview

Once costs have been attributed and/or allocated to our consumer groups, we forecast whether existing prices and activity levels will generate the revenue needed for us to fully collect those allocated costs.

If there is a difference, we adjust our prices to better align forecast revenue to allocated costs. This alignment of revenue and prices is not an exact match and we must estimate variables including:

- environmental factors
- changes in consumer usage, and
- responses to price incentives to reduce demand on the network.

8.2 Price Categories and Price Options

8.2.1 Overview

We set prices at a category level for groups with common needs or usage. We then offer consumers within each category price options so that they have some choice and control over the end cost of their electricity.

8.2.2 Price Categories

Price categories reflect groups of consumers with a:

- common site usage (e.g. place of residence versus place of business), and
- common capacity and metering.

Our price categories are detailed in *points 8.4 to 8.6* below.

8.2.3 Price Options

Price options represent the choices consumers have on how they will be charged for the use of our network. These prices are structured in such a way as to:

- maintain equality between consumers who create similar costs for the network
- signal to consumers the benefits and costs of different patterns of consumption
- maintain relativities between options to incentivise desirable behaviour, e.g. consuming outside of peak hours, and
- minimise opportunities for arbitrage, i.e. seek to gain a cost advantage by using a price option for a purpose for which it was not intended.

Note

Details of price options available to our consumers are detailed in *Section 9*.

8.3 Fixed and Variable Components to Prices

We recover costs for most price options through a mix of a:

- fixed daily charge to the consumer, and
- variable charge that is based on their consumption over a given billing period (mostly residential customer and small commercial customers), or

- variable charge that is based on anytime maximum demand and peak demand (large commercial and industrial customers).

The fixed component is designed to give some certainty of cost to consumers and cost recovery to us. It also reduces the revenue risk to Centralines and its shareholders should there be:

- material and unforeseen changes to consumption or demand quantities, or
- major movements of ICPs between price categories and price options.

Fixed charges better reflect the fixed nature of the underlying costs we incur in operating a network to distribute electricity. The allocation of transmission charges is now specified as a fixed daily charge for each price category within the overall daily charge. This is the Authority's preferred method and ensures that individual connections cannot influence the amount they will pay for transmission charges that are set before the start of the pricing year.

We offer consumers multiple price options and combinations for the variable component of prices. This includes options for both uncontrolled and controlled load services. In addition, for residential connections, TOU categories offer price signals with higher variable prices at times of typically higher use and lower prices for periods of reduced use.

This range of options allows individual consumers to potentially manage their total electricity costs through their patterns of consumption. It remains the case that residential and small commercial connections are subject to the plans that retailers offer in order to get the most benefit from distribution price signals. While we reduce the off-peak rates in TOU plans, and also offer a stronger reduction for controlled load, there is likely to be an increased incentive for retailers to offer plans that match or close to match distribution signals.

Large commercial customers see a more transparent pass-through of distribution charges and are more able to make informed business decisions about behaviour change that could alter their overall distribution charges.

8.4 Residential

8.4.1 Overview

We seek to clearly categorise ICPs as either residential or non-residential. ICPs that are places of residence versus business show similarities in:

- their patterns of consumption, and
- the demand they place on the network.

Demand responsiveness mechanisms, such as control of hot water heating, are applied for ICPs in this category, as are prices compliant with the LFC Regulations.

We offer both accumulative and TOU pricing to customers in the residential category. Accumulative is where a meter records consumption accumulated over the whole billing period, typically a month. TOU is where consumption is measured and charged depending on when the energy was used. Time periods relating to typically high network demand will be charged at a higher rate than those that relate to low network demand.

Overall annual charges that would apply to a connection on an accumulative plan should match a connection using the same amount of overall consumption on a TOU plan.

8.4.2 *Accumulative Pricing*

The following price categories apply to places of residence that are charged on accumulative price options (i.e. non-TOU):

- Permanent Residence (CH1 and CH2R).

Under the LFC Regulations, we are required to offer a price option with a maximum fixed daily charge of 90c. This is catered for with the CH1 and CH1T price category. The low fixed charge categories, when compared to other comparable permanent residential plans (i.e. CH1 compared to CH2R) should have total charges that are the same or less based on 8,000kWh annual consumption.

8.4.3 *TOU Pricing*

The following price categories apply prices based on the time of the day when consumption occurs:

- Permanent Residence TOU (CH1T and CH2T).

The two TOU price categories mirror the accumulative categories with the equivalent fixed charges applied. While, on average, a consumer using 8,000kWh per annum would pay the same amount on an accumulative or a TOU price plan, the TOU plan offers the clear incentive for moving some use from on-peak time periods to off-peak time periods.

As the increasing penetration of EVs occurs, the use of the off-peak time periods for additional and discretionary load will increase in importance. We are looking at the next step in providing meaningful incentives in this area. While there are relatively few EVs currently it is important to get incentives in place before they are essential for network security and demand control.

8.5 General

8.5.1 *Non-Residential <30kVA*

This category includes connections with a wide range of end-use types and highly diverse consumption patterns, including some with very occasional usage.

As signalled in last year's Pricing Methodology, from 1 April 2026 a Time of Use (TOU) price category (GENTOU) will be available for ICPs with communicating AMI meters. The legacy General category (CH2) will continue to apply only to ICPs that are unable to provide TOU consumption data. That legacy category is priced using fixed daily charges and accumulative consumption.

Given the diversity of load profiles within the General group, distribution charges under the TOU category will vary more materially based on each connection's contribution to network peak demand (measured as peak consumption). This structure strengthens the price signal and enables customers to manage their distribution charges by shifting a portion of their consumption to periods of lower network demand.

8.5.2 *Temporary (Builders Supply)*

The General category also includes a category for Temporary (Builders Supply) connections. This caters for connections that are temporary in nature due to the initial build or renovation. Once the build is complete the connection will be priced according to the final connection requirement and the type of use.

8.5.3 *Unmetered Supply*

Where a connection does not have individual metering, and they fit a tight guideline, they can be charged under the Unmetered category. These connections have small but relatively predictable

consumption where a reasonable estimation of total consumption can be made without needing to individually meter each connection. Typically lighting and communications cabinets are included.

Where streetlighting is connected and is managed via a database, generally through a local authority, the connections will be priced under the U03 category where the majority of revenue is collected via a fixture per day price. This is more reflective of the costs placed on the network as they do not directly corelate with the level of consumption.

8.6 Commercial

We price commercial connections according to the size of the fused connection. As the size increases, the applicable category will be subject to a higher fixed daily charge.

The CH3 and CH4 Commercial categories (up to 138kVA capacity) have both accumulative and demand-based pricing options available, and the choice is defined on the metering available onsite.

Demand pricing is considerably more cost reflective as the units of measure relate more accurately to the costs placed on the network, compared to accumulative where consumption is the unit of measure. The larger Commercial connections are required to have full TOU metering and are, therefore, a cost reflective demand pricing option.

We have two demand-based rates, an Anytime Monthly charge and a seasonal On-Peak Demand charge. Although the Anytime charge signals the cost of network capacity provided, it is less reflective of the costs imposed on the network by demand during periods of congestion and has, therefore, been reduced for the second year in a row. The On-Peak charge is targeted more at times when network demand would typically peak and is useful in signalling to large consumers that, if possible, it is desirable to reduce peak demand in those time periods. We have adjusted these peak rates down, also in response to LRMC analysis.

We have four large Commercial connections over 436kVA capacity. They are priced on an individual basis relating to their specific characteristics.

9. PRICE OPTIONS

9.1 Price Option Overview

Within each price category, there are different price options. These options seek to signal the value of consuming outside of network peaks, while aiming to cover Centralines' allowed revenues under the price path. Depending on whether consumers have TOU or non-TOU metering and their price category, the following price options are available:

Non-TOU Metered Consumers:

- 24UC – no ability to control load (e.g. water heating)
- AICO – controllable load, but no separate data stream (cannot identify exactly how much load is reduced = inclusive load)
- CTRL – separately controlled and recorded load
- NITE – controlled to be available from 11pm to 7am, and
- CTUD – controlled to be available from 7am to 11pm.

TOU consumers:

- ONPK – consumption occurring during the periods 7am to 11am and 5pm to 9pm on weekdays
- PKIN – inclusive consumption during the periods 7am to 11am and 5pm to 9pm on weekdays
- SHDR – consumption occurring during the periods 11am to 5pm and 9pm to 11pm on weekdays and 7am to 11am and 5pm to 9pm on weekends
- OFPK – consumption occurring during the periods 11pm to 7am on weekdays and 11am to 5pm and 9pm to 7am on weekends
- DGEN – non-peak export volume for connections under 45kVA load capacity and 45kW export
- DGPK – electricity exported during peak periods 7am to 11am and 5pm to 9pm on weekdays
- SOPD – highest peak load occurring within on-peak periods on a working day, during a summer month
- WOPD – highest peak load occurring within on-peak periods on a working day, during a winter month
- DMND – maximum load during the month, and
- KVAR – a charge for consumption having less than 0.95 power factor.

Note

Refer to **CL-CM0002 Centralines' Pricing Policy and Schedules** for full details of the applicability of each price option.

9.2 Relativities between Residential Price Options

In order to deliver a fair pricing relativity between consumers with different meter types and various equipment at their residences, the rates are set based on average historical usage.

This means that, on average, a residential connection that does not have hot water control, and their consumption is measured as wholly uncontrolled (24UC) usage, will pay the same amount as a connection that has a meter that separately measures day use and night use. If a consumer on a Day/Night plan moves more than the average energy use to the night period they will incur less distribution charges.

Hot water control offers savings to consumers but can be a disadvantage if the network reduces their level of service. Load control is a definite advantage for the network allowing for reduction of demand at peak network demand periods.

We are strongly in favour of households having a metering configuration that can deliver separately measured controlled and uncontrolled usage. This provides more transparent cost reflectivity and shows consumers more clearly the benefits of allowing hot water control. Some meter configurations allow control of hot water but do not separately measure the two components. These inclusive meters are not ideal as the benefit of lower rates for hot water control are not as clear, but with the number of these that are in the community we retain the inclusive pricing option so that historical configurations that are outside of the consumers control do not disadvantage them.

We provide TOU plans in addition to accumulative plans, and these are also priced using average consumption data to deliver an equivalent annual distribution charge as the accumulative plans.

9.3 General

The General price category (CH2) comprises a broad range of small-capacity connections (less than 30kVA). These connections typically use standard accumulation metering and are charged on a volumetric (kWh) basis, together with a daily fixed charge. From 1 April 2026, we have introduced a Time of Use price category – GENTOU – for the approximately 15% of General connections equipped with communicating smart meters.

A controlled price option is available although the level of discount available is reduced as these connections have a reduced level of controlled load available to them. There is no inclusive price option available with the reduced value of controlled load in these types of connections. Day/Night options remain available to encourage consumption outside of the daytime period when network peaks are likely to occur.

9.4 Temporary

Temporary connections are used when premises are under construction before the final connection is confirmed. Because of the administrative work involved, and the relatively short time of connection, a 20% incremental fixed charge compared to the standard residential (CH2R) rates applies.

9.5 Commercial Fixed Rates

The fixed daily rates are set within connection size bands. Moving up to the next band will see an increase in the daily rate. In general terms an increase in capacity will see an increase in the value of assets required to service that connection.

9.6 Commercial Variable Options

Accumulative options are established on the same principles as the equivalent Residential and General options. As with the General category, there is no inclusive price option available as this type of meter configuration was typically only applied to residential connections.

As the penetration of meters that record half hour consumption increases, we will introduce more TOU pricing options for commercial connections. After consulting with retailers, we are introducing a TOU General tariff from 1 April 2026 and intend to implement further TOU options for larger commercial customers in the future.

Demand-based options are available for all commercial categories. This type of pricing is mandatory for connections in the CH5 category and above with an appropriate category 3 or higher TOU meter.

At a commercial size, the levels of network impact are such that the additional information attained from a meter, and the additionally reflective pricing, will allow consumers to recognise the financial costs and benefits that behaviour incurs.

The demand option (AMD) is an expression of the maximum impact on the network at any time in the month whereas the On-Peak Demand (OPD) option relates to the demand requirement during periods of typical network peak demand. The level of AMD has reduced again this year with the expectation that this will continue to reduce and may be replaced with consumption-based variable charge. AMD signals the cost of network capacity, provided it is not seen as being reflective of the impact the connection places on the network during periods of peak network congestion. OPD relates more specifically to periods when the network is likely to be constrained.

10. HOW WE ENGAGE WITH OUR CUSTOMERS

10.1 Customer Satisfaction Survey

Centralines engaged SIL Research to conduct customer satisfaction surveys in February to March 2025 (Autumn wave) and again in September 2025 (Spring wave). The timing of the initial survey was deliberate, establishing a contemporary baseline ahead of a period of expected electricity price increases as the industry transitions toward a more dynamic and decentralised system. In this evolving environment, consumers are increasingly able to electrify transport and space/water heating and adopt technologies that support more active management of consumption and distributed generation.

The September 2025 survey replicated the earlier methodology to ensure comparability. A total of 579 responses were included in the Spring analysis (n=1,054 combined across both 2025 waves), with statistical weighting applied to reflect the ICP population mix of residential and commercial customers.

The objective of the survey programme was to gauge customer satisfaction, assess brand awareness, identify service priorities, and evaluate willingness to pay for network improvements or adopt new technologies to reduce electricity costs. The findings provide a robust evidence base to inform our asset management and customer engagement strategies.

10.2 Key Findings – September 2025 Customer Satisfaction Survey

10.2.1 Brand Awareness and Customer Understanding

Centralines continues to enjoy very high brand awareness across Central Hawke's Bay:

- 83% of respondents correctly identified Centralines as their lines company on an unprompted basis (a new peak, and significantly above historical levels of 60–70% recorded between 2009 and 2017).
- 95% were aware of Centralines after prompting.
- 81% identified Centralines as the organisation to contact for faults on an unprompted basis.
- 88% correctly understood that their lines company is not the same entity as their electricity retailer (power bill provider).

These measures have remained stable across the two 2025 survey waves and represent sustained improvement relative to historical benchmarks.

10.2.2 Overall Performance and Service Deliverables

Customer perceptions of Centralines' performance remain very positive:

- 95% of respondents rated Centralines' overall performance as 'good' (6–10 on a 10-point scale), with an average score of 8.7/10.
- Commercial customers reported universal approval (100% rating performance as good).
- Satisfaction levels were consistently high across urban and rural segments, with only minor area-level variation.

All core service deliverables were rated highly important (generally 9/10 or above on average), with **Price, Availability, and Information** emerging as the most important attributes in September 2025.

Performance ratings were also strong:

- Information and Reliability were the highest-rated attributes (both above 9/10).

- Restoration and Availability were similarly rated highly.
- Price was the lowest-rated attribute (average 6.5/10), and the only deliverable scoring below 8/10, despite being rated as highly important.

While price perceptions influence overall satisfaction, the survey recognises that lines companies have limited control over total electricity costs.

Among the small minority (5%) who rated overall performance as poor, Service, Availability, and Price were the most significant areas of dissatisfaction, representing clear "pinch points."

10.2.3 Willingness to Pay for Network Improvements

Customer willingness to pay for service enhancements remains limited:

- 40% of respondents were willing to pay for at least one proposed investment area.
- 31% were willing to pay more for improved network resilience.
- 28% were willing to pay more for improved restoration times.
- Only 18% were willing to pay more for enhanced customer service.

These findings confirm that while customers value reliability and resilience, appetite for additional cost increases is modest.

10.2.4 Energy Behaviour and Technology Adoption

There is moderate but increasing interest in reducing electricity costs through behavioural or technological change:

- 62% indicated they would consider at least one cost-reduction action.
- 48% would consider shifting electricity use to off-peak periods (up from 42% in March).
- 41% would consider investing in emerging technologies such as solar PV, EVs, home batteries, or smart appliances.
- Residential customers were significantly more likely than commercial customers to consider shifting usage to off-peak periods.

These results suggest an opportunity to support customer engagement with TOU pricing and emerging technologies, particularly among residential consumers.

10.3 Conclusions and Implications

The September 2025 results confirm consistently strong customer satisfaction and brand awareness across Centralines' network. Reliability, communication, availability, and information provision are highly valued and performing well. Price remains the most sensitive issue and exerts a disproportionate influence on overall perceptions, despite being only partially within Centralines' control.

Willingness to pay for further service improvements remains limited, reinforcing the importance of cost discipline and careful prioritisation of investment. At the same time, moderate and growing interest in behavioural change and technology adoption presents an opportunity to support demand-side participation and improved system efficiency.

Centralines will continue to incorporate these insights into its Asset Management Plan and pricing decisions to ensure that investment priorities remain aligned with customer expectations and willingness to pay.

DEFINITIONS

AMI meter	An Advanced Metering Infrastructure (AMI) meter is an electricity meter capable of recording consumption and/or export data at frequent intervals (typically half-hourly) and communicating this data automatically to the retailer and/or distributor. AMI meters enable TOU pricing, remote meter reading, and network monitoring without the need for manual meter reading.
AMD	Anytime Maximum Demand – a measure of consumers' peak use of Unison's network at any time in a given month. AMD is measured in kilowatts (kW). Centralines calculates AMD by multiplying by two the energy in kilowatt-hours (kWh) it delivers over the half hour period when the consumer's peak use of its network occurred in that month.
Authority	The Electricity Authority – the electricity regulator who ensures distributors apply and comply with key regulations governing the electricity industry.
Code	The Electricity Industry Participation Code 2010 – sets out the rules made by the Electricity Authority under section 36 of the Electricity Industry Act 2010.
Connection	Refer to the *ICP* definition.
Commission	The Commerce Commission – an independent statutory body responsible for economic regulation and monitoring of electricity distributors, among other functions.
Consumer	Any person who is a party to an agreement with a retailer for the supply of electricity by means of Centralines' distribution network.
Consumer Group	A category of consumers for which Centralines develops its pricing. These categories reflect groups of consumers with a common: • site usage (e.g. place of residence versus place of business), and • capacity and metering.
Cost Allocation Model	The methodology used by Centralines to allocate costs to their consumer groups.
COSM	Cost of Supply Model.
CPI	Consumer Price Index.
Customer	A direct customer of Centralines receiving line function services or a retailer whose customers use Centralines' (the distributor) network.
Demand	The rate at which electricity is being used expressed in kilowatts (kW).
DG	Distributed generation – electricity generation that is connected and distributed within the Centralines' network.
DPP	Default Price-Quality Path – set by the Commerce Commission to control the level of revenue and prices distributors can set.
EDB	Electricity Distributor Business – a company that distributes electricity within New Zealand. Centralines is an EDB.

Generator	An organisation that owns or operates generating units that inject electricity into the network.
GXP	Grid Exit Point – a point of connection where Centralines' network connects to, and receives electricity from, the national transmission system run by Transpower.
ICP	Installation Control Point – a point of connection on the distributor's (Centralines) network, which: • Centralines nominates as the point at which a retailer is deemed to supply electricity to a consumer, and • the connection point has the attributes set out in the Code.
kVA	Kilovolt Amp – a unit of measure for how much power is being provided through a business or home's electrical circuits or technology. It is the apparent power expressed in thousand volt-amps.
kW	Kilowatt (1000 x Watts) – a unit of measure of power or electricity.
kWh	Kilowatt hour – the amount of electricity consumed in an hour.
LFC Regulations	Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 and Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Amendment Regulations 2021.
Loss code	Distributors determine loss factors applying on their networks against which traders should submit consumption to the reconciliation manager. Each loss factor has a specified loss code that is stated on Centralines' public website under Loss Factors Methodology and Disclosure.
LRMC	Long-Run Marginal Cost – refers to the incremental cost of supplying an additional unit of electricity over the long term.
Network	The lines and associated equipment owned or operated by a distributor (Centralines) in a continuous geographic area or areas.
Non-TOU	Non-Time of Use – a consumer's site where electricity is metered over a period (e.g. month).
Power factor	The ratio of active power to apparent power (kW divided by kVA).
Price category	A category of charges identified as a price category in **CL-CM0002 Centralines' Pricing Policy and Schedules**. It defines the delivery charges applicable to a particular group of ICPs with a common capacity need or usage behaviour.
Price option	The price option within a price category that gives consumers a choice of how the energy they consume is collated and charged. The options available are usually determined by the configuration of metering and load control equipment used by the consumer.
Pricing period	1 April to 31 March year.
Retailer	The company that supplies electricity to consumers with installations connected to the distributor's network.
TOU	Time of Use – a consumer's site where half-hour metering is installed. These values are used for the calculation of charges.

Transmission	The movement of electricity from its place of generation through the grid injection points to grid exit points.
Transmission charge	Charge incurred by Centralines for transmission of electricity from the national grid operated by Transpower to Centralines' network. This enables Centralines to deliver power to its network users.
TPM	Transmission Pricing Methodology.
WACC	Weighted Average Cost of Capital – a measure of the return on shareholder capital that distributors can achieve under the Default Price-Quality Path regulations set by the Commerce Commission.

APPENDIX A – ALIGNMENT WITH PRICING PRINCIPLES

As noted earlier, we have prepared this Methodology considering the Distribution Pricing: Practice Note – August 2019 (Practice Note) and the second edition of the Distribution Pricing Practice Note, released in October 2022. This Practice Note sets out a number of principles that distributors are expected to formally demonstrate they adhere to. We consider that we have historically adhered to the new principles because of their reasonable nature.

In this section, we set out how we consider we meet the Authority's pricing principles. Each principle is stated, followed by commentary.

Signal economic costs

(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) consumers; and

(iv) encouraging efficient network alternatives.

Centralines interprets the requirements for subsidy-free prices as requiring that, for each consumer group, the revenues obtained from that consumer group must not:

- be below the cost of connecting that consumer to the network (incremental costs), or
- exceed the costs of serving that consumer group, as if they were the only consumer group (stand-alone costs).

These bounds are extremely wide as there are extensive shared assets on Centralines' network. As a result, if Centralines were to stop supplying any consumer group there would be limited reduction in costs and assets as different consumer groups are intermingled on the network.

Centralines considers that, by definition, its prices are subsidy free because it applies a Cost Allocation Model to allocate costs across the consumer base to determine the revenue requirement.

This is then used as a basis for establishing prices for each consumer group. As the Cost Allocation Model allocates the total cost of supplying all Centralines' consumers in proportion to the assets that are required to deliver a distribution service, no consumer group pays more than their stand-alone costs, given the economics of providing a shared network.

Centralines also ensures that new connections are not subsidised by calculating a capital contribution where the expected revenues from prices does not cover costs. This ensures that total revenues from each consumer (including the capital contribution) are not expected to be less than incremental costs.

In adopting a capacity-based approach to assigning consumers to price categories, this signals to consumers the fact that increasing capacity demands on the network will increase costs over the longer-term.

As noted earlier, there is capacity headroom on most parts of Centralines' network but there are areas of potential concern in the near future.

Centralines does not consider it necessary to strengthen price signals to seek additional peak load reductions overall, however, retaining options that allows alteration of the price signals currently in place is warranted.

(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.

Centralines has increased the balance of fixed prices compared to variable-based prices with fixed prices being the least distortionary option for recovering revenue. There are limitations to the degree which fixed prices dominate overall distribution revenue. Price signals through variable rates reflect the current situation of the network but should also signal future issues. Distribution pricing is relatively inflexible, and generally based on annual incremental changes to prices. To deliver a stable and understandable pricing strategy to consumers' pricing needs to look well forward and not have radical changes in direction. A consumer looking to make an investment decision such as an EV versus a petrol vehicle, or whether to install generation and a battery should expect some consistency in strategy and the impact of price signals.

As Centralines moves towards a more clearly defined selection of rates that show either a non-distortionary structure (fixed prices) or a clear price signal (on-peak/shoulder/off-peak/controlled rates) then consumers should be able to assess future investments related to their distribution charges.

Mainstream media have reported concerns around what level fixed prices should reach. While the reporting has not been Centralines focused, it is an area that Centralines will continue to be aware of. Centralines is a small network with strong consumer connections and there may be factors outside of economic ones that influence pricing decisions.

Prices responsive to end users

(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.

Listed below is how Centralines' compliance under these principles is achieved.

- Uneconomic bypass is avoided through Centralines' cost allocation approach to setting prices, whereby (by the use of a proportional cost allocation approach) pricing is set below stand-alone costs.
- Centralines also avoids uneconomic bypass/inefficient disconnection by lowering charges to consumers who, but for the level of line charges, would cease business.
- Given the shared nature of the network, it is generally not practical to negotiate with consumers (particularly small consumers) to provide different price-quality trade-offs, Centralines establishes performance metrics pertaining to different zones (e.g. fault restoration times for rural versus urban consumers).
- Centralines most recent survey was conducted in September 2025 and indicated that in general consumers are satisfied with Centralines' quality of service, while cost sensitivity was highlighted by the majority of customers.
- The survey reaffirms that Centralines' consumers prioritise reliability and affordability, with a strong preference for proactive communication. For more detail please see *Section 10*.
- As a result of the regulatory regime and consumer preferences, Centralines' prices will track the costs associated with preserving the status quo quality and reliability levels.
- Centralines sets specific charges for large industrial consumers to ensure that charges reflect the economic costs of service provision (thereby discouraging uneconomic bypass and allowing such consumers to negotiate their specific needs).

- Centralines allows smaller generators, 10kW or less, to connect to Centralines' network and to utilise the distribution network for delivering their generation without incurring network charges. Compliance with Centralines' Network Connection Standards is required, and administration and connection costs may be applicable (these can be viewed on Centralines' website).
- Because of Centralines' peak/control-period prices, larger consumers have a clear value against which to assess network alternatives or behaviour changes. Many consumers, particularly major consumers, can reduce demand in response to such signals. The majority of Centralines' residential consumers heat their water through controlled meters in response to Centralines' controlled pricing rates.
- The introduction of optional residential TOU pricing allows consumers that wish to make choices of when they use energy to reduce costs. While the peak periods are broad, they do deliver a signal on when the network is likely to reach peak levels.

Transparent development of prices

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

Centralines' development of prices:

Is transparent:

- through this disclosure statement, where Centralines provides information on the costs it allocates to different consumer groups, and
- by the publishing of a pricing policy, which details the relative prices for different price options and categories. Consumers can review charges and weigh up costs for changing capacity requirements or load profile and the resulting benefits.

Centralines annually consults extensively with electricity retailers on pricing strategy, price category, and option development. While there is significant variability in the degree retailers engage in this consultation process, the opportunity to engage in the process is equal for all retailers operating on Centralines' network.

Promotes price stability

Centralines' allocation model is only altered where a strong case exists for such alteration.

To ensure price stability for consumers, we strive to keep any price changes below 10% to limit rate shocks to any particular consumer group, in line with standard industry practice. However, due to significant changes in the sector involving security and reliability of supply, this is not always possible. As delivery charges make up around 35-40% of a typical consumer's bill, this approach ensures that no consumer group would face more than a 4% delivered price increase due to changes in distribution charges.

Promotes certainty

Centralines endeavours to maintain consistency in its price structure and relativity between prices. This ensures consumers who make investments (e.g. in controllable loads) due to the savings between controlled and uncontrolled rates are able to realise the savings expected when the original investment was made.

As noted above, with the further roll out of smart meters, Centralines intends to further focus on developing TOU price options. As fixed rates increase so the revenue related to price signals becomes more targeted towards peak and shoulder periods. Effective 1 April 2025, Centralines implemented a zero off-peak price for standard TOU residential tariff CH2T and from 1 April 2026 also for a General non-residential tariff GENTOU.

Consumers will have time to consider behavioural changes and investment to avoid adverse bill impacts as Centralines:

- seeks to strengthen differentials between on-peak and off-peak charges over time, and
- considers phasing out less cost reflective consumption-based price categories and options.

Centralines recognises the need to minimise undue complexity for retailers, subject to its legitimate business needs to signal costs to consumers and ensure equity between consumers.

All retailers are subject to the same price schedules from Centralines. Therefore, Centralines considers that its prices are economically equivalent across all retailers.

APPENDIX B – CERTIFICATION

CENTRALINES
LIMITED

OUR PEOPLE | OUR POWER

Certification for Year-beginning Disclosures - Pricing Methodology

Clause 2.9.1

We, Fenton Wilson and Anthony Gray, being directors of Centralines Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

a. the following attached information of Centralines Limited prepared for the purposes of clause 2.4.1 of the Electricity Distribution Information Disclosure Determination 2012 in all material respects complies with that determination.

b. The prospective financial or non-financial information included in the attached information has been measured on a basis consistent with regulatory requirements or recognised industry standards.

Anthony Trevor Gray
Director

Fenton David Wilson
Director

27 March 2026

Date

APPENDIX C – DOCUMENT INFORMATION

Document contributors

Contributors	Name and Position Title	Approval Date
Owner	Tomas Kocar Principal Regulatory Advisor	10/03/2026
Authoriser	Isabelle Crawshaw Centralines General Manager	18/03/2026
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Key dates

Published Date 31/03/2026

Related references

Legislation and Guidance

Centralines' pricing methodology and prices are guided by, and comply with, key legislation, regulations and guidelines governing the electricity industry, including:

- Commerce Act 1986
- Electricity Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024
- Electricity Industry Act 2010
- Electricity Industry Participation Code 2010
- Electricity Authority: Distribution Pricing: Practice Note – August 2019
- Electricity Authority: Distribution Pricing: Practice Note, Second Edition v2.2, 2022
- Electricity Authority Pricing Scorecard reports
- Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004
- Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Amendment Regulations 2021

Centralines Policy

- CL-CM0002 Centralines' Pricing Policy and Schedules for 2026 to 2027