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CL-FN004

Centralines' Capital Contributions Policy

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CL-FN004 Centralines' Capital Contributions Policy

Overview

Document purpose

The purpose of this policy is to provide a description of any potential capital contribution required by Centralines Limited ('Centralines') when a customer requests:

- a new or modified connection to Centralines' electricity distribution network, or
- the relocation of network assets.

This policy meets the requirements of section 2.4.6 of the Electricity Distribution Information Disclosure Determination 2012.

Application

This policy applies to all Customer Connection Projects and customer requested relocation of network assets undertaken by Centralines.

What is covered in this policy

This policy covers:

- the capital contributions a customer is required to make for the provision of:
 - network connection points
 - system network extensions
 - network connection point upgrades
 - network connection point downgrades
 - relocation of network assets
 - overhead to underground conversion ('OHUG'), and
 - reticulation of new subdivisions, and
- the general rules that apply to customer initiated works on Centralines' system network.

Note

Centralines reserves the right to vary terms and conditions on a case-by-case basis at its sole discretion.

Intended audience

This policy applies to all Centralines' customers.

Document contributors

Contributors	Name and Position Title	Approval Date
Owner	David Kelsey Unison's Commerical Analyst	27/03/2026
Authoriser	Jason Larkin Unison's Group General Manager – Customer, Commercial and Regulatory	30/03/2026
Approver	Jaun Park Group Chief Executive	31/03/2026

Key dates

Published Date 31/03/2026

Recommended renewal period – two years, or earlier if any of the following occur:

- changes to legislation, regulation and best practice
- continuous improvements
- system changes
- audit findings, or
- user feedback that impacts this document.

Related references

Legislation

- Electricity Act 1992
- Electricity Distribution Information Disclosure Determination 2012

Centralines Policy

- CM0002 Centralines' Pricing Policy and Schedules

Clarification

Clarification of any matter referred to in this document should be directed to:

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Communication

Centralines' Design Team will receive and manage customer requests about a Customer Connection Project and submit the project details for determination of the capital contribution in accordance with this policy. Communication with customers regarding the capital contribution will make reference to this policy and the accompanying procedures.

Content

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1. Definitions/Abbreviations

Augmentation The enhancement of electrical distribution assets for the distribution or associated with the distribution of electricity. These enhancements are to:

- meet projected system demand, and
- maintain network performance in accordance with the requirements of the Electricity Act (1992).

Capital contribution Capital funding required from the customer for Centralines to be able to:

- undertake the works associated with the Customer Connection Project, and
- achieve an economic rate of return on the project or projects.

Centralines Centralines Limited trading as Centralines.

Code The Electricity Industry Participation Code 2010.

Connection charge components The components of the Connection Charge Reconciliation include the following:

- Connection Charge (CC): cost of the new connection, minus the revenue the connection will earn, plus a contribution to the shared network costs.
- Incremental Cost Estimate (IC): Connection costs are the extra costs caused specifically by a new connection.
- Includes such items as extension works, optional upgrades chosen by the customer, capacity upgrades, any additional transmission or operating costs, and certain shared historical costs, where applicable.
- Incremental Revenue Estimate (IR): forecasts of the future income the new connection is expected to generate.
- Takes into account expected electricity use, possible price changes, and discounting future revenue to today's value.
- Network Cost Contribution (NC): amount charged to help pay for the existing network and its ongoing operation, including transmission costs, that are shared by all customers and not driven by growth.

Connection Charge Reconciliation Standardised breakdown of connection charge components, in line with Clause 6B.10 of the Code.

Consumer	The person who is responsible for the energy consumed at the network connection point.
Cost of capital	The opportunity cost of the funds employed as a result of an investment decision. The rate of return that a business could earn if it chose another investment with equivalent risk.
Customer	A party (person, persons, trust, corporation or company), or agent thereof, who requests Centralines to undertake a Customer Connection Project.
Customer Connection Projects	Projects that require capital expenditure predominantly associated with undertaking work associated with customer requests to: <ul style="list-style-type: none">• establish new Network Connection Points• making alterations to the existing Network Connection Points including Upgrades and Downgrades• relocating network assets• reticulation of new subdivisions, and• network extensions required in association with undertaking any of the above.
Customer-selected enhancement	Enhancements to the relevant Minimum scheme requested, and agreed to in writing, by the Customer.
Downgrades	Customer requests to reduce the capacity of network connection(s) and associated delivery charges. This reduction is through the replacement of existing electrical distribution assets, with assets of a lesser capacity within the existing system network for the distribution, or associated with the distribution of electricity, including but not limited to fuses, fuse holders, and distribution transformers.
Effective period	Applies to Connection Works first requested on or after 01 April 2026.
Electrical distribution assets	Electrical distribution assets include lines, cables, transformers or additional switch gear.

Embedded network An embedded network is an electricity distribution network that is owned by someone other than Centralines.

Extension The addition of electrical distribution assets for the distribution or associated with providing a network connection point.

Extension-like upgrade Works or operating arrangements that increase the capacity of the shared network but that substantially benefit only the connecting party.

ICP Installation Control Point.

Mandatory connection pricing methodologies The required pricing rules in Part 6B of the Code that Centralines must follow when setting connection charges and pioneer scheme payments.

Minimum scheme The lowest-cost option to do the connection work in line with Centralines' Network Connection Standard.

Network Capacity Cost Cost of consuming or adding capacity in the shared network (other than extension-like upgrade costs).

Network capacity upgrade Work or changes made by a distributor to:

- provide a new connection, or
- increase the capacity or reliability of a connection,
- where that work adds capacity to the shared network.

It includes:

- operational changes the distributor makes to enable the connection or improve capacity or security, and
- giving a connection more network capacity or security, even if no physical work is done and even if no one else's network rights change.

It does not include:

- upgrades that are mainly like extending the network, or
 - work related to assets owned by the customer, or
 - work that is already covered by a standard connection fee.
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Network connection point	The point on the system network where the consumer is connected. In most situations this is also the point where the responsibility for the equipment that conveys electricity transfers from Centralines to the consumer.
Network reticulation	The provision of electrical distribution assets for the distribution or associated with the distribution of electricity within the existing system network.
Network service zone	The area defined for the purpose of service levels and pricing in respect of urban and rural customers as detailed on Centralines' website www.centralines.co.nz .
OHUG	Overhead to Underground (OHUG) conversion – is the relocation and replacement of overhead distribution assets to underground and ground mounted assets. This conversion is for the distribution or associated with the distribution of electricity within the existing system network.
Pioneer Scheme	<p>A network extension that a customer paid for upfront, where it is reasonably likely that other customers may later connect to it or use some or all of it.</p> <p>Further definitions and information regarding Pioneer Schemes are included in the Pioneer Scheme Policy on our website www.centralines.co.nz.</p>
Posted Rate	Standard capital contribution amount that Centralines has set in advance for common connection types and locations, and publishes on its website www.centralines.co.nz so customers can see the charge upfront.
Project costs	All costs relating to the customer-initiated works.
Substation	Transformer and associated fittings including switchgear, earthing, protection, structure and foundations, and all connections made to them.
System network	The existing electrical distribution assets owned or operated by Centralines Limited for the distribution or associated with the distribution of electricity to end-consumers.
Upgrades	Works undertaken to increase the capacity of a network connection point.

2. Background

2.1 Process The first step in determining a customer's contribution to reticulate power and connection to a site is specifying a 'fit for purpose' solution. This considers:

- the customer's load/demand requirements and number of connections
- the minimum scheme to meet specific customer requirements (dedicated solution) including requirements for relocation, OHUG or removal of electrical distribution assets
- customer-selected enhancements (e.g. lower or higher security and reliability), and
- any network augmentation required to meet the customer's load and projected system load.

Customers will be provided with a quote detailing:

- scope of works to be undertaken
 - easements, as applicable
 - capital contribution required to be paid by the customer, and
 - price category or delivery charges that will apply for any new or upgraded/downgraded connection.
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3. Capital Contribution

3.1 Level of capital contribution for a new investment

Centralines will own the electrical distribution assets installed in association with the customer-initiated works. The customer may be requested to make a capital contribution. The level of capital contribution required is determined based on the project meeting the required rate of return for the investment in line with Centralines' 'Cost of Capital'.

Projected incremental future revenue is based on the applicable price category and price options from all Installation Control Points (ICPs) associated with the project. For a project investment to be economic, future revenue must cover:

- the cost to operate and maintain any proposed new extension (including indirect administration costs), and
- an appropriate share of the cost to operate and maintain electrical distribution assets upstream from the network connection point. This approach ensures existing customers are no worse off following the connection of a new user. As the expected network revenue from the new customer (in the form of additional charges and/or capital contribution) will cover the incremental cost of supply.

The capital contribution required will be calculated based on the net present value (NPV) of the project. This includes all associated costs and incremental revenue streams over an appropriate period. A negative NPV indicates the investment would be uneconomic for Centralines, therefore, a capital contribution payment is required from the customer. In instances where there is no incremental revenue (for example relocation, OHUG or removal), or a decrease in revenue associated with a Downgrade, the capital contribution may be equal to 100% of the project costs.

Centralines' price schedule containing delivery prices for each price category and price option can be found on Centralines' website www.centralines.co.nz.

3.2 Formula for calculating contribution

The following general approach is used to determine the level of contribution required for a project:

+ Investment in the customer-initiated project or projects
+ Present value (PV) of maintenance and operating expenditure
= Total Costs

– PV of future revenue streams projected from customer (post tax and costs)
– Equipment salvage value (if any)
= Customer Contribution

A Connection Charge Reconciliation is available for each final quote on request.

The Connection Charge Reconciliation is a disclosure tool and does not determine the customer contribution. It uses nationally standard definitions, calculations, and a proforma model to allow for comparison across EDBs.

3.3 Project considerations

The capital contribution required will be determined based on the net present value (NPV) of the project. This includes all associated costs and revenue streams over an appropriate period according to the formula in *point 3.2*. A negative NPV indicates the investment would be uneconomic for Centralines. Therefore, a capital contribution payment is required from the customer. The factors listed below must also be considered when determining the customer initiated works NPV and capital contribution required.

- The value of any deferral of planned and budgeted renewal expenditure from the early replacement of existing assets due to customer-initiated work will be determined and taken into consideration.
- The timeframe and rate of future connections projected as part of the project considering:
 - market conditions
 - build timeframes, and
 - urban/rural subdivision.

Timeframes used are based on actual experience over an extended period. As a guide, connection uptake for subdivisions will generally be phased over 10 years.

- Centralines will deduct associated network general costs from the total cost of the customer-initiated works, where a significant upgrade of Centralines' network is required to accommodate additional load. The purpose of this is to determine the capital contribution required. Network general costs are the proportion of costs associated with providing the increased capacity that existing and future upstream customers will benefit from.
- A proportional share of existing upstream assets, based on the maximum anytime or peak loading on network assets, will be included in the total customer initiated works value. This value will be used for determining the capital contribution required and any investment charges.

Centralines incorporates a minimum capital contribution in its incremental profitability assessment. This discourages 'inefficient' investment by exposing new connections to a portion of the financial cost of the works. It also incentivises new connections to size their connection appropriately to minimise the cost of augmentation.

The minimum capital contribution will consider the non-recoverable incremental project costs. Generally, non-recoverable incremental project costs are equivalent to the value of assets physically or economically not able to be re-deployed in the event the new connection no longer requires them.

3.4 Augmentation of system	<p>Where Centralines determines augmentation is advantageous to Centralines, Centralines will:</p> <ul style="list-style-type: none">• identify the level of benefits, and• determine an appropriate cost split between Centralines and the customer.
3.5 Special enhancements	<p>Where a customer's network connection point requires special enhancements, the cost of these enhancements must be met by the customer through a capital contribution.</p>
3.6 Downgrades	<p>Where a downgrade is requested, the cost of the downgrade is payable in full by the customer.</p>
3.7 Fuse Requirements	<p>If upon livening customer initiated works it is identified the actual customer demand requires a variation to fusing, Centralines may make an adjustment to the required contribution. The customer must pay any additional contribution associated with this.</p>

4. Connection Charge Reconciliation

4.1 Connection Charge Reconciliation overview Under clause S6B.10 of the Code, Centralines must prepare a Connection Charge Reconciliation. This is a standard breakdown that shows how connection charges are split between costs directly related to the connection and wider network costs.

The Connection Charge Reconciliation helps customers understand:

- how much of the connection cost is paid through connection charges
- how much of the total network cost is covered by connection charges, and
- how much of the revenue from a connection is used to pay for the existing network, day-to-day operations, and Transpower's transmission charges.

A connection applicant can request a Connection Charge Reconciliation at any time during the connection process. When we provide a quote for connection works, we will advise the applicant that they have the right to request one.

5. Roading Authorities

- 5.1 Obligations** Centralines ensures it meets all its obligations in relation to undertaking network asset relocations at the request of Roading Authorities including any associated cost sharing. These obligations are described in the Electricity Act 1992 and subsequent amendments.
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6. Relocation of Network Assets

- 6.1 Obligations** Centralines will accommodate the relocation of existing assets where it determines relocation is environmentally sound, prudent and economically viable for Centralines.
- Centralines will determine the capital contribution payable to make the relocation:
- economically viable, and
 - consistent with the principle of the apportionment of costs in proportion to the benefits received between Centralines and the customer requiring the relocation.
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7. Using Independent Contractors

- 7.1 Contractors** Centralines undertakes all customer initiated works and does not permit the use of independent contractors. This ensures:
- Customer-initiated works are carried out in a cost-effective manner that maintains the integrity of Centralines' asset standards, and
 - asset management strategies which are designed to deliver whole of life value from Centralines' assets.

Further information on Centralines' asset management strategies can be found in Centralines' Asset Management Plan available on Centralines' website www.centralines.co.nz.

8. Consistency with Pricing Principles

- 8.1 Pricing principles** Centralines' approach to determining capital contributions outlined in this policy is consistent with Centralines' Pricing Objectives and Principles. These are contained in Centralines' Pricing Methodology Disclosure available on Centralines' website www.centralines.co.nz.
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Appendix A – Summary of Document Changes

Date	Version No.	Changes to Document	Owner	Authoriser	Approver
14/04/2020	1.0	New policy.	Revenue Analyst	Unison's GM Commercial	Group Chief Executive
24/03/2023	2.0	<p>Full review.</p> <p>Updates to Overview section:</p> <ul style="list-style-type: none"> - Added Application sentence - Document contributors - Clarification details - Added Communication paragraph <p>Reworded definitions:</p> <ul style="list-style-type: none"> - Capital Contribution - Customer - Customer Connection Projects - Downgrades. 	Revenue Analyst	General Manager – Centralines	Group Chief Executive
31/03/2026	3.0	<p>Full review.</p> <p>Added definitions: Code, Connection charge components, Connection Charge Reconciliation, Customer-selected enhancement, Effective period, Extension-like upgrade, Mandatory connection pricing methodologies, Minimum scheme, Network capacity cost, Network capacity upgrade, Pioneer scheme, Posted rate.</p> <p>Section 2 Background updated.</p> <p>Section 3 Capital Contribution updated.</p> <p>Section 4 Connection Charge Reconciliation added.</p>	Unison's Commercial Analyst	Unison's Group General Manager – Customer, Commercial and Regulatory	Group Chief Executive