



PRICING METHODOLOGY DISCLOSURE 2026/27

26 February 2026

Revision Overview

Date	Version	Changes
28/2/13	1.0	Initial publication
27/2/14	2.0	New section on charge structure. Revisions to cost allocators; introduced new standard charge for residential and small-scale distributed generation customers; structural changes made to posted discount and merged customer groups for 400V customers with a fuse capacity above 160amps.
19/1/15	3.0	Revision to 'Customer Groups' section and associated illustration following changes in customer group terminology, criteria and structure; revision to cost allocators and associated tables in the 'Cost Model' section; Revision to 'Key Statistics and Assumptions', 'Price changes' and 'Consultation' section following 2015/16 price changes.
23/2/16	4.0	Revisions to section 6 to reflect the introduction of smart pricing and clarify the description of our price structure. Other minor revisions have been made throughout to adopt standard industry terms and improve readability.
23/2/17	5.0	Revision to section 6 to include the introduction of a customer nominated capacity charge and an excess demand charge for Large Customers. Update of WEL's pricing strategy in section 13 and the inclusion of WEL's Road Map for future pricing.
21/2/18	6.0	Update of Figure 1 - 'Customer groups' to reflect new structure and price categories. Section 7.2 'Posted Discount' removed. Section 13.1 'Changes to the Pricing Strategy' removed. Table 7 - 'WEL Future Pricing Road Map' removed.
20/2/19	7.0	Sections 4 and 14.2 to reflect no pricing structural changes
18/2/20	8.0	Revisions to section: 3 to incorporate the new distribution pricing principles, 4, 5, and 6 to incorporate structural pricing changes, 11 to incorporate removal of SSDG price categories, 12 and 13 to outline consistency with new pricing principles, 14 to discuss most recent retailer consultation.
26/2/21	9.0	Revisions to sections: 4, 7, 9, and 13, and tables 3, 5, and 6. Incorporated the reintroduction of the discount.
28/2/22	10.0	Updates and revisions to sections: 4, 5, 7.2, 8, 9, 13.2, and 14.1, and tables 3, 4, 5, and 6. Incorporated WEL's Pricing Reform Roadmap.
20/2/23	11.0	Revisions to most sections. Major revisions include: incorporation of additional network background and constraints, incorporation of new allocations, incorporation of new TPM, update on target revenue setting methodology, alignment with Electricity Authority's pricing reform expectations, and incorporation of visual roadmaps.
23/2/24	12.0	Updates and revisions to sections: 4, 5.1, 7.2, 8, 9, 10, 14, 15, and 16.1 and tables: 3, 4, 5, and 6. Pricing Reform Roadmap Updated.
20/2/25	13.0	Updates and revisions to sections: 1, 2, 4, 5.1, 6, 7.2, 8, 9, 10, 12, 14, 16 and tables: 3, 4, 5 and 6. Pricing Reform Roadmap Updated.
26/2/26	14.0	Updates and revisions to sections: 1, 4.1, 4.2, 4.3, 6, 7.2, 7.3, 8, 9, 10, 11, 12, 14.1, 14.2, 15.1, 15.4, 16.2,

Executive Summary

This Pricing Methodology sets out the approach used by WEL Networks Ltd. (WEL) to determine our price structure and set our prices for 2026/27. It has been prepared to meet the requirements of the Commerce Commission's *Commerce Act (Electricity Distribution Services Information Disclosure) Determination 2012*, and it has been prepared in accordance with the Electricity Authority's updated *Distribution Pricing: Practice Note v2.2 published in October 2022*. In determining our prices, WEL has also had regard to the requirements of the *Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004*, and the consultation requirements in the *Electricity Industry Participation Code 2010*.

WEL has set prices for the year beginning 1 April 2026 based on an allocation to customer groups of the costs of owning and operating its network. The customer groups determined by WEL are based on the level of service received by the customer, which is in turn determined by their demand profile and associated asset requirements. WEL uses the following criteria to distinguish between levels of service received by our customers:

- The voltage at which the customer is connected;
- The customer's fuse capacity;
- For small customers (connected at 400V, with a fuse capacity of less than 110kVA) the principal use of their property; and
- For a customer's principal place of residence, whether the customer has chosen their retailer's low user pricing plan.

Our cost allocation model uses cost drivers, such as annual energy consumption and the measure of anytime maximum demand, to allocate costs to customer groups. These allocators were chosen based on WEL's assessment of each customer group's influence on costs, such as investment, maintenance, and transmission charges. WEL has focused on matching an allocator to each of the cost categories in a manner that best reflects the Electricity Authority's pricing principle 'Prices signal the economic costs of supply', subject to the availability of information, administrative simplicity, and regulatory compliance.

While our cost allocation model is an important factor in setting prices, it is not simply a mechanical exercise of applying the model annually as this could lead to volatility in prices. Other factors that influence our approach to pricing include ensuring customers do not experience excessive price shocks, ensuring revenue adequacy, and maintaining logical relationships between price categories. WEL also has a few customers with individual pricing agreements, reflecting the cost and benefit of assets used specifically by the customer

Contents

1.	Background.....	5
1.1.	WEL Overview	5
1.2.	Network Overview	6
1.3.	Pricing Methodology Overview.....	7
2.	Definitions	8
3.	Overview of Pricing Influences	8
3.1.	Distribution Pricing Principles	9
4.	Changes to the Previous Pricing Methodology.....	9
4.1.	Pricing Reform Update	9
5.	Customer Groups.....	10
5.1.	Low Fixed Charge Tariff Regulations.....	12
6.	Current Price Structure.....	12
7.	Cost Allocation Model	13
7.1.	Method of Cost Allocation	13
7.2.	Discount	15
7.3.	Winter peak injection rebate	15
8.	Key Statistics and Assumptions.....	16
9.	Price Changes	19
9.1.	Change in Target Revenue.....	20
10.	Non-standard Contracts.....	20
11.	Distributed Generation	20
12.	Consistency with the Pricing Principles	20
13.	Pricing Strategy	22
13.1.	Key Objectives of WEL's Pricing Strategy.....	22
14.	Pricing Reform Roadmap	23
14.1.	Work Undertaken to Date	23
14.2.	Ongoing and Future Work.....	25
15.	Pricing Reform – Authority's Five Focus Areas.....	26
15.1.	Focus One.....	26
15.2.	Focus Two.....	26
15.3.	Focus Three	27
15.4.	Focus Four	27
15.5.	Focus Five.....	27
16.	Pricing Impact and Feedback	27
16.1.	Customer Consultation	27
16.2.	Retailer Consultation.....	28
16.3.	Deprivation Analysis.....	29
17.	Certification	30

1. Background

1.1. WEL Overview

WEL Networks is locally owned by a single shareholder: the WEL Energy Trust. The capital beneficiaries are the region's local councils: Hamilton City Council, Waikato District Council, and Waipa District Council. Being community owned, the Trust uses the income it receives to benefit the community that WEL serves.

WEL is committed to delivering on its statement of strategic intent to be "Leading Waikato's Energy Future". This is evidenced by our public disclosures and forward thinking corporate initiatives which deliver value and enable our communities to thrive.



Statement of Strategic Intent

Leading Waikato's Energy Future

Our Values

A	Agile	We listen to ideas; we explore opportunities, and we adapt to changing situations with an open mind. When change is needed, we make sure we understand why, and we make it work. We are flexible and we respond professionally to change.
B	Build the business	We make sure our day-to-day activity is sound while exploring ways to improve the way we work or things we do. We often ask, "is there a better way to do this?" and we investigate options.
C	Care for each other, the customer and our assets	We work as a team across the business to do things the right way. We treat others with respect, listening to their needs so we can deliver a safe and reliable service to our communities.
D	Do the right thing	We make decisions with integrity and when we can, we help others make the right decision for their situation. We are open, honest, and trustworthy. We speak up if we feel we should and we listen to others.
E	Every day home safe	We lead by example to keep ourselves, our workmates, and our communities safe. We use the right equipment; we challenge unsafe acts, and we say no if we think it is not safe.

1.2. Network Overview

The core business of WEL is the provision of electricity distribution services in the Waikato region. As an electricity distribution company, WEL owns and maintains the electricity network of lines, cables, substations, and associated infrastructure. Our network connects over 102,000 customers (a growing number of whom are also generators) to the national transmission and generation facilities and includes around 7,000 kilometres of lines and has an annual throughput of over 1,400 GWh. WEL owns, maintains, and operates over \$830 million of electricity network infrastructure. Hamilton City is at the centre of our coverage area which extends to Maramarua in the north and across to the west coast. Our network also incorporates the townships of Huntly, Raglan, Te Kowhai, and Ngāruawāhia.

As well as providing a distribution service to our traditional network area, WEL has competitively tendered for electricity distribution services in major subdivisions in New Zealand. We supply subdivisions in Auckland, Cambridge, and Warkworth.

Peak demand is one of the primary drivers of WEL's network development investment and our forecast of peak demand is a key input informing the expected timing for growth driven investment. We expect system demand to increase over the next ten years as shown in the GXP demand forecast (MVA) table below. Forecast constraints are indicated with (*).



GXP	Security	Firm Capacity	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Hamilton 11kV	N-1	44	31	33	36	38	41	* 44	45	46	48	50	51
Hamilton 33kV	N-1	132	* 142	152	159	166	173	180	188	195	203	212	220
Huntly 33 kV	N-1	82	38	40	41	42	44	45	47	48	50	51	53
Te Kowhai 33 kV	N-1	138	105	112	119	124	129	134	* 139	144	149	155	160
Total			315	337	355	371	387	403	418	434	450	467	484
Total after Diversity			306	309	320	334	348	363	376	390	405	420	436

- System Peak at 99.5% design percentile

WEL's system peak demand forecast shows a near-term need to augment the supply capacity at the Hamilton GXP. In the latter part of the forecast period, Hamilton 11 kV and Te Kowhai are forecast to exceed N-1 limits. To manage these constraints, we are engaging with Transpower, while also reinforcing and reconfiguring the subtransmission network where practical to transfer load to Huntly GXP and look at more efficient non-network solutions. Any forecasted constraints are addressed and managed through WEL's Asset Management Plan.

As we are forecasting future network constraints we continue to signal peak charges at an appropriate level to encourage a customer response to modify behaviours to utilise more off-peak demand. WEL Networks is investigating a revised approach to N-1 security assessment that better reflects the operational capability of the network and the use of modern load management techniques.

1.3. Pricing Methodology Overview

This Pricing Methodology sets out the approach used by WEL to determine our price structure and set our prices for 2026/27. It has been prepared to meet the requirements of the Commerce Commission's Commerce Act (*Electricity Distribution Services Information Disclosure*) *Determination 2012*, and it has been prepared in accordance with the Electricity Authority's updated *Distribution Pricing: Practice Note v2.2 October 2022*. In determining our prices, WEL has also had regard to the requirements of the Electricity (*Low Fixed Charge Tariff Option for Domestic Consumers*) Regulations 2004, and the consultation requirements in the *Electricity Industry Participation Code 2010 (the Code)*.

The Commerce Commission's ID Determination requires WEL to publicly disclose before the start of each financial year, a pricing methodology which:

- describes the methodology used to calculate the prices payable or to be payable (sections 6, 7 & 8);
- explains the rationale for customer groupings (section 5);
- describes any changes in prices and target revenues (sections 4, 8 & 9);
- explains the approach taken with respect to pricing in non-standard contracts and distributed generation (sections 10 & 11);
- describes the consistency of the approach taken with the pricing principles and explains WEL's pricing strategy (sections 12 & 13); and
- explains how the views of customers were sought, including their expectations in terms of price and quality, and reflected those views in calculating the prices payable or to be payable (section 16).

This document describes the allocation of costs, and the resulting structure and level of WEL's prices for electricity distribution and transmission services. These prices form only a part of overall electricity prices paid by customers to their electricity retailer. Queries about final consumer prices should be addressed to the applicable retailer.

2. Definitions

TERM	DEFINITION
AMI – Advanced metering infrastructure	A meter that records electricity used in half-hourly values (rather than a cumulative record). Advanced meters have communication features, eliminating the need for physical meter reading. Also known as a ‘smart meter’.
AMD	Anytime Maximum Demand – the maximum demand of a customer or group of customers recorded at any time.
Code	The Electricity Industry Participation Code 2010
DPP	Default Price-quality Path – price quality regulation set by the Commerce Commission for non-exempt suppliers of electricity lines services
EDB	Electricity Distribution Business
External Network	An electricity network owned by WEL located outside WEL’s traditional network, they are located in Auckland, Cambridge and Warkworth.
GWh	Gigawatt hour
GXP	Grid Exit Point – a point of connection to the transmission network
ICP	Installation Control Point – the customer’s point of connection to WEL’s network. There is generally a meter at each ICP.
ID Determination	Commerce Act (Electricity Distribution Services Information Disclosure) Determination 2012
kVA	Kilovolt ampere
kWh	Kilowatt hour
MWh	Megawatt hour
Parent network	The distribution network (owned by another EDB) to which WEL’s external network is connected.
Pricing Principles	The Electricity Authority’s Distribution Pricing Principles
SSDG – Small scale distributed generation	Generation installation connected to the distribution network with a nameplate capacity of 10kW or less
TOU	Time of Use – consumption of electricity based on the time of consumption
TPM	Transmission Pricing Methodology
WACC	Weighted Average Cost of Capital

3. Overview of Pricing Influences

WEL’s current cost allocation model is an important factor in setting prices; however, it is not simply a mechanical exercise of applying the modelled outcome annually as this could lead to volatility in prices. Other factors that influence our approach to pricing include ensuring customers do not experience excessive price shocks, ensuring revenue adequacy, and maintaining logical relationships between price categories.

WEL maintains a robust Capital Contributions Policy which is used to economically model new and modified connection applications. This means customers pay their locational economic cost at the time of connection.

Given these considerations, the level of target revenue that is actually collected from a customer group will not necessarily be identical to the level of costs the model attributes to that group. It is WEL’s intention that through the pricing revision each year WEL’s prices and pricing structure will approximate the modelled revenue allocation, over time, in a way that is consistent with the pricing principles.

WEL has used the Authority’s distribution pricing principles to form its pricing methodology. In section 12 we describe the extent to which we consider the resulting pricing methodology is consistent with the pricing principles.

3.1. Distribution Pricing Principles

Efficient distribution pricing is for the long-term benefit of consumers. Distribution pricing is important as it affects how consumers use electricity, how distributors and others manage load, when distributors invest in new (or replacement) poles and wires or network alternatives, and the timing, level and location of everyone's investments in new technology, such as distributed energy resources or demand management.

In 2019 the Electricity Authority published the distribution pricing principles below, to set clear expectations for efficient distribution prices.

- 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;
 - ii. enable price/quality trade-offs.
- d) Development of prices should be transparent and have regard to transaction costs, consumer impacts, and uptake incentives.

4. Changes to the Previous Pricing Methodology

The main change to this year's Pricing Methodology compared to the previous year, are outlined in the following section.

4.1. Pricing Reform Update

In 2025 we have largely focused on the DPP period model reset in order to forecast WEL's price path. WEL has also continued transitioning from variable to largely fixed or fixed like charges.

In 2024/25 instead of phasing out the middle of our three mass-market time-of-use periods, 'shoulder' pricing, we have pivoted to phasing out 'off-peak' pricing first. We recognised that off-peak pricing was having a more detrimental effect on distorting efficient network use than shoulder pricing. Once off-peak pricing has been phased out, we intend to transition back to phasing out shoulder pricing. This was paused for the 2025/26 year to manage price shocks. We have resumed the off-peak pricing phase out for 2026/27.

WEL continues to provide market signals principally through fixed daily charge and nominated capacity increases. Off-peak pricing has reduced and is offset by minor changes to variable charges to gather required revenues.

Section 14.2 goes into greater detail on our progress over the past year, and future intentions regarding pricing reform.

4.2. Solar farm pricing structure

Under the current pricing categories solar farms incur peak demand charges using kVA. The change is for capacity, excess demand and peak demand to be based on kW. WEL consider this change provides a more equitable price signal as solar farms manage reactive power to maintain voltage network voltage levels. To recognise this we have eliminated solar farm reactive power charges.

4.3. Winter peak injection rebate

The Electricity Authority mandated the requirement for a price code and peak injection rebates to be introduced for winter peak period generation export for up to 45kW.

New codes have been introduced and will apply during WEL's existing peak periods. WEL decided to broaden eligibility for peak injection rebates to Residential and General customers with approved, compliant and registered distributed energy resource equipment. The retailer will monthly notify WEL the aggregate energy injected volume for each ICP. WEL will confirm rebate eligibility and determine the rebate amount.

5. Customer Groups

WEL determines customer groups based on the level of service received by the customer. The criteria used for allocating customers to these groups are chosen as proxies for the service level and reflect groupings with distinct demand profiles and associated asset requirements:

- The voltage at which the customer is connected;
- The customer's fuse capacity;
- For small customers (connected at 400V, with a fuse capacity of less than 110kVA) the principal use of their property and whether they have installed generation capable of exporting into WEL's network; and
- For a customer's principal place of residence, whether the customer has chosen their retailer's low user pricing plan.

WEL considers that these criteria accurately reflect its cost drivers within regulatory constraints.

The following definitions distinguish mass market customers;

A **residential customer** (price category 1153/1154, 1153C/1154C) is a customer or small-scale distributed generator with a fuse capacity less than 110 kVA, a connection voltage of 400V or less, and that the connection is for the purpose of supplying electricity to premises that are used or intended for occupation principally as a place of residence, and excludes those premises described in section 5(c) to (k) of the Residential Tenancies Act 1986.

These criteria reflect the typical characteristics of a household; customers with larger fuse capacity or higher connection voltage typically require electricity for some other purpose than residential use.

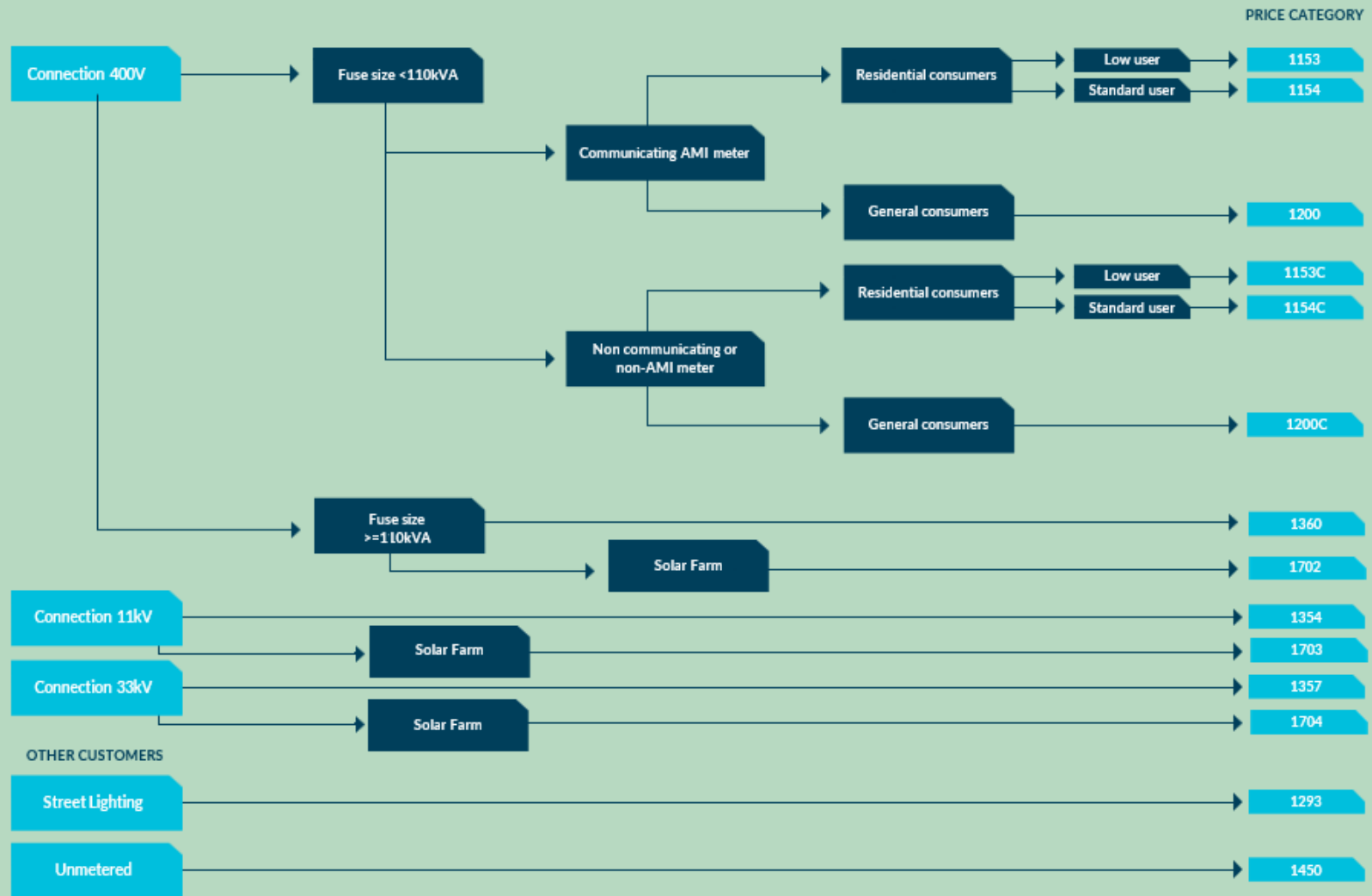
A **general customer** (price category 1200, 1200C) is a customer or small-scale distributor with a fuse capacity less than 110 kVA, connection voltage of 400V or less, and is not a residential customer.

A **low user customer** (price category 1153/1153C) is a residential or small-scale distributed generation customer who has nominated the retailer's low user pricing plan, and the premises must be the customer's principal place of residence. For the avoidance of doubt, eligibility for low user pricing options excludes holiday homes and buildings that are ancillary to a customer's principal place of residence.

A **standard user** plan (price category 1154/1154C) applies to all other residential (non-low user) and residential small scale distributed generation customers.

The diagram on the following page illustrates the characteristics of each customer group and shows how price categories have been derived:

FIGURE 1 - CUSTOMER GROUPS



5.1. Low Fixed Charge Tariff Regulations

The Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 outlines the fixed daily price which electricity distributors must offer residential customers who have opted for a low-user price category. Historically, this price was capped at no more than 15 cents per day (excluding GST). In December 2021, amendments were gazetted allowing for a gradual phase out of the LFC regulations. These amendments allow WEL to increase the fixed daily price, for LFC price categories, to not more than 90 cents per day (excluding GST) for the year beginning 1 April 2026.

WEL has standard fixed charge categories in addition to the low fixed charge price categories. The variable prices for customers on low fixed charge categories is such that an average customer consuming 8,000kWh pays no more in total per year on these options than the same customer would on any alternative option that is available to them.

It is a requirement of WEL's price group category criteria that an ICP must be a principal place of residence, and the customer must also have nominated the retailer's corresponding low user price plan to be eligible for WEL's low fixed charge price categories.

6. Current Price Structure

WEL's current price structure was designed to reflect the historic economic costs of providing services to its customers. Recognising that the economic cost drivers of the network have changed over time, we have outlined the steps we are taking to align our price structure to these economic costs in our future roadmap (section 14.2). Our current structure recognises the varying patterns of consumption from each of the different groups of customers within the network. Some of the costs are fixed, that is they do not vary with the level of output in the short term and are based on the level of installed capacity; some costs vary depending on consumption patterns.

WEL's price structure is similarly split into fixed and variable prices. Fixed prices are levied on a per day basis. Variable prices are typically based on the volume of electricity used for mass market customers. For Large Customers, the average of the six highest periods of demand each month (during WEL's network peak time periods) is used as a variable charge and their nominated capacity as the primary fixed-like charge. These prices reflected the historical economic costs pertaining to the customer's time of consumption and demand profile.

WEL uses a selection of variable prices for each customer group based on the characteristics of the group's economic cost drivers:

- **Uncontrolled Supply Prices:** are prices that apply to electricity supply that is continuously available under normal operating circumstances. Prices may be time of day dependent. The price is multiplied by the volume of energy used, measured in kilowatt hours (kWh), in the corresponding time periods. This is applicable to anytime or across peak, shoulder and off-peak prices. Where prices are applied based on peak, shoulder and off-peak time periods, WEL offers lower prices for consumption when there is expected to be spare capacity on the network (i.e. off-peak).
- **Controlled Supply Prices:** are prices that apply to the electricity supply that is capable of being interrupted (switched off) by WEL using remote technology for up to eight hours a day. The price is multiplied by the volume of energy used, measured in kilowatt hours (kWh). The ability for WEL to reduce peaks by controlling load (i.e. switching off supply) is valuable to WEL, and this is reflected in lower prices for supply to controllable load. This type of supply is typically connected to hot water cylinders and other appliances nominated by the customer. To be eligible, this supply must be metered separately from any uncontrolled supply. Combined metered supplies (uncontrolled and controlled) will be charged at the uncontrolled price.
- **Peak Demand Price:** A price that is applied based on the average of the six highest recorded demand (kVA) periods by a Large Customer in six individual half hour periods during WEL's peak periods each month. There is a price for the winter months (1 May to 30 September) and a price for the summer months (1 October to 30 April).
- **Reactive Energy Price:** The reactive energy price is only applied to Large Customers and non-standard contract connections. It is charged on the volume of reactive energy (kVARh) used when the customer's power factor is less than 0.95 within a half hour time period. A low power factor requires a greater supply of reactive energy, which increases the need for network capacity.

- **Capacity Price:** A capacity price is applied to the nominated capacity (kVA) for Large Customers and non-standard contracts. Customers with higher capacities represent a larger requirement for investment in network assets to ensure the stability of the network. The capacity charge is designed to ensure equitable distribution of this extra investment cost.
- **Excess Demand Price:** An excess demand price is applied when a Large Customer exceeds their nominated capacity in any half hour during the billable month. The excess demand charge is to ensure customers nominate accurately and customers' charges reflect their fair use of the network.
- **Transformer Rebate:** A transformer rebate is paid to medium (11kV) and high voltage (33kV) customers who own their own transformer(s) to reflect the reduced cost to WEL to supply that customer. This rebate is applied based on the average of the customers six highest half hour periods (kVA) during WEL's peak time periods each and is represented as a rebate (\$) per kVA per month.
- **Winter Peak Injection Rebate:** A rebate is paid to Residential and General customers with approved, compliant and registered distributed energy resource equipment who inject electricity during WEL's winter peak period.

7. Cost Allocation Model

The key purpose of the cost allocation and design model is to ensure that the prices for each customer group reflect the economic cost of serving that group. This section outlines this allocation process and the rationale for the choice of cost allocators.

The model allocates each cost category (Table 2) to customer groups based on the chosen allocator (Table 1). These costs are aggregated to give modelled revenue for each customer group. This is used to derive a set of model prices for each customer group (comprising fixed and variable prices). WEL uses these prices as the basis for final prices.

WEL reviews the price changes as indicated by the cost model against the pricing principles considering the undesirability of price shocks, the need to ensure revenue adequacy (and mitigate revenue risk) for WEL, and the desire to maintain logical relationships between price categories prior to settling on the final price changes.

The final prices and forecast volumes are then combined to derive target revenue for each customer group (Table 5).

7.1. Method of Cost Allocation

The choice and application of cost allocators involve a degree of judgment. The cost allocation and price design model allocates costs to customer groups based on WEL's assessment of customer influences on investment, maintenance, service, and Transpower costs. WEL also monitors prices of other EDBs to ensure that WEL's prices are broadly aligned with industry norms.

Utilisation of assets provides a useful basis for allocating many of our costs. Assets are allocated to different customer groups depending on their point of connection to the network. So, for example the low voltage asset costs are not allocated to high voltage customers.

WEL focuses on matching an allocator to each of its cost categories in a manner that best reflects the pricing principle that prices should reflect the economic costs of supply, subject to the availability of information, administrative simplicity, and regulatory constraints.

The table below describes the allocators that WEL uses in its cost allocation and price design model. Anytime maximum demand (AMD) is now our primary measure of asset utilisation. AMD provides information about the capacity of assets required by a specific customer group at any time.

TABLE 1 - DESCRIPTION OF COST ALLOCATORS

ALLOCATOR	DESCRIPTION	FORMULA
ENERGY	The annual consumption of all customers in that group as a proportion of the total.	$\frac{MWh_c}{MWh_{total}}$
AMD	Measures the anytime maximum demand (AMD) of a customer group as a proportion of the total. AMD may occur in different time period for different customer groups. An allocation is made to customer groups based on the design capacity of the network.	$\frac{AMD_c}{AMD_{total}}$

Note: c= Customer Group

The table below outlines each cost category, the cost allocator used by WEL to allocate that cost to customer groups and the rationale for choosing that allocator. The allocator with the strongest relationship to cost causation has been used.

TABLE 2 – RATIONALE FOR THE CHOICE OF COST ALLOCATOR FOR EACH KEY COMPONENT OF REVENUE

KEY COMPONENT	ALLOCATOR USED IN COST MODEL	RATIONALE
Net profit after tax	AMD	Net profit after tax is allocated on the basis of the asset utilisation of each customer group (their anytime peak). This reflects the capacity of the assets employed, on which a return is sought.
Maintenance	AMD	WEL considers that the incidence of maintenance costs is best represented through customers' contribution towards the assets' overall utilisation. Maintenance costs are first attributed to the low, medium, and high voltage network, then the cost of each part of the network is allocated based on AMD.
Depreciation	AMD	Depreciation accounts for the cost of assets. These costs are therefore allocated based on asset utilisation by each customer group (their anytime peak). Depreciation costs are first attributed to the low, medium, and high voltage network, then the cost of each part of the network is allocated based on AMD.
Operating expenditure	AMD	WEL's operating expenditure includes staff and lease costs, printing, postage, rates, and motor vehicle expenses. These costs are allocated based on AMD as WEL's operating cost structure is largely fixed and is related to network capacity.
Tax & Interest	AMD	Allocated on the same basis as net profit after tax, as tax is directly related to profit.
Electricity Authority and Commerce Commission levies	Energy	These levies are based on the volume of energy distributed; this allocator therefore reflects the basis of these levies.
Transpower – transmission charges	AMD	In line with the guidance published by the Authority, we allocate transmission charges from the new TPM using historical AMD.

7.2. Discount

WEL operates an annual discount scheme. In terms of disclosure requirements, the discount must create a firm commitment by WEL, prior to the beginning of the annual pricing year, to paying a discount after that pricing year has ended. For transparency and compliance, WEL includes this commitment as part of our published Price Schedule and the Pricing Methodology disclosure.

The 'posted discount' methodology that has been adopted ensures WEL publishes a firm commitment to pay a nominated discount before the start of each pricing year.

The discount for the pricing year 1 April 2026 - 31 March 2027 is 9.36% of gross lines revenue, up to a maximum of \$16.29M (excluding GST). The discount will be calculated based on each eligible connection. To be considered eligible, a connection must be active and non-vacant as at 5pm 31 March 2027.

The discount will be calculated based on a percentage of each eligible connections' total lines charges for the 12 months from 1 March 2026 – 28 February 2027, subject to a maximum cap of \$248 (excluding GST) per connection.

WEL is committed to pay a discount of 9.36% of gross lines revenue, up to a maximum of \$16.29M (excluding GST), based on a percentage of the previous 12 months of each connections' lines charges, up to a maximum cap of \$248 (excluding GST) per connection.

The discount is forecast to be paid in April 2027.

7.3. Winter peak injection rebate

The Electricity Authority has mandated the requirement for Distributors to put in place a price code and peak injection rebate for winter peak period generation with a export limit up to 45 kW.

WEL has introduced new codes that apply during WEL defined peak periods. WEL has also extended eligibility for the peak injection rebate to Residential and General customers who have approved, compliant and registered distributed energy resource equipment. Retailers will notify WEL of the aggregate injected energy volume for each ICP. WEL will validate eligibility and determine the applicable rebate amount.

Peak Injection Rebate Methodology

As an interim measure, WEL has used the differential between peak and off-peak charges to determine the rebate amount. This methodology will be reviewed and refined as WEL develops its Long Run Marginal Cost model.

Peak Period

The rebate applies during the defined winter peak period, when network demand is highest and constraints are most likely to arise. The selected period has been assessed against network anytime maximum demand periods.

The defined winter peak period is:

- 1 June to 31 August
- 7.00am to 9.30am and 5.30pm to 8.00pm on business days

Assumptions

The key assumptions considered are:

- Anytime maximum demand periods
- Adjustment factors
- Export capacity limited to 45 kW
- Eligibility restricted to customers with approved, compliant, and registered distributed energy resource equipment

Conversion of Peak-Off-Peak Differential to Peak Injection Rebate

For the pricing year commencing 1 April 2026, WEL has adopted the approach permitted under clause 12A.7(1)(b)(ii), using the differential between peak and off-peak network charges as the starting point for determining the peak injection rebate.

The underlying principle is that electricity exported during periods of peak network demand can reduce net demand on the network and may contribute to avoiding or deferring future network investment. The peak-off-peak differential therefore provides a proxy for the value of injection during these periods.

The rebate has been derived using the following process:

1. The applicable peak and off-peak network charges for the relevant residential and general customer categories were identified.
2. The difference between the peak and off-peak charges was calculated to establish the initial value of peak-period injection of 9.77c/kWh.
3. An adjustment factor was then applied to reflect the specific characteristics of distributed energy resource injection on the WEL network.
4. The resulting value was converted to a fixed c/kWh rebate applicable to qualifying exports during the defined winter peak periods.

The adjustment of a 35% reduction applied reflects that:

- distributed generation exports are intermittent and may not coincide with periods of highest network demand;
- qualifying exports may occur in locations that do not correspond with existing or future network constraints;
- current DER penetration on the WEL network is relatively low, limiting the extent to which exports are currently able to defer network investment;
- WEL does not currently have mechanisms to target exports to specific constrained locations; and
- the kWh rebate rate is below the levelised cost of solar and/or battery energy. As a result, customers are likely to prefer self-consumption or storage where this is available, rather than exporting energy.

Having regard to these factors, WEL has determined that a rebate of 6.35 c/kWh appropriately reflects the network value of qualifying peak-period injection while maintaining consistency with the Electricity Authority's guidance on negative charges for injection. The rebate will be reviewed annually as part of WEL's pricing methodology review and as further analysis of long-run marginal costs and network constraints becomes available.

8. Key Statistics and Assumptions

The tables below represent the breakdown of WEL's Target Revenue for 2026/27 into key cost components, by customer groups and by each of the price components as published in the 2026/27 Price Schedule.

During 2022 WEL investigated, evaluated, and finally adopted a new approach to setting target revenue. Having reviewed our target revenue setting methodology at the time, we found it to lack the maturity of other distributors, particularly those on default price-quality paths (DPPs). We were advised by industry experts to consider adopting the principle of financial capital maintenance (FCM) and the building blocks allowable revenue (BBAR) methodology which the Commerce Commission uses to determine the maximum allowable revenues of distributors which are not exempt from price-quality regulation.

We have populated the template models from the Commission's website with data from our Asset Management Plan (AMP) and other sources. As we believe the risk/cost of underinvestment for a community owned distributor is higher as we transition towards a net-zero carbon economy, WEL elected to set the weighted average cost of capital (WACC) at the 75th percentile.

The result of the adopted approach was a robust methodology aligned with the target revenue setting treatment which applies to DPP regulated distributors. While our previous approach was applied on an ex-post basis, our new approach to revenue setting provides for an ex-ante return which will achieve FCM.

During 2024, WEL has reset the revenue forecasting models based on the Commission's latest determination, with the new DPP period starting from 1 April 2025, in order to set the target revenue for 2026/27. WEL elected to set the target WACC at the 65th percentile, in line with the industry standard.

TABLE 3 - TARGET REVENUE BY KEY COST COMPONENTS (\$000)

KEY COST COMPONENT	\$000
Net profit after tax (NPAT) ¹	\$28,325
Tax	\$11,012
Interest	\$2,716
Maintenance	\$13,923
Depreciation	\$30,316
Operating expenditure	\$38,839
Transmission charges	\$31,932
Electricity Authority and Commerce Commission levy	\$645
Gross Revenue	\$173,996
Discount	-\$16,290
Net Target Revenue	\$157,706

Note – the data in the tables above represent the information used at the time of setting the prices for 2026/27 pricing year. The table excludes Third Party Contributions.

TABLE 4 – SHARE OF COST ALLOCATORS BY CUSTOMER GROUP

Connection	Energy	AMD	ICP
400V <110 kVA	56.9%	77.4%	98.8%
- Residential	41.7%	51.4%	86.5%
- Non-Residential	15.2%	25.9%	12.3%
400V >= 100kVA	18.8%	12.1%	0.8%
11kV	21.2%	9.3%	0.2%
33kV	2.5%	0.8%	0.0%
Street lighting	0.6%	0.1%	0.1%
Unmetered	0.0%	0.3%	0.2%

Note – the allocators shown in the tables above are calculated using historic measurements.

¹ NPAT is the net profit after the payment of interest and tax

TABLE 5 – TARGET REVENUE BY PRICE COMPONENT AND CUSTOMER GROUP (\$000)

Price Component (\$000)	Time of Use Pricing			Conditional Pricing			Low Voltage	Medium Voltage	High Voltage	Streetlights	Unmetered	Non-standard contacts	Total	Proportion of Target Revenue
	Residential Low User	Residential Standard User	General	Residential Low User	Residential Standard User	General								
Fixed	16,742	27,899	14,582	141	732	1,271	2,865	301	14	2,188	24	207	66,966	42.5%
Uncontrolled Supply	-	-	-	506	462	1,573	-	-	-	-	7	-	2,548	1.6%
Controlled Supply	3,172	942	436	80	28	39	-	-	-	-	-	-	4,697	3.0%
Off Peak	4,202	1,433	1,344	-	-	-	-	-	-	-	-	-	6,979	4.4%
Shoulder	11,362	7,445	9,511	-	-	-	-	-	-	-	-	-	28,318	18.0%
Peak	6,797	5,904	4,483	-	-	-	-	-	-	-	-	-	17,184	10.9%
Winter Peak Generation Export	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation Export	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Default	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Capacity	-	-	-	-	-	-	27,044	1,055	800	-	-	-	28,899	18.3%
Summer Peak	-	-	-	-	-	-	7,564	283	214	-	-	-	8,061	5.1%
Winter Peak	-	-	-	-	-	-	9,477	318	242	-	-	-	10,037	6.4%
Reactive	-	-	-	-	-	-	332	-	-	-	-	-	332	0.2%
Transformer rebate	-	-	-	-	-	-	-	20	4	-	-	-	24	0.0%
Discount	- 6,266	- 6,815	- 2,606	- 55	- 108	- 173	- 247	- 4	- 1	- 9	- 5	- 0	- 16,290	-10.3%
Total	36,009	36,808	27,750	672	1,114	2,710	47,035	1,933	1,265	2,179	26	207	157,707	100%

9. Price Changes

This section describes the key changes to prices between those that were applicable between 1 April 2025 and 31 March 2026, and those that apply from 1 April 2026. The rationale for these changes is provided along with a measure of the significance of the change by consumer group below.

As we are forecasting future network constraints we continue to see the need to signal peak charges at an appropriate level to encourage a customer response to modify behaviours to utilise more off-peak demand. This signal is supported by the reduction of off-peak pricing for Residential and General customers

The following changes to WEL's network prices are effective 1 April 2026:

- Low user plans (1153 & 1153C) - Fixed daily pricing increased to \$0.90 per day, variable pricing increased to maintain compliance with LFC regulations. Introduced a winter peak generation rebate set at -\$0.0635.
- Standard plans (1154 & 1154C) - Fixed daily pricing increased to \$2.00 per day, variable pricing increased to maintain compliance with LFC regulations. Introduced a winter peak generation rebate set at -\$0.0635.
- General plans (1200 & 1200C) - Fixed daily pricing increased to \$3.50 per day, peak variable pricing increased to \$0.1263 per kWh, shoulder variable pricing increased to \$0.0984 per kWh while off-peak variable pricing reduced to \$0.0286 per kWh. We introduced a winter peak generation rebate set at -\$0.0635.
- Large capacity plans (1360, 1354 & 1357) - Capacity pricing increased to \$0.3534 per kVA per day, Excess Demand pricing increased to \$1.7670 per kVA per day, Summer and Winter Peak Demand pricing decreased as follows:
 - 1360 – Summer to \$8.2943 and Winter to \$14.7420 per kVA per month;
 - 1354 – Summer to \$7.0368 and Winter to \$12.7509 per kVA per month;
 - 1357 – Summer to \$6.2232 and Winter to \$11.4541 per kVA per month;
- Introduced Solar Farm pricing plans (1702, 1703, 1704) – Capacity pricing set to \$0.3534 per kW per day, Excess Demand pricing set to \$1.7670 per kW per day, Summer and Winter Demand pricing set as follows:
 - 1702 – Summer to \$8.2943 and Winter to \$14.7420 per kW per month;
 - 1703 – Summer to \$7.0368 and Winter to \$12.7509 per kW per month;
 - 1704 – Summer to \$6.2232 and Winter to \$11.4541 per kW per month
 - Reactive charges set to \$0.00.
- All 2026/27 price changes have been made to ensure that WEL recovers our calculated allowable revenue and to increase the recovery of our fixed costs with fixed charges in line with the Authority's expectations.

All 2026/27 price changes have been made to ensure that WEL recovers our calculated allowable revenue and to increase the recovery of our fixed costs with fixed charges in line with the Authority's expectations.

TABLE 6 – AVERAGE PRICE CHANGES BY CONSUMER GROUP

CONNECTION	PRICE CHANGE
400V <110 kVA	10.75%
- Residential	10.60%
- Non-residential	11.04%
400V >=110kVA	12.41%
11kV	9.07%
33kV	7.54%
Street lighting	10.91%
Unmetered	10.91%
Non-standard	6.70%

9.1. Change in Target Revenue

WEL is forecasting target revenue to increase by 12.8% in 2026/27 compared to the 2025/26 budget. This reflects an overall 10.9% increase in network prices, along with increased growth experienced during the 2025/26 year and forecasted consumption and ICP growth for 2026/27.

10. Non-standard Contracts

Asset or customer-specific pricing is available to large customers on a case-by-case basis.

We currently have a few customers (2 ICPs) on non-standard customer-specific pricing agreement. WEL may negotiate pricing arrangements that reflect the customer-specific cost of supply to ensure the pricing is non-distortionary, or where there is a risk of an uneconomic bypass.

Asset-specific pricing may be available for large or unique connections or those that may require a considerable capital contribution to enable the connection. WEL may negotiate with the individual customer to determine a price that is economically equivalent to the capital contribution that would otherwise be required, an approach that allows the customer to pay for the asset over a longer period that better reflects the value that they derive from it. WEL may further consider whether it may be appropriate to set specific cheaper lines charges for a large customer connection and require a portion of the connection costs to be paid upfront.

This approach is consistent with the pricing principles as the prices reflect: the economic cost of service (principle a) and is responsive to the requirements and circumstances of end users (principle c).

WEL does not offer non-standard terms on service interruption to any customers.

11. Distributed Generation

WEL has a range of distributed generation (DG) connected to its network from residential solar installations up to grid-scale windfarms. Applications to connect distributed generation are treated in accordance with Part 6 of the Code. During the past 12 months, WEL has experienced another significant increase in the quantity, and especially the size, of DG applications to connect to the network.

WEL has established price codes for exported generation for most price categories (exported generation is not relevant for streetlighting or unmetered connections). These price codes are set to zero dollars per kWh and are used primarily to monitor the quantity of generation being exported into the network.

We have created separate price categories for solar farms to reward solar farm operators for how they manage operations to maintain their voltage levels to the network.

12. Consistency with the Pricing Principles

WEL's pricing methodology is based on its interpretation of the Authority's pricing principles and other factors outlined in Section 3. We have highlighted through the methodology, where and how the pricing principles have influenced the choices WEL has made. This section sets out the Authority's principles, reiterates WEL's interpretation and application of them, and outlines the extent to which the price design and cost allocation methodology are consistent (or inconsistent) with the pricing principles. WEL's purpose in simplifying the pricing principles is to aid our customers' understanding. This simplified statement of the principles is not intended to reduce their scope in any way.

- 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

WEL has simplified this principle to 'prices signal economic costs of supply'. We interpret this to mean that:

- WEL's prices should reflect the level of service available, including the capacity and interruptibility of the customer's connection and the associated demand on the network which are the primary drivers of WEL's costs. The cost allocators have been chosen on the basis that they are a good reflection of this pricing principle. WEL uses anytime maximum demand (capacity) and consumption measures as cost allocators (see section 7.1) and these are the basis of WEL's variable prices.

The incremental cost of a customer group is the cost of the additional capacity required to serve that group given that all other customers on the network are already being served. Incremental costs provide a lower bound to prices as WEL would be better off to stop supplying customers who are not meeting their incremental cost. A price below incremental cost also encourages an inefficiently high level of consumption. In times of spare capacity on the network short-run average incremental cost is close to zero.

WEL is working to improve our alignment with this principle. Our future roadmap (section 14.2) outlines our plan and timeframe for transitioning from our simple cost allocation approach to a more mature economic cost recovery methodology based on the long-run marginal cost of supply.

- 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.

WEL has simplified this principle to 'shortfalls in target revenue should be made up from prices that least distort network use'. This principle is intended to recover residual costs (to make up target revenue) from fixed charges (or other non-distortionary charges) after variable charges have recovered the economic costs of connections. While historically our pricing has been poor in this area, we are now making progress. For 2025/26 the increase in WACC largely contributed to the price increases. We mainly achieve increased revenue through increases to fixed daily, or capacity charges. Previously, low fixed charge regulations hampered our ability to make progress in this area for residential customer groups, but we are fully utilising the phase-out schedule. This financial year is the second in the current 5-year DPP period. Our future roadmap (section 14.2) indicates how we will continue to build on our process until our pricing is fully aligned with this pricing principle.

- c) Prices should be responsive to the requirements and circumstances of end users by allowing negotiation to:
 - i reflect the economic value of services; and
 - ii enable price/quality trade-offs.

WEL's simplified statement of this principle is that 'prices should be responsive to stakeholder requirements and circumstances. Where a new connection requires a large capital investment, WEL may negotiate an asset-specific price with the customer. This non-standard arrangement allows the customer to pay for the asset over a period that reflects the value they derive from it and is consistent with this pricing principle. WEL's price structure also reflects the economic value of services for mass market customers by offering lower prices for controllable load. We will continue to work with our customers to investigate ways of enabling price/quality trade-offs in order to better align with this pricing principle.

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

WEL considers that to achieve "pricing development which is transparent" stakeholders should know WEL's strategies, price design, cost allocation methodologies, and any price changes in advance of them applying, and should be able to easily identify the price(s) that apply to individual consumers. WEL considers that the publication of this document and our price schedules contribute to this. WEL is committed to continuing to improve our communication of our pricing design to stakeholders.

WEL has chosen to unbundle its costs into broad categories and use a limited number of allocators to allocate the cost categories to customer groups. This ensures that our approach is relatively easy to understand, and administrative and transaction costs are kept in check, reflecting this principle.

A notable aspect of this pricing methodology is the adoption of targeted and glide path (i.e. phased) adjustments. WEL considers this approach to be consistent with the principle, as it assesses consumer impacts before implementing any changes.

WEL works with retailers to ensure alignment of pricing structures and incentives are maintained.

13. Pricing Strategy

WEL's pricing strategy (originally developed in 2012) was updated in 2016 to more closely reflect WEL's future direction for pricing whilst still showing our commitment to innovation and improving our pricing structure to reflect the economic value of services and create customer benefits; it is:

Prices and price structure changes shall incorporate WEL's Pricing Principles and improve cost reflectivity whilst considering customer impact. Prices should provide consumers with options, enhancing utilisation of new technologies and efficient use of the electricity system. WEL is committed to customer and stakeholder engagement including consultation and education.

WEL will continue to monitor its price strategy and its application to the changing market conditions and consumer needs.

13.1. Key Objectives of WEL's Pricing Strategy

Key objectives of WEL's Pricing Strategy are listed below; these objectives are consistent with the pricing principles.

1. Cost Reflective Pricing; ensures that pricing and pricing design reflect the cost drivers of supply to individual consumer groups e.g. increase the utilisation of capacity, time of use or demand-based charges over time subject to public education and communication plans. This is consistent with signalling the economic cost of service provision (principle a);
2. Clear Pricing Structure: pricing should be simple and easy to understand by customers and accessible to new traders. This is consistent with transparent pricing development (principle d) and promotes retail competition in WEL's network;
3. Customer Focus: engagement with customers including consultation and education on pricing and pricing plans. The management of price shocks in the transition to new price structures. Negotiation to customer specific circumstances. This is consistent with responsiveness to end users' requirements (principle c); and
4. Incentive Efficient Adoption of Network Alternatives: pricing and price structures should signal the economic cost of supply to encourage the efficient adoption of new technologies. This is consistent with signalling the economic cost of service provision (principles a & d).

WEL will continue to monitor its price strategy and its application to the changing market conditions and consumer needs.

14. Pricing Reform Roadmap

14.1. Work Undertaken to Date

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Voluntary “opt-in” TOU for mass market	In effect		Retired							
Mandatory TOU for new mass market	Implemented	In effect	Retired							
Mandatory TOU for all mass market			Implemented	In effect						
Capacity charges for large customers		Implemented	In effect							
Phase out variable kWh for large customers		Implemented	In progress		Complete					
Phase out low fixed charge (LFC) option						Implemented	In progress			
Introduction solar farm pricing										Implemented
Winter peak rebate										Implemented

In April 2016 WEL implemented mandatory TOU pricing for new ICPs on Residential, General and SSDG price plans, referred to as 'Smart Pricing'. WEL's Smart Pricing consisted of three time periods (Peak, Shoulder, and Off-Peak) with peak timeframes aligning to WEL's system peak times.

During 2017 WEL undertook customer focus groups and consulted with Retailers on potential future pricing options (detailed in the ENA's New Pricing Options for Electricity Distributors) for Residential, General and SSDG customers. Of the future options given, Time of Use was preferred as it was transparent, understandable, and actionable. WEL advised Retailers in December 2017 of the transition of mass market ICP's onto Time of Use pricing. A default rate was also implemented (for a limited time) as some retailers were unable to provide time banded data. For Large Commercial customers WEL changed peak charges to be based on KVA not KW and introduced capacity charge and excess demand charges through reducing kWh charges with the view to eventually remove them.

In 2019, WEL undertook a retailer consultation to update and simplify the pricing schedule. The result was to discontinue separate SSDG (1250, 1251, 1250C, and 1251C) price categories and to migrate those ICPs onto the appropriate remaining price categories (1153, 1154, 1200, 1153C, 1154C, and 1200C). In order to maintain visibility of exported generation from SSDG, exported generation price codes have been added to most remaining price categories.

Between 2017 and 2021, kWh charges for Large Commercial customers were phased out. This was in line with our assessment of the key drivers of the cost to serve this customer group.

From April 2022, we begun to phase out the LFC option by increasing the fixed daily price by \$0.15 each year. This will conclude in 2027, when the option will be phased out entirely.

14.2. Ongoing and Future Work

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Transition from TOU to targeted price signals	Implemented	In progress				Complete	Monitor and review		
Transition from largely variable to largely fixed charges	Implemented	In progress					Complete		
Update allocation methodology	Complete	Monitor and review			Implement	Monitor and review			
Phase out low fixed charge (LFC) option	In progress				Complete				
Review Pricing Strategy	Complete	Monitor and review							
Transition from cost allocation to economic cost recovery model including peak signals	In progress				Implement	Monitor and review			

WEL has identified that peak, shoulder and off-peak TOU pricing is no longer fit for purpose. These rates provided an economic signal under the previous TPM but now lack a clear cost rationale. WEL resumed phasing out off-peak rates in 2026/27, subject to price shock management and any need for targeted congestion signals.

The new DPP period and WACC increase to 7.1% supported WEL's continued transition from largely variable to largely fixed charges. The 2025/26 allowable revenue increase was therefore mainly recovered through fixed charges.

WEL materially updated its cost allocation methodology in 2023/24 to align with the new TPM and improve cost reflectivity. A further review is planned for 2027/28 to confirm the approach remains fit for purpose.

WEL will continue increasing fixed charges for LFC-eligible customers in line with the phase-out path and intends to retire the LFC category in 2027, after which residential categories are expected to be amalgamated.

A review confirmed WEL's Pricing Strategy remains fit for purpose. It will be reassessed once the Authority's distribution pricing reform programme concludes.

Previously we published our intention to transition towards an economic cost recovery methodology, based on the long-run marginal cost (LRMC) of supply, during 2023/24. However, as the Authority began raising the prospect of regulatory intervention in this area during 2023, we paused our LRMC work until we have greater regulatory certainty from the Authority.

In 2024 the Authority released a consultation on connection pricing reform. Whilst WEL's connection pricing is largely aligned to the proposed changes, the Long-Term reform amendments, if enacted, will require WEL to further update our pricing methodology to incorporate these into our pricing reform roadmap.

15. Pricing Reform – Authority's Five Focus Areas

In September 2023, the Authority published an open letter to distributors outlining five areas they will be focussing on. We have outlined our progress and future intentions in regard to the five focus areas below.

15.1. Focus One

Distributors' roadmaps responding to future network congestion

This is an area WEL improved on in 2023/24. After we identified a near-term constraint on the Hamilton GXP, solutions were put in motion to alleviate the constraint. Further work is ongoing to understand how best to recover these costs. In addition to broader network constraints, we will continue to investigate local, low voltage congestion (particularly in relation to electric vehicles and how we are best to send price signals to manage or alleviate it).

15.2. Focus Two

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

WEL maintains a robust Capital Contribution Policy (CCP) and accompanying model which work in unison with our distribution pricing. One of the key features of our CCP and model is the philosophy of assessing not only the upfront investment cost to facilitate a new connection, but also the lifetime revenue we expect to gain from the new connection, and the lifetime operational expenditure to provide the new connection. The two major features of our approach which mitigate the FMD risk are:

- **Future upstream investment allocation.** Each assessed new connection is given an allocation towards future upstream investment depending on the connection voltage they are requesting (e.g. a residential connection would have a small allocation for future low voltage reinforcement, distribution transformer upgrade, etc. A large commercial customer on the other hand would not be allocated future upstream investment cost for any assets below the voltage they are connected at, 11kV for instance). This approach mitigates the financial impact of a single customer becoming the tipping point and necessitating significant network reinforcement.
- **Shared assets are considered network upgrades.** When a new connection application requires network reinforcement, WEL's designers look at whether the new or upgraded assets will be dedicated to the

applying customer or shared between many customers. If they are shared between other new or existing customers, the cost is not attributed to the applying customer and is instead funded from the prior upstream investment allocations.

15.3. Focus Three

The extent to which distributors are following the Authority's guidance on pass through of new transmission charges

We continue to make good progress aligning WEL's approach on pass through of transmission charges with the guidance published by the Authority, though the full effect will take time to align. We updated our allocation methodology to allocate transmission charges under the new TPM to each customer group's contribution towards anytime maximum demand (AMD). Once each customer group's allocation of transmission costs is known, we have endeavoured to recover those costs via fixed (or fixed-like) charges to individual customers. This will take time to fully implement as we are limited to what we may recover from fixed charges from residential customers by low fixed charge regulations and must manage annual price shocks for all other customer groups.

15.4. Focus Four

Whether distributors are increasing their use of fixed charges to match the phase out path of the low fixed charge (LFC) tariff regulations

WEL has elected to increase fixed charges for LFC eligible customers in line with the phase out path. We intend to continue to increase the fixed charges in line with the phase out path and retire the LFC category following 2026/27.. The phase out has allowed us to continue to decrease the variable kWh charges we set for LFC eligible price categories. In order to expedite the transition to greater recovery of fixed costs with fixed charges, we also increased the fixed daily charge of our standard (non-LFC) residential price categories this year. Our intention is to eventually amalgamate the LFC, and standard residential price categories together and then differentiate pricing on the basis of differentiated service (e.g. greater connection capacity, connection balanced across multiple phases, etc).

15.5. Focus Five

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

As highlighted in 15.3, WEL is continuing to transition away from recovery of fixed costs, with variable charges. This will continue to be managed within the confines of regulation and price shock relativity. We do not use AMD as a basis for charges, but we use it extensively for allocation of costs to each customer group. For large customers (those connected at a capacity greater than or equal to 110kVA), we utilise nominated capacity charges as the primary fixed-like charge. While we acknowledge that this charge is not truly fixed (as it is able to be modified once in a 12-month period at a customer's request), we had to balance the operational risk of transitioning to an installed capacity measure. It is felt that using installed capacity would have the unintended consequence of greatly increasing the number of customers requesting physical upgrades/downgrades in supply. This would put unnecessary strain on our customer initiated works team and field delivery partners' workloads.

16. Pricing Impact and Feedback

16.1. Customer Consultation

WEL has a strong customer focus as we are owned 100% by the WEL Energy Trust, on behalf of the community. In addition to the WEL Energy Trust representing the views and interests of customers, WEL regularly consults with major customers and periodically conducts surveys of customers' expectations on its pricing and quality of service. The survey results are a key input into both WEL's Asset Management Plan (AMP) and our Pricing Methodology.

WEL engaged an independent market research organisation to undertake a customer survey at the start of 2025.

The key findings from the most recent customer survey were that the majority of customers (98%) are satisfied with the current level of reliability of supply. Only 21% of customers surveyed would like to see further improvement in reliability of supply, however only 31% (of the 21%) would be willing to pay more for it. For context, 38% of respondents had experienced a supply interruption in the previous 12 months.

95% of customers surveyed believed their reliability was the same or better over the preceding 12-month period. 40% believe under 60 minutes is an acceptable unplanned outage duration. Respondents were evenly split when asked if they preferred more interruptions of a shorter duration or fewer interruptions of a longer duration.

When given the opportunity to provide any other feedback, many respondents were very complimentary of their experiences with our field crews and customer care team. The major area of improvement requested continued to be improved communication of unscheduled interruptions, and the estimated restoration times during an interruption. Respondents were evenly split between preferring scheduled outages to take place during business hours or overnight.

16.2. Retailer Consultation

Part II of the Default Distributor Agreement (DDA) between WEL and retailers requires WEL to consult with retailers prior to making a change to our price structure. This year WEL undertook two retailer consultation rounds relating to the following topics;

16.2.1 – Introduction of a Solar farm pricing categories

Under the current pricing categories solar farms incur peak demand charges using kVA. The change is for capacity, excess demand and peak demand to be based on kW.

16.2.2 - Introduction of winter peak period generation export price codes and peak injection rebates

The Electricity Authority mandated the requirement for a price code and peak injection rebates to be introduced for winter peak period generation export for up to 45kW.

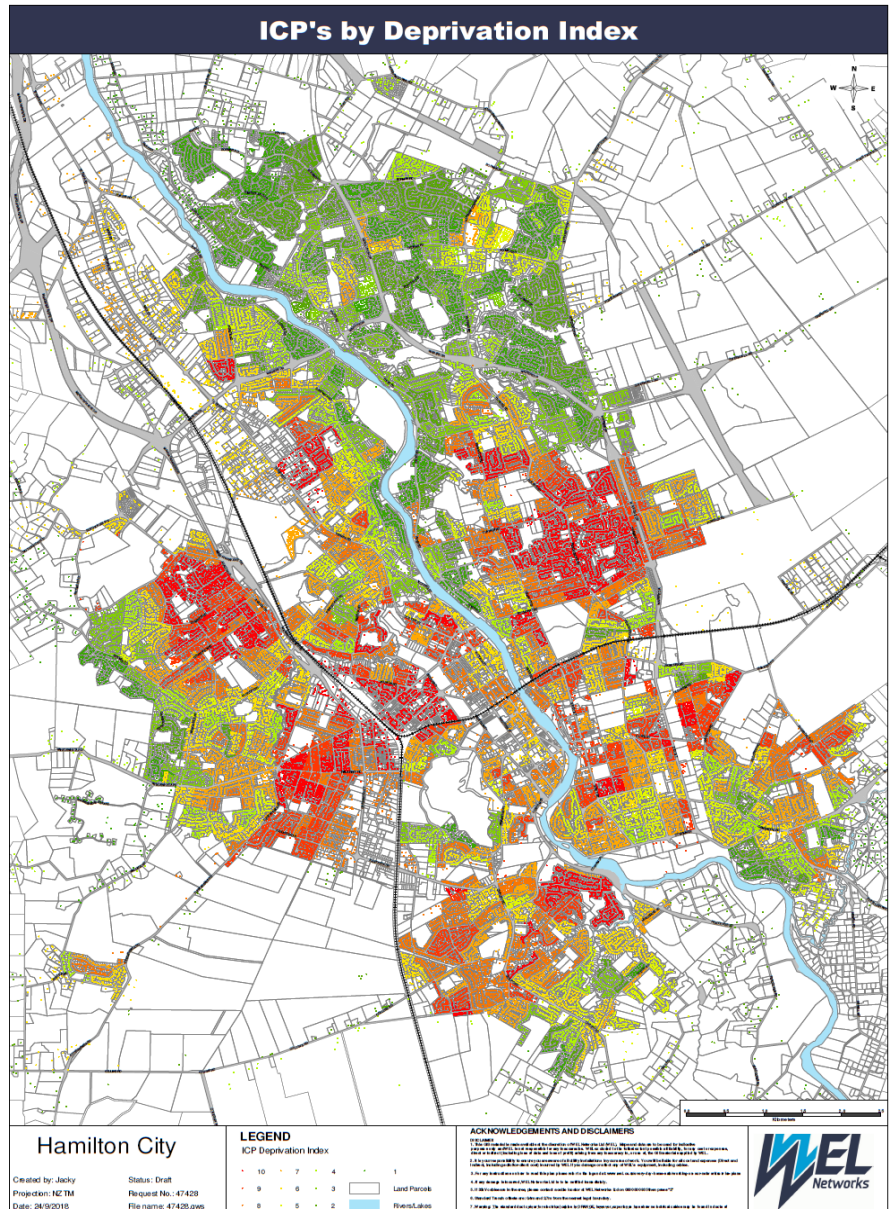
New codes have been introduced and will apply during WEL's existing peak periods. WEL decided to broaden eligibility for peak injection rebates to all customers with approved, compliant and registered distributed energy resource equipment. The retailer will monthly notify WEL the aggregate energy injected volume for each ICP. WEL will confirm rebate eligibility and determine the rebate amount.

Even when retailer consultation is not undertaken, we work proactively with all retailers operating on our network to assist with accurate messaging of distribution price changes.

16.3. Deprivation Analysis

To better understand the impact of our pricing reform on our customer base, we have overlaid mesh-block deprivation index data from the New Zealand Census over our geographic information system (GIS). Together with granular smart meter data from our own WEL smart boxes (which gather data from approximately 70,000 connections), we have been able to test how different pricing or allocations would affect those customers in WEL's most deprived areas.

We successfully deployed the deprivation analysis tool in 2017 when we were considering making time-of-use charges mandatory for mass market customers. The deprivation analysis tool showed conclusively that those ICPs in the areas of highest deprivation (deprivation index 9 & 10), would on average see a minor overall reduction in annual lines charges compared to traditional pricing. We also found that connections in areas experiencing the least deprivation (deprivation index 1 & 2), would on average see a minor overall increase in annual lines charges compared to traditional pricing.



This analysis provided us the reassurance to introduce mandatory time-of-use pricing for mass-market price categories.

As we progress on our pricing reform journey and new data becomes available, we will continue to update and utilise the deprivation analysis tool. WEL has been able reference the deprivation analysis to assess the impact of rebalancing prices and allocations on our most vulnerable customer groups. Where the results show the potential change would result in significant hardship for vulnerable customer groups, we can reassess and may elect to phase the changes in over a longer period.

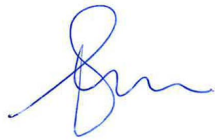
17. Certification

Schedule 17 – Certification for Year-beginning Disclosures

Pursuant to clause 2.9.1 of the Electricity Distribution Information Disclosure Determination 2012.

We, Barry Harris and Julian Cook, being directors of WEL Networks certify that, having made all reasonable enquiry, to the best of our knowledge:

- a) The following attached information of WEL Networks 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.



Barry Harris
Chair



Julian Cook
Director

Date: 26 February 2026