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Top Energy Capital Contribution Guide

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Document Author
Estimating Manager

Document Reviewer
Estimating Manager

Approval Authority
General Manager Network

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1.0 General

1.1 Purpose

This document provides the methodology in determining the application of Capital Contributions towards new or upgraded connections to the Top Energy network in accordance with the Electricity Industry Participation Code 2010 and is published in accordance with clause 2.4.6 of the Electricity Distribution Information Disclosure Determination 2012.

1.2 Scope

This document is to be applied to all customer initiated requests received by Top Energy that involve:

- A new connection to the network,
- Alterations to existing connections points requiring network upgrades, extensions or downgrades of existing network assets,
- New Subdivision reticulation including “infill housing”,
- Alterations to existing network assets. This includes the relocation of existing network infrastructure.

These guidelines are not applicable to customer owned assets and the costs associated with the installation or maintenance of those assets.

1.3 Intended Audience

The intended audience for this document includes, but is not limited to, the following:

- Top Energy Customers
- Top Energy Staff
- Top Energy Approved Contractors

1.4 Referenced Documents

1.4.1 Legislation

- Electricity Industry Participation Code 2010
- Connection Pricing Requirements - Amendment 2025
- Electricity Distribution Information Disclosure Determination 2012 clause 2.4.6.

1.4.2 Top Energy Documents

- ST-D6.1.-2-001 Top Energy Electricity Network Connection Standard.
- CM05-01-006S Top Energy Pioneer Scheme Policy
- CM05-01-013S Posted Capacity Rate Schedule.

2.0 Capital Contributions

2.1 Background

As it would be inequitable to expect existing consumers to meet or subsidise specific network costs initiated by new or other existing customers, through increased standard charges, Top Energy has developed and implemented a “causer pays” capital contribution guide with regards to all costs related to customer initiated network asset or infrastructure upgrading, downgrading, removal or relocation. This is applicable to subdivisions and commercial/industrial connections.

For consistency, Regulation requires that the value of capital contributions received is netted off the value of Top Energy’s regulated asset base. This means that assets paid for by customers do not contribute to future revenue requirements and distribution charges.

The value of the Capital Contribution is calculated as being the total actual cost of the extension work and is consistent with Top Energy’s pricing principles. The Capital Contribution represents the additional cost of constructing any new assets but does not grant any ownership rights. Top Energy retains ownership and responsibility for repairs, maintenance, refurbishment and replacement of the reticulated extension.

2.2 Extension of Works (Causer Pays)

For domestic (residential) new connections where a connection requires network extension, augmentation or reinforcement beyond the existing network capacity, those works will be assessed on a causer pays basis

- The full cost of the required extension or reinforcement works will be quoted to the applicant.
- The applicant is responsible for payment of the quoted costs, subject to Top Energy’s contribution outlined below.

2.3 Top Energy Contribution

Top Energy will contribute towards the cost of eligible extension works required to connect a single domestic installation connection.

- Any extension costs above the advertised amount will be payable in full by the applicant.
- The contribution applies once per connection and is not transferable.
- The contribution is only eligible to domestic (residential) connections were a new ICP is established.

The value of contribution is up to a maximum $15,000 excl GST of the cost of the network extension work. If the cost of the extension work is less than $15,000 excl GST then the contribution will be the cost of the extension works.

The contribution shall not be put towards network capacity charges.

2.4 Non-Refundable Capital Contributions

These apply to:

- One-off upgrades to Network assets undertaken to provide additional capacity for a single customer’s additional load that will only benefit that customer,
- A transformer or other Top Energy assets inside a private property where no other property owner can receive a connection,
- Where the reticulation within private property does not have an easement in gross in favour of Top Energy,
- Subdivision reticulation,
- Relocation of Top Energy assets at the request of the customer,
- Network Capacity Charges (refer below).

2.5 Refundable Capital Contributions

These apply to:

- A new customer requiring an electricity connection where a Network asset needs to be installed within a public road or where an easement in favour of Top Energy is put in place, enabling other property owners to get an electricity supply from that asset,
- An upgrade of a Top Energy Asset due to the number of connections, including the new connection, exceeding the limitations of that asset (reticulation, pillar, fusing).

For the avoidance of doubt, these do not apply to upgrades to an existing transformer, if required under the Network Capacity Charge process.

Refundable Capital Contributions shall conform to the Electricity Industry Participation Code Pioneer Scheme requirements as detailed in the Top Energy Pioneer Scheme Policy

The Pioneer Scheme Policy is effective for all new applications received post 1 April 2026. All applications received prior to 1 April 2026 shall conform to the Top Energy Capital Contribution Guide effective at that time. All re-quotes post 1stApril shall conform to the new process outlined in this document.

2.6 Capital Contribution Pioneer Scheme Refunds

Capital contribution refunds under pioneer scheme arrangements are detailed in the separate Top Energy Pioneer Scheme Policy document.

2.7 Network Benefit Augmentation

Where Top Energy determines that a customer-initiated connection request creates an opportunity for network augmentation that provides benefits beyond the customer's minimum requirements, Top Energy will fund the additional costs of augmentation that are attributable to broader network benefit.

Customer quotations are based solely on the minimum scheme requirements necessary to establish the requested connection. Any additional capacity, route optimization, or network enhancement identified by Top Energy as providing system- wide benefits will be funded by Top Energy and not charged to the customer.

3.0 Development Contributions

Development Contributions are a fixed, non-refundable, fee payable for an upgrade in capacity to an existing whole current installation where there are no capacity restrictions in the Top Energy network and no network enhancements are required to provide the additional capacity. Where enhancement work is required to provide the capacity the standard Capital Contribution and/or Network Capacity Charge model shall apply.

3.1 Development Contribution Application

Should an existing connection require additional capacity over the design/allocated capacity and there is network capacity available (no network enhancement is required to provide additional capacity to a connection) the following fixed charge development contribution will apply for any connection up to 3ph 100amp and fitted with whole current metering. The fixed charges exclude service main cable connection and inspection fees.

The Development Contribution Charge Fee is calculated using the following formula

Total Diversified Residential Capacity Charge - Distribution substation level
Multiplied by the
Non-Residential Diversity Factor - Distribution substation level

At 14/09/2026 the Development Contribution per kVA rate is:
$274.15 x .083 = $227.54/kVA excl GST

Existing connection	Upgraded connection	kVA Increase	Development Contribution for upgraded connection (excl. GST)
single-phase 63A	two-phase 63A	15	$3,413.10
single-phase 63A	three-phase 63A	30	$6,826.20
single-phase 63A	three-phase 100A	56	$12,742.24
three-phase 63A	three-phase 100A	26	$5,916.04

Should the network be congested and enhancement be required to provide the capacity for the connection then the posted capacity rates will apply and the customer may be required to fund the network enhancement costs under a Capital Contribution payment.

4.0 Network Capacity Charge

A Network Capacity Charge is applied to each new connection (where there is no established Point of Connection), or capacity upgrade for an existing connection, based on the loading that the installation will place on the network when connected to an existing transformer asset. Where a new transformer asset is installed, the full cost of the installation will be charged as a Capital Contribution.

4.1 Network Capacity Charge Application

Network Capacity Charges are calculated in accordance with the requirements of the Electricity Industry Participation Code 2010 and are posted on the Top Energy website. Top Energy operates a single network costing zone covering its entire network. Network Capacity Charges will be payable for all new connections to the network.

These costs will be applied as fixed fees in the same way as the connection fee. These fees are non-refundable and apply to the demand for additional load. Refundable or Non-Refundable Capital Contributions still apply to all other work within the Network and must not be confused with the above.

For new connections, the charge will be based on the requested maximum demand capacity applied for in the Customer Initiated Works Application at the applicable network tier. The Capacity Charge rates take into account diversity of different connections.

Where a developer has extended the network to establish new Points of Supply for each lot within the development, the development will attract a Network Capacity Charge at the tier that the developer extended the new reticulation from the existing network. The charge will be based on the number of new properties being established at the design capacity per property.

4.2 Capacity Demand Assumptions

For domestic connections, the Network Capacity Charge is based on a 15kVA (63 amp) single phase connection..

For Non-Domestic connections the kVA demand is based on the maximum demand requested by the customer in the connection application.

Upon receiving a Customer Initiated Works Application form, Top Energy will clarify the demand requirement and determine the appropriate Network Capacity Charge applicable from the Capacity Charge schedule. Non-domestic requirements for transformer upgrades are dealt with on a case-by-case basis.

4.3 Nominal Capacity Increments

For the purposes of applying Clause 6B.5(2) of the Electricity Industry Participation Code 2010, Top Energy has established nominal capacity increments for network capacity upgrades at each network tier. These are published in the separate document 'Posted Capacity Rate Schedule'

Where a connection's assessed capacity demand at a network tier exceeds 80% of the nominal capacity increment for that tier (excluding distribution substations and LV mains), Top Energy may use estimated capacity upgrade costs for that tier instead of the posted capacity rate in accordance with Clause 6B.5(2).

4.4 Determining Capacity Demand Assumptions

4.4.1 Determining Capacity Demand Assumptions

For each connection application, Top Energy determines the capacity demand assumption at each relevant network tier in accordance with Clause 6B.5(1)(c), having reasonable regard to:

1. Information provided by the connection applicant regarding maximum demand, load profile, and intended use;
2. The connection type and relevant New Zealand Electrical Code of Practice (NZECP) requirements;
3. Top Energy's network design standards and diversity assumptions based on connection type and network tier;
4. Historical load data for similar connection types where available.

Standard Residential Connections
For standard residential connections (15 kVA supply), Top Energy applies after-diversity maximum demand (ADMD) assumptions at each network tier. These are published in the separate document 'Diversity Factors'.

Non-Residential Connections
For commercial and industrial connections, Top Energy determines capacity demand assumptions using:

1. Customer-supplied maximum demand data, where available and reasonable;
2. Design capacity specified in the connection application;
3. Diversity assumptions appropriate to the connection type and use, typically with higher diversity factors at higher network tiers reflecting load coincidence patterns;
4. For larger connections, Top Energy may request load profile data or conduct specific assessments to determine appropriate capacity demand assumptions.

Top Energy may seek clarification or request additional information from the connection applicant where the stated or implied capacity demand assumption appears inconsistent with the proposed use, connection type, or industry norms.

4.5 Exemption Provisions

4.5.1 Exemption from Posted Capacity Rates

In accordance with Clause 6B.5, Top Energy may use estimated capacity upgrade costs instead of posted capacity rates in the following circumstances:

Large Connection Exemption (80% Rule):
Where a connection's capacity demand assumption at a network tier (excluding distribution substations and LV mains) exceeds 80% of the nominal capacity increment for that tier, Top Energy may use estimated capacity upgrade costs for that specific tier. This recognizes that such connections substantially consume the available incremental capacity and the costs can be more accurately assessed on a project-specific basis.

Cost Variance Exemption:
Where Top Energy determines that the estimated cost per unit to add capacity at a network tier is:

- More than 150% of the applicable posted capacity rate for that tier and network costing zone; or
- Less than 80% of the applicable posted capacity rate for that tier and network costing zone

Top Energy may use the estimated rate instead of the posted capacity rate. This provision ensures pricing accuracy for connections with atypical cost profiles due to location, terrain, or specific technical requirements.

4.6 Posted Capacity Rate Lock

4.6.1 Two-Year Rate Lock

In accordance with Clause 6B.65(1)(b), Top Energy will not revise the posted capacity rates and nominal capacity increments for the current disclosure year and the following disclosure year, except to correct errors.

For the 2027/2028 disclosure year (the first operative year of these requirements), the two-year rate lock does NOT apply pursuant to Clause 6B.5(5). This provides Top Energy with flexibility to refine and adjust posted capacity rates during the initial bedding-in period.

From the 2028/2029 disclosure year onwards, the full rate lock provisions will apply. Posted capacity rates for the current disclosure year and the following four disclosure years will be published on a rolling annual basis, with rates for the current year and following year locked (except to correct errors) as described in Clause 6B.5(1)(b).

This staged implementation recognizes the complexity of establishing capacity costing methodologies while ensuring that, once bedded in, the rate lock provides certainty for connection applicants and ensures that capacity charges can be reliably estimated at the time of application.

5.0 Implementation

5.1 Process

The Top Energy Customer Initiated Work Application Process describes the process followed when a Customer Initiated Work Application is received.

Generally, a Capital Contribution will fall into the category of Major Work. The exception to this is a Network Capacity Charge when applied to a simple new connection. This will fall into the category of Minor Work.

5.2 Work in Road Reserve

Any new infrastructure installed in the road reserve must be owned and operated by a Requiring Authority. Top Energy is a Requiring Authority that owns and operates an electricity distribution network and is known as an Electricity Distributor under the Electricity Act 1992. All work in the road reserve that is undertaken by Top Energy at the request of a customer shall be completed as a Capital Contribution and shall be priced to the customer at the cost to Top Energy.

Refer to section 6 for work undertaken by an Independent Contractor in the road reserve at the direct request of a customer.

5.3 Work in Private Property

The Top Energy Electricity Lines Ownership Standard determines what assets, if any, that are located within private property shall be owned by Top Energy.

Some, all or none of these assets may be covered under a Capital Contribution.

- Where there is an existing easement in favour of Top Energy registered on the property, the work on private property shall be priced to the customer at cost as a Capital Contribution.
- Where there is NO existing easement in favour of Top Energy, all work within private property will be priced to the customer at market rates, regardless of whether it is vested to Top Energy or an easement it becomes “Road to Vest” or an easement in gross is registered in favour of Top Energy when the work is completed.

5.4 Work Covered under a Capital Contribution

All work covered under a Capital Contribution shall be installed and connected by Top Energy or an Approved Service Provider.
This applies to all work undertaken:

- In legal road reserve (formed and unformed),
- In an existing Top Energy Easement,
- To install equipment on Private Property that will remain in Top Energy ownership (E.g. Transformers and high voltage switching equipment).

6.0 Independent Contractor Statement

6.1 Authorised Service Provider

An Authorised Service Provider (ASP) is a contractor who has undertaken training to safely install new assets, lines or cables connected to the Top Energy network and, if required, vest the assets to Top Energy.

Where an ASP is engaged by a customer to install assets that will be vested to Top Energy the ASP will become the principal applicant for the connection and manage connection application process on behalf of their customer.

6.2 Work in the Road Reserve that is to be Vested to Top Energy

Any Work installed in the road reserve by an independent contractor that is to be vested to Top Energy shall only by undertaken by a Top Energy Authorised Service Provider (ASP). The ASP is required to comply with all relevant local authority standards for working in the road corridor and provide evidence on such compliance to Top Energy as part of the connection approval process.

The ASP is required to comply with the requirements of the relevant Top Energy connection, design and construction standards.

Information on Authorised Service Providers and a list of ASP contractors can be found on the Top Energy website.

6.3 Work in Private Property that is to be Vested to Top Energy

All work in private property that is to be vested to Top Energy must be undertaken by Top Energy or an Authorised Service Provider.

This includes, but is not limited to;

- Subdivision reticulation
- High voltage extensions in private property
- Low voltage reticulation to multiple customers

Note: The supply and installation of duct in private property can be completed by an independent contractor (see below)

6.4 Work in Private Property NOT to be Vested to Top Energy

An Independent Contractor can undertake some or all of the installation work in private property that is not to be vested to Top Energy providing they comply with the applicable Regulations, Standards and Top Energy standard requirements. The contractor shall submit the required documentation (detailed below) to Top Energy prior to the installation being connected to the network. Top Energy will review and approve (or reject) the connection and advise any Capital Contribution costs applicable to the connection

This includes, but is not limited to;

- Private 'Works"
- Private embedded networks,
- Private service main cables.

Top Energy or a Top Energy Authorised Service Provider will be required to connect the private reticulation to the Top Energy Network. Top Energy will install an isolation and fusing device at the demarcation point for the private work unless it is impractical to do so.

This will generally be installed at the roadside boundary of the property or other suitable location. Should Top Energy owned equipment reside in private property an easement in favour of Top Energy will be required.

6.5 Civil Work (Trenching, Drilling, Ducting Installation and Reinstatement)

An Independent Contractor can undertake the civil work relating to supply, installation and reinstatement of ducting that will form part of the Top Energy Network providing they comply with the relevant Top Energy standards. Any work undertaken under this clause is subject to an audit process to confirm compliance with the Top Energy standards. On completion of the work the customer shall provide the required documentation to Top Energy for review and approval.

Where the customer has engaged a civil contractor to undertake civil construction changes to the road reserve (widening, accessway creation etc) the customer can manage the installation of power ducting in conjunction with their civil work area. The contractor shall be approved by the roading authority to undertake work in the road corridor.

Where the installation of power ducting in the road reserve is separate from any customer driven civil construction the duct installation work shall be undertaken by Top Energy or an Authorised Service Provider and must comply with the relevant roading authority standards. If this work is undertaken by Top Energy it shall form part of a Capital Contribution.

7.0 Application Documentation

7.1 Minimum Requirements for Authorised and Independent Contractors

The contractor must submit to Top Energy the documentation outlined below for approval. Failure to submit the documentation may result in the connection request being denied, and or additional costs being incurred by the contractor for Top Energy to prove the reticulation meets the required Top Energy standards.

7.2 Required Documentation Prior to Construction

- A Detailed Scope of work, location , and customer details,
- A Construction plan (in Autocad or similar format) showing line route, depth, boundary offset, equipment locations, construction details and standard drawing references,
- Proposed easement requirements including landowner details,
- The equipment specifications including cable/conductor size and lengths, fusing
- Voltage drop calculations for each circuit to ensure compliance to Top Energy standards and regulatory requirements,
- The pole loading calculations, span lengths, sag calculations and structure design for overhead reticulation,
- Single line diagrams,
- The type and brand of equipment to ensure it meets Top Energy specifications,

- Proof of competency for similar projects and written approval from the appropriate authority to undertake the work within the public or road reserve,
- Pay any required design review and auditing fees to Top Energy.
- Submit appropriate form for installation of Works (ASP form or Private Works form)

7.3 Required Documentation at Completion of Construction

- The completed Certificate of Compliance and written guarantee that any faults within a 12-month period will be at the cost of the electrical contractor,
- If required, submit the following forms
    - CM05-01-010F Independent Contractor Statement - Duct Installation along with as built plan and photos for the installation of ducting.
    - CM05-01-015F Documentation Requirements for Approved Service Providers
    - CM05-01-009F Requirements for Connection of Shared Private Low Voltage Network Lines
- Pay any inspection or connection charges associated with the connection of the reticulation,
- Complete As Built plan detailing new equipment numbers for ICP administration and GIS database entry
- Complete relevant Asset Change forms as specified in the Top Energy As Built Standard
- For ASP work in the road reserve provide a copy of the approved Corridor Access Request (CAR) and completed work sign off from the roading authority.

8.0 Connection Enhancement Cost Allocation

Assessment Process

For each extension work request, Top Energy will assess whether the proposed work provides network benefits beyond serving the specific customer connection. This assessment considers:

- Future connection potential to other properties
- Network reliability improvements
- Load transfer capabilities
- Route optimization opportunities
- System capacity benefits

Where network benefits are identified, Top Energy will determine the appropriate cost allocation between:

- Customer contribution (for connection-specific costs)
- Top Energy funding (for network benefit costs)

The customer will be provided with a clear breakdown showing the basis for any cost-sharing arrangement.
The Electricity Industry Participation Code 2010, requires Top Energy to determine how the value of any connection enhancements costs are allocated between the customer and Top Energy. Top Energy's process for designing new connections is based on the minimum scheme requirements to establish the point of connection in accordance with the relevant Top Energy standards for network design.

Should the customer request any enhancements to the connection then the cost of those enhancements will be borne by the customer. Likewise if Top Energy require any enhancements to the network as part of establishing the connection then the cost of those enhancements will be borne by Top Energy.

9.0 General

If further information is required about the Capital Contributions, please contact info@topenergy.co.nz and a response will be made within 10 working days of receiving a request.

Top Energy Limited, acting reasonably, reserves the right to change this guideline from time to time.

10.0 REGULATORY COMPLIANCE

10.1 Electricity Industry Participation Code

This policy complies with Part 6B (clauses S6B.3 to S6B.11) of the Electricity Industry Participation Code 2010 (as amended 2025), specifically:

- S6B.3 - Mandatory connection pricing methodologies
- S6B.4 - Enhancement cost allocation (minimum scheme, customer/distributor-selected enhancements, vesting)
- S6B.5 - Capacity costing (posted rates, diversity factors, exception rules, operational requirements)
- S6B.6-9 - Pioneer scheme requirements
- S6B.10-11 - Connection charge reconciliation

10.2 Commerce Commission Information Disclosure

This policy meets the requirements of clause 2.4.6 of the Electricity Distribution Information Disclosure Determination 2012, disclosing:

- Circumstances requiring capital contributions
- Methodology for determining contribution amounts
- Consistency with pricing principles
- Availability of independent contractors (limited contestability)
- Standard schedule of charges (published separately)

10.3 Pricing Principles

Our connection pricing methodology aligns with the Electricity Authority's pricing principles:

(a) Economic Cost Signals

- Prices reflect actual network costs
- Capacity charging reflects future upgrade costs
- Extension pricing based on efficient minimum scheme design

(b) Revenue Recovery

- Connection charges recover connection-driven costs
- Existing network costs recovered through ongoing network charges
- No cross-subsidies between customer groups

(c) Consumer Responsiveness

- Published rates provide price certainty
- Negotiation available for non-standard connections
- Choice between minimum scheme and enhanced options

(d) Transparency and Simplicity

- Published methodology and rates
- Clear explanation of charge components
- Connection charge reconciliation available on request

10.4 Updates and Amendments

This policy will be reviewed and updated:

- Annually (minimum) to align with Code amendments

- When Posted Capacity Rates are updated (1 April each year)
- Following regulatory changes or EA guidance updates

11.0 Appendix A: Definitions

Unless stated otherwise, all words and phrases used in this document shall have the meaning defined in:

- Electricity Act 1992
- Electricity (Safety) Regulations 2010
- AS/NZS 3000:2018 - Electrical Installations (known as the Australian / New Zealand Wiring Rules)

Capital Contribution
A financial (cash) contribution paid by the customer where additional network infrastructure is required to be installed or when existing network assets or infrastructure is required to be upgraded, downgraded, removed or relocated.

Customer Owned Assets
Assets that are owned by the customer for which the customer has on-going responsibility. Generally, these assets are installed on the customer's property on the load side of the customer's demarcation/connection point to the Network.

Network Assets/Infrastructure/Reticulation
Electrical distribution assets, (e.g. lines, cables, transformers, fuse pillars and switchgear) owned and operated by Top Energy for the purpose of distributing electricity to end users.

Vested Assets
Assets that are installed at the customer's cost by an Authorised Service Provider that upon commissioning, and at Top Energy's discretion, have their ownership and on-going maintenance responsibilities transferred to Top Energy. Vested assets are not treated as a capital contribution. Any vested assets located on private land are required to have to an easement in gross in favour of Top Energy.

Authorised Service Provider
Contractors who are authorised/approved by Top Energy to work on Network assets and /or install assets that will be vested to Top Energy. This contractor approval/authorisation is necessary to ensure that Top Energy's obligations for Public Safety Management and the Electricity Safety Regulations are met, and that Top Energy technical standards relating to Network design, construction and maintenance are adhered to. There is no restriction on individuals or entities becoming Authorised Service Providers, providing compliance to Top Energy's approval standards can be demonstrated and maintained.
Only Authorised Service Providers are able to undertake all work at the point of connection to customer assets and carry out any work on Network assets.
A list of currently approved Authorised Service Providers can be obtained from the Top Energy website..

Subdivision
Any division of property or sections that requires approval from a regulatory body.

Infill Housing
Any existing domestic reticulated section that requests additional domestic connections or load increases, (but is not necessarily legally subdivided) and where the existing installed network is not sufficient to meet the increased capacity requirements.

Demarcation/Connection Point (Point of Supply)
The point on the network where the customer is connected. Generally, this is the point where the responsibility for equipment transfers from Top Energy to the customer.

Works
As defined in the Electricity Act 1992 Part 1 Section 2 (1) Interpretation
Summary below. For full interpretation refer to the Act.
a. means any fitting used in the conveyance of electricity.
b. does not include any part of an electrical installation

Electrical Installation
As defined in the Electricity Act 1992 Part 1 Section 2 (1) Interpretation
Summary below. For full interpretation refer to the Act.
In relation to a property with a point of supply, all fittings beyond the point of supply that form part of the electrical system
In relation to a property without a point of supply, all fittings that form part of the electrical system

Point of Supply
As defined in the Electricity Act 1992 Part 1 Section 2 (3) Interpretation
Summary below. For full interpretation refer to the Act.
a. Means the point or points on the boundary of the property at which exclusive fittings enter that property

Exclusive Fittings
As defined in the Electricity Act 1992 Part 1 Section 2 (3) Interpretation
Summary below. For full interpretation refer to the Act.
a. Means fittings used or intended to be used for the purpose of supplying electricity exclusively to that property.

12.0 Appendix B: Connection Charge Reconciliation Guidance

Purpose
While the Electricity Industry Participation Code Part 6B.10 sets out the technical requirements for Connection Charge Reconciliation, this Appendix explains how Top Energy meets those requirements in practice.

Our Approach
All Top Energy customers contribute to the capital and operating costs of our existing network through their ongoing electricity distribution charges. Our pricing methodology ensures that total revenue from distribution charges reflects the actual costs of maintaining and operating the network.

Because of this, the connection revenue and network cost contribution components offset each other in the reconciliation calculation. This means we establish connection charges primarily based on the actual costs your connection creates.

A. Overall Connection Charge Formula
The Connection Charge reconciliation demonstrates that charges are calculated fairly and don't result in double-charging:

$$CC = (IC - IR) + NC$$

Connection Charge = Connection Costs - Connection Revenues + Network Cost Contribution

Left side: The Connection Charge (CC) quoted to you (excluding application fees and pioneer scheme charges)
Right side: The breakdown showing:

- Incremental Costs (IC) = the extra costs your connection creates
- Incremental Revenue (IR) = the future revenue you'll contribute through ongoing charges
- Network Contribution (NC) = your fair share of existing network costs

B. Connection Costs Components
Connection Costs include up to six sub-components. Not all apply to every connection - only the costs relevant to your specific connection are included:

1. Extension Costs (Minimum Scheme) The cost of physical infrastructure to connect your property under our standard design approach. For customer-built assets to be vested to Top Energy, we use estimated costs where actual costs are not yet known.

2. Customer-Selected Enhancement Costs Additional costs if you choose upgrades beyond our standard minimum scheme (e.g., underground service instead of overhead).

3. Network Capacity Costs Your share of future network upgrade costs, calculated using our published Posted Capacity Rates and diversity factors (as required by Code clause 6B.5).

4. Incremental Transmission Costs Any additional Transpower transmission charges triggered by your connection (typically only for very large connections).

5. Localised Historical Cost Recovery (LHCR) Your share of recent network extensions if you're connecting under a Pioneer Scheme.

6. Incremental Operating Costs (Non-Standard Connections Only) For large or complex connections, the additional maintenance and operating costs specific to your connection.

C. Connection Revenue Estimates
We estimate the future electricity distribution charges you'll pay over the expected life of your connection. This calculation considers:

a) Demand Changes Over Time Your electricity consumption may change as your property develops or usage patterns evolve.

b) Price Changes (Excluding Inflation) Potential changes to our pricing structure over time, based on regulatory determinations.

c) Discount Rate We convert future revenue to today's dollars using the regulatory Weighted Average Cost of Capital (WACC), ensuring accurate present-value calculations.
Operating Cost Adjustment (Standard Connections) For standard residential and small commercial connections, we net off the average incremental operating costs of serving your connection. Rather than estimating costs individually, we apply a scaling factor based on our 5-year historical average network operating costs, including:

- Vegetation management
- Emergency response
- Service interruptions
- Routine maintenance

This approach ensures fair allocation without complex individual assessments.

D. Network Cost Contribution
This component represents your fair share of:

- Existing network capital costs (assets already in place)
- Existing network operating costs (ongoing maintenance and operations)
- Transpower transmission charges (costs Top Energy pays to access the national grid)

The Network Cost Contribution is a **balancing term** that ensures the reconciliation equation balances and that you pay an appropriate total connection charge.

E. Reconciliation Outcome
The reconciliation demonstrates that:
✓ You're **not double-charged** (you don't pay for the same thing twice through both connection charges and ongoing distribution charges)
✓ Costs are **fairly allocated** between you and existing customers
✓ **Existing customers don't subsidise** new connections
✓ **New connections don't unfairly subsidise** existing network costs
✓ The methodology complies with **regulatory requirements**

F. Requesting Your Reconciliation
You may request a written Connection Charge Reconciliation when we provide your connection offer. The reconciliation will show the specific values and calculations for your connection.
To request a reconciliation:

- Email: connections@topenergy.co.nz
- Phone: 0800 867 363
- Include your connection application reference number

We will provide your reconciliation within 10 business days of your request.