8 October 2026

Electrify NZ
Building, Resources and Markets
Ministry of Business, Innovation and Employment
Wellington

Via email: ElectrifyNZ@mbie.govt.nz

ERGANZ SUBMISSION ON THE DISCUSSION DOCUMENT FOR THE ELECTRICITY DISTRIBUTION BUSINESSES

The Electricity Retailers' and Generators' Association of New Zealand ('ERGANZ') welcomes the opportunity to comment on the Ministry of Business, Innovation and Employment's ('MBIE') 'Discussion document for the electricity distribution businesses', dated 19 August 2026.

ERGANZ is the industry association representing companies that generate and sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 percent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

To inform this submission, our members commissioned NERA to examine whether New Zealand's electricity distribution businesses ('EDBs') are too small to be efficient, where any remaining efficiencies lie, and how they can be captured without forced amalgamation. NERA's report is attached as Appendix 1 and is referred to in our submission.

Executive summary

Affordability is ERGANZ's key test for assessing policy and regulatory changes. Distribution charges make up around 24.5 percent of the average power bill, and network costs drove almost two thirds of the eight percent increase in household bills over the past year. EDBs forecast more than $32 billion of capital and operating expenditure over the next decade, all of it ultimately recovered from consumers.

ERGANZ members are investing heavily in new generation, and forward electricity prices have fallen as additional supply enters the market. However, retailers ultimately bill customers for all components of the electricity system, including distribution charges, which are expected to rise for at least the remainder of the current regulatory control period and likely longer. This may mean upward pressure on household bills regardless of what happens in the competitive retail and generation parts of the sector. In this context, improving the efficiency of distributors offers one of the clearest opportunities to ease pressure on household power bills.

ERGANZ supports the reform package and asks MBIE to go further in two places: standardisation should be a Code requirement, and price-quality regulation should apply to all distributors. NERA's report, attached as Appendix 1, finds that the efficiency gains still available lie in incentives, regulation and standards, and that forced amalgamation would capture little of them. ERGANZ also recommends MBIE close the gap between these reforms and the processes already underway to set future charges. Furthermore, the government should allocate one agency with overall accountability for monitoring the cumulative cost to consumers of legislative and regulatory changes.

Key submission points

1. The efficiency gains lie in incentives, regulation and standards

NERA finds that once customer density is controlled for, economies of scale at New Zealand EDB sizes are small (Appendix 1, section 3.2). The scale economy that remains is in the head-office functions of the seven EDBs with fewer than 20,000 connections, which together serve about three percent of connections. On NERA's illustrative assumption that half of their overhead could be avoided through shared functions, savings are around $10 million a year, about 0.3 percent of sector distribution costs.

The overseas record on mergers supports this conclusion. Forecast savings from distributor mergers in the United States, Ontario and Sweden have generally not been realised, and the one-off costs of integration are real but rarely measured (Appendix 1, section 3.2.2). The studies that separate the effects of structure, ownership and regulation attribute most cost improvement to the regulatory regime (Appendix 1, paragraph 46). In New Zealand, the 1990s consolidation and the move of retail, metering and field services into competitive markets have already captured the easiest economies of scale (Appendix 1, section 3.3).

ERGANZ therefore supports the Government's proposal not to undertake forced amalgamation. The remaining head-office and platform efficiencies can be captured through shared management, contracting and shared platforms, as PowerNet and SmartCo already show (Appendix 1, paragraphs 73 and 77). The larger prize is in the settings that govern allowances and investment. With more than $32 billion of forecast expenditure, each one percent of efficiency is worth over $300 million across the decade.

2. Standardisation should be a Code requirement

Letters, guidelines and scorecards on distribution pricing have narrowed the differences between EDBs without removing them. Pricing structures, connection processes, outage notification and load management still vary network by network, and the default distributor agreement has not stopped each distributor varying its non-core terms (Appendix 1, paragraph 106). Where the Authority has moved to the Code, as with connection pricing, change is happening on a stated timetable.

NERA explains why voluntary standardisation stalls. Each EDB pays the one-off cost of harmonising while retailers, flexibility providers and consumers receive the benefit, and an EDB that harmonises alone gains almost nothing because every retailer still deals with the remaining interfaces (Appendix

1, section 4.3). The energy transition will multiply these interfaces as distributed energy registration, flexibility procurement and network data sharing arrive (Appendix 1, section 4.2).

ERGANZ recommends amending section 32(4) of the Electricity Industry Act 2010 so that the Code must, rather than may, contain standardised pricing structures, connection processes and customer-facing systems. The standard should fix the structure of tariffs and leave price levels to each network, so local cost signals continue. EDBs should recover the efficient cost of harmonising, and the Minister's scoped powers should act as a backstop if the Authority does not deliver (Appendix 1, paragraph 136).

3. Price-quality regulation should apply to all distributors

MBIE's preferred approach removes the consumer petition requirement. ERGANZ recommends going further. NERA finds that exempt EDBs face weak incentives to control cost because of how consumer ownership is organised (Appendix 1, section 3.6.3). Ownership is spread across every connected consumer, consumers see the discount but not the underlying cost, and there is no market for control to reveal efficiencies a trust has not pursued. Information disclosure is the only external check, and the Commission cannot use it to set prices.

The default price-quality path is a low-cost tool by design which smaller organisations can comply with. At the larger end of the sector, ERGANZ supports individual price-quality paths for the four largest distributors, with capex proposals required to show that non-network alternatives have been tested first.

4. Decisions to set charges are already underway

Despite the good intentions of this consultation document, there are already regulatory processes underway which will impact consumers. Orion's $1.51 billion customised price-quality path has a draft decision due in November and price effects from 1 April 2027, and the DPP5 reset will be well advanced before any legislation passes. Those decisions will set distribution charges under current settings for much of the rest of the decade.

The last default price-quality path reset increased forecast net allowable revenue by 47 percent, driven in large part by the cost of capital, and transmission charges show a similar pattern in Transpower's fourth regulatory control period.

ERGANZ recommends MBIE states an intended commencement date, to set out what it expects of the Commission and the Authority in the interim, and to require the Commission to manage price shocks between regulatory periods, although leaving the method to the Commission to decide.

5. Appoint a single agency accountable for cumulative consumer costs

MBIE, the Authority, the Commission and other agencies each act within their own mandate, but no one agency assesses the combined impact of their decisions on a consumer's bill. ERGANZ strongly recommends a published annual assessment of what regulatory change is doing to a residential bill, and a requirement that each agency's cost-benefit analysis accounts for concurrent changes by the

others. All cost drivers within the Crown's control, including traffic management, tree regulations and consenting, should be included.

Response to consultation questions

Questions	Comments
Q1. How could regulatory settings be improved to better support or incentivise standardisation and collaboration, where this improves efficiency and service outcomes?	ERGANZ recommends making standardisation a Code requirement. Section 32(4) of the Electricity Industry Act 2010 permits the Code to set pricing methodologies and information requirements for distributors. ERGANZ recommends amending it so the Code must contain standardised pricing structures, connection processes and customer-facing systems. Where the Authority has relied on facilitation, consistency has not followed. Where it has moved to the Code, as with connection pricing in Part 6B and the network connections amendments taking effect from December 2026, change is happening on a stated timetable. The network connections workstream has moved more slowly than ERGANZ would like, but the outcome is positive and it is the right model for further work. NERA distinguishes the elements a retailer or aggregator handles the same way for every network from those that reflect each network's own conditions (Appendix 1, section 4.2). A common set of tariff components, with each EDB setting its own price levels, keeps local cost signals while removing most of the cost of translating 28 structures into retail offers. On that basis, ERGANZ supports binding standards covering: ● pricing structures, as distinct from price levels; ● core terms of the default distributor agreement, including planned outage and fault notification procedures; ● load management protocols governing control of load by networks, retailers and aggregators; ● network visibility data, and procedures to value, procure and dispatch flexibility; and ● data formats and exchange mechanisms. EDBs should recover the efficient cost of harmonising. NERA notes that a non-exempt EDB carries that cost as an overspend under the incremental rolling incentive scheme ('IRIS'), with no offsetting saving, because the benefit accrues to others (Appendix 1, paragraph 114). Cost recovery removes the disincentive, and retail competition passes the lower cost to serve through to consumers.

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	ERGANZ also sees value in a single market facilitator to coordinate standardisation, similar to the market facilitator role Ofgem has established in Great Britain for local flexibility markets. It would give retailers, flexibility providers and consumers one scalable framework for pricing, process and data standards, in place of standards that emerge unevenly through individual EDB initiatives. On incentives to collaborate, ERGANZ supports the Government setting measurable expectations with a stated review date around three to four years out. If the evidence of collaboration is thin at that point, a structural review should follow. The Minister's July 2026 letter already asks EDBs for measurable performance indicators and quarterly reporting, so the trigger should attach to those rather than to a new process. Consistent with NERA's findings, the review should test shared management, contracting and shared platforms before any change in ownership (Appendix 1, section 5). ERGANZ does not favour forced amalgamation. NERA identifies two further incentive settings worth examining. The price-quality regime should be neutral between an EDB building a new function itself and subscribing to a shared platform, and NERA questions whether it currently is (Appendix 1, section 3.6.2). A longer IRIS retention period for savings from mergers of small EDBs could also encourage voluntary consolidation where it delivers savings (Appendix 1, paragraph 133). Joint procurement and standardised equipment specifications would help smaller networks that lack the buying power of larger ones. SmartCo, the metering company jointly owned by seven smaller EDBs, shows the model works (Appendix 1, paragraph 77).
Q2. What barriers are there to standardisation and collaboration between EDBs? If so, what Government action (if any) would help address these?	The main barrier is structural because distributors answer to local owners, while the benefits of standardisation accrue nationally, to consumers, to retailers serving 28 networks, to installers and to service providers seeking scale. NERA describes two separate failures (Appendix 1, section 4.3). The EDB pays the one-off cost of harmonising while others receive the benefit, which is an externality. And an EDB that harmonises alone gains almost nothing for anyone, because each retailer still deals with 27 other interfaces, so no EDB has reason to move first. Regulatory focus has added to the fragmentation. The Authority's pricing work has pursued efficient pricing structures network by network. Each structure may be defensible locally, but together they are very difficult for retailers to build national pricing plans around. NERA notes that the cost of reflecting 28 different

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	structures in retail offers weakens the signals that reach consumers (Appendix 1, paragraph 118). A focus on efficiency at the level of each network is limiting the benefits available nationally. Price signals are also inconsistent between consumer groups and between transmission and distribution. Residential consumers typically receive a non-firm peak price signal based on long-run marginal cost, while commercial and industrial consumers are generally exposed only to a capacity signal, such as maximum demand between 7am and 11pm. That makes it hard for commercial and industrial consumers to see how they can reduce cost and does little to support a range of demand response. Transmission charges, largely passed through as fixed or volume-based charges, sit alongside distribution charges designed to be cost reflective. The mismatch makes it harder for retailers to give consumers clear incentives and risks undermining efficient demand response and electrification. Process remains fragmented despite the default distributor agreement. Each distributor varies the non-core terms, producing a wide range of outage notification and load management approaches (Appendix 1, paragraph 106). ERGANZ welcomes the ENA's current engagement on a common load management protocol, but voluntary convergence has a long record of stopping short. On Government action, ERGANZ supports the Minister scoping powers to drive faster system change. NERA recommends a backstop allowing the Minister to require the Authority to set and enforce an interface standard if voluntary collaboration does not deliver one (Appendix 1, paragraph 136). ERGANZ supports using the powers for that purpose.
Q3. What do you consider to be the likely scale of benefits from encouraging greater standardisation and collaboration between EDBs?	The answer depends on which benefits. NERA separates network cost efficiencies, which concern the cost of running the networks, from interface efficiencies, which concern the cost others bear in dealing with 28 different EDBs (Appendix 1, section 2.2). On network costs, the scale benefit is modest. Seven EDBs have fewer than 20,000 connections and together serve about three percent of connections. On NERA's illustrative assumption that half their overhead could be avoided through shared functions, savings are around $10 million a year, about 0.3 percent of sector distribution costs of $3.1 billion. New Zealand's 1990s consolidation, and the move of retail, metering and field services

Questions	Comments
	into competitive markets, have already captured the easiest scale economies (Appendix 1, sections 3.2 and 3.3). On the interface, the benefit is larger and growing, although no published New Zealand estimate exists. When the Authority surveyed retailers before introducing the default distributor agreement, every retailer surveyed expected its costs to fall, and about half said there were networks they would not trade on, mostly because of pricing and metering arrangements (Appendix 1, paragraph 106). The energy transition adds new interfaces for registering distributed energy resources, procuring flexibility and sharing network data. If each EDB designs these separately, each becomes a new 28-way interface and the cost repeats with every function (Appendix 1, paragraph 108). The largest gains are in the regulatory settings. The literature NERA reviews attributes most cost improvement in distribution to the regulatory regime rather than to structure (Appendix 1, paragraph 46). With more than $32 billion of forecast expenditure, each one percent of efficiency is worth over $300 million across the decade. The incentives the Commission sets, and the scrutiny it applies to large investment programmes, carry most of the affordability benefit (see Q8–Q11).
Q4. Does this chapter accurately describe the current situation?	Largely yes, information disclosure is the foundation of the Part 4 regime and the chapter describes it accurately. Two points are missing. Published performance is historical, and nothing in the current regime shows consumers the projected path of their lines charges (see Q7). The chapter also does not draw the link between benchmarking and the number of EDBs (see Q5).
Q5. Do you support the options outlined in this chapter? Please give reasons.	**Option 1A.** ERGANZ strongly supports removing the section 53P(10) prohibition on comparative benchmarking and requiring the Commission to publish accessible conclusions on relative performance. Consumers and their representatives need conclusions, not only datasets, to hold EDBs to account. The Australian Energy Regulator's annual benchmarking report is a working model. **Option 1B.** ERGANZ supports expanding the Commission's information-gathering powers to non-regulated activities where they affect the regulated service, and confirming the Commission can require independent assurance of disclosed information. This also builds the evidence base for the ringfencing question (see Q13).

Questions	Comments
Q6. What do you consider to be the costs, benefits, or unintended consequences of these options?	The costs are low because most of the data is already disclosed, and the main new cost is the Commission's analysis. The benefit is accountability that consumers and their representatives can use. The main risk is a benchmark that ignores customer density, terrain and asset condition. The New Zealand evidence NERA reviews finds that customer density explains more of the variation in unit cost than size does (Appendix 1, paragraph 41). Benchmarks that do not control for density will simply assess rural networks as inefficient. The Commission has said it would take a cautious approach, and ERGANZ supports that.
Q7. Are there any other options or approaches that could achieve the objective(s) outlined in this chapter? Please describe them and explain why they may be preferable.	Consumers and their advocates need the projected per-ICP charge path, in nominal and real terms, across the regulatory period and beyond. ERGANZ asked the Commission for this in the Orion customised price-quality path process. It should become standard practice for every price-quality path decision.
Q8. Does this chapter accurately describe the current situation?	Broadly yes. ERGANZ adds two points. The chapter describes a regime that will change in future, while the decisions setting distribution charges for the rest of the decade are already proceeding under current settings. Orion's $1.51 billion customised price-quality path has a draft decision due in November and price effects from 1 April 2027, and the DPP5 reset will be well advanced before any legislation passes. The chapter also records that the 47 percent increase in forecast net allowable revenue at the last reset was driven in large part by the cost of capital. Consumers experience a change of that size as a price shock, and the same pattern is visible in transmission charges for Transpower's fourth regulatory control period. Managing price shocks between regulatory periods is one of the few levers that addresses the immediate driver of current network cost increases (see Q11).
Q9. Do you support the options outlined in this chapter? Please give reasons.	**Option 2A.** ERGANZ supports giving the Commission the water services toolkit: performance requirements, investment rules for significant investments, flexibility on the length of regulatory periods, and comparative benchmarking in default price-quality paths. On revenue thresholds, ERGANZ supports maximum thresholds only. Minimum thresholds respond to under-recovery in water services, which is not a problem in distribution. ERGANZ's view on financial ringfencing is set out under Q13.

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	Quality standards should be set at a sub-regional level where a cost-benefit analysis supports it. Some small communities may be better served by a lower standard paired with local solutions such as battery storage than by network reinforcement. This could materially reduce the cost of serving remote parts of some networks. **Option 2B.** ERGANZ recommends going further than MBIE's preferred approach and applying price-quality regulation to all distributors. NERA's analysis supports this (Appendix 1, section 3.6.3). Consumer ownership may remove the incentive to overcharge, which is why the exemption exists, but it does little to drive cost control. Ownership is spread across every connected consumer, so no owner has reason to learn how the business could run more cheaply. Consumers only experience the discount on the lines charge, not whether costs are as low as they could be. With no market for control, nothing reveals an efficiency the trust has not pursued. Information disclosure is the only external check, and the Commission cannot use it to set prices. The discussion document records productivity falling faster for exempt EDBs than for non-exempt EDBs between 2008 and 2023, by 2.1 percent a year against 1.2 percent. NERA reads the underlying study as showing that gap in operating expenditure, and cautions that the comparison is confounded because exempt EDBs are also among the smallest and most rural networks (Appendix 1, paragraph 98). The figure is consistent with ERGANZ's position, but the case rests on the incentive problem. On compliance cost, the default price-quality path is designed as a relatively low-cost approach, and the Commission can group smaller networks under a common path, as the water services regime already allows. If MBIE retains its preferred approach, ERGANZ asks that the petition requirement be removed and replaced with clear, published criteria for when the Commission will recommend further regulation. **Option 2C.** ERGANZ supports specifying in legislation that the four largest distributors by ICP sit on individual price-quality paths, being Vector, Powerco, Orion and Wellington Electricity, with Commission discretion to add or remove others. These four networks serve more than half of New Zealand's connections, and the case for tailored scrutiny is already made. Discretion alone

Questions	Comments
	adds process and delay. An individual path allows allowances tailored to each network, and ERGANZ expects larger EDBs to find greater efficiencies than the sector average a default path applies. Two conditions should attach to individual paths. Capex proposals should demonstrate that non-network solutions, such as flexibility and non-firm pricing, have been considered first. And each EDB should consult consumers and stakeholders on the trade-off between cost and quality before proposing its investment programme.
Q10. What do you consider to be the costs, benefits, or unintended consequences of these options?	Applying price-quality regulation to the 13 exempt EDBs raises the Commission's costs and EDBs' compliance costs somewhat. NERA identifies one unintended consequence to manage. The regime may fund an EDB's own capital build of a new function, such as low-voltage monitoring, more readily than a subscription to a shared platform, which enters the allowance as a new operating cost that must be argued for as a step change (Appendix 1, paragraphs 91–93). Extending price-quality regulation to exempt EDBs would expose them to the same bias. ERGANZ asks the Commission to confirm the regime is neutral between building and sharing, so new regulation does not discourage the shared platforms the transition needs. Investment rules for significant investments should not duplicate customised price-quality path scrutiny, and should apply to projects that fall outside a price path reset. Shorter regulatory periods add review points but also add reset costs. ERGANZ supports the flexibility, provided the Commission publishes the criteria it will use to set period length.
Q11. Are there any other options or approaches that could achieve the objective(s) outlined in this chapter? Please describe them and explain why they may be preferable.	The Commission should be required to manage price shocks between regulatory periods. A trailing average cost of capital is one option, and ERGANZ supported the ENA in raising it with the Commission. The Commission's March 2026 draft decision on its cost of capital review raised concerns with that approach. ERGANZ does not ask MBIE to prescribe a method. It asks that the requirement to manage price shocks is stated clearly, through Government direction or in Part 4, and the method left to the Commission. ERGANZ's concern is the outcome for consumers, which is a wider question than efficiency. EDBs should test non-network alternatives before committing to major capex. Distributors often plan large network investments before consumers have had a real opportunity to respond through

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	load shifting or flexibility. Better use of non-firm pricing signals and non-network solutions programmes could defer or reduce capex, and give consumers a clearer role in managing future network costs. This should be a requirement for capex proposals under individual and customised price-quality paths. ERGANZ also asks MBIE to state when it intends the new regime to apply, and what it expects of the Commission and the Authority before then, given the decisions under way now.
Q12. Does this chapter accurately describe the current situation?	Largely yes. NERA adds a point on capital (Appendix 1, paragraphs 69–71). What limits the capital available to trust-owned EDBs is their owners' preference for low debt and steady distributions, not their size. The Auditor-General reported in 2017 that trust-owned EDBs carried net debt of about 22 percent of assets, against 39 percent for investor-owned EDBs. Amalgamating two trust-owned EDBs would change none of this. The governance options are the better route.
Q13. Do you support the options outlined in this chapter? Please give reasons.	**Option 3A.** ERGANZ supports replacing the 'successful business' objective with one built on the functions of a successful distributor: consumer affordability, efficient investment, reliability and resilience, supporting electrification and enabling new technologies. The current objective can be read as encouraging diversification, and it points boards at local rather than system-wide outcomes. **Option 3B.** ERGANZ supports the transparency measures. On ringfencing and dividend restrictions, the discussion document records limited evidence of a systemic problem. ERGANZ's position is that regulation follows evidence, so the Commission should gather information under Option 1B first and apply ringfencing where the evidence supports it. **Option 3C.** ERGANZ supports director capability requirements modelled on the Local Government (Water Services) Act 2025. **Option 3D.** ERGANZ supports periodic independent ownership reviews, with published findings and a formal board response.
Q14. If you support the options in this chapter, do you agree that they should apply to consumer-owned EDBs only? If so, should this include both wholly	Yes for Options 3A, 3C and 3D, and they should include partially consumer-owned EDBs. NERA traces the weak cost incentive to how consumer ownership is organised (Appendix 1, section 3.6.3), and that applies wherever a trust holds a material stake. Investor-owned EDBs face a market for control and price-quality

Questions	Comments
and partially consumer-owned EDBs? Please give reasons.	regulation. The transparency measures under Option 3B can apply to all EDBs at little cost.
Q15. What do you consider to be the costs, benefits, or unintended consequences of these options?	The costs are modest: director development, a periodic independent review and some additional reporting. The benefit is better stewardship of networks carrying more than $32 billion of forecast expenditure. The main risk, which the discussion document recognises, is that ownership reviews become procedural exercises. Independent assessment against published criteria, with a formal board response, addresses it.
Q16. Are there any other options or approaches that could achieve the objective(s) outlined in this chapter? Please describe them and explain why they may be preferable.	Ownership reviews should test shared services and shared management as well as sale or merger. NERA finds that the remaining scale economies for small EDBs sit in head-office functions that can be shared without common ownership of the network, as the networks managed by PowerNet already show (Appendix 1, paragraph 73). A review limited to whether to sell or merge could miss this cheaper option.
Q17. Do you support the options outlined in this chapter? Please give reasons.	Yes, ERGANZ supports all three amendments. Quality incentive schemes need to be enforceable to work. Removing the bar on consecutive customised price-quality paths reduces cost for suppliers and the Commission. Placing Transpower's individual price-quality path in Part 4 gives certainty. ERGANZ asks that the disciplines proposed for distribution also apply to transmission: scrutiny of major investment, consumer engagement and visibility of bill impact. Transmission charges are also rising, and the cumulative cost point below applies to both.
Q18. What do you consider to be the costs, benefits, or unintended consequences of these options?	The costs are low and the benefits are certainty and enforceability. ERGANZ sees no material unintended consequences.

Matters outside the consultation questions

The discussion document does not directly address the additional regulatory cost drivers the Crown controls. Temporary traffic management can account for up to 25 percent of the cost of a network maintenance or upgrade job, and tree regulations and consenting add further cost. The Minister's July 2026 letter acknowledges these, and the Government has work under way, including the amended Tree Regulations, the new temporary traffic management guide and national environmental standards for electricity networks. ERGANZ asks MBIE to report on whether these changes reduce distribution costs, because efficiency reform delivers less if these costs keep rising.

Conclusion

ERGANZ thanks MBIE for the opportunity to comment on this discussion document. NERA's report is attached as Appendix 1.

If there are any outstanding questions or a need for further follow-up, please let me know.

Yours sincerely,

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Appendix 1

NERA, 'Scale efficiencies in electricity distribution: options short of mandated amalgamation', report for ERGANZ, 7 October 2026 (attached).