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POWERING A BETTER NEW ZEALAND TOGETHER

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Ministry of Business, Innovation and Employment (MBIE)

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Submission on options to improve the efficiency of electricity distribution businesses (EDBs)

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios. We enable constructive New Zealand's journey to net zero carbon emissions by 2050.

2. Our submission provides a principled approach to regulation that is enabling of market solutions rather than a government-directed position that could stifle innovation and divert attention to the wrong issues.

Key messages

3. New Zealand needs electricity networks that can support substantial new investment while keeping the cost of that investment as low as possible for consumers.

4. We agree with MBIE's approach to pursue market efficiencies rather than forced direction. Ownership and structure should be allowed to evolve through the market, not be directed by government. Where different ownership or operating models can deliver better outcomes, they should be able to emerge through commercial decisions.

5. Government's role is to ensure that all electricity distribution businesses face consistent, proportionate regulatory expectations and incentives to perform efficiently, regardless of who owns them or where they operate.

6. This is particularly important as electricity demand grows. EDBs will need to invest ahead of demand, connect new customers and generation, improve resilience and make better use of existing networks. MBIE estimates that around $22 billion of investment may be required over the next decade.

Principles-based regulation can solve majority of problems

7. We support the strategic direction of the Government's consultation, particularly its focus on collaboration, standardisation, and more responsive economic regulation. However, we consider four principles should underpin the next stage of reform.

Let ownership and structure evolve through the market

8. Government should not direct consolidation or prescribe particular ownership models.

9. The Government has already decided not to progress with Frontier Economics' proposal to forcibly amalgamate EDBs, noting the cost and complexity of doing so and the lack of conclusive evidence that structural ownership changes are necessary to achieve efficiency gains.[1] We support this approach.

10. There may be circumstances where changes in ownership, scale, or operating structure produce genuine efficiencies, improve access to capital, strengthen capability, or benefit customers. Those opportunities should be able to emerge through market incentives.

11. The focus of regulation should therefore be on outcomes, incentives, and customer protection, rather than ownership structure.

Recommendation:

i. Allow ownership and structural change to be market-led, while ensuring all EDBs face consistent regulatory expectations and accountability for customer outcomes.

Apply same regulatory expectations, regardless of ownership

12. The customer should not receive different levels of regulatory protection simply because their network happens to have a different ownership structure.

13. We support extending consistent, proportionate economic regulation across all EDBs. Price-quality regulation should ultimately provide a common baseline for network performance, investment, and service quality, while allowing regulatory pathways to reflect significant differences between businesses.

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[1] Frontier Economics, *Review of Electricity Market Performance*, Chapter 8: Distribution Networks, section 8.1, p.112. MBIE, 2025. Frontier recommended amalgamating the 29 EDBs into five larger distributors, partly on efficiency grounds. The Government rejected forced amalgamation, saying it could face opposition, slow down innovation, and be complex given different ownership models. Instead, it opted for measures to achieve efficiencies through collaboration and greater alignment.

14. For the largest EDBs, individual price-quality paths should apply from the outset. For other EDBs, a transition period should be allowed before price-quality regulation becomes an obligation. We suggest three years.

15. This would allow time to understand the new requirements, establish the necessary regulatory and asset-management systems, improve data quality, and build internal capability before being subject to binding price-quality requirements.

16. Any additional regulatory intervention should satisfy three tests:

    a what is the evidenced problem?

    b what is the quantified harm to consumers or the wider energy system?

    c is the proposed intervention proportionate to that harm?

17. This should apply consistently to all EDBs, including the larger EDBs like Powerco, Vector, and Orion. Ownership should not determine regulatory treatment unless there is an evidential difference that justifies it.

Recommendation:

i. Consider price-quality regulation as part of this consistency. To allow for implementation, this could include a three-year transition period for those EDBs currently exempt to prepare for price-quality regulation.

Make new connections a measure of network efficiency

18. The test of an efficient electricity network is how easily businesses, households, generators and new technologies can connect to it.

19. There is evidence of inconsistent connection processes, pricing approaches and access to information across EDBs. Frontier Economics identified the lack of standardisation in connection policies, terms, and conditions as creating unnecessary complexity and transaction costs for new customers.

20. The Electricity Authority has begun addressing some of these issues, including connection pricing and transparency. But these reforms should be complemented by a clearer, consistent customer-facing framework.

21. Customers should be able to expect minimum standards for:

    a transparency about available network capacity and constraints;

    b timely and consistent connection processes;

    c clear information requirements;

d transparent and understandable cost estimates;

e least-cost technically feasible connection solutions; and

f clear dispute-resolution pathways.

Recommendations:

i. Make new-connection performance an explicit measure of EDB efficiency and monitor performance consistently across the sector; and

ii. If the problem is that customers receive different answers from different monopoly network operators, the first response should be to make those answers more consistent, not necessarily to redraw the map.

Use incentives to drive collaboration, standardisation, and investment

22. Collaboration and standardisation can reduce duplication and transaction costs, but they are second-order levers compared with getting the underlying regulatory incentives right.

23. Government should therefore use incentives and consistent regulatory expectations to encourage EDBs to:

a standardise processes where there is no good reason for differences;

b share capability, systems and procurement where this reduces costs;

c improve information about network capacity and constraints;

d invest efficiently ahead of demand;

e adopt innovative approaches that make better use of existing network capacity; and

f provide customers with consistent and transparent service.

24. Government should avoid creating another layer of prescriptive guidance or reporting requirements unless there is evidence that voluntary collaboration and existing incentives are insufficient. The objective should be more efficient networks, not more regulation.

Recommendation:

i. Get underlying incentives right to drive standardisation and efficiency and avoid prescribing reporting requirements.

Conclusion

25. New Zealand needs distribution networks capable of supporting growth and electrification without imposing unnecessary costs on consumers. The most effective approach is to separate two issues:

    a who owns and operates an EDB should be determined by the market; and

    b how an EDB performs should be subject to consistent and proportionate regulatory expectations.

26. These two factors would allow commercial and ownership structures to evolve while ensuring that customers receive reliable, affordable, and increasingly consistent network services wherever they live or do business.

27. We support the Government's move away from forced consolidation and towards practical measures to improve EDB performance.