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Tēnā koutou,

SUBMISSION ON IMPROVING THE EFFICIENCY OF ELECTRICITY DISTRIBUTION BUSINESSES

Unison Networks Limited (Unison) is a consumer-owned electricity distribution business serving communities in Hawke's Bay, Taupō and Rotorua. We welcome the opportunity to comment on MBIE's discussion document and to share our perspective on how regulatory settings can support efficient investment, innovation and consumer value while enabling electrification and network resilience.

As a consumer-owned entity, we operate in the best interests of the communities we serve. Guided by our vision and values, we strive to deliver economic benefits to both our customers and community shareholders, while championing a sustainable energy future. We are committed to maintaining the right balance between keeping electricity affordable and making strategic investments that secure the long-term reliability and resilience of our network. In all aspects of our operations, we place strong emphasis on meeting industry compliance requirements, ensuring we uphold all relevant standards. This approach not only supports New Zealand's transition to new energy solutions but also enables our communities to access cleaner, smarter and more flexible energy options, now and for generations to come.

Executive Summary

Unison supports regulatory reform that improves consumer outcomes, strengthens accountability, and supports efficient investment in electricity distribution networks.

Reform should build on the existing Part 4 framework and be guided by five principles:

- a material consumer problem is clearly identified and evidenced;
- existing regulatory tools are insufficient to address that problem;
- intervention is proportionate to the identified risk;
- expected benefits exceed total regulatory and consumer costs; and
- regulatory treatment is based on performance and consumer outcomes rather than ownership form.

Consistent with these principles, Unison recommends that MBIE:

1. Use existing Part 4 mechanisms as the starting point for any reform.
2. Remove restrictions on benchmarking while ensuring methodologies remain transparent and benchmarking is used diagnostically rather than mechanistically.
3. Establish an enduring and transparent pathway for individualised price-quality regulation where justified.

4.

Recommended regulatory pathway

1. Benchmark → Diagnose → Engage → Improve → Escalate.

5. Require clear evidential thresholds and objective triggers before escalation to more intrusive regulatory tools.
6. Prefer enhanced information disclosure before introducing ring-fencing, investment restrictions, or structural interventions.
7. Support industry-led standardisation and collaboration where it demonstrably improves consumer outcomes.

This approach would strengthen accountability while preserving incentives for prudent investment, innovation, electrification, resilience, and long-term affordability.

1. A Consistent and Proportionate Part 4 Framework

The central policy question is not which additional regulatory tools could be created, but whether the existing framework is demonstrably unable to achieve the outcomes MBIE seeks.

Electricity distribution already operates within a mature Part 4 regime that includes information disclosure, default and customised price-quality paths, reopeners, uncertainty and wash-up mechanisms, quality standards, incentive regulation, and targeted allowances. Consistent with the assessment framework outlined in the Executive Summary, MBIE should clearly identify the problem being addressed and demonstrate why existing mechanisms are insufficient before introducing additional regulatory powers.

Where change is justified, reform should build on existing Part 4 arrangements and use the least intrusive regulatory response reasonably available. Any additional tools should operate within a predictable and transparent framework, with clear statutory criteria governing when particular regulatory pathways may be applied and how businesses may transition between them.

Regulatory certainty is particularly important given the scale of investment required to support resilience, asset renewal, electrification, distributed energy resources, and network growth. Regulatory risk arises not only from the exercise of a power, but also from uncertainty about when and how that power may be used. Broad or poorly defined powers can influence investment, financing, shared service, and innovation decisions well before any formal intervention occurs.

Regulatory pathways should therefore include clear triggers, defined objectives, consultation requirements, review rights, and appropriate transition and exit arrangements. Escalation should be supported by a fresh assessment of expected benefits and costs, including cumulative impacts on investment incentives, financing costs, innovation, and consumer

outcomes. Where persistent underperformance results in material adverse consumer outcomes and existing tools are insufficient, targeted regulatory intervention may be appropriate.

1.1 An enduring pathway for individualised (IPP) regulation

We support an enduring IPP pathway where a transparent assessment demonstrates that an individualised approach would better promote the long-term benefit of consumers than a standardised regulatory model.

Alongside a common price-quality regulatory foundation across the sector, there should be a clear and predictable pathway for an EDB to access an IPP where an individualised approach is expected to better address network-specific circumstances, including investment requirements, resilience challenges, growth pressures, or other material factors.

Eligibility should be determined by the nature of the regulatory challenge and the expected consumer benefits rather than ownership structure, regulatory status, size, or other predetermined classifications. Factors such as scale, complexity, asset intensity, growth, and resilience needs may inform the assessment but should not operate as standalone eligibility criteria.

The objective should be to apply the regulatory approach that best promotes consumer outcomes, rather than classify distributors into fixed categories. The framework should also provide two-way discretion, enabling an EDB to seek an IPP where it considers this would better promote the long-term benefit of consumers and the relevant criteria are met. Any transition, reset or exit arrangements should be objective, transparent, and predictable.

1.2 A consistent foundation of price-quality regulation

Unison supports a common Part 4 foundation for all EDBs, with access to differentiated regulatory pathways where evidence demonstrates that an alternative approach would better promote consumer outcomes. Implementation should be proportionate and supported by appropriate transition arrangements.

Ownership form should not, in itself, determine whether an EDB is subject to price-quality regulation. While consumer ownership may influence governance and accountability arrangements, it does not remove the potential benefits of incentives that promote efficiency, service quality, investment performance, transparency, and consumer protection.

A more consistent regulatory foundation may improve comparability, performance incentives, and consumer protections across the sector. However, these benefits should be assessed alongside implementation and compliance costs, and a more consistent regulatory foundation does not necessarily require a single regulatory pathway for every distributor.

The Commission should retain discretion to apply the most appropriate Part 4 tool having regard to the circumstances, risks, and expected consumer benefits in each case. This assessment should also recognise existing governance, accountability, capability, and collaborative arrangements that may already deliver many of the outcome's regulation is intended to achieve.

Some EDBs access scale, specialist expertise and operational capability through shared-service and management arrangements. Where such arrangements are demonstrably effective, any additional regulatory requirements should be justified by evidence of material incremental consumer benefit rather than assumptions based on ownership structure or organisational form.

Any extension of regulation should therefore preserve flexibility to reflect differences in network circumstances while maintaining appropriate incentives for efficiency, service quality, investment, and consumer protection.

2. Benchmarking that informs, rather than replaces, judgement

In principle, we support Option 1A, including removal of the prohibition on comparative benchmarking. Used appropriately, benchmarking can improve regulatory understanding, identify areas for further investigation and support more consistent decision-making.

Comparative benchmarking can provide a useful source of evidence and should be available to inform regulatory diagnosis and EDB discussions. It should not, by itself, determine expenditure allowances, revenue limits, efficiency adjustments, or escalation decisions. Benchmarking is most effective as a diagnostic tool that identifies questions, informs regulatory judgement, and helps target further investigation.

The section 53P (10) restriction reflected concern that benchmarking had been given excessive weight under the former Part 4A regime. That concern remains relevant. While benchmarking can identify differences in expenditure or performance, it cannot by itself establish whether those differences are inefficient, controllable, or harmful to consumers.

Networks differ in geography, customer density, asset condition, growth pressures, resilience requirements, and investment cycles. A network undertaking prudent resilience investment may appear less efficient than an urban comparator, while an error in a base-year adjustment may compound across a regulatory period. Regulatory decisions should therefore consider benchmarking alongside wider evidence, including engineering assessments, asset condition, network performance, consumer outcomes, and company-specific circumstances.

Assessment should use transparent methodologies, appropriate normalisation total-expenditure, and whole-of-life measures. EDBs should have meaningful opportunities to verify data, test assumptions, correct errors and explain network-specific circumstances before benchmark findings influence regulatory outcomes.

3. Information requests should be targeted and proportionate

We agree that regulators need access to sufficient information to perform their functions effectively. Any additional information requirements should be clearly linked to Part 4 objectives and consumer outcomes and operate within a transparent framework that identifies the purpose, scope, and materiality of a request. MBIE should seek to make the best use of information already available and coordinate requirements across regulatory agencies to avoid unnecessary duplication.

Information requests should focus on matters that are material and relevant to regulated services. Where information is sought in relation to wider group activities, there should be a clear connection to regulated services and a demonstrated need for the information. Appropriate materiality, proportionality, and confidentiality safeguards should apply.

Consistent with the graduated intervention approach outlined in the Executive Summary, enhanced disclosure or targeted performance requirements may be appropriate where a specific regulatory gap is identified. More intrusive measures, including financial ring-fencing, dividend restrictions, investment oversight or additional price-quality regulation, require stronger justification given their potential effects on financing flexibility, investment incentives, shared services, capital management, and Board accountability.

Any escalation in regulatory intensity should be supported by a clear assessment of expected benefits and costs and should occur within the predictable regulatory framework described in Section 1.

4. Collaboration, standardisation, and structural options

Unison supports industry-led collaboration and standardisation where it improves consumer outcomes or reduces cost, delay, or operational complexity. Priority areas include connection processes, data definitions, technical interfaces, network visibility, and queue management. Existing ENA and Electricity Authority initiatives should be assessed before further statutory intervention is considered.

Standardisation should focus on outcomes and interfaces while allowing network practices to reflect material differences in geography, customers, assets, and growth.

Consolidation, shared services, and collaboration should be enabled where they deliver consumer benefits, but consolidation should not be treated as a regulatory objective or presumed to improve performance. Ownership decisions should remain with shareholders, with regulatory assessment focused on consumer outcomes. Unison's management-services arrangement with Centralines demonstrates how smaller EDBs can access scale and specialist capability without ownership consolidation.

4.1 Distribution system operation

Electrification, distributed energy resources, and demand flexibility will require greater system-operation capability. We support coordinated development with clearly defined functions, outcomes, and institutional roles. Any obligations should be technology-neutral, scalable, and aligned with Part 4 funding and incentives; no single institutional model should be prescribed before alternatives are assessed.

4.2 Financing initiatives

Unison supports voluntary collaborative financing where it demonstrably lowers financing costs, improves access to capital, or supports efficient investment. Arrangements should preserve entity-level governance and transparently address costs, liabilities, risk allocation, cross-subsidies, and existing borrowing. Collective financing should enable, not substitute for, stable and investable regulatory settings.

Collective financing should be considered as a potential enabling option, not as a substitute for stable, predictable, and investable regulatory settings.

5. Governance, ownership, and wider business activities

Effective governance is important to consumer outcomes. However, MBIE's proposals appear to raise several distinct concerns, including board capability, non-core investment, the financial and management costs of wider business activities, strategic focus, consumer trust ownership, and ownership structures as a potential barrier to consolidation.

These issues should be identified and assessed separately rather than treated as manifestations of a single governance problem. In particular, issues of scale should not be conflated with ownership structure.

Existing governance frameworks already impose extensive legal, fiduciary, disclosure, audit, safety, and regulatory obligations on EDB boards.

MBIE should distinguish genuinely unrelated activities from investments in aligned businesses that strengthen sector capability, support innovation, share specialist resources or improve service delivery.

Regulatory scrutiny of wider business activities may be appropriate where those activities create a material risk to regulated services, financial resilience, service quality, or consumer outcomes.

The discussion document itself notes limited evidence of a systemic ancillary-investment issue, while the Auditor-General¹ has previously found that subsidiary investments did not appear to distract the reviewed companies from governance and management of their networks and may support complementary capability.

If greater visibility is required, enhanced disclosure within the existing Part 4 framework should be considered before more intrusive restrictions.

6. Consider cumulative system cost and consumer impact

Reform should be assessed alongside existing and proposed requirements administered by MBIE, the Commerce Commission and the Electricity Authority. Assessment should consider the cumulative effects of regulatory change, including compliance costs, duplication, regulatory uncertainty, and the diversion of resources from network delivery.

The combined effect of benchmarking, information-gathering powers, performance requirements, ring-fencing, investment oversight, DSO obligations, and price-quality regulation may be more significant than any individual measure. Regulatory design should therefore consider impacts on financing costs, investment confidence, innovation, service outcomes, and consumer prices to ensure reforms deliver net benefits to consumers over the long term.

Conclusion

Unison supports reform that improves consumer outcomes and regulatory effectiveness. The existing Part 4 framework provides a durable foundation and should remain the starting point for future regulatory development.

Where intervention is required, MBIE should adopt a graduated **Benchmark → Diagnose → Engage → Improve → Escalate** approach, supported by clear evidential thresholds, transparent decision-making, and proportionate regulatory tools.

This approach would strengthen accountability while maintaining investment certainty, innovation, and long-term network resilience for the benefit of consumers.

We welcome further engagement with MBIE as policy development progresses.

Yours sincerely,



Jaun Park

GROUP CHIEF EXECUTIVE

¹ [Deputy Auditor-General's overview — The Audit Office](#)

Appendix A Response to questions

QUESTION	RECOMMENDED RESPONSE
Q1. HOW COULD REGULATORY SETTINGS BETTER SUPPORT STANDARDISATION AND COLLABORATION?	Support industry-led and regulator-supported standardisation where it delivers clear consumer benefits. Existing examples include ENA standard agreements, queue-management initiatives, and Electricity Authority pricing reforms. Regulation should support outcomes and interoperability rather than prescribe structures or consolidation.
Q2. WHAT BARRIERS EXIST TO COLLABORATION AND STANDARDISATION?	Legacy systems, transition costs, regulatory uncertainty, differing network characteristics, and lack of common standards. Government should focus on enabling frameworks and standards rather than mandating uniformity.
Q3. WHAT BENEFITS COULD BE ACHIEVED?	Potentially significant benefits through shared services, procurement, digital systems, data standards, and connections processes. Benefits will vary by EDB and should not be used to justify forced consolidation. Shared services and "virtual consolidation" models, including management-services arrangements, can deliver many of the benefits typically associated with consolidation while preserving existing ownership structures.
Q4. DOES THE CHAPTER ACCURATELY DESCRIBE THE CURRENT SITUATION?	Broadly yes, but it understates the existing scrutiny provided by information disclosure, audit processes, governance arrangements, and customer ownership accountability mechanisms.
Q5. DO YOU SUPPORT THE MONITORING AND BENCHMARKING OPTIONS?	Support removal of the benchmarking restriction provided benchmarking informs regulatory judgement rather than determines outcomes. Its use should be supported by transparent methodologies, appropriate normalisation, data verification, and meaningful opportunities for EDBs to explain network-specific circumstances. Benchmarking should not, by itself, determine expenditure allowances, revenue limits, efficiency adjustments, or escalation decisions.
Q6. COSTS, BENEFITS OR UNINTENDED CONSEQUENCES?	Benefits include transparency and accountability. Risks also include simplistic comparisons being used to justify increasingly intrusive regulation without sufficient evidence of persistent underperformance, material consumer harm, or a regulatory gap.
Q7. ALTERNATIVE APPROACHES?	Use peer-group comparisons and thematic reviews rather than simple rankings. Benchmarking should inform regulatory judgement, not automatically determine outcomes. Where benchmarking identifies a potential issue, the regulator should engage with the EDB to verify data, understand network-specific circumstances, and identify underlying causes before considering improvement requirements. Escalation should occur only where persistent underperformance results in material adverse consumer outcomes.

QUESTION	RECOMMENDED RESPONSE
Q8. DOES THE CHAPTER ACCURATELY DESCRIBE THE CURRENT REGULATORY FRAMEWORK?	Broadly yes, although while the discussion document does not yet establish the scale or distribution of any residual performance problem, it identifies issues that warrant further consideration. That evidence should inform whether a more consistent regulatory foundation would deliver net consumer benefit and how any expansion should be designed.
Q9. DO YOU SUPPORT THE PROPOSED PART 4 REFORMS?	We support a more flexible Part 4 framework, including an enduring IPP pathway. An EDB should be able to apply for an IPP where a transparent assessment demonstrates that an individualised approach would provide a better regulatory fit and better promote the long-term benefit of consumers. Eligibility should reflect the regulatory challenge, risks, and expected consumer benefits, rather than ownership form, regulatory status, size, or predetermined categories.
Q10. COSTS, BENEFITS OR UNINTENDED CONSEQUENCES?	Benefits include more targeted regulation and flexibility. Risks include increased compliance costs, regulatory uncertainty and additional costs being passed through to consumers. These risks can be mitigated through clear eligibility criteria, proportionate processes, and transparent transition arrangements.
Q11. ALTERNATIVE APPROACHES?	A common, proportionate regulatory foundation could be combined with differentiated pathways where evidence demonstrates that a different Part 4 tool would better promote the long-term benefit of consumers. Escalation or individualisation should be based on transparent criteria, demonstrated risk and net consumer benefit. Regulatory responses should follow the Benchmark → Diagnose → Engage → Improve → Escalate pathway, with escalation occurring only where existing tools are insufficient and material adverse consumer outcomes persist.
Q12. DOES THE GOVERNANCE CHAPTER ACCURATELY DESCRIBE THE CURRENT SITUATION?	Not entirely. The section identifies legitimate governance and accountability questions, but it groups together a number of distinct issues, including board capability, wider business activities, distributions, financial resilience, and regulated-service performance. These issues should be assessed separately because they involve different risks, causes and potential interventions. The discussion document also acknowledges limited evidence of systemic governance failures or ancillary-investment concerns across the sector. Before progressing ownership-specific reform, MBIE should identify the relevant risk, the affected entities, and the resulting consumer harm, and explain why existing governance, legal and regulatory mechanisms are insufficient to address the issue.

QUESTION	RECOMMENDED RESPONSE
Q13. Do you support the governance options?	We support governance capability development, training, best-practice guidance, and appropriate transparency measures where these can improve consumer outcomes and strengthen accountability. Targeted intervention may also be appropriate where evidence identifies a material governance, financial resilience or regulated-service risk that is not adequately addressed through existing frameworks. However, we do not support prescriptive governance requirements or additional obligations imposed solely because of ownership structure. Any governance measures should be ownership-neutral, proportionate to the identified risk and based on demonstrated performance or consumer-outcome concerns rather than ownership form.
Q14. SHOULD THESE ONLY APPLY TO CONSUMER-OWNED EDBS?	Not as a general rule. Governance requirements should be determined by the nature of the risk being addressed rather than ownership form. Where the same risk exists across different ownership models, there should be a strong justification for applying different regulatory treatment. If MBIE identifies a risk that arises specifically from a feature of a particular ownership arrangement, any differentiated treatment should be supported by clear causal evidence and a net-benefit assessment. The discussion document does not currently establish that consumer-owned EDBs present greater governance risk than other ownership models.
Q15. COSTS, BENEFITS OR UNINTENDED CONSEQUENCES?	Potential benefits include clearer governance expectations, improved transparency, stronger governance capability, and greater confidence that governance arrangements remain fit for future investment and operational challenges. Potential costs and unintended consequences include increased governance and compliance costs, duplication of existing obligations, reduced flexibility for boards and owners, and creating a perception that particular ownership models are inherently less capable or accountable despite limited evidence of a systemic problem. More interventionist measures could also affect investment incentives, financing arrangements, board recruitment and retention, and efficient access to specialist expertise. These costs should be assessed against the incremental consumer benefit of each proposal.

QUESTION	RECOMMENDED RESPONSE
Q16. ALTERNATIVE APPROACHES?	A staged approach may be preferable. The first step should be to improve transparency and clearly identify the specific governance or performance concern being addressed. Where capability gaps are identified, guidance, training, voluntary accreditation, or other capability-building initiatives may be appropriate. Targeted intervention should be reserved for situations where evidence demonstrates a material unresolved risk to consumer outcomes or regulated-service performance that cannot be addressed through existing governance, ownership, or regulatory mechanisms. Assessment should also recognise effective governance, management, assurance, and shared-service arrangements that may already be delivering many of the outcomes additional regulation seeks to achieve.
Q17. DO YOU SUPPORT THE TECHNICAL AMENDMENTS?	Generally, yes. They appear to improve certainty, remove inefficiencies, and clarify the operation of part 4.
Q18. COSTS, BENEFITS OR UNINTENDED CONSEQUENCES?	Benefits include improved clarity and regulatory efficiency. Risks appear limited and manageable.