

Letter to the Ministry of Business, Innovation and Employment

30 September 2026

To: Ministry of Business, Innovation and Employment (MBIE), ElectrifyNZ@mbie.govt.nz

CC: Hon Simeon Brown, Hon Cameron Brewer

From: Richard Fletcher (Aurora Energy), Vaughan Hartland (Orion), Jason Franklin (Powerco), Jaun Park (Unison), Chris Blenkiron (Vector), and Greg Skelton (Wellington Electricity)

Kia ora koutou

Submission on options to improve the efficiency of electricity distribution businesses

The six electricity distribution businesses (**EDBs**) represented in this submission, serving just over 70% of NZ's electricity consumers, welcome MBIE's review of the regulatory and governance arrangements applying to New Zealand's electricity distribution sector.¹ We support a coherent package that brings all EDBs within a common foundation of price-quality regulation, enables tailored regulation where it will better serve consumers, and strengthens the evidence available to regulators and stakeholders.

We support the Government's objective of ensuring the sector continues to deliver efficient, reliable and affordable services while enabling the substantial investment needed to support electrification, resilience and economic growth. Distribution networks will be central to this transition.

A consistent foundation of price-quality regulation

We support extending Commerce Commission price-quality regulation to all EDBs, regardless of ownership form. Ownership may affect how benefits are distributed, but it does not remove the benefits of consistent incentives for efficiency, service quality and investment performance. This aligns with the '*apply price-quality regulation to all EDBs*' approach identified under **Option 2B**.

The original exemption reflected a policy judgement that consumer ownership and control would provide effective incentives and accountability to limit distributors' ability to extract excess profits without price-quality regulation.² Experience has since demonstrated that price-quality regulation also promotes efficient expenditure and investment, service quality, transparency and accountability. These benefits apply to consumers of all EDBs, irrespective of ownership form.

A common price-quality regulatory foundation would strengthen consumer protection, comparability and performance incentives, while enabling persistent underperformance to be addressed earlier. It would also allow for incentives to encourage collaboration, shared services or

¹ MBIE, 16 August 2026, *Discussion document for the electricity distribution businesses*, see [link](#).

² See, for instance: *Explanatory note to the Commerce Amendment Bill (201-1)*, Government Bill, as introduced to the House of Representatives, Wellington, 13 February 2008. Pp. 8 and 31

consolidation, to apply to all. Appropriate transition arrangements should be recognised through proportionate implementation, rather than continued exemption.

Common price-quality regulation also reduces the case for additional bespoke tools like those recently introduced for water utilities, by ensuring efficiency, investment, service quality and consumer outcomes are addressed through an established regulatory framework.

A tailored pathway for larger EDBs

Alongside universal price-quality regulation, we support further development of **Option 2C**, with individualised price-quality paths (**IPPs**) applying initially to the four largest EDBs, being Orion, Powerco, Wellington Electricity and Vector, and a pathway for the other two large EDBs, Unison and Aurora, where there is a clear case for doing so. That pathway could be based on objective eligibility criteria, voluntary nomination, or demonstrated network complexity, growth pressure, or investment need. Importantly, the framework should provide for two-way discretion, enabling an EDB not subject to an IPP to elect into an IPP in the future where it considers this would better support its circumstances and investment needs, subject to appropriate regulatory criteria and oversight. A well-designed IPP could provide a more tailored and forward-looking framework than the default price-quality path, while avoiding the lengthy and costly gateway process associated with the current customised price-quality path and providing greater confidence over regulatory-cycle timing, including entry, reset and any return arrangements, including how any transition would align with the 2030 default price-quality path reset.

IPP design should also include uncertainty mechanisms from the outset, to accommodate energy-transition impacts that are difficult to forecast at resets, including EV charging uptake, data-centre load and other emerging uncertainties.

Benchmarking that informs, rather than replaces, judgement

We support **Option 1A**, including removal of the prohibition on comparative benchmarking. Used well, benchmarking can improve regulatory understanding, identify questions, support scrutiny of performance and enhance consumer confidence in regulated outcomes. It could also help the Commission apply default and IPP regulation in a more consistent and fit-for-purpose way, provided it informs rather than substitutes for judgement.³

MBIE will be well aware that the value of benchmarking depends on the methodology and the quality of the underlying data. Experience in Australia and the United Kingdom shows that credible methods and datasets can take time to establish and refine but should clearly account for network characteristics, investment-cycle position and reset timing; disclose the methodology and material judgements; and inform, rather than automate, regulatory decisions. As an early step, policy changes could require the Commission to publish an accessible annual report on EDB performance, with transparent caveats and progressively improved measures.

³ This is the approach proposed by the recent UK [Independent Water Commission Final Report](#) which identifies and critiques of industry-wide econometric benchmarking: *for economic regulation, we have set out detail of a new, fundamental rebalancing with the introduction of a company-specific supervisory function to sit alongside and to inform the econometric, industry-wide benchmarking approach that currently dominates Ofwat's Price Review and incentive-setting framework. p. 7*

Predictability to support long-term investment and price stability

Regulatory stability is one of the fundamental requirements for financeable and investable long term investment, particularly where EDBs are being asked to deliver large investment programmes ahead of demand. In our view, predictability and stability in both price and investment outcomes are central to the long-term consumer outcomes that Part 4 is intended to promote.

Ringfencing and distributions

We support the objective of ensuring that EDBs remain able to sustain prudent investment and that stakeholders can understand relevant distributions and financial flows. However, the discussion document itself notes limited evidence that ancillary investments are a systemic issue across EDBs.⁴ The Government's recent decision to relax the 50MW constraint on EDB ownership of generation and batteries is a clear example where EDB investment can further support New Zealand's energy transition. More generally, extending price-quality regulation to all EDBs would itself strengthen consumer protection by bringing investment, expenditure and quality outcomes within a common regulatory framework, while ensuring unrelated shareholder investments cannot be funded through regulated revenues.

Given the significant nature of financial ringfencing or dividend restrictions under **Option 2A**, MBIE should focus on existing information disclosure and other price-quality tools first and only consider new restrictive controls where a clear and material residual problem has been identified. Any proposal should first define the conduct and harm of concern, the entities and activities in scope, and any gap in the current framework. If financeability tests are introduced, they could also help identify whether distributions or group financing arrangements risk impairing an EDB's ability to fund prudent, regulated investment. This same group of EDBs have put substantial evidence and expert analysis before the Commission on financeability, cashflow sufficiency and investment deliverability.⁵ MBIE does not need to resolve the technical methodology; the key policy choice is whether financeability assessment should be made an explicit, transparent part of reset and in-period decision-making.

Intervention in this area could have material financing and investment implications, could act to slow innovation in the sector, and constrain efficient group structures. Where concerns relate to consumer outcomes, the Commission already has price-quality tools available, including quality standards and expenditure scrutiny, which should be used before imposing controls that may undermine efficient financing or group structures. Any new framework should be tightly targeted and should not discourage prudent, value-enhancing ancillary investments which may, but not necessarily, be within the broader energy sector where that investment delivers value for shareholders and does not compromise the funding of necessary EDB investment.

Remove barriers to voluntary and efficient consolidation and shared services

We support MBIE's emphasis on collaboration and standardisation as practical ways to realise efficiencies. New Zealand's 27 EDBs serve a relatively small national market, and consolidation

⁴ MBIE, p.16.

has reduced costs and improved capability where it has occurred. That structure warrants sustained scrutiny of whether collaboration, shared services and efficient consolidation can reduce duplication and improve capability, scale and consumer outcomes. Government and regulators should identify and remove barriers that may deter efficient transactions or shared-service arrangements, rather than prescribe a single industry structure.

Experience suggests that collaboration between separately owned EDBs can be valuable but may be less durable where participants' interests or circumstances diverge. That is not a reason to discourage collaboration, but it reinforces the need to remove barriers to efficient consolidation as a complementary pathway and consider how the framework could reward consolidation and shared services explicitly. The work Aurora and Alpine Energy recently did with Deloitte found real benefits from scale, and what killed the deal was not the business case. It was that no governance model or incentive framework existed to deliver the benefits. That is partly a regulatory design failure, and MBIE can fix it by making consolidation and shared services an explicit target of the reform.

Relevant barriers may include the regulatory treatment of establishment and transition costs, inconsistent regulatory status between participants, applicable separation or arm's-length requirements, competition law processes, and uncertainty over how efficiency benefits and costs will be treated. Ownership of a network is a matter of property rights, and it is shareholders who should be making decisions on ownership and any paths to scale, not governments or regulators. Addressing these matters directly would enable EDBs to pursue opportunities that deliver value for consumers. Any reform should recognise and build on Electricity Networks Aotearoa's existing programme to promote collaboration among EDBs, rather than duplicate or undermine that industry-led effort.

Efficient network and retail coordination

We support MBIE's objective of clearer, more optimised and more localised EDB price signals.⁶ Cost-reflective network pricing can help reveal where flexible demand, batteries, EV charging and other customer-side technologies can reduce network costs and defer investment. Recent Australian Energy Market Commission work provides a useful reference point for moving towards clearer, more dynamic and more localised network pricing that rewards consumers for using the network more efficiently.⁷

However, network pricing reform will only deliver its full value if it is supported by whole-system coordination. Retailers need the capability and incentive to ingest EDB price signals and turn them into compelling retail products that give consumers genuine choice over whether, and how, they respond to network and wholesale market signals. Advanced network pricing, retail innovation and smart-device orchestration should work together to support efficient network use, better investment decisions and lower long-term costs for consumers.

⁶ MBIE, 19 August 2026, *Discussion document: Improving the efficiency of electricity distribution businesses*, p.12.

⁷ Australian Energy Market Commission, 18 June 2026, *The pricing review: Electricity pricing for a consumer-driven future — Final report*, see [link](#).

Closing comments

We welcome the opportunity to contribute to this review. The next phase should develop a coherent and enduring framework built on a common regulatory foundation, proportionate intervention, credible evidence and tailored treatment where it can deliver better outcomes for consumers.

We look forward to working constructively with MBIE as it considers its potential policy responses and design choices are developed further.

Ngā mihi nui,



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Appendix A: Alignment with options in the discussion document

This appendix identifies the options that align most directly with the common positions expressed in this submission. It is intended as a concise reference only; the support recorded below remains subject to the design principles and qualifications in the body of the submission.

MBIE option	Joint position	Key qualification
Option 1A: Remove the prohibition on comparative benchmarking and require the Commission to periodically publish accessible conclusions on EDB performance	Support	Support benchmarking in principle, with robust normalisation, transparent methods and regulatory judgement.
Option 2A: Provide the Commission with a greater range of tools to apply to all EDBs	Partial / qualified support	Support flexibility in regulatory periods. Further problem definition and evidence are needed before ringfencing or other additional tools are enabled.
More flexibility to set the length of regulatory periods	Support	A six-year period may improve predictability for major investment, with safeguards for material change.
Financial ringfencing rules	Support the objective; targeted disclosure should be tested first	Define the problem, scope and evidence first, and test whether targeted disclosure and existing safeguards can address any material gap before enabling stronger intervention.
Option 2B: Changing how further regulation is applied to consumer-owned EDBs	Support the universal-regulation approach	Support the sub-option 'Apply price-quality regulation to all EDBs', rather than relying on case-by-case removal of exemptions. Ownership differences should be addressed through proportionate implementation and transition arrangements.
Option 2C: Introduce individualised price-quality paths for EDBs	Support	Develop an enduring IPP pathway for larger or more complex EDBs, with objective eligibility and process criteria.