

30 September 2026

Electrify NZ team
Ministry of Business, Innovation and Employment
By email: ElectrifyNZ@mbie.govt.nz

Tēnā koutou,

Regulatory intervention to deliver for customers

Powerco welcomes the opportunity to provide feedback to the Ministry of Business, Innovation & Employment (**Ministry**)'s discussion document about options to improve the efficiency of electricity distribution businesses (**EDBs**).

Powerco supplies electricity to around 390,000 connections and gas to around 111,000 connections across urban and rural North Island communities, and we are a non-exempt electricity distribution business (**EDB**) regulated under Part 4 of the Commerce Act 1986. This submission builds on our letter to the Minister for Energy of 30 January 2026¹, and should be read alongside it.

In December 2024, Powerco signed the Energy Transition Framework alongside other energy industry participants, providers, independent representatives, with relevant government agencies as observers. The Framework commits its signatories to a transition that is affordable, secure and timely, and records a shared priority that network regulation results in efficient prices², pursued through no regrets action taken now rather than deferred³. The government programme of work outlined in the Ministry's discussion document aligns with the framework and would facilitate results on those broad commitments.

Our support for regulatory intervention is conditional on whether the problem is evidenced, whether the harm to consumers is quantified, and whether the response is proportionate to it. Where a measure meets those tests, we support it, including where it applies new or tighter obligations to Powerco itself. We do not think Powerco should be treated differently from any other EDB.

We fully support the joint submission from the six largest price-quality regulated EDBs, serving over 70% of Aotearoa's electricity consumers – to which we are also a signatory.

¹ [Powerco letter to Minister for energy, EDB collaboration and efficiency, 30 January 2026](#)

² [Energy Transition Framework](#), December 2024. Objectives – Affordability, and Priority Theme – Ensure electricity is affordable.

³ Energy Transition Framework, above n2, Principles for Engaging Together - Action orientated.

Our summary observations are:

Extend price-quality regulation (PQ) to all EDBs, then efficiency incentives will apply

- Give currently exempt EDBs three years to prepare, with price-quality regulation having effect from DPP5.
 - Administration cost of extending regulations is low given the mature information disclosure (ID) regime.
 - Efficiency and collaboration incentives can be applied once all EDBs are subject to Price-Quality regulation and will deliver better outcomes for customers than asking for collaboration.
 - Regulatory settings should prioritise outcomes, not standardisation and collaboration as ends in themselves.
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Apply the same rules regardless of ownership

- Two customers on comparable networks should not receive different regulatory protection because of who owns their EDB. This can result in postcode lottery.
 - Ownership-based exceptions to price-quality regulation, statutory objectives or tax treatment risk distorting efficiency incentives.
 - We support Options 3A, 3B and 3C, and recommend it applies to all EDBs, not only consumer owned EDBs.
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Introduce individual price-quality paths

- Individual price-quality paths (IPPs) should apply from the outset to the four largest EDBs, Orion, Powerco, Wellington Electricity and Vector, whose scale and investment programmes already justify the same tailored treatment Transpower has operated under since Part 4 began.
- Any further EDB should move to an IPP only where the Commission identifies a clear case for it, not through an automatic trigger unrelated to that EDB's circumstances.

Sections 1 to 5 attached set out the reasoning for our observations outlined above. Section 6 answers the discussion document's questions, organised under the same headings as the discussion document.

We would welcome the opportunity to discuss any of these points further. Our submission does not contain any confidential information and may be published in full. If you have any questions or would like to talk further on the points we have raised, please contact Emma Wilson (Emma.Wilson@powerco.co.nz).

Nāku noa, nā,



Jason Franklin

Chief Executive

POWERCO



Options to improve efficiency of electricity distribution businesses

Submission to Ministry of Business
Innovation & Employment

30 September 2026



Contents

1.	Executive summary.....	3
2.	A least-cost, secure and affordable transition depends on consistent, proportionate regulation	4
3.	Collaboration and standardisation will result from aligned incentives, not direction	6
4.	Comparative benchmarking and independent verification should extend to all EDBs	9
5.	Governance measures should apply on the same basis to every EDB, regardless of ownership	10
6.	Consultation question responses	12

1. Executive summary

1. New Zealand's electricity distribution businesses face a genuine tension, the transition needs more capital invested sooner, and consumers need that investment to come at the lowest sustainable cost. The discussion document proposes to resolve that tension mainly through collaboration and standardisation, with targeted extensions to economic regulation and governance. We support the direction but recommend going further in certain areas to improve industry structure and consumer protections faster and more consistently. Our comments are about sequencing, proportion, and additional measures to supplement the work programme. This submission builds on our letter to the Minister for Energy of 30 January 2026¹, and should be read alongside it.
2. Where evidence supports it, regulation is the appropriate mechanism for a transition that is affordable, secure and timely, consistent with the Energy Transition Framework priorities. We agree that a least-cost transition is unlikely to lower consumer prices in the short term². It is nonetheless important to discipline investment and put downward pressure on EDB prices in the longer term.

Consistent regulation, not more direction to collaborate, would produce the scale benefit the government is seeking

3. Directing collaboration between 27 differently owned EDBs is slow and, on the evidence, ineffective and costly. Consistent PQ regulation applied to all EDBs, with comparative benchmarking, gives EDBs the incentive to find efficiencies without relying on 27 boards agreeing to cooperate.
4. We believe the government should rely on aligned incentives, rather than direction or guidance to get the scale of benefits sought from collaboration and standardisation.

Individual PQ paths are a next step for non-exempt EDBs

5. We support Option 2C applying from the outset to the four largest EDBs, Orion, Powerco, Wellington Electricity and Vector, whose scale, investment programmes and existing regulatory scrutiny already meet the evidence the Commission would otherwise need to establish case by case. However, there should be a pathway for the Commission to extend IPPs to other EDBs where the Commission identifies a clear case for it. Establishing an individual price-quality path takes as much work as a customised PQ path but becomes progressively less demanding for both the Commission and the EDB once the models and processes are established.

¹ [Powerco letter to Minister for energy, EDB collaboration and efficiency, 30 January 2026](#)

² Ministry for Business, Innovation & Employment, Discussion document for the electricity distribution businesses, August 2026, page 7

2. A least-cost, secure and affordable transition depends on consistent, proportionate regulation

We support regulatory intervention that is evidenced, quantified and proportionate, including where it applies to Powerco

6. The Energy Transition Framework is an important reference for proposed reform. Its signatories committed to an affordable transition in which “network regulation results in efficient prices”³. In order to achieve this, consistent, proportionate regulation is required to ensure EDBs deliver monopoly lines services in the form that customers want, as efficiently as possible.
7. Powerco supports regulatory intervention where there is clear evidence of a problem, where the resulting customer harm has been demonstrated and quantified, and where the regulatory response is proportionate to that harm.
8. In our view, proportionality relates to the design of the regulatory framework. The historical exemptions from PQ regulation for consumer owned distributors were based on the view that those businesses have limited incentives to extract monopoly rents. However, the question this paper is seeking is whether all EDBs face sufficient incentives to operate efficiently and deliver ongoing benefits to consumers. We are of the strong view that some form of PQ regulation remains justified as ownership does not create the right incentives to find efficiencies, and it’s a question of how that regulation can be applied proportionately.
9. In our view proportionality is achieved through more tailored regulatory settings, that applies IPPs for the largest networks, and a lighter-handed DPP for smaller distributors that draws from existing information disclosures and an appropriate transition period to allow businesses time to adapt to the new regime.

Extending price-quality regulation to all EDBs is a low-cost change with clear benefits

10. Given the above, we support the stronger of the two approaches described under Option 2B: applying default price-quality path regulation to all EDBs, rather than only removing the consumer-petition requirement. The original policy rationale for exempting consumer-owned EDBs assumed that ownership by consumers gives the same discipline that PQ regulation provides directly⁴.
11. Our view is that while ownership by consumers is a safeguard against EDBs exploiting their monopoly power to extract rents from consumers however, it does not provide the same incentive to reduce costs through efficiency or collaboration or maintain service quality levels that price-quality regulation does. Michael Pollitt’s independent report for the Commerce Commission reaches the same conclusion, it is the pressure of incentive-based price control regulation, not ownership structure, that pushes smaller companies to find rationalisation and efficiency savings.

³ [Energy Transition Framework](#), December 2024, Objectives – Affordability.

⁴ “The case for economic regulation is relatively weak where the customers are the owners of the firm”, Explanatory Note, Commerce Amendment Bill 2008, as cited in Powerco’s [letter to the Minister for Energy](#) of 30 January 2026.

12. The energy system has evolved in ways that were not anticipated when Part 4 was introduced. The capability, types of investment, and options for services to customers are quite different now than they were in 2008, and will change even more in the next decade. For example, through DSO services discussed in section 3. This provides new rationale for consistent price-quality regulation across all EDBs.
13. We caution lifting and shifting regulatory tools from the water sector, as they are in quite a different place compared to EDBs. The range of tools in Option 2A for types of regulatory treatment, are appropriate in the water sector, as described in the discussion document, as that sector is newly regulated and does not have the history of information disclosure, performance data, and customer prices that the electricity distribution sector does. We do not see a “threat of increased regulatory intervention” incentivising efficiency for electricity distribution businesses. This threat, and time lag to implement any subsequent regulatory tools, will delay action in EDB efficiency, when the discussion document provides evidence that action is warranted now.
14. The preferred approach to remove the consumer-petition requirement and enable the Commission to recommend case by case whether an exempt EDB should move to PQ regulation, rather than applying it to all EDBs by default, will keep regulation targeted rather than to increase it overall. However, a case-by-case regime for price-quality regulation would require substantial work from the Commission and is likely to reach only the clearest cases well before it reaches the sector-wide effect the Government's own evidence points to and the outcome the Government is seeking.
15. We recommend giving currently exempt EDBs three years to prepare, with price-quality regulation applying to all EDBs from DPP5 onwards. The Commission has a number of steps leading up to the commencement of DPP5. Alongside this, all EDBs will need to prepare key information and meet certain requirements. A clear programme of milestones and activities will assist all EDBs to engage with the process during the three-year preparatory period.
16. Lastly, we do not think the costs to extend PQ regulation to all EDBs will outweigh the benefits. The Commission's models and methods already exist, and exempt EDBs already disclose information in a compatible format, so the administrative cost of extending the regime is low relative to standing up a new regulatory regime. Any assessment of costs should also weigh the cost of inaction.
17. The change can be given effect to through the legislative drafting set out in our 30 January 2026 letter to the Minister for Energy, which repeals section 54G and section 53P(10) of the Commerce Act⁵.

Individual price-quality paths are a consistent step in extending price-quality regulation

18. The discussion document sets out two ways Option 2C could transition EDBs, including Powerco, to an IPP⁶. One would move an EDB onto an IPP automatically, based on connection numbers. The other, which the discussion document names as its preferred approach, would have “the Commission recommending an EDB move to an individual PQ path if it considered this would better promote the long-term benefit of consumers.” For the four largest EDBs, Orion, Powerco, Wellington Electricity and Vector, both variants point to the same outcome. Their scale, investment programmes and network complexity already provide the evidence a case-by-

⁵ Drafting in our letter to Minister for Energy (above n1) was prepared by Powerco legal advisers.

⁶ Discussion document, above n2, Option 2C: “Introduce individualised price-quality paths for EDBs”.

case assessment would otherwise need to establish, and the discussion document itself names them as within scope. We support Option 2C moving these four EDBs onto individual price-quality paths from the outset.

19. For any other EDB, the case is different. A remedy should be proportionate to an evidenced problem, and a move to an IPP should follow the Commission's own assessment that a clear case exists for that EDB, not an automatic trigger unrelated to its circumstances.

3. Collaboration and standardisation will result from aligned incentives, not direction

20. As we noted in our response to the letter to the Minister for Energy of 30 January 2026⁷, voluntary collaboration between differently owned EDBs is fragile without a shared regulatory incentive.
21. New Zealand's history with EDB-to-EDB collaboration illustrates the pattern. The Network Waitaki and Alpine Energy joint management company, formed in 2000, was wound up in 2005 once the parties' shareholder returns diverged. The OtagoNet joint venture between Electricity Invercargill, The Power Company and Marlborough Lines, formed in 2002, ended in 2014 over disputed management control. Most recently, Alpine Energy and Aurora Energy entered a Heads of Agreement in December 2025 to integrate their operations and established a joint steering group to report by mid-2026. In May 2026 the two companies abandoned the plan, concluding that the model "won't deliver sufficiently compelling long-term consumer benefits to justify the cost, complexity and risk involved"⁸. In each case, the arrangement was voluntary, not backed by a shared regulatory incentive, and it ended once the parties judged the benefit not worth the cost and complexity.
22. On the other hand, consolidation where owners choose it, has produced enduring benefit. Powerco's history of managed consolidation shows a contrasting case to voluntary collaboration. Between 1992 and 2005 Powerco grew through acquisition and reduced operating costs per kilowatt hour by roughly double the rate achieved by the trust-owned remainder of the industry over the same period⁹. Our current work on the Firstlight acquisition has identified further savings in corporate overheads, insurance, IT and asset management. Unlike shared-services arrangements, consolidation of ownership locks the benefit in, because investment decisions and their consequences sit with a single owner rather than being negotiated between several. While Clarus found efficiencies running Firstlight under a shared service agreement, we have identified further synergies by fully integrating it into Powerco operations.
23. While voluntary collaborations between EDBs have delivered short term benefits before being unwound, acquisitions have endured. Aurora Energy's 1999 acquisition of Central Electric, Vector's 2002 takeover of United Networks, Unison Networks' 2002 acquisition of the Taupō and Rotorua networks, and The Power Company Limited's 2024 consolidation of OtagoNet through PowerNet are, along with Powerco's own history above, still delivering scale economies for consumers today.

⁷ [Powerco letter to Minister for energy, EDB collaboration and efficiency, 30 January 2026](#)

⁸ "Alpine, Aurora drop integration plans", Energy News (18 May 2026), quoting a joint statement by Alpine Energy and Aurora Energy.

⁹ Bertram, G. and Twaddle, D., "Price-Cost Margins and Profit Rates in New Zealand Electricity Distribution Networks Since 1994: the Cost of Light Handed Regulation", Journal of Regulatory Economics 27 (May 2005) 281-308.

24. As Michael Pollitt's recently released paper on EDB efficiency notes:

It is worth saying that tighter regulation forces smaller companies to seek out rationalisation benefits. The mergers of GB firms were definitely encouraged by the pressure to cut costs and find efficiency savings, under incentive-based price control regulation. This has been a major driver across Northern Europe in reducing the number of firms over time.¹⁰

25. Telling EDBs to collaborate and standardise where no incentive exists to do so will not work. While we support the standardisation and collaboration already under way, we caution against pursuing collaboration and standardisation as ends in themselves. It should be demonstrably efficient and focused on delivering better customer outcomes. We are increasingly seeing a shift towards prescriptive processes and inputs, when the regulatory focus should remain on incentives and outcomes, as excessive standardisation and prescription will come at the cost of innovation and be costly to implement and comply with.
26. We agree with the discussion document that efficiency and innovation should come from all EDBs, regardless of size¹¹. Collaboration and standardisation between differently owned, differently governed EDBs will follow from aligned incentives, not from direction, and those incentives only apply consistently once all EDBs are price-quality regulated.

Incentives, applied consistently, will do more than direction

27. We do not think it is appropriate for Government to mandate consolidation and we support the Government's decision not to force amalgamation of the 27 EDBs following the Frontier Report¹². Ownership of a network is a matter of property rights, and any EDB should remain free to choose its own owner and its own path to scale, which is why we do not support forced amalgamation.
28. Where we have seen efficiencies and collaboration working to deliver the outcomes this paper is seeking is through the application and use of the incremental rolling incentive scheme (**IRIS**) and the innovation and non-traditional solutions allowance (**INTSA**). Extending price-quality to all EDBs means these incentives can also be applied. Powerco, Unison, Horizon and Vector's joint work with Our Energy on the Localflex flexibility platform, funded through INTSA, shows what an incentive can achieve when EDBs see a tangible benefit in cooperating. The INTSA enabled a significant, collaborative, investment to develop this new initiative. Mainpower remains the only exempt EDB to have joined the LocalFlex innovation initiative.
29. As mentioned above, the logic behind exempting consumer-owned EDBs from price-quality regulation is that they do not need incentives to innovate in their consumer-owners' interests, but experience suggests that orthodox price-quality regulation with explicit incentive mechanisms is more effective.

¹⁰ *Benchmarking and Optimal Scale for Electricity Distribution Boards in New Zealand - A study for the Commerce Commission*, Michael G. Pollitt, 23 July 2025. p.25

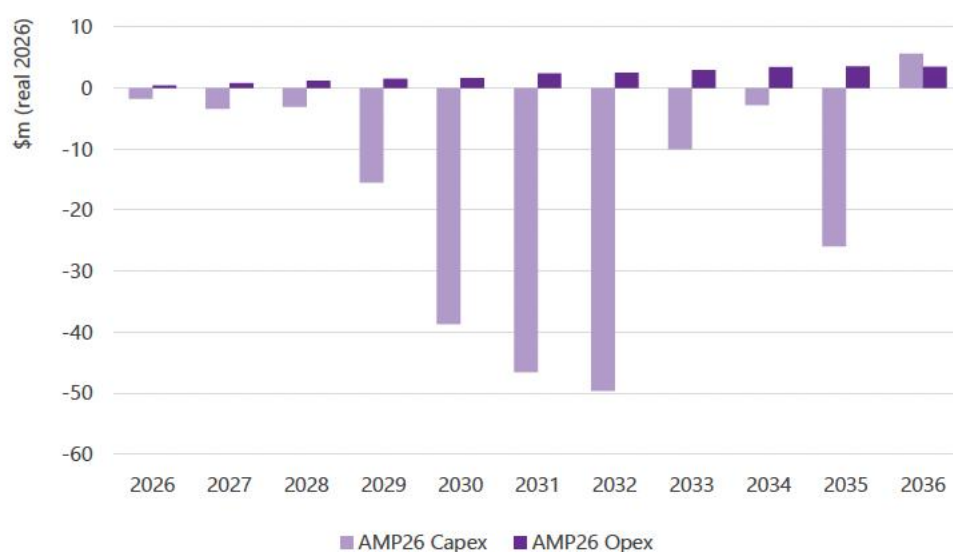
¹¹ Discussion document, above n2, page 12

¹² Frontier Economics, Review of Electricity Market Performance - Final Report to Ministers & MBIE (23 May 2025), section 8.5; and Discussion document, above n2, "We want efficiency and innovation from all EDBs regardless of size".

DSO at scale could compound efficiencies

30. Distribution System Operator capability (**DSO**) is one of the most effective ways of putting downward pressure on prices. We agree that if EDB expenditure is demonstrably efficient, this must include innovation and non-network solutions where this delivers cost-effective outcomes¹³. The Authority has recently released its DSO roadmap which sets expectations for changes so EDBs offer DSO services.
31. Powerco is on a path to become a DSO by 2030. Providing DSO options to our customers is a key measure both for efficiency and in response to an evolving energy system and customers in areas where these services are not available will be left behind. This is the same risk as the postcode lottery argument we raise above in relation to price-quality regulation – we understand the Commission is considering incentives for DSOs,¹⁴ in which the benefits only reach customers evenly if every EDB faces the same incentive to invest in them which can be achieved by extending price-quality regulation to all EDBs.
32. DSO services provide significant opportunity for capex deferral, improved network utilisation, and genuine assessment of least-cost options for network investment, not just traditional network options. Powerco's 2026 Asset Management Plan¹⁵ identifies over \$180m of deferred capex through flexibility.

Figure 3.7: Forecast Capex deferred through flexibility, and associated Opex cost of flexibility procurement



33. Powerco's own DSO programme demonstrates both the efficiency opportunity and the need for scale. DSO capability is not a single system; it is a suite of interdependent capabilities including LV visibility, advanced demand forecasting, flexibility procurement, dynamic network operations and customer-facing information. Powerco has invested in these capabilities through arrangements with specialist providers, including Gridsight for LV analytics, Sovereign Systems for AI/ML demand forecasting, GridX for short-term granular demand forecasting and scenario analysis, and Our Energy for the Localflex flexibility market platform. These capabilities

¹³ Discussion document, above n2, page 7.

¹⁴ Commerce Commission, *Open letter – Local lines networks: achieving better outcomes for consumers now and in the future*, 10 September 2026

¹⁵ Powerco [Electricity Asset Management Plan 2026](#), Section 3.3.2, page 27

support efficiency by improving visibility of network constraints, enabling faster and better targeted connections, improving forecasting and operational decisions, identifying voltage and asset issues earlier, and procuring flexibility where it can defer or avoid traditional reinforcement.

34. These capabilities are data- technology- and procurement-intensive, with the per-ICP cost likely to be justified by larger EDBs only. Once established, many can be extended to additional customers, regions or acquired networks at materially lower incremental cost than the standalone cost faced by a smaller EDB procuring or developing equivalent capability independently. This is particularly so where commercial arrangements with third-party providers preserve access to favourable pricing, functionality or onboarding terms for later deployments.
35. Consolidation can therefore turn DSO capabilities that may be uneconomic at sub-scale into shared capability available at lower incremental cost, helping deliver the efficiency objective the discussion document seeks from collaboration and standardisation.

4. Comparative benchmarking and independent verification should extend to all EDBs

We support removing the prohibition on comparative benchmarking

36. We support Option 1A. Comparative benchmarking is used by similar regulators overseas, and its absence in New Zealand since 2008 has limited the Commission's ability to act on relative performance it can already observe through information disclosure and in setting Customised Price Paths. Requiring the Commission to publish accessible conclusions on EDB performance would also enable EDBs, customers and other stakeholders to draw the same conclusions the Commission already can.
37. In addition to the above, comparative benchmarking under Option 2A should extend to price setting, not only to monitoring under Option 1A. Section 53P(10) currently prevents the Commission from using benchmarking to set starting prices, rates of change or quality standards. Removing it would let the Commission set revenues that reflect efficient costs across all EDBs, rather than each EDB's own revealed costs in isolation, and treat trust-owned EDBs that pay consumer discounts consistently with those that do not.
38. However, benchmarking needs to be used alongside other tools and should inform the Commission's judgement on price setting rather than completely replacing current practice. This is consistent with the UK Independent Water Commission's finding that industry-wide econometric benchmarking works best alongside a company-specific supervisory function, not in place of one. Used this way, benchmarking should be one input among several the Commission already uses¹⁶.

We support expanding the Commission's information gathering and verification powers

39. We support Option 1B, including the proposal that the Commission can require independent assurance of disclosed information.

¹⁶ Independent Water Commission, [Final report, 21 July 2025](#)

40. Separate to Powerco's role as an EDB, we are engaged in some non-regulated activities. We accept that disclosure about non-regulated activities is appropriate to the extent that this can satisfy a concern that such activities may be impacting regulated services, and provide comfort that statutory financial principles are being achieved.

The length of regulatory periods must balance need for stability and change

41. We would support longer regulatory periods in electricity distribution to provide stability and confidence for the significant investment programmes EDBs need to commit to for the transition. It seems unlikely that a 3 year regulatory period would be justified with the current performance of EDBs, but a 4 year term could be an option if there is a particular period of uncertainty, as occurred for the gas DPP4 period.
42. We recommend enabling the Commission to set regulatory periods between 4 to 7 years, compared to the current 4 or 5 years. A six-year period would sit comfortably within that range, and is our recommendation for a standard regulatory period for electricity.
43. We agree that the regime needs to provide both certainty for long-term investment along with more flexibility to support investments in the coming decades on electrification and resilience¹⁷. The balance between these considerations may be shifting to a need for greater flexibility. In our view, existing uncertainty measures provide the tools needed to respond to future changes within the regulatory regime. For example, through re-openers or INTSA.

5. Governance measures should apply on the same basis to every EDB, regardless of ownership

Same rules, regardless of ownership, protect customers from a postcode lottery

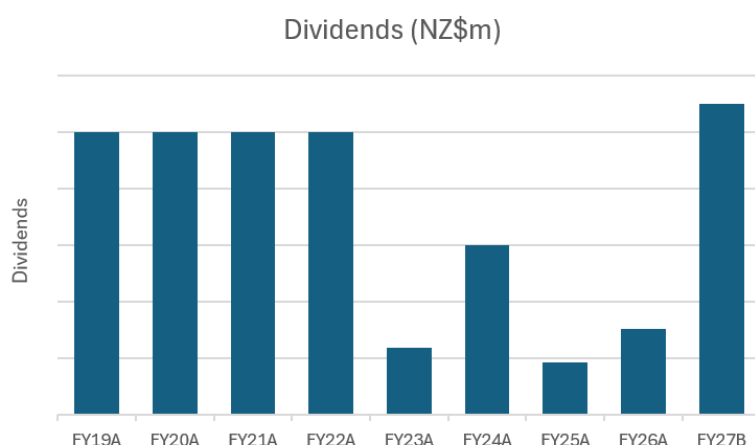
44. The current settings tie a customer's regulatory protection to who owns their network, not to the service they receive. Two customers connected to comparably sized, comparably risky networks can face different regulatory protection and oversight depending on whether their local network happens to be owned by a trust, a council or a company. That is a postcode lottery as the customer cannot choose.
45. Ownership-based exceptions also invite distortion. Where a regulatory obligation turns on who owns an EDB rather than on the risk to consumers, ownership structure becomes a way to reduce that obligation rather than a genuine difference in the interests being protected. EDBs providing the same regulated service should face the same price-quality regulation, the same governance and objective-setting requirements, and the same scrutiny of ownership and dividends, regardless of who owns them. Ownership already produces differences in tax treatment between EDBs serving comparably situated customers. This is a further asymmetry which we recommend the Government consider on the same basis.
46. Given the above, we support Option 3A, and recommend the more focused objective apply to every EDB, not only to consumer-owned EDBs. The current "successful business" objective in the Energy Companies Act

¹⁷ Discussion document, above n2, page 21

predates the scale of investment and innovation now expected of EDBs. A more focused objective, covering efficient investment, network reliability and resilience, is a reasonable expectation of any EDB providing a regulated service, regardless of who owns it. Implementation of this through provisions in the Electricity Industry Act applying to all EDBs is the most appropriate option.

Ringfencing and dividend principles should follow from price-quality regulation, not stand apart from it

47. Consistent with applying the same rules regardless of ownership, we support Option 3B's proposal to require that revenue from electricity lines services is spent on those services, and to set dividend principles that prioritise delivery of electricity distribution services and consumer outcomes¹⁸.
48. The evidence in the discussion document is that ancillary investment is not currently a systemic problem across the sector. Our recommendation is that these financial principles apply once an EDB becomes subject to price-quality regulation, as the natural counterpart of the revenue limits that regulation already imposes on non-exempt EDBs, rather than as a standalone measure directed at trust ownership regardless of regulatory status. Sequenced that way, the measure follows the same logic as Section 5: it applies once price-quality regulation is in place.
49. An option for dividend restrictions of the kind now used in the water sector is a proportionate response to an expectation that an EDB must be able to sustainably fund its electricity services. Powerco's own experience shows this is achievable without regulatory compulsion. For example, we have reduced dividends to our shareholders several times in recent years to preserve cash for network operations and investment, with a reversion/uplift planned for the current year. The figure below shows the scale of this variance (numbers removed for confidentiality).



50. A dividend restriction under Option 3B could apply where an EDB does not show the same discipline.

Governance capability measures would add value for every EDB

51. We support Option 3C's capability and governance measures. Government-supported director training and periodic independent governance reviews are low cost, improve decision making, and are as useful to a

¹⁸ Discussion document, above n2, Option 3B: "Greater monitoring and regulation of ancillary investments".

company-owned EDB's board as to a trust-owned one. As an example, Electricity Networks Aotearoa runs an EDB Governance Induction programme for directors operating within New Zealand's electricity lines sector which is attended by Directors of all EDBs, regardless of ownership.

Ownership reviews should inform owners, not substitute for evidence of consumer harm

52. We support Option 3D's proposal for structured, periodic, independent reviews of trust ownership arrangements. This is the one measure in this section that we think should stay targeted at trust-owned EDBs rather than apply to all. Trust beneficiaries do not have the direct capital-allocation discipline that shareholders already exercise over a company-owned EDB, and a periodic review addresses that specific gap. We recommend the review findings be a matter for the owners and, where relevant, the Commission's ordinary regulatory tools to act on, rather than triggering automatic intervention. That keeps the measure proportionate to the harm it addresses.
53. Alongside a periodic review, and other proposed measures for all EDBs that support performance assessment (eg comparative benchmarking), we recommend the Ministry further consider ensuring EDB owners have viable options to implement the findings of these reviews. For example measures that: ensure existing owners can continue to invest in and support local communities; allow recovery of transaction costs; and allowed potential new owners to realise efficiency benefits over a longer period of time; would all be valuable market incentives.

6. Consultation question responses

54. This section comments on the consultation questions, organised under the same headings as the discussion document.

Question	Powerco's response
Collaboration and standardisation	
Q1. How could regulatory settings be improved to better support or incentivise standardisation and collaboration, where this improves efficiency and service outcomes?	Incentives will do more than direction to standardise and/or collaborate. Extend the incremental rolling incentive scheme and the innovation and non-traditional solutions allowance to all EDBs once all EDBs are price-quality regulated, rather than relying on voluntary standardisation alone. Refer our comments in sections 2, 3 and 4 above.
Q2. What barriers are there to standardisation and collaboration between EDBs? If so, what Government action (if any) would help address these?	Lack of incentives on exempt EDBs. Price quality regulation of all EDBs would address this distortion. This ensures efficient standardisation and collaboration occur, it shouldn't be standardisation and collaboration at all costs. Refer our comments in section 3 above.
Q3. What do you consider to be the likely scale of benefits from encouraging greater standardisation and collaboration between EDBs?	Standardisation and collaboration can deliver useful benefits, particularly in customer facing aspects of connection processes and network visibility, and new areas of business providing opportunity to develop shared innovation such as approaches to non-network solutions. However, the likely scale of benefit from merely encouraging collaboration is limited unless all EDBs face aligned efficiency incentives. The history of voluntary

Question	Powerco's response
	EDB collaboration shows that arrangements are fragile where ownership, governance and shareholder incentives diverge. The larger and more durable efficiency gains are more likely to come from consistent price-quality regulation, comparative benchmarking, and access to incentives such as IRIS and INTSA across all EDBs. Refer our comments in sections 3, 4, and 5 above.
Monitoring performance	
Q4. Does this chapter accurately describe the current situation?	Broadly, yes. The chapter correctly identifies that current monitoring settings limit the Commission's ability to draw and publish clear conclusions on relative EDB performance. Information disclosure already provides a substantial evidence base, but the current restriction on comparative benchmarking limits how effectively that information can be used. The chapter should also recognise that monitoring should apply consistently across all EDBs, because customers should not receive different levels of regulatory scrutiny depending on ownership type.
Q5. Do you support the options outlined in this chapter? Please give reasons.	We support Option 1A (benchmarking). This should extend to price setting as well as monitoring, which is why we also recommend repealing section 53P(10) under Part 4. We support Option 1B (information gathering and independent assurance). Refer our comments in section 4 above.
Q6. What do you consider to be the costs, benefits, or unintended consequences of these options?	The benefits of Options 1A and 1B are likely to outweigh the costs. Comparative benchmarking, informing price setting, would give the Commission, EDBs and consumers a clearer view of relative performance and would strengthen incentives for efficient expenditure and service outcomes. Independent verification would improve confidence in disclosed information. The costs should be manageable because EDBs already provide information disclosure data and the Commission already uses similar analysis in other contexts. The main unintended consequence to avoid is poorly contextualised benchmarking, which could penalise efficient differences caused by network geography, customer density, resilience requirements or investment timing. This can be managed through transparent methodology and appropriate adjustment for material differences between networks. Refer our comments in section 4 above.
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.	Yes. Comparative benchmarking should extend beyond monitoring and be available to inform the Commission when setting default price-quality paths. This would require repeal of section 53P(10) of the Commerce Act. Using benchmarking only for monitoring would identify relative performance but not fully translate that evidence into price-quality settings. Refer our comments in section 4 above.
Responsive regulation under Part 4	
Q8. Does this chapter accurately describe the current situation?	Broadly, yes. New Zealand's electricity distribution businesses face a genuine tension: the transition requires more capital investment sooner, while consumers need that investment delivered at the lowest sustainable cost. The current Part 4 regime already provides important tools for balancing certainty and flexibility, including reopeners, CPPs and innovation allowances. However, the chapter should recognise that some

Question	Powerco's response
Q9. Do you support the options outlined in this chapter? Please give reasons.	issues, such as WACC volatility, are better addressed directly rather than indirectly through shorter regulatory periods or more intrusive regulation. Option 2A (Commission tools): We support this option once an EDB is subject to price-quality regulation. These tools are the counterpart of the revenue limits that regulation already imposes on non-exempt EDBs, not a standalone measure. Refer section 4 above for further comments on our reasoning. Option 2B (price-quality regulation): We prefer the second approach: apply default price-quality path regulation to all EDBs, rather than only removing the consumer-petition requirement. The administrative cost is low and the current exemption only reflects the public harm of rent-seeking rather than efficiency incentives. Refer section 2 above for further comments on our reasoning. Option 2C (individual price path): We support individual price-quality paths applying from the outset to the four largest EDBs, Orion, Powerco, Wellington Electricity and Vector, whose scale and complexity already meet the evidence the discussion document's preferred approach would otherwise require case by case. Any other EDB should move to an individual price-quality path only where the Commission identifies a clear case for it, not through an automatic trigger by size alone. Refer section 2 above for further comments on our reasoning.
Q10. What do you consider to be the costs, benefits, or unintended consequences of these options?	The main benefit of the options is that they would strengthen price-quality regulation as the primary mechanism for delivering efficient expenditure, appropriate quality standards and long-term consumer benefits. Extending price-quality regulation to all EDBs would remove the current ownership-based gap in consumer protection and would align incentives across the sector. That should support more durable efficiency gains than relying on voluntary collaboration alone. The cost of Option 2B should be low because the Commission's price-quality framework already exists and exempt EDBs already provide information disclosure data in a compatible format. The main implementation cost would fall on currently exempt EDBs preparing for DPP regulation, which is why we recommend a clear three-year transition ahead of DPP5. For Option 2C, the benefit of individual price-quality paths is greater scrutiny of the largest EDBs' cost bases and investment plans, delivered through the same process now used for CPPs, and the one Transpower has used since Part 4 price-quality regulation began. The cost is higher than a default path the first time an EDB goes through the process, but falls in later regulatory periods once the models and processes are established. For the four largest EDBs, that evidence already exists, so they can move onto an individual price-quality path from the outset. Any other EDB should do so only once the Commission identifies a clear case, tied to evidence that it would better promote the long-term benefit of consumers. The key risk of unintended consequences is regulatory complexity that increases cost without clear consumer benefit. Shorter regulatory periods or more intrusive tools could reduce investment certainty at the very time

Question	Powerco's response
	EDBs need to commit to electrification and resilience investment. Where the concern is price shock from WACC volatility, that should be addressed directly through a trailing average WACC methodology rather than indirectly through shorter reset periods. Refer our further comments in section 2 above.
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.	Base year verification We raised base year revenue verification in our 30 January 2026 letter to the Minister for Energy, as an intermediate means of establishing a verified cost base for an EDB before it moves onto an individual price-quality path. That option remains available to the Commission for any EDB following the case-by-case pathway under Option 2C, alongside the other criteria in that pathway, such as network complexity, growth pressure or investment need. Acquisition-related reopener Another option would be to introduce a specific acquisition-related reopener for CPPs and individual price-quality paths, available where the Commission is satisfied that the acquisition is expected to promote the long-term benefit of consumers. Where an EDB acquires another network, the Commission should be able to reopen the relevant price-quality path to recognise the changed network, efficient integration costs, revised investment requirements and forecast synergies. This would avoid an acquisition being inefficiently constrained by a price path set for a materially different business. The reopener should allow the Commission to set a transition path that shares synergies with consumers over time while allowing the acquiring EDB to retain a proportion of the efficiency benefit for long enough to justify the acquisition and integration risk. That would create a stronger incentive for larger EDBs to pursue efficient, voluntary consolidation, without mandating amalgamation or weakening consumer protection. This change would complement, rather than replace, CPPs, IPPs, IRIS and existing uncertainty mechanisms. It would make the Part 4 regime more responsive to structural efficiency opportunities, particularly where scale enables lower-cost access to systems, analytics, procurement arrangements, DSO capabilities and shared corporate functions that would be uneconomic for a smaller EDB to develop alone.
Governance	
Q12. Does this chapter accurately describe the current situation?	Broadly, yes. The chapter accurately identifies that current governance settings vary by ownership type, and that this can affect the objectives, financial discipline and oversight applying to different EDBs. We agree that governance settings should support efficient investment, reliable and resilient networks, and consumer outcomes, for all EDBs. The chapter does not however, explicitly recognise that the level of regulatory protection customers receive is currently directly related to EDB ownership.

Question	Powerco's response
	The chapter proposes some measures specifically in response to a trust-ownership issue, however those governance obligations are relevant to all EDBs providing the same regulated service.
Q13. Do you support the options outlined in this chapter? Please give reasons.	Option 3A (more focused objectives): We support this option, and it should apply to every EDB, not only consumer-owned ones. Ownership should not determine a customer's regulatory protection. Refer our comments in section 5 above.
	Option 3B (ringfencing of regulated revenue and restricting dividends): We support this option, sequenced to apply once an EDB becomes subject to price-quality regulation. Refer our comments in section 5 above.
	Option 3C (support governance capability): We support this option. These are low cost and improve decision making regardless of an EDB's regulatory status. Refer our comments in section 5 above.
	Option 3D (periodic ownership reviews of trust owned EDBs): We support this option, provided the findings inform owners and the Commission's ordinary tools rather than triggering automatic intervention. Refer our comments in section 5 above.
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 and partially consumer owned EDBs? Please give reasons.	Option 3A, 3B and 3C should apply to all EDBs. Option 3D should apply to trust-owned EDBs only, whether they are wholly or partially consumer-owned. We have set out our reasoning in section 5 above.
Q15. What do you consider to be the costs, benefits, or unintended consequences of these options?	The main benefit is stronger and more consistent governance discipline across EDBs, supporting efficient investment, reliable and resilient networks, and better consumer outcomes. Options 3A, 3B and 3C should be relatively low cost if applied consistently to all EDBs and sequenced with price-quality regulation. Governance capability measures, in particular, should improve decision making without imposing significant compliance cost. Ringfencing and dividend principles are justified where they ensure regulated revenue is used for delivery of electricity distribution services, but they should not be applied as a standalone ownership-based intervention ahead of price-quality regulation. The main risk is unintended distortion if the measures apply only to consumer-owned EDBs. That would reinforce the current postcode lottery by tying customer protection to ownership rather than the regulated service provided. It could also create incentives to structure ownership or investment decisions to avoid obligations, rather than to achieve efficient consumer outcomes. Option 3D is the exception: periodic ownership reviews should remain targeted at trust-owned EDBs, because they address a specific governance gap, but the findings should inform owners and ordinary regulatory tools rather than trigger automatic intervention. Refer our further comments in section 5 above.

Question	Powerco's response
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.	Yes, we have commented in section 5 that additional measures to incentivise a considered review of ownership options should be included in this package of governance measures. As noted in response to Q11, an acquisition-related CPP/IPP reopener would also support ownership reviews by giving owners and potential acquirers a clearer regulatory pathway for voluntary consolidation where it can deliver long-term consumer benefits. This would allow the Commission to recognise efficient integration costs and set a longer synergy-sharing path, while ensuring consumers receive the benefit of efficiencies over time.
Technical amendments	
Q17. Do you support the options outlined in this chapter? Please give reasons.	We support the technical amendments. These changes will confirm existing practice, expectation and/or streamline options (in the case of CPP).
Q18. What do you consider to be the costs, benefits, or unintended consequences of these options?	The changes will have minimal cost/benefit implication, but potentially lower some cost in improving legislation clarity.

