



Discussion document for the electricity distribution businesses



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

New Zealand Government
Te Kāwanatanga o Aotearoa



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Ministry of Business, Innovation and Employment (MBIE) **Hīkina Whakatutuki – Lifting to make successful**

MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

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Information, examples and answers to your questions about the topics covered here can be found on our website: www.mbie.govt.nz or by calling us free on: 0800 20 90 20.

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Ministers' Foreword

The Government is committed to growing the economy, reducing emissions, and strengthening energy security. The performance of New Zealand's electricity distribution sector is critical to our energy system and wider economy.

Electricity distribution businesses (**EDBs**) play a vital role in the electricity system by delivering power from the national grid to our homes and businesses. Looking ahead, EDBs are expected to spend more than \$32 billion over the next 10 years to meet growing demand, replace ageing equipment, and make networks more reliable.

Power prices have been a significant contributor to cost-of-living pressures recently. Distribution charges currently make up around 24.5 per cent of the average power bill. Further, the average New Zealand household has seen an eight per cent increase in its power bill in the last year with network costs driving almost two-thirds of that increase.

The most recent default price-quality path decision in 2024 reflects the challenges the sector faces, as forecast net allowable revenue allowances increased for EDBs by 47 per cent. This reflects the high interest rate and inflation environment that New Zealand faced in 2024, and increasing investment needs.

It is critical that we have a high-performing electricity distribution sector. We want to ensure New Zealanders can benefit from abundant and affordable electricity, while making sure that the networks that power our homes, businesses, and economy are efficient, resilient and equipped to meet New Zealand's future energy needs.

We also need to make sure that distribution businesses get the basics right, innovate and adapt as the system evolves, and explore opportunities for collaboration and standardisation. This paper consults on measures to lift EDBs' performance by:

- encouraging collaboration between EDBs where this drives efficiencies and better prices for consumers,
- introducing a more tailored and targeted approach to economic regulation for EDBs, and
- strengthening governance arrangements of consumer-owned EDBs.

We would value your feedback on the proposals in this paper. This will help us shape regulatory settings for the electricity distribution sector that is fit for the challenges of the future.



Hon Simeon Brown
Minister for Energy



Hon Cameron Brewer
Minister of Commerce and Consumer Affairs



Executive Summary

New Zealand's electricity distribution networks are entering a period of significant change. Electricity demand is projected to increase significantly by 2050 as the economy electrifies, and EDBs forecast more than \$32 billion of capital and operating expenditure over the next decade to maintain, expand, and modernise their networks. These costs are ultimately recovered from consumers through electricity bills, making efficient investment and operation especially important.

The challenge is to ensure the substantial investment needed to support electrification is delivered as efficiently as possible. Improving efficiency can help moderate prices, improve consumer outcomes, support innovation, and strengthen New Zealand's economic competitiveness. Even modest efficiency gains could deliver significant long-term benefits for households and businesses.

The Government has initiated a programme of work to improve the efficiency and performance of EDBs. This discussion document focuses on whether legislative changes are needed to provide stronger incentives, more effective regulatory tools, and governance arrangements better suited to the challenges ahead.

We are seeking feedback on three broad areas:

- **Collaboration and standardisation:** Whether there are changes the Government could make to encourage greater collaboration between EDBs and more consistent processes, pricing approaches and customer interfaces. This is intended to help realise efficiencies of scale without requiring structural consolidation.
- **More responsive economic regulation:** Options to strengthen the Commerce Commission's regulatory toolkit, including improved performance monitoring and benchmarking, expanded information-gathering powers, additional regulatory tools between information disclosure and price-quality regulation, more flexible regulatory approaches, and easier pathways for applying stronger regulation where warranted.
- **Stronger governance and accountability:** Options to clarify EDB objectives, improve oversight of non-core investments, strengthen governance capability, and ensure ownership arrangements remain fit for purpose as investment needs and sector complexity increase.

We welcome feedback on these options and any alternative approaches that could help ensure electricity distribution networks are efficient, innovative, and capable of supporting affordable electrification and economic growth over the coming decades.

How to have your say

Submissions process

The Ministry of Business, Innovation and Employment (**MBIE**) is seeking written submissions on the issues raised in this document by 5pm on Wednesday, 7 October 2026.

You can respond to any or all of the issues raised in this document. Where possible, please include evidence to support your views (for example, references to independent research, facts and figures, or relevant examples from your experience).

Preferred method: submission form

We encourage you to use our submission form, available [here](#) and send it to ElectrifyNZ@mbie.govt.nz

This form includes the consultation questions and allows you to respond in short text fields. This helps us analyse feedback consistently.

Alternative method: email submission

If you prefer, you can email a written submission to ElectrifyNZ@mbie.govt.nz. Please include “EDB efficiency consultation” in the subject line, and where possible, reference the question numbers in this document.

Alternative method: mail submission

If you prefer, you can mail your submission to:

Electrify NZ
Building, Resources and Markets
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington 6140
New Zealand

If you have any questions about the submission process, please email us at ElectrifyNZ@mbie.govt.nz.

Use of information

All submissions will be read by MBIE officials. Artificial Intelligence may be used to help summarise submissions and distil key points made across submissions.

The information provided in submissions will be used to inform MBIE’s policy development process and will inform advice to Ministers. We may contact you if we need to clarify any points in your submission.

We may share submissions with other government agencies working on electricity networks or competition issues, including the Commerce Commission and the Electricity Authority, to help develop policy advice.

Release of information

MBIE intends to publish submissions on our website at www.mbie.govt.nz after consultation closes. We may withhold or redact information where there is a proper reason to do so, including to protect personal information or where submitters have identified information they consider should not be publicly disclosed.

Submissions may also be subject to release under the Official Information Act 1982 and requests under the Privacy Act 2020.

Official information

Submissions may be requested under the Official Information Act 1982. If you object to the release of any information in your submission, please clearly identify the information you want to be withheld and provide a version of your submission suitable for publication. Please explain the reasons for withholding and the relevant grounds that may apply under the Official Information Act 1982.

We will take objections into account and where possible will consult with submitters when responding to requests under the Official Information Act 1982.

Private information

The Privacy Act 2020 governs how we manage personal information (for example, its collection, use, holding, and disclosure). Any personal information you provide in a submission will be used to help develop policy advice, to attribute submissions, or to contact you about your submission. We may also use personal information for other reasons permitted under the Privacy Act 2020 (for example, with your consent, or where the law permits it or requires it).

Please clearly indicate in the submission form or the cover letter or email accompanying your submission if you do not want your name or other personal information to be disclosed in the published submission or any other external release.

You have the right to access and correct your personal information, as explained on the MBIE website. If you include another person's personal information in your submission, they also have the right to access and correct their information.

Other information

If there is other information that you would like MBIE to consider but you do not want it publicly disclosed, please explain this clearly in your submission, identify the relevant information and provide a version of your submission suitable for publication.

Introduction

The purpose of this paper

This paper seeks your views on options to improve the performance of EDBs.

Our aim

We want electricity networks to be efficient, innovative, and capable of enabling rapid electrification at least cost to consumers.

How we will achieve this

The Government has a programme of work aimed at improving the efficiency of EDBs. The work programme includes:

- Action by EDBs themselves.
- Action regulators can take under the existing laws.
- Changes to the legislative framework (the various laws that apply to EDBs, which either create direct rules and requirements that EDBs must comply with, or allow regulators to create these). These changes are the focus of this paper. We are exploring changes to:
 - Part 4 of the Commerce Act 1986, and
 - Institutional arrangements for EDBs, including the Energy Companies Act 1992 and the Trusts Act 2019 as it relates to EDBs.

What we want to see

The Government's work programme is designed to deliver:

- **Collaboration and standardisation** – to help achieve scale efficiencies and ensure EDBs and consumers benefit from consistent, predictable rules and processes.
- **A more tailored approach to economic regulation** – to improve the evidence base for identifying opportunities for efficiency gains, incentivise improved performance, and provide stronger, more tailored regulatory tools to better target improved efficiency.
- **Strengthened governance arrangements** – to ensure EDBs are accountable, focused, and have the right incentives and capability to deliver efficient, innovative, and lowest cost electricity networks.

What we need from you

We are interested in the following:

- Your experience of barriers to efficiency and what changes we could make to reduce these.
- Your views on proposed changes, including their costs and benefits, how effectively they address the issues identified, and any practical issues we should consider.
- We also want to hear about any options to improve EDB performance that may not be mentioned in this discussion document.

Why we are looking at the electricity distribution sector

Increasing electricity demand will present challenges for EDBs

The distribution system delivers electricity from the national grid to end consumers (via retailers, which sell electricity to businesses and households). EDBs own and operate local networks (traditionally 'poles and wires' and associated infrastructure such as transformers and substations), and are responsible for connecting new demand, integrating distributed energy resources such as rooftop solar and batteries, and maintaining reliability.

Electricity demand is projected to increase significantly by 2050. The electricity distribution system will play a central role in enabling this growth and will require a significant amount of future investment.

Significant and sustained investment is needed, which will put pressure on consumer bills

EDBs have forecast that more than \$32 billion of capital and operating expenditure is needed over the coming decade.¹ Investment is needed to respond to new demand, driven particularly by the uptake of electric vehicles and the decarbonisation of heavy industry; to maintain and replace ageing infrastructure; and strengthen network resilience. Resilience requirements include both physical upgrades to withstand more frequent and severe weather events, and software systems to protect against cyber and other external risks.

Electricity is a significant expense for households and businesses, and the costs of investments undertaken by EDBs are ultimately borne by consumers. Distribution charges make up around 24.5 per cent of the average power bill, and further investment to support electrification will put increasing pressure on these costs.²

Electrification offers significant benefits for both the economy and consumers, including lower energy prices over time, improved energy security, and reduced greenhouse gas emissions. However, we know there is a tension between the investment we need for the future and the rising energy bills consumers will experience to get there.

The need to improve efficiency

EDBs operate in a complex environment, balancing the need to contain costs with growing expectations for reliability, resilience, customer service, and innovation.

Having the right incentives for efficiency can help to ensure EDBs make the right investments, and place downward pressure on prices for residential and business consumers.

Efficiency can be at an individual EDB level (lower operating costs for example), or a system level (such as collaboration between EDBs leading to lower costs through joint procurement).

¹ From forecasts in EDBs' most recently disclosed asset management plans to the Commerce Commission.

² The Electricity Authority, *New power bill graphic helps consumers see where their money goes*, 30 May 2025, <https://www.ea.govt.nz/news/general-news/new-power-bill-graphic-helps-consumers-see-where-their-money-goes/>.

Efficiency is also about improving the way EDBs interact with consumers and third parties. As a critical enabler of electrification and innovation, a high-performing distribution sector can reduce barriers to distributed energy resources such as rooftop solar and electric vehicle charging.

In an efficient system, we would expect that:

- EDBs are accountable to their customers, promote efficient investment, and share efficiency gains with consumers.
- Households and businesses looking to connect to the network are able to easily access technical, commercial, and operational information that they need – regardless of where in the country they are.
- Price frameworks are consistent across the country, and price signals are clear, optimised for each network's conditions, and sufficiently flexible to differentiate signals for localised areas, for example to signal congestion.
- EDB expenditure is demonstrably efficient, reflective of good asset management practices, and open to innovative solutions. This should include procuring non-network solutions (such as batteries or demand flexibility) where this delivers cost-effective outcomes.

Efficiency can lift the bar for performance

EDBs are not necessarily performing poorly in their core business of providing electricity distribution services. For example, EDBs have been making profits in line with regulatory expectations and although there have been changes in reliability indicators in recent years, this is largely down to severe weather events and planned maintenance.

However, the significant future forecast expenditure for EDBs means that even modest improvements in efficiency can deliver long-term benefits for consumers. There are also benefits to the wider economy. Electricity provides an essential input into most sectors, so any efficiency gains can cascade down through supply chains and benefit a wide range of consumers.

Improving EDB efficiency is unlikely to *lower* consumer prices, but it can *discipline* prices, meaning that increases will be lower compared to what they could otherwise be.

We are progressing a programme of work to lift the performance of EDBs

We have identified three areas of focus for lifting efficiency:

1. **Collaboration and standardisation** – to help to achieve scale efficiencies and to ensure EDBs and consumers benefit from consistent, predictable rules and processes.
2. **A more tailored approach to economic regulation** – to improve the evidence base for identifying opportunities for efficiency gains, incentivise improved performance and provide stronger, more tailored regulatory tools to better target improved efficiency.
3. **Strengthened governance arrangements** – to ensure EDBs are accountable, focused, and have the right incentives and capability to deliver efficient, innovative and lowest-cost networks.

We need a joined-up approach

We need a coordinated strategy across regulatory systems and regulators to drive faster innovation and EDB efficiency. Our work programme involves actions across different layers of the regulatory system. It is designed to improve how EDBs operate individually, how they work together as a system, and how they interact with consumers and market participants.

Action led by EDBs

In response to a letter from the Minister for Energy in 2025, EDBs have committed to initiatives to increase collaboration and standardisation within the sector. These actions are expected to achieve some of the benefits of scale without requiring structural consolidation.

The Minister followed up with a further letter to EDBs in July 2026, requesting quarterly reporting on collaborative action across the sector using independent advice to MBIE from consulting firm Asset Dynamics as a starting point.³

Priority actions in Asset Dynamics' report include:

- Standardising processes, pricing and customer-facing systems for new connections to provide consistent experiences for customers.
- Establishing a coordination group made up of system operators, regulators, central government, and industry to create a framework for distribution system operation (DSO).
- Improving visibility of EDB networks to support investment and connections.

Action under the existing regulatory framework

There are two key regulatory frameworks for the distribution sector:

- The Electricity Authority (**the Authority**), through the Electricity Industry Act 2010 and Electricity Industry Participation Code 2010, sets the rules governing how the electricity market operates, including pricing, connections, and processes for dealing with networks.
- The Commerce Commission (**the Commission**), under Part 4 of the Commerce Act 1986 (**Part 4**), regulates EDBs as natural monopolies. The tools under Part 4 are designed to promote competitive outcomes, which means that EDBs are limited in their ability to extract excessive profits and have incentives to innovate and invest, improve efficiency, and share with consumers the benefits of efficiency gains.

³Asset Dynamics, *Electricity Distribution Business Efficiency – Recommendations for Standardisation and Collaboration – Independent Advice and Recommendations*, April 2026, <https://www.mbie.govt.nz/dmsdocument/32273-independent-advice-and-recommendations-electricity-distribution-business-efficiency>.

Each regulator is driving efficiency using their existing regulatory tools available. For example, the Commission has set the following:

- The 'incremental rolling incentive scheme', which rewards EDBs for finding efficiencies by allowing them to retain the benefits of cost savings for a period of time, and ensures consumers benefit from efficiency gains through lower prices.
- The innovation allowance, which allows EDBs to recover the costs of innovative projects and non-traditional network solutions, such as demand flexibility and distributed energy initiatives. The purpose is to encourage innovation that could improve network performance and reduce long-term costs.

The Authority plays a critical role in the regulation of the EDB sector. It is responsible (among other things) for regulating EDB pricing and processes, as part of an efficient and competitive electricity system that works for the long-term benefit of consumers. The Authority is also responsible for facilitating the development of markets for flexibility services and promoting and facilitating the adoption of common standards across the power system.

The Authority's main strategic outcomes are that:

- consumers have easy access to affordable electricity and many choices of electricity supplier to meet their needs, and
- New Zealand's electricity supply is reliable, secure, and recovers quickly from shocks.

The Authority has a wide programme of work under way in relation to EDBs. This includes a roadmap for distribution system operation in New Zealand, including an expectation that EDBs make significant progress in the next year towards coordinating the provision of flexibility services and distributed energy resources (eg rooftop solar, batteries, electric vehicles).

The Authority also has recently focused on reforming EDB connection pricing and processes. This work is vital to ensuring efficient electrification in New Zealand.

Both regulators have taken steps to improve coordination between the regulatory systems, for example, through a Memorandum of Understanding which sets out the framework for cooperation, and establishing the joint Energy Competition Task Force.

The Government wants to see faster system change

The Government is engaging with the Authority and the Commission on how their work can drive EDB efficiency in a timely manner and complement the proposals in this discussion document.

This includes options to drive faster system change on issues such as pricing approaches, customer-facing processes, smart networks models and frameworks (including accelerating progress towards a DSO framework), distributed energy resources procurement, common standards and procedures, and network data.

Changes to the legislative framework

It is important to ensure the legislative framework for EDBs is fit for purpose into the future, and this discussion document seeks feedback on potential changes to the Commerce Act and legislation relating to governance of EDBs.

Focus of this discussion document

We are seeking your views on:

- Whether there are changes the Government could make to support work already underway by EDBs and regulators, and to improve standardisation and collaboration (Part 1 of the discussion document).
- Options to provide the Commission with further economic regulation tools, which could enable the Commission to set stronger incentives to improve efficiency (Part 2 of the discussion document).
- Strengthening the governance settings, which could help to improve transparency and accountability to consumers (Part 3 of the discussion document).

A short summary of the reports and consultations that have informed the development of this document is at **Annex One**.

Part One: Collaboration and standardisation

Collaboration and standardisation to drive efficiencies of scale

The number and scale of New Zealand's EDBs

There are 28 EDBs across the country, varying in size and ownership models. The 2025 *Review of Electricity Market Performance* by Frontier Economics (**the Frontier Report**) concluded that the relatively small size of some EDBs limits their ability to achieve scale efficiencies, adopt technology to discipline costs, attract skilled personnel, and access capital – which can in turn affect investment decisions and performance. It also concluded that the number of EDBs, combined with a lack of standardisation, creates unnecessary complexity for new customers wishing to connect to the grid.⁴ Previous work has also raised the number of EDBs as an area of concern.⁵

Some EDBs have already explored amalgamation through mergers or acquisitions (such as Powerco's acquisition of Firstlight in 2025), while others have explored collaboration and shared services while maintaining separate ownership.

A system with a smaller number of EDBs appears to have some efficiencies in that fixed overheads, such as salaries and systems, can be spread across a larger customer base. Larger EDBs may also be better positioned to drive innovation, given their greater capacity to trial and adopt new technologies and systems.

However, the evidence on scale alone being a driver of efficiency is mixed, with research suggesting a stronger link between customer density and efficiency. A large proportion of EDBs' costs reflect their existing (and largely fixed) asset base and these costs will not reduce with scale.

We want efficiency and innovation from all EDBs regardless of size

The Frontier Report made a range of recommendations relating to EDBs, including forcing amalgamation of the existing EDBs (28 at present) into five EDBs, to improve performance and reduce costs for consumers. The Government rejected this recommendation, noting the disruption and costs this could create at a time when we are looking to EDBs to make significant investment to support our future goals.

Instead, we are focussing this work programme on delivering greater 'collaboration and standardisation' to achieve similar benefits of scale, without forcing structural changes.

⁴ Frontier Economics, *Review of Electricity Market Performance*, May 2025, <https://www.mbie.govt.nz/dmsdocument/31228-review-of-electricity-market-performance-by-frontier-economics>.

⁵ *Electricity Price Review – First Report for Discussion*, August 2018, <https://www.mbie.govt.nz/dmsdocument/3757-first-report-electricity-price-review-pdf>. The Electricity Price Review's first report for discussion also commented that most small distributors have higher operating costs per consumer than big distributors although terrain and the sparseness of consumers will account for some of this difference, and efficiencies of scale are possible by means other than amalgamation such as via contracting between distributors and joint ventures.

Standardisation

Standardised processes can make it easier to collaborate and leverage efficiencies of scale. We expect much of the progress in this area to be made by EDBs themselves and accelerated through the Authority's work programme. For instance, DSO models across multiple EDBs could align operations, new investments, and the interface with customers, thereby creating scale efficiencies for EDBs.

Greater standardisation (such as pricing, processes, and customer-facing systems for new connections) can improve efficiency for those looking to interact with EDBs. This could include, for example:

- electricity retailers who currently have different pricing plans from EDBs to factor into retailer pricing systems,
- consumers who could have faster and more standardised installation of solar, or
- innovative service providers who could benefit from more consistent information on network capacity.

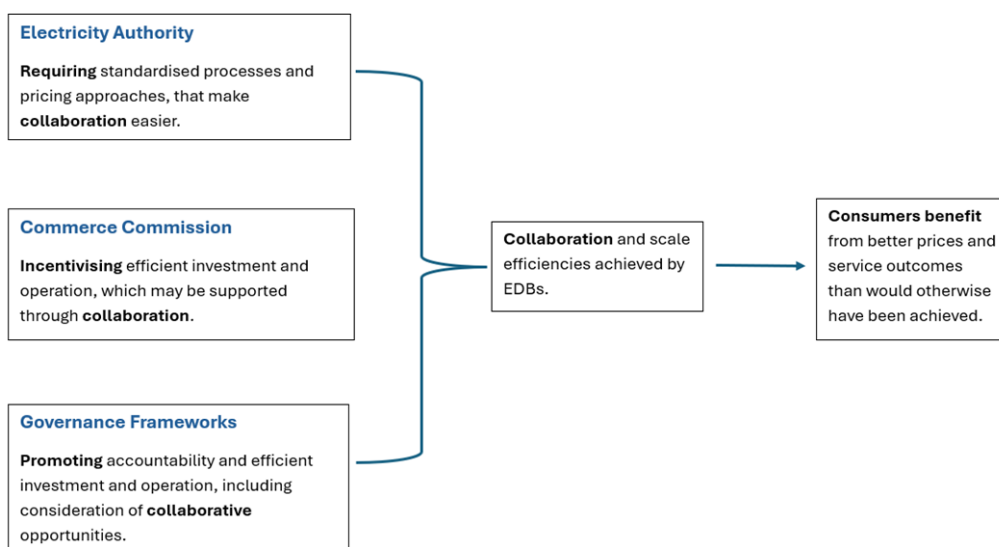
Collaboration

Collaboration on shared services presents another opportunity to realise efficiencies of scale.⁶ It involves EDBs retaining separate ownership but combining specific functions to improve efficiency and capability. An example of this approach is PowerNet's shared operational model across three South Island networks.

Improving EDB efficiency may also include creating stronger incentives for collaboration and amalgamation, where doing so delivers better outcomes for consumers.

The diagram below sets out how regulatory systems and governance frameworks can align to promote collaboration where this can lead to efficiencies and benefit consumers through better prices and services.

Promoting Collaboration for Electricity Distribution Businesses



⁶ Businesses should refer to guidance published by the Commerce Commission about collaboration: [Competitor-Collaboration-guidelines.pdf](#).

Consultation Questions

- Q1. How could regulatory settings be improved to better support or incentivise standardisation and collaboration, where this improves efficiency and service outcomes?
- Q2. What barriers are there to standardisation and collaboration between EDBs? If so, what Government action (if any) would help address these?
- Q3. What do you consider to be the likely scale of benefits from encouraging greater standardisation and collaboration between EDBs?

Part Two: A more tailored approach to economic regulation

Monitoring performance

This chapter looks at

Whether the current monitoring framework is sufficient for stakeholders to draw conclusions on EDB performance, including on efficiency. Well-informed consumers can better hold EDBs to account.

Current situation

The Commission monitors EDB performance through information disclosure regulation

The purpose of information disclosure regulation is to ensure that sufficient information is available for stakeholders to assess a supplier's performance and ensure that consumers are receiving outcomes expected of competitive markets. Competitive outcomes mean that EDBs are limited in their ability to extract excessive profits and have incentives to innovate and invest, improve efficiency, and share the benefits of efficiency gains with consumers.

EDBs are required to disclose information about their performance covering both financial and non-financial performance, including revenue, expenditure (operating and capital), asset values, related-party transactions, and service quality measures (outages and reliability).

EDBs are also required by the Commission to publish asset management plans (**AMPs**), which set out an EDB's long-term approach to maintaining, replacing, and investing in its network. AMPs provide a forward-looking view of expected expenditure and underlying drivers of investment. The Commission reviews AMPs, and other information disclosed to it, and regularly visits EDBs to help:

- the Commission to better understand current practices and performance improvements, and
- EDBs to better understand how their data is viewed.

The Commission also analyses and publishes information disclosed, this includes:

- Raw datasets, which enable interested persons to conduct analyses and draw conclusions on the performance of EDBs.⁷
- The Performance Accessibility Tool, an online portal that turns the raw data into visual outputs, including interactive graphs, bar graphs, line graphs and summary tables, to highlight the relative performance of EDBs over time.⁸
- One-page performance summaries, providing high-level statistics on each EDB's performance, including measures such as profitability, capital and operating expenditure, asset condition, line charge revenue and reliability.⁹

⁷ Commerce Commission, *Information Disclosure Datasets*, <https://www.comcom.govt.nz/regulated-industries/electricity-lines/electricity-distributor-performance-and-data/information-disclosed-by-electricity-distributors/>.

⁸ Commerce Commission, *Performance Accessibility Tool*, <https://www.comcom.govt.nz/regulated-industries/electricity-lines/electricity-distributor-performance-and-data/performance-accessibility-tool-for-electricity-distributors/>.

⁹ Commerce Commission, *Performance Summaries – Year to 31 March 2025*, <https://www.comcom.govt.nz/regulated-industries/electricity-lines/electricity-distributor-performance-and-data/performance-summaries-for-electricity-distributors/>.

- Reports, such as *Trends in local lines company performance*, which provides a snapshot of revenue, profitability, and service reliability trends for EDBs.¹⁰

The information disclosed enables scrutiny of EDB performance, which promotes accountability and provides reputational incentives for EDBs to improve efficiency and support better investment decisions.

Is change needed?

Information disclosure is the foundation of the Part 4 regime. It is the only tool that applies to all EDBs, and price-quality regulation (and any future tools) are built on this. It is essential that there is a strong evidence base so stakeholders can assess how EDBs are performing, both individually and as an industry.

Making it easier for consumers to draw conclusions about performance

The Commission publishes a range of summary analysis that assists consumers to assess how EDBs are performing, including how individual EDBs are performing compared to other EDBs in New Zealand.

However, there is limited information on how EDBs rank or score on certain metrics, compared to peers that share similar characteristics, or compared to a notionally efficient EDB. For example, the Australian Energy Regulator publishes annual benchmarking reports that compare and rank the productivity of electricity distribution network service providers, while also assessing the productivity of the Australian electricity distribution industry as a whole.¹¹

It can also be difficult for interested persons to draw conclusions from the information that is published. Interpreting the information relies on knowledge about what good performance looks like, and about potential cost drivers that are impacting the sector.

Concerns have been raised about EDBs' investments and activities outside of the regulated electricity lines service

Some EDBs, or their ownership entities, have ancillary investments and activities alongside their core EDB functions. These vary in nature and scope. As discussed in more detail in the 'Governance' chapter, there is limited evidence that these investments represent a systemic issue across the sector, but there is a risk that resources or governance/management attention could be diverted away from the delivery of electricity distribution services.

Under information disclosure regulation, the Commission can only require information from EDBs on 'electricity line services' which is the 'regulated service'. If there are concerns that non-regulated services are impacting the performance and delivery of the regulated service, under information disclosure regulation, the Commission is unable to require information and comment on this.

¹⁰ Commerce Commission, *Trends in local lines company performance*, June 2024, <https://www.comcom.govt.nz/regulated-industries/electricity-lines/electricity-distributor-performance-and-data/trends-in-local-lines-company-performance/>.

¹¹ Australian Energy Regulator, *Annual Benchmarking Report – Electricity Distribution Network Service Providers*, November 2025, <https://www.aer.gov.au/publications/reports/performance/annual-benchmarking-report-distribution-and-transmission-2025>.

Proposed options

The objective of the following options is to ensure that the monitoring framework is sufficient for consumers to draw conclusions about whether EDB investment and operations are efficient.

Option 1A: Remove the prohibition on comparative benchmarking and require the Commission to periodically publish accessible conclusions on EDB performance

Comparative benchmarking compares the performance of regulated firms against their peers, or against notional targets, often resulting in rankings, efficiency scores, performance indices, or performance bands that regulators can use to inform regulatory decisions.

The Commission is currently prohibited from using comparative benchmarking on efficiency to set key parameters for default price-quality path regulation.¹²

While the Commission can identify relatively poor performance by some EDBs through benchmarking under information disclosure, it cannot act on that information when setting default price-quality path regulation. Removing this prohibition would enable the Commission to use comparative benchmarking more directly to inform regulatory settings. This is discussed further in the ‘Responsive regulation under Part 4’ chapter.

The Commission could also be required to periodically publish accessible conclusions on EDB performance to support transparency and enable interested parties to hold EDBs to account for their performance. It would not restrict the Commission’s flexibility to target its monitoring and reporting resources to EDB performance areas which have the greatest impact on consumer benefits.

This would support more consistent comparisons across EDBs, helping consumers to better understand relative performance and enabling more effective scrutiny. This would allow consumers to hold EDBs to account and assist the Commission to target any further regulatory action more precisely.

Option 1B: Expand the Commission’s information-gathering powers under information disclosure regulation

The Commission’s information disclosure powers could be expanded to more closely reflect the information disclosure powers introduced for water services (Schedule 7 of the Commerce Act).

Historically, a key issue in the water services sector has been the ability for local government water services suppliers to raise finance and invest in water service infrastructure. Under information disclosure regulation, the Commission can require regulated water services suppliers to disclose information relating to non-regulated services, to monitor compliance and the ongoing capability of a supplier to raise finance for water services.

A similar ability could be introduced for the Commission to require disclosure of information relating to EDBs’ non-regulated activities, if there are concerns that such activities are impacting regulated services. This would apply to all EDBs. It would also enable the Commission to monitor how EDBs are achieving statutory financial principles (if introduced). The ‘Governance’ chapter discusses these financial principles further.

¹² Section 53P(10) of the Commerce Act 1986.

The following clarifications to the Commission's information disclosure powers would align with its powers for water services:

- Clarifying that information obtained outside formal information disclosure requirements can be used to assess performance under information disclosure. This would improve regulatory effectiveness by enabling the Commission to form a more complete and accurate view of supplier performance, and allowing the Commission to publish a wider range of information.
- Clarify that the Commission can require independent assurance (including independent verification) of disclosed information. This would help ensure that investment plans are robust and sufficient to meet long-term demand growth, and may reduce the risk of disputes over whether the Commission can require assurance under information disclosure.

Consultation Questions

Q4. Does this chapter accurately describe the current situation?

Q5. Do you support the options outlined in this chapter? Please give reasons.

Q6. What do you consider to be the costs, benefits, or unintended consequences of these options?

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.

Responsive regulation under Part 4

This chapter looks at

Whether the current Part 4 framework allows the Commission to take a sufficiently targeted approach to regulation for EDBs. It looks at whether making it easier for the Commission to move an EDB to a different form of regulation, and making a greater range of tools available, would better enable the Commission to set incentives for improvements in efficiency.

Current situation

There are two tools currently available to the Commission to regulate EDBs: information disclosure (discussed in more detail in the previous chapter) and price-quality regulation. Information disclosure applies to all EDBs, while price-quality regulation applies to a subset.

Price-quality regulation is designed to mimic the pressures that EDBs would face in a competitive market

Price-quality regulation limits the revenue or prices EDBs can recover from consumers, while imposing minimum standards on service quality. Together these requirements are often called a 'price-path'. This provides incentives on regulated businesses to invest and efficiently manage costs, while maintaining service quality.

There are two ways price-quality regulation can be applied to EDBs:

- **Default price-quality path** regulation provide a relatively low-cost approach to setting revenue or price limits, alongside minimum service quality standards.
- **Customised price-quality paths** can be applied for, allowing the opportunity for an EDB to have a price-quality path that better meets their circumstances. For example, where there are significant investment needs, or external shocks. Customised price-quality paths allow for tailored price-quality settings, and involve substantially greater scrutiny.¹³

Criteria are used to determine whether an EDB is subject to price-quality regulation

EDBs are subject to price-quality regulation unless they are exempt. Certain EDBs that are 'consumer-owned' are exempt if they are owned by community trusts or consumer cooperatives that meet the specific requirements in Part 4 (section 54D), including having fewer than 150,000 connections.

The policy intent behind this exemption is that these EDBs are incentivised to act in the interests of consumers because they are owned by them.¹⁴

¹³ For example, Orion applied for a customised price-quality path following damage to its network from the 2010–2011 Canterbury earthquakes. Powerco's 2018–2023 customised price-quality path allowed for \$1.27 billion of investment to upgrade ageing network assets and support growth.

¹⁴ Commerce Amendment Bill First Reading Speech, March 2008, <https://www.beehive.govt.nz/speech/commerce-amendment-bill-first-reading-speech>.

EDBs' exempt status can be lost, and default/customised price-quality regulation can be applied to consumer-owned EDBs, by Order in Council, if the Minister of Commerce and Consumer Affairs (**the Minister**) is satisfied that the Commission:¹⁵

- has advised the Minister that a supplier has ceased to be consumer-owned within the meaning of section 54D; or
- has recommended to the Minister that the purpose of Part 4 would be better met if price-quality regulation were imposed on the supplier. The Commission may only give a recommendation to this effect following consideration of a petition by consumers made in accordance with the requirements under section 54H.

The most recent default price-quality path decision reflects the challenges the sector faces

The Commission periodically resets the default price-quality path to adjust for changing costs and circumstances. The most recent default price-quality path reset, which came into effect in April 2025, increased forecast net allowable revenue allowances by 47% in real terms compared to the previous default price-quality path. The increase in allowable revenues reflects increases in interest rates, inflation, and investment, with the estimated cost of capital (**WACC**) being a significant contributor.

The Commission has heard concerns from stakeholders that it should change the method of estimating the WACC to smooth price changes between resets by adopting a 'trailing average' approach to setting core components of the WACC. The Commission is currently reviewing its approach and is expected to publish final decisions in quarter 3 of 2026.¹⁶

Although the expenditure allowance in the most recent default price-quality path was significant, it was still lower than the amount of expenditure forecast by non-exempt EDBs in their public planning documents. This creates an incentive for these EDBs to work efficiently to deliver services, maximise the use of existing network capacity, and prioritise spending on the areas that are most important to consumers. The Commission also reduced the impact of price increases passed onto consumers by smoothing the increase in allowable revenue across regulatory periods.

It is worth exploring whether price-quality regulation should be extended to currently exempt EDBs to help ensure EDBs, regardless of ownership structures, prioritise investment where it is most needed and to discipline price increases.

There is some limited flexibility in the regime

The Commission has some flexibility to how it applies default price-quality path regulation, including:

- **'Reopeners'** allow EDBs to seek additional revenue allowances within a regulatory period, in response to significant change.
- **The 'large connection contracts mechanism'** allows EDBs to recover the costs of large, lumpy new connections separately from its standard revenue allowance.
- **The 'innovation and non-traditional solutions allowance'** enables EDBs to apply for an additional allowance for projects involving innovative or non-traditional solutions.

¹⁵ Section 54H of the Commerce Act 1986.

¹⁶ Further details on this process can be found on the Commission's website: <https://www.comcom.govt.nz/regulated-industries/fibre/projects/fibre-input-methodologies-review-2027/?section=timeline>.

Is change needed?

Since its introduction in 2008, the Part 4 framework has provided for upfront clarity on regulatory rules, processes, and expectations, enabling regulated businesses to plan and invest with confidence over the long term. This supports the long-lived and capital-intensive nature of network infrastructure.

The energy sector is evolving in ways that were not fully anticipated when Part 4 was introduced. While certainty and predictability remain important, over recent years we have heard concerns from stakeholders that the regime needs more flexibility, to support investments in the coming decades on electrification and resilience. The balance between these competing considerations is beginning to shift, with a stronger case emerging for greater flexibility. We are seeking views on how these trade-offs should be balanced to ensure the regime remains responsive to future changes in energy markets while continuing to provide the certainty needed for long-term investment.

The Electricity Price Review, Frontier Report and Asset Dynamics report have all asked whether applying, or making it easier to apply, price-quality regulation to currently exempt EDBs, would improve efficiency and deliver better outcomes for consumers.

A 2024 study found that productivity declined between 2008 and 2023, by an average of 1.2% per year for non-exempt EDBs and 2.1% per year for exempt EDBs.¹⁷ However, measuring EDB productivity is challenging, particularly when defining appropriate outputs. EDBs also point to increased extreme weather events and higher uncontrollable costs over this period, including traffic management and health and safety. While the evidence is insufficient to draw firm conclusions about differences between exempt and non-exempt EDBs, the scale of forecast expenditure suggests that even modest efficiency improvements to all types of EDBs could generate benefits for consumers.

The availability of more tools could incentivise and target efficiency gains

In 2025, a new economic regulatory regime for water services was introduced under Part 4, with the Commission tasked with overseeing its implementation. This reform responded to longstanding issues of underinvestment and weak asset management in the water sector. This regime introduced to Part 4 a broader set of regulatory tools, and greater flexibility to add and remove tools, to enable a targeted and proportionate approach to water services economic regulation.

Under the water services regime, the Commission may recommend to the Minister that a different form of regulation be introduced, or removed, for one or several water service entities, if an investigation found it would better promote outcomes under the Part 4 purpose statement, and after consultation with interested parties (sections 57G and 57H).

In comparison, the current process for moving exempt-EDBs to price-quality regulation must include a petition by consumers. This process has never been used to apply price-quality regulation to exempt-EDBs and consumers may not have the time and resources to engage in a petition process.

Compared to Part 4 as it applies to EDBs, the water services regime also provides:

- intermediary tools between information disclosure and price-quality regulation to help target improvements in efficiency, and
- tools to monitor, or regulate, if ancillary investments and activities are impacting the performance and delivery of the regulated service.

¹⁷ Cambridge Economic Policy Associates Pty Ltd (CEPA), *EDB Productivity Study – A report prepared for the Commerce Commission*, June 2024, [CEPA-EDB-Productivity-Study-A-report-prepared-for-the-Commerce-Commission-24-June-2024.pdf](#).

Proposed options

The objective of the following options is to allow the Commission to better incentivise efficiency and target improvements in performance and respond to changing circumstances.

Option 2A: Provide the Commission with a greater range of tools to apply to all EDBs

This option would provide the Commission with the same set of regulatory tools for regulation of EDBs as it has for water services. Each tool is discussed in more detail below.

The availability of further regulatory tools could incentivise EDBs to improve performance by creating a more credible threat of increased regulatory intervention. For this incentive to be effective, the process for changing regulatory treatment needs to be timely and straightforward. If applying a different form of regulation is complex or time-consuming, the credibility of the potential intervention is reduced.

We propose that, under this option, the Commission could follow a process similar to the process under the water services regime for recommending further regulation or deregulation. As discussed above, under section 57G of Part 4, the Commission may recommend that regulation should be imposed (or removed) for water services, provided it has consulted with interested parties and considered certain matters set out under section 57H. The Commission is also required to prepare consistency accountability statements when it sets regulatory requirements under secondary legislation.¹⁸

We seek your views on whether this process would adequately allow the Commission to consider the costs of further regulation.

Revenue thresholds

Minimum and maximum revenue thresholds were introduced in the water regime to set expectations that water service suppliers recover sufficient revenue to maintain and invest in their networks. There are no compliance consequences for not recovering revenue consistent with revenue thresholds, but performance against thresholds can inform whether other tools are necessary, such as price-quality regulation.

The introduction of minimum revenue thresholds for water services was driven by specific concerns about financial sustainability in the water services sector. This feature is less relevant in the EDB context, where under-recovery of costs has historically been less of a concern. However, revenue thresholds can also be used to set maximum thresholds, to set expectations that providers avoid the extraction of excessive profits and to promote efficiency savings by EDBs.

The Commission used to set revenue thresholds under the previous Part 4A regime, which was replaced by the current Part 4 regime due to concerns with the lack of certainty for businesses. Compared to water services, there may be less of a case for revenue thresholds for EDBs which have more mature information disclosure regimes.

Performance requirements

Performance requirements would allow the Commission to require EDBs to perform certain actions to improve network service quality and improve efficiency. These requirements could include, for example: to make types of investments, to consult or seek approval from the Commission on investment programmes, to undertake cost-benefit analysis, or to require the regulated supplier to consult with consumers or particular groups of consumers.

¹⁸ Regulatory Standards Act 2025.

Introducing performance requirements would introduce an intermediary tool between information disclosure and price-quality regulation to help target improvements in EDB efficiency.

Quality-only regulation

Quality-only regulation can incentivise improvements by setting quality-related outcomes that regulated suppliers should meet. This can then drive investment in assets or operational expenditure to meet these outcomes. Quality standards may also involve the Commission setting quality incentives, such as a compensation scheme that sets minimum standards of performance and requires the supplier to pay prescribed amounts of compensation if it fails to meet those standards.

Introducing quality-only regulation would introduce an intermediary tool between information disclosure and price-quality regulation to help target improvements in EDB efficiency.

Financial ringfencing rules

In the water services regime, financial ringfencing are rules to ensure revenue collected from the supply of regulated services is spent only on those services, which could include certain projects, and the ability to put in place restrictions on dividends if these are compromising the ability for the regulated supplier to sustain long-term investment.

In the water services regime, this was introduced to address concerns about underinvestment and provide consumers with confidence that the money they pay towards a service goes towards that service.

There is limited evidence that ancillary investments represent a systemic issue across EDBs, and we are seeking further information about the nature of the issue that financial ringfencing requirements could address in this sector. The 'Governance' chapter discusses this in more detail.

We are seeking feedback on enabling the Commission to:

- require that revenue collected from electricity lines services is spent only on those services, which could include certain projects, and
- restrict dividends to achieve statutory financial principles that EDBs must meet.

While the first point could apply to all EDBs, the restriction on dividends would need to be tied to statutory financial principles, which would only apply to consumer-owned EDBs (further detail in the 'Governance' chapter). We would like your views on whether these principles, and the ability to restrict dividends, could be applied more broadly to all EDBs.

Investment rules for significant investments

While the current regime enables the Commission to assess expenditure at an aggregate level (through default price-quality path or customised price-quality path processes), it does not explicitly provide for a consistent mechanism to assess significant investment programmes or individual large projects. Scrutiny of significant capital expenditure investments, including by consumers and independent verifiers, is available under the water services regime, and major capital expenditure proposal rules are already in place for the Commission's regulation of Transpower.

This option could allow the Commission to require greater scrutiny of an EDB's more significant investments, which in some cases might avoid the need for a customised price-quality path in respect of all its investment. The Commission already can scrutinise certain investment proposals occurring during a regulatory period through 'reopener' provisions. However, this option would provide the Commission with the ability to impose additional rules, such as requirements about the extent of consultation and agreement with consumers for significant projects undertaken during the regulatory period, even where a change to the price-quality path is not required.

More flexibility to set the length of regulatory periods

This option would allow the Commission to set regulatory periods between 3 to 6 years (compared to the current 4 or 5 years for default price-quality paths, and 3 to 5 years for customised price-quality paths), consistent with the water services regime.

This option could be beneficial in both periods of change, and relative stability. Shorter regulatory periods could be beneficial while a regulated provider undergoes a period of uncertainty around investment needs, as they enable more 'touch points' for the Commission to assess information and make any necessary regulatory adjustments.

Longer regulatory periods can provide greater stability and certainty for businesses needing to make significant investments. This may be appropriate for EDBs that are facing major step changes in investment and would benefit from regulation being set for longer periods.

Comparative benchmarking

Comparative benchmarking compares the performance of regulated firms against their peers, or against notional targets, often resulting in rankings, efficiency scores, performance indices, or performance bands that regulators use to inform regulatory decisions. Comparative benchmarking can be used to link revenue allowances to these targets, rather than comparing an EDB only to its own past performance.

In 2008, the Commission was prohibited from using comparative benchmarking on efficiency to set starting prices, rates of change, quality standards, or incentives to improve quality of supply under default price-quality path regulation. At the time, there was a view that the Commission was over-relying on benchmarking methods to set revenue thresholds under the Part 4A regime. This option would remove this prohibition.

Comparative benchmarking on efficiency is a common tool used by comparable regulators overseas to inform revenue decisions, including the Australian Energy Regulator, the Water Services Regulation Authority (in England and Wales), and the Office of Rail and Road (in Great Britain).

Comparative benchmarking has limitations. Each EDB has different types of geography (eg urban or rural landscapes, weather conditions, and topography), asset age and condition, and customer density. Comparative benchmarking also tends to have diminishing effects, whereby benefits start strong but decrease over time. The Commission has commented that if the prohibition against benchmarking was removed, it would take a cautious approach to using comparative benchmarking in setting price-quality paths, recognising the limitations of such analysis.¹⁹

Allowing the use of benchmarking for default price-quality regulation could lift efficiency and productivity by providing the Commission with an additional tool when setting default price-quality paths to scrutinise forecast expenditure and assess whether this is efficient.

¹⁹ Commerce Commission (to Electricity Pricing Review Expert Advisory Panel and MBIE), *Response to May 2018 questions from Expert Advisory Panel*, June 2018, <https://www.mbie.govt.nz/dmsdocument/4332-commerce-commission-memo-to-electricity-price-review%20paragraph%2080>.

Option 2B: Changing how further regulation is applied to consumer-owned EDBs

We are considering whether changes should be made to the process for applying price-quality regulation to consumer-owned EDBs. We have identified two approaches to do this:

- **Remove the requirement for a consumer petition before exempt status can be lost (our preferred approach):** Under this option, information disclosure would remain the default tool that applies to all EDBs, but it would be easier for the Commission to recommend to the Minister that a different form of regulation should be applied or removed (including price-quality regulation or other tools proposed above) to specific EDBs.
- **Apply price-quality regulation to all EDBs:** In addition to information disclosure, all EDBs would be subject to default price-quality path regulation,²⁰ including those currently exempt from price-quality regulation.

Under both approaches, the Commission would have access to a wider range of regulatory tools (outlined in Option 2A above), allowing more targeted responses to specific issues. However, keeping currently exempt EDBs on information disclosure only, with the ability to more easily apply further tools, would act as both an incentive for EDBs to improve performance and a means to address concerns.

The second approach, making price-quality regulation the default approach to regulating all EDBs, would address concerns that currently exempt EDBs are not operating as efficiently as possible. It would provide assurance that there are strong incentives for all EDBs to control costs and share the benefits of efficiency gains with consumers through lower prices. While currently exempt EDBs may already face incentives through ownership and accountability arrangements, applying price-quality across all EDBs would add further incentives for efficiency.

Applying price-quality regulation to all EDBs by default (13 additional EDBs) would significantly increase regulatory costs for the Commission to set and enforce the regulation,²¹ and compliance costs for EDBs. Some of these increased costs are likely to be passed on to consumers through distribution lines charges. We are interested in stakeholder views on whether the benefits of applying price-quality regulation to all EDBs by default would outweigh the additional regulatory and compliance costs.

Our initial view is that making it easier to apply further tools by removing the consumer petition requirement is the more effective and proportionate approach. This would allow more targeted interventions, while retaining lighter-handed regulation where performance is strong.

Option 2C: Introduce individualised price-quality paths for EDBs

Greater use of individual price-quality paths could enable more tailored and forward-looking regulation, particularly for larger or more complex networks, and provide the Commission greater scrutiny of regulated businesses' investment plans.

²⁰ Under this option, all EDBs would be subject to default price-quality path regulation, unless the Commission recommends to the Minister that individual price-quality path regulation should be applied to a specific EDB.

²¹ The Commission's functions to regulate EDBs is funded via an appropriation that is recovered by a levy set under the Commerce (Levy on Suppliers of Regulated Goods and Services) Regulations 2009. Non-exempt EDBs are charged costs associated with setting the default price-quality path, and all EDBs are charged costs associated with information disclosure regulation.

We have heard some EDBs see benefits in moving to individual price-quality path regulation, rather than a customised price-quality path, because a customised price-quality path can only be set for one regulatory period. This means that, when a customised price-quality path expires, the EDB moves back to a default price-quality path. Individual price-quality paths could support EDBs in taking a longer-term view of investments, and certainty to assist entering longer-term contracts at reduced costs.

Furthermore, only EDBs can initiate a move to a customised price-quality path which limits the Commission's ability to respond where closer scrutiny is warranted.

We have identified two approaches to introduce individual price-quality paths into the regulation of EDBs:

- **Allow the Commission to recommend that an EDB be moved from a default price-quality path to an individual price-quality path (our preferred approach):** This would involve the Commission recommending an EDB move to an individual price-quality path if it considers this would better promote the long-term benefit of consumers.
- **Make certain EDBs subject to individual price-quality paths instead of a default price-quality path:** This would recognise that larger EDBs face different investment profiles to smaller networks, with larger capital programmes, higher and less predictable growth pressures arising from dense urban demand growth, and complex resilience requirements. This could be achieved by either:
 - a. Applying criteria such as ICPs over 150,000: This would currently place Vector, Powerco, Wellington Electricity, and Orion on individual price-quality paths; or
 - b. Specifying that individual price-quality paths apply to the four largest EDBs by number of ICPs: This this would place Vector, Powerco, Wellington Electricity, and Orion on individual price-quality paths.

Our initial view is that providing the Commission with discretion to make a recommendation would be effective in promoting efficiency and consistent with allowing regulation to evolve as circumstances change. It would enable the Commission to identify networks whose investment requirements, growth profile, or operating environment warrant a more tailored regulatory approach. It also reflects the approach in the water services regime where, rather than specific types of price-paths (eg default price-quality paths and customised price-quality paths), the Commission may tailor the price-quality regulation to the scale, risk profile, and complexity of the supplier.²²

The second approach, applying an individual price-quality path to certain EDBs based on criteria or specifying named EDBs, could provide greater regulatory certainty for EDBs and removes some of the regulatory cost in taking a case-by-case approach. However, it is less flexible and the criteria or specification may become outdated as circumstances change. To address this, the Commission would retain the ability to recommend that an EDB move back to a default price-quality path, or other EDBs move to an individual price-quality path, where this would better promote consumer outcomes.

We are interested in your views on the costs and benefits of these options, and each approach.

²² If price-quality regulation is made available through an Order in Council following a recommendation by the Commission, and a recommendation by the Minister, the Commission can set individualised price-path requirements that apply to major water services regulated suppliers (for example, Watercare) and can group several smaller water service regulated suppliers together and apply a more generic price-path.

Consultation Questions

Q8. Does this chapter accurately describe the current situation?

Q9. Do you support the options outlined in this chapter? Please give reasons.

Q10. What do you consider to be the costs, benefits, or unintended consequences of these options?

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.

Part Three: Strengthened governance requirements

Governance

This chapter looks at

Options to improve the governance settings for consumer-owned EDBs.²³

Current situation

The Energy Companies Act 1992 (**ECA**) corporatised the former electric power boards and local authorities into energy companies (effectively, EDBs). The ECA sets out the governance and accountability framework for EDBs, including director responsibilities, requirements for Statements of Corporate Intent, reporting obligations, and financial disclosure. It also sets the principal objective for EDBs: to be a 'successful business' while having regard to the desirability of ensuring the efficient use of energy (section 36).

Eighteen EDBs are public energy companies (owned by either consumer trusts, community trusts or local authorities) under the ECA and are subject to audit by the Audit Office (formerly the Office of the Auditor-General). The ECA covers companies created in 1992 and their subsidiaries but not necessarily companies that have subsequently acquired those companies' assets. For example, MainPower is owned by a community trust that acquired the assets in 1995 and, while still a trust, is not audited by the Audit Office.

Of the 28 EDBs, the 20 that are trust-owned (in whole or in part) are governed by their trust deeds and the Trusts Act 2019. A trust deed sets out the trust's purpose, beneficiaries, and the rules governing trustee powers, duties, decision-making and accountability, and the management of trust assets.

The Trusts Act 2019 applies to all express trusts in New Zealand, not just EDB-related trusts. Trustees' duties include acting in accordance with the terms of a trust, holding or dealing with property for the benefit of beneficiaries and in accordance with the terms of the trust, and to invest exercising the care and skill of a prudent person of business. Trustees must also exercise their powers for a proper purpose, avoid conflicts of interest between themselves and a beneficiary, exercise skill and care when administering a trust, and keep core documents. Trustees are the shareholders in EDBs and will have the rights to appoint directors as part of their responsibilities.

Broader sector-wide requirements are set out in the Electricity Industry Act 2010, which applies to all EDBs. This includes obligations to comply with the Electricity Industry Participation Code, as well as provisions aimed at strengthening the accountability of trust-owned EDBs.

Is change needed?

Given the significant changes facing the electricity sector, the diversity of ownership and governance arrangements across EDBs, and the length of time since key legislation, particularly the ECA, was comprehensively reviewed, there is value in considering whether existing governance arrangements remain fit for purpose.

²³ This chapter uses the term 'consumer-owned EDB' to refer to an electricity distribution business that is, fully or partly, owned on behalf of its consumers through a trust or cooperative.

Many of the governance concerns raised to date, such as the risk of diversification and limited accountability, have been raised in the context of trust ownership arrangements, rather than EDB governance more broadly. Trust-owned EDBs also operate within a particularly complex legislative framework.

For example, current accountability arrangements differ between trusts. These differences include trustee election processes, and the period within which some trusts review EDB ownership arrangements and performance (which may range from three to five years). While we do not have a position on whether there is a single ideal ownership model for EDBs, it is important to ensure the frameworks governing EDBs do the following:

- Ensure there is consistency in EDBs' accountability to their consumers, owners, and regulators through transparent decision making and performance reporting across consumer-owned (ie trust-owned or co-operative owned), council-owned and mixed-ownership EDBs.
- Support reliable, affordable, and resilient network services and encourage innovation to meet future consumer and system needs.
- Encourage collaboration or amalgamation between EDBs where this offers benefits to consumers.
- Impose low compliance costs while being consistent with the above.

The options presented below are intended to strengthen and refine the existing system, rather than restructuring the wider existing ownership arrangements.

The statutory objectives that apply to consumer-owned EDBs may need to be more focused

Energy companies created under the ECA are required to operate as successful businesses. In pursuing that objective, they are required to have regard to the efficient use of energy.

EDBs are increasingly expected to support electrification, network resilience, innovation, and enable the integration of new technologies. The objectives under the ECA are very broad, and may, for example, be too accommodating of risky diversification.

There may be merit in establishing more focused objectives for these EDBs to better position them to respond to the evolving role of electricity distribution networks. Council-owned EDBs may already face more discipline from a clearer legislative framework for council-controlled organisations. Given this, there may be less need for the same level of explicit guidance.

Some EDBs, or their ownership entities, hold investments outside their core distribution activities

Non-distribution investments vary in nature and scale. Some have a clear connection to network services, such as electricity generation, metering, or electrical services businesses, while others are less directly related to an EDB's core role.

There is limited evidence that ancillary investments represent a systemic issue across the sector. In some cases, such investments have generated returns that have been used to reduce lines charges, provide consumer benefits, or support community initiatives. However, the Audit Office has also highlighted a risk that investments outside core network functions could divert resources, management attention, or capital away from the delivery of electricity distribution services.²⁴

Examples of diverse ancillary investments by some EDBs, or their owners, include:

- Northpower's fibre broadband network,
- Top Energy's ownership of the Ngāwhā geothermal generation plant,
- Marlborough Lines' investment in Yealands Wine Group,
- Powerco and Vector Group operating gas networks, and
- the Vector Group's ownership interest in Bluecurrent, an electricity metering business.

Board capability and governance

As EDBs increasingly face regulatory and operational complexity, there may be value in strengthening requirements regarding the capability of consumer-owned EDBs.

The Audit Office's 2025 review of public energy companies found they are generally well managed and financially sound as they relate to core operations. However, it also noted that there is significant investment, capability, and innovation required to address ageing assets, network resilience, and electrification challenges. The review noted also that it may be more difficult for smaller distributors to manage some of these challenges.²⁵

Ownership reviews and long-term fitness for purpose

EDBs are generally stable with predictable cash flows, low business risk, and steady dividends to owners. EDBs are therefore attractive long-term 'hold' assets, unless there is a pressing financial need to sell. Ownership changes often face political or community resistance due to concerns relating to the loss of local control and the risk of negative outcomes for consumers. Decisions to retain ownership of EDBs may therefore reflect a broader range of strategic, financial, and community objectives.

Some trusts that own EDBs are required under their trust deeds to undertake periodic reviews, typically every three to five years of their ownership arrangements and their performance as owners of EDBs. These reviews provide an opportunity to consider whether existing ownership structures remain best placed to support the long-term interests of consumers, including meeting future investment, capability, innovation, and regulatory requirements. However, there is a risk that ownership reviews become procedural exercises rather than robust assessments of the advantages and disadvantages of alternative ownership arrangements.

²⁴ Audit Office, *Managing the assets that distribute electricity*, June 2017, [Managing the assets that distribute electricity](#).

²⁵ The Audit Office, *Electricity distribution businesses: Observations from the 2023/24 audits*, June 2025, [Deputy Auditor-General's overview — The Audit Office](#).

A summary of regulatory obligations under the different legislation is presented in Table 1 below.

Table 1. EDB key regulatory obligations

Act	Subject to	Key points
Energy Companies Act 1992	All energy companies created under the Act, 18 EDBs are 'public energy companies'.	• Sets the statutory objective of being a 'successful business' for EDBs. • Sets requirements on reporting and auditing by the Audit Office. • Limits local authority involvement on EDB boards by allowing no more than two directors who are members or employees of a shareholder local authority.
Trusts Act 2019	20 EDBs that are wholly or partly trust owned.	• Trustees must act honestly, and in good faith. • Trustees must act in accordance with the trust deed. • Trustees must act for the benefit of beneficiaries (or consistent with the permitted purpose of the trust).
Electricity Industry Act 2010	All EDBs, with specific rules for customer and community trusts.	• Allows for regulations to be made for the purpose of promoting the accountability of trust-owned EDBs.

Proposed options

Option 3A: More focused objectives for consumer-owned EDBs

Establishing more focused objectives across all consumer-owned EDBs, either through statutory requirements or voluntary sector-wide commitment, could strengthen focus on the safe, reliable, and efficient delivery of electricity distribution services. It could support EDBs to make long-term investment and governance decisions, improve transparency about expected outcomes, and promote greater alignment across the distribution sector while recognising different ownership models.

Rather than focusing solely on the broad concept of operating as a 'successful business', the objective could place greater emphasis on efficient investment, network reliability, resilience, and supporting electrification. It could be implemented by amending the ECA to give it additional objectives focused on consumer-owned EDBs specifically. Another way to implement this option may be to repeal the ECA and incorporate any provisions that need to be retained into the Electricity Industry Act 2010.

Option 3B: Greater monitoring and regulation of ancillary investments

This option would introduce additional oversight of ancillary investments and activities. The objective would be to ensure that EDBs remain focused on their core role of providing safe, reliable, and efficient network services, while maintaining transparency and accountability as to where profits from non-core activities are retained or distributed.

The Local Government (Water Services) Act 2025 provides an example of a framework that establishes clearer boundaries around organisational activities and includes provisions relating to financial ringfencing, a clear connection between revenues, investments, and service delivery outcome and prudent dividend policies.

Additional requirements, adopting similar statutory financial principles to those applied to water services providers, for consumer-owned EDBs could include:

- greater transparency around the use of profits generated by ancillary investments,
- requiring that revenue from providing electricity distribution services is spent on activities that EDBs undertake to provide electricity distribution services, and not on unrelated activities,
- dividend amounts may be paid, but not to such an extent that an EDB's ability to sustainably provide electricity distribution services is compromised, and
- setting dividend policies for trust-owned EDBs to prioritise consumer rebates and affordability outcomes ahead of distributions used for broader community purposes such as community grants.

This option could complement options put forward elsewhere in this discussion document:

- Option 1B, under the 'Monitoring performance' chapter, proposes to expand the Commission's information-gathering powers including to allow the Commission to require disclosure of information relating to EDBs' non-regulated activities, if there are concerns that such activities are impacting regulated services. This would apply to all EDBs. It would also enable the Commission to monitor how EDBs are achieving statutory financial principles (if introduced).
- Option 2A, under the 'Responsive regulation under Part 4' chapter, proposes to introduce financial ringfencing rules similar to the water services regime. The financial ringfencing rules could link to new financial principles as discussed above.

Option 3C: Measures to enhance capability and governance

This option would seek to strengthen governance capability and decision-making within consumer-owned EDBs through a combination of non-statutory support and, potentially, minimum statutory requirements.

Non-statutory support and guidance from government to assist with training for directors of consumer-owned EDBs

This could include government-supported training, guidance, and professional development programmes for directors of consumer-owned EDBs. This could help improve understanding of governance responsibilities, economic regulation, asset management, consumer interests, and emerging sector challenges such as electrification, climate resilience, and distributed energy resources. Such measures may be particularly beneficial where directors lack prior experience governing complex infrastructure businesses.

Statutory requirements

The Local Government (Water Services) Act 2025 provides a potential model, requiring boards of directors to have an appropriate set of skills, knowledge, and experience relevant to the operation and governance of infrastructure assets. A similar approach could be applied to directors of consumer-owned EDBs by introducing legislative requirements to assess capabilities and experience relating to:

- electricity distribution and infrastructure management;
- finance, audit, and risk management;
- governance and strategic planning;
- consumer and community engagement;
- regulation and compliance;
- sustainability, resilience, and energy transition issues; and
- technology, innovation, and cyber security.

Complementary approaches could include the following:

- Mandatory minimum competency frameworks for directors. This approach would establish baseline capability expectations for directors.
- Periodic independent governance reviews. These would assess board effectiveness, capability gaps, and governance practices against recognised standards.
- Optional board of directors accreditation. This approach would provide a voluntary pathway for directors and boards to demonstrate good governance capability and continuous professional development.

These measures could improve governance quality and strengthen stewardship of critical network assets, while helping EDB boards navigate increasingly complex investment and operational decisions. However, any requirements would need to be balanced against the costs of compliance and the need to maintain flexibility in governance arrangements across different ownership models.

Option 3D: Measures to review ownership models for trust-owned EDBs

This option would seek to ensure that EDB ownership arrangements remain fit for purpose over time and are reviewed in a structured and transparent manner. Ownership reviews can provide an opportunity to assess whether existing arrangements continue to support efficient network operation, access to capital, effective governance, consumer interests, and the long-term stewardship of critical infrastructure assets.

This might be achieved through strengthening legislative requirements to ensure periodic ownership and performance reviews are done in a timely and thorough manner. Requiring such reviews could be embedded consistently across trust-owned EDBs.

Rules around ownership review processes could include some, or all, of the following elements:

- Require an ownership review to be undertaken at regular intervals (for example, every 5 years).
- Require an independent assessment of whether the current ownership model remains in the long-term interests of consumers.

- Establish minimum matters to be considered, such as consumer outcomes, network performance, governance effectiveness, access to capital, and future investment needs.
- Require consultation with consumers, beneficiaries, shareholders, and other relevant stakeholders as part of the review process.
- Publish the findings of ownership reviews and the reasons for any recommendations.
- Require boards to formally respond to review findings and set out any actions they intend to take.
- Provide for regulatory oversight or monitoring of ownership review processes to ensure they are conducted transparently and consistently.

Consultation Questions

Q12. Does this chapter accurately describe the current situation?

Q13. Do you support the options outlined in this chapter? Please give reasons.

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.

Q15. What do you consider to be the costs, benefits, or unintended consequences of these options?

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.

Part Four: Other matters

Technical amendments

This chapter looks at

Technical amendments that could improve the operation of Part 4. The changes set out in the table below are designed to clarify existing rules, address gaps and keep the system up to date.

Proposed amendment	Reason
Amend section 87(2)(b) of Part 4 to clarify that contraventions of a price-quality requirement includes quality incentives under section 53M(2) of Part 4.	Contravening a price-quality requirement is limited to requirements for prices or quality standards. Quality incentive schemes are unlikely to provide any incentives for regulated suppliers if there are no consequences for a contravention eg if the Commission cannot enforce a requirement for a supplier to pay compensation to consumers or to report.
Amend section 53Q of Part 4 to remove the restriction on customised price-quality path applications being made in the last 12 months of a default price-quality path regulatory period.	Requiring suppliers that want consecutive customised price-quality paths to first revert to a default price-quality path for one or more years weakens the positive incentives that price-quality paths provide. It also potentially increases the Commission's workload, and compliance costs for regulated suppliers.
Specify that Transpower is subject to an individual price-quality path.	Transpower is currently subject to individual price-quality path regulation under an Order-in-Council which expires in September 2030. Greater certainty would be provided for Transpower and industry stakeholders if the Part 4 states that Transpower is subject to individual price-quality path regulation on an ongoing basis.

Consultation Questions

Q17. Do you support the options outlined in this chapter? Please give reasons.

Q18. What do you consider to be the costs, benefits, or unintended consequences of these options?

Annex One: Reports used to inform this work

In developing this paper, we have reviewed recent reports and the submissions (where relevant) to understand stakeholder views on the issues canvassed. These include:

- **International Energy Agency Review (2017):** Noted concerns about “the governance and decision-making capability of some distributors and their capacity of manage this potentially complex transition in an efficient and timely manner that will help to realise the potential consumer benefits.”²⁶
- **The Electricity Price Review (2019):** An independent panel of experts investigated whether the current electricity market delivered a fair and equitable price to consumers. It also considered improvements to future-proof the sector and its governance structures. The final report in 2019 found that regulation of EDBs was generally working well, while recommending some potential improvements.²⁷
- **Measures for Transition to an Expanded and Highly Renewable Electricity System (2022):** Considered measures that support affordable and reliable electricity supply, while accelerating the transition to a highly renewable electricity system.²⁸
- **Commerce Commission Input Methodologies Review (2023):** This reviewed the rules and processes that underpin the Commerce Commission’s regulation of airport services, electricity lines services, and gas pipeline services.²⁹
- **Commerce Commission reset of the most recent electricity default price-quality path (2024):** The Commerce Commission canvassed views on key issues relevant to the reset in 2023,³⁰ and in November 2024 published its final decision.³¹

²⁶ International Energy Agency (IEA), *Energy policies of IEA countries.- New Zealand*, 2017, <https://iea.blob.core.windows.net/assets/252d9b8a-f43c-4314-8790-e0408381d080/EnergyPoliciesofIEACountriesNewZealand2017.pdf>.

²⁷ Electricity Price Review – *Final Report*, May 2019, <https://www.mbie.govt.nz/assets/electricity-price-review-final-report.pdf>.

²⁸ MBIE, *Measures for Transition to an Expanded and Highly Renewable Electricity System*, August 2023: <https://www.mbie.govt.nz/dmsdocument/26909-measures-for-transition-to-an-expanded-and-highly-renewable-electricity-system-pdf>.

²⁹ Commerce Commission, *Context and summary of Final decisions - Part 4 Input Methodologies Review 2023*, December 2023, https://comcom.govt.nz/_data/assets/pdf_file/0033/337677/Part-4-IM-Review-2023-Final-decision-Context-26-summary-paper-13-December-2023.pdf.

³⁰ Commerce Commission, *Default price-quality paths for electricity distribution businesses from 1 April 2025 — Issues paper*, November 2023: https://comcom.govt.nz/_data/assets/pdf_file/0025/332944/Default-price-quality-paths-for-electricity-distribution-businesses-from-1-April-2025-Issues-paper-2-November-2023.pdf.

³¹ Commerce Commission, *Default price-quality paths for electricity distribution businesses from 1 April 2025 — Final decision paper*, November 2024: [2025-2030 electricity default price-quality path | Commerce Commission](https://comcom.govt.nz/_data/assets/pdf_file/0025/332944/Default-price-quality-paths-for-electricity-distribution-businesses-from-1-April-2025-Issues-paper-2-November-2023.pdf).

- **CEPA Economics report (2024):** This study evaluated both exempt and non-exempt EDBs, considering total factor productivity as well as operating expenditure.³²
- **Frontier Report on options to improve electricity market performance (2025):** Raised that smaller EDBs face challenges associated with capability, resourcing, access to capital for significant network investment, and governance.³³

Frontier also raised that 13 EDBs are exempt from default price-quality path regulation based on size and ownership structure. Frontier considered this approach may leave consumers served by smaller EDBs exposed to weaker incentives for efficiency and innovation, raising questions about whether the impacts on those consumers are being appropriately addressed.

- **The Audit Office's (formerly the Office of the Auditor-General's) report following its 2023/24 of EDBs that are public energy companies (2025).** This report identified the need for a review of legislation relating to governance of public energy companies given the length of time since it was last reviewed.³⁴
- **Asset Dynamics report on recommendations for standardisation and collaboration (2026):** Provided recommendations on options for EDBs to collaborate to achieve efficiencies, primarily through voluntary actions.³⁵

³² Cambridge Economic Policy Associates Pty Ltd (CEPA), *EDB Productivity Study – A report prepared for the Commerce Commission*, June 2024, [CEPA-EDB-Productivity-Study-A-report-prepared-for-the-Commerce-Commission-24-June-2024.pdf](https://www.mbie.govt.nz/dmsdocument/31228-review-of-electricity-market-performance-by-frontier-economics).

³³ Frontier Economics, *Review of Electricity Market Performance*, May 2025, <https://www.mbie.govt.nz/dmsdocument/31228-review-of-electricity-market-performance-by-frontier-economics>.

³⁴ Audit Office, *Electricity distribution businesses: Observations from the 2023/24 audits*, June 2025, <https://ao.parliament.nz/2025/energy-companies/docs/energy-companies.pdf>.

³⁵ Asset Dynamics, *Electricity Distribution Business Efficiency – Recommendations for Standardisation and Collaboration – Independent Advice and Recommendations*, April 2026, <https://www.mbie.govt.nz/dmsdocument/32273-independent-advice-and-recommendations-electricity-distribution-business-efficiency>.

Annex Two: Glossary of key terms

Term	Explanation
Ancillary investments and activities	Investments, expenditure, or activities undertaken outside the provision of electricity distribution services.
Asset Management Plan (AMP)	The principal document that communicates an electricity distribution businesses' asset investment and maintenance plans. It includes forecasts of future expenditure over a 10-year horizon.
Commerce Commission (the Commission)	New Zealand's primary competition, fair trading and economic regulatory agency. Under Part 4 of the Commerce Act 1986 it has a role regulating markets where there is little or no competition.
Consumer-owned electricity distribution business	An electricity distribution business that is, fully or partly, owned on behalf of its consumers through a trust or cooperative.
Customised price-quality path	A type of price-quality regulation under Part 4 of the Commerce Act 1986 that electricity distribution businesses subject to default price-quality regulation can apply for. Compared to a default price-quality path, it is more tailored to the circumstances of the businesses it applies to.
Default price-quality path	A type of price-quality regulation under Part 4 of the Commerce Act 1986 which is a relatively low-cost approach to setting revenue or price limits, alongside minimum service quality standards.
Distribution network	Local, low voltage networks that distribute electricity from the national grid to end consumers.
Distribution system operation (DSO)	Distribution system operation is the responsibility of distributing and managing electricity through distribution networks to consumers and businesses. It requires managing two-way flows of electricity, and uses real-time information exchange solutions to actively manage the resources connected to networks.
Electricity Authority	The electricity industry regulator, established under the Electricity Industry Act 2010.
Electricity distribution business (EDB)	A business that provides electricity distribution services.
Electricity distribution services	'Electricity lines services' as defined in section 54C of the Commerce Act 1986, excluding electricity lines services performed by Transpower.
Electricity Industry Participant Code 2010 (the Code)	Secondary legislation created and published by the Electricity Authority to regulate New Zealand's electricity industry.
Individual price-quality path	A price-quality path for an individual business. Transpower is currently the only regulated supplier subject to an individual price-quality path under Part 4 of the Commerce Act 1986.

Information disclosure	A type of economic regulation under Part 4 of the Commerce Act 1986 to ensure that sufficient information is available to interested persons to assess whether competitive outcomes are occurring.
Installation Control Point (ICP)	A point of connection on a local network or an embedded network which the distributor nominates as the point at which a retailer will be deemed to supply electricity to a consumer. Often used as a proxy for number of users.
Price-quality regulation	A type of economic regulation applied under Part 4 of the Commerce Act 1986. Price-quality regulation limits the revenue or prices EDBs can recover from consumers, while imposing minimum standards on service quality. This provides incentives on regulated businesses to invest and efficiently manage costs, while maintaining service quality.
Transpower	A state-owned enterprise that owns and operates the country's high-voltage National Grid and acts as the System Operator to manage real-time power delivery.
Trust	A legal relationship where a person or people transfer assets to trustees, who manage them for the benefit of others.
Trust deed	A legal document that creates, governs, and outlines the rules of a trust, including: its purpose, beneficiaries, the rules governing trustee powers and duties, decision-making, accountability, and the management of trust assets.
Weighted average cost of capital (WACC)	The Commission estimates the WACC for regulated suppliers under Part 4 of the Commerce Act 1986. The cost of capital is the return investors and lenders need to support essential infrastructure investment. This estimate allows regulated businesses the opportunity to recover efficient costs, including a reasonable return on their investments.