COVERSHEET

Minister	Hon Simeon Brown	Portfolio	Energy
Title of Cabinet paper	Actions to improve performance of electricity distribution networks and release of discussion document	**Date to be published**	28 August 2026

List of documents that have been proactively released		
Date	**Title**	**Author**
July 2026	Actions to improve performance of electricity distribution networks and release of discussion document	Office of the Minister for Energy
29 July 2026	Improving the Performance of Electricity Distribution Networks: Release of Discussion Document ECO-26-MIN-0136 Minute	Cabinet Office

Information redacted **YES**

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Some information has been withheld for the reasons of Confidential advice to Government.

In Confidence

Office of the Minister for Energy

Office of the Minister of Commerce and Consumer Affairs

Cabinet Economic Policy Committee

Actions to improve performance of electricity distribution networks and release of discussion document

Proposal

1 This paper outlines a package of reforms to improve the performance of electricity distribution businesses (EDBs) and seeks agreement to the release of a discussion document on options for reform.

Relation to government priorities

2 This proposal promotes the Government's commitment to electrification, which is central to the Government's strategy to grow the economy, reduce emissions, and strengthen energy security. It also progresses an action in the Government's 2025 Energy Package to improve the efficiency of EDBs.

Executive Summary

3 Improving the performance of EDBs supports long-term energy affordability, and helps unlock innovation and productivity across the economy.

4 Increasing EDB efficiency is critical to ensuring EDBs make the right investments to meet significant increases in electricity demand while keeping downwards pressure on prices for residential and business consumers. Electricity has been a significant driver of inflation – average New Zealand households have seen an eight percent increase in power bills in the last year, with network costs driving around one-half to two-thirds of that increase.

5 High-performing EDBs are also a critical enabler of innovation that can lead to lower electricity bills and greater productivity. Without a high performing sector, New Zealand will struggle to adopt distributed energy resources and demand flexibility which provide the opportunity to place downward pressure on prices.

6 EDBs operate within a complex regulatory environment overseen primarily by the Electricity Authority (the Authority) and the Commerce Commission (the Commission). It is critical that regulatory objectives, incentives, and expectations are clear and aligned, particularly in balancing the drive for cost efficiency with the need for investment, innovation, and network modernisation. It is equally important that regulators continue to deliver effective reforms at pace to drive sector-wide improvement and ensure EDBs are equipped to support New Zealand's future energy needs.

7 We are taking action immediately to drive a strong and coordinated programme of work across the Authority and the Commission. As part of this, the Minister for

Energy is scoping further regulatory intervention powers should the Authority's work programme not deliver at the pace required.

8 In addition to the work of the sector regulators, this paper proposes consulting on a system-wide package of reform, focusing on:

8.1 improving collaboration and standardisation across EDBs to reduce duplication and capture scale efficiencies – through creating strong incentives for collaboration, and ensuring the Authority's work programme drives change at the scale and pace required;

8.2 strengthening economic regulation to provide clearer incentives and more targeted tools to improve performance – through changes to the Commerce Act 1986 that create a much stronger regulatory toolkit for the Commission; and

8.3 enhancing governance requirements in legislation to ensure EDBs have the incentives, capability, and accountability to deliver efficient outcomes.

9 The paper seeks Cabinet agreement to release a discussion document to test these proposals with stakeholders, and seek views on other potential actions, to inform final policy decisions (including potential legislative change).

10 Collectively, these reforms represent an ambitious programme of change aimed at improving EDB performance and creating stronger incentives for collaboration, consolidation, or amalgamation where doing so delivers better outcomes for consumers.

Background

Efficient performance of the distribution sector is critical to our energy and economic goals

11 Electricity demand is projected to increase significantly by 2050. The electricity distribution system, which delivers power from the national grid to homes and businesses, will play a central role in enabling this growth. EDBs own and operate local electricity networks, and are responsible for connecting new sources of electricity demand, distributed energy resources like rooftop solar and batteries, upgrading networks, and maintaining reliability. This requires significant and sustained investment in infrastructure and adoption of smart technologies.

12 Electricity is a significant expense for households and businesses, and distribution charges make up around 24.5 percent of the average power bill. Increasing EDB efficiency is critical to ensuring EDBs make the right investments to meet significant increases in demand while placing downward pressure on prices for residential and business consumers.

13 EDBs also play a central role in enabling electrification and economic productivity. The rules and processes used by EDBs to set terms and price connections to their networks, as well as the efficiency of their investment and operations, could increasingly be either a handbrake on, or an enabler of, that transition. Further, EDBs

need to adopt innovation more rapidly to ensure they are delivering a lowest cost system for consumers.

14 There are 28 EDBs across the country, varying in size and ownership models. 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.

15 EDBs operate in a complex environment, balancing the need to contain costs with growing expectations for reliability, resilience, customer service, and innovation. While industry-led initiatives are promoting greater collaboration, voluntary action alone is unlikely to realise the full range of potential benefits at the pace required.

16 The Government wants to ensure that EDBs operate efficiently, invest at least cost, innovate and adapt as the system evolves, and that the sector is structured in a way that captures the benefits of scale.

EDB performance was a key focus of last year's Review of Electricity Market Performance

17 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, but identified lifting EDB performance as a key workstream in the Government's Energy Package, released in October 2025 [CBC-25-MIN-0054 refers]. As part of this workstream, the previous Minister for Energy wrote to EDBs requesting they work collaboratively to avoid the risks of fragmentation.

18 EDBs responded by outlining a range of industry-led initiatives focused on increased collaboration and standardisation. This is discussed further below. Alongside these industry-led initiatives, which themselves need close oversight, the Government needs to explore other opportunities to make more ambitious change more rapidly than industry or current regulatory settings are delivering.

The Government needs an ambitious programme to lift the performance of the electricity distribution industry

19 The Government will reform regulatory settings to ensure New Zealand's electricity networks are efficient, innovative, and capable of enabling rapid electrification at least cost to consumers. The scale of forecast expenditure suggests that even modest efficiency improvements could generate benefits for consumers.

20 To achieve this, we will deliver a coordinated strategy across regulatory systems and regulators to drive faster innovation and EDB efficiency through:

20.1 **Collaboration and standardisation –** to help to achieve scale efficiencies (where available) and to ensure EDBs and consumers operate under consistent, predictable rules and processes.

20.2 **A more tailored approach to economic regulation –** to step up the evidence base and insights for where efficiency gains can be made, incentivise improved performance and to provide stronger, more tailored regulatory tools to better target improved efficiency.

20.3 **Strengthened governance arrangements** – to ensure EDBs are accountable, focused, and have the right incentives and capability to transform their businesses to deliver efficient, innovative and lowest cost networks.

This builds on work by sector regulators

21 EDBs operate in a complex regulatory framework overseen by two key regulators:

21.1 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.

21.2 The Commission, under Part 4 of the Commerce Act 1986 (Part 4), regulates EDBs as natural monopolies.

22 The Commission determines how much revenue EDBs subject to price-quality regulation may recover (and therefore how much they may spend), and the Authority has the power to regulate how EDBs spread those costs among consumers. It is critical that regulatory incentives between the two agencies are aligned and clear, and require the industry to deliver the networks we need at pace.

23 When the Commission last set revenue allowances for price-quality regulated EDBs it increased allowable revenue by 47%, reflecting increased investment needs, interest rates and inflation. The estimated cost of capital (**WACC**) was a significant contributor. In response to stakeholder feedback, the Commission is exploring whether changes should be made to how it estimates the WACC to reduce price volatility between regulatory periods.

24 The Commission is expected to publish final decisions in Q3 2026. [redacted] Confidential advice to Government [redacted] The Commission and the Authority have taken steps to improve coordination between the regulatory systems, for example, a Memorandum of Understanding which sets out the framework for cooperation, and establishing the joint Energy Competition Task Force. Further action needs to build on this coordination between the regulators.

Actions to lift sector performance

25 The options in this Cabinet paper are presented in two categories:

25.1 Options Ministers will proceed with immediately – requiring a collaborative work programme from the EDB sector and stating expectations to sector regulators – supported by new regulatory powers to drive faster system change.

25.2 Options for consultation in the discussion document – reform of the EDB sector may have significant impacts on the management of billions of dollars of electricity infrastructure assets. Undertaking consultation will ensure stakeholders have an opportunity to make their views known on the main issues that are central to any reform. This can help to surface any unintended consequences of regulatory changes and promote an understanding of the problem and policy response.

26 More information about these options is set out below and in Annex One.

1: Collaboration and standardisation

1.1 Industry-led initiatives

27 The sector has a range of initiatives underway to increase collaboration and standardisation within the sector. These actions are expected to reduce duplication and leverage collective scale, helping to achieve some of the benefits of scale without requiring structural consolidation.

28 Given the conflicting incentives of EDBs to implement change, it is important to provide some discipline over timelines of industry-led processes. The Minister for Energy has sent an open letter to EDBs, indicating which actions EDBs should progress as a priority and asking EDBs to establish regular reporting to government on progress as a means to increase accountability and accelerate change. Examples of priority actions include:

28.1 Standardising processes, pricing and customer-facing systems for new connections to generate consistent experiences for customers.

28.2 Establishing a coordination group made up of system operators, regulators, central government and industry to create a framework for distribution system operation (DSO).

28.3 Improving visibility of EDB networks to support investment and connections.

28.4 Assessing the feasibility of a collective EDB financing mechanism. The Minister for Energy has asked MBIE officials to closely monitor this work, and provide advice on alternative models for funding and financing following EDBs’ substantive response to the open letter.

1.2 Ensuring effective outcomes from the Authority

29 The Authority drives EDB performance through standardising and streamlining customer interfaces, regulating pricing methodologies across EDBs, and setting technical standards and requirements.

30 Effective regulation from the Authority is critical to a high-performing EDB system – it enables effective and flexible pricing signals, efficient and consistent connection processes, and flexibility and innovation for EDB customers and third parties operating on networks.

31 The Authority has a significant work programme underway that seeks to drive efficiencies and innovation in the sector. However, the pace of change has been slow, given the importance of these outcomes.

32 It is important to give clear direction to the Authority about the Government's expectations for timely delivery of its work programme and coordination with the Commission. We will set these expectations through letters to the Authority and the Commission.

33 The Minister for Energy is also developing options to ensure that electrification will be delivered in a timely and effective manner. This will include scoping expanded regulatory powers for the Minister for Energy to drive faster system change [redacted] Confidential advice to Government [redacted]

34 EDBs are already exploring operational amalgamation without ownership changes through DSO collaboration – aligning operations and new investments and the interface with users. We think this has the potential to drive significant efficiencies without merging EDB ownership. We propose that finalising a DSO model is specified as a priority action for the Authority.

2: A more tailored approach to economic regulation

35 Part 4 of the Commerce Act 1986 is designed to ensure that regulated businesses have incentives to innovate, invest, improve efficiency, provide services at a quality that reflects consumer demands and that the benefits of efficiency gains are shared with consumers, including through lower prices. While Part 4 has generally performed well, it was last reformed in 2008, and energy markets have changed significantly since then.

36 There are currently two tools available to the Commission to regulate EDBs.

36.1 All EDBs are subject to information disclosure regulation which requires certain information to be published, and incentivises efficiency by 'shining a light' on EDB performance.

36.2 Some EDBs are subject to price-quality regulation, which sets revenue limits and requires quality standards to be met. EDBs are exempt from price-quality regulation if they are consumer-owned entities with less than 150,000 connections (reflecting the view that these ownership models align incentives with consumer interests).

37 By comparison, the more recently developed water services regime provides a broader toolkit of regulation. We propose to maintain information disclosure as the default regulation applying to all EDBs, but introduce a new range of regulatory tools and more flexible processes, based on the water services regime.

38 The intent is not to increase regulation overall, but to make it better targeted to specific issues and more proportionate. We want feedback from stakeholders on this

approach, and possible alternatives, so that economic regulation regime helps to drive improvements in the sector.

39 The key proposals are:

39.1 Providing the Commission with a greater range of tools to apply to EDBs, in line with those available for water services. This would include:

39.1.1 financial ring-fencing requirements, to ensure revenue collected from the supply of regulated services is spent only on those services (which could include requirements to spend on certain projects, and the ability to put in place restrictions on consumer-owned EDBs dividends to achieve statutory financial principles - see below),

39.1.2 quality-only regulation, allowing the Commission to require EDBs to meet standards relating to outages and other aspects of services, and

39.1.3 performance requirements, allowing the Commission to direct an EDB to take specific actions or make certain investments.

39.2 Making it easier to move exempt EDBs to price-quality regulation (i.e. a revenue cap), including exploring the costs and benefits of applying price-quality regulation to all EDBs by default.

39.3 Allowing the Commission to apply price-paths that are tailored to an individual EDB's circumstances (individualised price-quality paths), either on a case-by-case basis, or according to criteria e.g., to the largest EDBs.

39.4 Allowing the use of benchmarking (comparing the performance of EDBs to each other, or an 'efficient' baseline).

40 The discussion document also proposes changes to strengthen the incentives created by information disclosure regulation, by:

40.1 making it easier for the Commission to seek more information, including on non-regulated services, if there are concerns that such activities are impacting the regulated line service,and

40.2 ensuring that information is sufficient for interested parties to draw conclusions on EDB performance.

3: Governance arrangements

41 EDBs operate under a range of ownership structures, including consumer, local authority, and private ownership. The discussion document seeks feedback on whether governance settings for consumer-owned EDBs remain fit for purpose in four areas:

41.1 **More focused and consistent purposes and objectives for EDBs –** Energy companies (effectively, EDBs) are required under the Energy Companies Act 1992 (ECA) to operate as a successful business. Eighteen EDBs are public energy companies (owned by either consumer trusts, community trusts, or local authorities) as defined under the ECA and are subject to auditing by the Audit Office. Setting expectations in statute that are more specific and consistent with efficient performance may help consumer-owned EDBs focus efforts on their core business.

41.2 **Board capability and governance requirements –** As consumer-owned EDBs face increasing regulatory and operational complexity, there may be value in strengthening expectations for board capability. This could include non-statutory guidance, industry-led initiatives, or statutory requirements relating to the skills, knowledge, and experience required of directors.

41.3 **Financial management and ancillary investments –** Some consumer-owned EDBs, or their respective ownership entities, hold investments outside their core distribution activities. While there is limited evidence of a widespread problem, non-core investments can create risks if they divert focus or resources from network services. The discussion document seeks feedback on whether additional measures are needed to focus EDBs on their core mission, including statutory financial principles.

41.4 **Ownership reviews and long-term fitness for purpose –** Many trust-owned EDBs already undertake periodic reviews of ownership arrangements. However, there is a risk that these become procedural exercises rather than meaningful assessments of whether current ownership structures remain best-placed to meet future investment, capability, and regulatory requirements.

Treaty of Waitangi Analysis

42 Preliminary analysis indicates there is no Crown Treaty responsibility at this stage.

Cost-of-living Implications

43 The amount spent by EDBs directly affects consumer bills, as these costs are ultimately passed on to consumers (distribution costs make up around 24.5 percent of the average power bill). The amount EDBs spend on infrastructure is expected to continue rising until at least 2030, putting upward pressure on what consumers pay. Efficient operation and investment could benefit consumers by making the costs passed on to consumers lower relative to what they would have otherwise been.

Financial Implications

44 This paper has no direct financial implications. If regulatory changes are made, there would be resourcing implications for regulators. These impacts will be assessed if further decisions are brought to Cabinet following stakeholder consultation.

Legislative Implications

45 There are no legislative implications of this paper. If regulatory changes are recommended following public consultation, we will return to Cabinet with a paper seeking final decision on changes, including any legislative implications.

Impact Analysis

Regulatory Analysis Summary

46 A separate regulatory analysis summary (RAS) is not required at this stage. A full RAS will be completed at a later stage to inform Cabinet's final decisions on this proposal.

Climate Implications of Policy Assessment

47 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal at this time. The CIPA team should be consulted again if the proposal requires a Cabinet decision, at which point a CIPA assessment will be prepared.

Population Implications

48 This paper does not have population impacts.

Human Rights

49 This paper does not have implications for human rights.

Use of external Resources

50 MBIE used independent consulting firms to assess the EDB plans for collaboration and standardisation and to support development of options relating to issues in the Authority's work programme.

Consultation

51 The following departments have been consulted on this paper: the Treasury, the Ministry for Regulation, the Ministry of Justice, the Infrastructure Commission, and the Ministry for Cities, Environment, Regions and Transport. The Department of the Prime Minister and Cabinet was informed. Staff from the Commerce Commission and the Electricity Authority were consulted on the discussion document.

Communications

52 The Minister for Energy and the Minister of Commerce and Consumer Affairs will issue a press release when publishing the discussion document for consultation.

Proactive Release

53 The Minister for Energy and the Minister of Commerce and Consumer Affairs intend to release the Cabinet paper proactively, subject to redactions as appropriate consistent with the Official Information Act 1982.

Recommendations

The Minister for Energy and the Minister of Commerce and Consumer Affairs recommend that the Committee:

1 **Note** that in October 2025, the Government published its Energy package which included action to improve the business efficiency of electricity distribution businesses (EDBs);

2 **Note** that efficient, high performing, and innovative EDBs are critical to delivering lowest cost electricity networks to consumers, electrification of the economy, and economic growth;

3 **Note** the proposed package of work to deliver the outcomes in Recommendation 2, including:

Actions to progress immediately

3.1 voluntary actions by EDBs, monitored by the Minister for Energy;

3.2 direction to the Electricity Authority and Commerce Commission about priorities and coordination through letters of expectations;

3.3 scoping development of regulatory powers for the Minister for Energy to drive faster system change;

Options for consultation set out in the discussion paper

3.4 proposals to take a more targeted approach to economic regulation of EDBs under Part 4 of the Commerce Act 1986;

3.5 potential changes to the legislation related to governance of consumer-owned EDBs.

4 **Approve** the release of the attached discussion document for a four-week public consultation period, subject to any minor amendments required;

5 **Invite** the Minister for Energy and the Minister of Commerce and Consumer Affairs to return to Cabinet with final policy proposals.

Authorised for lodgement

Hon Simeon Brown

Minister for Energy

Hon Cameron Brewer

Minister of Commerce and Consumer Affairs

Annex One: Further detail about proposed actions to lift EDB performance

	Lever for making improvements	Issue	Options	Benefits
Standardisation and collaboration	**Voluntary action by EDBs**	EDBs are numerous and many are small – difficulty in achieving economies of scale and excessive complexity for customers.	The Minister for Energy has written to request EDBs report back on plan for voluntary action, including standardised performance measures and a connections shop-front roadmap, standardising flexibility services procurement, collaborating on access to finance, and improving low-voltage network data access and monitoring.	Helps realise benefits of economies of scale and more consistent connection practices without transaction costs of full amalgamation. Keeps pressure on EDBs to identify 'least regrets' options to improve efficiency.
	Electricity Authority – Electricity 'Code'	Varied connection requirements and pricing across EDBs providing barriers and costs to users, and inefficient price signals for households/businesses.	Set expectations for Authority to focus on actions most likely to lower costs for users including for example: pricing approaches; customer-facing processes; smart networks models and frameworks; distributed energy resources procurement; common standards and procedures; and network data. Strengthen alignment with the Commission. Scoping a regulatory power for the Minister for Energy to drive faster system change.	More consistent and streamlined connection processes supporting electrification and economic development. Smarter use of network enabling deferred and/or coordinated investment.
More tailored approach to economic regulation	**Changes to information disclosure regulation under Part 4 of the Commerce Act 1986 (Part 4)**	Difficult for interested parties to draw conclusions about performance. Limits on Commission's information gathering powers e.g. non-regulated investments, where these could impact the regulated service.	Require accessible conclusions to be published. Expand the Commission's information-gathering powers.	Promotes greater accountability. Creates evidence base to draw insights on efficiency gains or inform further regulatory action.
	Changes to Part 4 of the Commerce Act 1986 (Part 4)	Form of regulation is limited, and the ability to move EDBs to different forms of regulation is limited.	Expand the Commission's regulatory toolkit in line with water services: • Revenue thresholds: Minimum and maximum revenue thresholds to signal expected levels required to meet investment needs. • Performance requirements: Non-price/revenue requirements to take specific actions e.g. make certain investments. • Quality regulation: Infrastructure and service standards, without a corresponding price-path. • Financial ringfencing: Rules to ensure revenue collected from the supply of regulated services is spent only on those services, and the ability to put in place restrictions on consumer-owned EDBs dividends to achieve statutory financial principles. • Investment rules for significant investments: This includes the ability for the Commission to explicitly scrutinise and "approve" major capital expenditure programmes and can assess individual large projects in detail. • More flexibility to set the length of regulatory period: 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). • Allow the use of comparative benchmarking in setting default price-quality paths (DPP): Allowing the Commission to use data comparing the performance of EDBs to each other, or an 'efficient' baseline.	Provides more proportionate and targeted responses. Incentivises efficiency.

			Changing how further regulation is applied to consumer-owned EDBs (currently exempt from price-quality regulation unless certain criteria are met), to either: • Remove the requirement for a consumer petition (preferred approach) making it easier for the Commission to recommend to the Minister that a different form of regulation should be applied or removed. • Apply price-quality regulation to all EDBs. Allow the Commission to set price-quality requirements that are tailored to an EDBs specific circumstances (individualised price-quality paths (IPP)), either by: • Allowing the Commission to recommend that an EDB be moved from a DPP to an IPP (preferred approach). • Making certain EDBs subject to IPP instead of a DPP (for example, for EDBs that meet criteria relating to size, or specifying that IPPs apply to the four largest EDBs: Vector, Powerco, Wellington Electricity, and Orion).	
Ownership and governance legislation	**Rules around EDB accountability (e.g. under Energy Companies Act 1992, Trusts Act 2019).**	Complex and inconsistent reporting and accountability obligations for some EDBs, potential lack of focus on core business.	Consolidate and modernise legislative obligations (e.g., audit requirements, financial management and ancillary investments, clearer objectives and Board skills for EDBs). Strengthened requirements for trust deeds to review ownership.	Clearer focus for EDBs on core functions, and stronger incentives to consider collaboration and amalgamation.

Annex Two: Draft discussion document