ENA submission in response to the DPP5 open letter

Submission to the Commerce Commission

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1 Introduction

Electricity Networks Aotearoa (ENA) is the industry membership body that represents the 29 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses (our members are listed in Appendix A).

EDBs employ over 7,800 people, deliver energy to more than two million homes and businesses, and have invested $6.2 billion in network assets over the last five years. ENA harnesses members' collective expertise to promote safe, reliable, and affordable power for consumers.

We welcome the opportunity to provide feedback on the Commerce Commission's (Commission) open letter on ensuring the Commission's approach to price paths is delivering for consumers. We appreciate the Commission's decision to initiate this conversation early, giving stakeholders greater opportunity to contribute to shaping priorities for the next default price-quality path (DPP5) from the outset.

2 Executive Summary

This reset comes at a time of significant transition. The government has signalled its intent to deliver the most significant energy sector reforms since the 1990s through the Frontier Economics report, which the Minister of Energy (the Minister) described as setting out a 'fast and furious' reform agenda.[1] Alongside this, decarbonisation and electrification goals, changing policies on fossil fuel use, and interdependent industries such as transport and gas are reshaping energy demand.

The 2025 *Mood of the Boardroom* survey found that 87% of business leaders want to see greater investment in energy infrastructure to underpin growth.[2] Businesses, investors, and consumers are calling for long-term strategic clarity. ENA has consistently highlighted the need for an integrated national energy strategy and the National Infrastructure Plan also highlights this as a key priority. DPP5 must be designed with this wider context in mind.

In this environment, DPP5 must not only maintain the foundations of efficiency and transparency, but also enable timely investment, provide resilience, and give consumers confidence that regulatory settings are fit for a rapidly changing sector.

We support the Commission's continued efforts to improve transparency and accessibility through initiatives trialled in DPP4. Clearer explainers, stakeholder workshops, and greater use of consumer-facing material have been welcomed across the sector.

However, the pace and scale of change now require the regulatory framework to go further. We encourage the Commission to prioritise:

- **Balancing affordability with broader consumer outcomes** – ensuring reliability, fairness, resilience, and climate readiness are given appropriate weight.

[1] ENA notes that, due to the timing of internal feedback loops and governance sign-offs, this submission was prepared prior to the release of the Frontier Economics report and the associated government responses on 1 October 2025. A comprehensive review of this submission in light of these recent developments has not been undertaken. We anticipate there will be further opportunities to engage throughout the DPP5 process, once the sector has had time to fully consider the market review outcomes and the correspondence received by EDBs on 6 October 2025 from the Minister and the Ministry of Business, Innovation and Employment (MBIE).

[2] NZ Herald, Mood of the Boardroom: Executives call for long-term energy plan as power prices climb - NZ Herald, 25 September 2025

- **Better treatment of connection and customer-driven capex** – current tools (including the incremental rolling incentive scheme (IRIS), reopeners and large connection contracts (LCC)) are insufficient to manage the risks from lumpy, unpredictable electrification-driven demand.
- **Risk-based and data-driven** – the Commission should seek to work with EDBs to increase reliability of data to allow for more proportionate review and allowance-setting.
- **Support for anticipatory investment and neutrality between solutions** – enabling EDBs to prepare networks for the transition while letting capex and non-network options compete fairly.
- **Clarity on the role of EDBs in wider transition pathways** – particularly fuel switching, electrification, and gas transition, and how regulatory mechanisms such as reopeners will provide flexibility if circumstances change significantly leading up to, or within, DPP5.
- **Maintain agility** – to adapt to the changing policy landscape and give stakeholders confidence that regulatory settings are fit for a rapidly changing sector.
- **Cross-agency alignment** – with Commission, the Electricity Authority (Authority), and MBIE priorities more tightly coordinated, avoiding duplication or conflicting policy signals.
- **Clear process timetable for interdependent workstreams** – such as Input Methodologies (IM) reviews.
- **Improved transparency of regulatory instruments** – including a consolidated, searchable index of IM and information disclosure (ID) changes, a standard tool in other regulated sectors.

These priorities are explored in more detail in the sections that follow.

3 Reflections on DPP4

3.1 What worked well

The Commission made visible efforts to improve engagement in DPP4. Explainer documents, videos, and consumer-facing material helped demystify complex regulatory processes and supported a wider range of stakeholders to participate.[3] The sector also benefited from cross-agency collaboration in developing shared messages on pricing reforms and decarbonisation challenges, which created a more coherent narrative for stakeholders.

The trial of new mechanisms such as the large connection contracts (LCC) framework and the innovation and non-traditional solutions allowance (INTSA) demonstrated the Commission's willingness to test new approaches and refine them based on feedback. The Commission's iterative development of guidance in these areas has been appreciated.

3.2 What could be improved

Despite these improvements, several issues remain, including:

[3] Including resources on this page: Understanding how changes to lines charges may impact your electricity bill | Commerce Commission

- **Transparency and navigation of rules** – The Commission's determinations and accompanying instruments remain complex and fragmented. Without a centralised, up-to-date index of changes to IMs and IDs, stakeholders risk misunderstanding or overlooking important obligations. This creates compliance risk for EDBs and undermines transparency for consumers. (Refer to section 5.2 for more on this.)
- **Risk expenditure allowances are set incorrectly –** by design, there is risk that expenditure allowances are either set too high (in which consumers are paying too much) or too low (which impact incentives to invest or force inefficient trade-offs). This is because the framework and methodology rely heavily on historical operating patterns to predict future expenditure requirements and broad-based assumptions (e.g. capex scaling), which do not account for differences in local operating environments to reflect localised growth or resilience requirements.
- **WACC methodology** – The current weighted average cost of capital (WACC) methodology means that consumers are exposed to volatile debt costs. Changing to a trailing average cost of debt is in the long-term best interests of consumers. Please refer to our previous submission as part of the Fibre IM review in August this year, as well as the cross-industry joint letter.

4 Wider sector developments and implications for the DPP5 timetable

Because DPP5 sits at the intersection of several significant, and interacting, strategic drivers, ENA recommends the Commission treat DPP5 as an opportunity to improve the sector's ability to plan over longer horizons. That means, for example, ensuring the DPP process explicitly recognises these drivers, and provides clearer guidance on the treatment of anticipatory investment cases, having fit-for-purpose reopeners and uncertainty mechanisms where genuine exogenous shocks arise, and coordinating closely with MBIE, the Authority and the Infrastructure Commission (Te Waihanga) to ensure regulatory choices are not made in isolation and don't fail to keep pace with sector change.

The following points outline a sample of key uncertainties and themes currently facing the sector. While these reflect the present landscape, it is important to acknowledge that the sector is dynamic and subject to rapid change. What is true today may look markedly different in one, two, or five years' time.

Whilst policy and regulatory stability and predictability are generally seen as ideal — particularly for investors and infrastructure providers — the current environment makes that feel increasingly unlikely. In this context, it may be more realistic and effective to strive for policy and regulatory frameworks that are agile and responsive.

Accordingly, it is critical that we maintain a watching brief on developments and remain prepared to adapt our processes, solutions, and decisions to ensure they remain fit for purpose in an evolving environment.

4.1 Policy reform momentum

Public and political attention on major energy sector reform (including the work of Frontier Economics and other strategic reviews) is increasing the likelihood of material policy change over the coming years. The Minister has described the reforms as 'the most significant in the sector since the

1990s' and how the government plans to be 'fast and furious',[4] underlining the pace of change and uncertainty regulators will need to accommodate.

These developments could change expectations about the timeliness and scale of investment, and they underline the need for DPP5 to be able to accommodate, or at least to adapt to, significant upstream and downstream policy change.

4.2 Energy strategy

The electricity sector is undergoing rapid transformation, driven by decarbonisation, electrification, digitalisation, resilience challenges and other factors noted in this section. EDBs are seeking greater certainty to enable long-term planning and investment and there is broad industry support for a national energy strategy and more coordinated sector planning.

As we stated in our 2025 Briefing to the Incoming Minister:

> *"The whole energy industry would benefit from a national energy strategy and direction from central government… [it] should provide clear direction to industry and investors on the medium-to long-term preferences of central government including some of the key trade-offs the sector is considering – investment versus affordability, future of fossil fuels (especially gas), and planning reform to enable new renewable generation to be built. This would ensure that, to the best extent possible, the sector and government (including independent regulators), can all pull in the same direction, as set out in the energy strategy. If differences of focus should arise within the sector, these can at least be judged against the expressed preferences of central government. For the electricity sector to effectively and collectively move forward on the decarbonisation journey, strategic direction (with ideally cross-party support) from central government is imperative."*[5]

Te Waihanga have also found in their research that "Many advocated for a more strategic, coordinated approach to infrastructure planning across government agencies, local councils and industry stakeholders to reduce duplication and ensure better alignment between policy, funding, and project delivery."[6] "Respondents strongly advocated for cross-party agreement and commitments to ensure infrastructure decisions are guided by long-term national priorities rather than short term political agendas. Many emphasised the importance of adopting a 30- to 50-year planning horizon that aligns with population growth, climate resilience and economic development."[7] We discuss inter-agency collaboration further in section 5.5.

Whilst such a strategy is not immediately forthcoming, it has been signalled by the Minister that this is on his agenda, and it may 'come to life' after the imminent release of the Frontier Report and its associated government action plan. It will be important for the DPP5 process that developments in this area are front of mind, including considering a move away from 'just in time investment', and that the process is agile enough to adapt.

4.3 National infrastructure planning

In the absence of an energy strategy, Te Waihanga's 2025 Draft National Infrastructure Plan (NIP) is a compass for the sector, providing an independent roadmap for electricity investment and how it fits together with broader infrastructure needs. It highlights rising long-term needs for electricity and other infrastructure, and signals a sustained period of increased capital investment by the state and

[4] Minister Watts, verbally at an industry breakfast, 16 September 2025
[5] ENA, 2025-BIM-Energy-Minister.pdf, page 6
[6] Te Waihanga, Draft National Infrastructure Plan 2025, page 21
[7] Te Waihanga, Draft National Infrastructure Plan 2025, page 18

private sector, particularly for the electricity sector. It notes the importance of decarbonisation as a driver, noting "other demand drivers such as population and economic growth are expected to be relatively modest, although resilience investment is likely to be an increasing focus."[8]

The NIP also emphasises the complexities involved in infrastructure decision-making and the often-conflicting goals and pressures. It discusses the challenges of juggling affordability and need, maintenance and new investment, short-term political cycles and long-term planning, and the tension between stability and agility. "Well-designed and maintained infrastructure is important for long-term economic growth and development, and for raising living standards. […] Achieving these benefits requires us to invest the right amount in the right type of infrastructure, at the right time."[9] These trade-offs highlight the importance of adaptive frameworks that can respond to shifting priorities, demographic changes, and emerging risks over time.

Charts from the NIP highlight expected growth in capital requirements over the next decade, underscoring the importance of prudent anticipatory investment to meet future demands. It goes on, however, to highlight that "the quality of spend tends to be more important than quantity."[10] This means that maintenance of existing infrastructure, maximising utilisation and prioritisation, and right-sizing new investments are all vital.

4.3.1 Maintenance

The NIP identifies that maintenance and renewals are vital and should be funded first. "Without it, access to services will be lost or levels of service will decline."[11] Moreover, they warn that "deferred maintenance should not be allowed to turn into future infrastructure deficits."[12] Natural hazards in New Zealand also increase risks for infrastructure, like electricity, potentially bringing forward the need for renewals, as we have already seen through previous DPPs.

It may perhaps be possible in DPP5 to simplify expenditure approvals based on the categories of spend, if sufficient reliance can be placed on the asset management plans (AMPs) and underlying data. This is discussed further in section 6.6.

4.3.2 Utilisation and prioritisation

This is discussed further in section 6.7.

4.3.3 Right-sizing new investments

There are numerous factors to ensure right-sizing, including reliable AMPs (see section 6.6), robust option evaluations (see section 6.4), strong consumer engagement to identify priorities and tease out trade-offs (see section 5.4), and the right incentives (see section 6.3).

4.4 Gas transition, decarbonisation and fuel switching

Policy and attitudes in interdependent sectors — including fossil fuel policy, carbon-zero goals, and electrification incentives — will influence the pace and scale of network investment.

[8] Te Waihanga, Draft National Infrastructure Plan 2025, page 141
[9] Te Waihanga, Draft National Infrastructure Plan 2025, page 15
[10] Te Waihanga, Draft National Infrastructure Plan 2025, page 15
[11] Te Waihanga, Draft National Infrastructure Plan 2025, page 9
[12] Te Waihanga, Draft National Infrastructure Plan 2025, page 9

Decarbonisation-related expenditure is expected to be the key driver for investment in electricity networks. Electricity is expected to play a major role in meeting our 2050 legislated emissions goals. The NIP expects about $70 million per annum of expenditure in transmission and distribution networks over the next 30 years to meet Climate Change Commission scenarios, most of which is front-loaded into the next 10-15 years. Without such expenditure, Te Waihanga expects that network investment "will largely track the more subdued investment trends over the past 20 years."[13]

MBIE and industry data show material declines in domestic gas supply, with indications that "our gas supply is falling faster than previously expected […] with annual production likely dropping below 100 PJ in the next two years. This contrasts with previous production profiles, which had predicted an increase in production around 2025 as development projects were expected to mature (Figure 19) [shown below]. Since around 2020, this expected increase has been revised downward multiple times as new developments have failed to meet production expectations."[14]

Even just comparing 1 January 2024 and 1 January 2025 on this chart shows how much the forecasts have dropped during the critical period of the DPP4 decision finalisation. This future uncertainty is likely to create an additional source of potentially lumpy demand for distribution networks and may require rapid decisions on connections and upstream augmentation, as some industrial users will seek to electrify or switch fuels in compressed timeframes.

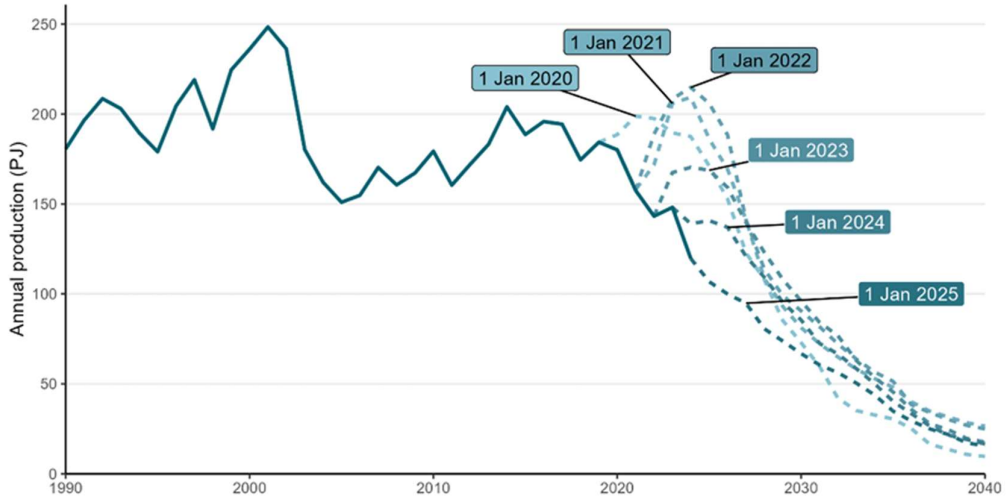


Figure 19. Gas production profiles as reported from 1 January 2020 through 1 January 2025.

A recent Castalia report has modelled the impacts a gas switch-off is likely to have on electricity distribution networks, based on three areas: "Compared to the 2025 maximum coincidental system demand, switching off the gas network increases peak electricity demand by 28 MW (9 percent) in Hamilton, 5 MW (7 percent) in Gisborne, and 52 MW (10 percent) in Wellington."[15] The report also estimates the 'significant' capex increase and the 'modest' impacts on network and non-network opex, totalling $152 million across the three regions.[16]

[13] Te Waihanga, Draft National Infrastructure Plan 2025, page 141
[14] MBIE, https://www.mbie.govt.nz/assets/energy_in_new_zealand_2025.pdf, pages 31-32
[15] Castalia, Switching off the gas distribution network: Consumer, network, and emissions impacts – Final report to Gas Industry Company, September 2025, page 48
[16] Castalia, Switching off the gas distribution network: Consumer, network, and emissions impacts – Final report to Gas Industry Company, September 2025, pages 8 and 48-51

With the DPP4 gas reset currently underway, we're sure the Commission will be very focused on future demand trends and that these will be factored into the development of the EDB DPP5 process and assumptions in due course.

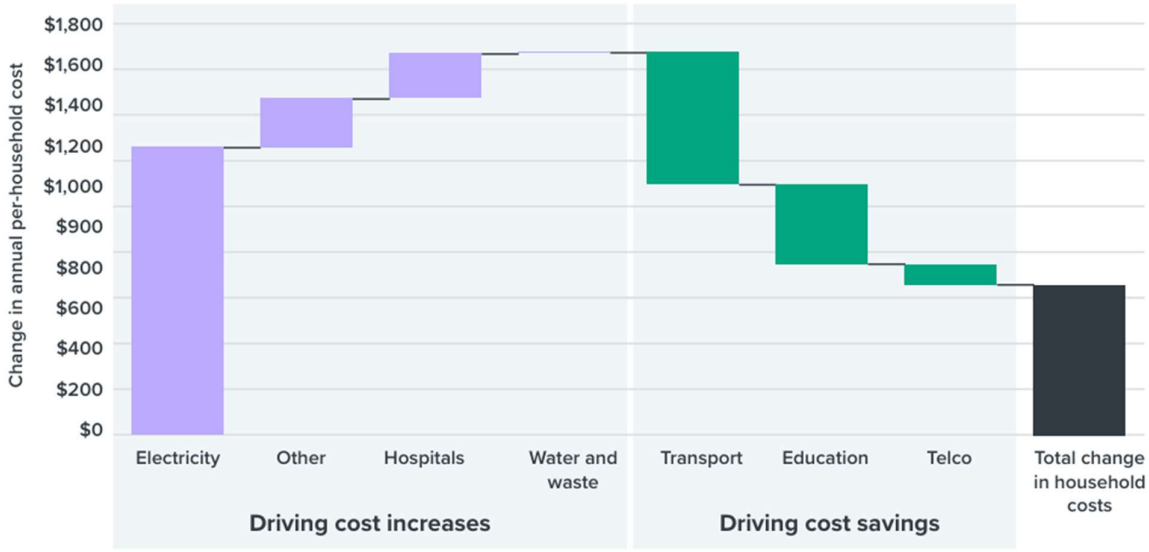
4.5 Consumer sentiment and affordability pressures

Consumer and business advocacy groups are rightly focused on affordability and the distributional effects of network investment. Consumer NZ published statistics showing that around 20% of households experienced difficulty paying their bill this year[17] and the Major Electricity Users Group (MEUG) recently said that "industry cannot keep absorbing double-digit price increases in the cost of power."[18]

Figure 15 in the NIP,[19] shown below, highlights the cost pressure this is likely to add to household budgets by the end of the DPP5 period, but also shows this in the context of partially offsetting cost savings expected in the wider infrastructure system.

Infrastructure investment has an impact on household budgets

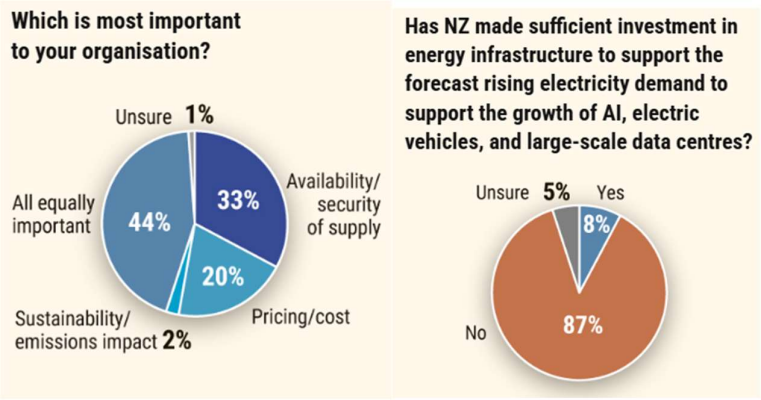
Figure 15: What our forward guidance would mean for the average household budget, 2035–2040

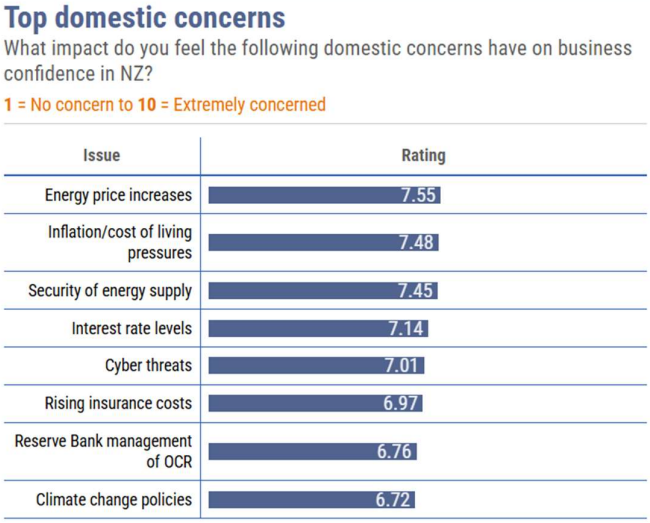


Note: Changes in cost are relative to expenditure on infrastructure services in 2019. Source: New Zealand Infrastructure Commission analysis and modelling.

At the same time, business leaders and many EDBs are calling for clearer, long-term investment signals so critical assets can be maintained and adapted for the energy transition. NZ Herald's 'Mood of the Boardroom'[20,21] highlighted concerns about electricity prices, but also the importance of all of the energy trilemma and the view that current investment in electricity in insufficient (extracts from the survey shown below).

[17] Consumer NZ, Power poverty persists - Consumer NZ, 9 September 2025
[18] MEUG, MEUG-press-release-Double-digit-price-increases-12-Sept-2025.pdf, 12 September 2025
[19] Te Waihanga, Draft National Infrastructure Plan 2025, page 45
[20] NZ Herald, Mood of the Boardroom: Executives call for long-term energy plan as power prices climb - NZ Herald, 25 September 2025
[21] NZ Herald, Mood of the Boardroom: Business leaders' optimism hits highest level since 2016 - NZ Herald, 25 September 2025





Affordability remains a key focus of DPP settings and it is important to recognise the pressures households and businesses face from high electricity prices. However, consumers value not only cost minimisation, but also reliability, resilience, fairness, and climate adaptation. "Our infrastructure drives higher living standards, contributes to a strong economy, enables our culture and society to thrive, and protects our environment."[22] Over-prioritising short-term cost reductions can result in underinvestment, creating higher long-term costs and lower service quality.

These twin pressures — affordability and the need for investment — are both real and must be balanced in framing DPP5. The long-term interests of consumers should be at the heart of decisions. As summarised in the NIP:

> *"Infrastructure must serve different types of needs in different places. Because New Zealand can't afford everything, we need to choose carefully and make trade-offs. Addressing one need or priority may make it difficult to address another, either today or in the future. A sustainable long-term investment approach needs to recognise current and future affordability constraints, while balancing investment between different needs and different places."*[23]

ENA recommends that DPP5 explicitly recognise these multiple dimensions of consumer value, guiding EDBs to balance affordability, resilience, and sustainability in planning and investment decisions. As in DPP4, the Commission also has an important role in working alongside industry to

[22] Te Waihanga, Draft National Infrastructure Plan 2025, page 14
[23] Te Waihanga, Draft National Infrastructure Plan 2025, page 26

support clear and meaningful communication with consumers and stakeholders, helping them to understand both the rationale for regulatory decisions and the broader implications of the energy transition. We discuss this further in section 5.4 below.

5 Process improvements for DPP5

As noted in the NIP, "Regulatory inefficiencies, complex approval processes, and inconsistent frameworks were highlighted as the main factors delaying infrastructure projects and driving up costs by many respondents."[24]

This section discusses some areas which may help mitigate this risk in the context of DPP5 and the Commission's remit. Collectively, these process improvements — clear sequencing, improved transparency, more prescriptive consumer engagement guidance, strengthened inter-agency coordination, and explicit recognition of wider sector drivers — will reduce uncertainty for consumers and investors, improve regulatory efficiency, and ensure that DPP5 settings are durable and adaptable.

5.1 Timing and coordination with IM reviews

Several DPP5 issues intersect with IM reviews, including trailing average WACC, financeability, and capex treatments. The IM reviews and DPP resets are tightly interlinked, yet their timelines risk misalignment. The next IM review is scheduled to conclude in 2030, whereas the DPP5 final decision will be in November 2029. Deferring key issues until the maximum window for the IM review risks locking in mis-specified settings for the duration of DPP5.

For example, the treatment of connection and customer-driven capex may need adjustment before DPP5. Deferral to 2030 could leave networks and consumers exposed to significant risk until 2035. (Refer to section 6.1 for more on this particular example.)

We are also aware that some elements affecting EDBs are being determined through the Fibre IM review process, such as WACC methodologies. It would be useful to understand how and when the results of the Fibre IM review will translate into the EDB IM review.

There may even be changes that require amendments to Part 4 of the Commerce Act, which would also need to be factored into timelines.

ENA therefore recommends that the Commission:

- identify and publish, as soon as possible, a clear sequencing plan that explains which issues will be resolved in DPP5, which will proceed via the respective IM reviews and which may require a Part 4 amendment process; and
- consider bringing forward targeted IM workstreams (or using a supplementary, targeted IM amendment process) for a small set of high-priority IM issues that must be settled in time to be incorporated into DPP5 (for example: the framework for treating connection/customer capex risk; the use and structure of wash-ups or carve-outs in IRIS; and key elements of any financeability approach).

Adopting a clear sequencing approach will reduce uncertainty, enable more coherent submissions from stakeholders, and avoid the need to revisit major structural policy choices mid-period.

[24] Te Waihanga, Draft National Infrastructure Plan 2025, page 21

5.2 Transparency and accessibility of instruments

IMs and IDs have been subject to multiple amendments over time, making them increasingly complex, yet there is no consolidated, user-friendly index of changes. The current structure of IMs and IDs, scattered across multiple determinations and amendment papers, is a barrier to transparency. Even experienced regulatory staff can find it difficult to determine which version of a clause applies; for consumer groups and smaller stakeholders trying to meaningfully engage, the task is near-impossible.

This lack of transparency increases compliance risk and undermines confidence in the regulatory framework. A consolidated, searchable index of IMs and IDs – including hyperlinks, tracked changes, and summaries of amendment rationales – should be a priority. Other regulated sectors and jurisdictions treat such consolidation as standard practice and the government's expectations are that the regulatory system "sets out legal obligations and regulator expectations and practices in ways that are easy to find, easy to navigate, and clear and easy to understand."[25]

As the Commission website gets more complex, it might also be useful to introduce a couple of other pages to help navigate, for example:

- a page for live consultations – it can be really difficult to find consultations, as they are buried in the relevant section of the website. A single page, somewhere easily accessible from the homepage, that links all open consultations (and perhaps even recent decisions) would be useful. For example, this page the Authority has: Our consultations | Electricity Authority
- a landing page for each industry – with links key sections and documents off the landing page. Use this page to shortcut to key documents, like the IMs, IDs, most recent DPP/CPP decisions and supporting guidance, without having to navigate several more layers to find them. Perhaps even consider using language that doesn't assume prior knowledge of Commission processes – 'rules' rather than 'IMs' and 'IDs' for example (it can be further explained later, but it would perhaps help with initial navigation).[26] Linking to the regulatory process explainer would also be useful, so people understand your role and how the various processes fit together.

5.3 Differentiated regulatory treatment

Given the diverse characteristics of New Zealand's 29 EDBs, a one-size-fits-all regulatory approach - such as the DPP - may no longer be fit for purpose. EDBs vary significantly in terms of ownership structures, network maturity, geographic coverage, consumer density, and investment profiles. Some are facing substantial capital investment requirements to replace aging infrastructure or

[25] New Zealand Government, Government Expectations for Good Regulatory Practice, April 2017, page 4

[26] For example, if you go to the Commission website and navigate to 'regulated industries' > 'electricity lines', it is not possible to find the 'rules' from that screen or even that section of the website. First, you have to know that the 'rules' are called 'Input Methodologies' to find those in a different website section or 'Information Disclosure requirements' are also found elsewhere. When you go to the 'Input Methodologies' page, you find a long list of projects and reviews, but still no clear title or link identifying the currently applicable version. Even upon eventually discovering the section called 'current input methodologies for electricity distribution businesses', the narrative and list are still unclear, and appear incomplete for more recent amends post 2023, e.g. the recent insurance, wash-up or reopener amendments.

accommodate emerging technologies, while others operate relatively stable networks with lower growth pressures.[27]

The DPP framework, while efficient for broad application, risks constraining necessary investment or failing to incentivise innovation in networks undergoing transformation. We need to avoid a situation where the DPP does not provide sufficient allowances to enable an EDB to replace its aging assets, due to the 'broad applications' framework. There should be the ability to fund proven necessary investment, regardless of the step change between regulatory periods. As the NIP has shown, investment comes in cycles and the prior period may not be reflective of future periods. Arguably this is particularly true for smaller EDBs, whose capex replacement programmes may cause less frequent but larger 'spikes' in spending.

Whilst CPPs and reopeners are available for EDBs, when required, for a more tailored price path, these have an additional administrative burden on both the regulated party and the Commission, and they can increase tensions with consumers who may see a separate process as a sign the EDB is applying for optional or unnecessary changes.

It may be worth considering whether individual price-quality paths (IPPs) for some EDBs, or another mechanism, would better align regulatory settings with the unique challenges and opportunities faced by individual EDBs. This would ensure that regulation supports efficient investment, maintains service quality, and enables the transition to a low-carbon energy future, while still protecting consumer interests.

5.4 Consumer engagement — clearer expectations and practical guidance

Consumer engagement is a core part of regulatory planning, as well as being at the heart of business-as-usual planning for EDBs. ENA members strongly support meaningful consumer input, but consistent feedback shows uncertainty about what constitutes credible engagement. The concern is not *whether* to engage, but how to ensure the Commission recognises, values, and supports meaningful approaches.

Feedback from members is that the current model sometimes feels like 'moving goalposts' – whatever an EDB does, it risks being judged insufficient, without clear advice on how to improve. There is a perception that efforts will never be considered good enough, leaving businesses unsure how to invest effort effectively.

ENA suggests the Commission:

- considers its own role in consumer engagement, perhaps even demonstrating its own consumer engagement practices for DPP5, and/or
- works with the industry (or even cross-industry) to provide clearer guidance on what constitutes 'good' consumer engagement, how to evidence it, and how it links into quality standards, AMP disclosures and reopener applications.

That would enable EDBs to meet expectations confidently, rather than second-guess them, allowing EDBs to allocate engagement resources efficiently and giving regulators confidence that outputs reflect genuine consumer preferences for what the 'right' quality and price settings should be.

[27] Refer to ENA's EDBs investment driver heatmap for more on this best estimation visual of some of the drivers of demand and the scale of network investment required to support it, over the coming three decades, by region/EDB. (Please note this heatmap has not been updated since the DPP4 decision and does not take into account the faster than expected decline of gas discussed earlier in this paper.)

ENA proposes that any guidance on consumer engagement strikes a balance between a binary 'box-tick' test or overly prescriptive checklists, and a more principles-based approach. Practical measures could include: a short, plain-language statement of engagement principles; examples of good engagement practice drawn from recent AMPs, IPPs or reopener applications; clear guidance on the types of evidence the Commission finds persuasive (e.g. sample surveys, independent moderation notes, documented trade-offs and how they were addressed); and a proportionate approach to evidentiary expectations that recognises the differing scale and resourcing of EDBs. Producing a short 'what good looks like' note would help EDBs invest their engagement budgets[28] efficiently and would make it easier for the Commission and consumer representatives to rely on those outputs.

5.5 Cross-agency coordination and the Commission's influence

Many of the key issues that will affect DPP5 (like connection pricing and processes, distribution pricing, the potential evolution of a distribution system operator (DSO) role, the NIP and the scale and timing of electrification) are being progressed by multiple agencies: the Commission, the Authority and MBIE, and Te Waihanga. Parallel workstreams can produce useful policy ideas, but they also risk creating contradictory or confusing signals for EDBs and investors. There is a real risk of unintended consequences if agencies act in silos rather than collaboratively.

Recent Authority work — for example, the consultations on improving network visibility, future system operation / DSO models and the distribution connection pricing Code amendments — illustrates how closely intertwined operational, commercial and regulatory settings are, and how changes in one forum can have immediate implications for current or future DPP settings that the Commission must determine.

Whilst section 54V of the Commerce Act enables the Electricity Authority to request the Commission to reconsider a price-quality path where its regulatory decisions materially affect electricity lines services, this mechanism is rarely used. Many individual changes may not meet the materiality threshold on their own, yet the pace and volume of recent regulatory developments suggest that cumulative impacts could be significant. These impacts may relate not only to new disclosure or performance expectations, but also to pricing and operational constraints, which could materially affect EDBs' ability to deliver within the current price path. This reinforces the need for proactive coordination and integration of such considerations into the DPP5 framework.

ENA recommends the Commission use its influence more proactively to reduce fragmentation and improve sequencing. Practical steps could include:

- publishing a joint, multi-agency multi-year forward roadmap that identifies key milestones for related policy work (e.g. DPP5, DSO, distribution-level pricing reforms, MBIE's energy strategy inputs, infrastructure planning)
- agreeing which agency will lead any complex cross-cutting change, and
- using secondments or joint working groups (with clear objectives and timelines) to share capability and reduce rework.

These measures would not seek to remove the legitimate independence of each agency's decision-making, but would materially improve clarity for industry participants and help avoid inconsistent or duplicative demands on EDBs.

ENA also encourages the Commission and other agencies to adopt structured engagement approaches — such as workshops, joint technical papers, and time-bound task groups — to

[28] With an allowable expenditure step change provided, if the revised guidance increases the costs associated with consumer/ stakeholder engagement, to allow for proper cost recovery.

collaboratively address emerging concerns, rather than defaulting to formal regulatory interventions before design issues are fully resolved. Identified issues could be periodically surfaced to the industry for resolution while they remain at the 'niggles' stage. Where industry-led efforts fall short and those 'niggles' evolve into more systemic concerns, regulation remains a necessary backstop — but should, where possible, follow coordinated problem-framing and joint solution development.

6 Substantive issues for DPP5

6.1 Connection and customer capex risk

Risk should sit with those best placed to manage the risk. New customer connections, including those driven by industrial electrification, are inherently unpredictable and largely outside of an EDB's control. This suggests EDBs are not best placed to manage the associated capex risk.

While the LCC framework provides tools to manage large connection projects, it may not fully mitigate risks arising from rapid gas-to-electricity transitions and lumpy industrial demand. EDBs may be forced to reprioritise renewal expenditure or adjust capital contribution policies to stay within capex allowances and avoid IRIS penalties. If legitimate customer-driven investments are not adequately recoverable, EDBs may be perversely incentivised to delay connections, slowing electrification and decarbonisation.

Past requests to expand mechanisms for managing connection/ growth capex risk mechanisms have been declined due to insufficient evidence and workable designs. However, with several EDBs now facing sudden demand spikes from fuel-switching industrial customers and growing concerns from potential acceleration of the gas transition, ENA recommends this topic be workshopped early in the DPP5 process to reassess viable options. These could include:

- excluding new customer capex from the IRIS mechanism to avoid windfall gains or losses,
- a connection capex mechanism similar to the Chorus model,
- a 'use it or lose it' allowance for new customer capex/ growth investment,
- a standardised, transparent process for fuel-switch-driven reopeners, with clear thresholds and accelerated pathways, or
- amendments to the LCC framework to accommodate lower value contracts.

Addressing IRIS treatment could also help reduce reliance on capital contributions, enabling EDBs to recover more of the costs of unexpected demand and easing pressure on connecting customers. Proactive mechanisms can reduce financial risk to EDBs while supporting a smooth and efficient energy transition.

We have worked with the Energy Efficiency & Conservation Authority (EECA) in recent weeks to develop indicative pathways for how many commercial and gas sites across the North Island currently rely on natural gas and how many of these may need to transition within the next few years. The spreadsheet (included as an attachment to Appendix B) summarises the potential scale of transitions for EDBs.

In the meantime, we recommend maintaining watching brief on the effectiveness of the current mechanisms, and whether they strike the right balance between necessary regulatory rigour and the need for speed and predictability.

6.2 Financeability and anticipatory investment

Financeability is a critical enabler of anticipatory investment. If regulatory settings do not adequately recognise capital requirements and financing risks, networks may face constrained access to capital or increased financing costs, ultimately impacting consumers. There needs to be a balance between prudent investment (as reflected in DPP allowances) and the financial metrics that underpin access to capital, such as credit ratings and gearing levels. While DPP4 introduced improvements in financeability considerations, further work is needed ahead of DPP5 to ensure networks can invest with confidence.[29]

In New Zealand, anticipatory investment will be critical to accommodate electrification, renewable generation, and resilience needs. Current regulatory settings are largely focused on near-term, demonstrated demand, which risks slowing the energy transition and undermining long-term consumer outcomes. ENA recommends that DPP5 explore mechanisms to support prudent anticipatory investment, potentially drawing on international examples while ensuring alignment with New Zealand-specific requirements.

The Energy Transition Framework has a workstream considering the removal of finance-related barriers for commercial and industrial electrification. It would be efficient to ensure this workstream's development is connected to the DPP5 process and further discuss the challenges of anticipatory capacity and related investment.

With the Authority workstream on connection pricing, many EDBs are going to face pressure to reduce upfront cost-recovery for new connections, contributing higher socialised price impacts for consumers and to potential financing issues for EDBs. For smaller networks, a large unexpected connection could be difficult for EDBs to fund. Whilst the regime may allow them to recover costs over time, that doesn't necessarily mean they're able to borrow money to invest in a timely or cost-efficient manner in the meantime.

Financeability considerations also include how the WACC is set. The current WACC methodology means that consumers are exposed to volatile debt costs. Changing to a trailing average cost of debt is in the long-term best interests of consumers. We understand that the WACC methodology is being considered as part of the Fibre IM review, so won't add much more in this document. However, please refer to our previous submission as part of the Fibre IM review early this year, as well as the cross-industry joint letter for more information on our views on this topic.

6.3 Incentives and behaviour

The current IRIS framework is economically neutral in principle, but perceptions of bias can affect investment decisions. Boards and investors may be cautious about pursuing either capex or opex solutions if the mechanisms appear to favour one type of spend over the other.

Opportunities also exist to improve transparency and clarity around existing reopeners. For example, some EDBs have not fully recognised that reopeners can be triggered by unplanned opex growth alone, independent of associated capex projects. Clarifying this point would help ensure that efficiency-neutral decisions are not distorted by uncertainty about recoverability.

ENA recommends that the Commission:

- Review IRIS settings to reinforce opex-capex neutrality and clarify treatment of flexibility and innovation solutions.

[29] Please also refer to previous submissions on financeability, including: Big-6-EDBs-financeability-issues-paper-submission-15-March-2024.pdf and 2024-03-15-ENA-financeability-issues-paper-submission.pdf

- Provide explicit guidance on reopener eligibility for opex-driven initiatives to reduce the perception of regulatory bias.

6.4 Flexibility and non-network solutions

While regulators and market participants are keen to explore flexible solutions, the market is still nascent. EDBs often face difficulties valuing flex options over long horizons, and price signals, if passed on by retailers, may only defer investment for months or a few years rather than longer-term capex avoidance. There is also uncertainty regarding the role EDBs can play in flexibility due to recent Authority consultations and open processes.[30]

EDBs have deployed flexible solutions to defer or smooth investment peaks, but these are not always long-term substitutes for capex. For instance, some distribution networks have successfully used demand-response and local storage to defer reinforcement by up to two years in high-growth areas, demonstrating that flexibility can complement, rather than replace, prudent investment.

Focusing on the 'lowest cost now' risks under-investment in future-ready solutions and it can also drive a 'just in time' investment risk. If flexibility doesn't deliver as intended, this likely compresses the timeline to pivot to a capex solution, potentially driving higher costs due to pressure to deliver a solution at speed or by creating a duplication of investment over time. Under-performing flex solutions may also impact network quality, even breaches, which add cost and reputational risk. EDBs are incentivised to avoid quality breaches and capex solutions are often viewed as more certain risk management tools.

That said, we acknowledge that all project options should be considered and evaluated in an efficient manner. To that end, one of ENA's working groups, the Future Network Forum (FNF), plans to develop methodologies to consistently value flexibility within the next 12-18 months.

ENA recommends DPP5:

- Support further research and discussion with EDBs on barriers and drivers for flex versus capex decisions. Help develop a shared understanding of expectations and best practice in this area.
- Consider pilot flexibility incentives with clear disclosure in AMPs and reopeners, using a backstop approach if market mechanisms alone do not suffice.

6.5 International lessons in innovation and incentives

Lessons from leading markets in Australia and the UK show that well-structured incentives can improve uptake without undermining investment in essential network capacity.

The UK's RIIO-ED2 framework promotes targeted incentives for non-network solutions and supports strategic investment where there is clear evidence of future demand, particularly in the context of decarbonisation and electrification.

Similarly, in Australia, the AER's Demand Management Incentive Scheme and Innovation Allowance Mechanism encourage distribution businesses to pursue efficient, consumer-focused alternatives to traditional network investment. While Renewable Energy Zones (REZs) are not part of the AER's incentive schemes per se, they reflect a coordinated approach to network development that complements these regulatory objectives.

ENA notes that while these examples are informative, we are not directly proposing these specifically. Any mechanisms adopted in New Zealand must be carefully tailored to avoid unintended over-

[30] Refer to Distributor involvement in flexibility services market | Our projects | Electricity Authority

regulation or complexity that could undermine efficiency. We suggest they are considered as part of the review of the previous sections on substantive issues.

6.6 AMPs and data

Asset Management Plans (AMPs) are intended to demonstrate an understanding of existing assets, and long-term planning and resilience requirements, not merely to satisfy compliance obligations. Feedback from members indicates that while AMP reviews and guidance exist, their recommendations are inconsistently applied, and expectations for 'good practice' could be made clearer.

ENA recommends the Commission provide revised guidance (or workshops) on:

- the purpose and expectations for AMPs,
- practical examples of high-quality plans, including consumer engagement integration and resilience assessment,
- reporting on assumptions, risk management, and the interaction with DPP settings.

ENA's Regulatory Working Group and Information Disclosure Working Group are planning a joint 'stocktake' session on AMPs later this month. Our intention is to review what works well and what could be improved. For example, it may be beneficial to establish a Strategic Asset Management Plan (SAMP) that sets out the EDB's long-term asset management approach, which would only require updates every five years or following a significant strategic reset. More detailed and operational components of the AMP could then be updated more frequently, as investment decisions and network needs evolve. We're also keen to test whether there is an opportunity to create more consistency in inputs to forecasts (e.g. common demand assumptions) and outputs to deliverables (e.g. structure/form, comparability).

We understand the Commission is reassessing its approach to AMPs, and ENA welcomes the opportunity to collaborate on this work. Given the central role AMPs play in the DPP-setting process, we believe it's important to begin discussions early — potentially even co-developing a roadmap for AMP evolution over time.

Through the working groups, EDBs are already contributing to improvements in data transparency and comparability. However, differences in treatment across EDBs continue to make some expenditure categories difficult to compare. We're keen to work with the Commission to develop greater consistency, potentially through enhanced guidance and clearer definitions.

Improving trust in AMPs and their underlying data could also enable a more targeted approach to expenditure approvals. For example, with robust data and controls in place, lower-risk capex categories - such as 'known' or 'critical' investments - could be approved with less regulatory effort. This would streamline the DPP process and allow Commission staff to focus on higher-risk or more judgement-based areas. It may also support more nuanced consideration of step changes across EDBs, helping to address concerns raised earlier in section 5.3.

We also expect the Commission will increasingly draw on the enhanced disclosure requirements introduced in recent years to tailor its approach to expenditure approvals - particularly for categories like vegetation management, where improved disclosures may support more targeted and proportionate scrutiny. This also presents an opportunity to review whether certain disclosures remain necessary, especially where they are not actively used by the Commission or other stakeholders.

Optional targeted assurance or independent verification of specific expenditure areas or modelling approaches could also enhance the robustness of the regulatory process. However, EDBs would want clarity on how such efforts would meaningfully contribute to the Commission's decision-making,

rather than resulting in duplicated costs or effort. Providing transparency around how such assurance would be used - and the weight it would carry - would help ensure that EDBs can invest in assurance activities with confidence that their input will be valued and impactful.

6.7 Utilisation, prioritisation and efficiency

The distribution system is largely designed to meet peak demand and provide sufficient resilience against outages. In New Zealand, climate change and natural hazards, including extreme weather events and earthquakes, can amplify the resilience requirements.

"To sustain high quality infrastructure services, we need to get smarter."[31] New Zealand is not an easy location for infrastructure, with challenging terrain and a sparse population outside of urban centres. "We can't always afford to build infrastructure to the same standard as more densely populated countries, because we don't have as many people to use and pay for it."[32]

Effective utilisation, prioritisation, and efficiency in network investment are increasingly critical as EDBs navigate evolving consumer expectations, decarbonisation goals, and affordability pressures. These measures need to be considered alongside network resilience and security.

While EDBs acknowledge that there is room for improvement in these areas, the sector is actively working to strengthen its investment decision-making frameworks. Smarter investment - focused on optimising existing assets and deferring non-essential upgrades - can help reduce or delay capital expenditure without compromising service quality or long-term resilience. However, it is important to recognise that such efficiencies will not eliminate the need for future investment altogether. Rather, they should be seen as part of a broader options analysis that informs prudent, timely, and targeted investment.

Encouraging a deeper understanding of utilisation, prioritisation, and efficiency within the regulatory framework would support better outcomes for consumers and the sector alike. Given that these terms are widely used but often interpreted differently, ENA recommends that an initial step should be to workshop how they could be consistently defined and measured. This exercise may highlight the value of developing new disclosures to be collected over time, helping to build a clearer picture of current practices and informing whether further improvements or regulatory interventions are warranted. It would also help all parties better understand the impacts of trade-offs required between network quality and affordability.

6.8 Quality measures and performance indicators

Te Waihanga concluded that "in general, New Zealanders' expectations for the reliability of electricity seem to be well met."[33] That said, they also report that "Outages in New Zealand appear to be more frequent in number and duration than peer countries and are among the highest in the OECD."[34]

This contrast may not be immediately apparent when looking at the current quality metrics (SAIDI, SAIFI). This may suggest that these measures may not fully capture the consumer experience, indicating there could be value in exploring whether more representative, practical, and cost-effective metrics could be developed.

As noted in section 6.4 above, EDBs are incentivised to avoid quality breaches, which can increase risk aversion and discourage the adoption of innovative, flexible or non-network solutions. It may be

[31] Te Waihanga, Draft National Infrastructure Plan 2025, page 23
[32] Te Waihanga, Draft National Infrastructure Plan 2025, page 20
[33] Te Waihanga, Draft National Infrastructure Plan 2025, page 140
[34] Te Waihanga, Draft National Infrastructure Plan 2025, page 140

worth considering whether there are mechanisms that could help mitigate this risk for EDBs and support greater uptake of such alternatives, if that is a desired policy outcome.

This is also an area where greater alignment between regulators could be beneficial. If the Electricity Authority or other agencies have concerns about EDB quality or performance, or are considering introducing new disclosure requirements, it would be preferable to integrate these into the Commerce Commission's DPP5 framework, and associated ID reviews. This would help avoid duplication, reduce compliance burden, and ensure a more coordinated and efficient approach to regulation and reporting.

7 Next steps

In summary, to support effective development of DPP5, ENA recommends the Commission:

- Publish a clear roadmap showing how DPP5, IM reviews, and related workstreams (pricing, consumer engagement) fit together, including sequencing of issues that may arise under reopeners or future IM amendments.
- Kick-off conversations with other agencies to create an integrated workplan across the sector.
- Convene targeted workshops on connection-driven capex, flexibility and incentive mechanisms, asset management plans, utilisation and quality to further understand concerns before an issues paper is published.
- Continue structured dialogue with industry and investors to monitor financeability and capital access issues, including anticipatory investment and WACC settings.
- Consider working with EDBs to create further guidance on consumer engagement.

8 Conclusion

ENA appreciates the Commission's commitment to improving transparency, consumer engagement, and investment outcomes through DPP4 and looks forward to building on this progress in DPP5. The sector faces unprecedented change, and regulatory settings must evolve to enable efficient, timely, and consumer-focused investment.

We encourage the Commission to adopt the recommendations in this submission, drawing on both domestic experience and international lessons, and to engage closely with industry and consumers as DPP5 is developed.

Appendix A – List of members

Electricity Networks Aotearoa makes this submission along with the support of its members, listed below.

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- Firstlight Network
- Electra
- EA Networks
- Horizon Networks
- Mainpower
- Marlborough Lines
- Nelson Electricity
- Network Tasman
- Network Waitaki
- Northpower
- Orion New Zealand
- Powerco
- PowerNet (which manages The Power Company, Electricity Invercargill, OtagoNet and Lakeland Network)
- Scanpower
- Top Energy
- The Lines Company
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower

Appendix B - Potential increase in electrical demand from commercial and industrial gas boilers

ENA has worked with the EECA to collate the draft data in the attached spreadsheet. The spreadsheet shows an estimate of gas users, and their potential electrical demand, who may transition to electricity in the near future. EECA has used their RETA database to attempt to capture most of the large process heat fossil fuel energy users in each North Island region, as well as some of the small to medium ones. It is not a complete database of all energy users. Scenarios have been modelled on the basis of both an electricity-centric pathway and a marginal abatement cost (MAC) optimal pathway. The regions have been broadly mapped to each EDB to assist with demand planning.

The spreadsheet itself is provided to the Commission on a confidential basis and is not suitable for publication.