

25 June 2026

Ben Woodham
Electricity Distribution Manager

By email to: infrastructure.regulation@comcom.govt.nz

Dear Ben,

Submission to the Commerce Commission (Commission) on the government grants Input Methodologies (IMs) draft decision

Electricity Networks Aotearoa (ENA) appreciates the opportunity to comment on the Commission's draft decision on *the proposed amendments to input methodologies for electricity distribution businesses, gas pipeline businesses and Transpower related to government grants and other regulated income*.

ENA is the industry membership body that represents the 28 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 spent or invested \$6.8 billion in network assets over the last five years. ENA harnesses members' collective expertise to promote safe, reliable, and affordable power for our members' customers.

Support for current proposal

ENA supports the proposed amendments relating to government grants associated with operating expenditure.

We agree that the current treatment can create unintended outcomes where regulated suppliers are unable to retain funding intended to support specific projects, while also potentially incurring IRIS penalties associated with the related expenditure. We therefore support the proposed amendments, which appear to better align regulatory treatment with the policy intent of the funding and avoid creating disincentives to participation in government-funded initiatives.

We also agree that the proposal is broadly consistent with the Commission's recent amendments relating to insurance and compensatory entitlements.

Broader questions

Taken together, these amendments suggest that the Commission is placing greater emphasis on the economic purpose of a payment than on its accounting presentation. While accounting treatment remains relevant, the proposed amendments recognise that some payments are more appropriately viewed as reimbursement of specific expenditure rather than as income arising from the operation of the regulated business.

ENA considers that this raises a broader question regarding the treatment of reimbursement-type payments across the regulatory framework.

For example, EDBs may incur vegetation management expenditure to manage risks to network assets and service quality, while recovering some or all of those costs from the relevant tree owners. Under the current approach, such recoveries would generally be treated as other regulated income rather than as an offset to the associated expenditure.

This appears capable of producing outcomes similar to those identified by the Commission in relation to government grants and insurance entitlements. The expenditure remains within opex and may affect IRIS outcomes, while the associated recovery is treated as other regulated income and returned to consumers through the wash-up process. The regulated supplier may therefore not retain the benefit of the reimbursement for the purpose for which it was received.

ENA is not suggesting that all third-party recoveries should necessarily receive the same treatment as government grants or insurance entitlements. However, examples such as vegetation management cost recoveries suggest there would be value in the Commission further articulating the principles that distinguish payments which may appropriately be treated as offsets to specific expenditure from payments that should be treated as other regulated income.

While this issue does not need to be resolved as part of the current amendment process, ENA considers there would be value in the Commission undertaking further work to articulate a clearer framework for the treatment of reimbursement-type payments across the Part 4 regime.

ENA thanks the Commission for considering these comments. If you have any questions about ENA's submission please contact Gemma Pascall, Regulatory Manager ().

Yours sincerely

Gemma Pascall

Regulatory Manager

Appendix A: ENA Members

Electricity Networks Aotearoa makes this submission along with the support of its members. Listed below are the lines companies represented:

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- EA Networks
- Electra
- Electricity Invercargill
- Firstlight Network
- Horizon Networks
- MainPower
- Marlborough Lines
- Network Tasman Limited
- Network Waitaki
- Northpower
- Orion New Zealand
- OtagoNet – represented by PowerNet
- Powerco
- Scanpower
- The Power Company – represented by PowerNet
- Top Energy
- The Lines Company
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower