

18 MAY 2026: SUBMISSION TO ELECTRICITY AUTHORITY REGARDING THE DISTRIBUTED GENERATION PRICING PRINCIPLES

All consumers should benefit from Distributed Generation

Entrust welcomes the Authority's intention to better ensure Distributed Generation (DG) owners pay the full incremental cost of connecting to distribution networks, and DG is rewarded for the network benefits it can provide, but we do not support granting preferential treatment to DG owners at the expense of other electricity consumers.

The proposed Distributed Generation Pricing Principles (DGPPs) unfairly favour DG owners while other consumers would continue to bear all shared and common costs. We are concerned this could result in businesses and households that can afford to invest in solar and batteries benefitting at the expense of consumers that are not able to invest.

For electricity pricing reform to be durable it must be fair, efficient and work for everyone, not just a select few.

Summary of Entrust's submission

- Network pricing reform should lead to more efficient, lower cost electricity supply, making electricity more affordable and benefitting all consumers.
- Consumers who install DG should be able to reduce the price they pay for electricity and improve their own resilience. DG may also help reduce the need for network upgrades and improve the overall cost of supply faced by other consumers.
- Consumer impacts should be the paramount concern for the Authority. Particular care is needed to ensure the DGPPs do not disadvantage consumers that aren't able to invest in DG such as solar and batteries.
- Entrust welcomes the Authority's intention to clarify the definition of incremental cost, and to make sure electricity distributors can recover the full incremental cost from DG owners. We consider that the proposed definition is still open to different interpretations and there is opportunity to provide better clarity in the drafting.
- Shared and common costs should not be loaded onto captive residential consumers. Entrust's recent consumer survey shows 91% of residential consumers oppose paying higher electricity bills to support businesses.
- Entrust supported the Authority's previous proposal in which DG contributes fairly to shared and common costs. The consultation paper does not explain why the Authority has changed its mind on this. We think there is an opportunity to improve regulatory certainty and predictability by being careful to ensure full transparency of the Authority's thinking and policy development.
- The DGPP proposals conflict with the Authority's transmission pricing methodology (TPM) requirements despite Authority claims to the contrary. In transmission pricing, both load and generation customers contribute to shared and common costs.

Entrust's submission

The current DGPPs are not fit-for-purpose. They are well overdue for replacement or complete overhaul. Entrust supports distribution pricing arrangements that encourage efficient investment in DG and local generation where it reduces or delays the need for network upgrades.

Network pricing, if done well, should benefit all consumers.

The Authority's pricing reforms should avoid outcomes where some customer groups unnecessarily benefit at the expense of others. Any increase in customers or network usage, be it from DG or from new connections, should enable network costs to be spread more broadly. If injection from DG reduces or delays network augmentation and investment it should result in lower charges for all consumers. This requires that the benefits of DG are shared fairly.

The proposals should be carefully tested against consumer outcomes, including affordability and equity

Consumer impacts should be the paramount concern for the Authority. It is not sufficient for the consultation paper to state that "Proposed amendments are not intended as measures to protect the interests of small consumers". It is the potential effects of the reforms that matter not the intent.

The consumer protection objective should not be brushed aside. Entrust considers that protecting small business and residential consumers against discrimination and risk of over-charging to advantage or subsidise other customer groups is well within the remit of the consumer protection objective.

Particular care is needed to ensure the DGPP proposals do not disadvantage or harm consumers that are not able to invest in solar and batteries, particularly low-income and vulnerable households.

It is unclear why the Authority considers that small businesses and residential consumers would benefit "generally" given the consultation paper is clear "existing customers are not made any better off" and that capping DG charges at the "subsidy-free floor" means there is an "inherent" risk of subsidy. We think it would be helpful for the Authority to provide evidence on how small consumers will be impacted. If the Authority can demonstrate the impacts will be positive this will be both positive for consumers and make it easier to get stakeholder buy-in for its proposals.

The Authority should model the impact of its proposed reforms on network costs and consumer pricing. This modelling would be useful for assessing the potential benefits of the reforms and the extent to which there are risks some consumers may be harmed or disadvantaged. For example, what would be the different impacts for households that can afford solar and battery solutions and households that cannot? How is this impacted by different cost allocations?

It would be useful for the Authority to look at the approach the Australian Energy Market Commission (AEMC) is taking. The AEMC is explicitly considering the need for consumer protections to mitigate the risk of adverse impacts for consumers from distribution pricing changes, including vulnerable and socially disadvantaged consumers. AEMC has commissioned independent expert advice on consumer protection options to support the transition to more efficient network tariffs.¹

¹ <https://www.aemc.gov.au/news-centre/media-releases/network-pricing-reform-could-cut-household-electricity-bills-and-deliver-6-billion-system-savings>

Entrust's consumer survey indicates residential consumers oppose paying higher bills to support businesses

We welcome that the Authority values hearing from consumers directly. Entrust agrees it is important consumers have a voice in policy development.

Our 2025 Auckland consumer survey makes it clear residential consumers overwhelmingly oppose paying higher electricity bills to help businesses.

PAY HIGHER BILLS TO SUPPORT INDUSTRY



While the survey question was not specific to any particular type of intervention, it can reasonably be interpreted as applying to new connections and businesses investing in DG. The survey is statistically representative of the Auckland population and demographics. We think it is reasonable to assume residential consumers across the rest of the country have similar views.²

“Incremental cost” should be more clearly defined

Entrust shares the Authority’s concern that the current incremental cost definition “may lead to various interpretations”. We similarly agree with Orion that this lack of clarity is a significant issue.³ It is undesirable if the DGPPs result in incremental cost being understated and not being fully recovered from DG owners.

Entrust considers that the Authority’s proposed new definition of incremental cost could still be open to different interpretations and there is opportunity to provide better clarity in the drafting.

It is not clear that the proposed Code definition fully aligns with the definition outlined in the consultation paper.⁴ For example, there are different potential interpretations of concepts like “a share of costs that are difficult to attribute to a specific injection connection” that would not necessarily be compatible with “incremental cost” pricing.

Another problem is that neither the consultation paper nor the proposed Code amendment makes clear whether a short or long-term approach to calculating incremental cost should be adopted. We understand the Authority’s intention is that a long-term approach should be adopted which includes “fixed and variable costs ... provided they are still ‘incremental’.”⁵

We consider that there is scope to make the definition clearer, including that it is based on an economically orthodox definition which explicitly encompasses both fixed and variable costs and, consistent with the consultation paper, reflects “the additional costs incurred to serve an additional connection or group of connections”.

² Insights HQ undertook an online survey among a representative sample of 1,019 Aucklanders from within the Vector catchment area matched and weighted to census based on age and gender. The margin of error on a sample of 1000 is +/- 3%. The survey was conducted from 16th October to 2nd November 2025.

³ https://www.ea.govt.nz/documents/7062/Orion_-_DGPP_submission_2025.pdf

⁴ We understand that the Authority’s intention is that they are the same, with the consultation paper providing a simplified definition and the proposed Code amendment providing a more technical and detailed legal definition.

Entrust appreciates the Authority providing this clarification in response to questions about the proposals.

⁵ Authority response to questions about the proposals.

Shared and common costs should be spread fairly across all consumers

Entrust fully supported the Authority's previous proposal to remove the incremental cost limit on DG charges.⁶

Entrust agrees with the reasons the Authority provided in the previous consultation for requiring DG to contribute to shared and common costs, including that: (i) the wider the range of customers who contribute the lower the costs will be for everyone, (ii) the current exemption creates an "artificial advantage" for DG compared to grid-connection generators, and (iii) pricing at the subsidy-free floor results in an "inherent" risk of subsidy and that consumers could be made worse off even at the "neutral point".⁷

It is unclear why the Authority reversed its position from the 2025 consultation that "[t]he incremental cost limit leads to poor outcomes for consumers" and DG should contribute to shared and common costs. The consultation does not explicitly acknowledge or explain why the Authority has changed its mind.⁸

Entrust considers that there is an opportunity to improve regulatory certainty and predictability, consistent with good regulatory practice, by ensuring consultations are clear about changes in the Authority's thinking and the reasons for it. This helps create a regulatory environment conducive for investment. It is entirely appropriate for regulators to change their views on matters, and we often encourage it, but it is helpful if they are upfront and transparent about it.

The Authority has not identified sound public policy reasons for favouring DG or new connections over other network users

Our position remains that distribution pricing reform should ensure all network users contribute fairly to the costs of maintaining and operating distribution networks, including contributions to shared and common costs.

We consider a fair allocation of shared and common costs would be more in line with the distribution pricing principle that prices should "reflect the economic value of services" than capping prices at incremental cost.

Even if it were shown to be efficient for certain consumer groups to contribute more to shared and common costs than other groups, e.g. based on Ramsey pricing principles, it does not follow that they should incur all shared and common costs. This would represent an extreme and inefficient pricing outcome.⁹

The Authority now argues allocation of shared and common costs "to producers would flow through to higher wholesale and retail electricity prices for consumers." The Authority has not provided any evidence or analysis to support these claims. Entrust is doubtful DG could set or increase wholesale prices. If the DGPPs successfully encourage more investment in DG this should help dampen electricity prices.

Another problem with this argument is that it could also be made against the Authority's TPM reforms. The Authority has not explained why it considers it to be appropriate for transmission pricing to recover some shared and common costs from generators but not the DGPPs.

⁶ https://www.entrustnz.co.nz/media/m4pkppbo/entrust-distribution-pricing-consultations_26-march-2025.pdf

⁷ [Distributed generation pricing principles | Our consultations | Our projects | Electricity Authority](#)

⁸ The Authority's commentary at its DGPP workshop indicated there has not been a change in views even though there has with the Authority stating that "We still think that distributed generation should only pay its incremental costs rather than a share of all network costs."

⁹ In economic terms it would require, unrealistically, that existing consumer demand was perfectly inelastic and/or that DG demand was perfectly elastic.

The Authority holds conflicting positions on distribution and transmission pricing

The Authority's approach to distribution pricing is increasingly inconsistent with its transmission pricing framework. This inconsistency undermines regulatory coherence, creates uncertainty for stakeholders, and weakens confidence in pricing reform. The more inconsistency there is the less likely the pricing arrangements will be durable.

Various stakeholders have detailed how the Authority's views on distribution and transmission pricing are contradictory and are growing further apart.¹⁰

This inconsistency includes the Authority's position on peak-usage charging. The Authority advocates a long-run marginal cost (LRMC) approach to distribution pricing, while prohibiting LRMC pricing for transmission and instead relying on nodal pricing. The Authority has been clear "nodal prices reflect SRMC rather than LRMC".¹¹ In the context of the DGPPs, this inconsistency means DG will not be fully rewarded for the potential network (transmission plus distribution) benefits it can provide and the pricing signals will be weaker than full dynamically efficient pricing signals.

The inconsistency is also evident from the Authority's position on treatment of shared and common costs in the current DGPP consultation.

The TPM requires that transmission pricing is non-discriminatory and all consumers, including both load and generation customers, contribute to shared and common costs. All Transpower customers pay connection and benefit-based charges, both of which include shared and common costs.¹²

The consultation paper glosses over this inconsistency by using the TPM "residual charge" terminology to describe the allocation of shared and common costs and tries to draw the analogy that residual charges are paid predominantly by load customers.¹³ The consultation paper relies on the false relativism that "Transpower and distribution residual charges are conceptually the same" even though there is no such thing as a "distribution residual charge".

Changes to the DGPPs Entrust would support

Entrust considers that the Authority should revise its DGPPs proposals to improve efficiency and ensure they benefit both consumers and DG owners. Reforms that achieve mutually beneficial outcomes for all network users are much more likely to be accepted and durable.

Entrust has the following recommendations for reform of the DGPPs:

- **Change the proposed pricing rules so they help everyone, not just DG owners:** Entrust is asking the Electricity Authority to change its proposed rules so electricity pricing works for all consumers and doesn't simply create winners and losers. We don't want to see an outcome where households that can afford solar and batteries benefit at the expense of households that cannot. The Authority should avoid reforms that leave households worse off.

¹⁰ e.g. https://www.ea.govt.nz/documents/7066/Vector_-_DGPP_submission_2025.pdf

¹¹ Electricity Authority, Transmission Pricing Methodology Review: LRMC charges Working paper, 29 July 2014.

¹² e.g. the operating component of the connection charge includes a portion of Transpower's total operating costs for all AC assets.

¹³ The TPM residual charge is not set to recover shared and common costs. The residual charge is set to recover costs that are not recovered through connection charges (which include shared and common costs) and benefit-based charges (which recover shared and common of benefit-based investments).

- **Share the benefits of local generation across all customers:** When solar panels, batteries, or other local generation help avoid or delay costly network upgrades, those savings should flow through to everyone's power bills, not just the people who own the generation.
- **Make sure DG pays a fair share of network costs:** It is unfair for DG owners to avoid contributing to shared network costs while other consumers pick up the bill. Everyone who uses the network should help pay for it.
- **Clearly define what "incremental cost" means:** Entrust supports the Authority's intention to ensure that the definition of incremental cost does not result in understatement of incremental costs. The Authority should adopt an economically orthodox definition which explicitly encompasses both fixed and variable costs and, consistent with the consultation paper, reflects "the additional costs incurred to serve an additional connection or group of connections".
- **Distribution and transmission pricing rules should be more consistent:** The Authority should resolve the clear inconsistencies in its approach to distribution and transmission pricing. Entrust wants to ensure that DG is rewarded for the network benefits it can provide, including potential delay in network capacity upgrade and investment, but it won't be so long as there is only a dynamically efficient peak pricing signal at the distribution level and not at the transmission level.

Concluding remarks

Entrust wants to ensure electricity is supplied in an efficient and affordable way to all consumers and its beneficiaries, including the 368,000 households and businesses in its district of central, east and south Auckland.

Entrust is concerned the Authority's approach to pricing reform is unnecessarily divisive and results in winners and losers. This has included favouring South Island generators in relation to the TPM, electricity retailers and generators in relation to loss rental rebate allocation,¹⁴ new connections in relation to distribution connection charge changes¹⁵ and DG in relation to the DGPPs. Each time consumers, including residential and small business consumers, have been the losers.

Distribution pricing reform should ensure everyone pays a fair share of network costs, while rewarding behaviours that lower network costs, such as using solar and batteries themselves and during peak times, feeding DG supply back into the distribution networks. DG pricing should reduce overall network costs and share the benefits with all users.

The Authority needs to make sure pricing reforms deliver real financial benefits for Kiwi families and businesses. Electricity pricing is most likely to be sustainable if it is seen to be fair and delivers mutual benefits for all consumers.

¹⁴ [entrustnz.co.nz/media/wa5bjjgo/submission-on-settlement-residual-loss-rental-rebate-allocation-1-march-2022.pdf](https://www.entrustnz.co.nz/media/wa5bjjgo/submission-on-settlement-residual-loss-rental-rebate-allocation-1-march-2022.pdf)

¹⁵ https://www.entrustnz.co.nz/media/wj3ns0c1/entrust-connection-pricing_5-february-2026.pdf

Kind regards,



Alastair Bell
Chair of Regulation and Policy Committee