

Submission: Reforming distributed generation pricing to promote efficient investment

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Organisation: Individual (Northland homeowner; volunteer with Rewiring Te Tai Tokerau)

Q1. Do you agree with the background and context summary [above](#)? Why? Is there additional background, evidence, or context relevant to the proposals in this paper?

The background and context are broadly agreed with, particularly the identification of issues observed in higher-penetration international markets.

However, additional context is important regarding New Zealand's current stage of distributed generation uptake. With solar penetration still relatively low ([approximately 3.509% of ICPs as of February 2026](#)), the types of network constraints described are not yet widespread. International evidence suggests that such issues typically emerge at significantly higher penetration levels, often above 20-30% at a local level.

This indicates that the issues identified are primarily forward-looking in the New Zealand context.

Q2. Do you agree there are workability challenges with defining incremental costs under the current DGPPs? Why, why not? Are there any additional challenges not discussed above?

There are acknowledged challenges in defining incremental costs, particularly where network impacts are uncertain, location-specific, and evolve over time.

However, there is also a risk that broadening the interpretation of incremental costs too early may lead to cost allocation that reflects anticipated future constraints rather than current conditions.

Q3. Do you agree the current DGPPs cause costs and benefits to be under -allocated to injection connections, which can cause the issues listed above? Why?

There may be some under-allocation in principle, but at current penetration levels the magnitude of this issue in New Zealand is likely limited.

Distributed generation also provides system benefits, including reduced demand during certain periods and deferred generation investment, which should be considered alongside cost allocation concerns.

Q4. Do you consider it remains appropriate to regulate injection pricing methodologies? Why?

Yes, it remains appropriate to regulate injection pricing methodologies to ensure consistency, fairness, and investor confidence.

However, flexibility should be retained to reflect local conditions and the evolving nature of distributed generation.

Q5. Do you consider that consumers should remain residual payers? Why? Are there any additional economic concepts that should be considered in our reform of the DGPPs?

Consumers remaining residual payers is broadly appropriate, but this should be balanced with recognition of the benefits that distributed generation can provide to the wider system.

Economic concepts such as dynamic efficiency, early-stage market development, and learning effects should also be considered, particularly in a transitioning energy system.

Q6. Do you consider that reframing the incremental cost rule to a requirement that charges 'must reflect a reasonable estimate of' rather than 'must not exceed' incremental costs is appropriate? Why?

This change may provide useful flexibility but introduces a risk of overestimation and premature cost allocation.

Additional safeguards or guidance may be needed to ensure that estimates remain grounded in current, demonstrable costs rather than projected future conditions.

Q7. Do you consider that the proposed amendments to language and framing would support more efficient pricing? Why?

The proposed amendments could support more efficient pricing in the long term.

However, their effectiveness will depend heavily on how and when they are implemented, particularly given New Zealand's current low penetration of distributed generation.

Q8. Do you consider that a non-prescriptive, enabling approach to capacity pricing is appropriate at this stage? Why?

A non-prescriptive approach is appropriate, provided it is accompanied by clear guidance and staged implementation.

Without staging, there is a risk of inconsistent or premature application across networks.

Q9. Do you consider that the proposed extension of the pioneer scheme for load connections would help address position -in-queue issues for injection connections? Why?

This could be beneficial, particularly for managing queue and coordination issues.

However, its relevance may be greater for larger-scale or commercial connections than for small residential systems.

Q10. Do you consider that pioneer schemes should also cover network injection capacity? Why?

Yes, extending pioneer schemes to injection capacity could help manage coordination and investment timing, particularly for larger projects.

Q11. Do you consider that the proposed non -discriminatory pricing requirements would improve confidence that investors are safeguarded from discriminatory pricing? Why?

Yes, non-discriminatory pricing requirements are important for maintaining confidence.

However, differentiation based on scale and impact should still be permitted where justified, particularly between small residential systems and larger installations.

Q12. Do you agree with the proposed application provisions, in particular with regard to opting out, retrospectivity and secondary networks? Why?

Caution is recommended regarding retrospectivity, as it may undermine investor confidence and create uncertainty.

Clear transitional arrangements would be important.

Q13. Do you agree with the proposed commencement provisions above? Why?

A staged or delayed commencement linked to distributed generation uptake would be preferable to a uniform start date.

Q14. Do you have any suggestions for how we can most effectively support successful implementation?

Implementation would be best supported through:

- Clear guidance for distributors
- Transparent reporting of network conditions
- **Staged implementation based on local penetration thresholds**

Q15. Do you have any suggestions for effective monitoring and reporting, including proposed changes to charge reconciliation requirements?

Monitoring should include:

- Distributed generation penetration at the feeder level
- Identification of constrained areas
- Transparency around the basis for any charges introduced

Q16. Do you agree it is appropriate to give distributors relatively wide discretion as to how they implement capacity charges for injection connections? Why?

Some discretion is appropriate, but it should be bounded by clear principles and transparency to ensure consistency and fairness.

Q17. Do you agree that for larger connections a more bespoke approach that accounts for dependability and mitigates risks such as over -injection or inefficient payments is more appropriate than the prescriptive broad -based approach used for residential and small business consumers? What do you consider such an approach should look like?

Yes. Larger connections should be treated differently, with bespoke arrangements reflecting their greater impact on network capacity.

This could include performance-based or capacity-based pricing linked to actual network usage and constraints.

Q18. Is there any specific guidance that would be particularly helpful for distributors implementing capacity charges for injection?

Guidance on:

- Trigger conditions for introducing charges
- Appropriate methodologies for estimating costs
- Differentiation between system sizes

would be valuable.

Q19. Do you consider that inconsistent treatment of transmission connection charges for large generation projects may distort investment? Why?

Yes, inconsistent treatment can distort investment decisions and should be addressed.

Q20. Do you have a view on the best option to address the connection charge distortion issue? Please explain your rationale.

A consistent, transparent framework that aligns costs with actual system impacts would be preferable.

Q21. Do you consider that the restriction on recognising transmission benefits should be reconsidered if the other proposed Code amendments are made? Why?

Yes, recognising transmission benefits could improve overall efficiency and investment signals.

Q22. Are there any other matters that you consider important for us to take into account in our reform of the DGPPs?

Yes. The current low level of distributed generation uptake in New Zealand suggests that reforms should be carefully staged to avoid slowing adoption during an early growth phase.

Q23. Do you have any comments on the consumer impact analysis methodology or findings?

Consumer impacts should consider behavioural responses, particularly the risk that reduced incentives may slow adoption of distributed generation and related technologies.

Q24. Do you agree with the objectives of the proposed amendment? If not, why not?

The objectives are supported.

Q25. Do you agree the benefits of the proposed amendments would outweigh the costs?

Potentially, but this depends on timing and implementation. Premature application may reduce near-term benefits.

Q26. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective.

A staged, locally triggered implementation would be preferable.

Q27. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?

No specific comment.

Q28. Do you consider that the Authority's preferred high -level settings for injection pricing are consistent with the distribution pricing principles? Why?

Broadly yes, but consistency will depend on proportional and staged application.

Q29. Do you consider that consolidating distribution pricing methodology requirements into Part 6B would improve clarity and consistency? If not, why?

Yes.

Q30. Do you have any comments on the drafting of the proposed amendment?

No specific drafting comments, but clarity around implementation timing and thresholds would be beneficial.