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Submissions
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Reforming network pricing for distributed generation pricing to promote efficient investment

1 Introduction

- 1.1 Network Waitaki welcomes the opportunity to provide comments on the Electricity Authority's consultation, *Reforming distributed generation pricing to promote efficient investment*.
- 1.2 We support the submission made by the Electricity Networks Aotearoa.

2 Support for the proposed direction

- 2.1 Network Waitaki supports the Authority's objective of improving the efficiency and fairness of distributed generation (DG) pricing. In our view, the proposed amendments are an important step toward a more balanced framework that recognises both the costs and benefits associated with distributed generation, while reducing the risk of inefficient investment signals, cross-subsidies, or regulatory arbitrage between grid and distribution connection options.
- 2.2 At the same time, Network Waitaki strongly encourages the Authority to retain a high-level, principles-based approach and avoid mandating detailed or prescriptive pricing requirements, including for pioneer schemes. A principles-based framework is more likely to support efficient and workable outcomes across different networks, while allowing distributors to reflect local network circumstances, customer impacts, existing connection pricing arrangements, and practical implementation considerations.

3 Continuing relevance of earlier concerns

- 3.1 Network Waitaki's own circumstances have evolved since our earlier submissions, including the expected scale and timing of potential GXP investment. However, the underlying principle remains important: the DG pricing principles should support efficient investment and fair allocation of capacity-related costs and benefits between load customers and generation customers.
- 3.2 In particular grid scale generation should not be incentivised to choose notionally embedding within a distribution network to avoid contributing to shared transmission costs relating to new investments.
- 3.3 Also allowing EDBs to recover capacity related costs which have been incurred in anticipation of future demand from both consumers and DG will ensure efficient and mutually beneficial upfront investments.

4 Incremental cost rule

- 4.1 We support a principles-based and enabling approach. In particular, we support the proposed reframing of the incremental cost rule from charges that “must not exceed” incremental cost to charges that “must reflect a reasonable estimate of” incremental cost.
- 4.2 To achieve an efficient outcome it is important that the final framework clearly recognises that incremental costs and benefits may include capacity-related costs, cumulative impacts, programmatic costs, and other costs and benefits meaningfully associated with DG as a class, or with injection in particular locations or circumstances.

5 Shared network capacity and residual cost

- 5.1 A distributor provides access to shared network capacity. Both load customers and DG customers may require access to that capacity, although for different purposes and in different directions.
- 5.2 While consumers may remain the residual payers for genuinely common network costs, DG should not be exempt from contributing to shared or residual costs where those costs are meaningfully associated with providing network access, capacity, operation, or management services that DG uses or benefits from.

6 Fair allocation of capacity costs

- 6.1 Where DG uses scarce injection capacity, benefits from shared upstream capacity, or brings forward the need for additional capacity, the pricing framework should allow a reasonable share of those costs to be allocated to DG.
- 6.2 Otherwise, load customers may fund shared capacity that is then materially used by large DG connections. That outcome would not promote efficient investment or fair cost allocation.


7 Pioneer schemes

- 7.1 We also support the proposal to enable, but **not mandate**, pioneer schemes for injection. Where a first mover contributes to shared injection capacity that later generators use or benefit from, it is reasonable that later applicants contribute and the first mover receives an appropriate rebate or adjustment.

8 Overall position

- 8.1 Overall, Network Waitaki supports the direction of the proposed amendments, provided the final drafting preserves a high-level, principles-based approach, practical discretion, transparency, and proportionate implementation.
- 8.2 We strongly encourage the Authority to avoid mandating detailed or prescriptive pricing or pioneer scheme requirements, so distributors can apply the framework in a way that reflects local network circumstances and customer impacts.

Yours sincerely


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