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Electricity Authority
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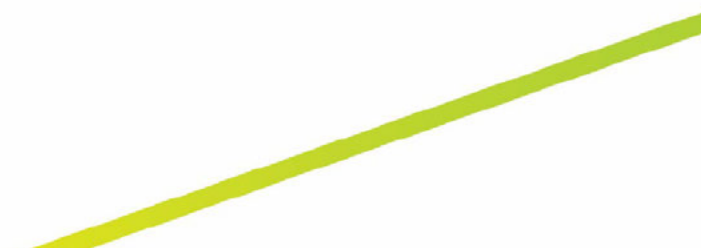
Submitted via email to distribution.feedback@ea.govt.nz

Open Letter: Ensuring consumers benefit from efficient investment in non-network solutions

1. Orion welcomes the opportunity to provide feedback on the Open Letter: Ensuring consumers benefit from efficient investment in non-network solutions (Open Letter).
2. Orion owns and operates the electricity distribution infrastructure in central Canterbury, including Ōtautahi Christchurch City and Selwyn District. The network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north to the Rakaia River in the south; from the Canterbury coast to Arthur's Pass. Orion delivers electricity to more than 233,000 homes and businesses and is New Zealand's third largest Electricity Distribution Business (EDB).
3. The joint Open Letter from the Commerce Commission (Commission), the Electricity Authority (Authority) and the Energy Efficiency and Conservation Authority (EECA) focuses on accelerating the use of non-network solutions in electricity distribution networks. It lays out the three agencies' understanding of the opportunities from non-network solutions and what actions they see distributors should be taking now and in the future.
4. Orion agrees consumers will benefit from the use of non-network solutions and is actively engaged in supporting non-network solutions. The following submission highlights Orion's support for enabling non-network solutions and some points for consideration based on recent experience.

Key enablers of non-network solutions

5. As customers change how they generate, use, and store electricity, Orion is actively exploring the enablement of non-network solutions such as battery storage, microgrids, community energy hubs, network automation, and demand-side third-party flexibility services. These innovations will play an increasingly important role in improving network resilience and utilisation while giving customers more choice and control. Orion is therefore looking forward to proactively working with the Authority, the Commission, and EECA to ensure the regulatory landscape is fit-for-purpose for non-network solutions.



6. Orion sees that the two most significant enablers to supporting efficient investment in non-network solutions are ensuring that pricing provide clear signals for investment by third parties in non-network solutions and that non-network solutions are being adequately considered in network and wider system planning. Having a clear, united vision on these two issues will be key in supporting the uptake of non-network solutions. Orion envisages that pricing will do the heavy lifting to facilitate the uptake of non-network solutions. This was seen when night rate and off-peak tariffs facilitated the uptake of large hot water cylinders. Ensuring both non-network and network solutions are considered as part of network planning would be complementary to this and will be limited to areas of network constraint. It is encouraging to see that these issues are raised in the Open Letter. Given their importance however, greater priority should be given to them.

Pricing as an enabler of flexibility

7. Orion largely agrees with the points raised in the Open Letter's section on pricing and is looking forward to working with the Authority on the redesign of the network pricing rules. Clear, early pricing signals of true cost to supply will serve to enable efficient network use and unlock flexibility investment. This will be essential in order to realise the benefits of non-network solutions for consumers and clarity on how this is going to be designed is critical. Currently there is conflicting messaging and no clear long-term objective. Orion would welcome an opportunity to meet with the Authority to better understand its longer-term vision for mature and technology supportive distribution pricing.

Ensure both non-network and network solutions are considered in network planning

8. Orion agrees that it is important that distributors treat non-network solutions and network solutions equally. Furthermore, *any* investment decision needs to be well justified, regardless of whether it is a non-network or network solution. As part of transitioning to this future, EDBs will be improving and maturing their processes to ensure equal treatment. Should a standardised evaluation methodology framework across EDBs be required in the future, then it will be important to consider the work by the Future Networks Forum.

Smart meter data supports enablement

9. Orion agrees that as distributors' hold a natural monopoly position, in-house non-network solutions need to be well justified. However, the same level of scrutiny also needs to be applied to other market participants who hold similar powers. For example, metering data is a key enabler to non-network solutions and meter owners have similar monopoly powers to EDBs. It is Orion's experience that there are limited options to procure some smart metering data services and these options often come at higher-than-expected cost.

Support for collaboration

10. It is encouraging to see the Commission, the Authority, and EECA working together to ensure the opportunities from non-network solutions are realised. Orion would like to see this collaboration continue and be extended to include the development of an energy transition pathway. This would avoid issues being addressed in a fragmented manner and provide clear direction for the industry.

Further points of consideration

11. As raised in previous discussions with EECA, Orion is supportive of open, interoperable approaches, including at the ICP/device layer; however, that level of interoperability should not be made a prerequisite for participation. New Zealand already has practical interoperability through aggregation platforms operating via retailers and aggregators, most of which currently use proprietary communications protocols. Requiring device-level open protocols at this stage risks slowing deployment, limiting consumer choice, limiting retailer participation, increasing costs, and delaying critical learning into the other aspects of scaling non-network solutions. Given the relevant technology is largely set internationally, New Zealand is unlikely to be able to materially influence large manufacturers in this space. Orion looks forward to working further with EECA on this issue.
12. Orion is pleased to see that the Open Letter recognises the need to align “...regulation across government to minimise regulatory burden and simplify processes for market participants...”. The development of non-network solution capability, in addition to current practices, is resource intensive and care is required to allocate the level and timing of resources to ensure that investment, and the corresponding customer cost, is proportionate to the opportunity. It should be made clear that when considering regulatory burden and process simplification for market participants, EDBs are included in the assessment.

Conclusion

13. Orion is supportive of the Authority, the Commission and EECA working together to enable efficient investment in non-network solutions. As discussed in this response, the two key enablers to this efficient investment are ensuring that pricing provides clear signals for investment by third parties in non-network solutions and that non-network solutions are being adequately considered in network planning. Having a clear, united vision on these two issues will be key in supporting the uptake of non-network solutions. Orion looks forward to actively engaging with the three agencies on these issues.

Yours sincerely,

Grace Burtin
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