



3 April 2025

Electricity Authority
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New Zealand



Ph: [Redacted]

Via email distribution.pricing@ea.govt.nz

Dear Chair,

Re: Issues Paper – Distributed Generation Pricing Principles

Thanks for the opportunity to comment on the Authority's Issues Paper relating to the Distributed Generation Pricing Principles (DGPPs). NZ Energy (NZE) does not support any change to the DGPPs and, in particular, any change to the incremental cost rule for connecting distributed generation to the local distribution network.

NZE owns and operates three small hydro power stations - two of these stations are located in South Westland and one in the North Island at Raetihi. These stations are long life assets, small in scale and sit well with their communities; they are a valuable source of renewable energy whilst providing support and capacity for the local electricity distribution networks.

Increasing demand for electricity, and the limitations on the current network infrastructure in the localities where NZE operates, means there is an opportunity to develop a series of small, low impact hydroelectric generating plants connected to the local distribution network. Some of these sites lend themselves to incorporating solar, wind and pumped hydro storage into the mix. This is the perfect renewable energy concept for NZ's future energy requirements.

NZE is an active investor in new generation plant located close to the local, often remote, communities. NZE has a portfolio of opportunities for new renewable generation projects which it has been working on for many years. At this time, the cost of constructing this portfolio is approximately \$290m across projects in 8 different communities:

Number of projects	14
Currently consented	3
Resource consents currently lodged	5
Total electricity volumes supply	260 GWhpa = 32,000 average households

NZE is a founding member of the Independent Electricity Generators Association Inc (IEGA). We support the IEGA submission.

This submission provides NZE's own context.

NZE comments on DGPP Issues Paper

While the Authority is consulting on an 'issues paper' and is yet to decide if this will lead to further analysis, it is clear that the Authority's "*current preferred approach is the latter [a comprehensive review of the DGPPs], though we have not yet defined how the DGPPs would be revised, or whether they would remain part of the Code once revised. The key change would be that the revised DGPPs would be less prescriptive than the existing DGPPs and may involve including greater flexibility by removing the incremental cost rules*".¹

Concluding the 2016 review of the DGPPs the "*Authority decided against removing the incremental cost limit because of the risk that efficient investment and operation of DG could be impeded if distributors increased charges to distributed generators*".²

NZE submits this conclusion still applies. Removing the incremental cost rule and allowing distributors more flexibility in relation to charges paid by distributed generation will impede the efficient operation of existing distributed generation and delay or likely discourage efficient investment in new distributed generation.

We demonstrate this with a live example. The output of one of NZE's existing hydro power stations matches the region's load. If the distributor's costs are allocated 50% to the generator and 50% to the load customers, the charges would render the generation plant uneconomic with the only financially viable option to disconnect from the distribution network.

The entire network cost would fall on load customers and all the electricity consumed by these customers would have to be imported into the region. Power prices for the load customers would increase as they would now be paying for the 10-13% losses incurred in delivering this electricity to the region.

NZE submits this is not an economically efficient outcome or a long-term benefit for consumers.

NZE supports the IEGA's key conclusions

NZE supports the IEGA focus on ensuring a level playing field for all commercial scale generators, regardless of what assets they connect to.

Since the Authority's 2016 review of the DGPPs a new methodology for recovering the cost of the transmission grid has been implemented. NZE agrees with the IEGA that the methodology for recovering the common costs of the transmission grid should be applied to recovering the common costs of the distribution network – that is paid entirely by load customers.³

¹ Executive Summary of Issues Paper

² Paragraph 1.5 of the Issues Paper

³ The new TPM did not change the incremental cost methodology for recovering the cost of connecting to the transmission grid

Further, distributors deliver electricity to their ICPs sourced from both transmission grid connected generators and generators connected to their own network. If there is to be a charge for performing this ‘delivery’ service, it must be paid by all generators.

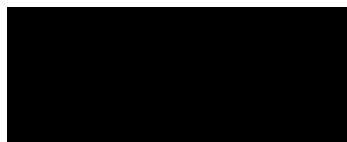
Concluding remarks

In conclusion, NZE is passionate about making the most of New Zealand’s abundant natural resources to generate renewable electricity. New generation capacity is urgently needed so that households and businesses can reduce their reliance on fossil fuels and reduce greenhouse gas emissions.

NZE has demonstrated expertise in designing and operating small-scale hydro generation plant with minimal environmental impact. Numerous opportunities for new small-scale hydro generation plant exist – as detailed in a report published by the Ministry of Business, Innovation and Employment.⁴ Any change to the DGPPs puts new investment in commercial distributed generation in jeopardy.

NZE supports retaining the current DGPPs – Option1 the status quo.

NZE requests a meeting with the Authority to discuss this submission.



Managing Director

⁴ <https://www.mbie.govt.nz/assets/embedded-hydro-generation-opportunities-in-new-zealand.pdf>