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Electricity Authority | Te Mana Hiko

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Tēnā koutou,

## **OPEN LETTER: ENERGY COMPETITION TASK FORCE WORK PROGRAMME**

Unison Networks Limited (Unison) and Centralines Limited (Centralines) are consumer-owned electricity distribution businesses serving communities in Hawke's Bay, Taupō, Rotorua, and Central Hawke's Bay. We appreciate the opportunity to respond to the Task Force's Open Letter on the Energy Competition Task Force work programme. We strongly support initiatives that enable timely and efficient new connections to accelerate electrification and economic growth. However, it is essential that any changes maintain cost-reflectivity, ensure fairness between new and existing customers, and provide regulatory certainty for all stakeholders.

As consumer-owned entities, we operate in the best interests of the communities we serve. Guided by our vision, and values, we strive to deliver economic benefits to both our customers and community shareholders, while championing a sustainable energy future. We are committed to maintaining the right balance between keeping electricity affordable and making strategic investments that secure the long-term reliability and resilience of our network. In all aspects of our operations, we place strong emphasis on meeting industry compliance requirements, ensuring we uphold all relevant standards. This approach not only supports New Zealand's transition to new energy solutions but also enables our communities to access cleaner, smarter, and more flexible energy options, now and for generations to come.

### **Executive Summary**

This submission responds to the Task Force's open letter on its proposed work programme. It identifies priority areas where there is evidence of material consumer and competition impacts and where targeted, time-bound intervention could deliver near-term benefits. The submission focuses on consumer protection and competition risks associated with distributed generation (DG) and bundled energy offerings, transparency and efficiency in network connections and market entry, and the effective implementation of level playing field measures. It also considers non-network alternatives and flexibility services, noting that while these are important to longer-term system development, flexibility services do not currently present a material competition or market power concern.

Consumer protection and competition risks in DG and bundled energy offerings represent a critical and timely focus area. The growth of DG and energy-adjacent services is leading to increasingly complex consumer propositions that combine physical assets, finance, long-term contracts, retail supply, and ongoing service obligations. International evidence indicates that such markets are susceptible to information asymmetries, reduced transparency, and misaligned incentives. In the New Zealand context, these risks include mis-selling or over-sizing of systems, export and connection constraints that limit realised value, uncertainty around performance and savings, long-term contractual lock-in, and lack of clarity over cost recovery and accountability. These issues have direct implications for affordability, consumer confidence, and trust in energy markets, and are well suited to coordinated, cross-agency Task Force attention.

We support the Task Force's focus on retail bundling and agree this is an appropriate priority for further assessment. Evidence from electricity and telecommunications markets indicates that bundling can reduce switching behaviour, weaken competitive pressure, and obscure effective prices. We consider it appropriate for the Task Force to assess bundling practices across electricity, gas, telecommunications, and emerging energy-service models, including DG and financing arrangements, to determine whether existing regulatory settings adequately support transparency, comparability, and consumer choice.

By contrast, flexibility services are best approached as a market-enabling issue rather than a competition or market power concern at this stage. International experience suggests that flexibility markets remain relatively immature, with barriers primarily technical, economic, and organisational in nature. Current efforts by electricity distribution businesses are appropriately focused on enabling participation through improved system visibility, connection processes, and operational coordination. Prioritising competition interventions in this area at present risks diverting attention from more material and immediate consumer issues.

## **1. Consumer protection and competition issues in distributed generation (DG) sales and bundling**

In response to the Task Force's question on ensuring retail service bundling supports consumer choice, we consider consumer-protection and competition risks in DG sales and bundled energy offerings to be a critical and timely focus area. This issue is increasingly important when viewed through a whole-of-system lens, as DG assets now participate across the full value stack, affecting household affordability, network investment decisions, system flexibility, and retail market outcomes. Yet despite the significance and long-term nature of these investments, the consumer protections applying to DG sales and bundled services do not match the transparency or safeguards consumers receive in other retail markets.

There is a clear rationale for raising this now. DG products and bundled packages share characteristics with other sectors, such as financial products, motor vehicles, and long-life capital assets, where consumers face substantial upfront costs, technical complexity, information asymmetry, and long-term performance risk. In those sectors, strong regulatory and disclosure frameworks are standard, because consumers cannot easily assess quality,

risk, or long-term value. DG sales in New Zealand, by contrast, currently have no dedicated regulatory home, despite involving similar or greater financial exposure for households.

International practice reinforces this point. Comparable markets have identified similar risks and responded with clear, multi-layered consumer-protection frameworks. Australia provides a particularly relevant benchmark, combining Australian Consumer Law, energy-specific oversight, accredited sellers, and targeted state-level requirements to protect consumers investing in solar, batteries, and “energy-as-a-service” arrangements. Under this framework:

- The ACCC enforces consumer guarantees that cannot be contracted out of.
- The AER regulates solar PPAs as energy retailing, requiring authorisation or exemption.
- The Clean Energy Regulator ensures panel quality and oversees compliance in rebate schemes.
- The New Energy Tech Consumer Code (NETCC) sets transparent sales, disclosure, and performance standards, with active monitoring, complaints handling, and enforcement (including suspensions and expulsions).
- States such as Victoria add further protections, including minimum warranties, installer accreditation requirements, bans on door-to-door selling, and routine safety audits.

Australia’s approach recognises the hybrid nature of DG offerings: they are simultaneously a capital asset, a performance-dependent service, and in some cases a financial commitment over 10–20 years. The protections applied reflect this complexity. New Zealand has no equivalent structure, even though many DG and bundled contracts here have similar risk profiles and similar long-term household financial consequences.

We agree that bundling can materially affect consumer choice and competition. While bundling may offer convenience, it can also obscure effective prices, restrict switching, and create lock-in when energy services are tied to telecommunications, gas, financing arrangements, or DG ownership. These risks are magnified when bundled services include long-term asset commitments with unclear performance expectations or uncertain cost pathways.

Given the lack of a natural regulatory home for DG sales and the hybrid nature of these offerings, there is a clear and justified role for the Task Force. Both DG and retail bundling are discrete, consumer-facing issues that align strongly with the Task Force’s criteria of materiality, discreteness, and joint-agency value. A targeted, time-bound project would complement existing regulatory work by:

- improving transparency and disclosure for high-value consumer energy investments
- ensuring consistency with protections in other asset and service markets
- reducing the risk of unfair contract lock-in

- supporting informed consumer choice and mobility
- strengthening alignment across energy, consumer protection, and financial services frameworks.

For these reasons, we consider DG sales and retail bundling to be well suited for inclusion in the Task Force's forward work programme.

### **1.1 Cross-utility bundling: Impacts on Consumer Mobility and Competition**

Cross-utility bundling, which involves combining electricity with other services such as telecommunications and gas, has a significant impact on consumer mobility, price transparency, and the competitive landscape. The Task Force's assessment recognises that these bundled offerings can materially affect the ability of consumers to switch providers, as well as their capacity to clearly compare prices and options across different markets.

Notably, cross-service contracts especially those where terms in one utility market restrict switching in another can create friction that undermines the intended advantages of retail markets. Such arrangements make like-for-like comparisons challenging for consumers, potentially reducing their freedom to choose and move between providers.

To address these issues, a targeted project could evaluate the effectiveness of current regulatory approaches to bundling across electricity, telecommunications, and gas. This assessment would determine whether existing frameworks sufficiently support transparency, comparability, and consumer choice in practice. Key areas of focus could include the prevalence of contractual lock-in across services, the clarity and accessibility of pricing disclosures, and the impact of bundling on switching behaviour and competitive pressure.

This area of work is closely aligned with the Task Force's mandate to promote competition and enhance consumer outcomes. It also offers clear value for joint-agency collaboration, given the intersection of energy regulation, competition policy, and consumer protection frameworks.

### **1.2 Distributed generation and energy-as-a-service bundling**

A focus on bundling is also highly relevant to emerging DG and energy-as-a-service model, where increasingly complex bundled offerings present heightened risks to consumer understanding, comparability, and choice.

Key risks associated with DG and energy-service bundling include mis-selling or over-sizing of systems, export and connection constraints that reduce realised value, uncertain savings or resilience outcomes, and long-term finance or bundled retail arrangements that restrict switching. These risks can materially affect household costs and undermine consumer confidence in emerging energy markets.

A focused project could assess whether existing regulatory settings governing DG sales, retail contracts, and consumer disclosures are operating coherently to protect consumer choice and competition as these offerings scale. The Task Force could also consider whether additional guidance or coordination mechanisms are needed to ensure transparency,

comparability, and fair allocation of risk between providers and consumers, without constraining innovation.

## **2. Connections issues - Task Force alignment**

We note that while implementation of distribution connection pricing methodologies sits within the Electricity Authority's ongoing work programme, there remains scope for the Task Force to add value by focusing on implementation outcomes, transparency, competition, and cross-agency coordination.

Before reconsidering any underlying pricing settings, we suggest that the current changes are embedded which will provide greater transparency particularly around how connection decisions are made, how costs are allocated, and how customers and third-party providers access information needed to participate effectively in the process.

On the competition dimension, we would like to bring to the attention of the Task Force the practicalities of fostering competition in the delivery of new network connections. Increasing contestability does not always reduce costs, in some cases, it may increase them due to duplicated processes, additional oversight requirements, or inefficient scale. This reinforces the need for the Commission to focus on overall EDB efficiency, rather than targeting a narrow subset. A broader focus is more likely to deliver enduring sector-wide benefits.

Within this context, the Task Force's attention could focus on:

- Competition in the delivery of new network connections, including the extent of contestability in practice, barriers faced by third-party providers, and whether procurement approaches, technical standards, or information asymmetries are limiting effective competition.
- Identifying cross-agency implementation gaps that sit outside existing BAU responsibilities particularly where pricing, competition, and operational practices interact to affect connection costs, timelines, and customer experience.

This work could support the development of targeted, light-handed recommendations such as improved guidance, transparency measures, or coordination mechanisms that enhance competition and consumer outcomes without reopening underlying pricing policies.

## **3. Consideration of non-network alternatives in GXP upgrade planning**

Regarding non-network alternatives, establishing clearer expectations and enhancing transparency in the planning and approval of GXP upgrades could lead to improved system-wide outcomes. It is essential that GXP upgrade planning and distribution network planning are undertaken together, reflecting a genuine whole-of-system approach.

Transmission and distribution investments are deeply interconnected. Decisions made at the GXP level directly influence distribution capacity needs, local demand forecasts, non-network opportunities, and the timing and scale of downstream investment. Likewise,

distribution-level alternatives such as flexible demand, storage, or targeted augmentation can materially affect the need, scale, or timing of GXP upgrades.

A coordinated, whole-of-system approach ensures that both transmission and distribution businesses assess the full set of conventional and non-network options in an aligned manner, using consistent assumptions, data, and valuation frameworks. This is particularly important to enable comparable assessments of capital and non-network alternatives regardless of where they connect within the system. Such consistency reduces the risk of mis-timed investment, over-building, or missed opportunities for cost-effective alternatives, while supporting more efficient long-term outcomes for consumers.

Whichever approach is adopted, it should be consistent across both transmission and distribution, including the use of aligned valuation frameworks to ensure comparable assessment and scrutiny of all solutions whether traditional assets or non-network alternatives. This is essential to achieving coherent outcomes and avoiding misaligned incentives or uneven treatment across the supply chain. The Commission's role should include looking holistically across capital and non-network alternatives, rather than evaluating them through separate, siloed processes.

By strengthening requirements related to the identification, assessment, and disclosure of non-network alternatives within both transmission and distribution planning whether through more explicit guidance, proportionate oversight, or a structured evaluation framework the system can achieve greater efficiency, reduce the risk of over-investment, and better align transmission and distribution decision-making with consumer affordability and system flexibility objectives.

A work program could assess the forward pipeline of planned and emerging upgrades to understand:

- whether non-network and distribution-level alternatives are being identified and assessed early enough to be credible
- whether the cadence and governance of option assessment support whole-of-system efficiency
- whether there are practical ways to broaden the solution set and encourage greater competition between network and non-network options.

International experience suggests that clearer expectations, light-handed assurance, or structured assessment frameworks can materially improve decision quality without introducing undue regulatory burden. Applying these lessons in the New Zealand context could reduce the risk of inefficient over-investment, strengthen coordination between transmission and distribution planning, and deliver better outcomes for consumers.

Across leading jurisdictions, regulators are adding discipline and transparency to the assessment of alternatives to traditional network upgrades:

- *United Kingdom*: Reforms introduce clearer expectations and enforceable investment planning requirements, making non-network alternatives more visible and credible.
- *Australia*: The RIT-T process provides structured cost-benefit testing and transparent option assessment, offering valuable lessons for upgrade planning in New Zealand.

- *New South Wales*: Planning scope is expanded through explicit policy direction, encouraging earlier, broader consideration of options.
- *United States*: Formal NWA frameworks require utilities such as National Grid to systematically evaluate non-wires solutions alongside conventional assets.
- *Europe*: Flexible and non-firm access models enable DER participation and more efficient network use through clear rules and coordinated planning.

International experience illustrates that a consistent, system-wide, and transparent approach to both network and non-network investment can deliver more efficient outcomes, enhance competition, and reduce long-term costs to consumers.

#### **4. Flexibility Services Are Not Yet a Material Competition Issue**

In addressing the development of flexibility services, we recommend treating these markets primarily as opportunities to enable market growth rather than framing them as issues of competition or market power at this stage. While the role of flexibility and demand-side participation will continue to expand, these markets remain in the early phases of evolution, with current challenges being largely technical, economic, and related to coordination. Presently, market participants are facilitating, not restricting, competition by investing in system visibility, access frameworks, operational procedures, and planning tools that are vital for effective third-party involvement.

##### **Evidence from Australia supports this view.**

Despite strong regulatory emphasis on non-network and flexibility solutions through mechanisms such as the Regulatory Investment Test for Distribution (RIT-D), innovation allowances, and trials, uptake has been minimal. Competitive non-network projects assessed by the Australian Energy Regulator have so far resulted in only a single project where a non-network option was selected. ARENA's retrospective analysis of demand-flexibility programmes found low uptake, inconsistent value streams, and operational challenges indicating that flexibility markets remain immature.<sup>1</sup>

Further reviews conclude that barriers to flexibility are primarily technical, economic, and organisational not related to market power in distribution or transmission. International experience, including in the UK and Australia, shows that progress depends on recognising networks as platform providers. These models enable competition by establishing hosting-capacity frameworks, connection processes, operational interfaces, and constraint-management mechanisms. This coordination role is not market distortion; it is a prerequisite for market entry.<sup>2</sup>

In the context of distributed generation and flexible demand, EDBs are uniquely positioned to facilitate competition by providing transparent access, enabling dynamic operating arrangements, integrating flexibility into planning and operations, and lowering barriers for

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<sup>1</sup> [demand-flexibility-portfolio-retrospective-analysis-report.pdf](#)

<sup>2</sup> [NER Rule 5.17: Regulatory investment test for distribution - AEMC Energy Rules](#)

households, communities, and new service providers. Without this foundation, third-party flexibility markets cannot scale safely or efficiently.

Flexibility should be framed as a market-enabling challenge not a market-power problem. The most productive near-term focus would be on interoperability, data access, operational coordination, and transparent network need signals, rather than remedies designed for markets that have not yet fully formed.

## **5. Level Playing Field Implementation, Monitoring and Enforcement**

In response to views on level playing field measures, we support the continuation of existing requirements such as retail price consistency and non-discrimination, while emphasising the importance of effective implementation, monitoring, and enforcement.

A targeted focus could examine whether existing level playing field frameworks are operating effectively in practice, rather than seeking to redesign them. This could include assessing the adequacy of current implementation, monitoring, and enforcement arrangements, and identifying whether any practical refinements are needed to address emerging issues without imposing undue compliance or administrative burdens.

Such an approach would help ensure that level playing field measures continue to support competition and consumer outcomes, while maintaining efficient pricing signals and confidence in the stability of the regulatory framework.

## **Conclusion**

We acknowledge the Task Force's efforts to work across jurisdictions without duplicating or cutting across existing regulatory work programmes. This is a disciplined and sensible approach particularly at a time when New Zealand households and businesses are facing rising energy costs. Maintaining a clear focus on issues with genuine, demonstrated market impacts will ensure the Task Force's work is both efficient and effective, and avoids being diverted by challenges that are perceived rather than supported by evidence. Targeting effort where the material consequences are greatest is essential to delivering meaningful benefits for consumers.

We encourage the Task Force to focus its 2026 work programme on initiatives that clearly align with its criteria of materiality, discreteness, and joint-agency value, and where evidence indicates the strongest potential for near-term improvements in competition and consumer outcomes. In our view, the most immediate and high-impact opportunities lie in strengthening consumer protections in distributed generation sales, addressing competitive risks arising from bundling, and improving transparency and efficiency in network connections and investment processes. These issues sit directly at the consumer interface shaping affordability, transparency, confidence, and trust; and are well suited to targeted, time-bound action within a 12-month horizon.



This focus is also consistent with the Ministers' expectations that the electricity sector delivers affordable and reliable services, demonstrates discipline and value-for-money in investment decisions, support electrification and decarbonisation objectives, and maintains consumer confidence throughout the transition.

By concentrating on the most material and clearly scoped challenges, the Task Force will be best placed to deliver tangible benefits for households and businesses while reinforcing confidence in a dynamic, fair, and consumer-focused electricity market.

Based on current evidence, we consider the following areas to be the strongest candidates for inclusion in the Task Force's 2026 work programme:

- Consumer protection and transparency in distributed generation and emerging energy services
- Bundling risks across electricity, gas, telecommunications, distribution services, and DG packages
- Efficient, competitive, and transparent approaches to connections, pricing, and investment
- Removing barriers for new generators and independent retailers.

We appreciate the opportunity to provide feedback and look forward to continued engagement as the Task Force develops a work programme that delivers meaningful outcomes for New Zealand consumers.

Ngā mihi nui,

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