

24 March 2026

**Attention:**

*Andy Burgess, General Manager, Infrastructure Regulation – Commerce Commission*

*Sarah Gillies, Chief Executive – Electricity Authority*

*Dr. Marcos Pelenur, Chief Executive – Energy Efficiency and Conservation Authority*

**By email:** [distribution.feedback@ea.govt.nz](mailto:distribution.feedback@ea.govt.nz)

Dear Andy, Sarah and Dr. Pelenur

**Response to joint letter to distributors on NNS**

Thank you for your joint letter outlining your views on the opportunities that non-network solutions (NNS) may offer to support efficient electricity network development. Network Waitaki doesn't agree with the short form description of non-network solutions as we believe that non-traditional network alternatives that include distributed generation can be provided and included in the design and operation of the electricity distribution business.

Network Waitaki supports your objectives and agrees with the strong emphasis on improving the processes by which distributors identify, assess and communicate the opportunities for NNS.

We are active members of the ENA Future Networks Forum and are represented on its Steering Committee, supporting sector initiatives (including the Network Transformation Roadmap) to develop a consistent approach to enabling our customers to benefit from non-network solutions and flexibility.

We support the submission made by the ENA and welcome the opportunity to provide additional observations based on our experience operating a regional consumer Trust-owned electricity distribution network.

**1 Non-network solutions in network planning**

- 1.1 Network Waitaki considers both traditional network and non-traditional network options within a structured planning and investment framework. In our Asset Management Plan (AMP), investment signalled in the medium to longer term is typically presented using traditional network solutions. This reflects our significant understanding of the lifecycle costs, risks and performance of these options, which enables us to provide transparent and credible long-term forecasts.
- 1.2 Before any signalled investment can proceed to an approved project, it must undergo a formal Business Justification. For material projects, this process includes evaluation of non-network solutions such as flexibility services, demand response, distributed generation and storage.

This ensures that:

- NNS are evaluated at the point they can be most reliably assessed, when market pricing, capability and deliverability are known;
  - Traditional options are not locked in prematurely;
  - Consumers benefit from decisions based on up-to-date information, rather than assumptions made years in advance; and
  - Final decisions reflect genuine least cost and best value outcomes
- 1.3 Network Waitaki has demonstrated a robust process that considered traditional and non-traditional approaches to address how we plan to resolve the known network constraint in our Network.
- 1.4 We will continue to refine this process in line with emerging industry guidance, sector maturity and best practice in New Zealand and internationally, and support the establishment of consistent tools to evaluate NNS value.

## **2 Pricing as an enabler of flexibility**

- 2.1 The letter places significant emphasis on pricing signals as a mechanism to enable demand flexibility. While we recognise the potential value of price responsiveness in theory, the practical ability for distributors to provide such signals is constrained by the underlying cost structure of distribution networks.
- 2.2 In the case of Network Waitaki:
- 2.2.1 A large proportion of costs are fixed or capacity-related, reflecting the capital-intensive nature of network infrastructure.
- 2.2.2 Approximately 80% of distribution charges recover fixed costs associated with providing network capacity and reliability. This reflects the economics of electricity distribution networks, where infrastructure must be built to meet peak demand regardless of how often that capacity is utilised.
- 2.3 This cost structure limits the extent to which short-term or highly dynamic pricing signals can be introduced without undermining cost recovery or creating volatility for consumers.
- 2.4 In addition, many consumers are not directly exposed to distribution price signals, as network charges are typically bundled within retailer tariffs. The distribution component represents only approximately 30% of total retail charges. This limits the effectiveness of distribution pricing alone in influencing customer behaviour.
- 2.5 In our view, the development of effective flexibility markets will require coordination across retailers, aggregators and system operators, rather than relying solely on distribution pricing signals.
- 2.6 Network Waitaki already actively manages demand flexibility through existing demand management arrangements. For example, we provide incentives to retailers for customers who allow Network Waitaki to control hot water load during periods of peak demand. This flexibility is enabled using ripple relays, which allows the network to remotely switch controlled loads such as hot water cylinders in response to network conditions.

- 2.7 We also maintain the ability to control irrigation load during emergencies. These demand control schemes are operated by the network, with ripple relay switching devices installed at customer premises.
- 2.8 Flexibility is currently procured by consumers through selecting controlled pricing arrangements, where retailers receive a reduced daily charge for customers who allow their hot water load to be controlled.
- 2.9 Ripple control has been used by New Zealand distributors for several decades and remains one of the largest demand response platforms in the electricity sector, demonstrating demand flexibility has been enabled where it is efficient to do so.

### **3 Engaging with the market for non-network solutions**

- 3.1 Network Waitaki supports the development of competitive markets for flexibility services where these can deliver efficient outcomes. Once there is an established market in place, this will allow increased opportunity to go to market for flexibility services and for flexibility to be purchased at competitive rates.
- 3.2 However, in practice, the market for flexibility services in Network Waitaki's supply area remains immature and very limited in scale.
- 3.3 We have also progressed practical enablers to support the connection of customer distributed energy resources and to better signal network constraints. This includes:
- Publishing generation and load hosting capacity maps;
  - Lifting the export limit for eligible connections to 10 kW;
  - Developing a distributed generation (DG) assessment tool to support consistent, timely connection assessments; and
  - Implementing an LV network monitoring and visibility system (now providing around 80% real-time visibility of the LV network serving our urban customers) to help identify and forecast emerging constraints
- 3.4 These steps align with your guidance and will help support competition, innovation and the efficient development of flexibility services in our region.
- 3.5 We also note the reference in the letter to potential risks associated with distributors developing in-house non-network solutions. While we recognise the theoretical concern regarding the potential abuse of monopoly positions, it is important that regulatory expectations do not inadvertently discourage innovation or pilot projects that could help develop the market.

### **4 Conclusion**

Network Waitaki supports the objective of ensuring that electricity networks evolve efficiently to support electrification and growing demand.

While non-network solutions have the potential to play an important role in certain circumstances, in many cases traditional network investment may remain the most efficient and reliable option.

We therefore encourage regulators to ensure that future policy development recognises the practical limitations, cost structures and regional differences across distribution networks,

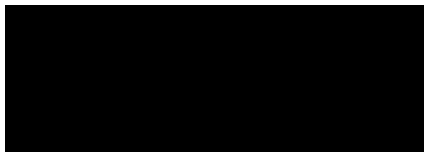
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while supporting the gradual and coordinated development of flexibility markets where these can deliver genuine consumer benefits.

Yours sincerely,



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Network Waitaki Ltd