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**To:** Distribution Pricing <Distribution.Pricing@ea.govt.nz>

**Subject:** CROSS-SUBMISSION: Reforming Distributed Generation (DG) Pricing

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Kia ora

## **CROSS-SUBMISSION: Reforming Distributed Generation (DG) Pricing**

### **1. Introduction**

The Carbon Neutral NZ Trust (CNT) wishes to provide this supplementary cross-submission. Having reviewed the data provided by our regional distributor, Top Energy Limited (TEL), we wish to highlight critical technical and social evidence that necessitates a more nuanced, tiered approach to DG pricing.

### **2. The "Far North Subsidy" (Ref: TEL Submission Pt. 21-22)**

Top Energy's submission provides a staggering data point: our regional distributor currently pays **\$1.15M in transmission charges** for injection that cannot be allocated to the generators.

- **The Inequity:** This forces every household in the Far North—the region with the lowest average income—to pay an **additional \$33 to \$56 per year** to subsidize the grid usage of large-scale commercial generators.
- **Requirement:** We urge the EA to prioritize reforms that allow for the recovery of these transmission costs from **Large-Scale Commercial DG (over 1MW)** to remove this "poverty tax" from domestic consumers.

### **3. Defining "Borderlines": The Case for the Resilience Prosumer**

A "one-size-fits-all" pricing model is a blunt instrument that will stifle regional growth. We propose a tiered threshold to distinguish between **Commercial Profit** and **Community Resilience**:

- **Small-Scale Domestic (<20kW):** Total exemption from injection fees. These users already contribute through high fixed daily charges (~\$88/month) and provide localized energy to neighbors.

- **Resilience Prosumers (20kW – 500kW):** This tier includes **800 Dairy Farms, Retirement Villages, Marae, Papakainga, and major Retailers** (Woolworths, Pak’nSave, The Warehouse).
  - **Lessons from the 2014 Blackout:** Our region suffered a week-long blackout that cost our supermarkets and dairy farmers millions in lost stock. When these entities invest in solar/batteries, they aren't just saving money; they are providing **Food and Civic Security** for the community.
  - **Recommendation:** These "Prosumers" should be exempt from injection fees. Their investment reduces peak demand and prevents the "Opportunity Cost" of building expensive fossil fuel infrastructure (e.g., gas terminals), as highlighted by one of our advisors.
- **Commercial Export DG (>1MW):** This includes plants like Lodestone (20MW) or Ngawha Geothermal (57MW). As entities primarily in the business of energy trading for national profit, they must bear the **\$1.15M infrastructure burden** identified by TEL.

#### 4. Economic Vulnerability and the "Juken Mill" Factor

The potential closure of the **Juken Timber Mill** in Kaitaia might remove a major load from our grid.

- **The Net-Export Reality:** Per TEL’s data, the Far North is now a **Net Exporter 83% of the time**.
- **The Risk:** If the EA makes it too expensive for the *remaining* productive sectors (Dairy, Supermarkets, Advance Build) to install solar by charging "Injection Fees," we risk further industrial closures and a deeper "Energy Death Spiral" for the vulnerable residents who remain.

#### 5. Structural Synergy: The 250MW Retailer Threshold

We cross-reference **Paragraph 2.34** of the Consultation Paper regarding the Government’s commitment to increase the "arm’s length" threshold to **250MW**.

- This reform is the "Silver Bullet" for the Far North. It would allow generator cum lines operator Top Energy to operate as a **Social Retailer**, delivering "Wholesaler Gains" directly to its community shareholders/owners to reduce the comparatively high energy prices in this economically deprived district.
- **The Goal:** Any pricing reform must be designed to enable this shift, allowing local geothermal and solar production to directly lower the bills of local consumers, bypassing the "Gentailer" margins that currently drain regional wealth.

## 6. Summary of CNT Policy Positions:

1. **Define a "Safe Harbor" at 500kW:** Ensure households, farms, Marae, and supermarkets are exempt from new injection fees to protect regional resilience.
2. **Target Commercial Exporters:** Allocate the \$1.15M transmission burden to large-scale generators (>1MW) whose primary goal is commercial export.
3. **Mandate Invoice Transparency:** Consumers must see "Line Charges" unbundled from "Energy Charges" to ensure they are not being triple-charged.
4. **No Retrospectivity:** Protect the ROI of the seniors and families who led the "Solar Revolution" in the Far North when the government failed to provide incentives.

## 7. Conclusion

We noted, NZ has only 3.5% solar uptake compared to Australia's 33%. The Far North leads the country in private solar installations despite widespread poverty. This should be rewarded as a national asset, not penalized as a "network management problem."

We urge the Electricity Authority to adopt these tiered "borderlines" to ensure a just and equitable transition for Aotearoa.

Ngā mihi,

**Rolf Mueller-Glodde & Inge Bremer**

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