19 May 2026

Electricity Authority
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Re: Submission on Reforming network pricing for distributed generation to promote efficient investment – Consultation paper

Counties Energy Limited (**CEL**) welcomes the opportunity to comment on the Electricity Authority's (**EA's**) consultation on its 'Reforming network pricing for distributed generation to promote efficient investment' paper.

CEL welcomes the EA's proposed changes to improve the current distribution generation pricing principles (**DGPPs**) in Part 6 of the Electricity Industry Participation Code (**Code**). CEL supports in principle the EA's proposed reform of the DPPs. As previously discussed,[1] we consider that current settings are creating a barrier in development of efficient DG investment, and ability of participants to confidently invest in renewable generation supply at pace.

For some EDBs, localised constraints are already now materialising, caused by large-scale DG taking up existing available network capacity, along with increasing uptake of small-scale solar (eg rural, residential) driven by improving cost economics. These large-scale DG connections in some instances are displacing investment in smaller-scale DG, as later applicants are unable to be accommodated by EDBs without significant upgrade costs to existing network capacity required.

In our view, the key issue with the DGPPs is a lack of clarity on the regulatory treatment of network costs, including how they are recovered by EDBs. With the EA's proposed DGPP changes, the cost recovery mechanism is clearer, and provides flexibility for EDBs to consider a broader range of costs and benefits of DG in determining the value (or cost) of its connection to respective networks. This will enable EDBs to plan and develop their networks more efficiently to support the growing uptake of DG within local regions.

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[1] Counties Energy, Re: Submission on Distribution Generation Pricing Principles – Issues paper. 26 March 2025. https://www.ea.govt.nz/documents/7047/Counties_Energy_-_DGPP_submission-_2025.pdf

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While we are generally supportive of the overall direction of the EA's proposed changes, we discuss some key practical considerations below:

The current incremental cost rule affects the network planning activities of EDBs

The current DGPPs also affects an EDB's ability to undertake efficient network planning activities for DG. This is because, under the current regulatory settings, anticipatory capacity costs cannot be charged to new DG customers due to these costs not being deemed an 'incremental cost' (ie as it is already incurred or 'sunk' at the time a DG application is lodged).

Therefore, costs relating to building any anticipatory capacity for DG are recovered from load customers, who do not directly benefit from the investment(s).[2] This makes network planning activities to support DG uptake challenging.

The unintended consequence of this is a potential under-investment in some network areas to accommodate both large- (eg grid- or utility-scale solar farms) and small-scale DG (eg rural or residential) due to the lack of a clear mechanism for distributors to recover the associated network upgrade costs. Instead, localised DG constraints are only identified and addressed when a new DG application is received.

CEL supports reforming the incremental cost rule as an 'anchor' instead of a 'cap'

CEL supports the EA's view that the incremental cost threshold should be viewed as an 'anchor' point instead of a 'cap'.[3] This is because there are much broader costs that should be allocated to DG, as either one of the primary beneficiaries, or causer of the cost. However, these costs are not immediately clear or easy to define for each connecting DG applicant when applications are received.

For example, as DG uptake grows in localised network areas, an EDB may be faced with an increasing need for greater network visibility and voltage control across its network, necessitating investment into monitoring of its Low Voltage (LV) network for network planning purposes. CEL itself is investing in 5-minute power quality metering for this reason, among others. However, it is unclear if any of these costs are permitted to be allocated to DG customers under the current DGPPs.

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[2] Although load customers may indirectly benefit from DG on a local network if both DG and load customer is located within the same network region (eg connected to the same substation). This arises from reduced peak loading at certain times of the day which can reduce or defer network upgrade costs. However, this is dependent on the generation type being installed, and the network configuration of DG and offtake customer.

[3] The Electricity Authority, Reforming network pricing for distributed generation to promote efficient investment – Consultation paper. 21 April 2026. p 26. para 4.11-4.15. https://www.ea.govt.nz/documents/9627/Reforming_network_pricing_for_distributed_generation_to_promote_efficient_invesment.pdf

CEL's view is that, by broadening the incremental cost definition and enabling (consumed or anticipatory) capacity costs to be recovered from DG connections, this provides EDB's with a greater flexibility to determine the broader cost and benefit impact of DG connections, whether direct or indirect, programmatic or cumulative, on their respective networks. This helps to promote greater allocative efficiency which will ultimately benefit end-consumers.

CEL supports an industry-led approach to develop guidance

CEL has been working with the Electricity Networks Aotearoa (ENA) and Independent Electricity Generators Association (IEGA) to identify areas of alignment, and misalignment, and alternative ways on how uncertainty in the current DGPPs can be addressed.

We consider there is a generally broad agreement across certain key aspects of the DGPPs between industry participants, including greater certainty and clarity of what costs are reasonable to be charged/recovered, and the need for an appropriate mechanism for EDBs to recover costs to support both large- and small-scale DG.

For these reasons, there is value in developing a shared understanding with industry of what "reasonable costs" means in practice. We support the ENA and IEGA's joint view that industry-developed guidance is the most appropriate way to address any residual uncertainty in application of the current and/or proposed DG pricing rules.

CEL would be happy to discuss any aspect of this submission. We look forward to engaging with the EA and its relevant team(s) further as it develops this work further.

Yours sincerely

[redacted]

Marcus Sin
Senior Regulatory Manager

Annex – Response to questions

Questions	CEL comments
Q1. Do you agree with the background and context summary above? Why? Is there additional background, evidence, or context relevant to the proposals in this paper?	Yes – CEL agrees in principle with the framing of background and context summary.
Q2. Do you agree there are workability challenges with defining incremental costs under the current DGPPs? Why, why not? Are there any additional challenges not discussed above?	Yes – CEL agrees there are workability challenges under the current regulatory settings. We consider that, given the strict application of existing rules, EDBs often take an overly conservative approach to pricing DG applications given the high risk of challenge. This results in cost inefficiencies. For example, EDBs may commission multiple, often expensive, network studies to justify estimated connection costs for a new DG customer.
Q3. Do you agree the current DGPPs cause costs and benefits to be under-allocated to injection connections, which can cause the issues listed above? Why?	We agree that many EDB's view DG applications on an individual, rather than collective, basis. This is primarily caused by the excessive conservative approach taken by EDBs to comply with the current DGPPs. The consequence is that collective network benefits are often not adequately assessed. In addition, CEL also considers the current DG pricing rules do not promote dynamic efficiency where, for example, EDBs may elect to proactively invest and build (injection) hosting capacity where it considers it would be more efficient to do so. This is resulting in localised constraints for some EDBs, caused by large-scale DG taking up existing network capacity. These large DG connections then displace smaller-scale DG from being connected (eg by residential customers). This is because later applications are unable to be accommodated by the network without significant upgrade costs required, due to the (now) limited capacity available. If the DGPPs are reformed to provide EDBs with greater flexibility to recover some, or all, of the sunk costs associated with DG, this would enable EDBs with the ability to better plan and invest in their own networks in a more efficiency way to support greater DG uptake across the regions.
Q4. Do you consider it remains appropriate to regulate injection pricing methodologies? Why?	CEL considers that the regulatory approach for injection pricing methodologies should be similar, if not on the basis, as it is for load. This means aligning both injection and load pricing to be consistent with the distribution pricing principles.

Q5. Do you consider that consumers should remain residual payers? Why? Are there any additional economic concepts that should be considered in our reform of the DGPPs?	CEL agrees in principle that consumers should remain as residual payers, but we consider that it depends on what costs elements are included in the 'residual cost' component. This is because the 'residual costs' of Transmission Pricing Methodology (TPM) charges are likely to differ from a distributors' 'residual costs', particularly as under the TPM some shared network costs are allocated to customers through Benefit-Based Charges (BBCs), whereas for distributors, only direct incremental costs are charged to DG applicants under the current DGPPs.[4]
Q6. Do you consider that reframing the incremental cost rule to a requirement that charges 'must reflect a reasonable estimate of' rather than 'must not exceed' incremental costs is appropriate? Why?	Yes – CEL agrees in principle with the reframing of the incremental cost rule as an 'anchor' rather than a 'cap'.
Q7. Do you consider that the proposed amendments to language and framing would support more efficient pricing? Why?	Yes – CEL agrees in principle that the proposed amendments would support more efficient pricing. However, we still consider that there is residual uncertainty in what costs may be 'reasonably charged'. Further guidance, preferably co-developed by industry, to provide greater clarity would highly benefit the sector.
Q8. Do you consider that a non-prescriptive, enabling approach to capacity pricing is appropriate at this stage? Why?	Yes – CEL agrees with a non-prescriptive approach at this stage, as EDBs are currently facing varying DG circumstances. Given the varying circumstances of individual EDBs, we consider a non-prescriptive approach is most appropriate at this stage. Further guidance can then be developed by industry on a preferred approach for capacity pricing, after greater clarity on the types of costs that can be reasonably attributed to DG under the new DGPPs has been established.
Q9. Do you consider that the proposed extension of the pioneer scheme for load connections would help address position-in-queue issues for injection connections? Why?	CEL supports a similar treatment for pricing between load and injection connections, and consider it is appropriate to extend the pioneer scheme to DG connections also. However, we do not consider it is the most effective way to address position-in-queue issues due to the challenges of administrating the scheme in practice. We consider that allocating network

[4] For example, the 'covered costs' of Benefit-Based Investments (BBIs) include a portion of allocated shared opex that are 'reasonably attributable to the BBI'. The remainder of costs (largely, common costs, not reasonable attributable to the BBI) are recovered through Transpower's residual charge. Arithmetically, the residual charge is Transpower's allowable revenues less any costs not otherwise recovered through BBCs or Connection Charges, which includes shared/common costs not attributable to a BBI. Refer to Clause 40 (Attributed Opex Component) of the TPM.

	capacity costs (eg as it is consumed) to recover costs would be a more effective and practical approach.
Q10. Do you consider that pioneer schemes should also cover network injection capacity? Why?	Yes – we agree in principle with adopting a similar treatment for DG, as with load.
Q11. Do you consider that the proposed non-discriminatory pricing requirements would improve confidence that investors are safeguarded from discriminatory pricing? Why?	CEL agrees in principle with the inclusion of the discriminatory pricing requirement on distributors.
Q12. Do you agree with the proposed application provisions, in particular with regard to opting out, retrospectivity and secondary networks? Why?	CEL has no material comment.
Q13. Do you agree with the proposed commencement provisions above? Why?	We consider that the timeframes for the commencement provisions should be extended to the following pricing year (ie April 2028) to allow industry sufficient time to develop industry guidance, as well as for distributors to determine and implement their updated DG pricing methodologies.
Q14. Do you have any suggestions for how we can most effectively support successful implementation?	We support the ENA and IEGA's joint recommendation for industry developed guidance to support the implementation of the new DGPPs.
Q15. Do you have any suggestions for effective monitoring and reporting, including proposed changes to charge reconciliation requirements?	CEL has not material comments.
Q16. Do you agree it is appropriate to give distributors relatively wide discretion as to how they implement capacity charges for injection connections? Why?	Refer to previous comments above.
Q17. Do you agree that for larger connections a more bespoke approach that accounts for dependability and mitigates risks such as over-injection or inefficient payments is more appropriate than the prescriptive broad-based approach used for residential and small business consumers? What do you consider such an approach should look like?	Yes – CEL agrees that larger connections are more appropriate for bespoke approaches to pricing.

Q18. Is there any specific guidance that would be particularly helpful for distributors implementing capacity charges for injection?	Refer to previous comments above.
Q19. Do you consider that inconsistent treatment of transmission connection charges for large generation projects may distort investment? Why?	CEL has no material comments.
Q20. Do you have a view on the best option to address the connection charge distortion issue? Please explain your rationale.	CEL has no material comments.
Q21. Do you consider that the restriction on recognising transmission benefits should be reconsidered if the other proposed Code amendments are made? Why?	CEL has no material comments.
Q22. Are there any other matters that you consider important for us to take into account in our reform of the DGPPs?	CEL has no material comments.
Q23. Do you have any comments on the consumer impact analysis methodology or findings?	CEL has no material comments.
Q24. Do you agree with the objectives of the proposed amendment? If not, why not?	CEL supports the objectives of the proposed amendment.
Q25. Do you agree the benefits of the proposed amendments would outweigh the costs?	CEL considers that the benefits of the proposed amendments will ultimately depend on whether there is sufficient clarity given to industry on what types of 'reasonable costs' can be charged to DG through the reformed DGPPs. We consider that there will still be some residual uncertainty under the EA's proposed changes and highly recommend that guidance be developed, preferably by industry, to directly address this.
Q26. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in	CEL considers the removal of the DGPPs would be more effective. This is because, over the longer-term, we do not consider DG pricing should be approached materially different from load pricing. For this reason, we consider the more3 sustainable regulatory intervention would be to remove the DGPPs entirely.

section 15 of the Electricity Industry Act 2010.	
Q27. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	CEL agrees.
Q28. Do you consider that the Authority's preferred high-level settings for injection pricing are consistent with the distribution pricing principles? Why?	CEL agrees in principle that the high-level settings for injection pricing are generally consistent.
Q29. Do you consider that consolidating distribution pricing methodology requirements into Part 6B would improve clarity and consistency? If not, why?	CEL has no material comments.
Q30. Do you have any comments on the drafting of the proposed amendment?	CEL has no material comments.