19 May 2026

Electricity Authority
distribution.pricing@ea.govt.nz

Submission: Reforming network pricing for distributed generation to promote efficient investment

1. Introduction
This is a joint submission on behalf of Marlborough Lines Limited (MLL) and MainPower New Zealand Limited (MPNZ). MLL and MPNZ appreciate the opportunity to provide a submission on the Electricity Authority's consultation on reforming the distributed generation pricing principles (DGPPs).

MLL is a consumer-owned electricity distribution business, owned by the Marlborough Electric Power Trust, delivering electricity to over 27,000 consumers throughout Marlborough. MPNZ is a consumer-owned electricity distribution business, owned by the MainPower Trust, delivering electricity to over 46,000 consumers across the Waimakariri, Hurunui and Kaikoura districts.

MPNZ and MLL have also both undertaken grid scale solar developments on their networks. We recognize the potential for solar to help deliver network benefits in some situations.

We strongly support reform of the DGPPs. In our view, the existing framework is no longer fit for purpose in a system with materially higher levels of distributed generation, increasing complexity of network operation and greater costs being incurred as a result. The nature of distributed generation has also evolved. Both MLL and MPNZ have experienced a growth of medium to large scale solar on our networks along with an increase in small-scale distributed generation. We also note that locally owned distributors, including MLL and MPNZ, play an important role in delivering outcomes that are closely aligned with the interests of our communities and consumers, that are fair and equitable.

2. Reform of incremental cost
We strongly support reframing the incremental cost rule so that it reflects a reasonable estimate of incremental costs rather than acting as a cap. The current approach creates a bias toward under-allocation of costs to distributed generation.

We consider that the existing definition is too narrow and does not adequately capture programmatic cumulative and capacity-related costs. Explicit recognition of these cost categories is essential to ensure prices reflect cost causation and that consumers are not required to fund costs driven by other network users.

3. Allocation of network costs
MLL and MPNZ consider that distributors should be able to recover a greater share of total network costs from distributed generators, who also utilise the network and network capacity. Distributed generators use the network to earn revenue and/or reduce their costs, and rely on shared infrastructure in the same, or at least a similar way, as load customers. This is particularly the case for medium to large scale solar distributed generation, which have increased – in total there is 58MW and 28MW respectively of total distributed generation capacity[1] on MLL's and MPNZ's networks respectively, with further medium-large scale developments either under construction or in feasibility stage.

[1] Source: EMI Installed distributed generation trends report, April 2026.

It is not equitable that many load customers - particularly households and small businesses – are required to fund shared network costs while distributed generators are insulated from contributing to those costs. Where distributed generators provide a benefit to other consumers, i.e., avoid or reduce costs recoverable from other consumers, then this benefit should be explicitly rewarded (e.g., through incentives) rather than by not allocating shared costs across load customers and distributed generators.

This applies across all distributed generation, including small-scale rooftop solar which, in aggregate, drives material costs across network operations and capacity. As outlined in MLL's Asset Management Plan, growth in distributed generation in parts of our network (including east coast regions) is already contributing to increasing requirements for voltage management, network monitoring, and future investment planning. . MPNZ's Asset Management Plan also describes the need for increased low voltage monitoring as a result of increased bi-directional flows of electricity.

As of April 2026, over 7% of connections on both MLL and MPNZ's networks include distributed generation, with higher penetration rates in higher socio-economic suburbs, highlighting that the cumulative impact of these connections is already driving additional requirements for network management, system monitoring, and future investment planning.

More cost-reflective pricing will ensure costs are borne by those who drive them and improve investment and operational signals.

4. Benefits for consumers
Greater cost recovery from distributed generation will reduce the amount of revenue that must be recovered from load customers.

MLL and MPNZ's consumers rely heavily on electricity, and fair allocation of costs is critical to maintaining affordability and trust in the pricing framework. Ensuring that distributed generation-related costs are appropriately allocated will help mitigate upward pressure on line charges for the approximately 73,000 connected consumers across both networks.

5. Implementation timeframe
We consider the proposed implementation timeframe to be highly challenging given the scale and complexity of change required. Potentially distributors will need to redesign pricing methodologies, update systems, and undertake engagement with retailers and consumers.

We encourage that a flexible and staged implementation approach be adopted and that it is supported by clear guidance to ensure effective and consistent implementation across the sector. We also urge the Electricity Authority to engage with EDBs to ensure the implementation timeframe will ensure quality outcomes for consumers.

6. Regulatory programme and implementation burden
We encourage the Electricity Authority to consider the cumulative impact of its regulatory programme, particularly the volume and timing of overlapping consultations and change initiatives.

From a distributor perspective, there is an increasing concentration of complex reforms occurring in parallel, often with limited implementation windows. For example, the recent changes to the 10kW maximum export limit required implementation within 19 business days, coinciding with other workstreams including this DGPP reform and connection pricing changes. This creates significant operational pressure and increases the risk of sub-optimal outcomes.

This burden is particularly acute for smaller, consumer-owned distributors such as MLL, where regulatory costs are ultimately borne directly by local consumers. We do not consider adding additional head count to deal with consultations and regulatory change is necessarily in the best interests of consumers. A one-size-fits-all approach to the pace and complexity of regulatory change can result in disproportionately higher costs on a per-consumer basis, reinforcing the importance of a coordinated and proportionate regulatory programme.

7. Reflecting on regulatory outcomes and evidence-based policy
More broadly, we encourage the Authority to reflect on the outcomes of its regulatory programme and consider whether the intended benefits of recent changes have been realised in practice.

In particular, there would be value in undertaking post-implementation reviews of cost-benefit analyses to assess whether the benefits estimated in consultation papers have been delivered, and whether they outweigh the implementation and ongoing costs imposed on the sector and consumers.

We also query the sequencing and evidence base underpinning some recent initiatives. For example, concerns have been raised regarding the timeliness of processing distributed generation applications, leading to the introduction of stricter regulatory timeframes. However, subsequent requests from the Authority for historical data to establish baseline performance suggest that a comprehensive evidence base may not have been fully established prior to the introduction of these obligations.

In our view, ensuring that robust data and analysis underpin regulatory interventions is critical to achieving proportionate and effective outcomes. A more explicit cycle of problem definition, evidence gathering, optioneering, intervention, and ex-post evaluation would support continuous improvement in regulatory design.

8. Additional comments
We support improvements to clarity and workability of the DGPPs and application to both new and existing connections to address existing cross-subsidies. We also support the development of further guidance to promote consistent implementation across the sector.

9. Conclusion
MLL and MPNZ strongly support reform of the DGPPs, particularly broadening incremental cost and improving cost allocation.

These changes are necessary to improve fairness, reduce cross-subsidies, and ensure that consumers are not disproportionately funding costs driven by distributed generation.

However, we strongly encourage the Authority to adopt a more coordinated, evidence-led and proportionate approach to its wider regulatory programme to ensure that reforms deliver the intended long-term benefits for all consumers.

Yours sincerely

[redacted]

Scott Wilkinson
Commercial Manager
Marlborough Lines Limited

[redacted]

Sarah Barnes
Acting GM Commercial
MainPower New Zealand Limited

Questions	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?	MLL and MPNZ generally agree with the context and considers it accurately reflects the increasing complexity and scale of distributed generation. Additional emphasis could be placed on the growing operational and capacity impacts on distributors to monitor and manage distributed generation.
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. There are material workability challenges. The current definition of incremental cost is too narrow and excludes real and increasing programmatic, cumulative and capacity-related costs.
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?	Yes. The current DGPPs result in under-allocation of costs to distributed generators, with residual costs falling on consumers, creating cross-subsidies and inefficient signals.
Q4. Do you consider it remains appropriate to regulate injection pricing methodologies? Why?	Yes. Continued regulation is appropriate to ensure consistency, fairness, and alignment with the Authority's pricing principles and statutory objective. The level of regulation though should be fit for purpose – if principles led regulation is adopted, flexibility for implementation by distributors should be encouraged and should be considered when regulating pricing methodologies.
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?	No. Consumers should not remain residual payers. Costs should be more closely aligned with cost causation to improve fairness and efficiency.
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. This change is strongly supported as it removes the existing limitations and allows more accurate recovery of costs driven by distributed generation. Providing that shared network costs that may not be considered "incremental" are also able to be allocated to distributed generators.
Q7. Do you consider that the proposed amendments to language and framing would support more efficient pricing? Why?	Yes. The proposed framing is likely to support more efficient and cost-reflective pricing.
Q8. Do you consider that a non-prescriptive, enabling approach to capacity pricing is appropriate at this stage? Why?	Yes. A non-prescriptive, enabling approach is appropriate at this stage given the evolving nature of distributed generation impacts, differences across distributors in rates of uptake, and uncertainty around how much distributed generation will connect where, and when.
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?	MLL and MPNZ query whether the pioneer scheme connection pricing methodology requirement recently introduced already captures distributed generators. The definition of a connection applicant includes "any load". Distributed generators generally have some

	load associated with their distributed generation plant.
Q10. Do you consider that pioneer schemes should also cover network injection capacity? Why?	No comment.
Q11. Do you consider that the proposed non-discriminatory pricing requirements would improve confidence that investors are safeguarded from discriminatory pricing? Why?	Yes. Non-discriminatory requirements will improve confidence and support fair outcomes, provided they remain workable.
Q12. Do you agree with the proposed application provisions, in particular with regard to opting out, retrospectivity and secondary networks? Why?	MLL and MPNZ generally support the application provisions, particularly inclusion of existing connections to address cross-subsidies.
Q13. Do you agree with the proposed commencement provisions above? Why?	The commencement timeframes are challenging and should be extended or staged to ensure effective implementation.
Q14. Do you have any suggestions for how we can most effectively support successful implementation?	Greater coordination of regulatory changes, realistic timeframes, and early guidance will best support implementation. As well as being mindful of any other regulatory consultations or changes occurring at or around the same time.
Q15. Do you have any suggestions for effective monitoring and reporting, including proposed changes to charge reconciliation requirements?	Monitoring should focus on transparency, cost recovery outcomes, and evidence of efficiency improvements, while avoiding undue compliance burden.
Q16. Do you agree it is appropriate to give distributors relatively wide discretion as to how they implement capacity charges for injection connections? Why?	Yes. Distributors should have discretion to reflect local network conditions and cost drivers.
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. A bespoke approach for larger connections is appropriate to reflect dependability and avoid inefficient outcomes. It should consider capacity, timing and operational impacts. It should also consider the life of the distributed generator, i.e., the recent Connection Pricing Methodologies allows for a 30 year revenue life for residential connections and 15 years for non-residential. What might be appropriate for medium to large distributed generation.
Q18. Is there any specific guidance that would be particularly helpful for distributors implementing capacity charges for injection?	Clear guidance on cost allocation methodologies and capacity pricing design would be particularly helpful.
Q19. Do you consider that inconsistent treatment of transmission connection charges for large generation projects may distort investment? Why?	Yes. Inconsistent treatment of transmission charges has the potential to distort investment decisions.
Q20. Do you have a view on the best option to address the connection charge distortion issue? Please explain your rationale.	No comment.
Q21. Do you consider that the restriction on recognising transmission benefits should be reconsidered if the other proposed Code amendments are made? Why?	Yes. Restrictions on recognising transmission benefits should be reconsidered alongside broader reforms. It is likely that many more networks will see GXPs become (at times) GIPs.

Q22. Are there any other matters that you consider important for us to take into account in our reform of the DGPPs?	MLL and MPNZ encourage a coordinated, evidence-led and proportionate regulatory programme, including post-implementation reviews.
Q23. Do you have any comments on the consumer impact analysis methodology or findings?	MLL and MPNZ considers that any consumer impact analysis should be supported by ex-post validation against actual outcomes.
Q24. Do you agree with the objectives of the proposed amendment? If not, why not?	Yes. The objectives are appropriate and aligned with improving efficiency and fairness.
Q25. Do you agree the benefits of the proposed amendments would outweigh the costs?	Generally yes – if shared network costs can be allocated to distributed generators then all other consumers will stand to benefit.
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 section 15 of the Electricity Industry Act 2010.	Yes. The preferred option is appropriate relative to alternatives.
Q27. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	Yes
Q28. Do you consider that the Authority's preferred high-level settings for injection pricing are consistent with the distribution pricing principles? Why?	Yes. The proposed direction is consistent with distribution pricing principles.
Q29. Do you consider that consolidating distribution pricing methodology requirements into Part 6B would improve clarity and consistency? If not, why?	Yes. Consolidation is likely to improve clarity and consistency.
Q30. Do you have any comments on the drafting of the proposed amendment?	No comment.