19 May 2026

Electricity Authority
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Submitted via email to distribution.pricing@ea.govt.nz

Consultation paper: Reforming network pricing for distributed generation to promote efficient investment

Introduction

1. Orion welcomes the opportunity to provide feedback to the Electricity Authority (Authority) on the Consultation paper: Reforming network pricing for distributed generation to promote efficient investment (Consultation Paper).

2. Orion owns and operates the electricity distribution infrastructure in central Canterbury, including Ōtautahi Christchurch City and Selwyn District. The network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north to the Rakaia River in the south; from the Canterbury coast to Arthur's Pass. Orion delivers electricity to more than 233,000 homes and businesses and is New Zealand's third largest Electricity Distribution Business (EDB).

3. The Consultation Paper proposes updates to the distributed generation pricing principles (DGPPs) in Part 6 of the Electricity Industry Participation Code (Code).

Submission

4. Orion is supportive of the Authority reviewing the DGPPs in the Code. The DGPPs are a key enabler to the uptake of local distributed generation (DG) however, industry has long struggled with the pricing principles and their implementation. The current Code definitions, for example of incremental cost, have not been sufficiently clear and have resulted in EDBs either not allocating or under-allocating costs. Creating pricing principles that are effective and workable in the real world is challenging. It requires robust understanding of both the physical mechanics of connecting and supplying DG as well as the intricacies of DG pricing.

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5. Orion sees that the proposed Code amendments are a positive step to creating pricing principles that are both workable and effective at encouraging investment. However, there are some key issues that need to be addressed to ensure the review results in positive outcomes for the industry. By not addressing these there is a risk that many of the issues currently being experienced will persist under any new Code arrangement. Orion submits that:

    - The proposed timeline to implementation is unrealistic and will deliver poor outcomes.
    - A principle-based approach is necessary within the context of an evolving industry.
    - There is a need for clear guidance, created by industry, to complement the proposed Code changes.

Unrealistic timeline

6. The Consultation Paper recognises that the proposed amendments “represent a material change from long-standing practices and would likely require significant effort for distributors to put into effect.” Orion strongly agrees with this statement. To implement the proposals, and to implement them well, EDBs need the time to work collaboratively and consider their full impact. However, the proposed commencement dates of 1 February 2027 for connection charges, and 1 April 2027 and 1 April 2028 for lines charges, do not allow for this. The following provides the context for the work involved in Orion's 1 April 2027 price setting and highlights how this does not align with the proposed deadlines.

7. Orion’s structural price changes for 1 April 2026 were kept at a minimal due to the size of changes made across 2023 to 2025. This was a result of a transition to ICP billing and it was critical that there was some stability for retailers. During this period Orion continued (and continues) to review retailer, customer, and business feedback on the changes required for Orion’s 1 April 2027 price setting. This is to ensure operational alignment across connection pricing and customer needs.

8. The timeline for Orion’s 1 April 2027 price setting is shaping up as follows:

    - From 1 December 2025 to 31 March 2026, Orion considered its priorities for 1 April 2027 pricing and built a resource plan to deliver the following between May and October 2026:
        - a refreshed pricing strategy and roadmap,
        - a low user fixed charge migration,
        - alignment of pricing categories with new definitions for small and large businesses,
        - an improvement to time-of-use periods and alignment,
        - better value to customers and the network for injection rebates,
        - continual improvement of the Cost of Supply model,
        - a refresh of the new pricing design model,
        - a refresh of the pricing methodology,
        - flexibility and non-network solution pricing pilots, and

    - a new approach of non-standard pricing to existing customers.
- Following this, the process of price setting and supporting retailers with the expected structural changes begins. This takes the period from November 2026 through to 1 February 2027.

9. The above work is what is necessary to deliver prices that are not only compliant with the Code but also prices that have been developed with internal and external engagement. It's an approach that is critical to maintaining strong controls and providing considered and predictable prices. A decision from the Authority later this year clearly does not fit into a process that has already begun.

10. Not only is the proposed timeframe unrealistic, but it is also not conducive of collaboration. Orion concurs with the Authority that it will be a positive to have EDBs more integrated and that this integration will enable some of the costs of implementation to be reduced. However, this is not true with the proposed compressed timeframe. There will be no time for collaboration in the lead up to 1 February 2027. There is also concern with enabling some EDBs to defer line charge changes to 1 April 2028 as it will further remove the opportunity to successfully collaborate. It will mean that first movers will inform the approach for second movers, limiting the collaboration and standardisation that is being sought.

11. Furthermore, it is inefficient to have connection charges beginning in February and lines charges beginning in April. There is a close link between delivery charges and the new reconciliation model for connection pricing. For example, incremental revenue is driven by delivery price tariffs. Despite this being more of an issue for load, these dates need to be better aligned to ensure Code changes are well future-proofed.

12. If Orion was forced to a 2027 deadline, significant costs would be incurred and there would be no collaboration with other EDBs. There would also be a risk of non-compliance through mistakes happening as a result of rushed implementation. These factors would combine to create poorer outcomes for consumers. Orion urges the Authority to reconsider its implementation expectations. Implementation dates of 1 April 2028 (for both connection and lines charges) would better provide sufficient time for all EDBs to effectively implement the proposed changes.

A principle-based approach is appropriate

13. A principle-based approach for distribution pricing remains appropriate. The industry is evolving quickly and much of the technology and systems we are now seeing is new to the New Zealand setting. There is a risk to consumers from getting too prescriptive in the Code, too early. Not enough discretion will stifle innovation and not provide the greatest value to consumers. Effectively, New Zealand is still in 'trial mode' for many technologies and while prescriptive broad-based Code amendments may be required in the future, guiding principles and collaboration are better tools for ensuring consistency across EDBs within the current context.

Need for clear guidance

14. Many of the issues experienced with the current DGPPs originate from the implementation of the Code and the different interpretations of definitions, such as incremental costs. To avoid similar issues persisting with any new Code changes, there will be a need for clear guidance for both EDBs and DG. Orion supports the Electricity Networks Association's (ENA) recommendation to work with the Independent Electricity Generators Association's (IEGA) and other stakeholders to co-develop industry guidelines.

15. It is important these guidelines are developed with a wide range of industry experts, including those who understand the physical nature of connecting and supplying DG and those who understand DG pricing. This will ensure that comprehensive guidelines are created that are both effective and workable.

Concluding remarks

16. Overall Orion sees that the benefits of these changes outweigh the costs. However, this is strongly caveated by the above concerns relating to the timeframe for implementation, prescriptive approaches, and the need for industry developed guidance.

17. Please see Appendix A for Orion's responses to the specific questions in the Consultation Paper.

Yours sincerely,

Grace Burtin
Regulatory Lead -Electricity Authority

Appendix A

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?	Orion is supportive of the Authority reviewing the DGPPs in the Code but has provided additional background, evidence and context relevant to the proposals throughout this submission.
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, Orion agrees there are workability challenges with defining incremental costs under the current DGPPs. Currently Orion does not allocate anything incremental for hybrid injections nor larger non-standard connections. For larger non-standard connections, Orion actively tries to allocate incremental costs but gets pushed back through the contract negotiation stage. Without clear guidance, it can be difficult to understand and agree on the true incremental costs. Creating industry guidance for costs such as this is necessary to avoid ambiguity around definitions persisting under any new Code changes. It is important that any guidance is developed collaboratively with both EDBs and DGs, as well as both engineering and pricing experts. This will ensure definitions are both effective and workable. Orion supports the ENA’s recommendation to work with the IEGA and other stakeholders to develop guidance for the application of the proposed Code amendment.
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. With the workability challenges of defining incremental costs, EDBs will often opt to under-allocate costs to avoid the consequences of accidental over-allocation. As mentioned in Q2 above, Orion currently does not allocate incremental costs for hybrid and larger non-standard connections. Orion also under allocates for smaller scale connections where it is too difficult to quantify costs under the current Code wording.
Q4. Do you consider it remains appropriate to regulate injection pricing methodologies? Why?	Yes, it remains appropriate to regulate injection pricing methodologies at a principles level.

Questions	Comments
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 comment.
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, but as discussed in Q2 above, guidance will still be required. Orion supports this being developed by the ENA, IEGA and other stakeholders, including experts who have both an understanding of pricing as well as the practical mechanics of connecting and supplying DG.
Q7. Do you consider that the proposed amendments to language and framing would support more efficient pricing? Why?	No comment.
Q8. Do you consider that a non-prescriptive, enabling approach to capacity pricing is appropriate at this stage? Why?	Yes, a non-prescriptive approach to capacity pricing is appropriate. Capacity pricing is complex and needs to be able to adapt overtime. A prescriptive approach would not allow EDBs to effectively manage this.

Questions	Comments
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?	No. Pioneer schemes are not appropriate for injection connections in the same way as they are for load connections. Injection connections often don't require investment in assets that are shared, negating the need for a scheme. This is an example of where the proposed Code changes are becoming too prescriptive, which, as discussed in paragraph 13 above, is not appropriate for an evolving industry. If the Authority decides that there would be some situations where an injection connection would benefit from a pioneer scheme then this should be optional, not mandated. Furthermore, the definition of line function services, as it relates to generation, is complex when considering if extensions are or aren't part of the regulated service (or when they change). Orion is pleased to see that the Authority has highlighted that it has engaged with the Commerce Commission during its policy development. Orion urges the Authority to continue this engagement as it works through its decision on this proposal.
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, Orion supports the proposed non-discriminatory pricing requirements and it is already internal practice that everyone gets treated equally.
Q12. Do you agree with the proposed application provisions, in particular with regard to opting out, retrospectivity and secondary networks? Why?	No comment.

Questions	Comments
Q13. Do you agree with the proposed commencement provisions above? Why?	No. Orion strongly disagrees with the proposed commencement provisions.
Q14. Do you have any suggestions for how we can most effectively support successful implementation?	As discussed in Q13 above and in paragraphs 6 - 12, the implementation dates need to be moved. This will be the most important step to ensuring successful implementation. Further to this, as discussed in Q2 above, guidance will also be required. Orion supports this being developed by the ENA, IEGA and other stakeholders, including experts who have both an understanding of pricing as well as the practical mechanics of connecting and supplying electricity.
Q15. Do you have any suggestions for effective monitoring and reporting, including proposed changes to charge reconciliation requirements?	No comment.
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. All EDBs have their own unique challenges for growth and uptake of technology on their networks. EDBs need to have the appropriate discretion to manage this and adapt as the sector moves through change. However, as previously discussed in paragraphs 14 and 15, clear guidance to complement this discretion will be necessary.
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?	A more principle-based approach is appropriate for both larger connections and residential and small business consumers. As discussed in paragraph 13 above, there is a real risk to consumers from getting too prescriptive in the Code, too early. The industry is evolving quickly, and not enough discretion will stifle innovation and not provide the greatest value to consumers. Effectively, New Zealand is still in ‘trial mode’ for many technologies and while prescriptive broad-based Code amendments may be required in the future, currently guiding principles and collaboration are better tools for ensuring consistency across EDBs.

Questions	Comments
Q18. Is there any specific guidance that would be particularly helpful for distributors implementing capacity charges for injection?	Yes. As discussed in Q2 above, guidance will be required alongside the proposed Code amendments. Orion supports these being developed by the ENA, IEGA and other stakeholders, including experts who have both an understanding of pricing as well as the practical mechanics of connecting and supplying electricity.
Q19. Do you consider that inconsistent treatment of transmission connection charges for large generation projects may distort investment? Why?	Yes. Orion is supportive of the considerable work going on in Transpower's transmission operational review.
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?	No comment.
Q22. Are there any other matters that you consider important for us to take into account in our reform of the DGPPs?	Yes. EDBs need the opportunity to work with retailers to ensure value from DG pricing gets through to customers. It is often retailers practice to average out pricing through their internal processes. Given this practice, any impact of distribution level pricing will be dampened. Orion is keen to understand from the Authority how this issue is intended to be addressed.
Q23. Do you have any comments on the consumer impact analysis methodology or findings?	No comment.
Q24. Do you agree with the objectives of the proposed amendment? If not, why not?	No comment.

Questions	Comments
Q25. Do you agree the benefits of the proposed amendments would outweigh the costs?	Yes. Orion sees that the benefits of these changes outweigh the costs. However, this is caveated by the above concerns in the body of this submission relating to the timeframe for implementation, prescriptive approaches, and the need for industry developed guidance.
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.
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.
Q29. Do you consider that consolidating distribution pricing methodology requirements into Part 6B would improve clarity and consistency? If not, why?	Yes.
Q30. Do you have any comments on the drafting of the proposed amendment?	No comment.