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19 May 2026

Network Pricing Team
Electricity Authority
P O Box 10041
Wellington 6143

By email: distribution.pricing@ea.govt.nz

Dear Network Pricing Team,

Re: Reforming distributed generation pricing to promote efficient investment

Pioneer Energy Renewables (Pioneer) appreciates the opportunity to make this submission on the Electricity Authority's (Authority) consultation on "Reforming distributed generation pricing to promote efficient investment".

Background on Pioneer:

Pioneer operates over 20 energy schemes across New Zealand, making us one of the largest owners of Distributed Generation (DG) assets in NZ. All but one are connected to local distribution networks.

In the last six years we have commissioned and connected 2 generating plants to distribution networks under bilateral connection agreements. The Electricity Distribution Businesses (EDBs) who own these networks have agreed to charge the incremental costs for connection of these generating stations using Part 6.4 of the Code.

We therefore understand the importance and criticality of the Distributed Generation Pricing Principles (DGPP) and are committed to ensuring any changes to them are well considered and implemented.

Context:

In NZ, 87% of the electricity the EDBs distribute to the ICPs in their networks is supplied via transmission grid connected generators.[1]

If an EDB network has no connected DG, the electricity supplied from the main transmission grid must instantaneously match the level of demand on the EDB network (plus losses). As EDB network demand increases, transmission grid connected generators must inject higher quantities of electricity into the EDB network to meet that demand. In absence of any planned DG investments,

[1] This is a national average figure – the ratio varies across EDB networks depending on the capacity of connected DG as well as regionally within EDB networks and temporally.

any future increase in demand within an EDB network is assumed to be met by transmission grid connected generation.

However, transmission grid connected generators do not pay distributors for this electricity distribution delivery service. They do not pay for the current capacity of the network or for any capacity increase that a distributor considers might be needed in the future. They do not pay for any of the shared costs of the network. All of these costs are allocated to offtake customers.

If a DG plant connects to an EDB network its generation displaces electricity that would otherwise have been supplied via GXPs from grid connected generators. To be competitively neutral and economically efficient that EDB connected electricity producer should pay no more to the distributor than the producer that supplied electricity via the GXP (other than any incremental costs associated with that DG connection).

The DG investor is commercially incentivised to right-size its connection assets to maximise output from its generation plant – anything more or less is not economically efficient. This generator does not require additional injection capacity over time – any investment decision to upgrade/expand the plant will take into account the incremental cost of additional injection capacity.

Current Arrangements

Under the current DGPPs DG owners pay the full cost (upfront) of the directly attributable incremental cost of the connection assets and, if needed, the cost of any increase in capacity downstream of the connection to ensure it can maximise export from the generation plant. This can include incremental investment at a GXP if the location of the generator means the electricity will flow from the distribution network. It can also include directly attributable operations and maintenance costs if the asset is vested to the distributor (or a fixed proxy[2]). The connection of this DG imposes no additional costs on the other customers on the distribution network – it is subsidy-free.[3]

EDBs are providing the same electricity distribution service to both transmission grid connected and EDB network connected generators.[4]

Submission points

Pioneer submits there is no case for imposing additional costs above directly attributable incremental costs on DG – unless EDBs also pass these same additional costs on to transmission grid connected generators.

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[2] See Network Tasman's Pricing Methodology

[3] Note also that the new TPM has achieved a level playing field between distribution and transmission grid connected generators. We agree distributors should pass through transmission charges for injection from their network. New distributed generation triggering an adjustment event is also allocated transmission charges.

[4] The only different service provided by distributors to DG is the service of connecting generation. The definition of electricity distribution service relies on the definition of electricity lines service which does not include conveying electricity from a generator to a local distribution network.

Pioneer is a member of the Independent Electricity Generators Association Incorporated (IEGA) and supports and endorses the comprehensive submission points made by the IEGA to their submission on this consultation.

Industry collaboration

Pioneer participated in a joint ENA and IEGA workshop in Christchurch on 16th April 2026 which discussed implementation and interpretation of the current DGPPs. This revealed alignment on many factors that should be included as incremental costs of DG connections. This was a very worthwhile initial discussion with more collaboration planned to achieve a consistent application of the DGPPs across NZ.

As the Authority considers feedback and makes decisions on its proposals, Pioneer urges the Authority to draw on the expertise and practical insights from DG owners and EDBs. In particular, Pioneer supports the IEGA and ENA's suggestion that the Authority calls on EDBs and DG Owners to work together to develop guidance on how to implement the incremental cost principle.

Pioneer appreciates the engagement we have had with the Authority's Network Pricing team to date, including at the IEGA/ENA joint workshop in Christchurch on 16th April and at the IEGA AGM on Thursday 14th May 2026 and looks forward to continued collaboration with the Authority.

We would also appreciate the opportunity to discuss this submission with you.

Yours sincerely,

James Flexman
General Manager
Pioneer Energy Renewables