Reforming distributed generation pricing to promote efficient investment

19 May 2026

1 Submission and contact details

Consultation	Reforming distributed generation pricing to promote efficient investment
Submitted to	Electricity Authority
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2 Confidential information

There is no confidential information provided in this submission. This submission can be publicly disclosed.

3 Overall support for the proposed direction

Wellington Electricity supports most elements of the Authority's proposed reforms. We agree that the distributed generation pricing principles need to be updated so that network pricing better reflects the costs and benefits that distributed generation and storage can create for distribution networks. The current settings were developed for a materially different operating environment. The expected growth in distributed generation, batteries, electrification, and more active customer participation means that pricing rules need to be clearer, more durable, and better aligned with efficient long-term network outcomes.

In our view, the proposed changes are a sensible step toward ensuring that distributed generation connects and operates in ways that support efficient network use, while also protecting consumers from avoidable cross-subsidies. Reform should not deter efficient distributed generation. Equally, it should not require consumers who do not inject into the network to fund costs that are attributable to injection connections or injection-related network requirements.

In particular, we agree that DG customers should contribute fairly to costs (both short-term and long-term) associated with their injection. However, we do not agree with the proposed requirements for pioneer schemes.

We broadly support the ENA's submission.

4 Incremental cost as an anchor rather than a cap

Wellington Electricity supports the proposal to modify the incremental cost rule so that charges reflect a reasonable estimate of incremental costs, rather than simply being capped at incremental cost.

The current framing can encourage under-allocation of costs to distributed generation, particularly where costs are cumulative, programmatic, or only become visible at scale. This can result in costs being recovered from consumers more generally, even where those costs are caused by or materially associated with injection. Moving to an “anchor” approach should improve cost-reflectivity and reduce inefficient subsidies, provided the methodology remains practical and proportionate.

We consider that the Authority should emphasise that “reasonable estimate” does not require spurious precision. Distribution pricing methodologies necessarily involve judgement, allocation choices, imperfect information, and a time dimension as medium or longer term costs. The standard should support robust and transparent estimation, not impose an expectation that every cost driver can be calculated with engineering-level precision for every individual connection.

5 Pioneer schemes

Wellington Electricity is not convinced that pioneer schemes should be extended to distributed generation connections. While first-mover disadvantage is a legitimate concern, pioneer schemes can create material administrative complexity, long-tail tracking obligations, and potential disputes over who benefits from shared network investment and to what extent. These issues are likely to be particularly difficult for injection-related investments, where the benefits of capacity upgrades may vary by location, time, operating behaviour, export profile, and subsequent network configuration. There is also a risk that pioneer schemes weaken otherwise efficient connection price signals by encouraging early applicants to expect later reimbursement, even where the relevant investment is speculative or only partly used by future generators. In Wellington Electricity’s view, the Authority should be cautious about adding mechanisms that require distributors to maintain quasi-settlement arrangements between successive connecting parties. A simpler approach would be to allow distributors to recover reasonable, efficiently incurred connection and reinforcement costs through transparent, up-front methodologies, while retaining discretion to apply bespoke cost-sharing arrangements where there is a clear, material, and administratively workable shared-capacity benefit.