ELECTRICITY AUTHORITY
TE MANA HIKO

Charging based on time-varying distribution charges – Distributor Guidance

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1.0	23 Sept 2025	Version 1.0 published to support distributors compliance with Code changes associated with the Energy Competition Taskforce 2B and 2C initiatives.

Contents

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While this guidance is provided to assist distributors to understand and comply with the requirements to charge based on time-varying distribution charges, it is not a substitute for, nor does it form part of, the Electricity Industry Participation Code 2010 (Code). It also does not address other obligations distributors may have under other parts of the Code.

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Charging based on time-varying distribution charges

1. Purpose and context

Guidance on time-varying distribution charges

1.1. In July 2025 the Electricity Authority Te Mana Hiko (Authority) introduced new provisions into the Electricity Industry Participation Code (the Code) requiring electricity distributors to charge based on time-varying distribution charges.

1.2. Specifically, these changes in the Code require distributors to:

(a) Charge customers based only on time-varying distribution charges if they offer them, from 1 April 2026.

(b) Bill retailers using consumption data that retailers will be required to provide to them from 1 July 2026, which will give them the level of detail they need to charge accurately based on the structure of their charges.

1.3. This guidance is intended to help distributors:

(a) Determine what is required, and when they must comply with the requirements.

(b) Understand how to comply with the new Code obligations confidently and consistently.

1.4. All participants are expected to understand and comply with their obligations under the Electricity Industry Act 2010 (Act) and the Code.

1.5. The Authority is responsible for monitoring and enforcing compliance with the Code, and has powers to seek information or grant exemptions from compliance in limited circumstances.

1.6. This version 1.0 supports distributor compliance with those obligations that come into effect in 2026. The Authority may update this guidance from time to time. Please contact us at network.pricing@ea.govt.nz if there are any specific aspects of the requirements that you think would benefit from further guidance.

Obligations aim to ensure cost-reflective price signals are sent and received

1.7. The Electricity Authority is committed to improving the efficiency of New Zealand's electricity system by promoting cost-reflective distribution pricing. We are working with distributors, retailers, and consumers to ensure that network charges better reflect the actual costs of supplying electricity at different times and under different conditions. This approach encourages more efficient use of the network, reduces unnecessary investment in capacity, and helps keep prices sustainable over the long term.

1.8. In recent years, distributors have made significant progress in improving the cost-reflectivity of their prices, and most now offer time-varying price plans for at least some customers.

1.9. The purpose of the new requirements to charge based on time-varying pricing is to:

(a) Ensure that distributors' price signals are reliably received by retailers and prevent adverse selection through opt-in/opt-out tariff-assignment practices.

(b) Prevent retailers from avoiding the impact of time-varying distribution price signals through inaccurate or incomplete reconciliation.

1.10. In a competitive market, retailers play a crucial role in translating distribution (and wholesale) price signals into retail prices that customers can respond to effectively, while managing associated price and volume risks. Permitting retailers to bypass these distribution price signals through selective tariff assignment or data reconciliation undermines incentives, shifts costs to other consumers, and diminishes the effectiveness of price-driven demand management.

Requirement to charge based on time-varying distribution charges

2. New Code requirement

2.1. From 1 April 2026, the Code requires that if a distributor offers one or more time-varying pricing plans for distribution charges to a customer, then that customer may only be charged under that plan (or plans), and not an alternative plan that isn't time-varying.

2.2. The Code requirement is provided below. This section explains this requirement in more detail.

> **"12A.5Distributors must charge in accordance with time-varying pricing plans where offered**
>
> "(1) Subject to subclause (2), if a **distributor** offers one or more **time-varying pricing plans**, it may only charge a customer on a **standard contract** in accordance with that plan or plans, and may not charge that customer in accordance with any plan that is not a **time-varying pricing plan**.
>
> "(2) A **distributor** is not required to comply with subclause (1) in respect of any premises that does not have a **smart meter**.
>
> "(3) This clause applies on and after 1 April 2026."

3. What constitutes a time-varying distribution pricing plan

3.1. The Code defines a time-varying pricing plan as follows:

> **Definition**
>
> <u>Time-varying pricing plan</u> means a pricing plan for which the rates charged for electricity supplied to the customer vary in respect of consumption or injection depending on when that consumption or injection occurs […][1]

3.2. From a distributor's perspective, a time-varying distribution pricing plan typically refers to a Time of Use (TOU) plan, which charges different rates based on peak, off-peak, and sometimes shoulder periods. These rates may also vary seasonally to reflect changing network costs. Additionally, a day-night plan—which generally charges higher rates during the day and lower rates overnight—is also considered a time-varying price plan.

4. Customers covered by the requirement

4.1. The Code requirement that customers are charged based on a distributor's time-varying pricing plans applies to customers on a distributor's network who meet three conditions:

(a) the distributor offers the time-varying plan for which the customer is eligible

(b) the customer has a smart meter (as defined by the Code)

(c) the customer is on a standard contract.

[1] Clause 1.1 of the Code

4.2. These points are explained further in turn.

Customers that the distributor offers time-varying distribution pricing plans to

4.3. Subject to the other two conditions discussed below, the new Code requires that if a distributor offers a time-varying price plan, it may only charge a customer based on that plan and not another one, such as a standard flat-rate tariff. This ensures that cost-reflective price signals are consistently applied wherever a suitable plan is offered to a customer.

4.4. The phrase "if a distributor offers" limits the scope of this obligation to customers that are eligible for the plan and to whom the distributor has offered it as an option or requirement. The Code does not impose a general obligation to assign all customers on the network to the time-varying plans that a distributor has even if they are not suitable. Distributors are not expected to apply their time-varying plans to customers they otherwise would not have offered it to, or to develop new time-varying plans, solely to meet this obligation.

4.5. For example, if a distributor has not offered a time-varying plan to commercial or industrial customers for whom they currently maintain a different charging approach, the distributor is not required to assign those customers to a time-varying plan under this requirement.

4.6. Similarly, the phrase "if a distributor offers" also limits the scope of this obligation regarding controlled load tariffs, such as controlled hot water, which are typically charged flat rates. If distributors do not already offer a time-varying plan for controlled load, then there is no suitable tariff type for distributors to assign the controlled load to. Distributors can continue to apply fixed charges or flat rate charges to those aspects of load for which time-varying pricing has not been offered. They are not expected to develop a time-varying plan for controlled load under this obligation.

4.7. Day/night and other stepped tariffs count as time-varying for the purposes of this requirement. If a distributor offers day/night pricing, then eligible customers must be assigned to that plan rather than a flat alternative. However, where such plans are only offered in connection with specific appliances (e.g., night-store heaters) or meter configurations, distributors do not need to extend them beyond that intended scope.

4.8. This overall approach is in keeping with our intention for distributors to move customers onto time-of-use plans that are appropriate for the customer’s circumstances. The rules are about consistency: wherever a time-varying plan is offered, the associated price signals must be applied consistently to all eligible customers.

Customers that have smart meters

4.9. The Code defines a smart meter as follows:

> **Definition**
>
> Smart meter means a meter that is able to communicate information about the consumption and injection of electricity during peak versus off-peak times during a day[2]

4.10. The obligation applies only to customers with meters capable of reliably recording and communicating the data needed for time-varying pricing. Distributors are not expected to offer such plans where metering does not support them, or cannot reliably do so.

[2] Clause 1.1 of the Code

4.11. Examples of metering issues include failure to transmit interval data, corrupted data, or regular or prolonged communication outages. In these cases, the ICP is not subject to the Code's time-varying pricing requirements and may be assigned a standard flat-rate tariff.

4.12. Schedule 10.6, clauses 8 (11-13) of the Code (electronic interrogation of metering installation) outlines the process that must be followed when a meter is no longer found to be communicative. These include either investigating and restoring communications, or updating the Registry to reflect the meter's current status.

4.13. Distributors should work with retailers to assess meter capability, based on whether it can measure and communicate consumption and injection data sufficiently to support time-varying billing. We would anticipate that any meters in the registry tagged as half-hour capable and with AMI communication should be assigned to time-varying distribution price plans. A continuous review of each meter's capability and tariff is not expected; a periodic review (for example, annually) would be a pragmatic approach.

4.14. The Authority would not expect communicative smart meters to be replaced with non-communicative ones in response to these requirements. Metering changes may occur for other reasons, such as customers declining upgrades during technology transitions. However, if a distributor reasonably suspects that metering changes are being made to avoid time-varying charges, they should investigate and report these instances to the Authority through our compliance portal: www.compliance.ea.govt.nz.

4.15. We note that day-night distribution pricing plans can be applied even where a smart meter is not installed, as they may just rely on separate meter registers to differentiate day and night consumption. However, the Code requirement to assign customers to time-varying distribution pricing plans will not apply to those customers who do not have communicative smart meters.

Customers that are not on standard contracts are excluded

4.16. The Code defines a standard contract with reference to the Electricity Distribution Information Disclosure Determination 2012, as follows:

Definition

Standard contract means any contract (being a contract for the provision of electricity line services) between an EDB and any other person where-

(a) the price at which the electricity line services are to be provided under the contract is determined solely by reference to a schedule of prescribed terms and conditions, being a schedule that is publicly disclosed; and

(b) at least 4 other persons have such contracts with the EDB, and none of those other persons is a related party of the EDB, or is a related party of those other persons[3]

4.17. The requirement to assign customers to time-varying pricing plans applies only to those customers who are on a standard contract with the distributor. Customers not on such contracts (eg, those on bespoke or negotiated contracts) are not included in the scope of this obligation.

[3] Clause 1.4.3, Commerce Commission, Electricity Distribution Information Disclosure 27 November 2024

Application of Time-Varying Pricing Requirements at the ICP Level

4.18. While the Code requirement refers to "customers," it is important to recognise that billing and metering operations are generally conducted at the Installation Control Point (ICP) level. Distributors typically do not manage or bill customers as a single aggregated entity, particularly as a single customer may have multiple ICPs (sites).

4.19. Accordingly, the practical and intended interpretation of the requirement to offer and assign time-varying distribution pricing plans to "customers" is that it applies at the ICP level. This means that:

(a) Each ICP eligible for a suitable time-varying pricing plan must be assigned to that plan, regardless of the broader customer's other ICPs.

(b) Distributors should therefore review and assign plans based on the characteristics and eligibility of each ICP individually.

(c) Where a customer has multiple ICPs, some ICPs may be assigned to time-varying plans while others may not, depending on whether a suitable plan is offered and applicable to each ICP.

5. Estimating revenue under mass re-assignment

5.1. Distributors may encounter challenges in accurately estimating their revenue when reassigning a significant number of customers from flat tariffs to time-varying prices. Under the Commerce Commission's price-quality regulation regime, distributors' revenues are capped. Discrepancies between forecast and actual revenue given these reassignments could lead to over or under-recovery.

5.2. To address such imbalances, wash-up mechanisms are available to adjust for any differences over time. The Commerce Commission is aware of this potential issue and considers the existing regulatory frameworks and wash-up mechanisms sufficient to manage imbalances.

5.3. To help estimate potential revenues under time-varying pricing, distributors could request profiled consumption data from retailers when setting prices. This will help to improve the accuracy of their pricing. This data could be requested and provided in an anonymised or an aggregated form to avoid privacy issues and reduce aggregation costs. This data should have sufficient detail to allow distributors to determine their distribution tariffs that will derive their overall revenue requirements. This could be annual consumption, but may be more granular if distributors have seasonal pricing. This data provision is distinct from the requirement for retailers to provide detailed consumption data for reconciliation purposes from 1 July 2026.

5.4. Retailers may charge distributors reasonable costs for preparing and supplying the data, as per their distribution agreements: Schedule 12A.1, Appendix C - Provision and use of consumption data.

Requirement to charge based on data retailers provide

6. New Code requirements

6.1. As described above, from 1 April 2026 all distributors must assign their ICPs on standard contracts that have communicative smart meters to a time-varying pricing plan, where they offer such a pricing plan. We recommend that distributors and retailers coordinate this process as part of their annual price setting process. This should include verifying that the Registry ICP data is correct and that time-varying tariffs are only assigned where a communicative smart meter exists.

6.2. From 1 July 2026, retailers must provide distributors with complete and accurate information on the amount of electricity consumed or injected by an ICP, where it is available, such that distributors can invoice retailers accurately based on their distribution charge structure.

6.3. The Code requirement is provided below.

> "**5 Participants must supply information to distributors where available**
> Despite clauses 1 to 4 or anything contrary in a **distributor agreement**, on and after 1 July 2026, a **participant** must supply the **distributor**, as soon as practicable following the end of a month—
> "(a) the quantity of **electricity** consumed or injected during that month, for all metered **ICPs** on the **distributor's distribution network** for which the **participant** holds complete and accurate information; and
> "(b) in a form that enables the **distributor** to accurately invoice based on the structure of its charges."

6.4.

> "**12A.4 Distributors must use information provided to calculate charges**
> Despite anything contrary in a **distributor agreement**, on and after 1 July 2026, **distributors** must calculate **distribution** services charges payable by a **retailer** using any information provided by **retailers** under clause 5 of Schedule 12A.2.

6.5. These rules were added to the Code to close loopholes that allow parties to bypass their obligations, to enhance enforcement of compliance, and to ensure distributors receive the necessary data to effectively carry out their operations when such data is available.

7. Managing transition between 1 April and 30 June 2026

There is a three-month transitional window

7.1. The timing was designed to enable distributors to reassign customers in alignment with their pricing year, while giving retailers adequate time to update their systems (where required) to supply accurate consumption data.

7.2. However, together these clauses create a three-month window from 1 April to 30 June 2026 during which distributors will have assigned customers to time-varying distribution pricing plans but may not yet receive the data required to reconcile those charges for billing.

7.3. In this situation, distribution agreements provide for distributors to estimate invoices in accordance with good industry practice.[4]

7.4. An estimation method that uses a single demand-weighted average price to estimate charges, calculated from the plan's time-varying rates, can be consistent with the Code provided the ICP remains assigned to a time-varying pricing plan that meets the definition in the Code, and the estimation is applied only as a contingency when the required data is not provided, is incomplete or is materially incorrect.

7.5. Many distributors already have such contingency processes in place. Those without such a process should develop an approach that prioritises low-cost methods, working with retailers and peers to efficiently access any necessary data. Any differences between estimated and actual charges can be addressed through existing wash-up mechanisms if and when complete data becomes available.

8. Using the data provided from 1 July 2026

8.1. From 1 July 2026, retailers are required to provide distributors with consumption data that enables distributors to charge according to the structure of their distribution pricing plans, where it is complete and accurate.

Specific format to be agreed under distribution agreements

8.2. We expect retailers and distributors to continue to agree on the specific approach to data transfer under the terms of distribution agreements. Provided retailers supply accurate time-blocked consumption data in the required format, distributors' existing billing systems should be able to accommodate this without significant changes.

Data should still be expected within existing timeframes

8.3. Retailers currently provide consumption data within five days following the end of the month, so the requirement in clause 12A.2(5) for data to be supplied "as soon as practicable" should be understood to maintain or improve on this timeframe. This clause does not allow data to be provided any later than existing arrangements but may require faster delivery where feasible.

Managing any ongoing issues after 1 July 2026

8.4. Despite the requirement on retailers to provide complete and accurate consumption data from 1 July 2026, there remains the potential for ongoing issues where the data may not be provided as expected.

8.5. If distributors continue to receive aggregated consumption data instead of the required time-blocked data necessary to reconcile time-varying prices, they should:

(a) **Work with retailers to ensure accurate registry data**
Distributors should collaborate with retailers to ensure the Registry accurately reflects which ICPs have half-hourly (HHR) and advanced metering infrastructure (AMI)

[4] Clause 9.2 of the Default Distributor Agreement provides for when a Trader does not provide information to the Distributor in accordance with Schedule 2 by the 5th Working Day after the last day of the month to which the Tax Invoice relates, or any information provided by the Trader is incomplete or materially incorrect, the Distributor may estimate, in accordance with Good Electricity Industry Practice, the Trader's Tax Invoice for Distribution Services.

capabilities. Accurate Registry data supports better identification of ICPs eligible for time-varying pricing and facilitates compliance monitoring.

(b) **Report ongoing concerns about compliance to the Authority**
Where retailers persistently do not provide the required consumption data, distributors should report this Code breach to the Electricity Authority through our compliance portal: www.compliance.ea.govt.nz. This report should contain sufficient evidence such as Registry data indicating the presence of smart meters without corresponding time-blocked data. The Authority will use this information to enforce compliance. We may also conduct our own monitoring by reviewing information in the Registry.