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## **Developing a roadmap to a more decentralised electricity system: exploring network visibility**

SUPA Energy (SUPA) agrees with the Electricity Authority that increasing network visibility is important. We welcome the consultation on the matter.

The issue of improving network visibility fits within the auspices of Authority's decentralisation framework; it can help enable and facilitate entry and growth of non-traditional and potentially disruptive supply options.

If successful, decentralisation and improved network visibility should result in better localised energy solutions and less reliance on large, centralised investments across the national grid. This includes realisation of the potential benefits outlined in the consultation, such as more efficient network upgrades, improved investment in distributed energy resources (DER), and more efficient planning and investment by distributors.

### **The Commerce Commission and Electricity Authority have shared responsibilities**

SUPA considers that the matter of network visibility is an area that could benefit from collaboration between the Commerce Commission and the Electricity Authority, in line with Energy Competition Task Force (ECTF) precedent.

As the Authority has noted both regulators "have roles regarding disclosure of information related to 'network visibility'" which "means there is the potential for regulatory overlap."

### **Issues with network visibility SUPA would like to see addressed**

Issues that SUPA would like the Commerce Commission and Electricity Authority to consider as part of improving network visibility, and decentralisation, include:

- The implications of having 29 electricity distributors.

Having to deal with a large number of small electricity distributors can substantially raise the transaction costs for a business like SUPA that is offering localised services

nationwide. The number of electricity distributors amplifies each of the issues we discuss below, raising costs and undermining the efficient operation of the electricity industry.

- There are problems with accessing accurate pricing information from all networks and problems with inconsistent pricing information, data quality, file standards, format and naming conventions.<sup>1</sup>

A medium/longer-term solution may be to move to a centralised database system with obligations on electricity distributors to ensure their pricing data is up-to-date and readily accessible in an efficient and convenient manner.

- Network pricing methodology disclosure requirements need to keep pace with network pricing reform.

SUPA is concerned that there aren't sufficient incentives to improve the transparency of network pricing methodologies AND the application of network pricing methodologies e.g. in particular, to demonstrate that network pricing is 'cost-reflective' and efficiently signalling the cost (LRMC) of peak demand/benefit of peak usage reductions.<sup>2</sup>

We would also like to see improved visibility of how network charges for export are set. Networks like Top Energy, Northpower and Counties Power have export fees which can result in barriers to investment in solar solutions, and which lower the benefits to the host.

- Another element of network pricing where we consider improved transparency is needed is transformer upgrade pricing.

Issues we have encountered include absence of pricing on networks for capacity and transformer upgrades of existing connections. If we had this visibility we could quote jobs including the cost of transformer upgrades, provided the yield is sufficient to offset the cost of the upgrade. There can also be fees just to get quotes for capacity and transformer upgrades. In a handful of cases these quotes aren't the final costs.

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<sup>1</sup> For example, electricity distributors are able to use their own unique naming conventions and there is no consistent way to determine the application of a code without reading a PDF – essentially making the datapoint useless for any form of automation or analysis.

Another issue is that supporting information like TOU periods are only available in PDF form so it's hard to digitise and requires manual checks.

<sup>2</sup> As an aside, SUPA sees no reason to discriminate between customer type, connection capacity or price category in establishing the value of exported energy. In fact, we believe the greatest benefits could be achieved by ensuring commercial 3-phase connections above 69kVA have access to the same pricing signals/incentives that have been indicated for mass market connections.

- Related to capacity and transformer upgrade pricing, we consider improved transparency is needed for existing ICP and transformer capacity (which could be part of Asset Management Plan disclosures).

There is no or poor visibility of transformer capacity in most cases. This directly affects the viability and design of the best solution that could be applied at a site. This limits the value of distributed assets as opportunities for these assets to mitigate investment costs are missed. SUPA aims to provide the highest possible solar + Battery system size per site to ensure the yields are maximised and to allow for a greater return on investment/benefit to the host by maximising benefits to the network.

As per above, this is another area where a medium/longer-term solution should be considered to establish a centralised database listing transformer capacities with obligations to keep this up to date.

- How to improve transparency of Distributed Generation (DG) applications. At present, we can face long wait times and high DG application fees, including to find out information that should be publicly available.

### **Concluding remarks**

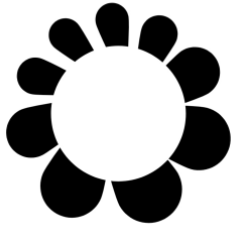
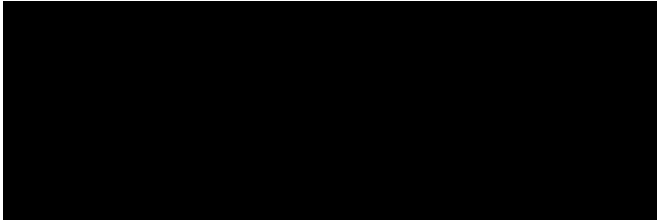
SUPA welcomes the opportunity to engage with the Electricity Authority on how to enhance network visibility.

We have previously commented that there is no ‘silver bullet’ for electricity reform. A number of changes will be needed to deliver an affordable energy transition, and to ensure there are low barriers to entry and competition including from non-traditional suppliers. Market and regulatory settings need to place DER, including solar PV and batteries, on an equal footing with large-scale generation and generators.

Exploring how to improve network visibility – including network capacity, pricing methodologies and processes for connecting to local electricity networks – is one important element of the reforms that are needed.

The Authority has an important facilitative role in New Zealand’s energy future. As industry regulator, the Authority should make sure market rules and vested interests don’t impede competition from non-traditional sources. Markets work best when there are a large number of suppliers – with different business models and different product and services offerings – with competing views on what consumers want and need.

Yours sincerely,



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