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11 November 2025

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

by email: taskforce@ea.govt.nz
(subject line "Definition of small business Code amendment proposal")

Submission on Requirement for distributors to pay negative charges when consumers supply electricity at peak times: definition of small business

Thank you for the opportunity to provide feedback on the consultation paper. We support the Electricity Authority's (the Authority) move to amend the Code to better align with the intent of the policy.

We are aware that some commentators think that larger generators *should* be able to access the mandated export credits. On this point we note that the operation of a large generator, even if it is mainly offsetting a customer's own load, is often more than is necessary to completely alleviate a local network load-based constraint. In these situations, it would not be efficient to reward export when no further benefit can be derived. Funding such an inefficient credit would add to the cost burden imposed on other customers.

We support the 45kVA / 45kW limit the Authority is proposing. We have reviewed our records of maximum deliverable generation capacity (as recorded on the Electricity Registry), including situations where information was populated prior to the recent modifications, and confirm that we are able to use this as a basis for eligibility.

Our responses to the specific questions raised are attached as an appendix to this letter.

Thank you again for the opportunity to provide feedback. If you have any questions regarding these comments, please feel free to contact me on [redacted] or at [redacted]

[redacted]

Alex Nisbet
Pricing & Regulatory Manager

Submitter	EA Networks

Questions	Comments
Q1. Do you agree with the issues that we have identified in meeting the policy intent to target small business consumers? Why or why not?	Yes, we agree with the issues that have been identified, and we observe that some of the adverse outcomes would occur with existing configurations on our network.
Q2. Do you agree that applying the negative charge to business consumers below a given connection capacity, and limiting eligibility to distributed generation below that same level, will best achieve the original policy intent? Why or why not?	Yes, we support a shift to using capacity to limit eligibility. The 45kVA capacity limit aligns with a 3 phase 63 amp supply which is a very common size for small businesses.
Q3. Are both limits required, or could the policy intent be achieved through just one of the proposed limits? Please explain your reasoning.	Yes, both limits are required. A customer in a 45kVA load category is able to install any size generator, and to ensure that we maintain the incremental cost requirements we must maintain that load category for the purpose of load based charges, even if they are approved to export at a higher rate. Also, a customer with a load of 45kVA and an export ability of 45kVA could utilise a 90kW generator, which is a very significant generator, and probably beyond the intended scope of policy intent. This would hike up to a 138kW generator if a 69kVA limit were to be adopted.
Q4. Do you agree with our assessment of the proposed threshold for connection capacity? Why or why not? Would you prefer an alternative threshold? Why?	Yes. The 45kVA capacity limit aligns with a 3 phase 63 amp supply which is a very common size for small businesses.
Q5. Do you agree with our assessment of the proposed threshold for DG, and that this should apply based on the maximum deliverable generation capacity? Why or why not?	Yes, a 45kW solar PV generator will typically produce in excess of 60,000 kWh per year in our area. This sits well above the current "small business" definition, but it is useful to align the limit with the connection capacity limit.

	We are opposed to a higher limit being set as this moves into a realm where the operation of the generator on its own (either offsetting load or exporting) exceeds the level that is needed to alleviate local network load-based constraints. In these situations, export credits (which are ultimately funded by other customers) are inefficient.
Q6. Do you agree with the objective of the proposed amendment? If not, why not?	Yes. As noted in response to Q5, it is appropriate to focus this incentive on smaller generators as the operation of large generators can, on their own, (whether offsetting load or exporting) exceed the level that is needed to alleviate local network load-based constraints. In these situations, export credits (which are ultimately funded by other customers) are inefficient.
Q7. Do you agree the benefits of the proposed amendment outweigh the costs?	We acknowledge that the inclusion of a carve-out for high capacity generators that sit within a category that otherwise qualifies for an export credit will represent an additional attribute for retailers to take account of in their retail pricing and billing approaches. Nevertheless, we consider the benefits of the amendment to better target the incentive will outweigh the costs.
Q8. Do you agree with our assessment of the alternatives? Please explain your reasoning.	We consider that the alternatives listed represent a through look at the issue, are comprehensive, and we support the Authority's assessment of each.
Q9. Are there other options or thresholds we should consider to better align the Code with the original policy intent?	We have not identified and further alternatives.
Q10. 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 objectives in section 15 of the Electricity Industry Act 2010.	Yes, we agree that the proposed amendment is preferable to the alternatives identified, and that the alternatives appear to be thoroughly canvassed.

	We anticipate that electricity retailers will (understandably) struggle with a secondary test of eligibility based on generation capacity. Retailers rely on our price category codes uniquely identifying the set of prices applicable to an ICP. To address the ambiguity of whether an export credit price applies or not, an "export category code" could be added to the pricing event on the registry for distributors to explicitly indicate which (if any) set of export credit prices apply. This suggestion also addresses situations where the geographic boundaries for credits and load charges may (legitimately) differ. Just 3% of our load customers currently have generation, and we think it would be appropriate to avoid migrating vast numbers of customers to alternative load categories just to accommodate the small proportion with generation. Setting the export category code independently avoids this unnecessary upheaval and associated transaction costs of a more complicated price book.