

9 February 2026

s 9(2)(a)

Tēnā koe s 9(2)

Your request

Thank you for your request, received on 20 November 2025, under the Official Information Act 1982 (Act) for the following information:

- Any advice or information that the Electricity Authority provided to the Electricity Authority Board regarding how to define the customers or customer groups that distributors would be required to provide distribution peak export payments to.
- Any advice or supporting information that the Electricity Authority provided to its Board related to the Consultation "Requirement for distributors to pay negative charges when consumers supply electricity at peak times: definition of small business, which can be found at:[https://www.ea.govt.nz/documents/8563/Requirement for distributors to pay a rebate definition of small business Cons 370w73l.pdf](https://www.ea.govt.nz/documents/8563/Requirement_for_distributors_to_pay_a_rebate_definition_of_small_business_Cons_370w73l.pdf)

Our response

For sake of clarity, I will respond to each part of your request in turn.

Any advice or information that the Electricity Authority provided to the Electricity Authority Board regarding how to define the customers or customer groups that distributors would be required to provide distribution peak export payments to.

The Electricity Authority Te Mana Hiko (Authority) has identified five documents with information in scope of this part of your request. This information is released in full noting:

- out of scope in the documents is redacted
- some documents are provided as excerpts in accordance with section 16(e) of the Act

Any advice or supporting information that the Electricity Authority provided to its Board related to the Consultation "Requirement for distributors to pay negative charges when consumers supply electricity at peak times: definition of small business, which can be found at:[https://www.ea.govt.nz/documents/8563/Requirement for distributors to pay a rebate definition of small business Cons 370w73l.pdf](https://www.ea.govt.nz/documents/8563/Requirement_for_distributors_to_pay_a_rebate_definition_of_small_business_Cons_370w73l.pdf)

The Authority has identified three documents within scope of this part of your request. These are outlined in appendix one below with copies attached. The information in scope is released in full except for:

- information which is withheld under section 9(2)(g)(i) of the Act on the grounds this is necessary to maintain the effective conduct of public affairs through free and frank expression of opinions between staff and between staff and the Board;

- the consultation paper attached as Appendix A of document 7 as this information is publicly available here: [Consultation paper - Requirement for distributors to pay a rebate definition of small business](#)

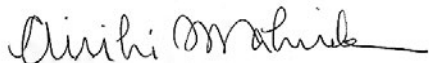
I am satisfied, in terms of section 9(1) of the Act, that the need to withhold the information referred to above is not outweighed by other considerations that render it desirable, in the public interest, to make the information available.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

As this information may be of interest to other members of the public, the Electricity Authority may proactively release a copy of this response on our website. All personal data, including your name and contact details, will be removed before publication.

If you'd like to discuss this response with us, please feel free to contact us by emailing oa@ea.govt.nz.

Nāku noa, nā,



Airihi Mahuika
GM Legal, Monitoring and Compliance

Appendix One: Documents in scope

Question One			
Item #	Date	Title	Decision on release
1	15 December 2024	Board update: Taskforce Package 2 measures 2A, 2B, 2C	Excerpt released in accordance with section 16(e) of the Act and out of scope information removed.
2	16 December 2024	BP11.2f Appendix F Staff consideration of feedback table	
3	16 December 2024	Price signals for injection by distributed generation – Task Force initiative 2A	
4	30 April 2025	Initiative 2A Task Force meeting	
5	30 June 2025	Energy Competition Task Force: Release of decision papers 2A and 2BC initiatives	

Question Two			
Item #	Date	Title	Decision on release
6	29 September 2025	GM Report – Networks and System Change	Excerpt released in accordance with section 16(e) of the Act and out of scope information removed.
7	24 October 2025	E-Resolution 092-2025 - Summary Note of 2A Small Business Definition Consultation Paper - 24 October 2025	Some information withheld under the following section of the Act: <ul style="list-style-type: none"> - 9(2)(g)(i), to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers and officers and employees of any public service agency. - Appendix A of the e-resolution is withheld under section 18(d) as it is publicly available.
8	30 October 2025	Communications plan: Consultation – Requirement for distributors to pay negative charges for peak injection: Definition of small business	Some information withheld under section 9(2)(g)(i) of the Act.

Board update: Taskforce Package 2 measures 2A, 2B, 2C

15 November 2024

2A: Cost-reflective distribution export tariffs

Problem:

There are few retail options that reward peak export, therefore reduced options / incentives to invest in export-capable flexible DG. This is a 'chicken-or-egg' problem that needs a kickstart.

Proposed solution:

Require distributors to make payments for peak export at least equal to their 'variable charge differential' (ie, peak rate minus off-peak rate) multiplied by an adjustment factor.

Key trade-off when regulating distribution pricing:

Simpler to implement and pass through

More accurately cost-reflective

We accept that consumption pricing is:

- not perfectly cost-reflective (eg, averaged across the network, with standardised 'peak' times)
- simple enough that retailers can pass through price signals to consumers in a useful and manageable way.

Similar trade-off likely for export pricing, but arguably weighted slightly more towards accuracy because:

- Inaccurate pricing that over-incentivises export could lead to increased network costs (eg, export congestion or voltage issues)
- Batteries can be programmed to respond to precise signals, so export pricing may not need to be as simplified

These factors justify an adjustment factor (and other policy choices) that allow a minimum export payment that is lower than their consumption charge

Policy design choices

- Adjustment factor of 90% (to be reviewed after 3 years)
- Peak export period must be the same as peak consumption period
- Export payments must apply with the same locational granularity as consumption pricing
- Payments made to distribution customer (in most cases, retailer)
- Applies to all tariffs with a component that signals periods of peak demand (eg, TOU, critical period demand charge). Excludes flat tariffs and day/night tariffs
- LFC customers get rate based on variable charge rate differential from equivalent non-LFC consumption tariff
- Comes into force from 1 April 2026 (aligned with the distribution pricing year)

Alternatively: different adjustment factor (eg, 100%, 50%, 20%)

Alternatively: distributors can use more targeted period, but must pay proportionally higher rate

Alternatively: distributors can apply different rates to specific parts of network, but weighted average rate must not be lower than prescribed rate

May also need: extra regulation to prevent distributors from making their tariffs less cost-reflective

Contents

Contents

Out of scope

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EAAG feedback 9

Out of scope

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Point	Source	Comment	Action
Out of scope			
There is a minority view that limiting this intervention to standard consumers does not deliver a level playing field between large DG and small DG		We agree that large DG may also have limited power when negotiating pricing agreements with a distributor. We are considering this wider issue as part of this consultation (currently in a separate issues paper on the Distributed Generation Pricing Principles). However, we consider that a more prescriptive approach may need to be taken for mass market consumers with DG, as we believe they have even less negotiating power.	Rework consultation paper to combine proposal with DGPPs issues paper
Out of scope			

Meeting date: 16 December 2024



Price signals for injection by distributed generation – Task Force initiative 2A

Prepared by: Harpreet Singh, Senior Advisor
Daniela Aguilar, Analyst
Tim Sparks, Director Network Pricing

4. Summary

- 4.1. Few distributors offer distribution price signals that reward distributed generation (DG) for injection at peak times that benefits the network by reducing net peak demand and therefore future network investment requirements. This problem is particularly acute for DG controlled by mass market consumers, noting it is difficult for distributors to determine the value of each individual, small-scale injection. Mass market consumers also have little bargaining power to negotiate connection agreements that reward them for such injection.
- 4.2. This problem was identified by the Task Force and is reflected in Initiative 2A.
- 4.3. To address this problem, staff have developed a Code amendment proposal that would require distributors to provide a rebate for injection from mass market consumers during periods of peak demand based on the distributor's consumption charges. This proposal was discussed with the Board on 14 November and is currently reflected in the draft consultation paper. However, we have received significant feedback from Board members, from the EAAG and from the Commission on the merits of this option, for example, a concern that these rebates would not be precisely targeted at locations that are congested (and require an imminent network upgrade), so in many cases could be a subsidy to consumers that inject, with no network benefit, and funded by other consumers.

Out of scope



Initiative 2A Task Force meeting

30 April 2025

Proposed option: design criteria

How should broad negative tariffs for injection be implemented?

Design criteria	What submitters said	Our comments/preference
<p>Out of scope</p>		
<p>Scope (type of customers)</p>	<p>Wide support for only applying the principles to mass market consumers, although some distributors argued that using the term "standard contracts" would cast this net too widely and include some larger customers not intended to be covered.</p> <p>Some submitters argued the principles should apply to all consumers to ensure a level playing field, or that they should apply to large customers first as these are more likely to provide network benefits. Rewiring Aotearoa (and others) considered their preferred solution (SETs) should apply to all consumers.</p>	<p>Principles should apply to mass market consumers only, as larger customers tend to have more bespoke pricing arrangements where they can negotiate being rewarded for the network benefit they provide.</p> <p>However, tweak Code drafting so that mass market is defined as "a distributors domestic, general, or standard pricing tariff (or a Distributors equivalent nomenclature)" or using a capacity threshold.</p>
<p>Scope (type of generation)</p>	<p>Wide support for principles applying to all generation, provided they only require rebates when/where they provide network benefits.</p> <p>Some submitters doubtful that inflexible generation can ever provide tangible network benefits, with some going on to argue that inflexible generation should be excluded from the principles entirely. Orion considered that thermal generation should be excluded.</p>	<p>Principles should apply to all types of generation. As noted, intermittent generation without batteries is less likely to occur at times when the negative tariff applies, and we also consider that mass market consumers are unlikely to have thermal generation.</p>

Excerpt released in accordance with section 16(e) of the Act.

Energy Competition Taskforce: Release of Decision Paper for 2A and 2BC Initiatives



Meeting date: 30 June 2025

Energy Competition Task Force:

Release of decision papers 2A and 2BC initiatives

Prepared by: James O'Donnell, Principal Advisor – Network Pricing
Janet Humphris, Manager, Network Pricing
Tim Sparks, GM Networks & System Change

Energy Competition Task Force: Release of decision papers for 2A, and 2B and 2C initiatives

Out of scope



3. Recommendations

3.1. It is recommended the Board:

- (a) **approve** the Code amendment (Appendices D) that will require:
 - (i) distributors to provide negative charges for injection from distributed generation by mass market consumers

Out of scope



4. Summary

- 4.1. After considering feedback from consultation, we recommend proceeding with the proposals, with some amendments. This paper sets out our rationale for this. The changes are directed at improving the workability and practicality of the initiatives, and reducing compliance costs, but the core elements of the proposals remain the same.
- 4.2. We have amended the 2A proposal so that it now requires distributors to provide broader, less targeted negative charges for injection, based on the long-run marginal cost (LRMC)

that can be avoided by peak injection from consumers in the relevant price category. Our original proposal would have required distributors to provide negative charges for injection from specific groups of ICPs that deferred specific network investments.

- 4.3. We have made this change to reflect the points raised in submissions regarding the relative merits of distribution pricing (which is better suited to sending broad, more stable price signals) and contracted flexibility (which is better suited to helping manage specific constraints).
- 4.4. The new approach to the 2A Code amendment will still provide broad consumer benefits by supporting the reduction in network investment requirements (in aggregate and over time) by reducing net peak demand. These net benefits will be higher than under our initial proposal due to lower implementation costs arising from the simpler nature of the revised proposal.

Out of scope



Out of scope



7. We recommend progressing with the proposals, with the following changes

2A recommended changes

- 7.2. The initial proposal intended to require distributors to provide negative charges for injection from specific groups of ICPs that could provide network benefits by deferring the need for specific network investments. Submissions, particularly from distributors, noted that:
- (a) this would require very granular pricing, which would be difficult to implement, especially by the pricing year commencing 1 April 2026
 - (b) using injection to manage specific constraints is better achieved through contracted flexibility, rather than distribution pricing, as it can be more easily targeted and ensure a guaranteed response.
- 7.3. We agree with this feedback. However, we consider that broader injection pricing (i.e. less targeted negative charges) is still a useful way to reward the wider benefits of peak injection than occur in aggregate and over the longer term.
- 7.4. As such, our revised proposal requires distributors to:
- (a) provide a negative charge for injection based on the average long-run marginal cost (LRMC) of peak demand that injection at peak times from consumers in the relevant price category can help avoid (in aggregate and over time). This is similar to the approach taken for regular consumption pricing.

(b) demonstrate in their pricing methodologies how they have calculated this LRMC and how they have converted this to a negative charge for injection.

7.5. We propose to retain the April 2026 implementation date, as we consider that our amended broad-based pricing approach will be substantially easier to implement. Nevertheless, we have allowed for a simpler approach for the first year only to make implementation feasible.

7.6. Other elements of the proposed amendment are largely unchanged, with minor exceptions, as outlined in the decision paper.

Out of scope



GM Report – Networks and System Change

Prepared by: Tim Sparks
General Manager – Networks and System Change

Out of scope



Inclusion of larger generators in distribution peak rebate requirements

- 8.5 Through the development of distributor guidance to support the implementation of distributors' peak-time rebate obligations under the Energy Competition Task Force 2A decision, we have identified a potential unintended consequence with how the Code requirements could be applied to larger generation.
- 8.6 The intent of the proposal was to require distributors to pay negative charges (rebates) when mass market consumers inject electricity at peak times. The negative charge was not intended to be paid when larger distributed generation inject. (The intent is to tackle pricing for larger distributed generation through a separate project: the review of the Distributed Generation Pricing Principles, which the Board is to consider next in December 2025.)

- 8.7 In response to consultation feedback about the lack of clarity about the term “mass market” during the development of these requirements, the Code now requires distributors to pay rebates when residential and small business consumers inject. The risk is some larger distributed generation could be considered by a distributor to be small business consumers.
- 8.8 Paying negative charges to larger distributed generation could have unintended consequences and was explicitly ruled out in both the consultation paper and the June 2025 decision paper. It is important that the Board has the opportunity to consider pricing for larger distributed generation properly through the review of the Distributed Generation Pricing Principles (a consultation paper on this project will come to the Board in December).
- 8.9 We are currently exploring options to resolve this issue to ensure the Code reflects the policy decision the Board made in June 2025. One option is to make a Code amendment to resolve the issue. Such a Code amendment would likely not need to be consulted on due to adequate previous consultation. Another option is to use the omnibus process. As part of the process to identify change options, we will also test with key stakeholders any potential reaction to this change.
- 8.10 Any changes to the scope of the Code requirements are not expected to substantially delay the release of the guidance for distributors. We intend to release the guidance after this Board meeting, and to flag in the guidance that the issue of application of the Code requirements to larger generation is an issue we are considering further, and we will continue to work closely with distributors to resolve.
- 8.11 For clarity: this is a separate (but related) issue to the clarification of the application of the Task Force 2BC (retail time-of-use) decision to small business customers that is covered in the Retail and Consumer report.
- 8.12 We are exploring how these unintended effects of the June 2025 Task Force decisions made their way into the Code and why they were not detected earlier. We will consider what can be done to prevent such issues occurring again and report back to the Board.

Out of scope



Subject:	Request to release the Taskforce 2A definition of small business consumers consultation paper
Authors:	James O'Donnell – Principal Advisor Janet Humphris – Manager Network Pricing
Date:	24/10/2025
Board response requested by:	31/10/2025

1. Recommendations

- 1.1. It is recommended the Board:
- (a) **agree** to consult on proposed amendments to the Electricity Industry Participation Code to ensure the definition of 'small business' meets the policy intent of the recently introduced Code requiring distributors to introduce 'negative charges' for electricity supplied by mass-market customers at peak times (Taskforce 2A).
 - (b) **delegate** authority to the General Manager, Networks and System Change to finalise and publish the consultation paper (Appendix A) and proposed Code amendment (Appendix B), subject to any changes, consistent with the policy intent outlined in these papers, accounting for:
 - (i) feedback from the Board
 - (ii) final legal review
 - (c) **approve** a consultation period of three weeks, commencing on 31 October 2025 and closing on 21 November
 - (d) **note** the summary of the communications plan (Appendix C).

2. Background

- 2.1. In July, the Authority introduced new requirements on distributors to pay "negative charges" when households and small businesses supply power at peak times. This was one of the Energy Competition Task Force initiatives (2A). We made these changes to help achieve two objectives:
- (a) encourage consumers to supply power to the network when it's needed; and
 - (b) fairly reward them when the power they supply benefits the network.

- 2.2. This initiative was intended to apply to residential consumers and small business consumers. The Consultation paper sought feedback on the application of the proposal to mass market consumers. Following consultation feedback, the Decision Paper mandated payments to target households and small businesses, on the basis that these consumers cannot directly negotiate such payments from distributors. The Decision paper noted that medium to larger business consumers were excluded on the basis they were more likely to be able to negotiate pricing that rewards their injection for the benefits it provides.

3. The issue and proposed solution

- 3.1. Since introducing the new rules, we have found that distributors have faced challenges in applying negative charges to price categories targeting “small business consumers”. A small business consumer is defined in the Electricity Industry Act 2010 as one using less than 40 MWh a year.
- 3.2. However, distributors generally work with connection capacity, not annual consumption. Distributors’ pricing schedules typically differentiate their commercial customer types based on kVA capacity and not consumption. Additionally, consumption data is sometimes unavailable, and consumption is volatile from year to year, making the application of this definition an ongoing exercise. We have also identified that some large generators could qualify for the negative charge, even though the new rules in the Code were intended to apply to mass market consumers rather than large generators.
- 3.3. You were informed of this issue and proposal for change at the 29 September Board meeting as part of the GM Networks and System Change report. You were provided with an email notification on 17 October to advise you of this upcoming e-resolution process.
- 3.4. We are now proposing to consult on how to refine the eligibility rules so the negative charge continues to target the intended customers: the mass-market households and small businesses who typically can’t negotiate their own deals with distributors. The paper seeks feedback on the following:
- (a) We are proposing to remove the reference to “small business consumer” (defined in the Electricity Industry Act 2010 as a business that consumes less than 40 MWh of electricity per year¹) and instead require that the negative charge is applied to price categories targeting business consumers with a connection capacity of 45kVA or less.
 - (b) We are also proposing to only apply the negative charge where the maximum deliverable generation capacity of the distributed generation is no more than 45kW. This will be applied in combination with the 45kVA limit.
- 3.5. Both changes will make the policy clearer and easier to apply, ensuring the negative charge applies to the intended mass-market consumers while avoiding an unintended extension of the policy to large-scale generators.
- 3.6. In addition, we have identified a similar issue in the Taskforce 2BC initiative that relates to retailers offering time-varying retail plans. Initially, we identified that a Code change was also required for this issue, however recent conversations with retailers indicate that this issue can be managed through further guidance.

4. Anticipated stakeholder response

Rewiring Aotearoa and Simply Energy’s concerns

- 4.1. We are aware that some groups like Rewiring Aotearoa and Simply Energy have concerns that the application of the policy to residential and small business consumers may overly restrict eligibility, especially for farmers with solar installations.² They would prefer that the

¹ Part 1, clause 5, Electricity Industry Act 2010:

² In our consultation we have requested feedback on this limit that will inform our decision. However, we understand from the Registry that currently over 85% of agricultural ICPs with DG (1,126 ICPs) would be

negative charges were made available for medium and even larger commercial consumers. They do not consider that these consumers are able to negotiate with distributors for their pricing.

- 4.2. Rewiring Aotearoa, in particular provided a submission stating that the negative charge should apply to all consumers that export electricity, regardless of their size. Their position was based on 'principle' rather than whether consumers have the ability to negotiate with distributors.

Our assessment of Rewiring Aotearoa and Simply Energy's concerns

- 4.3. We note that:
- (a) The original intent of the 2A Code changes was to focus on mass market consumers, rather than larger commercial customers or larger distributed generators. The restriction of this policy to only mass-market customers was clearly set out in both the consultation paper and the decision paper. There was wide (though not unanimous) support in submissions for only applying the principles to mass market customers, as larger customers on bespoke contracts are more likely to be able to negotiate pricing that rewards their injection for the benefits it provides.
 - (b) Pricing methodologies for larger distributed generation is being addressed through a separate workstream (the review of the distributed generation pricing principles in Part 6 of the Code). This workstream is separate from the Task Force 2A proposal because different considerations apply to larger distributed generation. (For example, Wellington Electricity submitted that contracted flexibility is better suited to large distributed generators, whereas price-based flexibility is better for mass market customers.)
- 4.4. The purpose of the proposal in the attached consultation paper is deliberately limited and narrow: it is to clarify application of the policy that the Authority has already consulted on and decided on (that is, defining small businesses for the purposes of the recently introduced Code requiring distributors to introduce 'negative charges' for electricity supplied by mass-market customers at peak times). By contrast, Rewiring and other stakeholders are seeking to introduce a new, broader policy, that could expand negative charges beyond mass market customers. This is beyond the scope of the current consultation paper.
- 4.5. That said, the Authority may wish to review this policy in future and possibly consider expanding the scope of negative distribution charges beyond mass market customers. However, care would be needed to ensure there are no material adverse impacts on those consumers that cannot access the negative charges, but whose distribution charges could increase to recover the cost of the negative charges.
- 4.6. Review of the policy would require further consideration and research into the issues. The first opportunity to consider parties outside the mass market will come in December, when the Board is due to consider a consultation paper on the Distributed Generation Pricing Principles. That separate consultation paper will make proposals about the pricing methodologies that distributors are allowed to apply to larger distributed generation.
- 4.7. In the meantime, we recommend that we release this consultation paper. It is important that the rules be clarified promptly to allow distributors sufficient time to confirm the eligibility for the negative charges for their 1 April 2026 pricing and to engage with electricity retailers ahead of that date.

eligible for the rebate if based on the 45kVA and 45kW thresholds. Furthermore, there are currently only 94 agricultural ICPs with Solar/Battery packages and 90 of these would be eligible for rebate if based on the 45KVA and 45kW thresholds. In addition, farms typically have multiple ICP connections, and often an individual ICP connection for the residential property on the farm. That ICP will likely be eligible for the negative charges given its residential nature.

5. Consumer impact analysis

- 5.1. To inform the discussion, we have undertaken an analysis of the potential consumer impacts associated with the current Code and our proposed changes. This analysis is included as context, for the Board's information.
- 5.2. To assess the potential impact of the Code remaining unchanged, we have estimated the annual rebate that a large-scale embedded DG could receive. This is based on the Meridian Energy's Mill Creek windfarm which connects into Wellington Electricity's network. If we assume an annual generation of ~ 230,000MWh, and based on Wellington Electricity's peak and off-peak differential of 7.9 c/kWh and an adjustment factor of 50%, the annual rebate to Meridian would be ~\$2.2 million, or an additional \$12.40 a year per ICP. This is 1.8% of Wellington Electricity's 2025 allowable revenue under the Commerce Commission's DPP4. We consider this amount to be material in scale. We acknowledge that this scenario is somewhat unlikely to eventuate, but it does illustrate how leaving the Code unchanged could produce such unforeseen outcomes.
- 5.3. We have also assessed the consumer impacts arising from our proposed Code changes using the approach we took to assessing consumer impacts in our February 2A Consultation Paper. That approach estimated the annual rebate for a residential consumer with a 10kW solar/battery package that exported its spare solar generation after it had met the household's peak demand needs. This was done for a sample of six distributors.
- 5.4. In this updated assessment we have focused on Powerco, which was one of the six distributors. The Consultation Paper estimated the consumer impact for Powerco as follows:
 - (a) the annual rebate for a household with a 10KW solar/battery package would be \$6.11, or \$0.51 per month,
 - (b) the annual rebate would be less than 0.005% of Powerco's 2023 allowable revenue, and
 - (c) this equates to around \$0.06 per Powerco ICP to recover the cost of the rebate.
- 5.5. Our updated assessment uses the latest Registry data to repeat this analysis for all Solar/Battery packages on Powerco's network that were up to 45kVA.³ This was calibrated to the earlier analysis to ensure comparability, and expanded to include residential and SME customers. This produced the following results:
 - (a) the annual rebate for the average Residential ICP is \$4, though this can range from \$3 to over \$25 depending on the size of their DG,
 - (b) the annual rebate for the average SME ICP is \$6, though this can also range from \$3 to over \$25 depending on the size of their DG,
 - (c) the annual rebate is still less than 0.01% of Powerco's 2025 allowable revenue, and
 - (d) the annual cost is still around \$0.05 per Powerco ICP to recover the cost of the rebate.
- 5.6. These estimates are similar to those shown in the Consultation Paper. Any differences are due to using more recent Registry data and a more detailed approach we have taken – that is using individual tranches of kVA capacity to produce a more accurate estimate. However, the analysis demonstrates that the overall consumer impact is still relatively small.
- 5.7. We also assessed the consumer impact from operating a solar/battery package in alternative ways that derive greater value. Specifically, this involves charging the battery overnight with cheaper off-peak electricity and discharging that storage in the morning peak. This operating regime produces the following results:
 - (a) the annual rebate for the average Residential ICP is \$78,
 - (b) the annual rebate for the average SME ICP is \$117,

³ This is the equivalent of a 65KW solar/battery package, when a Power Factor of 95% is assumed for the 69KVA connection.

- (c) the annual rebate increases to 0.08% of Powerco's 2025 allowable revenue, and
 - (d) the annual cost is \$0.94 per Powerco ICP to recover the cost of the rebate.
- 5.8. Although these are material increase on the figures noted above, they are still small relative to Powerco's allowable revenue and the annual cost per consumer for recovering the cost.

6. Communications approach

- 6.1. s 9(2)(g)(i) [REDACTED]
- 6.2. A summary of proposed communications is attached to this briefing as Appendix C. We are developing a communications plan, which we will share with you early next week. We are also developing a Ministerial Briefing, to be sent around 30 October, ahead of the Consultation paper release.

7. Next steps

- 7.1. Should the Board approve the recommendations, staff will:
- (a) Release the consultation paper and draft Code attached in Appendix A and B for a three-week public consultation period.
 - (b) Prepare a Board Paper and Decision Paper with our recommendations for discussion at the 18 December Board Meeting.
 - (c) Progress the Board's decisions arising from that Board meeting.

Three-week consultation period

- 7.2. We propose to release the consultation paper for a three-week consultation period. This time period is shorter than our traditional four-week period, but is justified for the following reasons:
- (a) The sector has already been informed of our intention to consult, including through our Market Brief, a news item, and stakeholder emails. The guidance documents themselves also flagged the upcoming consultation.
 - (b) The consultation builds on the 2ABC Code changes and guidance already released. Many distributors are already familiar with the issue, having read the guidance. Several have also raised this issue of lack of clarity with us directly and via Electricity Networks Aotearoa.
 - (c) The issues being consulted on and scope of feedback will be focused. The consultation seeks feedback to clarify the definition of small business consumers to ensure the existing policy is more straightforward to target to that group. Proposals include using a threshold to target price categories based on connection capacity and introducing a limit relating to distributed generation size. These proposals should be straightforward for stakeholders to respond to.
 - (d) The Commerce Commission is not running any major consultations in the coming months, and consultation on connection pricing is planned to start at a similar time as this consultation ends—so stakeholders will not be loaded with multiple consultations.
 - (e) We expect most distributors will support consultation to clarify the application of the existing policy in a timely fashion ahead of the 1 April 2026 pricing year.

8. Attachments

- 8.1. The following appendices are attached to this paper:

- Appendix A Consultation Paper: Task Force 2A Requirement for Distributors to pay negative charges for peak injection: Definition of Small Business
- Appendix B Proposed Draft Code Changes
- Appendix C Communications Plan Summary

Board Reponses	Agree/Disagree Recommendation	Date
Anna Kominik (Chair)		
Paula Rose		
Lana Stockman		
Erik Westergaard		

Appendix A Consultation Paper: Task Force 2A Requirement for distributors to pay negative charges when consumers supply electricity at peak times: definition of small business

Appendix B Proposed draft code changes

12A.7 Payments for injection

- (1) A **distributor's** pricing methodology must, for any **price category** that has eligibility criteria that are designed to target residential consumers, or ~~small business consumers~~ business consumers with a connection capacity of 45kVA or less, include a negative charge for injection of **electricity** into the **distributor's network** that:
- (a) applies at times when demand in the region where the **ICPs** in that **price category** are located is likely to, on average and over time, drive future network investment; and
 - (b) is based on either—
 - (i) the long-run marginal cost of peak demand that can, on average and over time, be avoided by injection that occurs at the times identified in paragraph (a) from **ICPs** in that **price category**; or
 - (ii) for the pricing year beginning 1 April 2026, the difference between the peak charge and off-peak charge for consumption of **electricity** for **ICPs** in that **price category**; and
 - (c) has regard to transaction costs, consumer impacts, uptake incentives and network stability.
- (1A) Despite subclause (1), a negative charge for injection of **electricity** is not required to be offered or paid to any distributed generation with maximum deliverable generation capacity of more than 45kW in total across three phases.

Appendix C Communication plan summary

A communications plan is still being developed for this consultation. It will be provided to Board members next week. Provided below is a summary of the communications plan.

Content

The content will highlight that this is a positive change for mass market consumers and for the network. We will:

- emphasise that this is a change to clarify the intent of the existing policy
- focus on the benefits to mass market consumers and lines companies.
- be open and receptive to feedback
- acknowledge concerns and dissenting views
- remain firm about the narrow focus of the consultation.

Audiences

Our main audiences are industry stakeholders (e.g., distributors and distributed generators); Government; and mass market consumers.

We will provide clear and timely information so all parties understand how this the proposed Code change will support mass market consumers to supply electricity to the network when it is most needed, fairly reward those consumers, and add clarity and workability for distributors.

We will ensure that the Energy Minister is briefed and provided with key communications messages about the scope of the consultation to clarify the application of the policy to mass market consumers, the benefits that clarifying the scope with a revised definition would bring, how well the initiative overall aligns with Government objectives, and the need to consult on this issue now.

Before the consultation commences, we will connect directly with leadership at Rewiring Aotearoa and Simply Energy to outline the upcoming consultation and provide a clear rationale for the initiative's limited scope and focus on the existing policy intent.

Previous submitters will be informed of the consultation and be invited to submit again.

Key messaging

Key messaging about negative charging will be based on messaging from the July consultation. Key messages unique to this consultation will include:

- It was clearly stated in both the consultation and decision papers that the original intent of the 2A Code changes was to focus on mass market consumers rather than larger commercial customers and distributed generators. This was well understood.
- Submissions were widely supportive of only applying the principles to mass market customers because this cohort is unable to negotiate directly with EDBs.
- This consultation is focused on clarifying the intent of the existing policy. Key messaging will highlight the scope of the types of installations that would be eligible for the rebate under the proposed clarifications.

Communications channels

- Website news and Market Brief
- Ministerial briefing and correspondence
- Direct engagement (phone and email) with leadership at organisations such as Rewiring Aotearoa and Simply Energy

- Media prep collateral such as a Q+A that addresses likely concerns
- Email to previous submitters
- Key messaging and Q+A for internal use and media preparation
- We will not issue a media release about this consultation or publicise it through social media.

Communications plan

Consultation – Requirement for distributors to pay negative charges for peak injection: Definition of small business

(Energy Competition Task Force Initiative 2A)

30 October 2025

Consultation context

- More and more households and small businesses (mass market) are using solar panels and batteries to generate their electricity and can potentially supply this back to the grid as distributed generation at peak times.
- Maximising the use of this clean, cheap and localised energy will strengthen the electricity system, boost resilience in communities and lower lines costs for all New Zealanders in the long run.
- To support mass market consumers, the Authority is proposing changes to make it clearer which small businesses are eligible for negative charging (rebates) when they supply generation back to the grid.
- These proposals are good news for mass market consumers, as they will give them more choice and greater control over their power use and costs.
- The proposals will also be beneficial for lines companies because they will be able to more easily determine who is eligible in a way that works for them.
- The proposals ensure we are targeting a wide range of businesses. For example, we estimate more than 85 percent of farms with solar panels and batteries would be in the group targeted for the rebates under our proposal.
- Many New Zealanders are seeing the benefits of investing in solar so they can sell electricity back to the network – and all of us are better off for it.

Background to this consultation

In July, the Electricity Authority Te Mana Hiko (Authority) introduced a requirement that, from 1 April 2026, distributors will need to pay negative charges when households and small businesses supply power to the network at peak times.

Since introducing the new rules, we have found that distributors are facing challenges in applying the definition of “small business consumer” (defined in the Electricity Industry Act 2010 as those using less than 40,000 kWh per year) because they generally work with connection capacity (kVA), not annual consumption. Also, we have identified that

some large generators could qualify for the negative charge, even though the new rules were intended to apply to mass market consumers rather than large generators.

We are now proposing to consult on how to refine the eligibility rules so the negative charge continues to meet the policy intent to target mass market consumers (residential and small businesses).

Key messages

- By requiring distributors to reward consumers for supplying electricity at peak times, the Authority has made changes that are in consumers' interests, giving them more choices and greater control over their power use and costs.
- The Authority supports consumer decisions about investing in solar and battery systems (especially the benefits of battery investment).
- The Authority has listened to feedback, which informed our earlier decisions and has motivated our consultation to amend the definition of 'small business' in the Code.
- This paper is about clarifying the application of the decisions made in July 2025. To expand negative charges beyond residential and small business consumers would be beyond the scope of the current consultation paper.
- It was clearly stated in both the consultation and decision papers that the original intent of the 2A Code changes was to focus on mass market consumers rather than larger commercial customers and distributed generators. This was well understood and has not changed.
- The majority of original submissions were positive. They supported applying the principles only to mass market customers, because this cohort is unable to negotiate directly with EDBs. Larger consumers and generators are already more likely to be able to negotiate pricing that rewards their injection for the benefits it provides.
- This consultation will seek feedback on how well the limits of 45kVA and 45kW of generation will target small businesses and whether the group of small businesses consumers is adequately captured by the definition. We expect most farms will meet this definition.
- We welcome feedback on the options to ensure that the requirements in the Code remain practical for distributors, bring benefits for consumers, and are effective in supporting a more flexible, reliable and efficient electricity system – and more affordable electricity for consumers over time.
- Pricing for larger distributed generation is being addressed through a separate workstream (the review of the distributed generation pricing principles in Part 6

of the Code) because different considerations apply to larger distributed generation.

Risks and mitigation

Risks

Our intent, as outlined in the Decision Paper, was to apply the initiative to residential customers and small business consumers (mass market) as these consumers are typically unable to negotiate a tailored plan directly with EDBs.

We are aware that some groups (eg, Rewiring Aotearoa and Simply Energy) consider the application of the policy only to mass market consumers is unnecessarily restrictive.

Rewiring Aotearoa, in particular, provided a submission stating that the negative charge should apply to all consumers that export electricity, regardless of their size. Their position was based on 'principle' rather than whether consumers have the ability to negotiate with distributors.

s 9(2)(g)(i)

s 9(2)(g)(i)

Mitigation

To mitigate these risks, we propose to provide stakeholders with clear, timely, and evidence-based information, with communications maintaining a firm but respectful tone.

While we understand that some stakeholders may advocate for the inclusion of larger businesses within the scope of the policy, we will highlight that this consultation paper is about clarifying the application of the decisions made in July 2025. To expand negative charges beyond residential and small business consumers would be beyond the scope of the current consultation paper.

It was clearly stated in both the consultation and decision papers that the original intent of the 2A Code changes was to focus on mass market consumers rather than larger commercial customers and distributed generators. This was well understood and has not changed.

It should be noted that pricing issues for larger distributed generation are being addressed through a separate workstream reviewing distributed generation pricing principles in Part 6 of the Code.

We will also clearly communicate that the proposed definition of a small business in the consultation paper will include most relevant entities in New Zealand. For example, our analysis has shown that more than 85 percent of New Zealand farms with generation potential would be in the group targeted for rebates under this proposal.

Those excluded are likely to be larger businesses or generators with capacity to negotiate directly with distributors.

In all our communication we will:

- welcome feedback
- acknowledge concerns and dissenting views
- remain firm (and remind stakeholders) about the targeted scope of the consultation, providing clear explanation of the consultation's intent
- focus on the benefits to consumers of the Task Force 2A initiative and proposed clarifications (supporting New Zealanders to use small scale generation in ways that support our energy system) and lines companies (clarity and workability).

Audiences and objectives

Our key audiences are distributors, generation owners and mass market consumers.

Through communications to these audiences we will:

- demonstrate how the Authority has considered feedback from consumers and industry to produce a more workable definition of 'small businesses'
- communicate that the Task Force 2A initiative helps New Zealand households and small businesses with small scale generation (eg, solar and batteries) have greater control over their power use and costs through negative charging at peak times, but that medium- and large-sized businesses are outside the scope of this consultation.
- inform that negative charging for mass market consumers is a significant step in improving how New Zealanders are fairly rewarded for supplying electricity to the network
- explain how the Code change adds clarity and workability to the negative charging scheme.

Managing stakeholder disagreement eg, Rewiring Aotearoa and Simply Energy

We will connect directly with leadership at organisations such as Rewiring Aotearoa and Simply Energy to proactively manage and minimise potential conflict. Before the consultation is launched we will:

- send an email to leaders at those organisations to inform them the consultation is imminent, highlight its narrow focus and clarify the policy's application to small business. This email will be reasonably detailed and will outline clearly what types of consumers may be eligible under the proposed clarifications
- call relevant staff at those organisations to personally inform them of the above, provide context, and to invite them to make submissions that align with the scope of the consultation
- brief the Minister for Energy and provide sufficient background for him to respond confidently if approached by people from organisations expressing concerns about the consultation.

Other stakeholders

We will send an email to previous submitters when the consultation is launched inviting them to submit again. This invitation will highlight that the scope of the consultation is limited to clarifying the policy's application to small business consumers and will encourage submitters to focus accordingly.

The email will explain why we think the new definition will benefit mass market consumers and lines companies.

We will alert stakeholders, including distributors, to the consultation using Market Brief and the consultation section of the Authority website.

Ministers and relevant government agencies:

To help ensure the Minister can speak with confidence about the consultation we will send his office a briefing before the consultation commences. This briefing will cover:

- the rationale for the targeted scope of the consultation
- how the proposed Code change will encourage mass market consumers, including small farmers, to supply electricity to the network when it is most needed
- how those consumers will be fairly rewarded
- how supporting consumers in this way will benefit the electricity sector over time, making supply more secure and resilient; and lowering the lines costs we all pay through our electricity bills.

s 9(2)(g)(i)

We will directly engage with government agencies such as EECA and the Commerce Commission to inform them of this consultation.

Proactive media

s 9(2)(g)(i)

We will prepare media spokespeople with key messaging that:

- articulates the anticipated benefits (clarity and workability) of this Code change
- explains that this is a significant step that will be good news for many
- addresses concerns about the exclusion of larger business consumers from access to negative charging
- reinforces the targeted focus of the consultation, which is intended to clarify the policy's application to small consumers.

Key messaging will be accompanied by a Q and A that addresses likely stakeholder and media questions about the rationale for the Code change and the benefits it will bring.

s 9(2)(g)(i)

Internal process timeframes

E-Resolution to Board	- 24 October
Ministerial briefing	- 30 October
Consultation opens	- 3 November
Consultation ends	- 21 November
Decision paper to Board	- 18 December
Estimated announcement date	- TBD (December/January)