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16 March 2026

Sarah Gillies
Chief Executive
Electricity Authority Te Mana Hiko
Wellington

Dear Sarah,

Re: Joint Agency Letter Ensuring Consumers Benefit from Efficient Investment in Non-Network Solutions, Aurora Energy Response

Thank you, to you, the Commerce Commission General Manager Andy Burgess and EECA Chief Executive Dr Marcos Pelenur, for the joint letter of 24 February 2026 on non-network solutions (NNS). Aurora Energy (Aurora) welcomes this coordinated signal from the three agencies and I'm pleased to respond ahead of the 24 March deadline.

Aurora serves the Dunedin, Otago and Queenstown-Lakes regions, some of the fastest-growing parts of New Zealand, and much of what your letter calls for is already underway here. I hope our experience is useful as you develop the national framework.

1. The Queenstown Regional Electrification Development Plan (QREDP)

Aurora, Transpower and PowerNet are jointly developing an integrated electricity development plan for Queenstown and the wider Wakatipu basin. This is one of the most complex demand environments in the country. Population growth, tourism, commercial development, and the electrification of transport and heating are all driving sustained load increases. Our working assumption is that meeting capacity needs from around 2032 onwards will require a genuine mix of distributed energy resources (DER), consumer energy resources (CER), demand management and targeted transmission and distribution network investment, not simply new poles and wires.

As part of this joint work, Aurora is commissioning specialist consultants to model a wide range of DER and CER scenarios in detail, including behind-the-meter solar and storage, community batteries, demand response and pricing incentives. The modelling is being designed to answer specific questions: how much can these solutions reliably contribute at winter peaks, what uptake is realistic under different policy and pricing settings, and what deferral value can they provide to major transmission and distribution investment?

We will share the results openly and would welcome early engagement with the Authority, Commerce Commission and EECA on the methodology and emerging findings as the work progresses.

EECA's January 2026 analysis identified 1.9GW of potentially shiftable load and 500MW of sheddable load nationally. Queenstown's combination of rapid EV uptake, strong residential solar growth and large forecast commercial and tourism loads means the Wakatipu basin likely represents a disproportionate share of that potential. Our QREDP

modelling is specifically designed to translate that national estimate into a realistic, regionally-calibrated assessment. We expect the findings to be directly relevant to EECA's ongoing work.

2. Network Planning: Treating NNS on Equal Terms

Aurora supports the expectation that NNS be assessed objectively and transparently alongside traditional network reinforcement. We are actively building this into our internal planning frameworks.

We note the reference to the UK Energy Networks Association's Common Evaluation Methodology and Open Networks programme. We would encourage the three agencies to work with Electricity Networks Aotearoa and the Electricity Engineers' Association to develop a New Zealand equivalent. A consistent national methodology would reduce duplication, build market confidence, and make Aurora's own disclosures more meaningful.

On Commerce Commission expenditure incentive settings: we agree these are appropriately technology-neutral. In practice, however, the transaction costs of procuring flexibility services in an early-stage market can make conventional capital investment look more attractive, even when NNS is the better long-run answer. We would welcome further dialogue with the Commission on whether DPP5 settings could better address this asymmetry.

3. Pricing Reform

Pricing is a critical enabler and we are actively reviewing our distribution pricing structures, consistent with the Authority's May 2024 guidance. In the Queenstown and Upper Clutha context, high EV penetration, growing battery storage, large seasonal swings in demand, well-designed pricing signals could have a significant positive effect on the region's demand profile and the economics of NNS. We are treating pricing reform as an integral part of QREDP planning, not a separate workstream.

Well-designed distribution pricing signals and price incentives, including cost-reflective and time-of-use tariffs, are an important tool for managing peak network loads, deferring infrastructure investment, and promoting the efficient uptake of DER. Applied correctly, these signals can have a material effect on a region's demand profile and benefit all consumers through lower long-run network costs.

This only works, however, if Aurora's (and other EDB) lines charges and associated pricing signals are passed through to consumers by retailers as intended. Under New Zealand's interposed pricing structure, retailers are the EDB's commercial customers: lines charges are set for each consumer and passed to the retailer, who then has discretion over how to bundle these with energy and other charges in the consumer's overall electricity bill. Currently, there is no regulatory requirement for retailers to separately itemise EDB lines charges, meaning the pricing signals Aurora sends do not always reach consumers in a meaningful and intended form. Retailers therefore have a critical role to play in supporting EDB efforts to optimise network use and incentivise the efficient uptake of solar and batteries through sophisticated and soon to be dynamic network pricing signals. We urge the regulators to keep retailer pass-through obligations firmly on the agenda in 2026/27.

On controlled load and ripple control: Aurora currently operates ripple control across a significant portion of our network. This legacy mechanism continues to deliver genuine system value, particularly for off-peak water heating management, while the market for price-responsive flexibility develops. We are committed to ensuring our controlled load arrangements remain fair and deliver real value to consumers. We are also clear that the long-term direction is toward price-responsive automation, and we are actively assessing

how our pricing reforms and future DER procurement can progressively reduce reliance on ripple control, without compromising reliability or disadvantaging existing participants. We would welcome the Authority's guidance on the appropriate pace and sequencing of this transition.

4. Market Engagement and Procurement

Aurora is actively engaged in the flexibility services market, building the flexibility service procurement we pioneered with Solar Zero in Wanaka, in 2022. In late 2025, following a market campaign, we received a number of positive responses from market participants and start-ups from across the wider Wakatipu area, in connection with local DER opportunities and we are working through these as part of an ongoing discovery programme.

We strongly support standardised procurement approaches. Navigating up to 25 different distributor processes is a genuine barrier for smaller providers. We would actively support an industry-led effort to develop common procurement frameworks, building on international templates where relevant.

The letter calls on distributors to publish indicative flexibility costs and share procurement learnings to support price discovery. Aurora is committed to this and will publish indicative procurement parameters and outcomes from our QREDP market engagement as the work matures. We would also encourage the Authority and Commerce Commission to consider whether a centralised or coordinated mechanism for aggregating distributor procurement data, without compromising commercial sensitivity, might accelerate market development more effectively than individual disclosure alone. Aurora would actively support such an initiative.

Aurora was the first distributor in New Zealand to increase export limits across our network, a deliberate decision to reduce barriers to DER uptake and signal clearly that distributed generation is welcome. We believe this leadership positions our region well. We know that a number of other EDBs are also increasing export limits and we encourage the Authority and Commission to recognise proactive export limit reform as a meaningful indicator of a distributor's commitment to NNS within their assessment and disclosure frameworks.

We are also planning vehicle-to-grid (V2G) trials in partnership with Rewiring Aotearoa and the Queenstown Electrification Accelerator. EV uptake is accelerating, particularly in Queenstown where fleet electrification is progressing rapidly, and V2G export capability represents a significant flexibility resource that could materially contribute to peak management and investment deferral. The trial is being designed to generate real-world evidence on technical performance, commercial viability and consumer experience.

In parallel, we are working with retailers and developers to assess community battery solutions. Community batteries can simultaneously deliver lower-cost DER access for consumers without behind-the-meter storage, provide network support for Aurora, improve community resilience, and enable energy arbitrage. We are focused on understanding how these value streams can be appropriately shared to make the commercial case viable. We would welcome the Authority's and EECA's perspectives on how regulatory and market settings can best support community battery economics at scale.

5. Coordination and Information Sharing

Aurora's QREDP work is being coordinated through a joint programme structure in conjunction with Transpower, and in the Frankton area with PowerNet, to ensure we develop a genuinely integrated regional pathway. Our technical teams meet every six months to review demand and DER forecasts against emerging connection and growth

data. We intend to align our work with that of ENA's Future Network Forum, to progress coordination at a national level.

We also support open, interoperable communication protocols as the preferred direction for NNS. Aurora is committed to avoiding proprietary approaches that would limit market participation or fragment the wider network.

I also want to draw your attention to an initiative that will materially strengthen Aurora's ability to deliver on the NNS agenda over time. Aurora Energy and Alpine Energy have recently signalled a Heads of Agreement to progress operational integration of the two businesses, that would establish a shared services entity providing operational capability across both networks. This is still in its establishment phase, but the potential benefits are directly relevant to this letter.

A shared platform across two South Island distributors would create a larger, more capable base from which to develop and sustain specialist expertise in NNS procurement, DER integration and flexibility market engagement, areas where transaction costs and capability demands are disproportionately high relative to the scale of individual distribution businesses. It would also enable greater consistency in NNS planning, procurement and disclosure across the Aurora and Alpine networks, making it easier for flexibility providers to engage with both networks without navigating materially different processes.

We see this as complementary to the industry-wide standardisation your letter calls for and would welcome the opportunity to discuss how the establishment of shared operational capability of this kind might be recognised and supported within the regulatory framework as a positive enabler of NNS at scale.

6. Feedback on Regulatory Settings

Your letter explicitly invites feedback on actions the three agencies could take to support the efficient use of flexibility services. Here are our key observations, drawn from practical experience planning and procuring NNS in a rapidly growing regional network.

On DPP5 settings: the expenditure incentive framework is appropriately technology-neutral in principle, but the practical asymmetry between the relative certainty of conventional capital investment and the execution risk of novel NNS procurement means that even efficiency-motivated distributors may systematically underweight NNS. We would welcome early engagement with the Commission on how DPP5 might better reflect this, for example, through recognition of reasonable NNS development and procurement costs within the regulatory allowance, or through targeted incentives for distributors demonstrating measurable progress in flexibility procurement.

On national methodology: we reiterate our support for a New Zealand-specific Common Evaluation Methodology for comparing NNS and network reinforcement. We encourage the three agencies to actively facilitate this work with ENA and the Electricity Engineers' Association, and to consider whether Aurora's QREDP modelling could serve as a useful pilot or case study.

Finally, we encourage the Authority, Commission and EECA to explicitly recognise proactive steps by distributors, such as Aurora's export limit reforms and investment in V2G and community battery trials, within their respective disclosure and assessment frameworks. Clear recognition of early movers in regulatory assessments would send a meaningful signal to the sector that investing in NNS capability is valued.

Conclusion

Aurora strongly supports the direction set out in your joint letter. With approximately $2 billion in system growth capex forecast by distributors for 2026 to 2030, it is essential that NNS are pursued systematically and at scale. We are committed to playing our part.

I would welcome an early conversation with your teams about the matters raised here and about how Aurora's QREDP work programme might connect with your national work-streams. Please feel free to contact me or Diana directly to arrange a time.

Regards,

Richard Fletcher
Chief Executive
Aurora Energy

cc. Diana Evans
CEO - Executive Assistant
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Cell: