24 March 2026

Sarah Gillies, Andy Burgess and Marcos Pelenur

Via email: [redacted] and [redacted]

Tēnā koutou,

Response to joint letter to distributors on NNS

Electra Limited (Electra) welcomes the opportunity to provide feedback on the joint letter regarding the acceleration of non-network solutions (NNS). As a 100% consumer trust-owned distributor, we strongly support the common goal of ensuring that distribution investment decisions are efficient, forward-looking, and deliver the best long-term outcomes for consumers.

We are heartened to see various parts of the electricity sector playing their part in providing the signals, incentives, and opportunities necessary to utilise flexibility. It is vital that the industry works together to realise these benefits and we recommend that a central platform could be developed to better connect buyers and sellers of non-network solutions.

1. Integrating NNS into Network Planning at Electra

Electra agrees that NNS should be considered on an equal footing with traditional reinforcement, and we do. A fundamental step in our Planning Standards drivers, as set out in our Asset Management Plan, is consideration of NNS. At the core of the decision is that where any NNS achieves a Net Present Value (NPV) benefit of the deferral versus a network solution, Electra will pursue it.

We are already applying this approach in constrained areas. For instance, at the Mangahao GXP - which faces a capacity shortfall by 2030 - we are currently managing hot water load through ripple channels while actively exploring NNS alternatives to defer a costly upgrade (and to align with Transpower's timing for end-of-life renewal of the constrained transformers). Similarly, we evaluated NNS for major projects like the Waitārere Beach supply resilience upgrade, where a costly second supply into the area could not be justified, and we found that appropriate technologies such as battery energy storage to address this security constraint was not economically justified compared to the value of lost load. While traditional solutions, such as diesel generation, would be more economic, they present adverse environmental and community impacts we must also consider.

A key consideration in selecting an NNS as an investment alternative is ensuring the reliability of the solution procured. Where there is reliance on a third party to deliver a service, this has added complexity from a technical and commercial perspective – whilst not a barrier, it is an important consideration. Electra cannot have the lights go out because a third party has failed to deliver a flexibility service at the required time, or worse, the third party ceases trading entirely and Electra is then faced with sourcing another NNS (which may or may not be possible) or making the original investment it was trying to defer. In this respect, traditional solutions offer more certainty to the network operator.

To mature these processes, we are developing our Energy Transformation Roadmap (ETR) to establish clear policies and procurement standards. Electra is also participating in Load Management trials with major retailers in our area, and we are pleased to see the way the sector is developing an industry-led solution. We look forward to being able to improve low-voltage (LV) network visibility, as richer data is essential for deploying NNS where they offer the most value. Affordable access to LV meter data would greatly enhance our ability to optimise the low voltage network and potentially defer capacity upgrades.

2. Pricing as an Enabler of Flexibility at Electra

We recognise that pricing is an important lever for making better use of the network and delivering efficient prices for consumers. Electra's pricing strategy, which is reset every year to cover a rolling five-year period, is designed to follow the requests and focus areas outlined in the Distribution Pricing Guidance Note 2024 (the Authority's May 2024 open letter).

As highlighted in your letter, this alignment is essential for enabling price-responsive flexibility. To support this direction, Electra has made structural changes in pricing to enable flexibility and encourage price-responsive behaviour:

• **Mandatory Time of Use (TOU) Pricing:** Starting 1 April 2026, TOU pricing is mandatory for all connections with a communicating smart meter. This aims to accelerate the transition away from legacy uncontrolled plans and encourages consumers to shift load to off-peak periods.

• **Simplifying Price Signals:** Based on retailer feedback that complex structures are hard to administer, we have removed the 'shoulder' price period. From April 2026, these hours and all weekends are treated as off-peak, making the signal clearer for consumers to shift usage to times when the network is less constrained. We will actively monitor for emergent secondary peaks and respond by adjusting peak period availability to the extent they may constrain capacity.

• **Targeting Near-Zero Off-Peak Rates:** For some years we have targeted setting off-peak prices close to nil to encourage consumption when the network has spare capacity, ensuring there is no incremental cost to the consumer for using existing infrastructure. Other structural changes in our tariff structure have meant that we have not always been able to hold zero off-peak rates, but we remain committed to the principle. The differential between peak and off-peak prices reflects the Long Run Marginal Cost (LRMC) to supply at peak.

• **Export Rebates:** To support distributed generation, from April 2026 we have introduced a rebate for solar and other generation that exports energy back into the network during peak winter periods (April to September).

• **Review non-residential pricing:** From April 2026, we have segmented our Commercial and Industrial (C&I) consumer groups into four categories to better reflect the cost of supply and provide more granular signals to our largest users. This is an important first step toward capacity-based or flat kWh charging.

3. Collaborative Market Engagement across the sector

To reduce barriers for flexibility providers, Electra is focused on interoperability and open standards. We were involved in testing the Flextalk communication protocols with the EEA to runback EV charging and initiate battery charging remotely.

We believe there is a significant opportunity for the Electricity Authority, Energy Efficiency & Conservation Authority and the Commerce Commission, in their *"complementary roles in shaping how New Zealand's electricity system evolves … [and] supporting an electricity system that delivers the best long-term outcomes for consumers"* to advance and support the development of a single market for Non-Network (and Non-Transmission) Solutions.

Because network needs often sit across different network boundaries, Electra believes it would be more effective for a common space to be constructed where sellers of NNS can be connected with potential buyers through a transparent commercial tendering process.

Standardising procurement - perhaps through platforms like the Government Electronic Tenders Service (GETS) - would make it easier for a central source to record where there are needs and what solutions are being offered. This visibility is essential to ensure that all network operators have consistent information on, and access to, NNS and flexibility services. Additionally, NNS and flexibility service providers would have the knowledge that their offerings are visible to all and can aid in scale effectively across multiple networks over time.

Conclusion

A future-ready electricity system requires coordinated action across the sector. Electra remains dedicated to refining our network planning and pricing strategies to ensure flexibility services can scale effectively for the long-term benefit of our consumers.

Your sincerely

Geoff Douch
Chief Executive