10 March 2026

Electricity Authority
By email to: distribution.feedback@ea.govt.nz

Tēnā koutou,

Open letter: Ensuring consumers benefit from efficient investment in non-network solutions

Thank you for the joint letter on non-network solutions and for the clarity it provides on both the opportunity and the direction of travel for distribution investment in New Zealand. We commend the Commerce Commission, Electricity Authority and EECA for the coherence of the signal being sent across agencies and the clear focus on efficient, consumer-focused outcomes during a period of rapid system change.

We support the objective of ensuring non-network solutions are considered on an equal footing with traditional network reinforcement and agree that flexibility has substantial potential to defer or avoid costly investment. The articulation of the scale of this opportunity, alongside practical guidance to distributors, is particularly valuable.

Our primary area of feedback relates to the sequencing of tools used to address network constraints — specifically, the role of pricing as the first and foundational step.

Efficient Pricing

In our view, clear and cost-reflective pricing signals should precede the procurement of firm non-network solutions or commitment to network upgrades. Where congestion or emerging constraints exist, it is inefficient to progress directly to asset investment or run a procurement process for non-traditional solutions if clear price signals have not first been provided to all customers.

Pricing enables a diversified, non-firm response that can, in many cases, be sufficient to shift demand, flatten peaks, or defer network upgrades. It also provides distributors with valuable information about the scale and availability of demand response before more capital-intensive or contractually firm solutions are pursued.

In our experience, while cost-reflective and peak pricing signals are now almost uniformly applied to residential consumers, this progress has not been mirrored for commercial and industrial customers outside of a small number of networks. This is a material gap, as commercial and industrial customers often have the scale, operational flexibility and control systems to deliver meaningful non-firm demand response.

The design of price signals is also critical. Anytime maximum demand (AMD) charges can be prohibitive to unlocking flexibility, as they are set by a single peak event and effectively require customers to respond to every required time period to manage risk. This approach does not recognise diversity across consumers or over time and shifts the value proposition from non-firm, probabilistic response to one that is effectively firm.

By contrast, average demand charges during congestion periods—effectively consumption (kWh) charges—allow customers to make incremental responses and directly observe the benefits. These signals better reflect consumer diversity, align with how congestion actually manifests on networks, and enable flexibility to emerge without requiring continuous compliance. As residential customers are charged this way, it also provides the advantage of consistent price signals across different consumer types.

In our view, a non-firm pricing signal reflecting the long-run marginal cost of increasing peak demand is also a key tool for unlocking demand flexibility for non-network solutions. When paired with a firm, localised signal, it enables a value stack: customers addressing a specific zone, substation, or feeder constraint can capture both the broader flexibility value indicated by the regional price and the direct, high-value benefit of alleviating a local network issue, maximising returns across multiple layers of network value.

Investment sequencing and approval expectations

We would like to see any material network investment demonstrate that two key hurdles have been met, before progressing through normal regulatory approval processes:

1. Clear, cost-reflective price signals have been implemented for all relevant customer classes and given sufficient time to elicit a response; and
2. Distributors have actively sought to procure non-network solutions for a reasonable period (for example, at least six months), allowing the market a genuine opportunity to explore flexibility opportunities and respond before capital investment decisions are finalised.

This approach would help ensure that network investment decisions are informed by observed customer and market behaviour, rather than assumptions, and that capital is committed only where pricing and non-firm flexibility have demonstrably proven insufficient or too uncertain.

Firm non-network solutions and traditional reinforcement clearly have an important role, particularly where certainty is required, but should sit downstream of pricing and market-led discovery.

We appreciate the opportunity to provide feedback and support the continued coordination across agencies to ensure flexibility is unlocked in a way that is efficient, transparent and creates value for both networks and customers.

Please contact [redacted] if you wish to discuss further.

Ngā Mihi,

[redacted]

James Carberry
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