Proposed changes to the network pricing rules

A guide for solar owners and others supplying power to networks

ELECTRICITY AUTHORITY
TE MANA HIKO

Consultation

We're seeking feedback on proposed updates to the network pricing rules for distributed generation. These proposed changes will help to ensure distributed generation can be rolled out and used in ways that benefit New Zealanders.

This guide explains the proposed rule changes, why we think they're needed and the impacts they would have. It's particularly relevant for people who own a solar energy system and/or battery on their home, farm or business, and supply power to their local electricity network.

How to provide feedback

Everyone is invited to share their feedback on these proposals by 5pm, Tuesday 19 May 2026. Email your views to **distribution.pricing@ea.govt.nz** with 'Feedback – distribution pricing' in the subject line.

For more detailed discussion and feedback, you can read our consultation paper and complete the submission form at the back. Whichever method you choose, we recommend reading the executive summary of the consultation paper first for an overview of all proposals.

Consultation paper: Reforming network pricing for distributed generation to promote efficient investment

Publishing feedback

We will publish all feedback on our website alongside your name and organisation (if this applies), but we won't publish your contact details. If you think we should not publish any part of your feedback, please let us know what parts and why.

For more information

Visit **ea.govt.nz/dgpricing**

Email **distribution.pricing@ea.govt.nz**

ELECTRICITY AUTHORITY TE MANA HIKO

Why we propose changing the pricing rules

Distributed generation, when it's located in the right place and operating at the right time, can be helpful for the electricity system and consumers.

When distributed generation produces electricity at times of peak demand on the network, it can reduce the need for lines companies to build additional poles and wires to add capacity to their networks. This means, over time, distributed generation can help keep lines charges lower for consumers.

Distributed generation can also create costs. Even when you generate your own electricity, your local network still needs to maintain equipment that supports distributed generation, monitor and manage power flows and make sure the system can safely handle electricity going both into and out of the network.

In addition, if distributed generation sends electricity when the network is full, the lines company may have to build extra equipment so the network can cope. This can push prices up for consumers.

We want distribution pricing rules that encourage generation where and when it reduces costs. We expect these proposals would enable more investment in distributed generation in the long run, which means more energy in the system, and lower energy prices over time.

Our proposals are to change requirements for how lines companies set up their pricing, not what prices they set.

What is distributed generation?

Distributed generation refers to electricity that is generated close to where it is used, rather than at large, central power stations.

It includes things like rooftop solar, home or business batteries, small wind turbines, and commercial-scale solar or wind farms that connect directly to the local electricity network (the distribution network).

Distributed generation can be small – like a single household solar system – or much larger, such as a commercial solar farm feeding power into the local lines.

A distributed generator is the owner or operator of that distributed generation equipment.

ISSUE ONE

Costs created by distributed generation are under-recovered so everyone else on the network pays more

We think distribution pricing should strike a balance between ensuring:

- **costs paid by distributed generators are not so high that they discourage people from investment**
- **and aren't so low that they shift too many costs onto everyone else.**

Our proposals would change the rules for lines companies' pricing for distributed generation so others on the network are not charged for costs they didn't create. This would mean costs are more appropriately and efficiently shared between distributed generators and everyone else on the network.

Lines companies would also be required to clearly explain their pricing so we can monitor how they are applying the rules. For more detailed discussion, see section 4 on the consultation paper.

Under our proposals, distributed generators would still be exempt from paying for some specific shared network costs that are paid for by everyone else on the network.

ISSUE TWO

Some costs and benefits of distributed generation aren't treated consistently under current rules

The current rules aren't clear about which costs should be allocated to distributed generators, or which benefits they should be rewarded for. This means that many of the costs and benefits of distributed generation aren't included in lines companies' charges to distributed generators.

We propose that pricing for distributed generation should reflect a share of:

- ongoing operating costs that increase as the network grows (eg, line inspections, vegetation control, reactive minor repairs)
- costs from the combined impact of many distributed generators exporting to the network (eg, systems used for monitoring and management of the network)
- the space it takes up on the network ('network capacity') which is currently 'free' until all space is used and the next large distributed generator has to pay the full costs of a major upgrade.

We also want lines companies to reward distributed generators of all sizes when they help to ease pressure on the network by supplying electricity at times when demand on the network peaks (see right).

For distributed generators, this would mean the lines charges they pay are closer to the actual costs they create. It would also mean they would receive some form of payment (eg, a rebate or credit) when the electricity they supply leads to cost-savings for the lines company.

Minor changes are also proposed to make the rules clearer and easier to implement (see 4.16–4.18 of the consultation paper).

Impacts of proposed changes

▼ Distributed generators likely pay more to better cover the costs they create

▲ More distributed generators rewarded for the benefits they deliver

✔ Lines companies better able to invest in their networks to host more distributed generation

▲ Others on the network pay fewer costs created by distributed generation

✔ Better investment and use of networks lowers costs for everyone

Payments for distributed generators

From 1 April 2026, lines companies must pay a rebate when households, businesses, marae, schools and other similar generators, who limit their export to a maximum of 45kW, supply electricity at times of peak demand.

The rebate recognises that electricity supplied when demand peaks can reduce pressure on the network, which over time, can save lines companies money.

The rebate is given to your power company who can then include it in a 'buy-back' rate or credit that they offer you for the electricity you supply to the network. Your power company will determine how this rebate is reflected in your power bill.

Rewarding larger-scale distributed generation is more complex. A targeted approach is needed to ensure larger-scale distributed generators don't create more costs or receive a rebate when they don't create cost savings.

We propose updating the rules so lines companies can reward larger distributed generators for genuine cost-savings for networks. We don't propose a prescribed way to do this, but would monitor pricing practices to see if further action is needed.

In February 2026, the Authority, Commerce Commission and EECA issued a letter to lines companies outlining our expectations that they should optimise their networks and use pricing tools (such as discounts or rebates) to encourage distributed generation when it reduces costs. For more detailed discussion, read Box 5.1 of the consultation paper.

We're seeking feedback on three other areas less relevant to smaller-scale distributed generators

Sharing the costs of network extensions

Issue: A distributed generator may be required to pay a large up-front cost to connect to the network if their project means the network would need to be extended. Under the current rules, those who connect later will use the same equipment without paying the same high up-front costs. This issue can discourage distributed generators from connecting early because the costs are too high for the first person to connect.

Proposal: requiring lines companies to set up 'pioneer schemes' where the distributed generators who have to pay more because their connection caused the network to be extended are repaid by others who join the network later. See 4.25–4.31 of the consultation paper for more.

Ensuring competition when lines companies own distributed generation

Issue: The Government has signalled an intention to change the law to allow lines companies to own more generation connected to their own networks (up to 250MW from 50MW).

Proposal: preventing lines companies from giving their own generation cheaper pricing than anyone else's. See 4.35–4.42 of the consultation paper.

Future updates to pricing rules

Issue: We plan to update pricing rules further to ensure they lead to efficient use and investment in distributed generation, and good outcomes for New Zealanders. We have suggested three possible issues for the next stage of this work. We welcome views on these or other issues you think should be considered. See section 5 in the consultation paper.

ELECTRICITY AUTHORITY
TE MANA HIKO