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COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Nelson Electricity and Network Tasman merger – Impact on the default price-quality path

Draft decision reasons paper

15 January 2026

Associated documents

Publication date	Reference	Title
15 January 2026	ISBN: 978-1-991414-51-9	[DRAFT] Electricity Distribution Services Default Price-Quality Path (Merger) Amendment Determination
27 March 2025	ISSN: 1178-2560	Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26
20 November 2024	ISSN: 1178-2560	Electricity Distribution Services Default Price-Quality Path Determination 2025 [2024] NZCC 28

Purpose of this paper

1.1 This paper sets out our draft decisions on aggregating Network Tasman and Nelson Electricity's price-quality paths.

1.2 We have published a draft amendment determination ([DRAFT] Electricity Distribution Services Default Price-Quality Path (Merger) Amendment Determination) alongside this paper.

Background

1.3 Network Tasman is a trust-owned, price-quality (PQ) regulated Electricity Distribution Business (EDB), serving 42,000 customers in the Tasman region, including the outer areas of Nelson city.[1] Nelson Electricity serves 9,300 customers in central Nelson and was owned 50% by Network Tasman and 50% by Marlborough Lines.[2]

1.4 On 31 March 2025, Network Tasman purchased the 50% share of Nelson Electricity owned by Marlborough Lines.[3] Network Tasman now operates Nelson Electricity as a wholly-owned subsidiary, but the firms did not yet amalgamate under the Companies Act.

1.5 As the acquiring entity, Network Tasman will continue to be regulated under the default price-quality path (DPP) including in respect of services provided by Nelson Electricity. Due to the timing of the purchase, the businesses are deemed to have merged from 1 April 2025, and as such our draft decision applies from that date forward. In December 2025, Network Tasman and Nelson Electricity submitted a proposed amalgamation of the revenue paths and quality standards for us to consider.[4]

1 Network Tasman, Asset Management Plan 2024-2034, (March 2024),p. 8.
2 Nelson Electricity, Asset Management Plan 2023-2023, (1 April 2023), p. 6.
3 Network Tasman, Joint Announcement.
4 PWC, Network Tasman Limited and Nelson Electricity Limited - Regulatory Amalgamation – DPP4, December 2026. (Published alongside this paper).

Implementation of the merger

Legal framework

1.6 The 2025-2030 default price-quality path determination (DPP4 determination)[5] and EDB Input Methodologies (IMs)[6] set out what happens when a merger occurs.[7] The rules that apply to each component of the DPP are set out below:

1.6.1 **revenue path** parameters are governed by clause 3.2.1 of the IMs which requires the DPPs for the merging parties to "aggregate" from the start of the disclosure year following the [merger];[8]

1.6.2 **forecast opex and capex** for incremental rolling incentive scheme (IRIS) purposes are governed by clause 3.3.14 of the IMs, which allows the Commission to determine (where we consider the event would have a material effect on IRIS allowances) amended operating expenditure (opex) and capital expenditure (capex) allowances to preserve, to the extent appropriate:[9]

1.6.2.1 the correct outcomes for expenditure efficiencies achieved before the event; and

1.6.2.2 the relevant incentive properties after the event; and

1.6.3 **quality standards and incentives parameters** are governed by clause 10.17 of the DPP4 determination which requires the EDB that completes the merger to aggregate (subject to Commission approval) quality standards in a manner that:[10]

1.6.3.1 best reflects the historical reliability of the networks; and

1.6.3.2 is supported by a robust and verifiable analysis.

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5 Commission Commission *Electricity Distribution Services Default Price-Quality Path Determination 2025* [2024] NZCC 28 (incorporating amendments as of 1 April 2025).

6 Commerce Commission *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26 (incorporating amendments as of 1 April 2025).

7 Clause 3.2.1 of the IMs applies unless the merger is a major transaction. We do not consider this situation meets the definition of a major transaction as Nelson Electricity continues to exist as an EDB supplying customers, notwithstanding the change in ownership. For the full definition of a major transaction see clause 4.5.8 of the IMs.

8 Clause 10.16 of the DPP4 determination sets out that where a "non-exempt EDB completes a merger with one or more non-exempt EDBs, clause 3.2.1 of the IM determination applies as if it were an amalgamation, unless the merger is a major transaction". Commerce Commission *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26 (incorporating amendments as of 1 April 2025), clause 3.2.1.

9 Commerce Commission *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26 (incorporating amendments as of 1 April 2025), clause 3.3.14.

10 Commerce Commission *Electricity Distribution Services Default Price-Quality Path Determination 2025* [2024] NZCC 28 (incorporating amendments as of 1 April 2025), clause 10.17.

Matters not for consultation

1.7 The rules outlined above at [1.6.1] set out how the revenue path parameters are to be set following the merger. They do not provide for discretion but rather require us to sum the relevant parameters. We have set out the summation of these below for transparency.

1.8 This paper does not address how information disclosure (ID) regulation applies to Network Tasman or Nelson Electricity following the merger. Under the ID regime, the two networks will remain separate (i.e., each will continue to submit individual ID statements and be regulated separately) until formally amalgamated. If the two formally amalgamate, we will assess the ID position (for example, we would consider any exemption application for ID statements).

1.9 We also note that this draft decision is not a clearance for an acquisition under s 66 of the Commerce Act 1986 (the Act).

Revenue path

1.10 The revenue path values specified in the DPP4 determination that require amending are:

1.10.1 starting prices;

1.10.2 X-factors; and

1.10.3 Innovation and Non Traditional Solutions Allowance (INTSA) values.

1.11 The aggregated values of these parameters are set out in Table 1.1 below and in the draft amendment determination published alongside this paper. Other values (e.g., forecast net allowable revenue (FNAR), values of pass-through costs) are calculated based on formulae specified in the DPP4 determination or are defined by reference to actual values, so do not require amendments.

Table 1.1 Starting prices, X-factors, and INTSA allowances[11]

EDB	Starting price ($000)	Annual rate of change (X-factor)	INTSA allowance ($000)
Network Tasman	37,179	-8.3%	1,800
Nelson Electricity	7,219	-7.1%	300
Aggregated value	**44,398**	**-8.1067%**	**2,200**[12]

[11] PWC, Network Tasman Limited and Nelson Electricity Limited - Regulatory Amalgamation – DPP4, December 2026. (Published alongside this paper).

[12] Note the numbers do not add up to the aggregated value because of rounding to the nearest $0.1 million in the DPP4 determination.

1.12 Aggregated starting prices in Schedule 1.1 of the DPP4 determination are used to determine FNAR in the first disclosure year of the regulatory period. X-factors are used (along with the consumer price index (CPI)) to determine FNAR in subsequent disclosure years.

1.13 Because the revenue path formula used to determine FNAR in disclosure years 2-5 of the regulatory period is multiplicative, it is not possible to specify a single X-factor that produces a combined revenue path that is exactly equivalent to the separate paths in both present-value and cashflow timing terms. However, specifying a figure (-8.1067%) with a greater degree of precision (four decimal places) results in a path that is equivalent in present-value terms and very nearly equal in cashflow timing terms.[13]

Draft decisions

1.14 There are two decisions we are making for this merger. These are:

1.14.1 specifying aggregated forecast opex and forecast capex allowances;[14] and

1.14.2 setting the quality standard and incentive parameters.[15]

Forecast opex and forecast capex

Draft decision 1: Aggregate forecast opex and forecast capex allowances without further adjustment.

1.15 As noted above at [1.6.2], the IMs provide for discretion in specifying aggregated forecast opex and forecast capex allowances. Where we consider the merger has, or is likely to have, a material effect on the calculation of the opex or capex incentive amount, the forecast opex and capex may be determined by the Commission. This may only be done to preserve, to the extent appropriate, the correct outcomes for expenditure efficiencies achieved before the merger, and the relevant incentives after the merger.

1.16 Our draft decision is to aggregate (sum) the value for forecast opex and forecast capex allowances for Network Tasman and Nelson Electricity without further adjustment. The implementation of this draft decision is set out in Table 1.2 below.

[13] Applying the combined figure results in a path that is ~$1000 (0.0017%) lower in 2027 and 2028, but ~$2000 (0.0033%) higher in 2030.

[14] Commerce Commission *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26 (incorporating amendments as of 1 April 2025), clause 3.3.14.

[15] Commerce Commission *Electricity Distribution Services Default Price-Quality Path Determination 2025* [2024] NZCC 28 (incorporating amendments as of 1 April 2025), clause 10.17.

Table 1.2 Aggregated opex and capex allowances ($000)[16]

Forecast	2026	2027	2028	2029	2030
Opex					
Network Tasman	17,074	17,688	18,330	19,011	19,722
Nelson Electricity	2,730	2,818	2,910	3,007	3,108
Aggregated	**19,804**	**20,506**	**21,240**	**22,018**	**22,830**
Capex					
Network Tasman	25,320	21,607	19,197	16,929	17,037
Nelson Electricity	2,260	2,733	2,861	2,464	2,462
Aggregated	**27,580**	**24,340**	**22,058**	**19,393**	**19,499**

Analysis

1.17 We consider our draft decision is consistent with clause 3.3.14 of the IMs and best promotes the Part 4 purpose in s 52A of the Act.

1.18 Clause 3.3.14 of the IMs sets out that the amount carried forward may be determined by us in order to preserve the relative incentive properties of the IRIS mechanism following the merger as opposed to strengthening or weakening the incentive.[17] Adding together the previously determined DPP4 forecasts achieves this objective, treating any efficiencies achieved through the merger on the same basis as efficiency gains achieved through other means.

1.19 The draft decision gives effect to the Part 4 purpose. Allowing EDBs to realise the benefit of any efficiency gains due to the merger in the short term (at the IRIS retention factor, currently 32%) creates an incentive for mergers that result in efficiencies – consistent with s 52A(1)(b) of the Act. These efficiency gains are then shared (68%) with consumers via IRIS in the following regulatory period – consistent with s 52A(1)(c).

[16] PWC, Network Tasman Limited and Nelson Electricity Limited - Regulatory Amalgamation – DPP4, December 2026. (Published alongside this paper).

[17] The IMs also provide for amendments to provide for "the correct outcomes for expenditure efficiencies achieved before the event". However, as this transaction occurred on day 1 of the regulatory period, this requirement is not relevant in this instance.

Quality standards and incentives

Draft decision 2: Calculate the quality standards and incentives by running our DPP4 quality standard model on Network Tasman and Nelson Electricity's combined historical interruptions data to derive new standards.

1.20 Network Tasman and Nelson Electricity proposed quality standard and incentive parameters. These are set out in Tables 1.3 and 1.4 below.

1.21 Our draft decision is to accept the proposals put forward by Nelson Electricity and Network Tasman.

Table 1.3 Proposed quality standards[18]

	Planned (accumulated)		Unplanned (annual)		Unplanned boundary value	
	SAIDI[19]	SAIFI[20]	SAIDI	SAIFI	SAIDI	SAIFI
Network Tasman	1,067.94	4.4119	98.33	1.1358	6.87	0.0611
Nelson Electricity	162.1	2.1297	18.62	0.4063	6.03	0.1405
Aggregated	**901.41**	**4.0065**	**82.31**	**1.0062**	**5.64**	**0.0524**

Table 1.4 Proposed quality incentive scheme values

	Planned SAIDI				Unplanned SAIDI			
	Cap	Target	Collar	$/min	Cap	Target	Collar	$/min
Network Tasman	213.59	106.79	0	6,337	98.33	72.70	0	12,673
Nelson Electricity	32.42	15.70	0	1,317	18.62	9.06	0	2,634
Aggregated	**180.28**	**90.14**	**0**	**7,653**	**82.31**	**61.14**	**0**	**15,307**

Analysis

1.22 We consider our draft decision gives effect to clause 10.17 of the DPP4 determination (which governs this decision) and the Part 4 purpose in s 52A of the Act.

[18] PWC, Network Tasman Limited and Nelson Electricity Limited - Regulatory Amalgamation – DPP4, December 2026. (Published alongside this paper).
[19] System Average Interruption Duration Index
[20] System Average Interruption Frequency Index

1.23 The draft decision gives effect to clause 10.17 of the DPP4 determination as it used our DPP4 quality standard model to calculate the quality standards. We consider this method is robust and can be easily verified by us and other interested stakeholders. We also consider that the aggregated outcome of this method best reflects the historical reliability of each of the networks.

1.24 We consider the draft decision gives effect to the Part 4 purpose as it uses a method consistent with the method used in the DPP4 reset. It also maintains the "no material deterioration" principle applied in the DPP4 final decision.[21] This helps to maintain the incentives for the networks to provide services at a quality demanded by its consumers (s52A(1)(b) of the Act).

1.25 While we are satisfied the proposed methodology meets the requirements in clause 10.17 of the DPP4 determination, we have identified two minor issues in the proposed quality parameters reflecting historical reliability:

1.25.1 calculation of DPP3[22] values for application of the inter-period limit on change in standards/incentives; and

1.25.2 differing recording approaches (aggregate vs multicount) for successive interruptions.

1.26 Despite these minor issues, we consider that the requirements in clause 10.17 are still satisfied. Overall, the methods used are accurate and robust enough to reflect the historical reliability of the combined networks. We consider that alternative methods to achieve greater accuracy are not feasible in this situation due to the complexity involved. We have outlined the analysis for each of the issues below.

Inter-period limit

1.27 The DPP4 quality standards and incentives apply a symmetric limit (10% for planned, 5% for unplanned interruptions) on the movement in its level relative to DPP3.[23]

1.28 To derive an aggregated DPP3 comparator, Network Tasman have used an installation control point (ICP)-weighted average of each EDB's DPP3 values.[24] In this case, this limit only affects SAIFI levels.[25] While this is a simplifying assumption relative to recalculating an amalgamated DPP3 standards (based on DPP2 data), the approach is a reasonable one that approximates the historical reliability of the networks and preserves the intent of the caps.

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21 Commerce Commission, Default price-quality paths for electricity distribution businesses from 1 April 2025 – Final decision reasons paper, (20 November 2024), p.84.

22 The default price-quality path for 2020-2025.

23 For further detail on the inter-period caps see: Commerce Commission "Default price-quality paths for electricity distribution businesses from 1 April 2025 – Final decision" (20 November 2024), Attachment E from para E23.

24 PWC, Network Tasman Limited and Nelson Electricity Limited - Regulatory Amalgamation – DPP4, December 2026. (Published alongside this paper).

25 Note that the cap bound on SAIFI for both Network Tasman and Nelson Electricity was assessed separately when setting DPP4.

Successive interruptions

1.29 The DPP4 determination requires EDBs to record successive interruptions over the period on the same basis as they employed in responding to the s 53ZD notice.[26] The two options provided for are:

1.29.1 "aggregate" (successive interruptions are counted together); and

1.29.2 "multicount" (interruptions are counted separately).

1.30 In the 53ZD notice Network Tasman used an aggregate approach, while Nelson Electricity used a multicount one. Given the limitations of existing data and the complexities involved in applying separate treatment to different portions of the merged entities network, on a materiality basis we do not consider it is justified to require separate reporting.[27] We consider the approach proposed by Network Tasman and Nelson Electricity is consistent with cl 10.17 of the DPP4 determination as it uses the most practical method in this situation. We consider this method best reflects the historical reliability of the network and is supported by robust and verifiable analysis.

How to make a submission

1.31 We welcome your views on the draft decisions outlined in this paper.

1.31.1 Submissions are due by 5pm on **29 January 2026**.

1.31.2 Extensions to the submission period may be requested by contacting us on the email address below. If an extension is required, please make the request as soon as possible.

1.32 Please email your submission to:

Ben Woodham, Electricity Distribution Manager,
c/o infrastructure.regulation@comcom.govt.nz

1.33 Please include 'Nelson Electricity and Network Tasman merger - DPP4 draft decision' in the subject line of your email.

Format for submissions

1.34 We prefer submissions in both a format suitable for word processing (such as Microsoft Word document) as well as a 'locked' format (such as a PDF) for publication on our website.

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[26] For further detail on the successive interruption recording issue see Commerce Commission "Default price-quality paths for electricity distribution businesses from 1 April 2025 – Final decision" (20 November 2024), Attachment E from para E533.

[27] Given the Nelson Electricity network is both smaller and more reliable than the combined network, it only contributed 5% of the total customer interruptions over the reference period. Our assumption is PQ reporting will follow Network Tasman's approach, while ID will move to multicount (consistent with changes across the industry).

Confidential submissions

1.35 While we discourage requests for non-disclosure of submissions so all information can be tested in an open and transparent manner, there may be cases where submitters wish to provide information in confidence.[28] We offer the following guidance:

1.35.1 if it is necessary to include confidential material in a submission, the information should be clearly marked, with reasons why it is confidential;

1.35.2 where commercial sensitivity is asserted, submitters must explain why publication of the information would be likely to unreasonably prejudice their commercial position or that of another person who is the subject of the information;

1.35.3 both confidential and public versions of the submission are required to be provided;

1.35.4 the responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission; and

1.35.5 we request that you provide multiple versions of your submission if it contains confidential information or if you wish the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public version'.

1.36 Please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reasons existed under the Official Information Act 1982 to withhold it. We would normally consult with the party that has provided the information before any disclosure is made.

[28] Parties can also request that we make orders under s 100 of the Act in respect of information that should not be made public. Any request for an s 100 order must be made when the relevant information is supplied to us and must identify the reasons why the relevant information should not be made public. We will provide further information on s 100 orders if requested by parties. A key benefit of such orders is to enable confidential information to be shared with specified parties on a restricted basis for the purpose of making submissions. Any s 100 order will apply for a limited time only as specified in the order. Once an order expires, we will follow our usual process in applying the Official Information Act 1982 in respect of any request for information provided to us in relation to this matter.