

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

Final decision reasons paper

5 March 2026



Associated documents

Publication date	Reference	Title
5 March 2026	ISSN: 1178-2560	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 final decisions on aggregating Network Tasman and Nelson Electricity's price-quality paths.
- 1.2 We have published an amendment determination (Electricity Distribution Services Default Price-Quality Path (Merger) Amendment Determination) alongside this paper which gives effect to these final decisions.

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 have not yet amalgamated 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 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

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 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.

⁵ Commerce 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.

- 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.

Matters not considered in this decision

- 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).

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.

1.9 We also note that this 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 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 allowances¹¹

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%	2,200¹²

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.

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

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.

- 1.13 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

Final decisions

Feedback on our draft decision

- 1.14 We published our draft decision on 15 January 2026 and submissions closed on 29 January 2026.¹⁴ We received five submissions on our draft decision, from Energy Networks Aotearoa (ENA), Major Energy Users Group (MEUG), Unison and Centralines, Orion Energy and Wellington Electricity.¹⁵
- 1.15 All five submissions supported our draft decision and did not suggest any amendments. Wellington Electricity noted that under a different scenario where the merging networks were vastly different, it would encourage the Commission to consider approving greater allowances than a simple aggregation.¹⁶
- 1.16 Our final decisions are the same as our draft decisions. The two decisions we are making for this merger are:
- 1.16.1 specifying aggregated forecast opex and forecast capex allowances;¹⁷ and
 - 1.16.2 setting the quality standard and incentive parameters.¹⁸

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, [Nelson Electricity and Network Tasman merger – Impact on the default price-quality path: Draft decision reasons paper](#), (15 January 2026).

¹⁵ These submissions are being published alongside this final decision reasons paper.

¹⁶ Wellington Electricity, Submission on Nelson Electricity and Network Tasman merger – impact on the DPP draft decision, (29 January 2026).

¹⁷ Commerce Commission [Electricity Distribution Services Input Methodologies Determination 2012 \[2012\] NZCC 26](#) (incorporating amendments as of 1 April 2025), clause 3.3.14.

¹⁸ Commerce Commission [Electricity Distribution Services Default Price-Quality Path Determination 2025 \[2024\] NZCC 28](#) (incorporating amendments as of 1 April 2025), clause 10.17.

Forecast opex and forecast capex

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

- 1.17 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.
- 1.18 Our final 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 decision is set out in Table 1.2 below.

Table 1.2 Aggregated opex and capex allowances (\$000)¹⁹

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

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

¹⁹ PWC, [Network Tasman Limited and Nelson Electricity Limited - Regulatory Amalgamation – DPP4](#), December 2026.

- 1.20 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.²⁰ 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.
- 1.21 Our final decision gives effect to the Part 4 purpose. As set out in our draft decision, we consider 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).

Quality standards and incentives

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.

- 1.22 Network Tasman and Nelson Electricity proposed quality standard and incentive parameters. These are set out in Tables 1.3 and 1.4 below.
- 1.23 Our final decision is to 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. This final decision therefore accepts the proposals put forward by Nelson Electricity and Network Tasman.

Table 1.3 Proposed quality standards²¹

	Planned (accumulated)		Unplanned (annual)		Unplanned boundary value	
	SAIDI ²²	SAIFI ²³	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

²⁰ 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.

²¹ PWC, [Network Tasman Limited and Nelson Electricity Limited - Regulatory Amalgamation – DPP4](#), December 2026.

²² System Average Interruption Duration Index

²³ System Average Interruption Frequency Index

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

- 1.24 We consider our final 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.
- 1.25 The final 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.
- 1.26 We consider the final 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.²⁴ 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).
- 1.27 While we are satisfied the proposed methodology meets the requirements in clause 10.17 of the DPP4 determination, we noted in our draft decision that we had identified two minor issues in the proposed quality parameters reflecting historical reliability:
- 1.27.1 calculation of DPP3²⁵ values for application of the inter-period limit on change in standards/incentives; and
- 1.27.2 differing recording approaches (aggregate vs multicount) for successive interruptions.
- 1.28 Despite these minor issues, we consider that the requirements in clause 10.17 are 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.

²⁴ Commerce Commission, [Default price-quality paths for electricity distribution businesses from 1 April 2025 – Final decision reasons paper](#), (20 November 2024), p.84.

²⁵ The default price-quality path for 2020-2025.

Inter-period limit

- 1.29 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 DPP3.²⁶
- 1.30 To derive an aggregated DPP3 comparator, Network Tasman have used an installation control point (ICP)-weighted average of each EDB's DPP3 values.²⁷ In this case, this limit only affects SAIFI levels.²⁸ 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.

Successive interruptions

- 1.31 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.²⁹ The two options provided for are:
- 1.31.1 "aggregate" (successive interruptions are counted together); and
 - 1.31.2 "multicount" (interruptions are counted separately).
- 1.32 In the s 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.³⁰ 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.

²⁶ 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.

²⁷ PWC, [Network Tasman Limited and Nelson Electricity Limited - Regulatory Amalgamation – DPP4](#), December 2026.

²⁸ Note that the cap bound on SAIFI for both Network Tasman and Nelson Electricity was assessed separately when setting DPP4.

²⁹ 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.

³⁰ 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).