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Alpine Energy's Submission on Open letter – Local lines networks: achieving better outcomes for consumers now and in the future.

Alpine Energy welcomes the opportunity to make a submission on the Commerce Commission's consultation, Open letter – Local lines networks: achieving better outcomes for consumers now and in the future.

Alpine Energy is a member of Electricity Networks Aotearoa (ENA) and endorses their submission.

Alpine Energy supports the Commerce Commission's objective of improving outcomes for consumers and recognises the importance of continual capability development across the sector. We support a collaborative approach to defining what good performance looks like for an EDB and recognise the importance of continual improvement across the sector.

Alpine also acknowledges the significant work already underway across the sector including initiatives led by ENA and any future initiatives should seek to build on this existing work where possible and avoid unnecessary duplication. In Alpine's view, any new regulatory intervention should be driven by a clearly identified sector-wide problem or opportunity. Solutions should be evidence-based and focused on delivering clear benefits for consumers, and avoid adding unnecessary complexity to the regulatory framework.

Alpine's submission highlights the following points:

- Support for the Commission's proposed vision and a collaborative approach to defining the future state of EDB performance, capability, and consumer outcomes.
- Recognition that EDB maturity and performance expectations should be clearly defined with consideration given to differences in network size, geography, customer base and organisational capability.

- The need for regulatory frameworks (and regulators) to recognise trade-offs between affordability, reliability, resilience, and future network readiness, balancing the interests of both current and future consumers.
- A preference for strengthening Asset Management Plan (AMP) and delivery reporting (e.g. Annual Delivery Reports) requirements, including increased forecasting transparency, standardised outcome-focused reporting, and independent assurance. We believe this approach will deliver timelier sector-wide improvements than introducing additional complex regulatory approval pathways.
- Greater coordination between regulators and alignment with existing industry initiatives to reduce duplication, improve regulatory efficiency, and provide clearer direction to industry participants.
- The importance of practical implementation timeframes, early industry engagement, and flexibility in implementation to support capability development and cost-effective delivery of future regulatory changes.

Clear outcomes, coordination with existing industry and regulatory initiatives, and practical implementation timeframes would help support efficient delivery. Alpine considers that ongoing collaboration between the Commission, EDBs, ENA, and other regulators will be important in supporting continuous improvement across the sector and achieving positive outcomes for consumers.

The responses to the consultation questions are attached in **Attachment A**.

Thank you for considering Alpine Energy's submission. We would welcome the opportunity to discuss any aspect of our submission further.

Yours sincerely,



Fabia Fox
Regulatory Manager

Attachment: Responses to Consultation questions

Attachment 1: Consultation Questions

1. **Is the proposed future state focus of EDBs delivering core network operations well, having strong commercial arrangements in place and building capability for the future appropriate?**

   Alpine considers the proposed vision to be appropriate and aligned with the future needs of the electricity distribution sector. We support the Commission's intention to work with industry on defining what good looks like, and to agree with the key outcomes and vision.

2. **Are there aspects which you consider are not adequately addressed within the Vision statement which are either impacting performance now, or are likely to in the future?**
   Alpine supports the Commission's vision statement. We look forward to working with the Commerce Commission and industry to define what "good" EDB performance looks like.
   The concept of a "mature" EDB is currently not clearly defined beyond the broad indicators contained within AMMAT. Further clarity on the characteristics, capabilities, and expected outcomes of a mature EDB would help networks better understand future performance expectations, prioritise investment decisions, and track progress against the vision over time.

3. **What are the industry's priorities, based on the needs of current and future consumers, and are we aligned?**

   Alpine considers its priorities to be aligned with the Commission's Vision for the sector and the evolving needs of current and future consumers. Our priorities include:
   - Modernising and future-proofing Alpine's operating model and supporting systems to ensure the network can meet current and future consumer needs efficiently and reliably.
   - Building organisational and industry capability to respond effectively to technological change, climate-related challenges, and evolving consumer expectations.
   - Developing deeper insights into the needs of current and future consumers to better understand differing customer requirements and inform future investment and service delivery decisions.
   - Improving connection processes and pricing arrangements to enhance efficiency, transparency, and customer experience.
   - Progressing distribution pricing reform by resolving legacy issues, including GXP billing arrangements, and developing a new cost of supply model to support efficient pricing via time-of-use and other flexible pricing approaches.

   These priorities are intended to support a resilient, consumer-focused network while enabling Alpine to respond to the increasing pace of change across the electricity sector.

3.1. Where are the biggest areas of focus where a material difference can be made for consumers and the potential hierarchy (priority) of these?

Prioritising focus areas will depend on which consumers/stakeholders are being considered. The needs and interests of these different consumers/stakeholders are not always aligned. Similarly, investment decisions often involve trade-offs between affordability today, future network capability, service quality, and resilience. It is therefore important that any proposed regulatory intervention considers both short-term consumer impacts and long-term consumer outcomes.

In Alpine's view, the key areas where a material difference can be made for consumers are:

Consumer Impact = Price: **Focus area** = Connection and lines charges
Focus areas include connection charges, distribution pricing, and overall cost efficiency. Changes that reduce costs for one consumer group may increase costs for another. For example, reducing connection charges for new connections may result in a greater proportion of costs being required via distribution pricing, which is ultimately borne by existing consumers.
If benchmarking of prices or expenditure is used to drive improvements, greater consistency in expenditure classification will be required to ensure meaningful comparisons between EDBs. For example, some EDBs allocate administrative support costs within executive teams to system operations and network support activities, while others classify these costs entirely as business support expenditure. Without consistent cost categorisation across EDBs, benchmarking may not provide a fair comparison because similar activities can be recorded under different expenditure categories. The disaggregation of operating costs used in the new Water Services ID regulation provides a helpful example of sector-specific operating costs that could be redesigned for EDBs.

Consumer Impact = Outages and service reliability **Focus area** =Reliability, resilience and quality of supply
Consumers place high value on reliable electricity supply. Continued investment in network resilience and network strengthening can have a significant impact on reducing outages and improving service quality.
Focus areas include vegetation management, asset resilience, renewal of ageing infrastructure, and investment to reduce vulnerability to severe weather and natural hazard events.
The benefits of resilience investments often accrue over the long term and may not be fully reflected in short-term cost efficiency measures.
Improving information disclosure relating to investment cases (via AMP forecasts) and delivery outcomes (via Delivery Reports) may increase consumer (and regulator) confidence that EDBs are investing, and delivering in the right places, and delivering the outcomes expected by consumers.

Consumer Impact = Preparing the network for future consumer needs. **Focus area:** Access to new technologies and services

Consumers will increasingly expect networks to support technologies such as distributed generation, EV charging, batteries, flexible demand services, and more dynamic pricing options.
Focus areas include distribution system operator (DSO) capability, flexible pricing arrangements, distributed generation hosting capacity, and EV smart charging.
A one-size-fits-all approach is unlikely to be appropriate. Consumer needs, technology uptake, and network conditions vary significantly across regions.
The timing of investment is critical. Where uptake of technologies such as EVs, distributed generation, or flexible demand services remains low, premature investment may be inefficient and increase costs for consumers without delivering corresponding benefits.
Overall, Alpine considers that a balanced approach is required, with affordability, reliability, resilience, and future readiness all considered together. The relative priority of these areas will depend on consumer preferences, regional circumstances, and the pace of change in technology adoption and electrification. Right solution to the right problem at the right time.

3.2. How should priorities be valued/evaluated, and what level of assessment or quantification may be good enough for proposed regulatory interventions?

We support ENA's proposed gateway for evaluating proposed regulatory intervention. See the ENA's submission.

4. What is needed from regulators/regulation/legislation to enable achievement of the vision and outcomes?

Alpine welcomes the Commission's stated intention to work collaboratively with industry to define what good looks like and to develop a shared understanding of the desired outcomes and future vision for the sector.
To support successful delivery of the vision, Alpine considers the following principles are important:

- Existing industry initiatives should be evaluated and leveraged where appropriate before introducing new regulatory obligations.
- More complexity in regulatory famework does not equate to good intervention. Adding additional layers to incentive schemes, or complex but low value consumer refunds (for quality), will add cost, increase non-compliance risk, and not necessarily add tangible value to consumer (current or future). Regulatory interventions should be proportionate, practical, and focused on achieving clear consumer outcomes.
- Greater coordination between the Commerce Commission and the Electricity Authority would help reduce duplication, improve regulatory efficiency, and provide greater certainty for industry participants.
- Regulators should engage early and extensively with industry when developing new requirements to ensure proposals are practical, proportionate, and informed by operational realities.

- Sufficient implementation time should be provided to allow EDBs to build capability, make necessary system and process changes, and deliver changes in a cost-effective manner.
- Regulatory expectations should recognise differences in network size, geography, consumer demographics, and organisational maturity. A one-size-fits-all approach may not always deliver the best outcomes for consumers across all regions.

With these points in mind, we believe that for EDBs to provide confidence in our capabilities, asset management planning, and delivery to consumers and regulators targeted regulatory intervention could be constructive. We would support:

- Greater regulatory emphasis on the reasonableness of forecasting assumptions within Asset Management Plans (AMPs), supported by independent assurance.
- Targeted improvements to AMP disclosure requirements and clarification of the purpose of AMPs, ensuring they are an effective tool for building confidence in forecast investment needs and delivery. Findings from the NZ EDB 2023 AMP Review Forecasting & Planning Assessment Report prepared by IAEngg Pty Limited highlight opportunities to strengthen planning and forecasting practices. Alpine considers that enhancing the AMP framework would be a more effective and efficient regulatory intervention for achieving the Vision across all EDBs than introducing 'streamlined allowance acceptance paths for the application of higher quality asset management practices, such as ISO5500'.
- A greater regulatory focus on outcome-based reporting, rather than reliance on prescriptive information templates. For example, a refined approach similar to Asset Delivery Reporting (ADR) requirements under CPPs, or reporting frameworks being introduced in the water services sector, could provide clearer visibility of delivery performance and consumer outcomes.

We support the 'asks of the Commission' as set out in the reciprocal commitment proposed by the ENA in their submission.

5. What is needed from regulators/regulation/legislation to enable achievement of the vision and outcomes?

5.1. What other enablers are important or essential within our, or other, regulatory regimes?

The Commission's February 2024 letter notes that the IAEngg AMP identified limitations in current AMP disclosures, including inconsistent presentation of expenditure drivers, limited transparency regarding forecasting assumptions and models, and challenges in linking demand forecasts to expenditure outcomes.

As discussed in Question 5 response, Alpine considers these findings support targeted improvements to AMP disclosure requirements and independent assurance of standarised reporting of key forecasting assumptions, rather than introducing alternative expenditure approval pathways.

Alpine also considers that some elements of the water services regulatory framework could support stronger performance transparency, accountability, and consumer outcomes within the electricity distribution sector. In particular, we would support:

Strengthened forecast disclosures: Alpine supports strengthened disclosures and independent assurance of key forecasting assumptions and major expenditure forecasts within AMPs and supports Investment Delivery Plans (IDPs). Independent assurance, combined with consistent disclosure requirements, would improve transparency, comparability, and confidence that proposed investment programmes are evidence-based, appropriately scaled and timed, and capable of being delivered.

Annual delivery reporting (ADR): Reporting on planned versus actual project delivery to improve accountability and visibility of investment outcomes. Publication of an Annual Delivery Report outlining network and consumer outcomes delivered, delivery performance, key variances, and progress against planned programmes.

These measures could help demonstrate that EDBs have the capability, capacity, and planning processes needed to deliver network investment efficiently and prepare for future electrification, while helping ensure consumers only pay for investment that is required, realistic and achievable.

5.2. What should we deprioritise /reduce regulatory burden on?

We encourage the Commission to review the existing ID requirements, and recent additional information requests (53ZD requests), and genuinely evaluate the value realized. Where information value is low, if the purpose for which it's being collected is no longer relevant to the Commission or other stakeholders, or if there is duplication of disclosures (e.g. network capacity disclosures for both EA and Commission regulations), we would strongly support the removal of existing disclosures.

6. What timescales are feasible?

Feasible timeframes can be determined once priorities and expected outcomes have been clearly defined. Alpine supports a staged implementation approach that provides sufficient time for engagement, planning, capability development and system changes. Any regulatory changes made prior to DPP5 should be very targeted and well-evidenced. We strongly encourage the Commission to consider the existing regulatory change programme underway, and the heavy consultation load of a 'standard'

DPP reset proammme, prior to imposing a DPP5 implementation deadline on any proposals.

6.1. For EDBs, do you have a clear work programme which identifies when certain capabilities or insights will be more readily accessible?

Alpine has a number of work programmes in place across the business that help identify capability needs and opportunities for improvement over time and based on recent regulatory changes. Future capability requirements are considered through Alpine's planning processes and will continue to evolve in response to changing consumer needs, technology, regulatory settings, and industry developments.

7. **For smaller EDBs, where cost is identified as the key reason for not progressing system or capability development - how is the impact of this assessed and quantified?**

Where Alpine has considered costs significant for required system or capability development, we look to collaboration and/or shared service models.

8. **What are the barriers to increased consolidation and standardisation within the Part 4 regime? What is needed to overcome or reduce these barriers?**

The largest barrier to increased consolidation and standardisation within the Part 4 regime is not ownership structure, but the complexity of systems, processes, and data integration across EDBs. Significant implementation and transition costs can arise when attempting to align different operating environments.

The development of common data standards and reporting frameworks could support greater consistency, benchmarking, and collaboration across the sector. However, flexibility should be maintained to recognise differences in scale, geography, network characteristics, and consumer needs.

Alpine considers that collaboration and standardisation should be encouraged where they deliver clear benefits and efficiencies, rather than through prescriptive one-size-fits-all requirements.

9. **Are there particular proposed potential regime changes where you consider alternative approaches may be more impactful and easily implemented by both EDBs and the Commission?**

Refer to response of 5.1

10. **On the Commission's process from here – how do you think our work programme could be best developed in coordination with the sector?**

Alpine considers the Commission's work programme would be best developed through early and ongoing engagement with EDBs, consumers, industry bodies and other regulators. Alignment with related initiatives across the Commerce Commission, MBIE, the Electricity Authority and ENA will be important to minimise duplication and reduce consultation burden.