6 November 2026

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Re: Open letter – Local lines networks: achieving better outcomes for consumers now and in the future

Counties Energy Limited (**CEL**) welcomes the opportunity to comment on the Commerce Commission's (**ComCom's**) open letter on "Local lines networks: achieving better outcomes for consumers now and in the future".

CEL is one of New Zealand's most progressive Electricity Distribution Business (**EDB**). We power everything for customers from homes and businesses through innovation, collaboration and cutting-edge technology. We support communities by unlocking our region's full energy potential and helping create a sustainable, prosperous future for generations to come.

This submission covers our response to the letter. We would be happy to discuss any aspect of this submission further.

Yours sincerely

[redacted]

Marcus Sin

Senior Regulatory Manager

A significant opportunity to optimise spend

The EDB's role is evolving to meet the changing needs of consumers. The future distribution network needs to enable customers a greater level of agency over their energy use. This is driven by introduction of new technologies, efforts to electrify, and increasing consumer engagement/awareness of the sector and its widespread impacts.

With this, around $32 billion of capital and operating expenditure is forecast by EDBs over the next decade to maintain levels of service and enable electrification to occur. Approximately 65% to 70% relates to expenditure to service our major population centres. This accounts for over 70% of customers in New Zealand.[1] Therefore, there is a significant opportunity to optimise this spend.

To achieve this, EDB's need to invest to modernise network operations by utilising non-network solutions (**NNS**), instead of relying on traditional solutions of building physical network assets (e.g. poles, wires). This requires more active orchestration of network resources and Distribution System Operator (**DSO**) capability.

CEL is leveraging its DSO model to provide cost-effective alternatives to traditional network solutions to consumers. These models lift existing asset utilisation by enabling EDBs to defer long-lived major capex projects to when there is greater certainty such investments are required.

For example, CEL's customer-facing solutions are already providing a cost-effective alternative to firm load or distributed generation connections. This has provided consumers savings of $35,000-$160,000 per connection by avoiding the need for a transformer upgrade. These solutions can be deployed at scale to deliver efficiencies to the wider sector.

We agree in principle with ComCom's overarching vision

We welcome ComCom's engagement to agree a shared vision for the sector to support this. We agree in principle with the overarching principles and future EDB state. However, we consider it should be centred around a longer-term view of consumer outcomes instead. This helps recognise the significant role EDB's play in New Zealand's current energy transition and beyond.

In our view, consumer outcomes could be focused on:

1. **Building for the future** – EDBs invest to enable growth to occur while maintaining levels of service.
2. **Long-term value for money** – Deliver value while minimising whole-of-life costs for consumers.
3. **Improving customer service** – Streamlining standards, processes and interfaces to improve the customer experience.

[1] Based on 2026 EDB Asset Management Plans (AMPs). Figures include capex and opex.

4. **Smarter and modern networks** – Leveraging data, digital solutions and innovation to improve and optimise network operations and planning.

This emphasises that there is a need to invest today for a better service tomorrow. Technology costs, for example, are necessary and significant. Many EDBs are investing in the staff, capability and IT infrastructure necessary to operate and manage their networks in more efficient and effective ways.

CEL's investment in near real-time five-minute power quality data is a key example. With approximately 46% of our 2027-36 capex forecast to be spent on asset replacement and renewals, improving our power quality data enables us to extend asset life by increasing asset utilisation and undertaking maintenance through risk-based rather than time-based asset replacement strategies.

There are competing trade-offs, however. Modernisation requires investment but needs to be balanced against value for money and minimising lifecycle costs for consumers. The key challenge is ensuring we have the right regulatory settings to enable EDBs to invest in what matters most for the communities they serve. Some targeted changes could help achieve this. These are summarised in the table below.

Proposed change	Description
1. Enable IPPs for large EDBs, streamline DPPs/CPPs for others	Enable more proportionate regulatory settings to apply by introducing Independent Price-Quality Paths (**IPPs**), while streamlining the Default Price-Quality Path (**DPP**) and Customised Price-Quality Path (**CPP**) process. This focuses the regulatory burden on the key issues that impact consumers the most, while ensuring broader regulatory settings are low cost/low effort for low impact decisions.
2. Consumer engagement during DPP process	Introduce some form of consumer engagement in the price-setting process, like with Australian Energy Regulator's (**AER's**) Consumer Challenge Panel.[2] This feedback loop ensures regulatory settings stays aligned with long-term consumer outcomes during each price reset.
3. Expand quality measures to capture other outcomes	Review the current set of quality measures to potentially include other consumer outcomes, such as customer expectations, customer experience and network utilisation.
4. Use AMP forecasts when setting opex/capex allowances	Use Asset Management Plan (**AMP**) expenditure forecasts when setting opex and capex allowances. If used more heavily, EDBs would have greater incentives to invest in internal capabilities to develop more robust expenditure forecasts. This encourages more robust investment decision-making over time.
5. Require consumer engagement during the AMP development	Require engagement with communities when developing AMPs, such as with CPP applications or under AER's regime. This promotes greater confidence in using AMPs as a reference for future expenditure needs. Public scrutiny by affected communities helps build stronger

[2] https://www.aer.gov.au/engage/consumer-challenge-panel

	connections and alignment between EDBs and consumers, which is increasingly important if the sector consolidates and/or amalgamates.
6. Require consideration of non-network solutions	Require consideration of non-network solutions before traditional capex, like with UK's "build and flex" requirement.[3] This would evolve from the current voluntary principles-based approach to stricter consideration of non-network solutions, preferably for large capex projects only.
7. Require investment case approval for major capex projects	Requiring the disclosure or formal approval for major capex projects if over a threshold, like with AER's Regulatory Investment Test (**RIT**)[4] or Transpower's Capex Input Methodology Investment Test[5] would help to promote greater confidence that the optioneering process is sufficiently robust, and that less costly alternatives including non-network solutions have been thoroughly explored.
8. Develop supporting framework for evaluating AMP spend	Establish, and provide guidance for, a higher acceptance of expenditure proposals in AMPs if supported by: • A robust optioneering process, where alternative commercial arrangements have been sufficiently explored such as flexibility arrangements and/or pricing signals and structures; • Standardised specifications, such as inter-operability or at-scale procurement arrangements; • Cost minimisation strategies, such as joint procurement, shared services, or investigation of non-network solutions; and • A higher information quality, like with UK Ofgem's Business Plan Incentive.[6]

This is discussed in further detail below.

A more proportionate regulatory regime

We consider that the Part 4 regime is generally fit for purpose to enable EDBs to support New Zealand's current transition towards electrification. We also support ComCom's approach to retain the current DPP/CPP framework, but with targeted improvements to address deficiencies.

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[3] UK Ofgem, ED3 Sector Specific Methodology Decision. 21 May 2026. pp 27-28. https://www.ofgem.gov.uk/sites/default/files/2026-05/ED3%20Sector%20specific%20methodology%20decision%20core%20document.pdf

[4] https://www.aer.gov.au/industry/networks/system-planning/guidelines-system-planning/regulatory-investment-test

[5] Commerce Commission, Transpower Capital Expenditure Input Methodology (Principal Determination) – Schedule D. 4 June 2026. https://www.comcom.govt.nz/assets/Uploads/Transpower-Capital-Expenditure-Input-Methodology-consolidated-as-at-1-April-2025-4-June-2026.pdf

[6] UK Ofgem. RIIO-3 Business Plan Guidance. 30 September 2024. p 84. https://www.ofgem.gov.uk/sites/default/files/2024-07/RIIO-3_Business_Plan_Guidance.pdf

In our view, recent DPP4 changes have been welcomed, particularly increased Innovation and Non-Traditional Solutions Allowance (**INTSA**) funding and efforts to neutralise Incremental Rolling Incentive Scheme (**IRIS**) capex/opex incentives and penalties. These changes have enabled EDBs to explore, invest and consider the benefits of NNSs by actively encouraging collaboration with others.

However, additional efficiencies could be achieved through partnership and shared service models. Partnerships enable EDBs to explore and co-invest in joint consumer outcomes, while shared services offer an efficient alternative to procuring new capability that would otherwise be very costly for smaller EDBs to develop. We also consider amalgamation provides limited net benefits if all EDBs converge to a similar future state. Partnerships and shared services would enable all EDBs to develop similar capabilities, regardless of location or size.

CEL is partnering with The Lines Company[7], and collaborating with Unison Networks[8], to develop standardised network services, flexibility capabilities, digital platforms and shared services. CEL's partnership framework allows EDBs to collaborate and realise scale benefits. We consider the benefits are significant for future customers, particularly where it avoids duplicating costs for technology, product development, integration work, specialist capability and customer-facing processes.

Some targeted changes could help streamline this further, including allowing for more proportionate regulatory settings to apply. This is because New Zealand's EDBs have unique characteristics in its geographical diversity, network topology, customer density and concentration of major demand centres in certain regions.

For example, the six largest EDBs account for approximately 65% of the total forecast expenditure (capex and opex) during 2025 to 2030.[9] IPPs could apply to New Zealand's largest EDBs. This scales the regulatory burden to match the individual EDB's specific challenges and ensures efficient delivery of large investment programmes. This also makes it potentially easier to explore a totex model in the future if required before committing to more fundamental changes that impact the wider sector.

Streamlining the DPP process would also provide consumer benefits by reducing the effort for low impact decisions so remaining EDBs can focus on operational efficiencies through partnerships and shared service models. This could involve a higher acceptance rate of certain low risk expenditure such as renewals, or extending the regulatory period for EDBs with low demand growth. This enables ComCom to target its efforts on the key issues while maintaining a level of regulatory oversight across the sector.

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[7] https://countiesenergy.co.nz/media-centre/the-lines-company-and-counties-energy-launch-a-shared-platform-and-services-partnership/

[8] https://countiesenergy.co.nz/media-centre/unison-and-counties-energy-partner-to-standardise-network-services-and-enable-a-smoother-customer-energy-transition/

[9] Based on latest AMP estimates

Evolving our current quality measures

We consider that quality outcomes need to evolve to enable EDBs to better serve the needs of our communities. However, current measures are primarily focused on SAIDI and SAIFI, determined by historical network performance only.

While past performance is a useful proxy, consumer outcomes are evolving. This is requiring more targeted measures based on the individual needs of the community being served. For example, different consumers are starting to require different levels of service from their EDB. While some customers may want to decentralise and/or invest funds in self-supply (e.g. rooftop solar, battery storage), others continue to rely on existing structures and a traditional electricity supply.

A residential household with rooftop solar and a home battery may be able to tolerate short outages with limited disruption. In contrast, a data center requires ongoing supply security due to potential risk of data loss and business risk from outage events that impact their servers.

The regulatory framework for quality outcomes should evolve to consider this. This could include exploring outcomes for:

1. **Customer expectations**. The energy transition is changing the way consumers interact with energy. This is requiring EDBs to invest in their networks to enable consumers to have greater agency over their energy use, including the flexibility to charge/discharge their batteries, or connect and use Distributed Energy Resources (DERs) when desired.
2. **Customer experience**. As customers demand a more quality service from EDBs, such as more standardisation, a streamlined network connections process and digital outage management, this will affect the customer experience and level of customer satisfaction experienced by communities.
3. **Network utilisation**. This is becoming an increasing issue for EDBs to manage, as EDBs need to balance optimising the use of assets against network reliability and resilience needs, while also managing for growth. While an important issue for all EDBs to manage, we consider it will be challenging to benchmark uniformly across all EDBs.

These could be more explicitly considered in a future regulatory regime. This would ensure the regulatory framework is more closely aligned with the type of service that consumers expect from today's EDBs.

A greater focus on consumer engagement

We consider that future regulatory settings should focus on a greater level consumer engagement. As discussed in ComCom's recent paper, stakeholder and consumer engagement have a significant role to play in investment prioritisation. Effective engagement provides greater understanding on the level

of risk tolerance of the community being served to help evaluate trade-offs and identify preferred solutions.[10]

This is because localised conditions and consumer activities are what ultimately drives network investment and planning. There is an opportunity to build in a greater consideration of consumers' views on the type and level of service demanded and acceptable risks they are willing to tolerate in the regulatory framework governing EDBs. For example, some consumers may be willing to accept a lower level of price increases to focus on maintaining current service levels.

Engagement with consumers could be undertaken at the start of the DPP period or by EDBs themselves in developing AMP expenditure forecasts. A Consumer Challenge Panel like in AER's regime could be adopted to ensure price-setting decisions remain consistent with the long-term view of consumers at the start of each regulatory reset.[11]

Alternatively, ComCom could work with industry to develop a stakeholder engagement framework like AER's 'Better Resets Handbook' to encourage expenditure proposals that better reflect the long-term interests of consumers.[12] Both options transition the EDB from being a passive actor to taking a more active role in energising communities. This accelerates the transition that is currently underway by ensuring that EDB's can maintain the pace of investments required by their communities to electrify New Zealand.

A robust framework for AMPs

The consumer demands on EDBs are constantly evolving. While benchmarking can be a valuable addition to the existing regulatory toolkit, benchmarking alone is unlikely to fully capture the differences of individual EDBs or provide an accurate view of a network's future expenditure needs. However, regulatory settings continue to rely on historical measures to forecast opex and scale capex when setting expenditure allowances.

We consider a better approach would be to place greater reliance on EDB AMPs. AMPs take a more rigorous and forward-looking approach to assessing future network needs and the likely challenges they face, reflecting the specific needs of the communities they serve. For example, expenditure to address resilience or growth challenges are assessed through predictive modelling, scenario analysis, risk-based assessments that cannot be identified from historical patterns alone.

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[10] Commerce Commission, Resilience Principles: Decision Making framework for critical infrastructure providers – Draft guidance document. 3 July 2026. para 2.35. p 23. https://www.comcom.govt.nz/assets/Documents/resilience-principles-for-investment-decision-making/Resilience-Principles-Decision-making-framework-for-critical-infrastructure-providers-Draft-guidance-document-3-July-2026.pdf

[11] https://www.aer.gov.au/engage/consumer-challenge-panel

[12] https://www.aer.gov.au/industry/registers/resources/guidelines/better-resets-handbook-towards-consumer-centric-network-proposals

While we recognise the value of maintaining downward pressure on costs, we consider that long-term consumer outcomes would be better served by strengthening the AMP process and subjecting expenditure forecasts to greater scrutiny, rather than relying heavily on historical caps or baselines. This includes changes to:

1. Seek consumer and stakeholder feedback when EDBs develop their AMPs or expenditure proposals. This is already required under a CPP application[13] and prominent in AER's regime;
2. Require consideration of non-network solutions before traditional capex spend for all projects or projects over some threshold, like with UK's "build and flex" requirement;
3. Targeted disclosure of the cost-benefit analysis and optioneering process for major capex projects if over a threshold, like with AER's RIT or Transpower's Capex Input Methodology Investment Test;
4. Establish a higher acceptance of expenditure proposals in AMPs, if supported by:
    a. Robust optioneering, where alternative commercial arrangements have been explored, such as flexibility procurement arrangements or pricing signals/structures;
    b. Standardised specifications, such as inter-operability or at-scale procurement arrangements;
    c. Cost minimisation strategies, such as joint procurement, shared services, evidence of testing alternative network options and/or non-network solutions; and
    d. A higher information quality, such as robust scenario-based network modelling or use of real options analysis, like with UK Ofgem's Business Plan Incentive.

These changes target areas of the AMP process where there may be improvements, while giving consumers a stronger voice on the key outcomes they would like to see prioritised in their regions. This also provides a stronger financial incentive for EDB's to invest in internal capabilities to improve their network planning activities. These changes ultimately benefit consumers by optimising lifecycle costs over time.

By using AMP forecasts, this reduces EDB's reliance on within-period adjustments, such as CPPs, Large Connection Contracts (**LCCs**) and re-openers, which lowers the costs to consumers in preparing these. We consider within-period adjustments remain valuable in the current regime however as tools for EDB's to use to manage change and uncertainty in the current operating environment.

[13] Clause 5.1.2, Part 5. Electricity Distribution Services Input Methodologies (IM Review 2023) Amendment Determination 2023. 13 December 2023. https://www.comcom.govt.nz/assets/pdf_file/0030/337683/Electricity-Distribution-Services-Input-Methodologies-IM-Review-2023-Amendment-Determination-2023.pdf

If these changes are pursued, we consider there is value in developing a shared set of principles and guidance on what ComCom and EDBs consider as best practice for AMPs. This ensures a strong signal to the public of sector-wide alignment. We would be very interested in working with ComCom and EDBs to develop this.

Annex – Response to questions

Questions	CEL comments
Q1. 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?	We agree in principle with the future state focus on delivering core network operations, strong commercial arrangements, and building capability for the future. However, we consider these should be centred on consumer outcomes instead. This will help determine what regulatory settings are needed to enable EDBs to deliver.
Q2. 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?	Given the energy transition and the greater agency consumers have over their energy use, there is increasing pressure on EDBs to enable electrification and provide consumers with choice. With this, we consider that existing regulatory settings could be amended to enable a greater level of consumer feedback on the long-term outcomes they would like to see in networks to better inform expenditure decisions.
Q3. What are the industry's priorities, based on the needs of current and future consumers, and are we aligned? Where are the biggest areas of focus where a material difference can be made for consumers and the potential hierarchy (priority) of these? How should priorities be valued/evaluated, and what level of assessment or quantification may be good enough for proposed regulatory interventions?	We suggest the following order of priority, based on value to consumers: • Avoiding or deferring growth and network augmentation capex through flexibility and non-network solutions; • Standardising interfaces with third parties: connections, network information, pricing structures and DER protocols • Network visibility and data, especially on the Low Voltage (**LV**) network; • Risk-based asset management that balances consumer risk tolerances and avoids premature replacement; and • Back-office and procurement efficiency. In our view, regulatory priorities should be valued on whole-of-life cost impact to consumers. This includes identifying through cost-benefit analysis

	the quantification of the net benefit of any proposed change to customers.
Q4. How are EDBs internally determining the capabilities required to deliver most effectively and efficiently for their consumers and setting the path towards a future state? What is this compared against? Is there a specific set of Board level metrics which are tracked or specific information which it would be useful to require for disclosure to the Commission to better allow comparison?	CEL assesses capabilities through its ISO 55001 readiness gap analysis and a resulting roadmap. We benchmark against 55001, Australian DER integration practice, and UK DSO practice. Australia is a useful comparator because NZ shares with it, OEM markets, operating environments, and inverter standards. We propose a common set of Board-level metrics, suitable for disclosure: • Cost per Installation Control Point (**ICP**), normalised for growth, density and rurality; • Flexibility under contract (in MWs), and capex deferred (in dollars); • Utilisation measured by kWh through an asset; • Share of the LV network with operational visibility; • Average time to connect; • Whether hosting capacity is published; and • Asset management maturity score. If required, we would be willing to pilot these disclosures with ComCom.
Q5. What is needed from regulators/regulation/legislation to enable achievement of the vision and outcomes? What other enablers are important or essential within our, or other, regulatory regimes? What should we deprioritise/reduce regulatory burden on?	In our view, key enablers are: • Neutral treatment of capex and opex; • Clear permission to contract for flexibility wherever it beats network build over its life; • Alignment with the EA's work on distribution pricing and network visibility; • A single national DER interoperability standard, such as CSIP-AUS (SA TS 5573:2025); • Access to increased innovation funding for EDBs; and

	• Recovery of efficient costs of hosting and sharing capability with other EDBs. To reduce the regulatory burden, ComCom could reduce level of scrutiny of low impact spend, such as small, routine and safety-driven capex. It could also remove or reduce information disclosure requirements that duplicates other reporting. This effort could then be focused on testing major capex investments to drive greater efficiencies for consumers.
Q6. What timescales are feasible? For EDBs, do you have a clear work programme which identifies when certain capabilities or insights will be more readily accessible?	As DPP5 is effective from 1 April 2030, if all consumer-owned EDB's are decided to be price-regulated, the CEL Board and management would need sufficient time to organise internal resourcing and make the necessary changes to our existing processes to effectively deliver on a broader set of regulatory obligations.
Q7. 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?	In our view, where cost is the barrier, the impact should be measured as the capex deferral and utilisation benefits forgone, not only the system cost avoided. Shared services change this, however. When capability can be bought as a service, the marginal cost to a smaller EDB to procure this capability is much lower. CEL is already collaborating with Unison Networks and partnering with The Lines Company to develop standardised network services, flexibility capabilities, digital platforms and shared-service models. These partnerships demonstrate that meaningful efficiencies can be achieved by strengthening connections with EDBs irrespective of location without structural amalgamation. CEL has developed its partnership model to allow further EDBs to participate in work on pricing,

	connection processes, customer-facing systems, DSO capability and shared platforms. CEL can provide DSO and orchestration capability to other EDBs on this basis.
Q8. What are the barriers to increased consolidation and standardisation within the Part 4 regime? What is needed to overcome or reduce these barriers?	In our view, the main barriers are the regulatory treatment of costs for hosting or buying shared services, transaction costs and tax treatment of mergers, and no agreed technical standards to consolidate around. To reduce these barriers, we consider that ComCom could allow more explicit recovery of shared-service costs and refine regulatory settings to support partnerships and wider sector standards. EDBs should be encouraged to prepare a business case for investments where the capability could be procured through a shared-services model, at lower cost. These business cases could explicitly compare the available options on whole-of-life cost basis to expected consumer value. Where an EDB proposes an alternative to an existing shared service available, that decision should face sufficient scrutiny and require a clear, evidence-based justification for the additional expenditure. Regulators should also provide strong incentives for partnerships and shared services uptake where it delivers better value for consumers.
Q9. 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?	We consider that outcome-based measures that focus on long-term consumer value are more appropriate than strict enforcement regulation. This actively promotes dynamic efficiencies in EDBs which provides greater perpetual benefits to consumers over time.

Q10. On the Commission's process from here – how do you think our work programme could be best developed in coordination with the sector?	We consider that it would be useful for ComCom to prepare a key issues paper on the core topics that are intended to be addressed in the upcoming Input Methodologies review and the DPP5 (2030-2035) process, as well as a "parking lot" of issues to address thereafter. This "parking lot" can include any issues that are less urgent, or unlikely to be resolved by 2030, which can then be worked through more appropriately over the longer-term. Solutions to address key issues should follow a co-design process through existing sector collaborations. This should be coordinated with the Electricity Authority and the Ministry of Business, Innovation and Employment, consulted in stages and tested with the sector through workshops and pilots where appropriate. This approach ensures that EDBs continue to have clarity on the forward-looking regulatory regime to continue the pace of their current investments.