ENERGY TRUSTS OF NEW ZEALAND INC.
P O Box 5819 | Dunedin 9054
www.etnz.org.nz

Hon Simon Watts
Minister for Energy
Parliament
WELLINGTON

30 January 2026

Dear Minister,

Improving Outcomes for New Zealanders

On the 6th of October you wrote to CEOs of Electricity Distribution Businesses (EDBs) and to Electricity Networks Aotearoa (ENA) seeking views on how the electricity distribution sector can work with Government to improve outcomes for New Zealanders.

Energy Trusts of New Zealand Incorporated (ETNZ**)** represents the owners of the majority of EDBs in New Zealand, and we believe it is important we are involved in this debate. We have taken the opportunity to provide input.

ETNZ is the collective voice of consumer-owned power distribution in New Zealand. We advocate on behalf of regional Energy Trusts throughout New Zealand. These Trusts are owners of companies operating electricity distribution networks on behalf of local consumers and communities.

Twenty-one of New Zealand's twenty-eight EDBs have Trust ownership in some form, making it the dominant ownership model. Trust-owned EDBs supply electricity to over 1,500,000 consumers and collectively have over $9 billion in network assets. Crucially, consumer ownership ensures they can strike an appropriate balance between affordability of prices to current consumers and investing in an increasingly critical piece of community infrastructure for future generations.

By virtue of their ownership model, Trust-owned networks are naturally incentivised to act in the best interest of their consumers. Our members' companies are active in their communities – their profits go to their consumer beneficiaries, and also provide local sponsorships and fund community initiatives. In addition, trust-owned EDBs are significant employers in their regions.

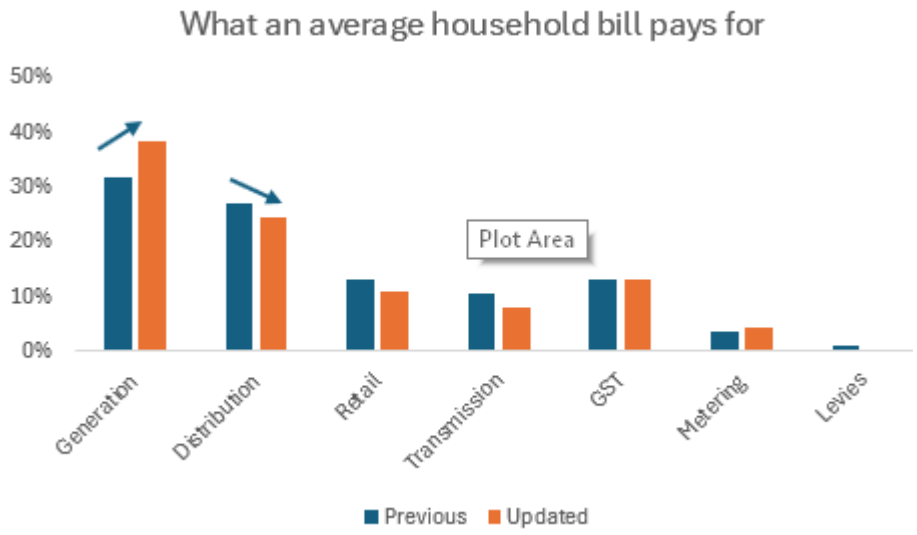
Your message is clear – find ways to make the distribution sector more efficient. Efficiencies will place downward pressure on prices. Our members want the same thing for their consumers. We are aligned in seeking the same outcome.

In response, we focus on actions that will flow to lower prices for consumers. We recognise the desire for solutions over rhetoric. However, we also note other points raised in your letter that in our view require further discussion. We welcome the opportunity for ongoing dialogue ahead of any changes.

ETNZ works closely with the ENA in advocating for our common members and we have chosen not to repeat many of the points in their response. Our views reflect the perspective of long-term owners who embrace their role as intergenerational stewards of critical community infrastructure. Our response focuses on practical and readily implementable measures that will improve outcomes for New Zealanders.

1. Context – our portion of the consumer bill has fallen

Last year, the Electricity Authority (EA) updated its infographic showing the make-up of an average household power bill. This showed distribution costs had fallen from 27% of a typical bill to 24.5%. Conversely generation costs had risen from 32% of a typical bill to 38.5%. The graph below shows a comparison across all components of a typical household bill from the previous infographic to the updated one.



While we support improving efficiency in our sector, the data shows that other areas are driving increased costs. A holistic approach is needed across the entire electricity sector, not just distribution networks. We are also concerned that efficiencies in the distribution sector leading to lower prices get captured by other sector participants and do not flow to consumers. We seek the Minister's assurance that measures will be put in place to prevent this occurring.

2. Improving retail switching is the fastest means of reducing electricity bills

As the Minister is no doubt aware, retailer switching in New Zealand has been in steady decline and currently sits at less than 6% per annum. There is a here-and-now opportunity to improve performance in this area and, in doing so, deliver significant savings to New Zealanders.

The following is an extract from our recent submission on the Electricity Authority's (EA's) consultation paper on 'Improving electricity billing in New Zealand.'

> 'The Energy Minister in his 1 October announcement on 'Securing New Zealand's Energy Future' has urged the electricity sector to find ways of bringing down the cost of electricity. The fastest and by far most significant way to do this is by ensuring customers are on the lowest cost retail plan for them. In its paper, the EA claims that 'around 90% of people who compare their plan on Powerswitch find they can save, with average savings of over $400 a year'. If this held true across all customers, then the collective annual saving for residential customers would be over $700m per year. Put another way the average saving equates to nearly 15% of the average household electricity bill.'

Energy Trusts can play a key role in delivering improved retailer switching, and our members are willing to help.

We are engaged with the EA and have offered our support. The EA are currently developing PowerSwitch 2.0. On completion, they intend to roll out a national advertising campaign to promote switching. History has shown this not to be effective. Our members know first-hand the challenges of working with consumers in their communities on this issue and wish to offer up our experience and local connections to deliver a better solution.

Our offer to the EA is compelling. Ringfence a portion of the planned advertising spend for a separate fund for community-based switching programmes. We will invite our members to co-fund programmes in their area. This will not only increase the investment in improving switching and reducing costs but by covering a range of regions, we can test and trial different approaches to determine the most effective ways of delivering improved retail switching.

We acknowledge the Minister's recent announcement re Open Electricity. This is an initiative that will improve the ability of consumers to compare power plans. However, our experience shows us that consumers are more predisposed to switch when they work with a local party they trust. Our offer is complementary to work already underway.

We want to make you aware of our engagement to date and seek your endorsement in principle of our offer to the EA.

3. Scale and localism are both important – how do we get the best of both worlds?

We are pleased Government wisely chose not to try to progress some form of forced amalgamation noting '*There is also no conclusive evidence that structural ownership changes are needed to achieve efficiencies'*.

ETNZ agrees. There are many aspects to an EDB's operations that are best and most efficiently conducted locally. There are also some where scale matters – procurement, shared systems, financing and insurance – for example.

Frontier Economics hinted at this in its report 'Review of Electricity Market Performance'. One of the options put forward in the report was to seek to have EDBs in defined regions co-ordinate operations. While well-intentioned, the reality is that, where scale matters, it is imperative to build as large as is practically possible.

There are existing examples, both locally and overseas, of such models. In the USA, it is common for electricity co-operatives to form collective procurement groups. Closer to home, the Local Government Funding Agency (LGFA) provides efficient financing for local government.

ETNZ, on behalf of its members, has commissioned the New Zealand Institute of Economic Research (NZIER) to author a report outlining the benefits and barriers to establishing a collective funding agency to provide lower cost longer term funding to EDBs.

This is our first step towards delivering scale benefits for Trust-owned EDBs. We plan to engage with our members on completion of the report and welcome the involvement of officials in this process.

4. Our members support greater standardisation

More standardised processes, particularly around new connections, including DG connections, improve the service our members' consumers receive and lowers costs. Naturally, ETNZ supports moves designed to improve standardisation, and furthermore, our members collectively support consolidation around best practices. This is an opportunity to lift the bar.

As owners, our members regularly engage with boards and management. They are signaling their support for greater standardisation by actively questioning their companies as to their plans and approach to standardising processes across the sector. We intend to monitor progress in this space.

5. Matters for further discussion

As noted, your letter raises important questions. We have focused on actions that in the short-term will deliver improved outcomes for New Zealanders. We also wish to highlight some key issues that in our view warrant further discussion before changes are made. We are willing to engage with you and your officials on these matters and our expectation is that no changes will be made without suitable consultation. Our concerns are as follows:

How can we ensure price efficiencies flow to consumers? In 2020, regulated EDBs prices fell as a result of the Commerce Commission's DPP3 process. This fall in prices was driven by artificially low interest rates at the time. In the subsequent regulatory period, allowable returns have reverted to long-term norms.

In 2020, the decrease in prices was in many cases captured by retailers as increased margin. In 2025, the reversal of the temporary 'discount' was passed through by retailers as price increases. This behaviour reflects poorly on our industry. On behalf of our consumers, we seek your assurance that price efficiencies will flow directly to the consumers.

How should we regulate our sector going forward? – You have posed the question as to whether the current price-quality framework is the optimal regulatory framework for the future. ETNZ is uniquely positioned to answer this question. Amongst our members are all exempt EDBs. We know firsthand the differences in decision making processes between both price-quality regulated and exempt businesses. We repeat our standing offer to officials to engage with us to improve their understanding.

What is clear to us is that there is no discernible performance difference between those networks that are subject to price-quality regulation and those that are exempt. Furthermore, there are benefits to Trust ownership. The underlying structure of exempt EDBs would have mitigated the overbilling issue recently discovered by Alpine Energy.

Forcing the existing regulatory framework onto exempt EDBs would impose significant costs on them that will only flow to their consumers. If there is a move to blanket regulate our sector, then we must start by building a future-focused structure that incentivises the right outcomes.

A discussion on equity is urgently needed – Our sector needs a discussion on equity with our consumers. The majority of an EDB's operating costs are fixed. In fact over 70% of an EDB's annual revenues are directly related to investments that have already been made. We currently see parties seeking concessions. These unintentionally push costs onto other consumers. Reducing costs for one group of customers only results in costs going up for other customers.

You have asked networks to look at raising the export limit to 10kW for consumer-generated electricity. That is an operational matter for EDBs to comment on, but in principle, our members support consumers being able to connect and use electricity as freely as possible. They must however pay a fair price for doing so. In the case of increased solar limits, they will result in reduced revenue for that EDB with the shortfall being made up by other consumers.

The above example highlights the need for a focus on equity. It is unfair to create situations where a few parties benefit at the expense of the majority.

How should we measure productivity? – Your letter notes the CEPA report commissioned by the Commerce Commission trying to measure EDB productivity. The most important finding from the report was the admission that this is hard to do. In our view, the Commerce Commission wisely chose not to continue further work in this area.

We support improving productivity as it leads to reduced investment costs and lower prices over time. What is critical is to define the outputs. A clear and coherent view on this will align EDBs to focus on delivering these outputs more efficiently. It is important we get this right.

6. Summary

In summary:

- Our members are aligned to the Minister's desire for greater efficiency;
- The most effective short-term measure is to get consumers onto the best retail plan in their region regardless of retailer. Our members are willing and available to help this by co-funding local initiatives to augment work underway by the EA;
- We agree with the Minister that forced amalgamation is not the way forward. A far better outcome is a blended model that combines the benefits of local ownership supported by centralised functions in areas where scale matters. We have commissioned a report by NZIER to outline the benefits and barriers to establishing a collective funding agency as a first step towards such a model; and

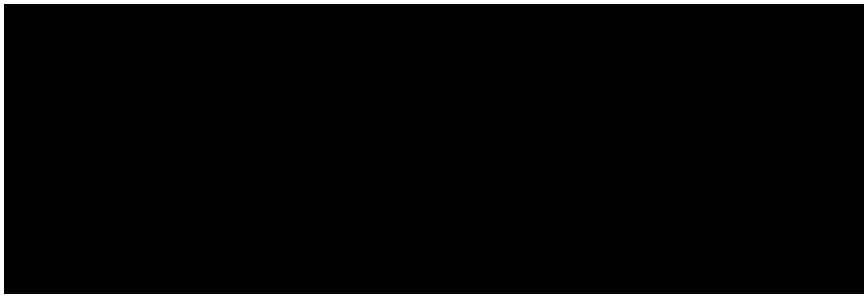
- ETNZ supports greater standardisation of consumer-facing processes with a desire to see alignment around best practice and our members are proactively engaging with their businesses to ascertain their plans and progress in this area.

We seek the following:

- Your assurance that efficiency gains that lead to lower distribution prices will end up in the pockets of New Zealanders and not be captured by other sector participants;
- Your endorsement of our offer to work with the EA (and others) to improve levels of retailer switching; and
- Your commitment to lead debate on the critical areas of regulation, productivity and equity and to not make regulatory changes without proper consultation.

We look forward to further engagement with you on the matters raised in this letter.

Yours sincerely,



Richard Allison
Chair
Energy Trusts of New Zealand Inc