Local lines networks: achieving better outcomes

Fonterra submission

6 November 2026

Fonterra welcomes the opportunity to comment on the Commerce Commission's open letter regarding achieving better outcomes for consumers from local lines networks.

Fonterra is a dairy co-operative owned by around 8,000 New Zealand farming families with manufacturing sites across the country, making us New Zealand's largest exporter and a major supplier to the domestic dairy market.

With manufacturing operations spread throughout New Zealand, Fonterra is one of the largest electricity consumers, and we have commercial relationships with 11 different Electricity Distribution Businesses (EDBs). We rely on stable and affordable access to electricity to support our operations. This reliable and affordable access underpins New Zealand's export competitiveness.

Fonterra supports the Commission's intention to work with the sector to establish what good performance looks like for EDBs and develop priority areas to support targeted improvements across the sector. We also agree with the Commission's intention to apply stronger and more direct financial and reputational incentives to promote change.

Our experience indicates there is meaningful performance differences across EDBs, including in connection responsiveness during outages, commercial settings, availability of network information, and the ability to manage significant network upgrades.

For a multi-site industrial consumer, inconsistent processes and requirements create duplicated engineering, legal and commercial effort. More importantly, uncertainty about connection timeframes, available capacity, final connection costs, and ongoing line charges can delay investment decisions and make otherwise viable electrification projects more difficult to consider progressing.

Improving performance across the sector is therefore crucial and we welcome ongoing dialogue with the Commission to deliver meaningful change to achieve better outcomes for consumers.

We have several comments across the Commission's different focus areas as described in the open letter, which supplement our recent submission to MBIE on *Options to improve the efficiency of electricity distribution businesses,* attached for completeness.

The vision and where it could go further

Fonterra supports the Commission's vision: EDBs delivering core network operations well, having strong commercial arrangements in place, and building capability for the future. We agree these are the right foundations and, in particular, we welcome recognition that consumers should not bear the cost of inefficiency arising from limited scale or capability.

We recommend making the "strong commercial arrangements" pillar to explicitly include how EDBs contract with large customers. In our experience, some EDBs treat default arrangements and regulated reliability measures such as SAIDI and SAFI as the ceiling of what they will commit to, rather than a starting point. These measures matter, but they don't fully reflect the consequences of an outage for a large, single ICP-connected user. For a processing site at the peak of the dairy season, these consequences can be significant and SAIDI/SAIFI measures do not incentivise the behaviour that matters for us as a consumer such as restoration timing.

We also appreciate the Commission's identification of process heat electrification as a key driver. Fonterra has a large-scale electrification plan underway and the ability of EDBs to offer credible connection terms and

reliability commitments to industrial customers will directly affect how quickly or how much of that potential electrification happens.

Priorities for the sector

In our view, connection performance should be among the highest priorities. As noted above for industrial customers such as ourselves, uncertainty about connection timeframes, available capacity, final connection costs, and ongoing line charges can delay investment decisions and make otherwise viable electrification projects more difficult to consider progressing. Improvements here benefit consumers beyond the EDB itself, by enabling investment, electrification and economic growth.

Fonterra strongly supports the Commission's proposed outcome of common, streamlined interfaces and processes for third parties. We would like this to include common minimum expectations for connection application processes and timeframes, the form and accuracy of cost estimates, visibility of existing and forecast network capacity, methodologies for allocating upgrade and connection costs, and standard contractual provisions for large customers.

Some variation between networks is justified, but greater consistency in process, information and customer rights would still make the system far more predictable and efficient.

Disclosure, metrics and benchmarking

Fonterra believes existing information disclosure is valuable, but it doesn't always answer the practical questions customers face when making investment decisions. For example, how quickly is this EDB likely to progress a connection? How reliable are its cost estimates? Can it deliver on agreed timeframes? What capacity is actually available and what is fair cost allocation for any upgrade?

We support comparative benchmarking that includes these customer-facing measures alongside financial and reliability indicators. We acknowledge it should control for factors outside an EDB's control, such as customer density, geography, asset condition and severe weather.

We also suggest the Commission consider disclosure requirements on EDB contracting practices. This would give the Commission visibility of how EDBs are engaging with and contracting customers, which current disclosures do not capture.

Regulatory enablers

Fonterra recommends that connection performance becomes a more explicit element of quality regulations. For large customers, network quality is not limited to outage duration and frequency. It also covers whether an EDB can accommodate new demand efficiently, provide credible cost and timing information, and deliver the required network upgrades.

We support the Commission's proposal for larger innovation funding mechanisms, provided they encourage collaboration. Many innovation pilots are currently run in isolation by individual EDBs, often duplicating each other and without clear expectations of long-term customer benefit. A more coordinated approach would likely deliver fewer, better-targeted pilots at lower overall cost, with mechanisms for successful pilots to be rolled out across the sector.

We also support incentives for standardised specifications and at-scale procurement and we encourage the Commission to consider how smaller EDBs could access debt funding at rates closer to the regulated cost of capital. These are regulated monopolies with stable returns, and consumers should not pay more because of an EDB's limited financing options.

Barriers to consolidation and standardisation

We see three main barriers. First, EDBs differ significantly in scale and internal capability, and smaller EDBs may lack the resources to manage large, complex connections. Second, individual EDBs have developed their own processes and contractual practices over time. Once these are embedded, a monopoly provider has limited incentive to adopt a common approach. Thirdly, regulatory minimums tend to become operational maximums.

National minimum standards, combined with stronger mechanism for large customers to escalate unreasonable delays, terms or information gaps, would help address these barriers.

Ownership

We acknowledge communities' interest in owning local infrastructure. However, ownership alone is not a substitute for effective economic regulation. Consistent with our submission to MBIE, we consider that core expectations on efficiency, service quality, governance capability, investment discipline and accountability should apply across the sector regardless of ownership structure.

We support the Commission encouraging smaller EDBs to objectively assess whether consolidation would deliver better long-term outcomes for their consumers.

Flexibility

We note the Commission's suggestion that EDBs failing to offer meaningful flexibility incentives could face reduced capitalisation of system growth expenditure. Fonterra supports stronger incentives for EDBs to use demand flexibility before building new capacity. Large industrial loads may be able to contribute flexibility, depending on their operational constraints. It would be prudent for this to be facilitated through fair, transparent and reasonably standardised contracting arrangements, rather than bespoke negotiations with each EDB.

Process from here

We encourage the Commission to include large industrial customers in its process to define what "good" looks like, alongside EDBs, consumer groups and other regulators. We also support close co-ordination with MBIE and the Electricity Authority, so that customers and EDBs receive a clear, coherent, and sequenced set of reforms.