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9 November 2026

Simon Wakefield
New Zealand Commerce Commission

WELLINGTON

Via email: Infrastructure.Regulation@comcom.govt.nz

Genesis supports the Commission's vision for distribution networks

Dear Simon,

We write in response to the New Zealand Commerce Commission's (**the Commission)** open letter regarding achieving better outcomes for consumers from local lines networks. Genesis Energy Limited **(Genesis)** welcomes the Commission's call for stakeholder feedback on establishing a vision of what 'good' performance looks like for the sector, and we agree it is preferable to establish a consensus on this vision between EDBs, the Commission and other regulators, consumer groups and other stakeholders such as electricity retailers and generators. Please find below our response to specific questions posed by the Commission in its Open Letter. Also find appended our submission to MBIE on its related consultation on improving EDB efficiency, as well as a NERA report commissioned by ERGANZ in support of the same consultation.

Based on projected electricity demand growth, EDBs are forecast to invest more than $32 billion of capital and operating expenditure over the next decade to maintain, expand and modernise their networks. As we noted in our submission to MBIE on its consultation paper on improving EDB efficiency, it is therefore timely for policymakers and regulators to review and make necessary changes to regulatory settings to ensure they are fit for purpose ahead of the next default price-quality path reset starting in 2030 (DPP5). Genesis supports the Commission's objective of strengthening incentives for EDBs to deliver efficient, reliable and future-ready networks. We consider the regulatory framework should focus not only on the efficient operation and investment decisions of individual EDBs, but also on their role in enabling efficient outcomes across the electricity system. In particular, this requires stronger incentives to optimise existing network capacity, procure flexibility and other non-network solutions on competitive terms, standardise interfaces with network users, and ensure competitive neutrality where EDBs participate in contestable markets.

Yours sincerely,

[redacted]

Mitchell Trezona-Lecomte
Senior Advisor, Government Relations and Regulatory Affairs

New Zealand Commerce Commission questions – Genesis Energy comment

Question 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?

Genesis supports the vision of EDBs delivering core network operations well, including the proposal to introduce standardised cost-per-ICP measures for back-office functions. Ensuring EDBs deliver core network operations well will be enabled by comparative benchmarking. As noted in our submission to MBIE, and assuming the Government progresses changes to remove the prohibition on comparative benchmarking, we recommend the Commission introduce broader comparative benchmarking of EDB performance across a range of standardised metrics including connection timeframes and costs, network-capacity information, network utilisation, flexibility procurement, and consideration of non-network alternatives. We note benchmarking will need to account for differences in network density and geography and other legitimate factors.

We agree with the Commission's vision that EDBs have strong commercial arrangements in place and support it investigating rewards for efficient network utilisation, streamlined acceptance pathways for capex where pricing structures provide clear signals to optimise network capacity utilisation, and potential changes to RAB capitalisation for non-point-load system growth. There is a need to consider whether the existing DPP expenditure forecasting and approval arrangements, Input Methodologies and incentive mechanisms provide neutral treatment between traditional network investment and contracted flexibility or shared-service solutions. We recommend the Commission investigate this issue as part of its work ahead of DPP5 and consider changes that provide more neutral incentives between conventional network investments and non-network alternatives. This is also supported by NERA's finding of a potential procedural difference in the regulatory treatment of new capital expenditure and new operating expenditure, which may favour EDB-owned assets over contracted services or shared platforms.

We also support the outcomes identified in the Open Letter. We agree efficiency improvements will put downwards pressures on costs. Achieving scale benefits through joint procurement and standardisation was one of the key opportunities identified by NERA in its report for ERGANZ, and we encourage the Commission to continue progressing work within its regulatory toolkit to support this. As noted by NERA, the energy transition is changing the role of EDBs, requiring additional functionalities and capabilities, including new requirements for network data, flexibility procurement, distributed energy resource management and digital systems. Many of these functions have significant fixed costs but can potentially be delivered at scale without amalgamating network ownership. NERA's analysis suggests that while existing regulatory incentives may be sufficient to encourage non-exempt EDBs to share or outsource established functions, further regulatory intervention may be required to facilitate efficient investment in new shared platforms and achieve consistent standardisation of EDB/retailer interfaces. NERA identifies potential regulatory barriers to funding shared platforms and first-mover barriers and collective-action problems that may prevent voluntary standardisation.

NERA also identifies that EDBs may have insufficient financial incentives to undertake standardisation where they incur implementation costs, but the benefits largely accrue to retailers and consumers. This problem may be exacerbated where the costs of standardisation are not recognised in regulatory expenditure allowances, potentially exposing EDBs to adverse incentives under IRIS. Ensuring efficient standardisation costs can be recovered would help address this barrier. Genesis therefore supports the Commission's vision of reducing transaction costs for stakeholders through common streamlined interfaces and

processes, including pricing structures and terms, connection processes and network information, and we support the Commission's proposal to link regulatory incentives to EDB performance in these areas. Greater consistency would ideally reduce retailers' implementation costs and facilitate the translation of cost-reflective network prices into retail tariffs, while preserving EDBs' ability to set prices and locational signals that reflect their individual network circumstances.

We also agree that better planning and monitoring will improve network reliability, resilience and utilisation. EDB performance should be assessed by the costs and benefits delivered across the electricity system, not just the EDB's own expenditure. An EDB may minimise its own expenditure without reducing costs for retailers, generators, flexibility providers or consumers through inefficient connections, pricing arrangements, network access restrictions or failure to utilise existing network capacity. Regulatory incentives and performance measures should recognise these wider costs and benefits. This is a key finding NERA makes in its report (appended to ERGANZ's submission to MBIE) regarding potential EDB/retailer interface inefficiencies, which could be substantial even where an EDB's internal operating costs appear efficient.

Question 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?

The Commission discusses efficient commercial arrangements, flexibility and non-network solutions, but does not explicitly address potential competition risks where EDBs or EDB-affiliated businesses participate in competitive markets. We suggest the Commission's vision explicitly recognise the importance of competitive neutrality where EDBs or their related entities participate in contestable electricity markets, including generation, storage and flexibility services. In our view, EDBs should not be able to use regulated revenues, assets, staff, network information or their position as monopoly network operators to advantage their affiliated entities. Genesis encourages the Commission to assess whether its existing cost-allocation, related-party transaction and information-disclosure requirements provide adequate safeguards, working with the Electricity Authority where risks fall within the Authority's responsibilities. Genesis considers that flexibility services should be procured through transparent and non-discriminatory processes, and that EDB-affiliated businesses should not receive preferential access to network information, connection capacity or procurement opportunities.

Question 3: What are the industry's priorities, based on the needs of current and future consumers, and are we aligned? 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? 3.2. How should priorities be valued/evaluated, and what level of assessment or quantification may be good enough for proposed regulatory interventions?

Genesis considers the following priorities are likely to deliver the greatest benefits for consumers and the wider electricity system:

1. Efficient use of existing network capacity, including stronger incentives for flexibility and non-network solutions.
2. Standardisation of network interfaces, including distribution pricing structures, connection processes, network information and flexibility procurement.
3. Efficient and timely connections for new generation, storage and load.
4. Improved transparency and benchmarking of EDB performance.
5. Competitive neutrality, ensuring EDB participation in contestable markets does not disadvantage independent participants.

In assessing potential regulatory interventions, Genesis recommends the Commission consider the scale of expected consumer and whole-of-system benefits, implementation and compliance costs, effects on competition and innovation, and implications for reliability, resilience and investment certainty. We recognise that precise quantification may not always be possible, particularly for emerging flexibility and distributed energy resource markets. The Commission should adopt a proportionate approach to cost-benefit analysis, using quantitative evidence where available and transparent qualitative assessments where necessary.

Question 4: 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?

We make no comment on how EDBs are internally determining capabilities required to deliver for consumers. However, we note EDB governance capability was also raised by MBIE in its recent consultation. Genesis supported MBIE's proposed governance options, including clearer statutory objectives focused on safe, reliable and efficient distribution services, long-term investment and enabling electrification. We also support director capability requirements based on the Local Government (Water Services) Act 2025 and periodic independent ownership reviews. MBIE's proposal to remove the prohibition on the Commission conducting comparative EDB performance benchmarking may also help measure EDB capability.

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

As noted above, we support the Commission progressing work to explore the potential regulatory changes outlined under each of these three areas, subject to careful assessment of their potential benefits and costs. We support stronger incentives for efficient network utilisation, procurement and asset management, while cautioning against overly prescriptive requirements that could discourage necessary network investment. Also see our response to question 3.

Regulatory coherence and alignment will also be key. We suggest the Commission coordinate with MBIE and the Electricity Authority as appropriate to ensure that the two regulatory frameworks provide consistent incentives and avoid unnecessary duplication across the priorities identified in this Open Letter.

Question 6: What timescales are feasible? 6.1. For EDBs, do you have a clear work programme which identifies when certain capabilities or insights will be more readily accessible?

Genesis supports prioritising reforms that can be implemented ahead of DPP5, while recognising that some improvements should not need to wait until 2030. We encourage the Commission to progress improvements to information disclosure, comparative performance reporting, network-capacity transparency and regulatory guidance as soon as practicable under its existing powers. Changes requiring amendments to Input Methodologies or legislation should be progressed through a coordinated work programme with clear milestones

and sufficient consultation. The Commission should also consider transitional arrangements where EDBs need time to develop new systems, data capabilities or shared services.

Question 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?

We note NERA's analysis suggests that some smaller EDBs face higher fixed costs in developing specialist capabilities, particularly those associated with the energy transition. However, these capabilities can often be provided more efficiently through shared services or platforms rather than individual investment or ownership amalgamation. The Commission should therefore consider whether its regulatory framework adequately incentivises these alternative delivery models.

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

Genesis considers there are several barriers to greater standardisation and collaboration under the existing regulatory framework. First, EDBs may incur the costs of standardisation while much of the benefit accrues to retailers, generators, flexibility providers and ultimately consumers. This creates an externality whereby individual EDBs may have insufficient incentives to pursue changes that would deliver wider system benefits. Second, standardisation requires collective action. An individual EDB cannot achieve the full benefits of common pricing structures, data interfaces or connection processes unless other EDBs adopt compatible approaches. Third, as identified by NERA, existing regulatory arrangements may make it procedurally easier to obtain allowances for new capital investment than for new operating expenditure associated with shared platforms or contracted services. This warrants further investigation.

Genesis recommends that the Commission review whether its expenditure allowances and incentive mechanisms adequately support efficient collaboration and shared delivery. We also encourage the Commission to work with the Electricity Authority on common interface requirements where voluntary industry standardisation is unlikely to deliver efficient outcomes. We consider these approaches can capture many of the benefits of scale without requiring ownership amalgamation.

Question 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?

Genesis considers that several relatively targeted measures could deliver material improvements without requiring fundamental changes to the economic regulatory framework. These include:

- Strengthening information disclosure requirements relating to connection performance, network utilisation and consideration of non-network alternatives.
- Developing consistent performance indicators and publishing comparative assessments of EDB outcomes, ie comparative benchmarking.
- Reviewing whether existing expenditure allowances and incentive mechanisms provide neutral treatment between capital investment and contracted flexibility or shared services.
- Strengthening guidance on the assessment of non-network alternatives for material investment decisions.
- Supporting the Electricity Authority to establish common standards for network pricing structures, connection processes, network data formats, and flexibility procurement.

We consider these measures should be prioritised where they can be implemented under existing powers, with more significant regulatory interventions progressed where evidence demonstrates that existing arrangements are insufficient.

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

Genesis recommends that the Commission develop its work programme in close coordination with the Electricity Authority, MBIE and other agencies as relevant, recognising the substantial overlap between their respective reform programmes. We also encourage the Commission to engage directly with retailers, generators, flexibility providers and large electricity users, alongside EDBs and consumer representatives. These participants can provide important evidence of the costs and barriers arising from current network arrangements, which may not be apparent from EDB financial and operational performance information alone. Genesis would welcome the opportunity to participate in further consultation on the development of performance measures and regulatory incentives.