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Commerce Commission
PO Box 2351
Wellington 6140

Attention Simon Wakefield

By email infrastructure.regulation@comcom.govt.nz

Dear Simon

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

MainPower New Zealand Limited (MainPower) welcomes the opportunity to provide feedback on the Commission's open letter. Nothing in this response is considered to be commercially sensitive.

MainPower's position

MainPower supports stronger accountability for consumer outcomes. Regulation should focus on demonstrated performance and material consumer harm, not assume that size, ownership, a prescribed technology, certification, procurement route or operating model is a proxy for efficiency.

The first part of MainPower's response provides background information about MainPower and responds to the letter's context section and the Commission's vision. The second part addresses the specific questions for feedback.

Executive summary

- MainPower supports the Commission's objective of improving outcomes for electricity consumers. We agree that EDBs should be accountable for delivering safe, reliable, resilient and affordable network services, while preparing for a more electrified future.
- Performance should be assessed through consumer and network outcomes, not assumptions about an EDB's size, ownership or operating model.
- Stronger intervention should follow evidence of a material performance problem, analysis of its cause, and assessment of the costs, benefits and unintended consequences of alternative responses.
- Efficiency must be considered alongside reliability, resilience, affordability, accessibility, customer experience and readiness for electrification. The lowest-cost process is not necessarily the best consumer outcome.
- MainPower supports collaboration and standardisation where they produce a demonstrable net benefit for consumers. They should not be pursued as objectives in their own right.

- The Commission, Electricity Authority, EECA and MBIE should agree and publicly report against a coordinated and prioritised programme of regulatory work affecting EDBs.

What MainPower asks the Commission to do

- Work with EDBs and consumer representatives to define a focused set of consumer and network outcome measures, establish credible baselines, and use common definitions before attaching new financial or reputational consequences.
- Apply an evidence-based gateway to any new intervention: define the consumer harm, identify its cause, assess available tools and the counterfactual, quantify costs and benefits where practicable, prioritise the intervention against other demands, and set a review point.
- Review existing information disclosure requirements before adding new reporting, including whether each disclosure is used, what regulatory decision it supports, and whether equivalent information is already provided elsewhere.
- Work with the Electricity Authority and MBIE to publish one prioritised and sequenced programme of distribution-sector work, with clear ownership, dependencies, milestones and public progress reporting.
- Participate in the coordinated workplan and prioritisation exercise proposed by Electricity Networks Aotearoa (ENA).

Background

MainPower is the electricity distribution business (EDB) for North Canterbury. Its network extends from the northern boundary of Christchurch City to north of Kaikoura and west to the Southern Alps. MainPower has approximately 43,000 connected customers. It is owned by the MainPower Trust, which holds the ordinary shares on behalf of connected consumers. MainPower is exempt from price-quality regulation.

Our tagline, "100% owned by the people of North Canterbury", reflects our purpose: to serve the current and future electricity needs of North Canterbury communities.

MainPower supports the submission from Electricity Networks Aotearoa (ENA) and the initiatives ENA proposes to achieve the Commission's vision. We refer to relevant parts of ENA's response throughout this letter.

As stated in our response to the recent MBIE engagement, "Options to improve the efficiency of electricity distribution businesses", MainPower considers that trust ownership can deliver good outcomes for consumers and the communities served by trust-owned EDBs.

MainPower supports evidence-based and proportionate regulatory change. ENA's response maps the regulatory initiatives affecting EDBs. This shows EDBs are currently dealing with close to 190 separate but concurrent demands and deadlines, across 37 initiatives and several agencies. This is clearly unsustainable so the first step should be an agreed, coordinated programme of reform across regulators, stakeholders and EDBs, with clear outcomes, priorities and direction.

MainPower supports the Commission's stated intentions to:

- To work with stakeholders to establish a clearly articulated view of what good performance looks like; and
- To develop priority areas to support targeted improvements across the sector.

We need further detail on the proposed stronger and more direct financial and reputational incentives before commenting on their design. We are willing to engage with the Commission and the wider industry to ensure any reforms achieve the Commission's intended outcomes.

MainPower agrees with the Commission's assessment of the operating context for EDBs. High-quality business-as-usual network management and investment remain critical, alongside increased focus on resilience. It should not be assumed that good practice is a function of EDB size. There are examples of good practice across the sector. Exemplars of good network practice should be identified and shared across the sector. This will require engagement between regulators, EDBs, ENA and other stakeholders. Through its reviews of asset management plans and information disclosures, the Commission is well placed to identify good practice. Its 2021 review of decarbonisation readiness and 2023 asset management plan review highlighted examples. The next step is to disseminate those practices and use them to support collaboration and standardisation.

MainPower supports the Commission's vision for EDBs to have the capacity, capability and incentives to deliver core network operations efficiently, maintain strong commercial arrangements and prepare for a more electrified future.

We agree in principle that consumers should not pay for inefficiency. However, efficiency should be assessed against agreed metrics and the outcomes consumers value. A process may be efficient in a narrow cost sense but still deliver a poor outcome, for example where automation removes the human support some customers need. Measures should therefore recognise cost, service quality, accessibility, resilience and local context. We also note that inefficiency can arise in EDBs of any size.

Particular questions for stakeholder feedback

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?

As noted above we support the future state focus described in the letter.

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?

We support the ENA's response to this question and the five aspects that the ENA has identified as requiring greater prominence:

- The customer

- the effect of decisions and actions on the wider electricity system;
- the timing of investment and the cost of investing too early or too late;
- the pathway from current networks to the future state, as discussed below; and
- a coherent, shared regulatory direction for the future distribution sector.

We have identified three additional matters - input costs, liquidity in the flexibility market and costs of regulatory compliance.

Input costs

Input costs can increase consumer bills where EDBs have limited ability to control them. Examples include multiple data exchange points and inconsistent formats, traffic management, vegetation management and resource management approvals. These matters may sit outside Part 4 regulation, but the Commerce Commission, Electricity Authority, MBIE and other agencies may be able to influence them through their wider functions.

Liquidity in the flexibility market

The vision does not sufficiently articulate how EDBs should transition to the future state. Flexibility is expected to be important, but the market remains immature. Potential consumer savings depend on the price and risk allocation of flexibility services. Until the market becomes competitive, EDBs may face inefficient prices that reduce the consumer benefit of adopting flexibility solutions.

Through the LocalFlex flexibility trading platform, a group of EDBs (including MainPower) is working to support competition in the flexibility market. The platform may improve transparency and efficiency. However, factors outside EDB control, including market scale and liquidity, will affect the extent to which competition reduces prices.

Flexibility providers need appropriate returns to attract investment. We do not consider intervention is necessarily required at this stage. However, high flexibility service prices could reduce the savings expected from non-traditional solutions (NTS) and should be monitored.

Cost of regulatory compliance

Regulators have increased the pace of regulatory change and engagement to support electricity sector transformation.

Regulatory change and increased scrutiny are requiring EDBs to devote more resources to compliance and stakeholder engagement. Responding to consultations and implementing new requirements requires additional internal capability and, often, external advice.

Political scrutiny also requires EDBs to respond to a broader range of stakeholders, often on individual issues. EDB performance is multidimensional and should be assessed across financial, operational, reliability and service outcomes. Focusing on a single metric risks overlooking relevant context and performance in other areas.

If these costs are not recognised, EDBs may need to divert resources from core activities. This creates a risk that EDBs focus on reactive compliance rather than proactive improvements that deliver greater benefits for consumers.

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?

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?

Questions 3 and 4 are closely linked and we have chosen to respond to them together. MainPower is aligned with the priorities identified in the context and vision sections of the open letter.

MainPower's corporate strategy sets out three priorities:

- Build a resilient and adaptable system
- Enable real customer choice
- Scale our impact through smarter delivery

We consider these priorities and the supporting strategic shifts are well-aligned with the Commission's vision and will enable MainPower to achieve both its own aspirations and the Commission's vision. Our strategy on a page is attached as Appendix A.

MainPower has invested significantly in systems that support core network services, including an advanced distribution management system (ADMS) and geographic information system (GIS). We are collaborating with other EDBs to standardise practices and share the benefits of these investments. We are also improving our connections process, so it meets regulatory requirements and the needs of connecting customers.

EDBs should focus investment on the customer outcomes that matter most on their networks, including capacity, resilience and reliability. Those needs should drive network planning and capability development. Priorities will vary between EDBs, consistent with the Commission's observation that the pace of change may differ across EDBs and regions.

For MainPower, our priorities include improving the connection experience and developing distribution system operator (DSO) readiness and capability. With this in mind our strategy includes initiatives to enable workforce development, data and digital improvement, and smarter

delivery through collaboration.

Following the work undertaken by the ENA and the Electricity Authority to identify the capabilities EDBs may need to support DSO functions, we are identifying and prioritising the DSO capabilities MainPower needs. We are also progressing least-regrets initiatives, including improved low-voltage visibility and trials of non-network solutions and market models.

Disclosure requirements for DSO capability or connection improvements should align closely with Electricity Authority programmes. This will reduce overlapping, contradictory or confusing compliance and reporting requirements.

We suggest that any disclosure requirements regarding progress on developing capabilities also provide scope for EDBs to justify why they are progressing some capabilities faster than others.

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

Greater alignment between the Commerce Commission, Electricity Authority, EECA and MBIE is essential. As regulatory change accelerates and becomes more complex, overlapping, misaligned or contradictory requirements could hinder rather than enable transformation.

Regulators need a shared vision that extends across agencies and political cycles. Regulations should align with that vision so one regime does not undermine another. To this end we endorse ENA's proposed work programme and prioritisation exercise.

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

As above, greater regulatory alignment between the Commerce Commission, Electricity Authority, EECA and MBIE is essential. There would be significant benefit in reducing duplication and overlap. One example is the overlap between the recent MBIE engagement on efficient settings for the distribution sector and this open letter.

As the rate of change and complexity of regulation is increasing, there is a growing risk of overlapping, misaligned, contradictory and/or confusing regulatory requirements that could stifle rather than enable transformation.

EDBs would also benefit from greater visibility of how and when regulators collaborate, including how they coordinate work programmes and manage dependencies.

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

The Commerce Commission, MBIE, the Electricity Authority and other relevant agencies should develop and publish a coordinated, prioritised multi-year regulatory work programme. This should identify planned initiatives, sequencing and expected timeframes, enabling EDBs to plan resources and investment more effectively. Progress should be reported publicly.

For the Commerce Commission, we suggest reviewing information disclosure requirements. The review should begin by defining the outcomes and performance the Commission needs to assess, then identifying the minimum information required for that purpose.

The Commission should assess whether the information disclosure requirements for the regulatory asset base (RAB) remain necessary, or whether International Financial Reporting Standards (IFRS) accounting for network assets could be used instead. Maintaining a third asset register is costly. MainPower has recently invested significantly in redeveloping its RAB register to comply with the input methodologies. The Commission should determine whether the additional cost of maintaining a separate RAB register delivers a material consumer benefit compared with using existing accounting or tax asset registers.

Consumer choice may be a lower short-term priority while the sector, regulators and stakeholders focus on the matters identified in the open letter. Consumer choice remains important, but current participation appears limited and other initiatives offer greater near-term consumer benefit. Any reprioritisation should be evidence-based, transparent and time-limited.

6. What timescales are feasible?

MainPower's current strategy has an 18-month initial delivery horizon. Some enabling initiatives and DSO capabilities will extend beyond that period and will be sequenced through a longer-term roadmap.**6.1. For EDBs, do you have a clear work programme which identifies when certain capabilities or insights will be more readily accessible?**

EDBs should prioritise initiatives that deliver the greatest consumer value for their networks. This is more manageable and effective than developing all capabilities at once. However, the appropriate sequence and timing will differ between EDBs. Uniform compliance deadlines may divert limited resources from initiatives that would deliver greater local consumer benefits.

One option is for EDBs to publish transition roadmaps, through the asset management plan process or separately. Roadmaps are already used by the Electricity Authority in relation to pricing. These could cover internal capability development, partnerships and collaboration, and show how initiatives are prioritised by network and consumer value. EDBs could also explain in roadmaps why systems or capabilities have been deprioritised and how collaboration will address capability gaps. Performance could then be assessed against each EDB's roadmap.

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?

Adoption of development roadmaps could include a requirement to explain why some systems or capabilities have been deprioritised or alternatively to describe how the EDB plans to collaborate with others.

Examples of collaboration as an alternative to developing systems capability independently include the recently announced cooperation between Network Waitaki and Orion, and the collaboration between The Lines Company and Counties Energy.

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

Many EDBs have already invested heavily in technical platforms and associated processes. Getting EDBs to standardise would require some of these to be abandoned and rebuilt at significant local cost. Standardisation of systems can occur, but it will likely be a drawn out process as each EDB is at a different stage in its technology journey and standardisation will be dependent on replacement programmes.

MainPower collaborates with other EDBs to align common network operating practices where this reduces cost or improves outcomes. The objectives are to improve safety and regional resilience, reduce duplication, and share capability, training and support. This also supports future DSO readiness and least-cost consumer outcomes through greater standardisation and more efficient use of shared resources. MainPower also recognises that some local cost may be required to achieve wider benefits.

It is difficult for MainPower to comment on barriers to consolidation and standardisation within Part 4 as an exempt EDB. Exempt status gives an EDB significantly more flexibility to enter collaboration arrangements.

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?

The Commission should retain the current exempt EDB framework under Part 4. Rather than introducing further regulation, we recommend a stronger outcomes-based approach that holds EDBs accountable for consumer and network outcomes while preserving flexibility over how those outcomes are delivered.

We support efforts to improve EDB performance and protect consumers from short-term decision-making that could lead to underinvestment. Existing measures, including SAIDI and SAIFI, provide important accountability for reliability. However, additional regulation may add cost and reduce an EDB's ability to respond to local priorities without necessarily improving consumer outcomes.

Consumer-owned EDBs are also subject to accountability through their ownership, governance and existing information disclosure requirements. Any change to the exempt framework should therefore be supported by clear evidence of material consumer harm that cannot be addressed through existing mechanisms.

For areas that do not lend themselves to quantitative assessment, such as consumer engagement, the Commission could make greater use of principles, guidance and examples of good practice.

This would be comparatively easy to implement, support greater consistency across the sector, and improve understanding of consumers' expectations without imposing unnecessary prescriptive requirements

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

Written consultation does not always capture how arrangements operate in practice. MainPower encourages the Commission to use a range of engagement methods, including advisory panels and direct discussions with EDBs.

We strongly support the coordinated work programme and prioritisation exercise proposed by ENA and set out in Appendix D of its response.

We welcome further engagement with the Commission. Please contact Sarah Barnes ([redacted]) if you wish to discuss any aspect of this response.

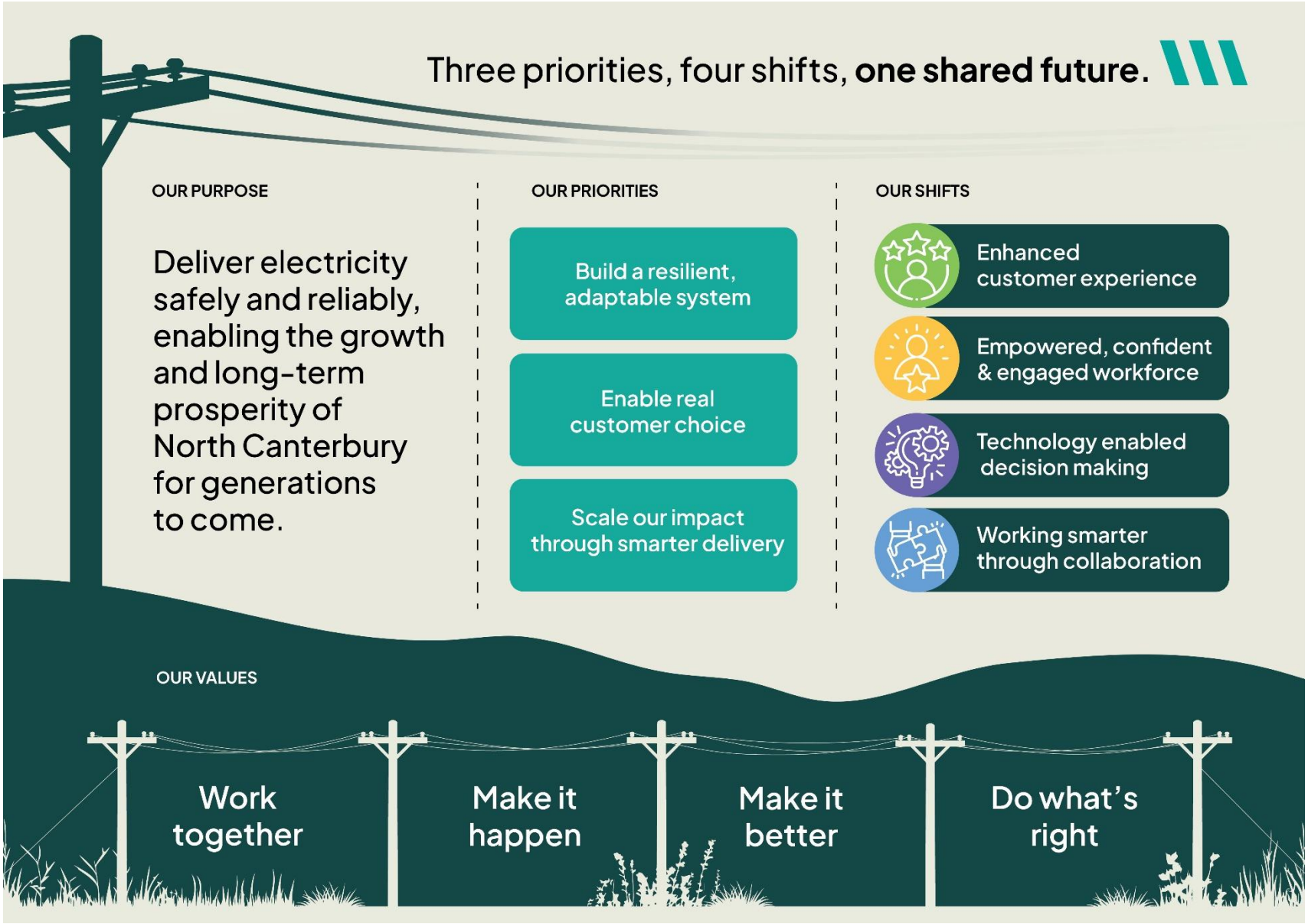
Yours sincerely



Sean Horgan
Chief Executive



Sarah Barnes
General Manager – Commercial & Regulatory


Three priorities, four shifts, one shared future.
OUR PURPOSE
Deliver electricity safely and reliably, enabling the growth and long-term prosperity of North Canterbury for generations to come.
OUR PRIORITIES
Build a resilient, adaptable system
Enable real customer choice
Scale our impact through smarter delivery
OUR SHIFTS
Enhanced customer experience
Empowered, confident & engaged workforce
Technology enabled decision making
Working smarter through collaboration
OUR VALUES
Work together
Make it happen
Make it better
Do what's right