251 Racecourse Road, PO Box 1642,
Invercargill 9840, New Zealand
P: +64 03 211 1899
E: enquiries@powernet.co.nz

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Simon Wakefield
C/o infrastructure.branch@comcom.govt.nz

Tēnā koe Simon,

Feedback on open letter – local line networks

Introduction

1. PowerNet Limited (PowerNet) appreciates the opportunity to provide feedback to the Commerce Commission (the Commission) in response to the open letter – local lines networks: achieving better outcomes for consumers now and in the future.

2. PowerNet is an electricity network management company with its head office based in Invercargill and is owned by The Power Company Limited (TPCL). PowerNet manages the non-exempt Electricity Distribution Business (EDB's) of Electricity Invercargill Limited (EIL), and OtagoNet Limited (ONL, which incorporates the Lakeland Network), and the exempt EDB's of TPCL and Ruakura EDB Limited Partnership (Tainui Group Holdings Limited).

3. We have a customer base of approximately 79,000 installation control points (ICP's), and an asset base and investments in excess of NZ$1 billion. The aggregated electricity distribution asset base, managed by PowerNet, is the fourth largest in New Zealand. TPCL operates in Southland and West Otago, OtagoNet in the Frankton, Cromwell, Wanaka regions, and the rural and coastal Otago region that surrounds Dunedin City, EIL operates in Invercargill and Bluff, and Ruakura in the Waikato.

4. PowerNet has long-term management agreements in place with TPCL, OtagoNet, EIL, and Ruakura, with the benefit of integrated business management systems in place, and a core purpose and expertise in asset management capability. We acknowledge the important role distribution networks will play in supporting New Zealand's transition to an electrified nation and a low emissions economy.

Executive summary

5. Our customers shape what we do, and how we do it. It is PowerNet's view that EDB's must lead industry safety and standardisation, be future focussed, grounded in tiakitanga, and maintain customer outcomes now and for generations to come. This must be forefront in all we do.

6. We support the approach of the Commission, in advance of the default price-path 2030 (DPP5), to be more strategically focussed on what the future of the electricity sector looks

like, and in finding a collective vision to support the sector for this future. We also acknowledge and support that the 'future' we are referring to, is upon us now.

7. PowerNet acknowledges the joint concern from the Minister of Energy, the Ministry of Business, Innovation and Employment (MBIE), the Commission, and the Electricity Authority (the Authority) regarding sector confidence and operational efficiency. We welcome their collaborative approach, informed by recent experiences in local government, to build a shared vision and avoid reactive, short-term solutions to efficiency challenges.

8. However, we caution the Government and regulators against drawing direct parallels between the electricity and local government sectors. The current situation in local government stems from years of delaying capital investment and prioritising artificially low customer rates, which triggered underinvestment and left critical water infrastructure stretched beyond its useful life. Imposing artificial efficiencies or cost-cutting on EDBs risks repeating these exact infrastructure failures and creating negative intergenerational impacts.

9. PowerNet supports regulatory intervention only when it is driven by credible, robust data. Regulators have focused heavily on electricity industry efficiency. We request that the Commission establish a common definition or measure of efficiency and consumer outcomes before introducing new regulations. Failing to do so risks unintended financial and reputational consequences.

10. We agree that there are characteristics that would and should, be standard for all EDB's to adhere to. We identify these as being high network safety, reliability and resilience, financial and operational efficiency, strong governance and management, customer-centric, and operating with standardisation and transparency. We acknowledge many in the electricity sector have begun this journey, and at PowerNet, it is our focus and intention to lift the bar and then lift it again.

11. We support International Organisation for Standardisation (ISO) alignment, and we agree that fundamental systems like Advanced Distribution Management System (ADMS), Customer Relationship Management (CRM), and financial Enterprise Resource Planning (ERP) owned or shared, are necessary to achieve the best results for consumers and shareholders. However, we point out that the cost to install and sustain these platforms may be too high for smaller EDBs. We therefore support shared service models if it creates genuine efficiency and already provide such services to others.

12. As the industry transforms, we suggest a model EDB has forward-looking, and highly standardised operations to support the future electrification of Aotearoa. This approach includes data-driven asset management utilising advanced technologies like drones and LiDAR for safer, predictive maintenance; a customer-centric culture backed by CRM systems to deliver transparent, reliable, and affordable services; streamlined financial systems that integrate ERP software and standardised tariffs to reduce complexity; and standard designs that help different networks share resources and provide seamless customer service.

13. It is PowerNet's view that the characteristics of a 'model EDB', as phrased by the Commission, begins with ensuring that we understand the outcomes being sought by consumers. We consider this to be electricity networks that are safe, affordable, efficiently managed, reliable and resilient. This is achieved ultimately, through

governance decisions that ensure the longevity of the network for the people of today, and for those who are to follow.

Current state

14. PowerNet is committed to investing in, a high preforming, efficient, safe and innovative business for our customers, and are actively investing to achieve improved outcomes. This includes significant investment in IT systems and software (specifically CRM and ADMS). We are aware of the need for credible data and have restructured our business to enable our systems and processes to become more robust and integrated.

15. We are cognisant of the risks and opportunities, and uncertainty around large scale electrification, and bring experience to the sector for large and small scale electrification customer outcomes, for both regulated and non-regulated networks. Underinvesting in electricity assets will harm both Aotearoa and consumers over the long term, and we consider costs should align with demand drivers. While consumers should not pay for distributor inefficiencies, costs should be shared if consumer demand creates capacity and capability pressures that the EDB cannot easily absorb.

16. We acknowledge the sector's diversity. Whilst EDBs differ in their governance, management, and customer approaches, we do support appropriate standardisation of the industry, and where we have expertise are actively leading and participating in this. EDB's must establish and maintain a consistently transparent customer experience. Understanding the consumer outcomes being sought are crucial to understanding the next steps for both regulators and EDB's.

17. EDB's, in their current state, are not without opportunity for improvement. While the electricity sector is changing rapidly, we note that inefficiencies can also stem from external drivers rather than poor governance or management. These drivers include exponential electrification demands straining network capacity, emerging technologies, distributed energy resources (DER), and climate change impacting grid resilience.

18. However, we understand that regulators have lost some confidence in the sector, and there are strong political drivers around affordability and efficiency. We support and invite that conversation.

Affordability

19. We consider the cost of electricity for consumers as one of the highest driving forces behind the discussion to seek efficiencies across the electricity and political sectors.

20. Achieving operational efficiencies, such as non-network solutions, improving our asset management, and encouraging a shift in consumer behaviour by utilising demand-side response to manage load, allows us to maximise the capacity of existing infrastructure without over-investing in capital upgrades.

21. Electricity providers can arguably deliver more efficiency and affordability gains by extracting more value from existing assets and delaying capital upgrades to lower overall service costs. We must reiterate, however, that achieving the appropriate balance in this matter is of utmost importance. There remains a significant risk that Aotearoa will repeat historical patterns of delayed and insufficient investment in critical infrastructure for the sake of short-term consumer cost reductions. We see the optimal EDB is able to manage

this balance through strong asset management practices, and understanding customer behaviour and motivations.

22. The electricity industry faces the critical challenge of balancing network affordability with the significant capital investment required for decarbonisation. As consumers face rising energy costs, we understand the need to find operational and capital efficiencies to keep line charges manageable. While EDBs play a role, they are not solely responsible for consumer energy costs. We respectfully urge the Commission to apply the same rigorous focus on affordability and efficiency to the entire energy sector, including generation and retail.

What is the outcome consumers seek?

23. PowerNet considers connecting to the network and affordability as two of the primary motivations for consumer feedback around efficiency to regulators. This, alongside the resiliency of the sector, following multiple environmental related disasters, has therefore prompted appropriate and welcome discussions with the electricity industry.

24. We consider that many EDBs are actively seeking to manage the balance between intergenerational capital projects and consumer demand for electrification and seeking operational and non-network solutions wherever practicable to maintain financial efficiency for consumers.

25. EDBs are also currently undergoing regulatory changes regarding how connections are processed, which we believe will significantly enhance the consumer experience.

26. Therefore, we encourage the Commission to allow time for these new regulations to bed in before proposing further modifications. This period allows EDBs to implement further improvements voluntarily, reducing the need for stricter regulation. We advocate for a stronger, customer-centric focus among EDBs, as this is a critical area for driving meaningful change, and we acknowledge that there is more work in the sector required to consistently achieve this.

PowerNet model

27. PowerNet Limited was established in 1994 by TPCL and EIL as a way to achieve economies of scale through integrated network management. Unlike individual EDBs that largely maintain independent corporate structures, PowerNet has a highly centralised workforce across three networks, and provides service delivery to a fourth (Ruakura Energy, Waikato).

28. This allows substantial operational efficiencies through procurement, asset management, insurances, and employee numbers and overheads, without compromising network safety, efficiency and performance. As a management company, we provide low administrative costs per individual connection, ultimately benefiting consumers.

29. PowerNet and Unison provide asset management capability to other EDB's. This integrated approach provides specialised network management capability. PowerNet also manage both price-quality regulated and non-regulated EDBs. Whilst the governance models may differ (Council, private ownership, and Consumer Trust), the reliability, transparency, affordability and safety remain consistent with what might be expected of

'good EDB's' in Aotearoa now and into the future. This includes governance and management focussed on:

- strategic direction
- risk appetite
- performance oversight
- commercial returns
- community and consumer expectations

30. The integrated management model remains effective for its original purpose. We prefer this approach over amalgamation of EDBs because it preserves individual governance and local ownership, which are highly valued politically by consumers. We acknowledge that EDBs must collectively elevate their performance and consider parts of the sector are actively pursuing further efficiency gains. We would support Electricity Network Aotearoa (ENA) leading sector-wide workplans to help prioritise the necessary next steps. Ultimately, we advocate for a combination of evidence-based regulation that improves customer experience and voluntary efficiency improvements.

High network reliability and resilience

31. PowerNet supports the characteristic of a 'good EDB' to have a reliable network by ensuring outages (both planned and unplanned) are managed in a transparent and appropriate manner with customer impact at the forefront. Alongside this, network designs should ensure that the intergenerational infrastructure maintained and built by the EDB, can withstand (as much as practicable), the numerous natural hazards experienced in Aotearoa, and include seismic, extreme storms and other significant weather events.

32. October 2025 saw a storm event in Southland and Otago that caused widespread grid failure following catastrophic winds of up to 170km/h. It resulted in over 65,000 properties without power, a two week state of emergency declaration, and duration that was particularly crippling to the rural and dairy communities. This event was one of the most destructive weather events recorded in the Southland/Otago area.

33. Whist we had previously recognised the need for an ADMS and CRM system, their combined costs had deferred implementation. However, the severe impact of this event on our network and customers shifted our timeline. This critical event expedited both projects, ensuring that PowerNet-managed networks prioritise customer experience, strengthen reliability and resilience, and achieve optimal financial and operational efficiency.

34. While the intention to implement systems and customer experience improvements were present before this event, the significant cost was an inhibitor. Experiencing catastrophic damage and outages acted as a catalyst for PowerNet to fast-track the costly systems required for a 'modern' EDB. However, without this catalyst, implementation would likely have continued to be constrained due to the high cost which was outweighing the immediate efficiencies to be gained.

35. We would encourage the commission (and regulators as a whole), to consider how removing barriers could best be achieved as a practical solution to efficiency gains. As one example, we would support access to lower funding costs by establishing the equivalent of the Local Government Funding Agency (LGFA) for the Electricity industry.

36. To achieve the network reliability and resilience required, it is PowerNet's view that EDBs must have a comprehensive strategy of substantial capital investment and adaptability around network design and management.

37. Aotearoa is facing significant national infrastructure upgrades in the grid and networks to manage aging intergenerational assets and support rapid consumer-driven decarbonisation, while also strengthening against extreme climate changes and hazards. It is PowerNet's intention to embed resilience across the entire asset lifecycle, adopt advanced cybersecurity and software systems, be innovative in non-network solutions, and maintain board-level governance to ensure compliant, efficient, and transparent investment for our consumers.

What are the characteristics of a 'model EDB'

38. We provide our insights with a "model EDB" in mind, recognising the need for sector-wide transformation. We are committed to a forward-looking, strategic approach that prioritises optimal consumer outcomes and supports the future electrification of Aotearoa.

Asset management

39. PowerNet considers that EDB's operating as a 'good EDB' are utilising data driven asset management. For example, we note the use of drones (unmanned aerial vehicles – UAV's) to monitor and assess line condition as a way to gain efficiencies in line inspections. The use of drones for asset inspections of lines, poles, and substations ensures a safer, faster and more data-driven response to asset management. Using this technology can result in:
    - faster fault finding and response times,
    - greater safety for field crews removing the need for movements over challenging and isolated terrains or climbing structures,
    - earlier detection for improved network resiliency through detection of failing hardware or vulnerabilities in the network,
    - lower operational costs by removing the need for helicopters or larger ground crews, and
    - better data quality.

40. We also note the effectiveness of Light Detection and Ranging (LiDAR) to establish risk based vegetation management. The use of LiDAR replaces reactive and 'calendar-based' vegetation management with targeted data driven management. LiDAR accurately maps the distance between powerlines and vegetation while modelling growth to prioritise maintenance. Replacing a highly reactive approach, this data allows field crews to focus on high-risk wildfire zones, cuts costs, and improves reliability by eliminating manual visual inspections, optimising equipment use, and reducing service outages.

41. Using LiDAR doesn't replace the need for arborists or ground crews to inspect and manage sites, rather its use supports more efficient asset management and minimises reactive behaviour and ways of working. The use of data and technology to advance efficiency for EDB's ultimately benefits consumers of today and in the future.

42. We consider free and unconstrained access to smart meter data as a priority for asset management capability. To not have easy access to this data significantly impacts visibility, and therefore management of, the network. Where information technology (IT)

and data capturing systems are outside the financial capacity of an EDB, we support the provision of shared services and removing any actual or perceived barriers to this being enabled.

Customer-centric

43. What is the maximum customer experience EDB's are willing to withstand? We consider this question to be the outer boundary from which we operate.

44. Customers are at the forefront of everything we do - a commitment that drove our recent business restructuring. We consider customer-centric EDBs are authentically transparent, approachable, and highly responsive to queries and connections, while maintaining consistent delivery and value through efficient, effective operations.

45. We consider CRM to be a critical system for ensuring good outcomes for consumers. A CRM brings a unified and coordinated customer experience that is faster and more personalised. Centralising consumer data into a single CRM ensures consistency and transparency across all interactions. It changes fragmented, reactive, and siloed habits into a connected process that tracks the entire customer lifecycle and ensures a better outcome for the customer.

46. To be a 'model EDB,' we must look past routine maintenance and fault repairs. Success means understanding what consumers need today and tomorrow, and ensuring the network remains safe, reliable, and affordable.

Finance

47. The current financial system requirements for EDBs are overly complex. It is our position that an enterprise resource planning (ERP) finance system, tailored for EDB's, is required to navigate the complexity required for EDB finances. This automates and connects core financial systems into a single and unified database.

48. As a sector, we make it hard to understand pricing and billing, it is notoriously difficult to navigate. Standardising aspects of tariffs would simplify billing, lower administrative burden, reduce billing errors, while still maintaining the flexibility that is needed for cost-reflective pricing. The benefits for EDB's include:

    - removes the need to manage multiple bespoke legacy pricing models,
    - simplifies reporting to regulators,
    - gives customers clarity, and
    - makes it easier to automate billing.

49. We support a streamlined approach that improves operational efficiency and delivers better outcomes for consumers.

Design standards & resilience

50. We support standardisation of design where practicable and acknowledge this is an area where improvement can be made. EDB's design, build, maintain and manage intergenerational assets; they need to withstand numerous climate conditions and events for multiple generations to ensure security of supply.

51. Ensuring consistency across networks enables greater workforce capability and resilience through shared understanding of materials, design and built structures. This is particularly important with the growing number and severity of natural disaster events requiring mutual aid agreements between EDBs for resource assistance. Where networks differ greatly, critical time and resource can be wasted getting ground crews up to speed with a network's hardware.

52. Resilience is just as vital to our operations as design standards. Since the October 2025 Southland/Otago storm, we have secured our fuel supply by strategically distributing fuel tanks across our networks. We have also heavily invested in emergency management training, enabling our team to respond to major events with speed and agility.

53. We support and encourage EDB standardisation around procurement and design standards where practicable.

Conclusion

54. EDB's must ensure network safety, reliability, operational efficiency, and have a strong customer-centric focus. EDB's need modern systems that are integrated, and they must reduce barriers to high implementation costs for these core services.

55. Industry-led initiatives over increased regulatory reform would be our preference. However, we do recognise and accept that slow, fragmented industry progress has eroded the Commissions (and wider officials and regulators) confidence in the electricity sector.

56. To address this, we support ENA in expanding its role as the designated industry body to coordinate these reforms, track progress, and drive urgent, industry-wide standardisation and consumer driven outcomes.

57. PowerNet operates under a highly centralised, integrated multi-network management model, utilising economies of scale. We support this model as a balance between potential inefficiency that can occur with smaller scale, or loss of autonomy through amalgamation.

58. We support the Commission's strategic, forward-looking review of the industry, however caution against forced cost-cutting or drawing direct parallels to the underfunded local government sector. We are cautious to not delay capital upgrades in favour of short-term financial relief, by implementing artificial efficiency targets that risk repeating historical infrastructure failures. Rather we support lowering price increases over time and improving the overall quality of service for consumers through innovative non-network solutions and appropriate capital infrastructure where required.

59. We agree that all consumers, large and small, must be forefront in this conversation. We consider it is the balance of meeting consumer demand, managing rapidly changing technological and climate driven environments by utilising data-driven asset management, investing in intergenerational infrastructure and non-network solutions that leads this conversation. A 'model EDB' is an EDB that can identify and front foot these challenges with innovation, cost effective solutions, and is operating as part of the coalition of the willing within the sector.

60. Lastly, we continue to be concerned by the uncoordinated approach to regulatory reform. The rapid pace and complexity of current consultations leaves little capacity for EDBs to respond, limiting our ability to provide strategic, high-quality feedback. The rate,

complexity, overlapping timelines and disjointed content risk making the consultation process appear disingenuous. Furthermore, the administrative burden of managing constant, piecemeal government consultations actively create inefficiencies for EDB's. We urge the Ministry, Commission, and Authority to more closely align their schedules and extend timeframes. This coordination will allow the engagement and response that can make meaningful change to consumers and the sector as a whole.

61. In saying this, we thank the Commission for the opportunity to respond and welcome any and all discussions around improved performance to ensure long-term and intergenerational consumer benefits.

Nāku noa nā

For more information: Michelle Fowler-Stevenson
Regulatory & Risk Manager

Paul Blue
Chief Executive