29 October 2026
Simon Wakefield
Principal Adviser, Price Quality Regulation
Commerce Commission
Via email: infrastructure.branch@comcom.govt.nz

Dear Simon

Submission on open letter: Local lines networks, achieving better outcomes for consumers now and in the future

The Lines Company Limited (TLC) welcomes the opportunity to respond to the Commerce Commission's open letter.

TLC supports the Commission's ambition for electricity distribution businesses (EDBs) to deliver better outcomes for consumers. We broadly support the three proposed pillars of delivering core network operations well, maintaining strong commercial arrangements and building capability for the future.

TLC also supports the detailed response provided by Electricity Networks Aotearoa (ENA). Rather than repeat ENA's analysis of the individual proposals, our submission highlights five principles that are particularly important from the perspective of a small, predominantly rural network.

In particular, we believe the future regulatory framework should remain focused on consumer outcomes, evidence of actual efficiency and long-term value, rather than prescribing ownership structures or particular methods of delivery.

1. Focus on outcomes, not ownership or scale

Good performance should be assessed through the outcomes consumers receive, including affordability, reliability, resilience and service, rather than the size, ownership structure or operating model of an EDB.

TLC supports collaboration and standardisation where these produce measurable consumer benefits. Shared services, joint procurement, common technology platforms, standardised processes and data sharing can deliver many of the benefits associated with scale without requiring structural consolidation.

The regulatory framework should therefore remain neutral about how scale benefits are achieved. The test should be whether the chosen model delivers efficient and sustainable outcomes for consumers, not whether an EDB has adopted a particular ownership structure or operating model.

Any consideration of ownership consolidation should be supported by clear evidence that it would produce better long-term consumer outcomes than credible alternatives, including collaboration, shared capability and standardisation.

2. Do not mistake low density for inefficiency

TLC supports greater transparency, performance comparison and benchmarking. However, these measures must distinguish between genuine inefficiency and structural characteristics that any owner of the network would face.

TLC operates approximately 4,519 kilometres of network serving an average of 24,233 connection points. This equates to approximately 5.4 connection points per kilometre, or around 186 metres of network for every connection point. Of TLC's 4,114 kilometres of overhead network, approximately 3,630 kilometres, or 88 per cent, is classified as rural, remote, rugged, or a combination of these

Benchmarking can provide useful insight but the choice of metric and denominator must reflect the costs being assessed and the underlying drivers of those costs. A simple per-connection-point measure may be appropriate for some functions, but can be misleading when comparing network costs across EDBs with materially different customer densities, network lengths, geography and operating environments. For TLC, approximately 186 metres of network is required for every connection point. The cost of maintaining and operating that infrastructure does not reduce simply because it serves fewer customers. Back-office functions should recognise differences in operating models, capability sourcing and the extent to which functions are built, bought or shared.

Cost-based measures should also be considered alongside the outcomes and long-term value delivered. Investment that improves resilience, reduces future risk or lowers whole-of-life cost may increase expenditure in the short term and therefore appear less efficient under a simple per-connection-point measure. Benchmarking should not inadvertently discourage prudent investment where higher near-term cost produces better long-term outcomes for consumers.

The same principle should apply to measures relating to procurement, asset utilisation and flexibility. A departure from a standardised approach may justify further examination, but it should not automatically be treated as evidence of inefficiency.

3. Enable EDBs to build, buy or share capability

For smaller EDBs, the most efficient way to access increasingly sophisticated capability may be to buy or share it rather than build and own it internally.

Shared services, managed technology platforms and software-as-a-service solutions can increase operating expenditure while reducing capital expenditure and total lifecycle cost. Regulatory mechanisms, including the Incremental Rolling Incentive Scheme (IRIS), should remain neutral between operating and capital expenditure and support the solution that provides the best long-term value for consumers.

This is particularly important if increased collaboration and capability sharing are expected responses to scale.

If collaboration is part of the solution, the regulatory framework should enable, rather than inadvertently penalise, the expenditure models through which collaboration through which it may be delivered.

TLC therefore supports a framework that allows capability to be built, bought or shared, provided the chosen approach is efficient, transparent and supported by evidence of long-term consumer value.

4. Keep affordability at the centre

TLC believes affordability should be explicit within the future vision for electricity distribution.

For rural networks, there are real trade-offs between affordability, reliability, resilience and investment. Progressively higher reliability standards can require significant additional expenditure, and the outcome that delivers the greatest overall value to consumers will not necessarily always be a higher quality standard.

Vegetation provides a practical example of this trade-off. In RY2026, vegetation contributed approximately 118 minutes of TLC's 310 minutes of raw unplanned network SAIDI. Approximately 113 of those vegetation-related minutes arose from vegetation outside the regulated clearance zone.

TLC continues to invest in managing vegetation risks within its control. However, materially reducing the remaining impact may require intervention beyond the existing framework under the Electricity (Hazards from Trees) Regulations 2003, with additional costs ultimately borne by consumers.

This illustrates why quality outcomes cannot be considered in isolation from affordability. The relevant question is not simply whether reliability could be improved, but whether the incremental improvement represents value to consumers given the cost and the extent to which the underlying risk is within the EDB's reasonable control.

EDBs should be accountable for efficiently managing the outcomes they can reasonably influence. Regulatory settings should also recognise external drivers, the practical limits of EDB control and the additional cost consumers would need to bear to achieve incremental improvements.

Quality standards should therefore operate symmetrically. Standards should be capable of increasing or decreasing where justified by consumer preferences, affordability impacts and economic evidence.

5. Prioritise, establish evidence, then intervene

TLC supports ENA's proposed sector-wide prioritisation exercise and the principle that new regulatory interventions should begin with a clearly evidenced problem.

The electricity distribution sector is responding to a significant and growing programme of regulatory, policy and operational initiatives. Many of these initiatives draw on the same limited specialist resources and interact with preparation for DPP5.

TLC supports a coordinated programme across the Commerce Commission, Electricity Authority and Ministry of Business, Innovation and Employment. This programme should identify the initiatives likely to deliver the greatest consumer benefit and explicitly sequence, combine or deprioritise other work.

Similarly, new performance measures should be clearly defined, appropriately baselined and tested before significant financial or reputational consequences are attached. Benchmarking should help identify areas requiring further investigation and improvement, rather than create an automatic presumption of inefficiency.

Any new intervention should:

- address a clearly defined and material consumer problem;
- recognise the causes of the observed outcome;
- account for differences between networks;
- consider existing regulatory and sector initiatives;
- assess implementation costs and unintended consequences; and
- demonstrate that the expected consumer benefit exceeds the cost.

Conclusion

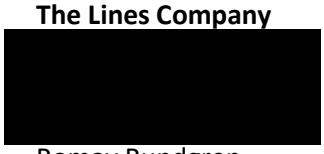
TLC supports the Commission's ambition and accepts the challenge for EDBs to demonstrate efficiency, capability and consumer value. The sector must continue to improve, collaborate and provide stronger evidence of the outcomes delivered through its expenditure and investment.

Our central request is that the pathway to the Commission's future vision remains outcomes-based, evidence-led and neutral between different ownership structures, operating models and methods of building, buying or sharing capability.

For low-density networks in particular, regulation must distinguish inefficiency from unavoidable structural cost, ensure benchmarking reflects the underlying drivers of cost and value, enable collaboration rather than inadvertently penalise it, and recognise the long-term trade-offs between affordability, reliability, resilience and investment.

TLC looks forward to continuing to engage constructively with the Commission as this work progresses.

Yours sincerely
The Lines Company



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