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Dear Simon

Feedback on open letter – local lines networks: achieving better outcomes for consumers now and in the future.

Thank you for the opportunity to respond to your open letter dated 10 September 2026.

We support the need for the regulatory settings to be fit for purpose for a sector that provides a critical lifeline service for consumers and is increasingly becoming the dominate energy source.

EDB's are pivotal in making the energy transition as smooth as possible, however we are also caught in the middle of two regulators and a government that expects more but restricts how increasing costs, including those from higher inflation and global supply chain constraints can be shared. The users of the distribution system have significantly changed, but existing load consumers continue to pay for the system with new distributed generation users only paying for incremental costs, yet in places, such as the Far North, they are becoming the dominant user of the network. The requirement to satisfy distributed generation lobbyists is passing increased costs unfairly onto other users.

This also comes at a time where many networks are working through a significant network renewal programme as networks developed 60-70 years ago are requiring replacement. The current economic climate is making the cost of this programme significant, and yet not all network users are contributing, placing the full burden onto consumers.

The Commission is very focused on efficiency, but there has been very little information provided from years of information disclosures if there are efficiency concerns. If this has been done, it hasn't been shared with the industry. The Commission has asked us to prove we are efficient however all the data is currently captured by the Commission so inefficiencies should be able to be determined through the Commissions tools (e.g. Performance Accessibility Tool). The focus appears to be on headlines – $32b AMP investment and increased line prices, rather than determining if inefficiency is the cause or whether the significant network replacements due to age, climate change adaptation, global geopolitical and supply chain implications and increased demands by distributed generation and regulatory requirements are the causes.

In FY26, Top Energy consumers only incurred 70% of the regulatory income allowable, through lower tariffs, a lines discount and a distribution from the Top Energy Consumer Trust. This sounds like a consumer owned lines company achieving a great consumer outcome – a model EDB. A similar result is expected in FY27.

Our feedback to your questions included in your open letter follow:

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?

   The proposed future state may vary from region to region, with demand growth and electrification progress varying across the motu. EDB's are focused on delivering for their consumers, taking account of the environment and consumer base (e.g. rural consumers in a deprived region with reducing annual demand may accept lower service quality or capability if this lowers cost).
   As a regional EDB, the electricity network is a key enabler for economic growth. There can always be continuous improvements, that is the core to any successful business, however there are also limitations we need to operate within, those being set by regulators and the government (e.g. incremental cost allocations to DG).
   It should also be noted that later adoption of capability may offer the most cost efficient outcome for consumers (e.g. we have deferred DSO demand management capability due to no network constraints in favour of generation management due to network requirements).

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?

   - *Delivering core network operations well:*
     - *The term "reliable services" needs to be carefully defined as reliability in highly populated area cannot be the same as rural areas. The ability to create N-1 security is more difficult in long stringy networks and would also be cost prohibitive (noting that we are looking at BESS options, but even these are an additional cost for consumers). In addition, the time taken to arrive at the fault is also longer, as is the potential for environmental hazards during events (e.g. land slips, flooding). Even if there was only one central EDB, many rural areas would have the same reliability challenges due to location alone.*
     - *A cost benefit needs to be determined to apply ISO55000, is there evidence to show that networks that apply the standard operate more efficiently. (note we are not opposed if there is value as we already have ISO9001:2015 and in the final stages of implementing ISO45001:2018).*
     - *Care is required to allocate on a cost per ICP for back-office functions, (e.g. economies of scale may not be passed on by others when you go to market, therefore if you can go to market and prove that your current costs are comparable, you shouldn't be penalised. This also assumes that there is a market within the EDB sector for these services.*
     - *There needs to be care with consumer compensation regimes if these are in addition to the regulated quality performance penalties. If there is an event that has caused a material impact to consumers (e.g. cyber-attack), that should be captured during an investigation into the quality breach and the appropriate penalty applied. This penalty under the Commerce Act could then be provided to the consumers impacted.*
     - *While we would support an "at scale" procurement arrangement, we believe that there is potentially more value in ensuring good procurement and supply chain management practices are in place (e.g. tender processes, material forecasting, critical spares management, preferred suppliers, standard design).*

        - *We support alignment of standard specifications, noting that this is a significant project to ensure different factors are included across the country (e.g. environmental conditions) and a careful transition plan would be required to prevent redesigning and increased costs.)*
        - *Clarification is required that "at scale" arrangements would not be deemed anti-competitive by the Commerce Commission if EDB's engaged in joint procurement activities as this is a current concern. If it is, then what parameters are available to EDB's. It would also be beneficial if we were able to access All-of-Government procurement benefits (e.g. computer hardware, telecommunications) which would then ultimately reduce operational costs and the regulatory asset base.*
- *Having strong commercial arrangements in place:*
    - *The issue is not around utilisation; it is how you assess growth expenditure for networks with high growth or electrification. We have deliberately pushed back investment in DSO/DERM's functionality for demand management as it is not yet required. Instead, we have invested in DSO functionality for limiting generation as we are operating with network export constraints.*
    - *Linking pricing structures and capex acceptance is not appropriate. There are multiple challenges outside an EDB's control. The current low fixed charge appeal was meant to end this year, yet due to political and regulatory direction, pricing structures will take up to another five years to be more cost reflective. This delay is preventing other cost reflective actions to take place (e.g. fixed recoveries, peak / off-peak differentials), but this is seen as less important to other political factors. In addition, it should be noted that retailers bundle pricing plans for consumers which means that there are often very little direct signals or methods to optimise user behaviour.*
    - *A clear definition of "meaningful flexibility incentives through pricing" would be required if it is linked to non-point load system growth expenditure recovery. As long as EDB tariffs are in place and regardless of actual consumer behaviours, investment should be recoverable. Care is needed as often tariff changes take time to implement as we need to manage regulatory and political (refer above) expectations and also consumer price shock. Some non-point load system growth may be driven by increasing rooftop distributed generation due to the expectation of allowing 10kW import (and any other regulatory requirements) which would need to be allowed for.*
- *Building capability for the future:*
    - *We agree that there should be sufficient funding for innovation and enablement/transformation. However, we also believe that any innovation and transformation should drive efficiencies and reduce costs so care needs to be taken in that we don't make consumers worst off. A condition should be that this should then be shared across the sector so others can implement the efficiencies.*
    - *The DSO functionality (for demand or generation) must be able to be recovered by those users that are causing the costs to be incurred and not simply shared across the incumbent consumer base.*

- *The addition point in the open letter that the future is not "consumers paying for inefficiency" and that "this should be borne by shareholders not consumers" is interesting. For a consumer owned EDB, these are one and the same, and we are focused on creating value for our consumers (and therefore shareholders). The important question is whether consumers,*

through the governance ownership review framework under the Trust Deed as shareholders, believe that the current status quo is appropriate or change should be made. This review process is already available and used every five years, no additional process is required.

- *As such what is missing is what do consumers actually want from their local EDB.*
- *Top Energy is achieving a great consumer outcome with consumers only incurring 70% of the FY26 regulatory income and a similar level anticipated in FY27. The gap difference being achieved through undercharging, discounts and dividends from our ancillary investment in geothermal generation.*

3. What are the industry's priorities, based on the needs of current and future consumers, and are we aligned?
   i. Where are the biggest areas of focus where a material difference can be made for consumers and the potential hierarchy (priority) of these?

      1. *Ensure all network users pay a fair portion of the cost, based on how much you use the network. This includes whether you are importing or exporting power.*
      2. *Safe reliable network at a fair cost to meet the consumers requirements.*
      3. *Utilising people and technologies to deliver it efficiently and ensuring our investments are timely for our network and consumer needs.*

   ii. How should priorities be valued/evaluated, and what level of assessment or quantification may be good enough for proposed regulatory interventions?

      There should be a mandatory cost benefit analysis for any changes introduced. The current wave of changes is creating unintended cost increases with little or no benefit to consumers. The power of renewable lobby groups means costs that should be applied to new entrants is being imposed on existing consumers, further driving up power bills for those who can least afford it. These reviews should be like the requirement for a Regulatory Analysis Summary as set out in "Expectations for good law making". These should include:

      - *the problem definition and evidence base*
      - *all feasible options considered (including non-regulatory ones)*
      - *costs and benefits, quantified where possible*
      - *consultation undertaken*
      - *implementation and review arrangements*
      - *any key gaps, assumptions, or uncertainties in the analysis*

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?

   A key metric that is used is the average cost per ICP per the information disclosures. Top Energy has been focused on improving this metric over the past five years and has made significant progress, even after accounting for a 200% increase in transmission charges due to the TPM change.

In addition, we have set up a Transformation Framework to manage change across the business and ensure any change (other than compulsory regulatory change) drives value for our consumers and engage across EDB's for collaboration and standardisation opportunities.

5. What is needed from regulators/regulation/legislation to enable achievement of the vision and outcomes?
    i. What other enablers are important or essential within our, or other, regulatory regimes?

    Regulatory certainty and consistency along with problem driven workstreams is essential.
    To improve the consumer confidence that has been determined as lacking (evidence to be provided), it would be beneficial for all EDB's to be under the price /quality regulation, to standardise how the regulator interacts with the sector and to provide assurance to consumers that there is appropriate oversight.

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

    To reduce the resource burden and risk of increased costs, there should be coordination and prioritisation across the industry regulators. Cost/benefit analysis should be a requirement per 3(ii).
    It is ok to regulate regardless of ownership structure as some are more focused on shareholder value, so do need to be controlled on what they charge and how much they will invest.

6. What timescales are feasible?

    Depending on the scale of change, some should be possible as part of the DDP5 regulatory reset. The quantum depends on the type of change, whether information and/or evidence is available in time.
    It is critical to coordinate with the Electricity Authority as they are introducing a significant work programme which is increasing costs to deliver higher customer service.

    i. For EDBs, do you have a clear work programme which identifies when certain capabilities or insights will be more readily accessible?

    Top Energy has created a Transformation function which has a defined roadmap which is linked to strategic plans and the annual budgeting process. The workstream include network and asset excellence, operational excellence, people, safety and risk, and customer and regulatory outcomes. Underpinning these workstreams is the data and technology enablement requirements. Resource capability is assessed by business area with each initiative prioritised and supported by the Executive Change Committee.

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?

    Not sure whether this question is appropriate to single out smaller EDB's as surely all EDB's should be assessing investments against a cost benefit analysis.

For Top Energy, a big driver is determining the consumer value by increasing costs, which is assessed through regular surveys around price/quality and any feedback from public interactions (e.g. public meetings, business association meetings). Our system or capability development timeframes also differs to other networks due to what is happening in our local area – generation growth rather than demand growth. A generic all must invest at the same time would not be efficient, which needs to be measured against cost, benefit and risk.

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 EDB's have already achieved these economic benefits through diversification and grown outside their original lines business. The following table shows some examples where the network is no longer the dominant business area and shared services are already operating, as compared to a large EDB.

Network	Network Revenue (FY26)	Total Entity (Group) Revenue	Network %
Top Energy	*$60m*	*$115m*	*52%*
Northpower	*$102m*	*$540m*	*19%*
Unison	*$200m*	*$368m*	*54%*
Counties Energy	*$89m*	*$166m*	*54%*
Vector	*$1,088m*	*$1,195m*	*91%*

It seems inappropriate for the Commission to be asking about barriers to increase consolidation, particularly calling on governors of smaller EDB. As mentioned under question 2, there are clear ownership review processes that governors go through with their shareholders to determine the appropriate ownership. This process is appropriate and should be left alone.

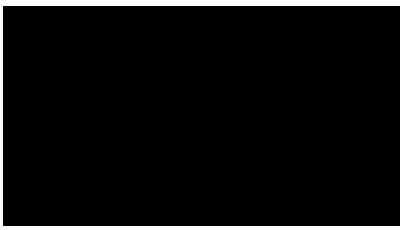
9. Are there particular proposed potential regime changes where you consider alternative approaches may be more impactful and easily implemented by both EDBs and the Commission?

No comments.

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

We understand clearly that the Commission is prepared to take more risk and be bolder in the use of the tools available. We request that care is taken in this approach and a proper understanding of the issue is defined and communicated along with clear measures of success. Collaboration is important to ensure that all consumers are better off, not just users that have the loudest voice and that any costs incurred are able to be recovered from the appropriate user.

Regards



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