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By email to: infrastructure.regulation@comcom.govt.nz

Tēnā koutou,

FEEDBACK ON OPEN LETTER: LOCAL LINES NETWORKS ACHIEVING BETTER OUTCOMES FOR CONSUMERS NOW AND IN THE FUTURE

Unison Networks Limited (Unison) and Centralines Limited (Centralines) are consumer-owned electricity distribution businesses serving communities in Hawke's Bay, Taupō, Rotorua and Central Hawke's Bay. We welcome the opportunity to respond to the Commerce Commission's open letter on local lines networks and the future regulatory framework for EDBs.

As consumer-owned entities, we operate in the best interests of the communities we serve. Guided by our vision, and values, we strive to deliver economic benefits to both our customers and consumer shareholders, while championing a sustainable energy future. We are committed to maintaining the right balance between keeping electricity affordable and making strategic investments that secure the long-term reliability and resilience of our network. In all aspects of our operations, we place strong emphasis on meeting industry compliance requirements, ensuring we uphold all relevant standards. This approach not only supports New Zealand's transition to new energy solutions but also enables our communities to access cleaner, smarter, and more flexible energy options, now and for generations to come

Executive summary

Unison and Centralines support a coordinated pathway to the 2030 regulatory reset. The central test should be whether each EDB makes sound, evidence-based decisions that improve affordability, reliability, resilience, connection performance and long-term consumer value in its operating context.

Unison and Centralines broadly support the Commission's vision for the future performance of the sector. The key question is how that vision is translated into a regulatory framework that improves consumer outcomes without constraining efficient delivery and innovation. The immediate priority is to clearly define the problems to be addressed, establish the evidence base and then select proportionate regulatory tools. The framework should set clear consumer outcomes and baseline expectations, while preserving flexibility in delivery and applying proportionate accountability. It should not assume one business model, methodology, technology platform or capability pathway will be efficient for every EDB.

The Commission, MBIE, the Electricity Authority and the sector should coordinate the pathway to the 2030 reset, ensuring near-term regulatory settings remain consistent with the longer-term direction while the evidence and case for specific interventions are developed.

Our recommendations

- Develop a coordinated pathway to 2030 that defines the problems to be addressed, builds the evidence base and provides a clear transition to the longer-term regulatory framework.
- Define good EDB performance through measurable consumer outcomes and clear baseline expectations, while preserving flexibility in delivery.
- Match regulatory tools and accountability to evidenced problems, their materiality and the extent to which they are within an EDB's control, with intervention proceeding where there is a reasonable expectation of net consumer benefit.
- Use benchmarking to identify matters for further examination, rather than as a mechanical determination of efficiency.
- Assess network, flexibility, digital and non-network options neutrally on a whole-of-life basis, supported by disciplined decision-making and post-delivery evidence.
- Apply proportionate assurance and graduated accountability where evidence identifies material or persistent deficiencies.

1. A balanced regulatory framework

The framework should start with clearly defined consumer outcomes and regulatory problems, with detailed mechanisms following rather than leading that work. We suggest four design principles:

- **Start with the problem and fit the tool to the task**. Before introducing new incentives, reporting requirements or financial consequences, the Commission should establish the nature and materiality of the problem and identify what is reasonably within an EDB's control. The Commission should also consider whether existing regulatory tools can adequately address the identified problem before introducing additional mechanisms. Financial incentives may be suitable where EDB behaviour can materially influence expenditure or service outcomes. Network access, information availability, equal treatment and coordination may be better addressed through clear baseline obligations.
- **Set common expectations while preserving flexibility in delivery**. The Commission should establish baseline expectations for the capabilities and decision disciplines needed to deliver good consumer outcomes, without prescribing one methodology, maturity pathway or operating model. EDBs should retain discretion to respond to their networks, customers, risks and scale.
- **Preserve efficient delivery and innovation**. Regulation should remain neutral between conventional network investment and efficient flexibility, digital and non-network alternatives. It should recognise that some consumer benefits emerge over time and avoid favouring familiar or lower-risk solutions where alternatives may offer better whole-of-life value.
- **Make assurance proportionate and accountability graduated**. Disclosure, assurance and regulatory intervention should reflect the nature and materiality of the issue, with stronger intervention reserved for material or persistent deficiencies.

Benchmarking should support regulatory judgement by highlighting material differences. Those differences are not, by themselves, evidence of inefficiency. Legitimate variation in geography, network condition, customer needs, growth, risk and delivery approach must remain part of the assessment.

2. Coordinate the pathway to 2030

Near-term regulatory work should form part of, rather than run separately from, the pathway to the 2030 reset. Near-term settings should remain consistent with the longer-term direction while the problem definition, evidence base and case for specific interventions are developed. The Commission, MBIE, the Electricity Authority and the sector should develop a sequenced work programme setting out intended consumer outcomes, priority problems, responsibilities, dependencies and timing.

Prioritisation should focus first on areas where there is evidence of a material problem affecting consumer outcomes, or a clear opportunity for material consumer benefit, and where EDB action can materially influence the outcome. Interventions should then be assessed against expected consumer benefit, implementation and compliance costs, risk and deliverability, and interaction with existing regulatory settings. Intervention should proceed where there is a reasonable expectation of net consumer benefit.

For each proposed intervention, the work programme should identify: the problem and its materiality; the evidence supporting intervention; the outcome sought; the matters within EDB control; the preferred regulatory tool; and interactions with existing incentives, information-disclosure requirements and DPP settings. This discipline should reduce duplication, competing regulatory signals and the risk of layering multiple mechanisms over the same underlying problem.

3. Define good performance through outcomes and baseline capabilities

Good EDB performance should be expressed through a concise set of consumer outcomes: affordability, reliability, resilience, timely connections, efficient network utilisation and clear customer value. These create a common destination without prescribing one route. Efficient delivery will vary with network characteristics, ownership, scale, customer mix, growth and service obligations.

A common baseline of good practice should cover core capabilities and decision disciplines, including:

- asset condition, criticality and risk information;
- demand, distributed energy resources and connection forecasting;
- options assessment, procurement and delivery assurance;
- cyber security, business continuity and organisational knowledge;
- pricing, connections, contracting and customer-engagement capability; and
- governance visibility of material network risks and investment decisions.

Board-level assurance should provide appropriate visibility of material risks, investment performance, consumer outcomes and capability. The information and metrics used to provide that assurance should reflect each EDB’s circumstances and the materiality of the matters being governed.

Asset management should form an important part of the baseline. ISO 55001 provides an established reference framework for demonstrating asset-management disciplines and continual improvement but should not require every EDB to adopt identical systems, organisational structures or levels of sophistication.

Disclosure should be concise, structured and evidence based. Common definitions and evidence requirements would improve comparability, while assurance intensity should reflect materiality and risk. Where an EDB identifies a material gap, it should explain the improvement required, indicative timing and how the capability will be accessed or developed. New disclosure or assurance requirements should only address identified information gaps, with existing information and assurance used wherever they provide equivalent regulatory confidence.

UNISON IN PRACTICE

Unison's ISO 55001 Asset Management System and Strategic Asset Management Plan provide a structured line of sight from organisational objectives to asset decisions. They demonstrate disciplined decision-making in Unison's circumstances, rather than a prescribed model for other EDBs.

4. Apply disciplined, whole-of-life investment assessment

Good asset management should not rely on age-based replacement or benchmarking as a substitute for judgement. Age or condition should trigger assessment, not predetermine replacement. The relevant test is economic end-of-life, informed by condition, criticality, remaining life, consequence and residual risk. The depth of analysis should be proportionate to the value and risk of the decision.

A disciplined investment assessment follows a consistent decision pathway:

Step	Assessment	Evidence expected
1	Need	Define the network need, timing, performance requirement and customer impact.
2	Risk	Assess condition, criticality, likelihood, consequence and residual risk.
3	Options	Compare renewal, augmentation, operational responses, flexibility and non-network solutions.
4	Value	Assess whole-of-life cost, affordability, resilience, deliverability and customer value.
5	Assurance	Apply technical review, governance approval and independent assurance where proportionate.
6	Delivery	Measure cost, timing, performance and consumer outcomes, and feed learning back into future decisions.

Flexibility and non-network options may have different operational and commercial risks from conventional assets. Assessment should consider availability, duration, participation, communications, controllability, counterparty, and delivery risk, alongside safety and reliability. Delivery evidence should inform future forecasts and investment choices.

UNISON IN PRACTICE

Unison's business-case framework links constraint identification, options analysis, technical review, governance, and AMP submission. Its resilience work combines hazard, asset, criticality, and connectivity information to assess consequences for essential services and communities.

5. Treat digital and customer capabilities as enablers

Asset information, interoperable systems and skilled people enable better operational and investment decisions.

Digital and distribution system operation capability should develop progressively in response to network need and customer benefit, beginning with the visibility, communications, data quality and forecasting needed to understand network conditions and available capacity. Further capability should be justified by the benefits enabled, implementation risk and whole-of-life cost. There should be no prescribed maturity endpoint.

Whole-of-life assessment should include licensing, integration, communications, data stewardship, cyber security, model maintenance, vendor dependency and workforce capability. Material non-network expenditure should be visible enough to support scrutiny, but the level of disaggregation should not exceed the value of the information produced.

Standardisation, common specifications, shared specialist services and collaborative procurement can create value. They should, however, be adopted where supported by a cost-benefit case rather than treated as a default requirement for every EDB.

UNISON IN PRACTICE

Unison's digital foundation spans ADMS, GIS, ERP, billing and ICP and knowledge-management systems. Its managed-services partnership with Centralines demonstrates how specialist capability and scale can be accessed without requiring ownership consolidation. Unison's Flexibility Programme is also developing procurement, activation, measurement, verification, and settlement capability as use cases mature.

6. Align incentives, assurance and accountability

The regulatory framework should operate as a balanced and predictable package. EDBs need confidence that prudent and efficient expenditure will be treated consistently over time. This requires predictable ex ante allowances, outcome-focused service incentives, delivery discretion, targeted ex post monitoring and uncertainty mechanisms for risks that EDBs cannot reasonably manage or control.

Greater delivery flexibility should be accompanied by robust evidence, transparency, and accountability for consumer outcomes, while stronger evidence and sustained performance should support more proportionate regulatory scrutiny.

All EDBs should meet clear baseline expectations, while disclosure and assurance should reflect the nature and materiality of the risks. Where evidence identifies material concerns, the regulatory response should progress from targeted review and time-bound improvement requirements to, where necessary, independent assurance or enhanced monitoring. Financial or reputational consequences should be reserved for material or persistent deficiencies within an EDB's control and where there has been a reasonable opportunity to address them.

Any penalties, RAB adjustments or compensation mechanisms should be prospective and evidence based. Prudence should be assessed against the information, risks, and reasonable options available when the decision was made, rather than retrospectively through the benefit of hindsight. Regulatory settings should not undermine long-term investment confidence. Assurance should focus on the quality of the decision, consideration of alternatives and evidence that expected consumer outcomes were delivered.

Incentives should compare capex, opex, flexibility payments and enabling digital expenditure on a neutral whole-of-life basis. An efficient solution may shift expenditure between categories or defer investment rather than immediately reduce total expenditure. Evidence of success could include verified availability and response, capacity released, investment deferred, customer participation, reliability, whole-of-life cost and lessons for future decisions.

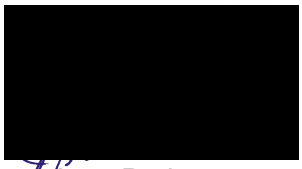
UNISON IN PRACTICE

Unison is developing an evidence-based customer-engagement framework covering reach, engagement quality, insights, influence on decisions, consumer outcomes and governance traceability. This illustrates how assurance can focus on what expenditure delivered and how it improved decisions.

Conclusion

Unison and Centralines broadly support the Commission's vision for a sector that delivers core network operations well, has strong commercial capability and builds the capability needed for the future. The focus should now be on translating that vision into clear consumer outcomes and identifying the specific problems or performance gaps that need to be addressed. The pathway to 2030 should establish clear outcomes and baseline expectations, preserve flexibility in delivery, and apply proportionate assurance and accountability. New regulatory requirements should be targeted to material, evidenced problems and genuine information gaps, with existing information and assurance used wherever they provide equivalent regulatory confidence. This would provide a coherent basis for near-term regulatory settings while building the evidence required for the longer-term reset.

Nā māua noa, nā,



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