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Feedback on open letter – local lines networks

Executive Summary

Westpower is a Consumer-owned electricity distribution business (**EDB**) serving the West Coast of the South Island, from Lyell in the Buller District in the North, to Lake Paringa in South Westland. Our network is a long, remote and geographically challenging network, with 2,185 km of overhead lines across 18,017 square kilometres supplying roughly 14,700 Consumers. We are wholly owned by those Consumers through the West Coast Electric Power Trust, and in 2025 we were named Energy Distributor of the Year at the New Zealand Energy Excellence Awards.

Westpower supports the response of Electricity Networks Aotearoa (**ENA**), in relation to the Open Letter.

We share the Commerce Commission's (**Commission**) goal that Consumers should have confidence their lines network is efficient, reliable and ready for electrification. Our concern is with the starting assumption in the Commission's open letter of 10 September 2026 (**Open Letter**), that assumes that smaller EDBs are less efficient and would benefit from greater scale. On the Commission's own data, that is not true for Westpower, and likely other small EDBs.

The Commission's own data does not support the premise

In the Commission's Performance Accessibility Tool (**PAT**), Westpower's post-tax return on investment has been below the sector median in every year from 2015 to 2026. Our Capex per ICP and our RAB per kilometre are among the four lowest of 29 EDBs in both 2025 and 2026. In addition, our total expenditure per kilometre is in the lowest third of the sector, and our SAIDI performance was better than the sector median in both 2025 and 2026. Our business support spend is 16.2% of total spend, compared to 34% - 47% for large, and other comparable rural EDBs. This is because the Westpower Group shares overheads across its electricity-focused businesses. No excess return is being recovered from West Coast Consumers, and our line charge revenue per kilometre of line is below the sector median.

Our one high measure reflects the West Coast, not office overheads

Westpower's operating cost per ICP is the highest in the sector, and we address this directly in section 2. That cost is driven by the physical conditions we operate in, not by office functions. Around 275 km of our lines run through conservation land under strict DOC concessions, rainfall reaches 5,000 to 7,000mm a year in the alpine foothills, coastal salt shortens asset life, and we serve 6.7 ICPs per kilometre against a sector median of 9.7. We also choose to maintain assets rather than replace them early, as the Open Letter itself encourages. That lifts Opex but keeps our Capex and RAB among the lowest in the country. On total expenditure per kilometre, our spend is in line with comparable rural networks. This demonstrates that small should not be presumed to mean inefficient.

The problem is cost, not efficiency

The pressures moving Consumer bills upwards are largely outside any EDB's control. Transpower's charges to Westpower rose by about 22% in each of the last two pricing years (FY26 and FY27), with no change in the level of service provided. Planning and consenting, traffic management, council rates on power poles on road reserve, DOC concession fees and the sheer volume of regulatory change all add significant cost. A work programme aimed at EDB efficiency will not move these costs. We also ask Regulators to focus on the individual EDB's whose conduct gives rise to a concern, rather than regulating all EDB's. The Authority's recent connection pricing changes, prompted by concerns that one EDB was overcharging for new connections, obliged Westpower to start charging for connections it had

previously provided free, creating more cost for new Consumers to connect, which is the directly contrary to what a model EDB should look to be doing.

The Consumer-owned exemption is working

Despite an underlying lines revenue increase of 11.6% in FY27, Westpower limited the net increase passed on to Consumers to 2.1% through a $5.5 million Consumer discount funded by its subsidiary businesses. That was delivered by elected Trustee accountability, not a price path. Price-quality regulation exists to stop owners extracting excess profit from Consumers. Where the owners are the Consumers, that risk does not arise. Extending it to Westpower and other Consumer owned EDBs would increase costs, reduce local accountability, and deliver no identifiable benefit. It would have the exact opposite effect of what is intended.

Collaboration delivers scale without consolidation

Westpower already shares design standards, procurement and System Operator arrangements with other EDBs, and is working with other South Island EDBs on shared control room options. This delivers the scale benefits the Open Letter seeks while keeping decisions, accountability and jobs on the West Coast. Consolidation of ownership is a choice for West Coast Consumers to make on the merits. Its absence is not a regulatory failure.

Some illustrative changes would penalise good performers

Two of the illustrative changes, namely full capitalisation only for "at scale" procurement, and reduced capitalisation where an EDB lacks DSO capability, would reach exempt EDBs through the Input Methodologies (**IMs**) and information disclosure (**ID**). They would distort the disclosed returns of well-run small networks without changing their revenue or benefiting a single Consumer. We voice our opposition to those.

What we ask of the Commission

- Lead the diagnosis with cost and build the work programme on evidence of poor performance, rather than potentially incorrect base assumptions about size or ownership.
- Retain the Consumer-owned exemption, and make any intervention surgical, evidence-led and applied only to the individual EDB concerned.
- Benchmark like with like, adjusted for density, terrain, land tenure and weather, and read Opex and Capex together.
- Show the Consumer discount in the Commission's performance summaries and PAT, so the price Consumers actually pay is visible.
- Recognise shared capability as a legitimate route to the outcomes sought, and treat it fairly in the IMs and ID.
- Test the ID effect of every proposed IM change on exempt EDBs before it is adopted.
- Recognise that West Coast resilience depends on non-core transmission assets that Westpower does not control.
- Test each proposed intervention against the problem it is meant to solve, its cause, the alternatives and its cost before it proceeds. Judge EDB's on the outcomes Consumers receive, rather than the methods used to deliver them.

Westpower's key message

Small does not mean inefficient. Often it means the opposite. Westpower's record shows that local ownership, shared Group scale and prudent investment deliver strong Consumer outcomes without the need for further regulation. If the Commission concludes intervention is needed, it should be aimed at the small number of EDB's requiring intervention, not at those who have worked hard to keep prices down. We would welcome the opportunity to meet with Commission staff, and to host them on the West Coast to see the network these proposals would apply to, and to show them that Westpower is a model EDB delivering core network operations well, having strong commercial arrangements in place, and building capability and resilience for the future.

Yours faithfully,

[redacted]

Peter Armstrong
Chief Executive
Westpower Limited

Appendix – Detailed response and responses to questions posed

Westpower Limited (**Westpower**) welcomes the opportunity to respond to the Commerce Commission's (**Commission**) Open Letter. This Appendix sets out the evidence behind our position and our answers to the Commission's questions. It is consistent with, and should be read alongside, Westpower's submission of 7 October 2026 to MBIE on its discussion document on electricity distribution businesses.

BACKGROUND

Westpower and its predecessors have supplied electricity to West Coast Consumers for over 100 years, across some of the most rugged, remote and hazard-exposed terrain in New Zealand. We are wholly owned by our Consumers through the democratically elected West Coast Electric Power Trust, and surpluses are returned to them as a Consumer discount. As a Consumer-owned EDB we are exempt from price-quality regulation under sections 54D to 54G of the Commerce Act 1986 (**Act**) and are regulated through information disclosure.

1. Westpower's record = Performance and scale

In 2025 Westpower was named Energy Distributor of the Year at the New Zealand Energy Excellence Awards, recognised for resilience, innovation and community engagement, and for designing and building significant decarbonisation and electrification infrastructure for the region and across New Zealand. That recognition reflects a deliberate business model, not a one-off project.

We have built our own scale

The Westpower Group's subsidiaries span electricity generation (via the Amethyst hydro scheme, and now with the consented Waitaha run-of-river scheme now in development), electrical contracting and engineering consulting (ElectroNet), all operating within the electricity industry. In FY26 the core EDB produced 20% of Group revenue and the ancillary businesses 80%. That scale lets the Group attract high-calibre directors and executives, and allows the EDB to share Board, management, IT, finance and people overheads. In FY25 Westpower's EDB business support spend was 16.2% of total spend, against 36%, 34%, and 47% for three of the country's largest EDBs, and 36%, 35%, and 40% for three comparable rural EDBs.

Most importantly, subsidiary earnings fund the Consumer discount. In FY27 the discount rose from $3.0 million to $5.5 million, holding an 11.6% underlying lines revenue increase to a 2.1% net increase for Consumers. On average the discount equates to more than one month of free power (both lines and retail charges) for a residential Consumer.

Our returns are modest and our pricing is disciplined

Westpower's EDB revenue is ring-fenced to meet EDB operating costs and the capital needs of the business, so we set prices on a philosophy of covering planned operating and capital needs, rather than the maximum allowable under the WACC regime. Our return on investment has been below the Commission's midpoint WACC in every year since 2024. The higher returns of 2022 and 2023 were largely driven by inflation linked revaluation of the Regulatory Asset Base (RAB) We do not carry speculative or non-core investments on our Consumers' account.

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The Commission's own data

The Commission's PAT dataset (version 2026.8.1, disclosure year 2025) supports our position. The following table ranks all 29 EDBs, with 1 being the lowest.

Measure (2026 unless stated)	Westpower	Sector median	Westpower's position
Post-tax ROI	5.3%	6.1%	5th lowest. Below the sector median in every year 2015–2026 (Westpower 12-year average 4.3% vs Industry average 6.2%)
Line charge revenue per km of line	$14,317	$17,839	9th lowest
Capex per ICP	$459	$769	4th lowest. Below 60% of the sector median in every year since 2015
RAB per km of line	$58,500	$88,000	3rd lowest
Total expenditure (Opex + Capex) per km of line	$10,542	$13,779	8th lowest
Business support Opex per ICP	$219	$210	Slightly above the sector median (18th lowest), but well below the rural-peer median of $270 (for 2025, Westpower was $175 vs rural-peer median $191)
Total Opex per ICP	$1,115	$598	Highest (see section 2)
SAIDI, all causes (minutes)	305	373	11th lowest, and better than the rural-peer median of 397, in a year of higher outages across the sector (for 2025, Westpower was 185 vs rural-peer median 257, resulting in Westpower being 10th lowest)
SAIFI	3.04	2.67	17th lowest, above the sector median in a high-outage year due to weather events (for 2025: Westpower was 1.60 vs industry median of 1.81, resulting in Westpower being 12th lowest)
Asset management maturity (AMMAT)	2.97 (level 3 on 30 of 31 questions)	Not comparable (self-assessed)	Meets the standard in every area but one (AMS documentation, level 2)

We make two points: First, the exemption has not produced the outcome that price-quality regulation exists to prevent. Westpower's returns have sat below the sector median for more than a decade, and no excess return is being extracted from West Coast Consumers. Second, the discipline the Commission wants to see across the sector, restraint on capital, good use of existing assets and lean overheads, is visible in the numbers. Westpower carries one of the lowest asset bases per kilometre in the country and spends less per kilometre in total than more than 70% of the sector.

2. Operating cost: the one measure on which Westpower ranks highest, and why

On total operating expenditure per ICP, the type of per-ICP measure the Open Letter proposes, Westpower ranks highest in the sector $1,115 against a median of $598 and 2026). We address this directly because, read in isolation, it would be taken as evidence for the Open Letter's premise. However, it is not. Westpower's business support cost per ICP is below the sector median. Westpower's business support cost per ICP was below the sector median in 2025, close to it in 2026 ($219 against $210), and well below the rural-peer median in both years. The difference is entirely in the field and conditions we operate in: routine and corrective maintenance ($286 per ICP against a median of $69),

system operations and network support ($358 against $125) and vegetation management ($118 against $50). Four features of the West Coast, and one deliberate choice, explain those costs, which we cover below:

1. Conservation estate and regulatory constraints

Around 275 km of Westpower's overhead lines (based on a 2026 GIS measurement against the latest DOC base map), which is more than 12% of the overhead network, run through public conservation land administered by the Department of Conservation (**DOC**): 233 km of 11 kV, 31 km of 33 kV, 10 km of 66 kV and 1 km of LV line. These corridors include the Two Mile–Hokitika 66 kV line, the only supply route to Hokitika, and everything Southwards.

Vegetation in those corridors is managed under 17 DOC concessions, and a 10-year Line Corridor Vegetation Maintenance Agreement with DOC that took effect on 1 August 2024. The agreement requires at least two weeks' written notice before any work, with maps, pole numbers, methodology and photographs. Low-growing native vegetation must be retained where practicable, trees must be dismantled rather than felled, where felling would damage the surrounding forest, felled timber must be left on site, and machinery must be washed before entry and kept to existing tracks. Any earthworks need separate DOC approval. Aerial spraying is permitted only where no other method is safe or practicable, needs two months' notice and a separate approval supported by an assessment of environmental effects, is capped at a 20 m corridor, and Westpower pays DOC's cost of assessing each request. On top of this, Westpower pays approximately $200,000 a year in DOC concession fees to maintain critical infrastructure on that land, despite there being no additional cost on DOC.

In practice growth is controlled by repeated cutting within narrow corridors, rather than the wide, one-off clearance available to networks on farmland. Annual rainfall of around 1,800–2,000 mm at Reefton, 2,600–2,900 mm at Greymouth and Hokitika, 4,000–5,500 mm at Franz Josef and Fox Glacier, and 5,000–7,000 mm in the alpine foothills, drives much faster regrowth when compared to other regions. Vegetation cost per kilometre is therefore structurally much higher nationally: $734 per km in 2025 against a sector median of $401.

The Electricity (Hazards from Trees) Regulations 2003, place the cost of maintaining clearances substantially on the works owner (i.e. the EDB), and in conservation estate there is no landowner with a commercial interest in the land to share it. The Te Tai o Poutini Plan (**TTPP**) also now adds consenting triggers for routine vegetation clearance, pole and line replacement, minor upgrading and resilience and earthworks across overlays covering most of the West Coast. Many new connections will be caught by overlays meaning resource consent will be required simply for consumers to connect to the network.

2.Density and terrain

Westpower serves 6.7 ICPs per kilometre of line against a sector median of 9.7, with long radial feeders crossing mountainous and coastal terrain to small communities. Every kilometre inspected, maintained, or cleared is spread across fewer customers, so per-ICP measures penalise Westpower for its geography before any question of efficiency arises. Westpower's 2026 disclosures classify 21% of its overhead network as remote, rugged, or both. Some pictures showing examples of the rugged terrain that our distribution lines cross are included in the appendices at the end of this document. We fund fault bases at Reefton and Harihari that would otherwise be uneconomic, and in 2026/27 we have budgeted $286,000 to maintain access roads and spray access tracks so crews can reach our poles.

3. Environment and asset life

Coastal salt, high rainfall and high humidity accelerate corrosion, and 46% of our circuit length lies within 10 km of the coast. Near the coast, fitting new corrosion-resistant hardware is often cheaper than continuing to repair existing fittings. Conventional aluminium conductor steel-reinforced (**ACSR**) conductors are vulnerable to wind-borne salt, so Westpower now specifies the more corrosion resistant all-aluminium alloy conductor (**AAAC**). Furthermore, Westpower is inspecting early ACSR in exposed areas, and shorter asset lives are applied in corrosive coastal locations. The inspection regime reflects the fact that 33 kV and 66 kV lines are patrolled every nine months, every pole, pillar box and conductor is condition-assessed on a five-year rotation, and vegetation encroachment is assessed on all feeders every two years.

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4. A deliberate choice to maintain rather than replace

Westpower's Capex per ICP, and its RAB per kilometre are each among the four lowest in the country, in both 2025 and 2026. That is not under-investment. It is a deliberate choice to extend asset life through inspection and maintenance, which the Open Letter itself endorses as making the most of existing assets by avoiding premature replacement or upgrades. Our 2026–2036 Asset Management Plan (**AMP**) records a move away from replacement strategies towards proactive condition assessment supported by repair and refurbishment, with assets renewed only when it is no longer economic to keep repairing them. The approach is working. All major 33 kV and 11 kV feeders have been replaced or refurbished since 1995 and are in good condition, distribution lines average 35 years old, and the concrete poles and AAAC conductor used on most major lines, have expected lives of around 60 years.

The consequence is a higher Opex share, and a lower Capex share of total spend. A regime that benchmarks Opex per ICP in isolation would push Westpower to capitalise work that is more efficiently done as maintenance, raising the RAB and, over time, Consumer prices.

The recent increase is largely driven by external costs

Nominal Opex rose from $11.5 million in 2023 to $15.7 million in 2025. Of that $4.2 million increase, $2.3 million was network Opex, mostly routine and corrective maintenance and inspection (up $1.3 million) and vegetation management (up $0.5 million). System operations and network support rose $1.1 million, and business support $0.8 million. Business support rose most sharply in 2024, in part reflecting the one-off cost of a new finance system, and large wholesale increases in software costs. Since then it has tracked growth in the Group's shared corporate costs, of which the network carries about a quarter under our disclosed cost allocation. In 2026 total Opex rose a further 4% to $16.3 million, with network Opex falling $0.8 million as field work shifted to capital projects.

Those increases reflect real cost pressures that are largely imposed from outside the business:

- Transmission charges, with Transpower's charges to us rising 22.1% in FY 26 and 22.4% in FY27 , and now 13.8% of our line charge revenue, up from 6.5% in 2023 ;
- Participation in the TTPP process, at a cost in the hundreds of thousands, simply to avoid needing resource consent for everyday network activities, and under the RMA which will be replaced by the new legislation and new spatial plans in 2-4 years time (potentially repeating the cost);
- Temporary traffic management, which adds up to 20% to the cost of a typical job, and full traffic management now required to reach existing roadside sites;
- Council rates on power poles in road reserve, around $140,000 a year in just one of the three council districts we operate in;
- DOC concession fees of approximately $200,000 a year;
- The "clear to sky" amendment to the Electricity (Hazards from Trees) Regulations and new hazard notices for trees outside the regulated zones, and remedying road crossings that no longer meet NZECP 34 clearances; and
- The volume of concurrent regulatory change from the Electricity Authority (**Authority**) and the Commission with no cost benefit analysis.[1]

None of these costs is within an EDB's control, and none is addressed by a work programme aimed at EDB efficiency.

Group delivery is tested against the market

Westpower's field services are delivered by its nationwide subsidiary ElectroNet Services Ltd. This gives our low-density rural network access to engineering, contracting, and technology capability far more efficiently if we were required to sustain a field services team alone. The majority of ElectroNet's earnings arise from the design and construction of major electrification projects throughout New Zealand, which results in an import of profits to the West Coast, and ultimately return of the profits to Consumers through the discount. Work on the Network is delivered to Westpower through a formal

[1] "The Electricity Authority alone closed 45 consultations in the 12 months to October 2026, with three more open. Around 13 bore directly on distribution, and each required detailed review and, in many cases, a submission.

Field Services Agreement, on commercial terms and an arms-length basis (and represents a relatively small percentage of the subsidiaries actual annual revenue). Customer connection work is open to competition. Westpower also tests ElectroNet's pricing against the market. ElectroNet Contracting holds lines contracts won in competitive tender in other regions, including for Aurora Energy. The Opex figures therefore reflect the cost of the work at or below a competitively set benchmark, not a transfer within the Group. Our related party disclosure records $14.3 million of services from ElectroNet Services in FY26 ($14.2 million in FY25) across regulated and non-regulated activities, delivered under an arm's-length contract with formal service level agreements.

Against comparable rural networks

Among the 12 networks that serve fewer than 8 ICPs per kilometre (Westpower serves 6.7, the group median is 6.6), Westpower's total expenditure per kilometre in 2025 was $9,883, in line with the group median of $9,910. In 2026 the figures were $10,542 against $10,400. The higher Opex is offset by the lowest Capex per ICP in the group. Its business support cost was $175 per ICP, the third lowest of the 12 and well below the group median of $291 (2026: $219, fifth lowest, against $270).

Westpower therefore believes that the Commission's frameworks should be based as follows:

1) Network Opex should be benchmarked per kilometre and adjusted for land tenure, terrain and density, and conservation-estate line length should be a disclosed variable.
2) Opex and Capex should be read together. Total expenditure per kilometre is the fairer efficiency measure, and on it Westpower performs well.
3) Third, a cost-per-ICP benchmark for back-office functions, which is what the Open Letter actually proposes, is one Westpower is content to be measured on.
4) Fourth, benchmarking should open a conversation, not close it. An apparent outlier should be thoroughly understood before it is labelled "inefficient". Westpower welcomes that conversation on any measure, because the explanation for our numbers lies in the geography of the West Coast, not in how we run the business.

3. Collaboration is already how Westpower operates

The Open Letter asks whether the benefits of scale are being realised. For Westpower, we can confirm they are, through collaboration. It is important to note that collaboration is deepening without any change of ownership. The distinction between *scale efficiencies* and *scale of ownership* matters.

- **Shared standards and procurement.** Through the Standard Drawings Working Group, Westpower uses common designs shared with other EDBs, which lowers stock-holding costs and strengthens purchasing power. We work with other South Island network companies to standardize network assets and designs, and apply common design and construction standards developed through the Electricity Engineers' Association (**EEA**).
- **Shared operations.** A number of operations are now shared among a growing group of like-minded EDBs, including converging system-operations and field services.
- **Knowledge sharing and mutual aid.** We seek other EDBs' in-service experience before adopting new equipment, particularly where their conditions resemble the West Coast's, and use industry-standard equipment so spares can be shared. In a major disaster we expect to draw on other network companies' stocks of conductor and poles.
- **Sector engagement.** We take part in the ENA's working groups, including its Regulatory Working Groups and Future Network Forum, our staff take part in EEA forums and other sector groups. Feedback and benchmarking from the Commission and the Authority feed into our continual improvement process.

This model delivers the outcomes listed in the Open Letter, including better-realised benefits of scale, efficient support functions and common interfaces for third parties, while keeping decision-making, accountability and the workforce on the West Coast. We support the Commission removing barriers to this kind of collaboration within Part 4, including clarity on how shared-service costs and jointly owned systems are treated in the IMs and ID.

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4. The Consumer-owned exemption should be retained

The Open Letter does not explicitly propose removing price-quality exemption. However, its direction of travel, its note on ownership, and the intermediary tools canvassed in MBIE's parallel consultation all point in the same direction. We address the question directly because it is the issue of greatest consequence for our Consumers. The case for exemption is as strong today as when Parliament enacted it.

4.1 The principle behind the exemption has not changed

Price-quality regulation exists to stop a supplier of a natural monopoly service from extracting excess profits or degrading quality. Parliament exempted Consumer-owned EDBs because, where the Consumers *are* the owners, that incentive is absent. The owner has no interest in over-charging itself. Section 52A of the Commerce Act calls for outcomes consistent with workably competitive markets, including that suppliers are limited in their ability to extract excessive profits. For a Consumer-owned EDB that limit is delivered by ownership, not by a price path. The Open Letter does not argue that this principle has failed. Its concern is efficiency and capability, which price-quality regulation was never designed to deliver.

4.2 Accountability under trust ownership is direct and local

Westpower's Directors are governed by Trustees elected by West Coast Consumers. Prices, reliability and investment decisions are scrutinised by the people who pay the bills, and live with the outages. That is a tighter feedback loop than a five-yearly national price reset, and the FY27 result described in Section 1 shows it working. The Open Letter says the costs of small scale or ineffective capability should be borne by shareholders, not consumers. At Westpower they are the same people, which is precisely why the model works.

4.3 The evidence does not show a problem to solve

Extending price-quality regulation could only be justified if exempt EDBs were demonstrably earning excess returns, or under-delivering on quality. Westpower's disclosures show neither. Our post-tax ROI has been below the sector median in every one of the last twelve disclosure years (2015–2026), averaging 4.3% against a sector median of 6.2%.In disclosure year 2025 our ROI of 3.2% was below not only the Commission's mid-point post-tax WACC of 6.18% but also its 25th percentile estimate of 5.50% ([2024] NZCC 7). In 2026 our ROI of 5.3% remained below the mid-point of 5.90%. Our SAIDI has been better than the rural-peer median in both 2025 and 2026, despite the region's hazard exposure.

Regulation should respond to demonstrated harm, not the theoretical possibility of it. Where the Commission has a concern about a particular exempt EDB, it already has tools: enhanced disclosure under section 52P, published performance comparisons and, ultimately, a recommendation to the Minister. A sector-wide change to address the performance of some EDBs would be disproportionate. The Authority should likewise target EDBs where a problem has been identified, rather than making sector-wide rules that add reporting burden and cost for all Consumers, without a corresponding benefit.

4.4 Price-quality regulation would cost West Coast Consumers money for no return

A default price-quality path is not free. It requires the EDB to build and maintain a regulatory function, engage advisers for resets, reopeners and compliance, and carry the cost of the Commission's own process. Westpower estimates a default price-quality path would add $200,000 to $300,000 a year, covering two FTEs, and some consulting support. That is roughly $14 to $21 a year for each of our around 14,700 Consumers. Against that cost, the benefit is nil, because there are no excess returns to claw back. The default path is also built around a sector-wide model that fits a remote, low-density network poorly, and would push Westpower towards either a costly customised price path or under-investment in resilience to fit a formulaic allowance.

4.5 It would weaken the outcomes the Commission wants

The Open Letter asks EDBs to be resilient, to invest where evidence justifies it, and to prepare for electrification. Trust ownership lets Westpower take a long view. Our owners are not seeking a maximised return on investment, and the business can commit to resilience and capability without fitting each decision inside a regulatory allowance cycle. Price-quality regulation rewards conformance to the allowance and creates well-known incentives to defer, game timing, and litigate reopeners.

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Applying it to a business already behaving as the Commission requests as a model EDB, will make outcomes for consumers worse, not better.

4.6 Consolidation is not a substitute for performance

The Open Letter encourages smaller EDBs to review ownership options. Westpower's Board and Trustees review the merits of the business model periodically, and will continue to do so. But the efficiencies the Commission has identified (such as joint procurement, common standards and leaner overheads), are being captured through collaboration (section 3), without the transaction costs, and loss of local accountability and loss of regional employment that a change of ownership would bring. The "insurance-like" benefit the Open Letter attributes to consolidation is equally available through mutual aid, reinsurance and, for the largest events, existing government support. It must also be weighed against the reality that a distant owner of a West Coast EDB would be less likely to prioritise investment in a remote, low-return region. The West Coast's experience with its transmission supply, where assets outside the core grid face only an economic test (Annex A), is instructive.

4.7 Any intermediary regime should be triggered by evidence, not size or ownership

If intermediary tools are pursued for Consumer-owned EDBs, they must be surgical rather than follow a blanket approach. They should be:

- Triggered only by objective, disclosed evidence of under-performance by the individual EDB, against comparators adjusted for density, terrain, land tenure and weather exposure;
- Applied through an escalation approach, in which transparency, engagement, targeted information requests and independent assurance all come before anything stronger, and the least intrusive effective response is always preferred;
- Proportionate, with a clear path back to ID-only regulation once performance is demonstrated; and
- Designed so that a well-performing exempt EDB faces no additional cost or process.

Blanket rules prompted by the conduct of some EDBs have already produced unintended consequences for networks like ours. The Authority's connection pricing changes, which obliged Westpower to start charging for connections it previously provided free, are a recent example. A revenue or performance threshold calibrated on national averages would also capture the West Coast for reasons that have nothing to do with performance. The Authority should likewise target EDBs where a problem has been identified, rather than making sector-wide rules that add reporting burden and cost for Consumers, without a corresponding benefit.

5. The illustrative regime changes

Most of the changes in the Open Letter are price-quality tools and would not apply to Westpower while the exemption stands. We comment on them because several would reach exempt EDBs through the IMs and ID, and because they show how the Commission is thinking about scale.

Section 52A of the Commerce Act is a test of outcomes in the quality, price, innovation and sharing of efficiency gains that Consumers receive. Several of the illustrative changes regulate the means instead, whether a procurement route, a specification, a certification or a set level of back-office cost. Competitive markets do not produce that kind of uniformity. Firms reach good outcomes in different ways suited to their customers and their geography. On the West Coast that means corrosion-resistant hardware, AAAC conductors, and a strategy of maintaining rather than replacing assets, choices a national template would not make but which keep our Capex and RAB among the lowest in the country. Departing from a preferred method is not evidence of inefficiency.

Illustrative change	Reaches an exempt EDB?	Westpower's view
Streamlined allowance acceptance for ISO 55000-grade asset management	No (price-quality regulated EDBs only)	Supported in principle for regulated EDBs. For exempt EDBs, recognise equivalent maturity through AMMAT disclosure rather than a new certification cost.

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Illustrative change	Reaches an exempt EDB?	Westpower's view
Opex assessed on standardised cost per ICP for back-office functions	Indirectly, via benchmarking and disclosure	Acceptable for genuine back-office functions. Any wider benchmark must be normalised for km of line per ICP, land tenure, hazard exposure and remoteness, and validated with the EDB before publication (see section 2).
Consumer compensation for consequential failures from inadequate capability	Possibly, via the Code	Outages caused by upstream transmission failures or natural hazards must be excluded. On the West Coast the largest outage risks sit with non-core transmission assets Westpower does not control. Questions of legal power, causation, insurability and overlap with existing quality penalties would also need to be resolved before any such regime could be fair.
Full capitalisation only for assets procured to a standardised specification at scale	Yes, as the asset valuation IM applies to ID	Opposed. This would write down the disclosed RAB of any EDB procuring outside a national frame, inflating disclosed ROI without any change in actual returns, and would penalise fit-for-purpose procurement such as corrosion-resistant hardware for the West Coast. Joint procurement should be encouraged, not enforced through the RAB.
Utilisation metrics in expenditure assessment	Indirectly, via disclosure	Supported as a disclosure metric, provided low utilisation driven by geography (long radial feeders serving small communities) is distinguished from low utilisation driven by poor planning.
Reduced capitalisation of growth Capex where an EDB lacks flexibility or DSO capability	Yes, as the asset valuation IM applies to ID	Opposed as framed. Capability "potentially shared with others" (Open Letter, footnote 6) must be recognised in full. A capability test applied to the RAB punishes Consumers through distorted disclosure for a management issue the Commission could address directly. Flexibility markets are still at an early stage, so any expectation must be set in advance, be proportionate, and judge investment on what was reasonably known when the decision was made, not with hindsight.
Larger innovation funding, and INTSA for DSO preparation	No (allowances)	Exempt EDBs cannot access these mechanisms. If the Commission wants exempt EDBs to invest in DSO capability, it should say how it will support that or recognise shared arrangements between EDBs as an efficient route.
Capitalisation of aggregation transaction costs	Only if aggregating	Neutral, but the regime would subsidise the transaction costs of consolidation while offering nothing for the costs of collaboration. Shared service establishment costs should receive equivalent treatment.

The common thread is that IM changes carry into ID, and therefore into the public picture of an exempt EDB's returns, without any effect on its revenue. Used carelessly, they would make well-run small EDBs look worse on paper and erroneously feed the very narrative the Open Letter starts from. We ask the Commission to assess the ID consequences of every proposed IM change explicitly, and to consult exempt EDBs on them as a distinct group.

The changes must also be assessed together, not one at a time. Each may look reasonable on its own, but in combination they could make deferring renewal, resilience or growth investment the cheapest option for an EDB. On a network as exposed to natural hazards as ours, that is the last outcome West Coast Consumers need.

6. Responses to the Commission's questions

Q1. Is the proposed future state focus appropriate?

Broadly, yes. Delivering core operations well, having strong commercial arrangements and building capability are the right three elements. We would add a fourth: *Governance and Accountability to Consumers*, which gives effect to the other three and which Consumer ownership already provides.

The vision should also state that regulatory settings will be proportionate to demonstrated performance, not to size. Capability should be judged by the outcomes it delivers, not by whether an EDB has built, shared, or bought such capability.

Q2. Are there aspects not adequately addressed in the vision statement?

Yes.

First, the interaction between distribution and transmission. On the West Coast, the reliability and resilience Consumers experience depends heavily on non-core transmission assets subject only to an economic test, and on transmission pricing decisions that can move millions of dollars onto a small Consumer base (Annex A). A vision for good EDB performance is incomplete without a matching expectation of the transmission supply the EDB depends on.

Second, the Open Letter treats the limitations of small scale as a cost to be borne by shareholders, without weighing the benefits of local ownership such as faster local decision-making, retained regional skills and employment, and investment priorities set by the people affected.

Third, proportion. Distribution is one part of the bill. Gentailers posted combined net profit of $959 million in the 2026 reporting season, and spot price volatility and dry-year risk influence what Consumers pay far more than distribution charges do.

Q3. What are the industry's priorities, and how should they be evaluated?

Westpower's priorities, in order, are:
(1) Resilience of supply, including the transmission link, given the region's hazard profile;
(2) Keeping real prices stable while accommodating electrification;
(3) Building DSO and flexibility capability at efficient cost; and
(4) Standardised third-party interfaces for connections, pricing structures and network data.

On evaluation (Q3.2), each proposed intervention should clear a simple gateway before it proceeds in terms of:

i. What harm is occurring and the evidence for it;
ii. Whether the cause lies within the EDB's control;
iii. Whether Part 4 is the right tool;
iv. What existing work will already deliver;
v. The cost, including the work it displaces; and
vi. How and when success will be reviewed.

This is what the Government's Expectations for Good Regulatory Practice already ask of Regulators, and what Regulators already expect of EDBs' own investment decisions. Interventions that cannot show a clear Consumer benefit should not proceed.

Q4. How do EDBs determine the capability required?

Required capability flows from Westpower's Statement of Corporate Intent **(SCI)**, which the Trust considers each year, often with independent advice benchmarking Westpower against similar companies. Our Asset Management Policy links the SCI to the Board-approved AMP, which sets targets for safety, reliability, security, sustainability, resilience, efficiency, environment, risk and legal compliance, including SAIDI and SAIFI by Consumer group, faults per 100 km, Opex and Capex ratios and an asset renewal ratio. Capability is assessed annually against the Commission's AMMAT, and resilience against the EEA's resilience maturity tool. Consumer preferences on price and reliability are tested through regular surveys. We would support disclosure of a short, common set of Board-level metrics, provided they are defined with the sector, and normalised for network characteristics.

Q5. What is needed from Regulators to achieve the vision?

First, show the Consumer discount and equivalent mechanisms in the Commission's performance summaries and PAT. At present the published comparisons show Westpower's 11.6% FY27 increase, not the 2.1% our Consumers actually experienced.

Second, coordinate the Regulators: a single prioritised forward work programme across the Commission, the Authority and MBIE, with independent cost-benefit testing of new obligations before they are consulted on or imposed. The volume of concurrent change is now the biggest constraint on a small EDB's capacity to collaborate, and adds cost for Consumers without a corresponding benefit.

Third, clarity on the IM and ID treatment of shared services, jointly owned systems and joint procurement, so collaboration is not penalised.

Fourth (Q5.2), reduce burden by rationalising overlapping disclosure and AMP forecasting requirements, and by not extending price-quality processes to EDBs where there is no evidence of harm.

Q6. What timescales are feasible?

Much of Westpower's collaboration is already operating. The Standard Drawings Working Group and the Upper South Island Group's shared System Operator arrangements are in place, and Westpower has been actively supporting and driving Common Competency standards within its own business for more than 10 years. Regulatory change should follow, not lead, the sector's own collaboration timetable, and exempt EDBs should be able to see the ID consequences of any IM change well before it takes effect.

Q7. For smaller EDBs, how is the impact of capability cost assessed?

Westpower assesses capability investment on the same basis as network investment. In other words, expected benefit to Consumers against whole-of-life cost, with shared delivery as the default where it exists. Where cost prevents progress, that is usually a signal the capability should be shared, not that the EDB is too small to exist. For a network like ours, the binding cost driver is geography, not scale. The same kilometre of line costs more to maintain in conservation estate at 6.7 ICPs per kilometre than on farmland at 15, whoever owns it.

Q8. What are the barriers to consolidation and standardisation?

Consolidation and standardisation should be distinguished. Standardisation faces few regulatory barriers, and Westpower takes part in in ENA workstreams to achieve standardisation across EDBs. Consolidation of ownership is not a barrier problem. It is a choice that West Coast Consumers, through their Trust, are entitled to make on the merits and have deliberately not made. We ask the Commission not to treat the absence of consolidation as a regulatory failure when it reflects a deliberate decision by West Coast consumers about the ownership and control of their network

Q9. Are there alternative approaches that would be more effective?

Yes. Instead of RAB-based penalties through the IMs, the Commission could publish a normalised performance scorecard agreed with the sector, with the Consumer discount included, recognise shared capability explicitly in ID, and require exempt EDBs to disclose how ancillary investment income was applied (Consumer discount, community distribution or retained earnings). Intervention would then be reserved for EDBs whose scorecard shows sustained under-performance, following the escalation path in paragraph 4.7 above. That would be cheaper for everyone, target the actual problem and leave well-performing exempt EDBs alone.

Q10. How should the work programme be developed with the sector?

We support a co-designed work programme with a distinct workstream for exempt EDBs, given the Commission's tools for them are different. We would welcome a workshop with Consumer-owned EDBs and the ENA before the Commission settles its programme, and a published summary of how submissions have been weighted. We also ask the Commission to explain how feedback on MBIE's parallel consultation has shaped its thinking, so the sector is not asked the same questions twice.

7. Conclusion

Westpower shares the Commission's goal of a distribution sector that delivers value, reliability and readiness for electrification. Our requests are set out in the Executive Summary. We would welcome the opportunity to meet with Commission staff to discuss this submission on site, and to demonstrate the collaborative initiatives described above. We have sought to keep this submission consistent with our submission to MBIE.

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Annex A – Transmission dependence on the West Coast

Westpower's reliability and resilience depend on transmission assets it does not own, which are planned to a lower standard than the core grid and priced under rules that can move material cost onto a small Consumer base.

Non-core grid, economic test only

Under the grid reliability standards in Schedule 12.2 of the Electricity Industry Participation Code (**Code**), only the core grid is planned to a deterministic N-1 standard. The West Coast 110 kV and 66 kV assets are non-core, so investment in them must pass an economic test alone.

Limited N-1 capability

Supply enters the West Coast from the north over two 110 kV circuits from Inangahua to Dobson. The southern network is fed by the double-circuit 66 kV line from Coleridge through Otira, which is limited to around 25 MVA, and the only link between the two, the 66 kV Dobson–Kumara line, is limited to around 30 MVA. Our 2026–2036 AMP puts firm (N-1) capacity at 17 MVA at Dobson GXP and 20 MVA at Hokitika GXP. Hokitika was already at 93% of firm capacity in 2025, and forecast demand exceeds it from 2028, reaching 127% by 2031. Greymouth GXP was at 91%.

Reclassification risk under the transmission pricing methodology

Clause 23 of the transmission pricing methodology (Schedule 12.4 of the Code) allows an asset to be reclassified as a connection asset where that is reasonable in all the circumstances. If Coleridge–Otira were decommissioned, Kikiwa–Inangahua–Dobson would become a spur, and could be reclassified, moving full connection charges onto Westpower. The anti-loop provision does not help. It stops connection assets becoming interconnection assets when others build new loops, but it does not protect existing interconnection assets from reclassification, and it would prevent Westpower restoring interconnection status by building a loop of its own.

Buller Electricity Ltd v Electricity Authority and Transpower New Zealand Ltd [2024] NZHC 706 shows the scale of the risk: the judicial review of a 427% charge increase was dismissed, and ability to pay was held not to be a required consideration. For comparison, Westpower's FY27 transmission charges are $5.15 million, of which only $0.71 million is connection charge. The rest is residual ($3.98 million) and benefit-based ($0.47 million) charges.

What we ask

That the Commission's view of good EDB performance recognises these upstream constraints, that it work with the Authority and Transpower so that reliability investment and pricing decisions for non-core regions are tested against their effect on the Consumers who pay, and that any reclassification moving material cost onto a small Consumer base carry explicit transitional protection.

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Appendix A – Examples of rugged terrain that the Westpower Network transverses:







