26 August 2026

Ben Woodham
EDB Manager
Commerce Commission
Wellington

Via email: infrastructure.regulation@comcom.govt.nz

ERGANZ SUBMISSION ON THE ORION CPP 2027 PROCESS AND ISSUES PAPER

The Electricity Retailers' and Generators' Association of New Zealand ('ERGANZ') welcomes the opportunity to comment on the Commerce Commission's Process and Issues paper on Orion New Zealand Limited's customised price-quality path proposal, dated 5 August 2026.

ERGANZ is the industry association representing companies that generate and sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 percent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Executive summary

ERGANZ does not oppose Orion's proposed expenditure allowances. Orion serves a growing region, caters for seismic risks, and has met its quality standards for a decade. The case for reinvestment is well argued, and the Commission is better placed than ERGANZ to test the engineering supporting the case.

ERGANZ is submitting because the application has a precedent setting role beyond Orion's network. It is the largest single request for additional consumer-funded network revenue before the Commission, it is in the context of a public debate about affordability, and every other distributor considering the same route will read the decision closely.

In ERGANZ's view the public and political affordability debate are disconnected from current and emerging cost drivers. Electricity Authority data for the first half of 2026 shows lines charges accounted for 54 percent of the increase in household and small business bills. Yet, much of the public debate misses this, and therefore, misses the appropriate scrutiny on this application.

On the figures in the Process and Issues paper, Orion's allowable revenue would rise by roughly 96 percent in real terms between DY25 and DY32. ERGANZ asks the Commission to state that cumulative impact clearly in its draft decision, and furthermore, asks MBIE to hold a strategic, whole-of-country view of network cost increases that no single regulatory process currently holds.

The Commission's proposed lines of inquiry are the right ones and ERGANZ encourages the Commission to press them hard. The test is not only whether the spend is justified on its own terms, but whether the orthodox way distributors do business remains the cheapest way to serve consumers.

To prove this, Orion should make its consumer case publicly and in plain language. Social licence for network investment now matters to the sector as much as the regulatory detail of any single application. ERGANZ acknowledges that its members have an interest in where the affordability debate is directed, however, this does not change what the data shows.

Affordability for end consumers

Electricity affordability is under more public scrutiny than at any point since the 1990s reforms, and most of that scrutiny falls on gentailers. However, the Authority's August 2026 release on retail price changes found that prices for households and small businesses rose 6.8 percent on average over the first half of 2026, following an 8.0 percent rise in 2025, and that higher lines charges were the largest single driver at 54 percent of the increase.

That outcome is unsurprising and is not a criticism of distributors. It is the foreseeable consequence of DPP4, which lifted allowable capex across EDBs by around 35 percent and opex by around 19 percent in real terms. Those decisions were made deliberately and for reasons ERGANZ largely accepts. Networks need renewal and electricity demand is growing. The Commission also signalled at the time that a first-year increase of about $120 for the average household would be followed by roughly $60 a year in each of the four years after, before any CPP is added on top.

Now all these costs are showing up on household bills, they are the largest contributor to recent increases, yet they are the component of the bill consumers can do least about. A consumer unhappy with an energy price can switch retailers, but a consumer unhappy with a lines charge has no equivalent option. Retailers are confronted with strong customer demands for why electricity costs are rising and what retailers are going to do about it.

The Commission notes at paragraph X29 that it has limited ability to address affordability through the CPP process. We agree this is correct, however, it is also true that the allowances the Commission approves are the driver of affordability in this part of the bill and no other government agency has responsibility for it..

Publishing cumulative consumer impacts

Orion proposes a 16.8 percent increase in net allowable revenue in DY28, followed by 9.7 percent in each of the four remaining years. Those increases follow the DPP4 increases already approved for Orion of 20.1 percent in DY26 and 12.0 percent in DY27.

Compounded, that is an increase in Orion's allowable revenue of approximately 128 percent in nominal terms, or approximately 96 percent in constant dollars, between DY25 and DY32. Orion's revenue requirement close to doubles in real terms over seven years.

Orion's estimate of $9 to $11 per month more by DY32 than under a DPP fairly describes the marginal effect of the CPP against its counterfactual. But it describes poorly what Orion's customers will actually experience, because the counterfactual is itself rising steeply. ERGANZ asks the Commission to publish the full DY25 to DY32 path in its draft decision, in nominal and constant dollars and per ICP, alongside the CPP-versus-DPP comparison. Consumers and their advocates cannot engage usefully with the November consultation on a marginal figure alone.

ERGANZ supports the Commission's work on revenue shaping in Chapter 5 and accepts that smoothing is worth its time value cost. Two cautions apply. Smoothing defers rather than reduces, and each year of deferral pushes cost into the DPP5 period where it will compound with the next round of increases. The per ICP measure raised at paragraph 5.18.1 should also be handled carefully. Connection growth spreads fixed costs across more payers, which is a real and welcome effect, but a larger customer base does not mean an individual household's capacity to absorb an increase has improved.

The government needs to take an overall view

Orion's CPP is one of several concurrent processes adding to the delivered cost of electricity. DPP5 is being reset over the same window and will set DY31 and DY32 for every other distributor. RCP4 sets Transpower's revenues. Connection pricing reform is underway at the Authority, the low fixed charge phase-out completes, and Aurora and Powerco are already on customised paths.

Each process is assessed on its own terms and each may well be defensible on those terms. But no agency is assessing the cumulative impact. MBIE is the only agency positioned to do that, and ERGANZ asks it to pick this strategically important work up and incorporate it in its advice to Ministers. The question for ministers is not whether Orion's $1.51 billion forecast is prudent, but what is the total network cost New Zealand is committing consumers to over the next decade, and whether this has any adversely negative consequences on electrification and household finances.

Electrification depends on electricity being cheaper than the fossil fuel it displaces at the moment a household or business makes an investment decision. Network cost increases of this scale work against that, at the same time as policy is trying to accelerate it. ERGANZ raises this as a strategic problem for officials rather than as an objection to Orion's proposals.

A related precedent question sits with the Commission. Orion is a capably run distributor that has met its quality standards for ten years and is not in the position Aurora was when it applied. If a CPP of this scale is available to a distributor in that position, the CPP starts to look less like an exception to the default path and more like an alternative to it. ERGANZ asks the Commission to be explicit in its draft decision about which features of Orion's circumstances justify departure from the DPP, because the answer will shape what other distributors do heading into DPP5.

Testing how networks operate

ERGANZ supports the areas of focus set out in Chapter 2 and encourages the Commission to press them. The top-down consumer benefit test at paragraphs 2.30 to 2.32 is the most valuable of them.

Orion should be required to model a lower investment scenario and quantify the service outcomes consumers would experience under it, using VOLL or an equivalent measure. Absent that, maintaining current service levels is a description of an input rather than a benefit, and neither the Commission nor consumers can test whether the last $200 million of the programme will actually deliver anything consumers value.

The review of investment decision quality at paragraph 2.27 is the right instrument. What matters is whether the alternatives are genuinely priced, including deferral, pricing responses, demand-side flexibility and third party services. ERGANZ members supply flexibility and hold the relationships with a growing fleet of consumer devices, batteries and EV chargers. Investment plans built on the assumption that flexibility will not be available produce more capex than consumers need to fund.

ERGANZ supports the Commission commissioning independent expert analysis of the network transformation programme, as canvassed at paragraph 2.37, and linking growth-related allowances to observed utilisation as canvassed at 2.29. Utilisation staging is the mechanism most likely to stop consumers paying in advance for capacity that existing assets could have carried.

On uncertainty, ERGANZ prefers upfront allowances with reprioritisation flexibility to an expanded suite of reopeners. Reopeners move forecasting risk onto consumers and introduce in-period bill volatility for a group with no ability to plan around it. ERGANZ supports the Commission's initial view at paragraphs 3.20 and 3.21 on the urgent project allowance. Retrospective recovery of expenditure incurred well before an application weakens the discipline the application process is meant to impose.

ERGANZ supports enhanced disclosure through an Annual Delivery Report, and the Commission's proposal at paragraph 7.13 to require reporting on capability and practice rather than spend alone. Where allowances are approved and the work is not delivered, the result is higher profit rather than better service, and the reputational cost impacts on the whole sector.

Social licence requirements

ERGANZ's final point is directed at Orion rather than at the Commission. Orion consulted its customers by the standard of past CPP applications, and the verifier says so. Consulting before an application is not the same as making the case publicly and widely. The vast majority of Orion's customers will only see and understand the effects of this application once they receive their power bill delivered by a retailer. At this point, there is little they can do.

ERGANZ urges Orion to publish its consumer benefit case in plain language, to say what consumers get for their money in terms they can check, and to report against it annually and publicly. Orion also needs to proactively engage in media articles. The rest of the sector, ERGANZ members included, needs to hold itself to the same standard. Public acceptance for infrastructure cost increases is not unlimited. If it runs out, the response will be political and it will likely harm the long-term interests of the sector.

Conclusion

ERGANZ thanks the Commission for the opportunity to comment on the Process and Issues paper. If there are any outstanding questions, please let me know.

Yours sincerely,
Kenny Clark
Policy Consultant