

14 August 2026

Infrastructure Regulation
Commerce Commission
Wellington

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ERGANZ SUBMISSION ON THE DRAFT RESILIENCE PRINCIPLES GUIDANCE FOR CRITICAL INFRASTRUCTURE PROVIDERS

The Electricity Retailers' and Generators' Association of New Zealand (ERGANZ) welcomes the opportunity to comment on the Commission's draft guidance document, 'Resilience Principles: Decision-making framework for critical infrastructure providers', dated 3 July 2026, and on the ResOrgs report published alongside it.

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.

While this guidance does not apply to our members directly, we are submitting because our members and their customers pay for the investment it will influence. Transmission and distribution charges make up about a third of a typical residential bill and retailers carry those charges through to the customer. Ultimately, it is retailers who customers contact when their bill goes up and it is generator-retailers who have been subject to high levels of political, regulatory, and Commission scrutiny.

Executive summary

ERGANZ supports the Commission publishing guidance in this area. Resilience investment is large, long-lived and paid for by consumers, and the quality of the decisions behind it varies. The four-stage structure in Chapter 2 is a fair statement of good practice, and the emphasis on evidence, on developing a real range of options, and on testing benefits against costs is the right emphasis.

ERGANZ makes three points on the draft, and one point about the standard the Commission applies to itself and to other regulators.

First, proportionality needs to be operational rather than stated. The guidance says at paragraph 1.3 that the level of expected analysis is proportionate to the scale, context and materiality of the investment, and at paragraph 3.4 that the indicators in Table 3.1 are not a checklist. In practice Table 3.1 will be used as one, both by providers assembling expenditure proposals and by those assessing them, because it is the only concrete statement of what the Commission wants to see. ERGANZ asks the Commission to say what triggers the fuller analysis, preferably as a materiality threshold expressed in dollars or as a share of allowed expenditure, and to show what a proportionate assessment looks like below that threshold. A smaller investment should not need GIS layers at three return periods and a targeted community engagement programme to be approved.

Second, the cost consumers bear should be part of the principles, not part of the context. The foreword puts the position well: it will not be efficient to mitigate every risk through infrastructure hardening, decisions involve trade-offs between cost, resilience and service levels, and consumers ultimately bear the costs and benefits of those choices. That reasoning does not carry through into Chapter 2 or Table 3.1, where the expectations run consistently toward more analysis and more assurance. ERGANZ asks that the affordability test in the foreword be written into the principles themselves, so that a proposal is assessed on whether the benefit to consumers justifies what consumers pay for it.

The same test should apply to the analysis. Multi-hazard forecasting, GIS modelling, criticality frameworks, MERIT or Monte Carlo analysis, and targeted engagement with affected communities and iwi all cost money, and for regulated providers that money is recovered from consumers. Proportionality needs to apply to the cost of demonstrating a decision as well as to the cost of the decision itself.

Third, the guidance should say plainly that the objective is optimised resilience rather than maximum resilience. The ResOrgs report states that the marginal cost of investing in resilience will at some point exceed its marginal benefit, and that consumers can be worse off with gold-plated solutions. That conclusion does not appear in the draft guidance. It should. Principle 7 lists accepting risk as a risk management strategy and Principle 9 includes doing nothing among the options to be considered, but the guidance sets out at length what the Commission expects to see supporting a decision to invest and says very little about what it expects to see supporting a decision not to. Some residual risk is efficient. A provider that accepts risk on well-evidenced grounds should meet the same regulatory reception as one that proposes to spend.

Fourth, and more broadly, resilience expenditure is being added to a cost base that is already rising quickly. Under RCP4 the Commission has set Transpower's forecast smoothed maximum allowable revenue to rise from \$976.7 million in the pricing year ending 31 March 2026 to \$1,314.4 million in the year ending 31 March 2030. DPP4 lifts allowed distribution revenues across the same period. The effect is visible at the network level. Orion has advised that households on its network are paying about \$16 a month more from 1 April 2025 for higher distribution and transmission costs, and its proposed customised price-quality path for 2027 to 2032 seeks approval for a further \$1.51 billion of investment, which the Commission estimates would add about \$7.50 a month to a typical household bill in the first year and about \$3.50 a month on average in each of the remaining four years.

ERGANZ does not say that this expenditure is unjustified. Much of it replaces ageing assets and builds the capacity electrification requires, and our members support both. The point is about the standard applied. Our members are asked, frequently and publicly, to explain how they are helping bring prices down by political and regulatory authorities, including the Commission itself. The same question should be asked of every part of the system: what will this add to household and business bills, what benefit will it deliver, and is there a lower-cost way to achieve the same outcome? Resilience expenditure should meet the evidential standard the Commission applies elsewhere, and this guidance is a good opportunity to set that standard.

The draft guidance makes a version of this point itself. In the discussion of logical interdependencies it observes that resilience outcomes depend on how the provider, the Commission, other regulators, councils and emergency management settings interact, and that constructive cross-agency engagement is needed to support efficient resilience outcomes. ERGANZ agrees. Costs reach the same bill whichever agency imposes them, and no agency currently holds a view of the cumulative total. ERGANZ has commissioned work on the cumulative cost of regulatory interventions falling on retailers and would be happy to discuss that work with the Commission.

Consultation questions

Questions	Comments
Q1. Is the draft guidance clear about its purpose and practical status, including the level of analysis and rigour the Commission expects for more material resilience expenditure proposals?	The purpose is clear, but the status is not. Paragraph 1.2 says the guidance is not a requirement for each provider to immediately and fully incorporate. Paragraph 2.5 expects the transition to mature practice to occur within a reasonably short timeframe. Paragraph 3.3 describes the Chapter 3 baseline as part of usual business activities for a prudent and efficient provider. The foreword says clear demonstration of systematic planning will be important to support revenue allowances sought. ERGANZ suggests the Commission say directly how the guidance will be used in DPP resets, reopener applications and CPP assessments, and whether a provider that has not followed it faces a higher evidential burden. On rigour, the guidance describes what good looks like but not what triggers it. A materiality threshold would resolve this.
Q2. Is it clear how the draft guidance should be applied proportionately across sectors with different levels of maturity?	Across sectors, yes. The foreword distinguishes water, which is early in its regulatory arrangements and facing a large investment programme, from mature network providers with more gradual investment cycles.

Questions	Comments
	Within a sector, no. The guidance gives providers no basis for treating a \$2 million project differently from a \$200 million one, beyond repeated use of the word significant. ERGANZ suggests tiering the expectations. Below a stated threshold, a documented risk assessment, a defined set of options assessed against consistent criteria, and a proportionate cost-benefit assessment should be enough. Above it, the fuller Chapter 3 evidence applies. The guidance should also say how it relates to the resilience material the electricity sector already uses, including the EEA Resilience Guidelines and the associated maturity assessment tool referred to in the ResOrgs report. Providers should not have to run two frameworks in parallel.
Q3. Are there implementation barriers, overlaps, or accountability issues in the wider resilience and regulatory landscape that may affect how this guidance is applied in practice?	Two. The first is cumulative cost, discussed above. Resilience expenditure approved under Part 4 sits alongside compliance costs imposed by the Electricity Authority, levies, and the cost of government policy decisions. Each is assessed on its own, none is assessed against the total, and the consumer receives one bill. The Commission cannot fix this alone, and ERGANZ is not asking it to. We are asking that the guidance recognise the cumulative position rather than treat resilience expenditure as though it were the only claim on the bill. The second is the boundary between resilience investment and social policy. The guidance expects providers to identify where households, marae, iwi or local organisations absorb part of the resilience burden, and to reflect that in prioritisation. ERGANZ supports engagement informing investment decisions and agrees that willingness to pay is a poor proxy for need. But where the outcome is a transfer between consumer groups, that is a distributional choice, and it should be made transparently and funded transparently rather than embedded in network prices. The guidance should say who decides where that line sits.
Q4. What areas should the Commission prioritise in further work (for example, business case guidance, resilience measures, maturity assessment,	Business case guidance, with a materiality threshold and a worked example of a proportionate assessment for a smaller investment. That would do more for decision quality than further principles. Consistent valuation of resilience benefits should come next, including the treatment of Value of Lost Load. The ResOrgs report

Questions	Comments
interdependency information, or reporting)?	sets out the limitations of VoLL in this context clearly, particularly for long-duration events and across different consumer types. If providers value avoided disruption on different bases, the Commission cannot compare proposals and consumers cannot tell whether they are paying twice for the same benefit under the reliability and resilience headings. ERGANZ would put maturity assessment tools and new reporting behind both. If resilience reporting is introduced later, the cost of producing it should be assessed before it is required.
Q7. Are any principles missing? Are there areas of overlap where the principles could be simplified or streamlined?	No principle addresses the point at which further resilience investment stops being worth what consumers pay for it. The ResOrgs report reaches that point directly, noting that the marginal cost of resilience investment will at some stage exceed its marginal benefit and that consumers can be worse off with gold-plated solutions. ERGANZ suggests either a twelfth principle on efficient levels of resilience, or an addition to Principle 9 requiring the provider to show that the proposed level of resilience is the efficient level rather than the achievable one. Either way, the Commission should state what evidence it expects to see supporting a decision to accept residual risk, so that acceptance is a genuine option rather than the option a provider avoids because it is harder to defend. On overlap, Principles 2, 4 and 5 cover much the same territory. Understanding risk at different scales, distributional impacts, and risk-bearing capacity all turn on which consumers are affected and how well they cope. They could be combined into a single principle on consumer and community impact without losing anything, and the guidance would be shorter and easier to apply.

Conclusion

ERGANZ thanks the Commission for considering our submission. If there are any outstanding questions or a need for further follow-up, please let me know.

Yours sincerely,

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