



6 October 2025

To:
Electricity Distribution Business Chief Executives
Chief Executive, Electricity Networks Aotearoa

Dear Chief Executives,

I am writing to EDBs and the ENA to outline my expectations for electricity distribution and seek your views on how we can work together to improve outcomes for New Zealanders.

The Government has considered the Review of New Zealand Electricity Market Performance and has noted the findings that our distribution sector is too fragmented. Frontier found that there are too many EDBs, with many operating below efficient scale, limiting their ability to operate and invest efficiently and innovate to deliver services more efficiently to customers and to manage connection of large new supplies and loads.

The Government does not intend to pursue forced amalgamation within the sector at this time. However, the distribution sector must demonstrate that it can deal with the risk of fragmentation. Greater and faster collaboration across the sector is vital to realise efficiencies and build collective capability for the investment needed in electrification.

My bottom line is simple: the energy sector must improve the affordability and security of energy for households and businesses. The capability and efficiency of EDBs are central to achieving this.

The stakes are high for consumers, with lines charges accounting for approximately 25 percent of the average household electricity bill.

The Government is firmly committed to electrifying the economy to achieve climate goals and enhance economic resilience. An estimated \$22 billion in capital and operational expenditure is anticipated this decade to support electrification and integrate new generation sources.¹ I am very aware of the scale of this challenge and that New Zealand must compete internationally for the necessary skills and equipment.

At the same time there is the opportunity to create a more flexible electricity system that can empower consumers and businesses, providing them with greater choice in how they produce and use electricity. EDBs must play a greater role in enabling this

¹ The future is electric, Boston Consulting Group, October 2022, <https://web-assets.bcg.com/b3/79/19665b7f40c8ba52d5b372cf7e6c/the-future-is-electric-full-report-october-2022.pdf>

transformation by supporting innovation, decentralised energy solutions, and demand-side participation.

While most EDBs are subject to price-quality regulation, not all EDBs fall under this regulatory framework. I am keen for your feedback on whether this is the optimal framework for the future.

Most of those EDBs subject to price-quality regulation have historically met quality standards, but the increasing frequency and severity of weather events pose a growing risk of outages. This highlights the need for ongoing investment in network resilience and planning for climate adaptation in a changing climate.

EDBs are best placed to identify opportunities for greater collaboration, efficiency and standardisation.

I am concerned that the current structure and practices of the distribution sector may limit efficiency and hinder the innovation needed for a more flexible, lower-cost electricity system.

Despite challenges in measuring EDB productivity, the CEPA report (commissioned by the Commerce Commission) found a 1.3 percent decline in total factor productivity from 2008 to 2023. I believe there is strong potential for improvement, with real benefits for households and businesses.

I note that some EDBs are already collaborating effectively, for example by providing management and operational support to other EDBs. And there are good examples of innovation emerging — such as the use of distributed energy resources to defer more expensive network upgrades.

However, I'm seeking faster, deeper collaboration and standardisation across the sector.

I intend to set out a clear set of actions that your EDB, and the sector as a whole, must take to accelerate collaboration and standardisation. In particular, I am seeking your views on:

- existing collaborative initiatives you are involved in, especially those that show promise for broader application or scaling. This should include insights on what has worked well, what challenges have been encountered, and how these efforts might be expanded and shared across the sector
- new actions that can be taken around matters including network planning, procurement of common infrastructure, network operations and maintenance, or deployment of distributed/flexible energy solutions (or any other relevant topics that you may wish to raise)
- how network utilisation can be improved to avoid the need for expensive upgrades and lower the cost of services.

I expect your response by 30 January 2026 - outlining actions and proposed next steps for implementation.

I will also be considering:

- independent advice on opportunities for greater standardisation and collaboration across the sector. I will be using this independent advice to gauge the sector's response, and
- regulatory and legislative options to improve the sector's performance if I consider there are further opportunities for improvement. For example, this could include looking at any useful models from the Government's water services reform programme.

I am also focussed on enabling customer participation through fairer connection and export practices.

Efficient and consistent connection processes are needed to enable customer participation in the electricity system. The Electricity Authority is already taking steps in this area, with a package of changes scheduled to come into effect in the second half of 2026.

The Authority is looking to the sector to lead the development of processes and practices around connection turn-around times and queue management. Industry should adopt a standardised and robust approach to these changes that prioritises customer experience.

The Government has moved to expand the permitted voltage range on electricity networks and update safety standards for products like inverters to the latest versions. These changes are expected to be Gazetted before the end of the year.

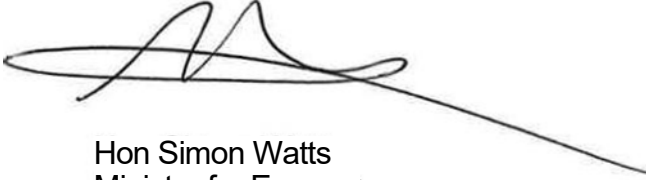
We want to see a much larger number of kiwi homes adopt rooftop solar and batteries to reduce their own bills and support system resilience. Connection times and export limits are currently one barrier that reduces the attractiveness of these systems for households. Therefore, I expect EDBs to:

- ensure new solar and battery systems that meet safety regulations are connected expeditiously. While the Code sets some timeframes already, I consider EDBs should either be approving industry standard solar and battery systems automatically, or significantly faster than current mandatory timeframes.
- ahead of any regulatory change, voluntarily permit at least 10kW of consumer generated energy to their networks, unless there are justified safety or technical reasons for limits below this amount.

My officials are available to discuss this letter further and will keep me informed. I encourage you to engage with them directly, including on the process for receiving independent advice.

Thank you for your continued work and commitment to supporting New Zealand's energy future.

Yours sincerely

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Hon Simon Watts
Minister for Energy