Requirement for distributors to pay negative charges when consumers supply electricity at peak times: definition of small business

Decision paper

20/01/2026

Executive summary

In July 2025, the Electricity Authority Te Mana Hiko (Authority) amended the Electricity Industry Participation Code 2010 (Code) to require distributors' pricing methodologies to include "negative charges" (rebates) for electricity injected into their networks by mass market consumers at peak times. The aim is to ensure the growing number of households and small businesses with distributed generation (DG), such as rooftop solar and batteries, are rewarded when they export electricity to the network during periods when their generation is most valuable.

Export from DG at peak times can reduce demand, helping avoid or defer the need for network investment or additional network capacity over time. This supports more efficient use of distribution networks and helps contain the distribution charges all consumers ultimately pay.

The negative charge requirement currently in force (and applicable to distributors' pricing methodologies from 1 April 2026) applies to price categories[1] that target "residential" and "small business" consumers. "Small business consumers" are defined in the Electricity Industry Act 2010 (Act) as non-domestic consumers that consume less than 40MWh of electricity a year.

As we developed implementation guidance, it became clear that this definition does not align with how distributors design and manage their pricing. Distributors typically structure their price categories around connection capacity (kVA) at the ICP level. They do not generally use annual consumption data to set eligibility, which makes the 40MWh threshold difficult to apply in practice. We also identified that defining eligibility by reference to "small business consumers" could unintentionally allow some larger-scale generators to qualify for negative charges.

To address these issues, in November 2025, the Authority consulted on a proposal to clarify the eligibility criteria. The consultation proposed moving away from a consumption-based definition of eligibility to a definition based on specific capacity thresholds. These are measures distributors already rely on in their pricing, which can better distinguish between mass market consumers and those with the capacity for larger-scale generation.

This paper sets out our decision that distributors' pricing methodologies must, at a minimum, include negative charges for price categories targeting residential consumers and business consumers with a connection capacity of up to 45kVA, and that the requirement applies to distributed generation systems whose maximum deliverable generation capacity[2] is up to 45kW.

This means that from 1 April 2026, consumers in price categories that target residential consumers, or business consumers with a connection capacity of up to 45kVA, will be credited with negative charges when they export at peak times, provided their distributed generation has a maximum deliverable generation capacity of up to 45kW. This includes farms, schools, marae and other community facilities with higher generation potential. By configuring their inverter or other export controls to limit maximum export to 45kW, they can access credits for negative charges. This is an opportunity available to anyone who makes this adjustment.

Some submitters argued that larger-scale generators, up to 1MW in size, should also qualify for negative charges. We agree that larger generators can, in some circumstances, provide valuable benefits to the network; it is important that those benefits are recognised. However, introducing blanket incentives for larger generators would come with risks that include increased network congestion, voltage issues, higher network costs and higher prices for other consumers. We do not think it fair or efficient for small consumers to wait until these wider policy questions are resolved, so we have proceeded with negative charges for mass market consumers now, while we work

[1] Pricing groups distributors allocate their customers to, depending on criteria such as location, type of premises or capacity.

[2] "Maximum deliverable generation capacity" refers to the maximum amount of electricity (in kW) that can be exported from the ICP into the network (after conversion by the inverter and any export controls), as recorded in the registry. This may be lower than the solar panel rating.

through the more complex questions for injection from larger-scale distributed generation (DG) in a separate workstream. We will work on how to manage these risks to ensure that distributors appropriately reward businesses with higher generation potential when they provide benefits to the network, through our wider work on distribution pricing, flexibility and the distributed generation pricing principles in Part 6 of the Code.

The decision set out in this paper will make the Code requirements more practical and consistent for distributors to apply, while we continue our broader, staged work to support efficient investment in, and use of, local generation and other forms of demand flexibility, including larger-scale DG over time.

In the meantime, we encourage distributors to continue developing efficient arrangements to recognise the benefits from larger-scale distributed generation beyond these minimum Code requirements, consistent with the Minister for Energy's expectations (see paragraph 6.5 and footnote 10).

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1 Purpose

1.1 This paper sets out the Authority's decision to amend the Code to clarify which consumers must, at a minimum, be provided with negative charges by distributors under this policy, when those consumers supply electricity to the distributor's network at peak times.

1.2 This follows our November 2025 consultation paper *Requirement for distributors to pay negative charges when consumers supply electricity at peak times: definition of small business*.

1.3 This paper:

(a) sets out the Authority's decision to amend the Code to clarify eligibility for negative charges

(b) explains what we proposed and why, and summarises the submissions we received in response

(c) explains why we consider that our approach is preferable to alternatives

(d) sets out how our decision supports our statutory objectives

(e) outlines our intended next steps.

2 We have decided to amend the Code to better identify who should be eligible for negative charges

2.1 The Authority has decided to amend the Code to clarify eligibility for negative charges, as proposed in the November 2025 consultation paper, without change to those proposals.

2.2 The Code amendment will remove the reference to "small business consumers" (as defined in the Act) from clause 12A.7 of the Code (which introduced the requirement for distributors to include negative charges in their pricing methodologies) and, in its place, require that distributors' pricing methodologies include a negative charge for the injection of electricity into the distributor's network:

(a) in respect of price categories that have eligibility criteria that target business consumers with a connection capacity of up to 45kVA; but

(b) only in respect of distributed generation systems whose maximum deliverable generation capacity is up to 45kW.

For clarity, in this paper "maximum deliverable generation capacity" means the maximum power the DG system can supply to the network (after conversion by the inverter and any export controls that are applied), as it is recorded in the registry. It does not refer to the DC rating of the solar panels.[3]

2.3 The final Code amendment is set out in Appendix A.

2.4 This approach is intended to:

(a) resolve the practical difficulties distributors would have faced when attempting to use an annual consumption threshold of 40MWh as specified in the Act to identify eligible consumers

(b) ensure that the negative charge incentive is confined to mass market consumers with small-scale generation, where consumers are generally less able to negotiate bespoke arrangements, and is not extended to larger generators in ways that could increase network costs to other consumers, consistent with the intent of the Energy Competition Task Force Initiative 2A

(c) from 1 April 2026, ensure that consumers in price categories targeting residential consumers, or business consumers with a connection capacity of up to 45kVA, are credited with negative charges when they export at peak times, provided their distributed generation has a maximum deliverable generation capacity of up to 45kW. This includes farms, schools, marae and other community facilities with higher generation potential, which can also qualify for the negative charge if they configure their inverter or other export controls so that their maximum export to the network is limited to 45kW. Any consumer in these price categories whose connection capacity and maximum deliverable generation capacity are both at or below these thresholds will be eligible for the negative charge.

2.5 The Code amendments will come into force in time for distributors to apply them in the 2026/27 pricing year, aligning with the implementation timeline for the negative charge requirements introduced in July 2025.

[3] In practice this is usually the export limit on the inverter, or the lower of the inverter capacity and the generation nameplate (panel) capacity.

3 We consulted on proposed Code changes and have considered the submissions received

We proposed changes to ensure our policy intent is being met

3.1 In July 2025, the Authority introduced new requirements to the Code which require distributors to introduce "negative charges" (rebates) for electricity supplied by households and small businesses at peak times in respect of pricing methodologies that apply on and after 1 April 2026. We made these changes to help achieve two important objectives:

(a) ensure consumers have incentives to supply power to the network when it's needed most

(b) reward them when the power they supply benefits the network.

3.2 The policy was specifically targeted to mass market consumers ie, households and small businesses that have already invested (or may one day consider investing) in rooftop solar and batteries or other types of small-scale electricity generation. While distributors should work to recognise all distributed generation that provides network benefits, this policy is focused on these smaller consumers, for whom a simple broad-based negative charge is likely to be the most efficient approach. The July 2025 Code amendment therefore required that a distributor's pricing methodology include negative charges for any price category that has eligibility criteria designed to target "residential" or "small business consumers". "Small business consumer" is defined in the Act as a business that consumes up to 40MWh of electricity per year.

3.3 In developing implementation guidance for distributors to support the new requirements, we identified that the July 2025 Code amendment may not fully achieve the policy intent because:

(a) there are challenges for distributors to identify "small business consumers" because distributors generally structure their pricing categories around connection capacity, rather than annual consumption

(b) there is a risk that using the Act definition of "small business consumer" would unintentionally allow some larger-scale DG to qualify even though the policy was intended for mass market consumers.

3.4 We therefore proposed changes to the Code to remove the reference to "small business consumers" as defined in the Act, and instead require that the negative charge is applied:

(a) in respect of price categories that have eligibility criteria that target business consumers with a connection capacity up to 45kVA. We considered the 45kVA threshold to be a reasonable and proportionate clarification of the original definition that was likely to best capture the small business consumers the policy was targeting

(b) only to distributed generation systems where the maximum deliverable generation capacity is up to 45kW. We considered this DG limit important to avoid the risk of larger-scale DG being included within small-consumer price categories, and that aligning it with the 45kVA connection capacity threshold would address the issue without further affecting the scope of eligibility.

3.5 We considered that, together, these changes would make the policy clearer and easier to apply, ensuring that the negative charge applies to the mass market consumers this policy is intended to target, while avoiding an unintended extension of the policy to larger generators, for whom a different and more nuanced policy approach is likely to be preferable.

We received submissions from a range of stakeholders

3.6 We received 93 submissions on our consultation paper. These are listed in Table 1

Table 1: List of submitters

Distributors and associations	Electricity Networks Aotearoa (ENA)
	Energy Trusts of New Zealand (ETNZ)
	EA Networks
	Orion
	Powerco
	Unison/Centralines
	Vector
	WEL Networks
Other	Rewiring Aotearoa, including those using its submission template (74)[4]
	SUPA Energy
	SEANZ
	Independent Electricity Generators Association (IEGA)
	Justin Lane
	Graeme Weston
	FarmGen Solar
	Low Carbon Kapiti
	Electrify Kapiti
	Jeff Collings - Nicholson Poultry
	Nu'uli'itia Andrew Redwood
	Otavio Marshall – Earth First NZ Ltd

3.7 We set out the key points raised by submitters in the following sections, along with our response to them, and how we have taken these into account in reaching our final decision.

3.8 Submissions responded to the specific consultation questions, but also provided wider feedback on the policy intent, distribution pricing practice, and the role of distributed generation and storage in improving resilience and reducing long-term network costs.

3.9 Almost all submitters agreed that the Act's definition of "small business consumer" (consumption of up to 40MWh per year) should not be used as the basis for defining eligibility for negative charges. Distributors and other stakeholders acknowledged the practical difficulties of applying a consumption threshold to their pricing categories.

3.10 Others agreed that it is not appropriate to rely on the 40MWh threshold in this context, but on the basis that, it was developed for different purposes in the Act. Rewiring Aotearoa

[4] During the consultation period, Rewiring Aotearoa encouraged people to make submissions on our proposals. It released its own submission templates that included its key arguments. Of the submissions we received, 73 utilised those templates, or parts thereof.

considered that this does not align with a policy intent of targeting customers who are not well placed to negotiate fair deals for peak exports.

3.11 There was broad support for moving to more workable eligibility criteria, although there were diverse opinions on what criteria should be used. Many submitters, including several distributors and ENA, agreed that connection capacity and generation capacity would be easier to apply in practice than annual consumption, and better aligned with how distributors set eligibility for price categories. Those submitters generally supported the Authority's proposal, and several considered that the proposed limits offered a reasonable demarcation between mass market and larger customers. ENA and EA Networks emphasised that the original policy was not intended to capture large generators, but that without amendment the definition currently in force might do so unintentionally.

3.12 Some submitters considered that the proposed thresholds are too low. They argued that these limits could exclude a wide range of consumers who, in their view, fall within the intent of the policy; this includes schools, marae, community organisations and rural customers with larger connection capacities, but with limited ability to negotiate an arrangement with their distributor.

3.13 Rewiring Aotearoa's preferred option was for the Code to require the negative charge for all ICPs with up to 1MW of installed DG capacity, which it considers is a cut off that includes the intended small business customer group and other small community organisations, while still excluding utility-scale generators.

3.14 Other submitters proposed alternative thresholds or refinements, including raising the connection capacity threshold, applying an export limit on its own rather than in conjunction with an installed connection capacity limit, or removing the DG threshold and relying on connection capacity alone. Many community organisations and rural consumers also highlighted potential resilience and regional development benefits from enabling larger-scale solar and storage.

3.15 Despite the differing views on the exact thresholds, there was strong support across submissions for the underlying policy of requiring negative charges for peak injections from mass market consumers.

4 Submissions have not changed our view that the Code should be amended

The current definition is not appropriate in context

What we said

4.1 In our consultation paper, we set out our concern that the use of the defined term "small business consumer" may not fully achieve our policy intent of targeting mass market consumers because:

(a) there are challenges for distributors trying to apply the 40MWh per year threshold in practice

(b) the provisions may inadvertently include business consumers with substantial on-site generation, which is inconsistent with the policy intent to target the negative charge to mass market consumers.

What submitters said

4.2 As outlined above, submissions highlighted several points that support the need to refine the eligibility criteria. These include that:

(a) distributors do not typically use annual consumption to define pricing categories, making a consumption threshold difficult to apply at the ICP level

(b) the Act's definition of "small business consumer" was not designed for this policy and submitters considered its use does not align with an objective of targeting consumers who lack bargaining power to negotiate fair export payments

(c) without further clarification, there is a risk that large consumers with substantial on-site generation could access negative charges intended for mass market customers

(d) stakeholders generally welcomed moving to clear, codified criteria that are aligned with how distributors already classify customers.

4.3 There was widespread agreement that the Code's current wording needs to be amended. Almost all submitters agreed that the Act's definition of "small business consumer" should not be used as the basis for defining eligibility for negative charges.

Our response

4.4 The Authority remains satisfied that the Code needs to be amended to clarify the eligibility criteria for negative charges and agrees with submitters across all stakeholder groups that the current reliance on the Act's "small business consumer" definition creates practical implementation issues, and risks extending eligibility to large scale generators in a way that is inconsistent with the original policy intent.

4.5 We recognise the concern that our proposed eligibility criteria may exclude some consumers who lack bargaining power to negotiate bespoke arrangements. However, as we discuss in Section 5 below, we do not consider that this concern, on its own, justifies retaining the status quo or otherwise not defining eligibility by reference to clear capacity limits. We consider that the operative question is which criteria best give effect to the policy intent of targeting mass market consumers.

5 We consider our approach remains preferable to alternatives

Our proposed criteria identify the mass market consumers the policy was intended for

What we said

5.1 Our policy intent was to specifically target mass market consumers, ie, households and small businesses that may already have invested (or may one day consider investing) in rooftop solar and batteries, or other types of small-scale electricity generation.

5.2 The February 2025 consultation paper noted that mass market consumers with small-scale DG are typically on standard tariffs and are less likely to be able to negotiate to receive a price signal[5] or rewards for the distribution benefits of exporting at peak times. Following submissions, the final decision paper reiterated that the principles should apply to injection from mass market customers.

5.3 In our November 2025 consultation paper, we confirmed that the negative charge policy was specifically intended to target mass market consumers. We stated that the policy was not intended to apply to consumers operating larger-scale DG that:

(a) can individually have a significant impact on network demand and security (both positively and negatively)

(b) are better able to negotiate directly with a distributor for bespoke injection payments that reflect their individual impact.

5.4 We signalled that any further requirements for injection pricing for larger distributed generators would be better considered alongside our wider work on the distributed generation pricing principles (DGPPs).

What submitters said

5.5 Submitters generally supported refining the eligibility criteria so that the negative charge remains focused on mass market consumers.

(a) Unison/Centralines said they "support the Authority's intent to target negative charges at mass market consumers, households and small businesses, who cannot reasonably negotiate bespoke arrangements and for whom standardised posted pricing remains the most efficient mechanism". They supported a capacity-based framework as a way to keep negative charges targeted to genuine mass market consumers and reduce cross-subsidy risk.

(b) EA Networks similarly supported amending the Code "to better align with the intent of the policy" and agreed with the proposed thresholds, noting that a 45kVA capacity limit aligns with a three-phase 63 amp supply that is a very common size for small businesses.

(c) ENA also supported the proposed limits, agreeing they better align with the original intent of targeting mass market consumers and small businesses, and observed that most mass market consumers would remain eligible under the revised thresholds.

[5] In this context, a price signal indicates when the cost of consuming electricity is highest, typically as demand approaches the available capacity of the network. Price signals (eg, time-of-use pricing) encourage consumers to shift or reduce usage during these periods to help manage network constraints and maintain reliability.

5.6 Rewiring Aotearoa argued that eligibility should instead be framed around the relative negotiation power of consumers in order to give effect to the original policy intent. It proposed that the eligibility criteria should be amended to require negative charges in respect of all ICPs with up to 1MW of installed DG capacity in order to ensure that small business consumers and other small community organisations are captured while excluding utility scale generators.

5.7 Other submitters, who supported Rewiring Aotearoa's position, also argued for broader eligibility. Community and climate groups, farmers, solar providers and other individuals submitted that the proposed 45kVA and 45kW thresholds would exclude many consumers with solar and batteries they see as coming within the intent of the policy, such as marae, schools, community centres and farms. They considered it unfair that these consumers will not be eligible for negative charges as part of this measure, despite being relatively small in scale and having broader benefits including being able to reduce emissions, lower peak demand, and act as local resilience hubs during outages. Several of these submitters encouraged the Authority to adopt higher thresholds or otherwise expand eligibility so that community and small business generators are not left outside the negative charge regime.

Our response

5.8 The overall policy objective of this proposal was to ensure mass market consumers have incentives to export electricity when it is most valuable and are rewarded for the network benefits their exports provide, primarily by helping avoid or defer future network investment and improve use of existing assets. Some submitters, including Rewiring Aotearoa, also referred to this objective but highlighted the broader benefits of distributed generation. We recognise the importance of those wider benefits, but they sit outside the scope of this particular Code amendment, which at this time is focused on the distribution pricing signal for injection that reduces peak-related network costs. This decision is a deliberate first step focused on mass market consumers so they can benefit without delay, as outlined in paragraph 5.12.

5.9 The negative charge is, by design, an average reward for export across a large group of consumers at the price category level. It is applied to all eligible ICPs in the relevant price category and reflects the broader, long-term network benefit of peak time injections from that group, rather than the specific contribution of each individual installation. Some submissions appeared to assume that the value of the negative charge matches the value of each individual site's injections. However, that is not a realistic assumption, because network prices are not perfectly cost-reflective at such a precise level of granularity.

5.10 In designing the policy, and in refining the eligibility criteria, we have sought to balance simplicity and practicality against more granular approaches which, although they have the potential to be more accurate, would also be more complex.[6] A consumer-level or site-specific assessment of network benefits would, in theory, provide a closer match between payments and actual impact. However, in practice this would significantly increase implementation and transaction costs for distributors and consumers. For consumers within the eligibility thresholds we have set, we consider that a simple, price category-based negative charge will best support efficient pricing and will give consumers a usable and understandable signal.

5.11 However, the appropriate balance between simplicity and accuracy also changes with scale. Larger generators can, in some instances, make a substantial contribution to deferring

[6] These design objectives of simplicity and practicality were set out in the Task Force 2A consultation paper *Requiring distributors to pay negative charges when consumers supply electricity at peak times* (February 2025) and in the subsequent decision paper on that consultation published in July 2025.

network investment, but they can also create new constraints or may provide little net benefit if they are in parts of the network that are relatively unconstrained at peak times. Submissions from distributors and ENA highlighted that once distributed generation systems move above the proposed 45kVA and 45kW thresholds they are more likely to require network studies and specific connection, or protection upgrades, and can sit outside what is typically considered mass market use of low voltage networks. In these cases, a bespoke arrangement that reflects the characteristics of the site is more likely to produce efficient outcomes than an averaged negative charge funded by other consumers. Introducing the incentive of an averaged negative charge for larger generators would raise greater risks than doing so for small-scale generation – including the risk of higher network costs and materially raising prices for other consumers.

5.12 Rewiring Aotearoa and several supporting submitters argued that eligibility should be determined by negotiation power, and that all ICPs with up to 1MW of installed DG capacity should be covered. We agree that bargaining power is an important consideration, and that some community organisations, farms, schools, marae and other medium sized consumers may face challenges in negotiating bespoke arrangements. However, we do not consider that a 1MW limit would be consistent with the mass market focus of the original policy, or with the evidence from distributors about when DG begins to have material, site-specific impacts on network operation and hosting capacity. This decision is therefore a deliberate first step focused on mass market consumers. It is part of a progressive and staged approach by the Authority to ensure consumers are rewarded for the benefits that their export provides. We want small businesses and households with small scale generation (such as solar and batteries) to benefit now, while we do further work on how to ensure distributors appropriately reward businesses with higher generation potential when they provide benefits to the network, through our wider work on distribution pricing, flexibility and the distributed generation pricing principles in Part 6 of the Code. We also note that the Code does not prevent distributors from voluntarily offering export-related payments or bespoke agreements to these customers where it is efficient to do so. We address the question of bargaining power further at paragraph 5.25 below.

5.13 Submissions from Unison/Centralines and ENA supported the proposed 45kVA connection capacity as a pragmatic upper limit for mass market pricing categories. They noted that, “a three-phase 63A connection equates to approximately 44kVA, meaning a 45kVA threshold neatly aligns with the expected future standard capacity envelope for mass market consumers.” Unison/Centralines also pointed to the Authority’s *Network Connections Project*, which treats connections of 69kVA and above as medium, with anything smaller considered small, reinforcing that a 45kVA threshold remains within the small connection range.

5.14 For distributed generation, the proposed 45kW maximum deliverable generation capacity limit maintains a clear and workable symmetry with the connection capacity threshold and is materially higher than the 10kW per installation threshold that applies under Part 6 of the Code for connecting distributed generation. ENA’s submission noted that a 45kW solar photovoltaic system in many distribution areas would typically produce more than 60,000kWh per year, which means some customers could qualify for negative charges even if they did not meet the original 40MWh small business consumption definition. We consider that this reinforces, rather than weakens, the case that the revised capacity-based criteria are a reasonable and inclusive interpretation of the original small business focus.

5.15 We acknowledge concerns from some submitters that the proposed thresholds could, over time, constrain electrification for certain sites, for example where a small business or farm might wish to increase its connection capacity above 45kVA as electrification progresses. We consider that a three-phase 60 to 63 amp connection already provides substantial headroom

for electrification on low voltage networks, including for electric vehicle charging and additional electric process loads, and that the 45kVA threshold therefore represents a reasonable upper limit for a mass market export incentive at this stage. If future evidence indicates that typical mass market connection sizes have increased materially, or that the current thresholds are overly constraining efficient investment, the Authority is open to reviewing these settings.

5.16 Taking these considerations together, we remain of the view that the combination of 45kVA connection capacity threshold for small businesses, and a 45kW maximum deliverable generation capacity limit, is the most appropriate and balanced option that best gives effect to the original policy intent and supports the efficiency of the electricity industry for the long-term benefit of all consumers.

5.17 This option directly addresses the implementation issues associated with the 40MWh consumption definition, aligns with how distributors structure price categories, sets a clear and consistent boundary that is straightforward to apply, and maintains the focus of the policy on mass market consumers while reducing the risk that large scale generation receives negative charges intended for small customers.

5.18 We also clarify, in response to questions raised by submitters, how the 45kVA and 45kW thresholds should be interpreted. We confirm that the connection capacity threshold refers to the capacity of a single ICP connection as used in the distributor pricing and network design (eg, the agreed capacity or fuse size). We also confirm that the DG threshold is based on the maximum deliverable generation capacity, being the AC output, recorded for that ICP in the registry across all phases. It is defined as the maximum amount of electricity (in kW) that can be exported from the ICP into the network, which will be the export limit set in the inverter (or sum of the limits if there are multiple inverters).[7] It therefore best reflects the system's potential for export, which may be lower than the generation potential that consumers are most familiar with.

5.19 Submissions from distributors indicated that a 45kVA limit broadly corresponds to a standard three-phase 63A supply that is a common size for small businesses and at the upper end of mass market residential capacity, while Energy Trusts of New Zealand noted that most residential and small business customers are on three-phase 60A connections. The 45kVA connection capacity threshold therefore sits within the upper end of the typical mass market described in submissions. Distributors are already familiar with defining price categories based on connection capacity, and these capacity limits are designed as simple tests that can be applied consistently across networks.

Other mechanisms are more appropriate for rewarding injection from larger DG owners

What we said

5.20 We said the policy was not intended to apply to larger-scale DG that:

(a) can individually have a significant impact on network demand and security (both positively and negatively)

(b) are better able to negotiate directly with a distributor for bespoke injection payments that reflect their individual impact.

[7] This is a new registry field. This information may not be available for existing DG connections, in which case it will be set at the lesser of the generation nameplate capacity and the inverter capacity.

What submitters said

5.21 The consultation paper identified and assessed a range of alternative options, including: maintaining the status quo based on the Act's definition of "small business consumer"; using another basis for identifying small businesses; excluding consumers that are primarily generators; allowing distributors to set their own eligibility thresholds; excluding businesses with negotiated injection contracts; and excluding or including all business consumers. Submissions also suggested variations such as: raising the proposed 45kVA connection threshold; raising the 45kW DG threshold; relying only on a generation capacity limit (for example the 1MW limit advocated by Rewiring Aotearoa); or relying only on a connection capacity limit.

5.22 Some submitters, including Rewiring Aotearoa and solar sector stakeholders, expressed concern that relatively narrow eligibility criteria could increase administrative costs and negotiation load for both distributors and customers. They argued that a more inclusive definition would reduce the need for case-by-case negotiation and avoid creating additional workload for distributors, while also improving access to export payments for small businesses and community organisations that fall above the proposed thresholds.

5.23 These submitters also expressed concern that the proposed thresholds could exclude a wide range of consumers who, in their view, fall within the policy intent, such as schools, marae, community organisations and rural customers with larger connection capacities but limited negotiation power.

5.24 Submissions from distributors highlighted that DG systems that sit above the mass market range could materially affect voltage rise, hosting capacity and protection requirements, and fall well outside the scope of typical residential and small business installations. ENA and EA Networks stated that large generators can export more than is needed to relieve local constraints, and paying negative charges on this full export could be inefficient and could increase the cost burden on other non-generating customers.

Our response

5.25 We acknowledge the concerns raised by Rewiring Aotearoa and several other submitters about the ability of some larger (but still relatively small) consumers to negotiate with distributors, and the associated cost of doing so. However, we consider that the proposed amendment strikes an efficient balance between simplicity, accuracy, and administrative cost. In our view it remains appropriate for the negative charge to be targeted at mass market consumers and not extended to significantly larger distributed generation where individual circumstances and network impacts vary more, and where bespoke or more targeted arrangements are likely to be a better way to recognise any network benefits than an averaged negative charge funded by other consumers.

5.26 Some submitters proposed that the eligibility criteria be increased to 1MW of generation capacity in order to include a wider range of small businesses and community organisations. While we understand these views, we consider that the question of how larger distributed generation above 45kW should be rewarded for injection that benefits the network is better considered through our wider work on distribution pricing and flexibility,[8] including our upcoming consultation on distributed generation pricing principles, and work on how distribution pricing and contracted flexibility together provide signals for managing both long-term investment and nearer-term, location-specific constraints.

[8] Related work, such as the Power Innovation Pathway, maximising benefits from local electricity generation, and the decentralisation green paper, examines how local generation and flexibility can support efficient outcomes over time.

5.27 If significantly higher thresholds were set, such as a 1MW generation limit, the policy would extend into medium-sized commercial and industrial businesses, where bespoke pricing and negotiated arrangements are more feasible and are often more appropriate. This would depart from the policy intent of distribution pricing signals targeting mass-market consumers. DG may inject in locations or at volumes that cannot alleviate network constraints that are driving future investment and being signalled in an averaged negative charge. Our view is that rewarding ineffective DG could be inefficient at larger scale and could drive higher network costs and increase the cost burden on other non-generating customers. We consider that applying a much higher threshold, such as 1MW, would amplify the risks of poorly targeted payments by allowing a wider set of larger generators to access the negative charge.

5.28 Taken together, these points support the view that setting materially higher thresholds or very broad eligibility definitions could lead to negative charges designed for mass market consumers being paid to larger generators. Their exports may be ineffective in alleviating the constraints driving prices, which may have cost and cross-subsidy implications (that is, lead to higher electricity prices) for other consumers. By contrast, we are satisfied that the 45kVA capacity limit and 45kW generation limits are more closely aligned with the mass market delineation and better manage these risks.

5.29 At the same time, there remains scope for distributors to enter into bespoke arrangements with larger capacity customers where this is efficient and mutually beneficial. As noted above, this issue is better considered through further work on how to ensure distributors appropriately reward businesses with higher generation potential when they provide benefits to the network.

Both limits should be applied

What we said

5.30 We proposed a combined limit, whereby the requirement for distributors' pricing methodologies to include a negative charge for the injection of electricity into the distributor's network applies:

(a) in respect of price categories that have eligibility criteria that target business consumers with a connection capacity of up to 45 kVA (to address our concern about distributors' ability to apply the existing definition)

(b) only in respect of distributed generation systems whose maximum deliverable generation capacity is up to 45 kW (to address our concern about large generators being included in small business pricing categories).

What submitters said

5.31 Some submitters suggested that both limits may not be necessary because:

(a) there is no need for a separate connection capacity limit where the policy is targeted at small-scale generators, and that a generation capacity threshold, for example, up to 1MW as proposed by some submitters, would better capture the intended customer group and be simpler to apply

(b) there is no need for a separate distributed generation size limit where eligibility is already restricted to price categories for smaller connections, and that a connection capacity threshold alone would be sufficient to distinguish mass market customers from larger industrial generators.

Our response

5.32 Approaches with only one limit (either connection or DG) would increase the risk of unintentional outcomes. With a connection capacity-only threshold, large DG on small connections could be ineffective in relieving the local constraints driving prices. Paying negative charges in such circumstances could increase the cost burden on other non-generating customers.

5.33 With a DG-size-only threshold, large industrial and commercial customers with small DG could qualify for negative charges. This would be extending the policy materially beyond the policy intent the Authority originally consulted on (which was focused on mass market customers), and relying solely on a generation capacity threshold could lead to inefficient investment behaviour by such large customers. For example, a large commercial customer with the capability to invest in a larger system could be encouraged to limit the size of its DG system to remain eligible. This could create costs and efficiency impacts that offset any benefits from extending the policy. Further, the requirement could be difficult to apply in practice due to how distributors typically structure their price categories.

5.34 We consider that keeping both limits as consulted on will help manage these risks.

A specific inclusion for certain organisations is not workable

What we said

5.35 We proposed that the negative charge is applied to price categories targeting residential consumers, and business consumers with a connection capacity of up to 45kVA.

What submitters said

5.36 A number of community-based organisations emphasised in their submissions the role of distributed solar and batteries in supporting community resilience, particularly, marae, schools, community centres and sports clubs. They noted broader benefits including that these sites can act as local hubs during outages, providing refrigeration, communications, EV charging, shelter and other essential services. Submitters considered that restricting eligibility on the consulted thresholds would limit the number of such resilience hubs to access peak export payments.

5.37 Submissions from the farming sector highlighted the potential for solar and battery systems on farms and other rural sites to provide significant benefits, including reducing peak demand, lowering long-term costs and providing greater local resilience. These submitters pointed out that farms often have connection capacities well above 45kVA due to irrigation, milking and other loads, but that they nevertheless have limited ability to negotiate bespoke export pricing arrangements. Rewiring Aotearoa and others argued that using connection capacity as a proxy for business size is problematic in this context and recommended higher thresholds to include these customers.

Our response

5.38 We acknowledge the views of submitters about the wider community resilience benefits that distributed generation and storage provide. We agree that encouraging distributed generation and storage at community facilities can support resilience and local wellbeing. However, this policy is solely about recognising the benefits from avoided investment that could occur where DG helps to reduce peak demand. We do not consider that specific inclusions in the Code for particular types of organisations are appropriate in that limited context. We also do not consider such inclusions would be workable. Distributors generally do not hold consistent information about the purpose of ownership of each connection in their

billing and pricing systems, and any required list of favoured categories would be difficult to define, administer, and keep up-to-date. It could also create boundary issues and incentives for customers to seek reclassification to gain access to negative charges. In practice, many community facilities and schools that run on small business or residential connections will already be within the 45kVA and 45kW threshold. Where a school, marae or other community site has higher generation potential, it can still qualify for the negative charge by configuring its inverter or other export controls so that its maximum export to the network is limited to 45kW. That means these sites have the same ability as other eligible consumers to receive the negative charge, provided they meet both the 45kVA capacity and 45kW generation thresholds.

5.39 The Code requirements are a minimum, and do not prevent distributors, including community-owned networks, from extending similar arrangements to other customers or from recognising non-network benefits through other channels. Nor does this amendment remove existing incentives for these projects; it simply clarifies the eligibility of the negative charge to the mass market consumer group it was originally designed to cover.

5.40 Similarly, we acknowledge the specific concerns raised about rural DG and its potential to deliver significant system benefits. However, the purpose of this Code amendment is to provide a clear, workable definition for the negative charge as applied to the mass market, rather than to prescribe how all beneficial distributed generation investments should be rewarded. The negative charge is one policy tool among several. Keeping the negative charge focused on mass market consumers does not prevent communities from developing larger projects or from seeking other forms of support or pricing arrangements.

5.41 Consistent with this approach, we expect distributors to treat the Code requirements as a minimum, and to develop arrangements to signal and reward efficient injection and DG investment by customers beyond the codified arrangements, including farms or other rural businesses with larger connections.

5.42 Having carefully considered all submissions, we have decided to proceed with the Code amendment as consulted on, without changes to the proposed eligibility criteria. The Code will be amended so that distributors:

(a) must apply negative charges to price categories targeting business consumers with a connection capacity of 45kVA or less

(b) are not required to offer or pay negative charges to distributed generation systems with maximum deliverable generation capacity of more than 45kW in total across three phases.

6 Our decision supports our statutory objectives

We expect our proposal to result in benefits that would support our statutory objectives

6.1 The Code amendment we have decided to make is consistent with the Authority's main statutory objective to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers. The Authority also has an additional objective – to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers. Section 32(1) of the Act allows the Code to contain provisions that are consistent with these objectives and that are necessary or desirable to promote them.

6.2 We consider that the revised Code amendment supports our main objective. We consider that it will promote the reliability and efficient operation of the electricity industry by encouraging exports at times when they provide network benefits, while still allowing site specific arrangements for larger generators whose injections can have more material and location specific impacts on network stability and capacity. We consider that the revised Code amendment supports the main statutory objective better than the alternative options we have considered for the reasons set out in the previous section of this paper.

6.3 We consider that the amendment also supports the Authority's additional objective. The original use of the 40MWh consumption threshold drew on the existing "small business" definition used in the Act and elsewhere in the Authority's work,[9] but submissions and our subsequent analysis showed that this measure does not align well with how distributors design pricing, nor with how small businesses engage with their electricity supply in practice. Requiring distributors to apply negative charges for injection within the limits set, will ensure households and small business consumers, who are less likely to have the bargaining power or resources to negotiate bespoke terms, can be rewarded when their injection reduces distribution costs.

6.4 Overall, we consider that the Code amendment will advance the Authority's statutory objectives by:

(a) ensuring the policy is targeted to mass market consumers receiving a clear and workable export price signal at higher value times

(b) ensuring the policy rewards these mass market consumers for the average network benefits their generation provides at these times

(c) simplifying implementation for distributors and supporting consistent application of negative charges across networks

(d) improving the protection of domestic and small business consumers' interests by ensuring they receive recognition for the network benefits they provide.

6.5 The Minister for Energy has set clear expectations that distributors should support electrification and enable much greater participation by consumers with rooftop solar and batteries, including through fair and efficient connections and export arrangements and better use of existing network capacity.[10] Consistent with that direction, the Authority expects distributors to see this decision as one step in a progressive and staged approach to distributed generation, and to prepare for higher levels of distributed generation over time.

[9] Retail Market Monitoring Information Notice.

[10] The Minister's longer-term expectations for distributed generation were set out in the Minister for Energy's letter to electricity distribution business chief executive and Electricity Networks Aotearoa, *Letter to EDB CEs from Minister for Energy* (6 October 2025).

This decision provides an immediate and practical way to ensure mass market exports are rewarded, while the Authority continues wider work on distribution pricing, flexibility and the distributed generation pricing principles that will inform how distributors should reward export from larger-scale generation in future. The Authority also expects distributors to view the Code requirements as a minimum rather than a ceiling, and to align their pricing, connection and export practices with the Minister's expectations as the level of distributed generation grows.

7 Next steps

7.1 The Authority has amended the Code to give effect to this decision.

7.2 The Code amendment will come into force on 1 April 2026. From this date distributors' pricing methodologies will be required to include negative charges when eligible consumers supply electricity at peak times.

7.3 The Authority will provide updated guidance ahead of this date to support consistent implementation across all distributors.

8 Attachments

8.1 The following appendices are attached to this paper:

- **Appendix A** Code amendment

Appendix A Code amendment

12A.7 Payments for injection

(1) A **distributor's** pricing methodology must, for any **price category** that has eligibility criteria that are designed to target residential consumers, or ~~small business consumers~~ business consumers with a connection capacity of 45kVA or less, include a negative charge for injection of **electricity** into the **distributor's network** that:

(a) applies at times when demand in the region where the **ICPs** in that **price category** are located is likely to, on average and over time, drive future network investment; and

(b) is based on either—

(i) the long-run marginal cost of peak demand that can, on average and over time, be avoided by injection that occurs at the times identified in paragraph (a) from ICPs in that **price category**; or

(ii) for the pricing year beginning 1 April 2026, the difference between the peak charge and off-peak charge for consumption of **electricity** for **ICPs** in that **price category**; and

(c) has regard to transaction costs, consumer impacts, uptake incentives and network stability.

(1A) Despite subclause (1), a negative charge for injection of **electricity** is not required to be offered or paid to any **distributed generation** with maximum deliverable generation capacity of more than 45kW in total across three phases.