

EDB Innovation and Non-Traditional Solutions Allowance Guidance

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Introduction

1. This document provides guidance and an optional template for electricity distribution businesses (EDBs) to use when applying for the Innovation and non-traditional solutions allowance (INTSA) during the fourth default price-quality path regulatory period (DPP4). DPP4 is in effect from 1 April 2025 to 31 March 2030. The INTSA is provided for in the DPP4 determination.¹
2. The intent of the INTSA is to provide EDBs with an additional incentive to trial new solutions through the DPP4 period that can help meet consumer needs and lower costs over-time.
3. This document aims to help EDBs in preparing INTSA applications but we note that it represents guidance only. If there is any inconsistency between these guidelines and the DPP4 determination or the input methodologies (IMs), the DPP4 determination and/ or IMs (as applicable) take precedence.²
4. In addition to the guidance included in this document, potential INTSA applicants may find it useful to refer to previous applications we have received. These can be found published on our website [here](#).

Structure of this document

5. This document has four sections:
 - 5.1 overview of how the INTSA operates;
 - 5.2 guidance for applying for the INTSA;
 - 5.3 frequently asked questions; and
 - 5.4 the INTSA application template.

Overview of how the INTSA operates

6. To access the INTSA, an EDB applies to us ex ante, seeking approval to recover up to 100% of the forecast costs of the project. The application sets out the details of the proposed project including what outputs the EDB expects from the project, the forecast costs and the proportion of those costs the EDB wishes to recover via INTSA. We will publish the application on our website as soon as practicable.
7. We assess the application and approve (or decline) cost recovery for the project. If approved, we also determine the maximum share of forecast costs the EDB is eligible to recover upon completion of the project (either 75% or 100%). We then notify the EDB of our decision and make the decision publicly available on our website.

¹ See Schedule 5.3 and paragraph (5) of Schedule 2.1 of the *Electricity Distribution Services Default Price-Quality Path Determination 2025 [2024] NZCC 28 (DPP4 determination)*. Unless otherwise stated, all schedule and paragraph references in this document are to the DPP4 determination.

² *Electricity Distribution Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 35*

8. The EDB begins the project. If, while undertaking the project, circumstances change, the EDB can propose amendments to either the forecast costs, or the outputs of the project. We assess and then approve or decline the proposed amendments.
9. Upon completion of the project, ie, once the outputs are delivered, the EDB is eligible to recover the approved proportion of forecast costs, subject to any approved amendments made during the course of the project.
10. Within 50 working days of the project's completion, the EDB must submit a closeout report that outlines the outcomes of the project and any insights the EDB has gained from undertaking the project. We publish this report on our website as soon as practicable.

Guidance for applying for the INTSA

11. When making an application for additional revenue via the INTSA, EDBs must provide us with the information laid out in the DPP4 determination.³ This can be broken down into:
 - 11.1 eligibility criteria; and
 - 11.2 project specific information.

Eligibility criteria

12. A project must meet three criteria to be eligible for the INTSA. It must:
 - 12.1 relate to the supply of electricity distribution services;⁵
 - 12.2 promote the purpose of Part 4 of the Act;⁶ and
 - 12.3 meet one or both of the following:
 - 12.3.1 the project or programme is unlikely to otherwise result in any financial benefits to the non-exempt EDB in the five disclosure years after the date by which the non-exempt EDB indicates in its INTSA proposal that it expects all of the INTSA outputs to have been delivered; and
 - 12.3.2 the benefits of the project or programme are sufficiently uncertain that the non-exempt EDB would not carry out the project or programme if it could not recover some or all of the forecast costs of the project or programme from the non-exempt EDB's INTSA.

³ Schedule 5.3 of the DPP4 determination sets out the operations of INTSA in full.

⁴ Paragraph (6) of Schedule 5.3.

⁵ Under the EDB IMs and DPP4 determination:

- 'electricity distribution services' means all electricity lines services, other than those supplied by Transpower or any subsidiary of, or successor to Transpower; and
- 'electricity lines services' has the same meaning as defined in s 54C of the Act. We have previously published guidance on the s 54C definition of 'electricity lines services' – most recently [here](#).

⁶ Commerce Act 1986 (the **Act**).

Eligibility criterion 1: Relates to the supply of electricity distribution services

13. Electricity distribution services are defined as all electricity lines services other than those supplied by Transpower. Electricity lines services are traditionally the conveyance, by line, of electricity from the point of generation to the point of supply.
14. There may be situations where an EDB, in supplying electricity lines services, uses part or the whole of an asset, or incurs operating costs for activities, beyond the point of supply. We may consider these situations as falling within the definition of electricity lines services.⁷

Eligibility criterion 2: Promotes the purpose of Part 4 of the Act

15. The Part 4 purpose in section 52A of the Act is to promote the long-term benefit of consumers by promoting certain outcomes that are consistent with outcomes produced in competitive markets, such that suppliers of regulated goods and services:
 - 15.1 have incentives to innovate and to invest, including in replacement, upgraded, and new assets; and
 - 15.2 have incentives to improve efficiency and provide services at a quality that reflects consumer demands; and
 - 15.3 share with consumers the benefits of efficiency gains in the supply of the regulated goods or services, including through lower prices; and
 - 15.4 are limited in their ability to extract excessive profits.
16. An EDB can meet this eligibility criterion by showing how its project or programme promotes one or more of the four outcomes of the Part 4 purpose listed above.

Eligibility criterion 3a: Unlikely to otherwise result in any financial benefits

17. Where an EDB wishes to recover more than 75% of its project costs (up to 100% of project costs can be recovered), it must demonstrate that the project meets the criterion set out above at 12.3.1.⁸
18. This requirement provides for situations where an EDB would not otherwise have an incentive to undertake a project because the resulting efficiency gain/output of that project is not one that will yield it a financial benefit. For example:
 - 18.1 A project investing in an opex solution in the current regulatory period that will defer capex in a future period. Due to the way price paths are reset, the EDB incurs a penalty now, but no corresponding benefit in the future period. This disincentivises the EDB from undertaking the project; or
 - 18.2 A project where consumers or third parties will reap all the benefits and the EDB none, and the EDB may not undertake the project even if the project would lead to a better whole-of-system outcome.

⁷ See [here](#) for further guidance that we have published on the section 54C definition of 'electricity lines services'.

⁸ Paragraph (4)(j) of Schedule 5.3.

Eligibility criterion 3b: Sufficiently uncertain benefits

19. INTSA is designed to encourage EDBs to explore innovative or non-traditional solutions that, due to uncertainty around the benefits, may not be undertaken when considered against 'business as usual' expenditure metrics.
20. With this criterion, an EDB should set out the uncertainty in a project's benefits, why the project would not qualify under its usual business processes to fund itself, and how INTSA support would change this view.
21. To assist us in assessing whether a project meets this criterion, an EDB could demonstrate, evaluate and quantify at least one of the following areas with uncertain benefits that, but for the INTSA, would mean the EDB does not undertake the project:
 - 21.1 financial; and/or
 - 21.2 quality.
22. This could be shown, for example, by:
 - 22.1 in the case of financial uncertainty - demonstrating the financial uncertainty of this project versus a more traditional or proven strategy/technology;
 - 22.2 in the case of uncertainty related to quality - explaining how the project tests, trials, or implements something that is new to the EDB's network and therefore presents uncertainty in quality of service.
23. 'Sufficiently uncertain benefits' are likely to differ for each EDB in the context of the relevant project. Each EDB is therefore best placed to demonstrate and quantify the uncertainty to the EDB that the INTSA project funding offsets.

Mandatory project specific information

24. Alongside the eligibility criteria, there are mandatory requirements for information that must be provided to us as part of an application.⁹ These include the essential project specific information categories that explain to us what the project is, its forecast costs, and what benefits it could provide.
25. The INTSA application template provided at the end of this document sets out each of these additional information requirements.

⁹ Paragraph (4) of Schedule 5.3.

Voluntary information

26. Alongside the mandatory information required by the determination, EDBs may wish to supplement their applications with further information to assist us in understanding the INTSA project and to strengthen the application.
27. We provide examples of this information in the table below:

| Voluntary information type | Guidance |
|---|---|
| Scope | Details of the subject area or extent that the project will cover. |
| Scale | What is the scale of the project with reference to size of the network. |
| Geographical area | What is the area or zone that the project will cover (if any). |
| How does the project build on prior learning | Is there any prior learning or similar experience that informs this work. |
| Potential for new learning | Details for how the project could result in or provide new learning. |
| Alignment to sector programmes | This might include work with or alignment to work undertaken by programmes such as flex-forum, etc. |
| Replicable in New Zealand | Explanation for how the project may be replicable for other networks in NZ. |

Submission of application

28. Applications can be submitted to the Commission via email to infrastructure.regulation@comcom.govt.nz with 'INTSA application (EDB NAME): (PROJECT NAME)' in the title.

Frequently asked questions

Outputs vs benefits

29. Project outputs are the specific deliverables (in the supply of electricity distribution services) that an EDB will produce in completing the project. For example, outputs may include installation of monitoring devices to be trialled, or the delivery of the trial.
30. The benefits of a project are outcomes that may arise through the undertaking of the project, that are beneficial to stakeholders, such as deferring capex expenditure or improving reliability.
31. To meet the eligibility criterion 3a discussed above, it is the benefits of the project that must be sufficiently uncertain.

Cost allocation

32. Stakeholders have indicated that some of the projects they are considering for INTSA involve technologies that do not solely relate to the supply of 'electricity lines services' - as defined in section 54C of the Act.
33. As part of the 2016 IM review, we considered the application of the definition in section 54C and the cost allocation IMs to emerging technologies (namely batteries, although we were clear that our rules were technology agnostic).¹⁰The principles we set out in that context remain valid for today's emerging technologies, including energy efficiency projects and flexibility services.
34. Where an asset is used to provide both regulated and unregulated services, suppliers must apply the cost allocation IMs to determine the appropriate treatment of costs. For example, some emerging technologies feature assets (or costs attributable) beyond the point of supply, where the benefits are unlikely to solely accrue to the regulated service.
35. An INTSA application should include justification that the costs and revenues attributed to the application:
 - 35.1 relate to the delivery of the regulated service as defined in section 54C; and
 - 35.2 will be allocated in the appropriate proportions according to the cost allocation IMs.
36. Costs related to EDB staff members who are allocated to an INTSA project are eligible to be claimed through INTSA in proportion to their allocation.

Can projects be phased?

37. Projects can be phased. Each phase must meet the INTSA criteria and be separately applied for. By phasing projects, EDBs can take the learnings from each stage and apply them to future stages to ensure projects are in the long-term benefit of consumers.
38. Earlier stages of a project do not need to be complete in order to apply for INTSA funding for additional phases of that project. An application for a new phase should reference

¹⁰ Commerce Commission "[Input Methodologies review emerging technology pre-workshop paper](#)" (30 November 2015) and Commerce Commission "[Input Methodologies Review decisions Topic paper 3: The future impact of emerging technologies in the energy sector](#)" (20 December 2016), Chapter 4.

the earlier stages, and indicate what has changed for the EDB to now be applying for additional funds.

39. If phases are separately funded, the EDB(s) must complete the reporting requirements for each phase separately to be eligible to recover costs.

Collaboration

40. A maximum INTSA allowance is specified for each EDB in the DPP4 determination.¹¹ One quarter (25%) of this amount is only available for collaborative projects, involving more than one EDB.
41. For collaborative projects involving more than one EDB, only the EDB(s) that wish to recover a proportion of the project costs from their INTSA allowance are required to submit an INTSA application. While each EDB must submit its own application, information could be duplicated across the EDBs provided the application includes sufficient information for us to assess business specific criteria - such as forecast costs.
42. A project can be considered collaborative even if only one of the participating EDBs submits an INTSA application. This is to help avoid perverse outcomes such as where an EDB which has identified a collaborative project is prevented from accessing their collaborative project specific funding because its potential partners have already utilized all their available INTSA funding or are exempt from Price-Quality Regulation.
43. While a non-exempt EDB is free to collaborate with an exempt EDB, only the non-exempt EDB is eligible to recover its costs through the INTSA.
44. When applying for a collaborative project, it would assist our understanding of the project if each applying EDB provided a breakdown of forecast project costs across the collaborating parties.

INTSA and other regulatory disclosures

45. Projects previously included in Asset Management Plans (AMPs) but not yet undertaken are eligible for INTSA funding if they meet the INTSA criteria.

Project costs

46. Some costs may be incurred to get a project to the stage where an INTSA application can be submitted. These costs are eligible to be recovered via INTSA if the project is approved and should be included under forecast costs.
47. If a project meets criterion in clause (6)(c)(i) the EDB is eligible to recover up to 100% of forecast costs. If the project only meets criterion in clause (6)(c)(ii) then the EDB is eligible to recover up to 75% of costs. The 'up to' provision exists to ensure that an EDB can use its full allowance and not be left with a remainder that they cannot access.
48. An EDB may choose to recover less than it is eligible for and doing so does not change the assessment of whether a project is eligible for the INTSA.
49. Where an outside source of funding is also involved, only the costs funded by the EDB are eligible to be recovered (either partially or in full) via the INTSA. INTSA applications with outside funding should clearly set out how the total project costs are split between

¹¹ Table 5.1 of Schedule 5.3.

the EDB, INTSA and the outside funding. The EDB may wish to include reasoning as to why the outside funding is not sufficient for the EDB to undertake the project without additional INTSA funding.

Provisions for INTSA into future regulatory periods

50. As indicated in the DPP4 reasons paper, our intention is for EDBs to be able to recover INTSA funds for projects approved in DPP4 that are not due to be completed until a future regulatory period (whether that be DPP5 or a customised price-quality path (CPP)). We will include provisions in those future determinations to ensure that this funding is available in those future regulatory periods.

SAIDI and SAIFI exclusions for INTSA projects¹²

51. An EDB may exclude interruptions directly associated with approved INTSA projects or programmes from the calculation of SAIDI and SAIFI assessed values. This exclusion has an aggregate cap of 1% of the respective SAIDI and SAIFI limits, with the cap applying before normalisation is applied for unplanned interruptions.
52. When applying for the INTSA, EDBs must provide information relating to the expected SAIFI and SAIDI impacts of interruptions related to the project, including the cause or causes of the interruptions and any steps the EDB has or plans to take to mitigate those impacts.¹³
53. In its closeout report, the EDB must then provide information on the actual SAIDI and SAIFI values excluded, the steps the EDB took to mitigate the impact of the interruptions, and the causes of those interruptions.¹⁴
54. As part of an EDB's compliance statement information, the EDB should report the SAIDI INTSA and SAIFI INTSA values it excluded.
55. Exclusion of INTSA interruptions is optional, and an EDB can choose whether they want to establish the required process which would link the interruption with the INTSA project.

INTSA for CPPs

56. The INTSA provisions in the IMs are intended to provide broad scope for innovation schemes at the time of a determination. The provisions are available under a CPP and, as we discussed at the 2023 IM review,¹⁵ a CPP provides scope for a wider range of INTSA schemes. Potential applicants for a CPP may wish to consider early engagement with us around how an INTSA may operate in its CPP.

¹² For a full explanation of our DPP4 decisions related to quality standards see Commerce Commission "[EDB DPP4 Final decision Reasons paper – Attachment E: Setting quality standards and incentives](#)" (20 November 2024).

¹³ Paragraphs (4)(f)-(4)(h) of Schedule 5.3 of the DPP4 determination.

¹⁴ Paragraphs (14)(e) and (14)(f) of Schedule 5.3.

¹⁵ Commerce Commission "[Financing and incentivising efficient expenditure during the energy transition topic paper – Part 4 Input Methodologies Review 2023](#)" (13 December 2023), Attachment C.

Amending an INTSA proposal

57. Paragraphs (11) to (13) of Schedule 5.3 in the DPP4 determination provide scope for an EDB to propose amendments to one or both of:
- 57.1 any of the INTSA outputs; and
 - 57.2 the forecast costs for the project.
58. Providing an avenue for EDBs to amend approved projects is in the long-term interest of consumers. For example, it is in consumers' interest for an EDB to amend a project's outputs and "complete" the project early if they identify that the project will fail to achieve the desired consumer benefits. This will allow recovery of costs to that point.
59. When assessing amendments, we will take into account any information and evidence already considered for the project, inform the EDB of our decision in writing, and publish our decision on our website.

Closeout reports

60. An EDB must submit a closeout report for a project within 50 working days of completion of the project.¹⁶ The closeout report is mandatory. Failure to submit a closeout report may result in us seeking to recover allocated funds.
61. Our expectation is that the closeout report is comprehensive and captures the extent to which the project's purpose and expected benefits were achieved (and if not, why not), and general lessons learned such that the report supports the implementation of similar projects by other EDBs or third parties.
62. There is information, beyond the requirements in the determination, that may be useful for other parties, eg, a roadmap for how the EDB plans to scale a successful trial or non-commercially sensitive data sets. EDBs may wish to include such information in the closeout report.
63. An EDB may request an extension of time for submitting a closeout report.¹⁷ We will assess the request and may extend the deadline if we consider doing so would promote the purpose of Part 4 of the Act.

¹⁶ The requirements for what should be included in a closeout report are found in paragraph (14) of Schedule 5.3 of the DPP4 determination.

¹⁷ Paragraph (15) of Schedule 5.3.

Optional INTSA application template – word version of this is available on INTSA page

What is an INTSA application template?

64. To assist EDBs in their preparation and completeness of applications, we have prepared an 'INTSA application template'.
65. Use of the INTSA application template is voluntary. EDBs applying for the INTSA are not required to complete it and can provide evidence of their project or programme's eligibility via an alternative method.
66. The template aims to cover the key areas of the project and enables an EDB to demonstrate:
 - 66.1 how the project meets the eligibility criteria in paragraph (6) of Schedule 5.3 in the DPP4 determination; and
 - 66.2 the required information listed in paragraph (4) of Schedule 5.3 in the DPP4 determination.
67. The template is mapped to the requirements in the determination. Should an EDB wish to submit an application in an alternative format, a summary table indicating where in the application each requirement is met would be useful.

INTSA application template

| Voluntary administrative information | |
|--------------------------------------|--|
| Name of organisation: | |
| Key contact for project: | |
| Key contact role: | |
| Key contact email: | |

Summary table

| Financial summary | Value (\$) |
|--|------------|
| Recovery in this application | |
| Allowance recovery approved in previous applications – EDB | |
| Allowance recovery approved in previous applications - collaborative | |
| Remaining allowance – EDB | |
| Remaining allowance – collaborative | |
| Total allowance | |

Eligibility criteria

| |
|---|
| <p>Relates to the supply of electricity distribution services</p> <p><i>Explain how your project relates to the supply of electricity distribution services:</i></p> |
| <p>Promotes the Part 4 purpose of the Act</p> <p><i>Explain how your project promotes the purpose of Part 4 under s 52A(1) of the Commerce Act:</i></p> |
| <p>Explain how one or both of the following applies:</p> <p><i>The project is unlikely to otherwise result in any financial benefit to the non-exempt EDB for five years following the forecast completion of the project, and/ or the benefits of the project are sufficiently uncertain, such that you would not otherwise undertake the project.</i></p> <p>1. <i>The project or programme is unlikely to otherwise result in any financial benefits to the non-exempt EDB in the five disclosure years after the date by which the non-exempt EDB indicates in its INTSA proposal that it expects all of the INTSA outputs to have been delivered:</i></p> |

2. *The benefits of the project or programme are sufficiently uncertain that the non-exempt EDB would not carry out the project or programme if it could not recover some or all of the forecast costs of the project or programme from the non-exempt EDB's INTSA:*

Project specific information

The project's purpose and EDB's intended steps to achieve that purpose

INTSA outputs and expected benefits of the project for consumers:

Outline the outputs to be delivered in the supply of electricity distribution services by the project, and the expected benefits for consumers:

Estimated delivery date for outputs

Outputs:

Date:

Estimated annual forecast costs of project

Set out the forecast project costs on an annual basis until the date by which you expect to have delivered the project outputs:

Proportion of forecast costs that EDB wishes to recover

Set out the proportion of the forecast project costs that you wish to recover. If the proportion is greater than 75%, explain why the project is unlikely to otherwise provide any financial benefits to the EDB within 5 years of the forecast completion date in the EDB's INTSA proposal:

Any anticipated SAIDI INTSA values and SAIFI INTSA values

Outline any anticipated SAIDI and SAIFI values for interruptions directly associated with the project ('SAIDI/ SAIFI INTSA values'):

Cause or causes of the anticipated interruptions on SAIDI or SAIFI values

Outline the cause or causes of the interruptions for any anticipated SAIDI INTSA values and SAIFI INTSA values, where the cause of each such interruption is directly associated with the project or programme for the INTSA proposal:

Steps taken, or proposing to take, to reduce likelihood of interruptions or the impact of interruptions on consumers

Outline the steps you've taken, or are proposing to take, to reduce the likelihood or impact on consumers of interruptions for any anticipated SAIDI INTSA values and SAIFI INTSA values:

Indication of whether project is collaborative

Indicate whether the EDB intends to work together with one or more other EDBs to carry out the project and, if so, how it intends to work together with the other EDBs:

Other supplementary information

Space for the EDB to provide supplementary information the EDB wants to provide that does not fit under any of the previous headings: