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Via email: [REDACTED]

Tēnā koe Jonathon

Approval of Horizon’s application for the Innovation and Non-traditional Solutions Allowance

This letter sets out our decision to approve Horizon to recover up to 75% of the \$130,000 forecast costs for the ‘GridAware Lite collaborative trial’ project (the Project) from the Innovation and Non-Traditional Solutions Allowance (INTSA).¹

Horizon’s Application

Horizon submitted its INTSA application on 4 May 2026.² The application sought our approval to recover 75% of the \$130,000 forecast Project costs from its INTSA allowance, at the completion of the Project. The total forecast cost of the Project represents approximately 9% of Horizon’s total INTSA allowance.

Horizon’s Project will trial an AI-enabled imagery analysis software to assess its overhead assets for defects. The Project will use data and images uploaded by Horizon into the system. Machine learning models then process these images to detect defect conditions, which can then be reviewed and incorporated into Horizon’s existing asset management systems. Horizon is collaborating with Unison, Northpower, Orion and WEL Networks on this trial.

Our assessment of Horizon’s application

We have assessed and approved Horizon to recover up to 75% of the \$130,000 forecast costs at the completion of the Project. This equates to \$97,500.

To be eligible for INTSA funding a project must meet the eligibility criteria set out in paragraph (6) of Schedule 5.3 of the Determination.

¹ INTSA is provided for under the *Electricity Distribution Services Default Price-Quality Path Determination 2025 [2024] NZCC 28, Schedule 5.3 (the Determination)*.

² [Horizon Grid Aware Lite INTSA Application 4 May 2026](#)

Assessment of eligibility criteria

(6)(a) – project relates to the supply of electricity distribution services

We consider the Project relates to the supply of electricity distribution services. The software is intended to be used to detect and predict the health of the electricity distribution business' (EDB) assets, helping to inform when fixes or upgrades are required. Better monitoring of asset health and condition will help consumers receive a more reliable quality of supply from their EDB.

(6)(b) – project promotes the purpose of Part 4 of the Commerce Act 1986³

We consider the Project promotes the s52A(1)(a)-(c) limbs of the purpose of Part 4.

The Project promotes the s52A(1)(a) limb as it is innovative and, if successful, is likely to encourage Horizon to invest in its assets at the appropriate time. The Project is innovative as it is trialling the use of AI software to assess assets for condition and defects. The Project is intended to provide Horizon with more accurate asset condition information, which should improve Horizon's ability to invest in upgrades and replacements at the appropriate time for the benefit of its consumers. The collaborative nature of the Project also supports sector-wide innovation through knowledge-sharing.

The Project promotes the s52A(1)(b) limb as it has the potential to create efficiencies over the long term. If successful, the Project could provide a lower cost alternative to onsite asset condition checks and lead to better asset management practices. These improved practices could minimise outages over time providing consumers with a better quality of service.

The Project promotes the s52A(1)(c) limb as it has the potential to create efficiency gains (for the reasons outlined above), which would then be shared with consumers over the longer term via the price-quality path mechanisms. The efficiency gains could be through reduced operating costs and more efficient capital expenditure.

(6)(c)(ii) – the benefits of the project are sufficiently uncertain that the EDB would not carry out the project if it could not recover some or all of the forecast project costs

While the full GridAware system has been trialled and produced positive outcomes, we accept that it has not been proven with certainty that the 'Lite' version would produce the

³ **52A Purpose of Part 4**

(1) The purpose of this Part is to promote the long-term benefit of consumers in markets referred to in [section 52](#) by promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services—

- a) have incentives to innovate and to invest, including in replacement, upgraded, and new assets; and
- b) have incentives to improve efficiency and provide services at a quality that reflects consumer demands; and
- c) share with consumers the benefits of efficiency gains in the supply of the regulated goods or services, including through lower prices; and
- d) are limited in their ability to extract excessive profits.

same or similar results. We consider that the benefits of GridAware Lite are still “sufficiently uncertain” that without the ability to recover some of the costs Horizon would not carry out the Project.

By meeting this criterion (together with 6(a) and (b) above), Horizon is eligible for up to 75% recovery of the forecast costs of the Project (\$97,500 out of \$130,000).

Next steps

With the INTSA application now approved, Horizon is eligible to draw down up to 75% of the Project costs on its completion. Horizon has indicated that the Project will be completed by 31 December 2027 (regulatory year 2028).

Because Horizon is collaborating with Unison and other EDBs, it may drawdown the forecast costs from the share of its INTSA allowance that is set aside for collaborative projects.

Horizon must submit a closeout report to the Commission that meets the requirements found in paragraph (14) of Schedule 5.3 of the Determination, within 50 working days of completing the Project.

We will publish this approval letter on our website.

Nāku iti nei, nā

Hristina Dantcheva

Head of Price-Quality Regulation