

7 April 2026

Ben Woodham

Electricity Distribution Manager
Commerce Commission
44 The Terrace
Wellington, 6140

By email: infrastructure.regulation@comcom.govt.nz

Horizon Energy Distribution Limited (Horizon Networks) INTSA application - LocalFlex

1. Horizon Networks is writing to you to request approval to access \$110,000 of Horizon Networks DPP4 Collaborative Innovation and Non-Traditional Solutions Allowance (INTSA) to support 100% of the costs associated with joining the existing LocalFlex trial alongside Vector, PowerCo, Unison and Our Energy.
2. In our view the Commerce Commission can approve 100% of the cost for this INTSA application because:
 - The application is consistent with Schedule 5.3 of the Default Price-Quality Path Determination.
 - The project is joining an existing, short (10-month) pilot for a demand response platform that could foster a flexibility market within the Horizon Network.
 - Without an INTSA, this project is unlikely to be funded from within Horizon Networks operational expenditure allowance.
 - 100% of the costs can be recovered via INTSA because this trial will not provide financial benefits within the next five years.
3. A completed version of the Commerce Commission's INTSA application form is attached as Appendix A.

About LocalFlex

4. LocalFlex is designed to simplify, standardise, and scale the way networks and flexibility service providers engage. It's a full-market platform that covers the entire process, from onboarding to verification and settlement.
5. It is a platform that will allow for fair, transparent and repeatable procurement of flexibility services from multiple providers from a single source.
6. Horizon Networks would like to join the existing Vector, PowerCo and Unison trial of LocalFlex as part of fostering a local flexibility market that can provide a market-led alternative to managing future network constraints.

The application is consistent with Schedule 5.3 of the Default Price-Quality Path (DPP) Determination

7. Schedule 5.3 of the Default Price-Quality Path Determination sets out the process and criteria for a non-exempt EDB to submit a proposal to access its INTSA allowance for a specific project or programme.
8. Horizon Networks can confirm the application is consistent with Schedule 5.3 of the DPP determination because:
 - The application has been made at least six months before the end of the DPP4 period (31 March 2030)¹.
 - The application contains sufficient information to allow the Commerce Commission to determine if the project meets the eligibility criteria².
 - The specific information required in Schedule 5.3(4), and assessment against the eligibility criteria in Schedule 5.3(6) can be found in the INTSA application form in Appendix A.

¹ Schedule 5.3(3)

² Schedule 5.3(4)(j)

The project is joining a short (10-month) trial to start fostering a local flexibility market

9. New Zealand has a nascent flexibility market, with theoretical benefits that will only be quantified once flexibility providers, and those who value flexibility (such as EBDs) can be connected and coordinated.
10. Horizon Networks is forecasting several major capital projects over the next decade to address the anticipated network constraints and security of supply risks directly attributed to an increase in electricity demand.
11. Flexibility is not widely available or used within Horizon Networks, or New Zealand. This means that investing time and money into developing a local flexibility market is:
 - Risky – it is not clear if there is a local market for flexibility within the Horizon Network, and no certainty of success.
 - Innovative – Using a Flexibility market to address forecast network constraints not widely used within New Zealand, and has a different risk profile and technical challenges compares to traditional CAPEX solutions.
12. The INSTA funding will support Horizon Networking joining a 10-month trial of the LocalFlex platform. This trial will allow Horizon Networks to evaluate and start to foster a local flexibility market.

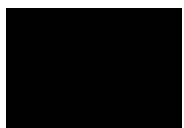
Without an INTSA, this project is unlikely to be funded from within Horizon Networks operational expenditure allowance

13. Without INTSA funding, the LocalFlex trial is unlikely to stand up against day-to-day operational requirements and would accordingly be unlikely to be funded from within Horizon Networks operational expenditure allowance.
14. The project is risky and delivers no immediate direct network benefits. The primary benefit is to understand how flexibility may be integrated within Horizon Networks day-to-day operations, and to gain insights into the value and availability of flexibility to help defer network upgrades.
15. Without an INTSA allowance, Horizon Networks is not incentivised to spend the \$110,000 OPEX required to join the LocalFlex trial and help develop a local flexibility market.

100% of the costs can be recovered via INTSA because this trial will not provide financial benefits within the next five years

16. The LocalFlex trial will provide no financial benefits within the next five years.
17. This is because the trial is limited to a 10-month evaluation period, which can be used to assess and grow a flexibility market within the Horizon's network. After this time, Horizon Networks intends to be in a position to decide what the next steps are to foster and access flexibility within the network.
18. Any benefits would be realised through long-term use of Flexibility, and occur outside of the limited, 10-month trial period.

Yours Sincerely



Jonathon Staite
Regulatory Manager



HORIZON ENERGY DISTRIBUTION LIMITED

APPENDIX A: INTSA APPLICATION TEMPLATE

Voluntary administrative information	
Name of organisation:	Horizon Energy Distribution Limited
Key contact for project:	Feng Wu
Key contact role:	GM Network
Key contact email:	[REDACTED]

Summary table

Financial summary	Value (\$000)
Recovery in this application	110
Allowance recovery approved in previous applications – EDB	65
Allowance recovery approved in previous applications – collaborative	0
Remaining allowance – EDB	1060
Remaining allowance – collaborative	265
Total allowance	1500

Eligibility criteria

Relates to the supply of electricity distribution services <i>Schedule 5.3(6)(a)</i>
<p><i>Explain how your project relates to the supply of electricity distribution services:</i></p> <p>Consistent with the Powerco, Unison and Vector INTSA applications for the same product, this platform is a tool for sourcing options to manage network capacity needs for delivering electricity lines services, where flexibility services offer a potential direct substitution or deferral of network investments otherwise required.</p>
Promotes the Part 4 purpose of the Act <i>Schedule 5.3(6)(b)</i>
<p><i>Explain how your project promotes the purpose of Part 4 under s 52A(1) of the Commerce Act:</i></p> <p>The LocalFlex project promotes the purpose of Part 4 of the Commerce Act, particularly 52A(1)(b) and 52A(1)(c) to promote outcomes that are consistent with outcomes produced in competitive markets such that the suppliers of regulated good or services –</p> <p>(a) have incentives to improve efficiency and provide services at a quality that reflects consumer demands; and</p> <p>(b) share with consumers the benefits of efficiency gains in the supply of the regulated good or services, including through lower prices.</p>

- Flexibility services should allow Horizon Networks to reduce the costs of delivering electricity services, through deferment of some types of conventional reinforcement and resilience investments.
- Flexibility services will provide an opportunity for consumers to share in the financial benefits from any DER they provide, through their flexibility provider.
- Support the resilience of the network during emergency conditions but reducing non-essential electricity demand / providing additional capacity where flex services can support this.

Explain how one or both of the following applies:

Schedule 5.3(6)(c)

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.

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:*

The LocalFlex projects is unlikely to result in any financial benefits to Horizon Networks in the five disclosure years after the INTSA proposal is complete.

LocalFlex is a trial, with the key benefits being the improved understanding of flexibility services, local availability of those services and integration with flexibility providers.

Horizon Networks will not own the platform and if the project is successful there will be additional ongoing annual costs outside of the scope of this INSTA application to procure a flexibility platform and flexibility services in order to realise any financial benefit.

It is not yet clear if there are sufficient flexibility services available to allow Horizon Networks to defer capex expenditure in the short term. The scale and location of available flexible resource is uncertain. The development of the local market platform should encourage the flexibility services market to develop with the Eastern Bay of Plenty to the scale required to regularly defer capex.

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:*

The benefits of this project are very uncertain. There are geographical and socioeconomic conditions unique to Horizon Networks that means even if other regions can demonstrate benefits, without this project the availability and benefits within the Horizon Network would remain uncertain.

The risks associated with the projects, and the perceived scale of available flexibility resources means this project will not stand up against day-to-day operational requirements. It would be highly unlikely to be funded from Horizon Networks operational expenditure allowance without this INTSA.

Project specific information

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

Schedule 5.3(4)(a)

INTSA outputs and expected benefits of the project for consumers:

The key output from this project will be a technology solution enabling a local electricity flexibility market for EDBs to broadcast flexibility requirements, procure local flexibility and engage with and recruit Flexibility Service Providers (FSPs)

Consumers will benefit from LocalFlex through:

1. **Reduced costs to delivery electricity lines services** through better utilisation of existing network assets and deferral of network reinforcement investments.
2. **Increasing the value of DER** by providing an additional 'link' in the value chain for DER, increasing the overall value that DER can provide to the wider industry.
3. **Actively helping an emerging market develop** by promoting local flexibility opportunities for consumers.

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

As noted above, the proposed outcome is to foster an emerging flexibility market within the Horizon Network, enabling flexibility providers to be fairly compensated for actions that reduce Horizon Networks' costs of providing lines services.

Estimated delivery date for outputs

Schedule 5.3(4)(b) and (c),

<i>Outputs:</i>	<i>Date:</i>
Local flexibility market in place for collaboration with clear commercial opportunities	January 2027
Final project report	March 2027

Estimated annual forecast costs of project

Schedule 5.3(4)(d)

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

The forecasted project cost is approximately \$110,000 p.a. for one year
 The project outputs are expected to be delivered 10 months after engaging with Our Energy (project output estimated to be available around January 2027) and closeout report provided to the Commerce Commission 50 business days after this date (closeout report estimated to be available around March 2027)

Proportion of forecast costs that EDB wishes to recover

Schedule 5.3(4)(e)

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:

Horizon Networks requests 100% of the project costs are covered.

As noted above:

The LocalFlex projects is unlikely to result in any financial benefits to Horizon Networks in the five disclosure years after the INTSA proposal is complete.

LocalFlex is a trial, with the key benefits being the improved understanding of flexibility services, local availability of those services and integration with flexibility providers.

Horizon Networks will not own the platform and if the project is successful there will be additional ongoing annual costs outside of the scope of this INSTA application to procure a flexibility platform and flexibility services in order to realise any financial benefit.

It is not yet clear if there are sufficient flexibility services available to allow Horizon Networks to defer capex expenditure in the short term. The scale and location of available flexible resource is uncertain. The development of the local market platform should encourage the flexibility services market to develop with the Eastern Bay of Plenty to the scale required to regularly defer capex.

Any anticipated SAIDI INTSA values and SAIFI INTSA values

Schedule 5.3(4)(f)

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

There are no anticipated SAIDI and SAIFI impacts due to the project, so no SAIDI or SAIFI INSTA allowance is being requested.

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

Schedule 5.3(4)(g)

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:

There are no anticipated SAIDI and SAIFI impacts due to the project, so no SAIDI or SAIFI INSTA allowance is being requested.

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

Schedule 5.3(4)(h)

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:

The project is not anticipated to directly impact SAIDI and SAIFI performance. As a result, no steps have been taken to reduce the likelihood or impact on consumers.

Indication of whether project is collaborative

Schedule 5.3(4)(i)

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:

This is an existing collaborative project, that we wish to join. It currently involves Powerco, Unison and Vector.

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:

Horizon Networks would like to join an existing collaborative innovation project known as “Local Flex”, currently being undertaken by Vector, PowerCo, Unison and Our Energy. This project is intended to enable EDBs to broadcast requirements and procure local flexibility services, as well as allow flexibility service providers (FSPs) to register their flexible distributed energy resource.

This innovation project envisioned other EDBs joining the trial prior to its completion and it is timely for Horizon Networks to join at this time.

While some progress has already been made on the project trial to date, Horizon would be joining the collaboration and actively contributing alongside PowerCo, Unison, Vector and Our Energy to deliver the full scope of work.

This INTSA application represents Horizon’s participation into the programme and follows PowerCo, Unison, and Vector’s previous applications.

The Project Scope includes:

1. **Rollout of initial flexibility use cases** that reflects common operational needs across EDBs
2. **Develop, test, and refine the technology solution**, including off-solution activities such as standard form template to record agreed flex transactions, contract signing, and flexibility delivery/settlement.
3. **Refine and execute flexibility requests** in collaboration with Our Energy, EDBs, and FSPs
4. **Final report** on initial rollout outcomes

The development of a flexibility market is important for New Zealand’s energy future. Horizon Networks’ strong local focus offers unique value by generating practical insights into flexibility use cases and market development in regions with a lower density of ICPs and smaller customer population.