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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's application to recover 100% of the \$110,000 forecast costs of its 'LocalFlex' project (the Project) from the Innovation and Non-traditional Solutions Allowance (INTSA).¹

Horizon's application

Horizon submitted its INTSA application in April 2026.² The application sought our approval to recover 100% of the forecast Project costs of \$110,000 from its INTSA allowance, at the completion of the Project.

Horizon's Project aims to partner with Our Energy and other EDBs³ to set up and rollout a local flexibility market platform. The platform would enable EDBs to broadcast requirements and procure local flexibility services and allow flexibility service providers to register their flexible distributed energy resources.

Commission assessment of Horizon's application

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 The INTSA application requirements can be found in Schedule 5.3 of the Determination.

³ Including Vector, Unison, and Powerco who we have already approved for cost recovery related to this project.

Assessment of the eligibility criteria

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

We consider that the Project relates to the supply of electricity distribution services as the Project is intended to set up “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”.

(6)(b) – project promotes the purpose of Part 4 of the Act⁴

We consider the Project promotes the purpose of Part 4, and in particular the s 52A(1)(b) and (c) limbs of the Part 4 purpose, as follows.

- Enabling flexibility services may allow for a reduction in the costs of delivering electricity distribution services to consumers, through deferment of some types of conventional reinforcement and resilience investments (s 52A(1)(b)).
- If the Project is successful and Horizon continues to use the LocalFlex platform:
 - any future efficiency gains from deferred investments will be shared with consumers via the price-quality path mechanisms (s 52A(1)(c)); and
- flex services can provide additional capacity and/or reduce non-essential electricity demand in periods of high demand or emergency conditions and thus, result in fewer interruptions for consumers and higher network resilience in the longer term (s 52A(1)(b)).

(6)(c)(i) – project is unlikely to otherwise result in any financial benefits to the EDB in the five disclosure years after expected delivery date

This criterion is required for a project to be eligible to recover up to 100% of the project costs. We consider this Project satisfies this criterion.

Currently the scale and location of available flexible resource in Horizon’s area is uncertain. 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. While the development of the LocalFlex platform could encourage the flexibility services market in the Eastern Bay of Plenty to develop to the scale required to regularly defer capex, it is currently highly uncertain that capex deferral will be possible in the short-to-medium term. On balance, we consider it unlikely that Horizon will benefit financially from this Project by being able to seek sufficient flexibility services to reliably reduce constraints on the network via the market, within the 5-year timeframe.⁵

⁴ Section 52A of the Commerce Act 1986 (the Act).

⁵ In addition, there is the known disincentive introduced by the regulatory construct where EDBs may be financially disincentivised to defer capex in future periods due to IRIS. INTSA exists in part to offset this disincentive.

By meeting this criterion (together with the criteria above), Horizon is eligible for 100% recovery of the forecast costs of the Project (\$110,000).

Next steps

With the INTSA application now approved, Horizon is eligible to draw down the forecast project costs of \$110,000 on project completion. The outputs from the Project Horizon has specified are:

- local flexibility market in place for collaboration with clear commercial opportunities; and
- a final project report.

Should circumstances change, Horizon may apply to us for permission to amend either the forecast costs, or the outputs of the Project.

As Horizon is collaborating with other EDBs on this Project, it may drawdown the forecast costs from the 25% set aside for collaborative projects from its total INTSA allowance of \$1.5 million.

Additionally, 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