

2 March 2026

Alec Findlater – Regulatory Lead – Commerce Commission, Orion
Via email: [REDACTED]

Tēnā koe Alec,

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

This letter sets out our decision to approve Orion’s application to recover up to 100% of the \$269,000 forecast costs for Phase 2 of its Commercial and Industrial Demand Flexibility project (Project) from the Innovation and Non-Traditional Solutions Allowance (INTSA).¹

Orion’s Application

Orion submitted its INTSA application in November 2025.² The application sought our approval to recover up to 100% of the \$269,000 forecast Project costs from its INTSA allowance at the completion of the Project. The total forecast cost of the Project represents approximately 2% of Orion’s total INTSA allowance.

Orion’s Project will explore the potential for higher uptake from commercial and industrial consumers of Orion’s existing Control Period Demand (CPD) pricing signal. The Project will consist of two stages. First, Orion will build readiness for greater CPD response through flexibility assessments, collaborating with electricity retailers, customers and other flexibility stakeholders to support new ways of operationalising flexibility. Second, Orion will develop a minimum viable product prototype for improved operation of the CPD (eg, a CPD dashboard with historical trends, forecasting and advance notification) to be tested with selected consumers.

Orion is not formally collaborating with other Electricity Distribution Businesses (EDBs) on this project. However, they have established a reference group of EDBs to meet with on a regular basis to share project updates, learnings and project governance. We welcome this level of engagement and knowledge sharing amongst EDBs.

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 <https://www.comcom.govt.nz/assets/Uploads/Orion-Commercial-and-Industrial-Demand-Flexibility-Project-4-November-2025.pdf>

Our assessment of Orion’s application

We have assessed the application and approved Orion to recover up to 100% of the \$269,000 forecast costs at the completion of the Project.

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.

Assessment of eligibility criteria

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

We consider this project relates to the supply of electricity distribution services. The Project relates to reducing peak demand on the network through increased uptake of Orion’s CPD pricing signal. If successful, it could help defer capex investment and enable Orion to more efficiently utilise its existing network.

(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 effective, has the ability to enable Orion to defer capital investment. The Project is innovative as it is trialling new mechanisms and settings that might encourage more commercial and industrial consumers to participate in demand side flexibility.

The Project promotes the s52A(1)(b) and (c) limbs as it has the potential to create efficiencies over the long term that could be shared with consumers in the form of lower prices. If successful, the Project could enable Orion to more efficiently run its network through upgrade deferral and avoidance of unnecessary capex investment.

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

This criterion is required for a project to be eligible to recover up to 100% of the project costs. The test is whether the EDB is “unlikely”⁴ to receive some financial benefit within 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.

⁴ To satisfy this criterion, the financial benefit has to be more unlikely than likely, ie, more than a 50% chance.

five years. The test does not require that the EDB is Net Present Value (NPV) neutral within the five-year timeframe.

We consider this Project satisfies this criterion. Due to the size of the trial proposed by Orion, we accept that a successful trial is unlikely to produce enough of a demand shift to defer any capex investment within the five-year period required. If successful and scaled up post-trial, we accept that there would be some delay from when the demand shift occurs, to when that demand shift is consistent enough to defer capex investment in the network.

Additionally, we accept that the level of uptake from major customers (assuming the trial is successful and scaled up) and how much demand the customers would be able to consistently shift is currently highly uncertain. This is a further reason to support Orion's approach of running a small-scale trial rather than moving to full roll-out.

For these reasons, we consider that this Project meets the threshold for being unlikely to result in a financial benefit to the EDB within the five-year period following the end of the Project.

Next steps

With the INTSA application now approved, Orion is eligible to draw down up to 100% of the Project costs on its completion. Orion has indicated that the Project will be run across regulatory year 2026 and regulatory year 2027.

Orion must submit a closeout report to the Commission that meets the requirements found in paragraph (14) of Schedule 5.3, 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