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15 December 2025

Irene Clarke – Policy Manager, Powerco
Via email: ███████████████████████

Tēnā koe Irene,

Approval of Powerco's application for the Innovation and Non-traditional Solutions Allowance

This letter sets out our decision to approve Powerco's application to recover 100% of its $105,000 forecast costs for the 'demand forecasting model using AI/ML – Phase 1' project (Project) from the Innovation and Non-Traditional Solutions Allowance (INTSA).[1] Powerco will be able to recover these costs at the completion of the Project.

Powerco's application

Powerco submitted its INTSA application in October 2025.[2] The application sought our approval to recover 100% of the forecast Project costs of $105,000 from its INTSA allowance, at the completion of the Project. The forecast cost of the Project represents less than 1% of the share of Powerco's INTSA allowance that does not require collaboration with another EDB.

Powerco's proposed Project will leverage Artificial Intelligence (AI) and Machine Learning (ML) to deliver learning outcomes that could then inform the subsequent delivery of a suite of electricity demand forecasting models. These models could then enable Powerco to make better-informed decisions for utilisation and investment in the network.

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[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.

Our assessment of Powerco's application

In coming to this decision, we assessed Powerco's application against the eligibility criteria set out in paragraph (6) of Schedule 5.3 of the DPP4 Determination.

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 as its aim is to establish the feasibility of utilising AI and ML to improve the accuracy and specificity of electricity demand forecasting, which in turn can result in more effective future network planning.

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

We consider the Project promotes the purpose of Part 4, and in particular the s 52A (1)(a)-(c) limbs.[3]

- The Project promotes the s52A(1)(a) limb as it explores an innovative approach to electricity demand forecasting that could result in better targeted and right-sized network investment.

- The Project is likely to promote the s52A(1)(b) limb as it has the potential to improve efficiency in the long run. If the Project results in more accurate demand forecasting, it may also lead to quality improvements for Powerco's consumers through better network utilisation.

- The Project is likely to promote the s52A(1)(c) limb as consumers could potentially benefit from lower costs over time. If the Project is successful and Powerco is able to achieve efficiency gains (as outlined above), these would be shared with consumers over the longer term.

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

The Phase 1 of a multi-phase programme is focused on generating learning outcomes. In addition, the electricity demand forecasting approach that will be explored through the Project is unique and untested at scale as it attempts to incorporate diverse and unstructured datasets which have never been previously used. While the Project will provide a valuable opportunity to explore innovative approaches, the outcome is highly uncertain as the Project may not meet Powerco's future requirements. As such, this stand-alone Phase 1 is unlikely to result in financial benefits to Powerco in the next 5 years.

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[3] Section 52A of the Commerce Act 1986.

By meeting this criterion (together with the criteria above), Powerco is eligible for 100% recovery of the forecast costs of the Project ($105,000).

Next steps

With the INTSA application now approved, Powerco is eligible to draw down the forecast project costs of $105,000 on its completion. In its application, Powerco indicated that the Project will take approximately 6 months to complete from commencement, with an indicative completion in April 2026. Upon completion of this Project, Powerco plans to evaluate whether to proceed to the next phase.

Powerco 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