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2 September 2026

Irene Clarke
Policy Manager
Powerco

Via email: [redacted]

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 75% of the $675,000 forecast costs of its 'Flexible Farm Energy' project phases 2 and 3 (the Project) from the Innovation and Non-traditional Solutions Allowance (INTSA).[1]

Powerco's application

Powerco submitted its INTSA application in April 2026.[2] The application sought our approval to recover 75% of the forecast Project costs of $675,000 from its INTSA allowance, at the completion of the Project.

Powerco's Project will engage with rural energy consumers and service providers to understand the future energy consumption patterns and consumer energy resources of the rural network. Using these insights the Project will then develop and test network and non-network energy solutions for rural energy consumers and with service providers.

Commission assessment of Powerco's application

We have assessed and approved Powerco to recover up to 75% of the $675,000 forecast costs at the completion of the Flexible Farm Energy project. This equates to $506,250.

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.

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 insights gained will inform Powerco's decisions for future services and lines investments for its rural consumers.

(6)(b) – project promotes the purpose of Part 4 of the Act[3]

The Project promotes the purpose of Part 4, and in particular the section 52A(1)(b) and (c) limbs of the Part 4 purpose.

Section 52A(1)(b) - ensure that regulated suppliers have incentives to improve efficiency and provide services at a quality that reflects consumer demands.

Powerco states that supporting a sustainable future will require the highly efficient delivery of electricity to rural consumers, including those with and without Consumer Energy Resources (CERs), and this will involve changed network and non-network services. We agree with this assessment.

The Project is intended to improve understanding of future customer needs and network requirements, which will support more efficient and targeted investment decisions. By identifying opportunities for innovation and future network solutions, the Project has the potential to inform investment decisions that maintain service quality while delivering services more efficiently over the long term.

Section 52A(1)(c) – efficiency gains achieved by regulated businesses should be passed on, at least in part, to consumers, commonly through lower prices or better value.

Powerco states that the Project will provide long-term value for rural consumers connected to the electricity network through engagement with consumers and service providers to identify future needs and opportunities for efficient investment. We agree with this assessment.

The Project is focused on understanding consumer preferences and service requirements in rural areas, which will help ensure future investment and service delivery better reflect consumer demands. If successful, the resulting investments and service models could improve network efficiency and contribute to lower costs for consumers.

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[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.

(6)(c)(ii) – Sufficiently uncertain benefits

We agree that the benefits from the FarmFlex project are sufficiently uncertain that Powerco would not carry out of the project without INTSA funding. The nature of the insights to be gained from phase 2 and the solutions to be tested during phase 3 are currently unknown. Until these are known, we accept that it is difficult to properly assess the certainty of any benefits. Powerco has also stated that as it is currently prioritising other projects with more certain outcomes within its existing revenue allowance, it would not be able to progress FarmFlex without INTSA funding.

By meeting this criterion (together with *6(a)* and *(b)* above), Powerco is eligible for up to 75% recovery of the forecast costs of the Project ($675,000).

Next steps

With the INTSA application now approved, Powerco is eligible to draw down the forecast project costs of $506,250 on project completion. The outputs from the Project Powerco have specified are:

- Report on conclusions and case/scope for proceeding (or not) with phase 3.
- Present an overview of the Projects and key learnings to a suitable ENA or EEA or other industry forum to raise awareness amongst all EDBs, and to seek partners for phase 3. For example, an ENA Future Networks Forum meeting.
- Solution implementation and integration

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

If Powerco is collaborating with other EDBs on this Project (possibly in phase 3), it may drawdown the forecast costs from the 25% set aside for collaborative projects from its total INTSA allowance of $20.1 million**.**

Additionally, Powerco 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

Ben Woodham
Acting Head of Energy and Airports