

27 May 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 to recover up to 100% of the \$265,000 forecast costs for the 'NZ Low-voltage Enhanced Network Solutions (LENS) – cable health monitoring trail' project (the Project) from the Innovation and Non-Traditional Solutions Allowance (INTSA).¹

Powerco's Application

Powerco submitted its INTSA application in March 2026.² The application sought our approval to recover up to 100% of the \$265,000 forecast Project costs from its INTSA allowance, at the completion of the Project. The total forecast cost of the Project represents approximately 1% of Powerco's total INTSA allowance.

The Project involves deploying low-voltage (LV) monitoring equipment developed by EA Technology to identify early signs of underground cable failure. The initiative aims to evaluate the technology's effectiveness in detecting potential issues before they escalate, enabling proactive asset management.

Powerco is planning to collaborate with Orion, Unison and potentially other EDBs when evaluating the effectiveness of this technology for NZ conditions under this Project.³

Our assessment of Powerco's application

We have assessed and approved Powerco to recover up to 100% of the \$265,000 forecast costs at the completion of the Project.

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 Powerco, [Innovation and Non-Traditional Solutions Allowance Application: NZ Lens – Cable Health Monitoring Trial](#), (2 March 2026).

³ Powerco noted in its application the involvement of Orion and Unison. Powerco, [Innovation and Non-Traditional Solutions Allowance Application: NZ Lens – Cable Health Monitoring Trial](#), (2 March 2026), section 3.5.

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 the Project relates to the supply of electricity distribution services. The purpose of the Project is to develop a new method to detect and predict the health of the electricity distribution businesses' assets (in this case, LV cables) used in the supply of electricity to consumers.

(6)(b) – project promotes the purpose of Part 4 of the Commerce Act 1986⁴

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 incentivises Powerco to innovate. The Project is innovative because it is trialling technology that tests a new approach to detect early underground cable failure and log pre-fault indicators for the LV cables. This technology has had limited testing in New Zealand to date. If the trial is successful and the technology is adopted, it will allow Powerco to better prioritise its maintenance investments.

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 via the price-quality path mechanisms. Better monitoring of asset health and condition may enable improved asset management decision-making and the provision of electricity distribution services at a lower cost and/or to a better quality. If successful, the Project could lead to a broader adoption of the technology and enable efficiencies through deferring asset replacements or upgrades. It could also improve service quality by reducing outages caused by cable failures.

(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' to receive some financial benefit within the five years.⁵

⁴ **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.

⁵ To satisfy this criterion, the financial benefit has to be more unlikely than likely, ie, less than a 50% chance that the project will result in financial benefits to the EDB.

Our understanding is that the Project is intended to test the viability of the technology in New Zealand and identify options for use of the technology on Powerco's network through a small scale trial. The Project does not include rolling out the technology across the network and/or using the data to inform asset management decision-making. Since the technology is untested in NZ and the trial is small, we accept that it is sufficiently uncertain whether the Project will produce additional insights or improvements to asset management to result in financial benefits for Powerco in the 5 years following completion of the Project. While financial benefits are possible if the trial is successful and the technology is adopted, the trial itself is sufficiently small as to make financial benefits unlikely.

On that basis, we consider it is 'unlikely' Powerco will financially benefit from the trial phase of this technology alone (i.e. works covered under this Project), and that Powerco will need to make further investments to apply the technology to its network to realise efficiencies that could lead to financial benefits.

Powerco is therefore eligible to recover up to 100% of the Project costs.

Next steps

With the INTSA application now approved, Powerco is eligible to draw down up to 100% of the Project costs on its completion. We also agree the Project is eligible for the allowance reserved for collaborative projects due to the involvement of other EDBs. Powerco has indicated that the Project will be run across regulatory years 2026 and 2027.

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

Hristina Dantcheva

Head of Price-Quality Regulation