INNOVATION AND NON-TRADITIONAL SOLUTIONS ALLOWANCE (INTSA) APPLICATION

LOCALFLEX PLATFORM

1 OCTOBER 2025

vector

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Project Eligibility Criteria

Table 1 - Summary of how the Project meets INTSA Eligibility Criteria

INTSA Eligibility Criteria	Yes/No	How the Project meets the Criteria
Relates to the supply of electricity distribution services	Yes	This platform is 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.
Promotes the Part 4 Purpose of the Act	Yes	Project has the following potential benefits that promote the Part 4 Purpose of the Act: • Reduce costs of delivering electricity line services through the deferment of conventional reinforcement investments • Provide consumers the ability to gain benefits from their distributed energy resources (DER) via a flexibility service provider • Enhance network resilience, in circumstances where flex services can support this • EDBs learn from the establishment and testing of demand flexibility services procurement platform • EDBs can evaluate if there is a reduction in cost of procurement of demand flexibility services through the platform as compared to conventional solutions • EDBs have potential to procure services through the platform as an alternative means of reducing or shifting peak demand
The project or programme is unlikely to otherwise result in any financial benefits to the EDB in the five disclosure years after the date by which it indicates that it expects it will complete its project: and/or the benefits of the project or programme are sufficiently uncertain that the EDB would not carry out the project or programme if it could not recover some or all of the forecast costs of the project from its INTSA	Yes	Both criteria are met. The benefits of this project are uncertain due to the scale of available flexible resources and the project would not be able to stand up against day-to-day operational requirements. It would be highly unlikely to be funded from Vector's operational expenditure allowance without the INTSA recovery. We expect the project is unlikely to result in any financial benefits to Vector in the five disclosure years after expected delivery date. Vector will not own the platform and expects ongoing annual costs to share opportunities and engage with flexibility service providers on a flexibility procurement platform.

INTSA Application Information

Project Contact

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Project Purpose and Steps

Engaging flexibility services is a core function of Vector's Symphony strategy. The development of a local flexibility market (the nature of this proposed INTSA project) is an important enabling step towards efficient procurement and use of flexibility services at distribution networks.

Vector will be collaborating with PowerCo, Unison and Our Energy to deliver this project. This application follows PowerCo and Unison's previous applications for this collaborative project. Our Energy is an energy technology company that will provide the LocalFlex platform via its relationship with an international platform provider. The platform is intended to enable EDBs to broadcast requirements and procure local flexibility services, as well as allow flexibility service providers (FSPs) to register their flexible distributed energy resources.

Other EDBs will be able to join during the rollout stage of the local flexibility market platform (this proposed INTSA project). If additional EDBs join, the collaborating EDBs costs, including Vector's, may reduce as the pricing was based on three EDBs collaborating for this initial phase. Our Energy may also provide a discount on future costs to EDBs that collaborated during this rollout phase following the completion of the project. Completion of the project is estimated in November 2026.

Distributed energy resources (DER) and flexibility services are a non-traditional approach for managing peak demand within network capacity limits when compared to conventional network reinforcement to increase capacity limits. By participating, Vector anticipates the platform will encourage investments in flexibility services capabilities so that there are more resources available to provide network deferral services, which may lead to lower costs for consumers. The collaborating EBDs aim for the platform to lower costs in identifying, procuring, and using demand flexibility services, which will result in consumer savings and will share learnings with the industry during and after completion of the project.

Benefits for Consumers:

- Reducing costs of delivering electricity line services through better utilisation of existing network assets and deferment of network reinforcement investments
- Opportunity for additional benefits from their DER by offering flexibility services
- Enhancing network resilience, in circumstances where flex services can support this
- An active flexibility market provides some owners of DER an opportunity to earn money for providing services, which can support the uptake of DER

Benefits For Vector:

- Learnings from the establishment and testing of demand flexibility services procurement platform – ability to compare costs of procurement of DF services via the platform against traditional procurement methods

- Using services procured through the marketplace as an alternative means of managing peak demand
- Real-world data about the cost of flexibility services to compare with conventional network reinforcement

Key Steps:

1. Configure platform for New Zealand Use Cases: prepare use cases with collaborating EDBs; agree structure of flexibility opportunity requests; confirm participants on platform (EDBs and flexibility service providers);
2. Initial testing of platform: EDBs load network data and network opportunities onto platform and test capability to edit, accept, decline, respond, track and report on opportunities
3. Platform user group engagement (parallel with steps 1 and 2)
4. Governance group oversight (parallel with steps 1 and 2)
5. Interim Report on findings
6. Final Report on findings
7. Evaluate and refine ongoing flexibility market implementation

Project Output	Expected Date:
Interim Project Report on Progress and early findings	December 2025
Local flexibility markets in place for collaborator with clear commercial opportunities	November 2026
Final Project Report	December 2026

Use of Collaborative Allowance:

As previously noted, Vector will be collaborating with two other New Zealand EDBs to share in the costs of configuring and setting up a demand flexibility platform that could eventually serve New Zealand. The initial setup costs for the demand flexibility platform are being shared across the three collaborating EDBs. These initial costs involve initiating the platform in New Zealand, facilitating the integration of the initial flexibility service providers, as well as the initial configuration work related to the network topology, ICP mapping, and services for each of the participating EDBs.

When the project is complete, the expectation is that additional EDB's platform initiation costs will only need to cover EDB specific configurations. The collaborating EDBs also think that having multiple EDBs involved will encourage flexibility service providers to register and grow the availability of managed flexibility resources in New Zealand so that future network deferral opportunities have a higher likelihood of success.

Financial Summary of INTSA

	Collaborative Allowance (0.2% MAR)	Vector Allowance (0.6% MAR)	Total
DPP4 Decision	$7,100,000	$21,300,000	$28,400,000
Applications Previously Approved	$0	$0	$0
Applications Pending Decision	$0	$1,500,000 (dry type mobile transformer)	$1,500,000 (dry type mobile transformer)
This Application	$237,000	$0	$237,000
Remaining Allowance	$6,863,000	$19,800,000	$26,663,000

Annual Forecasted Costs For this Project

Project Steps	RY26	RY27	Total	Requested Recovery From INSTA (100%)
Platform Licensing and Setup Costs	$68,000		$68,000	$68,000
Project Delivery Costs (ongoing platform development, project reporting and ongoing platform configuration)	$70,000	$70,000	$140,000	$140,000
Vector Digital Integration Costs	$29,000		$29,000	$29,000
				$237,000

The forecast costs of the project for each disclosure year are outlined in the table above. All costs are GST exclusive

The costs of the platform development, testing and reporting are based on a draft agreement and forecast provided to Vector by Our Energy. This cost is established based on their knowledge of international experience in platform development, the other sources of funding contributing to this project, and the other parties engaged in this project. All EDBs involved in the project will contribute through bi-lateral agreements with Our Energy. Vector is satisfied that this cost is appropriate for the project.

The project delivery costs are forecasted costs for the set-up of the platform, ongoing support for delivery of the Project and interim and final reporting during the course of the project.

Vector has included estimated costs for digital integration for the project of $29,000. These will be tracked during delivery of the project and are expected to include a high level solution design, reviews of cybersecurity and data protection, setup and integration of user authentication systems, and GIS data extraction and preparation.

We are requesting recovery of 100% of project costs through INTSA with the reasoning provided in the section below.

Reason for the Proportion of Forecast Costs Requested From INTSA

Establishing a flexibility market to grow the availability of flexible demand resources is new to New Zealand and its success at doing so is not certain. Given this uncertainty and that benefits will span across EDBs and other industry participants, this activity falls outside the normal risk range of lines business investments.

While growing the availability of flexible resources is a key element of being able to deliver the Symphony strategy, this project would not stand up against day-to-day operational requirements and would be highly unlikely to be funded from Vector's operational expenditure allowance without the INTSA recovery mechanism.

There are still relatively few and sparsely concentrated flexibility resources available making it difficult to regularly use flexibility services to defer capex. This leads to considerable uncertainty regarding how quickly flexibility service providers or consumers will begin purchasing, integrating and/or utilising their flexible resources so that EDBs have enough resource in the right locations to defer conventional reinforcement projects.

Requested SAIDI / SAIFI value due to Project

There are no anticipated SAIDI or SAIFI impacts due to the Project and therefore we are not seeking any SAIDI or SAIFI value. We note that the use of the flexibility services procured via the platform may introduce SAIDI or SAIFI exposure and we intend to apply separately for INTSA recovery for services that defer specific infrastructure investments which were procured via the platform.